
# Half Year Report as at 30 June

# 2014

Interim Management Statements
(as per article 154-ter of legislative decree 58/1998)

TRANSLATION FROM THE ORIGINAL ITALIAN TEXT

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# PREFACE

This interim consolidated financial report for the six months ended 30 June 2014 (Interim Management Report as per Article 154-ter of Legislative Decree 58/1998) has been prepared in accordance with the above mentioned Legislative Decree and further amendments, as well as the Issuers Regulation issued by Consob.
It also conforms with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Union and has been prepared in accordance with IAS 34 - Interim Financial Reporting.

# INTERIM MANAGEMENT REPORT AS AT 30 JUNE 2014

# PERIOD HIGHLIGHTS

The first half of 2014 was characterized by a series of positive signals, both in the United States where the initial tapering by the Federal Reserve did not result in increased market volatility and diminished uncertainty about monetary policy going forward helped to further strengthen growth, and in Europe where confidence increased in the sustainability of the economic recovery that is gradually spreading to peripheral Euro zone countries, supported also by the rate cuts made by the ECB in June. Growth remains solid in the emerging countries, albeit with risks of a downward revision due to less expansive global financial conditions.

In this environment the Amplifon Group reported results that showed growth overall with respect to the same period of the prior year, benefitting from the positive results posted by its European subsidiaries and the continuing development of the business in Australia, while the United States was impacted by bad weather conditions, as well as inefficiencies resulting from a different mix of suppliers for high-end hearing aids requested by the Elite network.

The first six months of the year closed with:

- turnover of €416,450 thousand, up 1.9% but negatively impacted by the exchange effect, net of which growth reaches 4.4% due primarily to the performances posted in Australia and Europe, particularly in Germany;
- a gross operating margin (EBITDA) of €57,501 thousand, an increase of 4.3% versus the first half of 2013; net of the negative exchange effect and the restructuring costs incurred in the comparison period, growth comes to 7.9%;
- net profit of €22,563 thousand, an increase of €18,278 thousand versus the first half of 2013. This growth is largely explained by the Australian tax authorities' recognition of the deductibility for tax purposes of the amortization of part of the assets acquired in 2010 as a result of the NHC Group acquisition which had a positive impact of AUD 15.7 million (€10.6 million).

Net financial debt amounted to €297,258 thousand at 30 June 2014, an increase of €21,891 thousand with respect to 31 December 2013. The increase is attributable to the acquisitions made in the period (€26.3 million), net of which the figure would have been in line with the largely stable level of debt seen historically in the first half of the year. The period was influenced by first quarter seasonality, as well as the payment of dividends (€9.4 million) and long-term incentives to top management accrued in prior years (€6.6 million). Cash generated from current operations in the period absorbed interest payable and other financial charges of €10.9 million, capital expenditure totalling €18.8 million and taxes (net of the refund received in Australia described above) amounting to €5.4 million.

More in detail, based on the organizational structure introduced beginning this year:

- in Europe, the Middle East and Africa revenue increased by 5.1% due primarily to the performances posted in Germany, Hungary, the Netherlands, the Iberian Peninsula and

France, as well as the acquisition made in Israel and net of the decline posted in Italy. The increase resulted in an increase in profitability of 11.1%;

- in the United States results were negatively impacted by the bad weather conditions registered in the country's central/northern regions in the first part of the year, as well as, in the second quarter, by temporary inefficiencies caused by a different mix of suppliers for high-end hearing aids requested by the Elite network;

- in Asia-Pacific profitability rose 22.5%, net of the exchange effect, driven by the positive sales trend in Australia (+10.2% at constant exchange rates), while the New Zealand market remained weak ahead of a change in regulations which calls for increased subsidies beginning in July.

# MAIN ECONOMIC AND FINANCIAL DATA

| (€ thousands) | First Half 2014 | | First Half 2013 (Restated)(*) | | First Half 2013 (Reported) | | % on Restated |
|---|---|---|---|---|---|---|---|
| Economic data: | | | | | | | |
| Revenues from sales and services | 416,450 | 100.0% | 408,599 | 100.0% | 409,209 | 100.0% | 1.9% |
| Gross operating margin (EBITDA) | 57,501 | 13.8% | 55,128 | 13.5% | 55,330 | 13.5% | 4.3% |
| Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 42,651 | 10.2% | 39,923 | 9.8% | 40,039 | 9.8% | 6.8% |
| Operating income (EBIT) | 35,358 | 8.5% | 31,970 | 7.8% | 32,076 | 7.8% | 10.6% |
| Profit (loss) before tax | 23,415 | 5.6% | 13,354 | 3.3% | 13,380 | 3.3% | 75.3% |
| Group net profit (loss) | 22,563 | 5.4% | 4,285 | 1.0% | 4,285 | 1.0% | 426.6% |

| (€ thousands) | 30/06/2014 | 31/12/2013 (Restated)(*) | 31/12/2013 (Reported) | % on Restated |
|---|---|---|---|---|
| Financial data: | | | | |
| Non-current assets | 800,078 | 752,707 | 752,138 | 6.3% |
| Net invested capital | 711,097 | 656,443 | 657,978 | 8.3% |
| Group net equity | 413,417 | 380,616 | 382,175 | 8.6% |
| Total net equity | 413,839 | 381,076 | 382,635 | 8.6% |
| Net financial indebtedness | 297,258 | 275,367 | 275,343 | 7.9% |

| (migliaia di Euro) | First Half 2014 | First Half 2013 (Restated) (*) | First Half 2013 (Reported) |
|---|---|---|---|
| (€ thousands) | 19,608 | 915 | 733 |
| Free cash flow | (26,317) | (1,622) | (1,622) |
| Cash flow generated (absorbed) by acquisition activities | (167) | (307) | (308) |
| (Purchase) sale of other investments, businesses and securities | (12,825) | (10,803) | (10,803) |
| Cash flow provided by (used in) financing activities | (19,701) | (11,818) | (12,000) |
| Net cash flow from the period | (2,190) | 4,601 | 4,601 |
| Effect of the disposal of assets and of exchange rate fluctuations on the net financial position | (21,891) | (7,217) | (7,399) |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

- EBITDA is the operating result before charging amortisation, depreciation and impairment of both tangible and intangible fixed assets.
- EBITA is the operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations.
- EBIT is the operating result before financial income and charges and taxes.
- Free cash flow represents the cash flow of operating activities and investment activities before the cash flows used in acquisitions and payment of dividends and the cash flows used or generated by the other financing activities.

# RATIOS

| | 30/06/2014 | 31/12/2013 (Restated)(*) | 31/12/2013 (Reported) | 30/06/2013 (Restated)(*) | 30/06/2013 (Reported) |
|---|---|---|---|---|---|
| Net financial indebtedness (€ thousands) | 297,258 | 275,367 | 275,343 | 313,194 | 313,234 |
| Net Equity (€ thousands) | 413,839 | 381,076 | 382,635 | 393,852 | 395,549 |
| Group Net Equity (€ thousands) | 413,417 | 380,616 | 382,175 | 393,269 | 394,966 |
| Net financial indebtedness/Net Equity | 0.72 | 0.72 | 0.72 | 0.80 | 0.79 |
| Net financial indebtedness/Group Net Equity | 0.72 | 0.72 | 0.72 | 0.80 | 0.79 |
| Net financial indebtedness/EBITDA | 2.36 | 2.23 | 2.22 | 2.27 | 2.27 |
| EBITDA/Net financial charges | 5.83 | 4.39 | 4.41 | 4.7 | 4.7 |
| Earnings per share (EPS) (€) | 0.103792 | 0.059210 | 0.059210 | 0.01976 | 0.01976 |
| Diluted EPS (€) | 0.100789 | 0.057610 | 0.057610 | 0.01932 | 0.01932 |
| Earnings per share – Recurring operations (EPS) (€) | - | 0.107880 | 0.107880 | 0.016394 | 0.016394 |
| Diluted EPS – Recurring operations (€) | - | 0.104965 | 0.104965 | 0.016028 | 0.016028 |
| Net Equity per share (€) | 1.901 | 1.752 | 1.760 | 1.812 | 1.82 |
| Period-end price | 4.592 | 4.038 | 4.038 | 3.846 | 3.846 |
| Highest price in period (€) | 4.890 | 4.340 | 4.340 | 4.310 | 4.310 |
| Lowest price in period (€) | 3.996 | 3.560 | 3.560 | 3.560 | 3.560 |
| Share price/net equity per share | 2.416 | 2.304 | 2.295 | 2.122 | 2.114 |
| Market capitalisation (€ millions) | 998.54 | 877.06 | 877.06 | 834.69 | 834.69 |
| Number of shares outstanding | 217,451,512 | 217,200,782 | 217,200,782 | 217,027,012 | 217,027,012 |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

- The net financial indebtedness/Net Equity ratio is the ratio of net financial indebtedness to total net equity
- The net financial indebtedness/group net equity ratio is the ratio of the net financial indebtedness to the Group's net equity
- The net financial indebtedness/EBITDA ratio is the ratio of net financial indebtedness to EBITDA for the last four quarters (determined with reference to recurring business only on the basis of pro forma figures where there were significant changes to the structure of the Group)
- The EBITDA/net financial charges ratio is the ratio of EBITDA for the last four quarters (determined with reference to recurring business only on the basis of restated figures where there were significant changes to the structure of the Group) to net interest payable and receivable of the same last 4 quarters
- Earnings per share (EPS) (€) is net profit for the period attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period, considering purchases and sales of treasury shares as cancellations or issues of shares, respectively
- Diluted earnings per share (EPS) (€) is net profit for the period attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period adjusted for the dilution effect of potential shares. In the calculation of outstanding

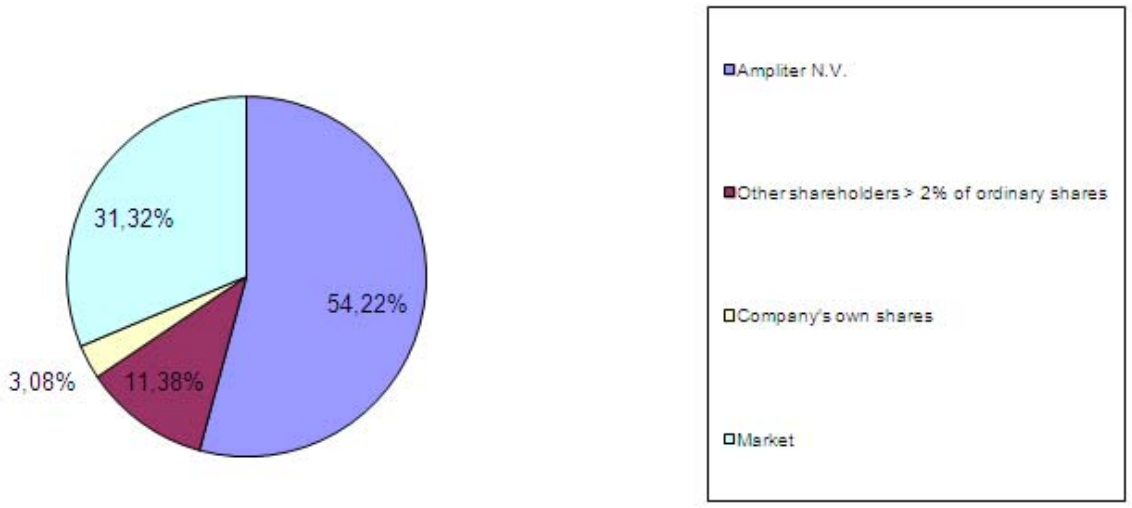
shares, purchases and sales of treasury shares are considered as cancellations and issues of shares, respectively

- Earnings per share – recurring operations (EPS) (€) is net income from recurring operations for the year attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period, considering purchases and sales of treasury shares as cancellations or issues of shares, respectively
- Diluted earnings per share – recurring operations (EPS) (€) is net income from recurring operations for the year attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period adjusted for the dilution effect of potential shares. In the calculation of outstanding shares, purchases and sales of treasury shares are considered as cancellations and issues of shares, respectively
- Net Equity per share (€) is the ratio of Group equity to the number of shares outstanding
- Period-end price (€) is the closing share price on the last stock exchange trading day of the period
- Highest price (€) and lowest price (€) are the highest and lowest share prices from 1 January to the end of the period
- Share price/Net equity per share is the ratio of the closing share price on the last stock exchange trading day of the period to net equity per share
- Market capitalisation is the closing share price on the last stock exchange trading day of the period multiplied by the number of shares outstanding
- The number of shares outstanding is the number of shares issued less treasury shares

# SHAREHOLDER INFORMATION

## Main Shareholders

The main Shareholders of Amplifon S.p.A. as at 30 June 2014 are:

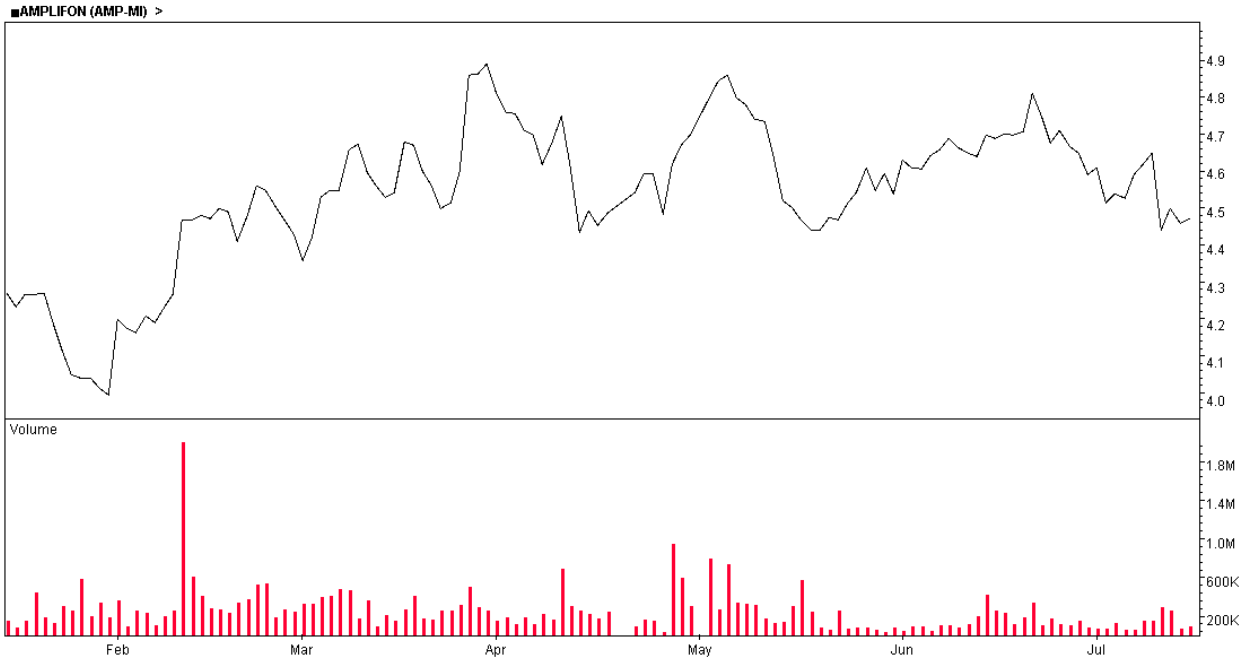



| Shareholder | No. of ordinary shares | % held |
|---|---|---|
| Ampliter N.V. | 121,636,478 | 54.22% |
| Other shareholders >2% of ordinary shares | 25,545,592 | 11.38% |
| Treasury shares | 6,900,000 | 3.08% |
| Market | 70,269,442 | 31.32% |
| Total | 224,351,512 | 100.00% |

Pursuant to article 2497 of the Italian Civil Code, Amplifon S.p.A. is not subject to management and coordination either by its direct parent company Ampliter N.V. or by other indirect controlling companies.

The shares of the parent company Amplifon S.p.A. have been listed on the screen-based *Mercato Telematico Azionario* (MTA) since 27 June 2001 and since 10 September 2008 in the STAR segment. Amplifon is also included in the FTSE Italy Mid Cap index.

The chart shows the performance of the Amplifon share price and its trading volumes from 2 January 2014 to 11 July 2014.




As at 30 June 2014 market capitalisation was Euro 998.54 million.

Dealings in Amplifon shares in the screen-based stock market Mercato Telematico Azionario during the period 2 January 2014 – 30 June 2014, showed:

- average daily value: Euro 59,347.54;
- average daily volume: 267,637 shares;
- total volume traded 33,454,567 shares or 15.38% of the total share capital net of treasury shares.

# CONSOLIDATED INCOME STATEMENT

| (€ thousands) | First Half 2014 | % | First Half 2013 (Restated)(*) | % | First Half 2013 (Reported) | % |
|---|---|---|---|---|---|---|
| Revenues from sales and services | 416,450 | 100.0% | 408,599 | 100.0% | 409,209 | 100.0% |
| Raw materials, consumables and supplies and change in raw materials, consumables and supplies | (99,028) | -23.8% | (94,729) | -23.2% | (94,367) | -23.1% |
| Personnel expenses | (129,061) | -31.0% | (128,678) | -31.5% | (129,235) | -31.6% |
| External services | (130,539) | -31.3% | (130,575) | -32.0% | (130,788) | -32.0% |
| Other costs and revenues | (321) | -0.1% | 511 | 0.1% | 511 | 0.1% |
| Gross operating profit (EBITDA) | 57,501 | 13.8% | 55,128 | 13.5% | 55,330 | 13.5% |
| Depreciation and write-downs of non-current assets | (14,850) | -3.6% | (15,205) | -3.7% | (15,291) | -3.7% |
| Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 42,651 | 10.2% | 39,923 | 9.8% | 40,039 | 9.8% |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (7,293) | -1.8% | (7,953) | -1.9% | (7,963) | -1.9% |
| Operating profit (EBIT) | 35,358 | 8.5% | 31,970 | 7.8% | 32,076 | 7.8% |
| Income, expenses, valuation and adjustments of financial assets | 513 | 0.1% | 123 | 0.0% | 43 | 0.0% |
| Net financial expenses | (11,617) | -2.8% | (18,204) | -4.5% | (18,204) | -4.4% |
| Exchange differences and non hedge accounting instruments | (839) | -0.2% | (535) | -0.1% | (535) | -0.1% |
| Profit (loss) before tax | 23,415 | 5.6% | 13,354 | 3.3% | 13,380 | 3.3% |
| Current tax | (1,985) | -0.5% | (7,671) | -1.9% | (7,698) | -1.9% |
| Deferred tax | 1,050 | 0.3% | (1,374) | -0.3% | (1,373) | -0.3% |
| Net profit (loss) | 22,480 | 5.4% | 4,309 | 1.1% | 4,309 | 1.1% |
| Profit (loss) of minority interests | (83) | 0.0% | 24 | 0.0% | 24 | 0.0% |
| Net profit (loss) attributable to the Group | 22,563 | 5.4% | 4,285 | 1.0% | 4,285 | 1.0% |

*(*) Restated to reflect retrospective application of IFRS 11*

| (€ thousands) | Second Quarter 2014 | % | Second Quarter 2013 (Restated)(*) | % | Second Quarter 2013 (Reported) | % |
|---|---|---|---|---|---|---|
| Revenues from sales and services | 228,101 | 100.0% | 219,231 | 100.0% | 219,540 | 100.0% |
| Raw materials, consumables and supplies and change in raw materials, consumables and supplies | (52,835) | -23.2% | (48,833) | -22.3% | (48,651) | -22.2% |
| Personnel expenses | (66,710) | -29.2% | (64,317) | -29.3% | (64,599) | -29.4% |
| External services | (69,221) | -30.3% | (68,816) | -31.4% | (68,921) | -31.4% |
| Other costs and revenues | (481) | -0.2% | 97 | 0.0% | 98 | 0.0% |
| Gross operating profit (EBITDA) | 38,854 | 17.0% | 37,362 | 17.0% | 37,467 | 17.1% |
| Depreciation and write-downs of non-current assets | (7,659) | -3.4% | (7,631) | -3.5% | (7,673) | -3.5% |
| Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 31,195 | 13.7% | 29,731 | 13.6% | 29,794 | 13.6% |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (3,750) | -1.6% | (3,915) | -1.8% | (3,919) | -1.8% |
| Operating profit (EBIT) | 27,445 | 12.0% | 25,816 | 11.8% | 25,875 | 11.8% |
| Income, expenses, valuation and adjustments of financial assets | 145 | 0.1% | 14 | 0.0% | (25) | 0.0% |
| Net financial expenses | (5,882) | -2.6% | (12,356) | -5.6% | (12,356) | -5.6% |
| Exchange differences and non hedge accounting instruments | (527) | -0.2% | (463) | -0.2% | (464) | -0.2% |
| Profit (loss) before tax | 21,181 | 9.3% | 13,011 | 5.9% | 13,030 | 5.9% |
| Current tax | (6,291) | -2.8% | (4,236) | -1.9% | (4,255) | -1.9% |
| Deferred tax | (2,395) | -1.1% | (2,437) | -1.1% | (2,437) | -1.1% |
| Net profit (loss) | 12,495 | 5.5% | 6,338 | 2.9% | 6,338 | 2.9% |
| Profit (loss) of minority interests | (57) | 0.0% | (8) | 0.0% | (8) | 0.0% |
| Net profit (loss) attributable to the Group | 12,552 | 5.5% | 6,346 | 2.9% | 6,346 | 2.9% |

*(*) Restated to reflect retrospective application of IFRS 11*

EBITDA is the operating result before charging amortisation, depreciation and impairment of both tangible and intangible fixed assets.
EBITA is the operating result before amortisation and impairment of customer lists, trademarks, non- competition agreements and goodwill arising from business combinations.
EBIT is the operating result before financial income and charges and taxes.

# RECLASSIFIED CONSOLIDATED BALANCE SHEET

The reclassified consolidated balance sheet aggregates assets and liabilities according to operating functionality criteria, subdivided by convention into the following three key functions: investments, operations and finance.

| (€ thousands) | 30/06/2014 | 31/12/2013 (Restated)(*) | 31/12/2013 (Reported) | Change on Restated |
|---|---|---|---|---|
| Goodwill | 525.294 | 500.680 | 500.680 | 24.614 |
| Non-competition agreements, trademarks, customer lists and lease rights | 103.302 | 92.875 | 92.875 | 10.427 |
| Software, licences, other intangible fixed assets , fixed assets in progress and advances | 28.732 | 27.228 | 27.425 | 1.505 |
| Tangible assets | 94.811 | 87.690 | 88.119 | 7.121 |
| Financial fixed assets (1) | 44.388 | 41.490 | 40.295 | 2.898 |
| Other non-current financial assets (1) | 3.551 | 2.744 | 2.744 | 806 |
| Non-current assets | 800.078 | 752.707 | 752.138 | 47.371 |
| Inventories | 32.517 | 29.832 | 30.147 | 2.685 |
| Trade receivables | 101.555 | 103.687 | 104.018 | (2.132) |
| Other receivables | 34.697 | 28.822 | 28.940 | 5.875 |
| Current assets (A) | 168.769 | 162.341 | 163.105 | 6.429 |
| Operating assets | 968.847 | 915.048 | 915.243 | 53.800 |
| Trade payables | (100.194) | (96.241) | (96.297) | (3.953) |
| Other payables (2) | (103.265) | (117.111) | (115.690) | 13.846 |
| Provisions for risks and charges (current portion) | (1.034) | (411) | (411) | (623) |
| Current liabilities (B) | (204.493) | (213.763) | (212.398) | 9.270 |
| Net working capital (A) - (B) | (35.724) | (51.422) | (49.293) | 15.698 |
| Derivative instruments (3) | (6.401) | (3.376) | (3.376) | (3.026) |
| Deferred tax assets | 47.873 | 46.088 | 46.088 | 1.785 |
| Deferred tax liabilities | (49.686) | (46.671) | (46.671) | (3.014) |
| Provisions for risks and charges (non-current portion) | (34.861) | (33.076) | (33.101) | (1.786) |
| Liabilities for employees' benefits (non-current portion) | (13.605) | (11.651) | (11.651) | (1.953) |
| Loan fees (4) | 3.636 | 4.089 | 4.089 | (452) |
| Other non-current payables | (213) | (245) | (245) | 32 |
| NET INVESTED CAPITAL | 711.097 | 656.443 | 657.978 | 54.654 |
| Group net equity | 413.417 | 380.616 | 382.175 | 32.801 |
| Minority interests | 422 | 460 | 460 | 104 |
| Total net equity | 413.839 | 381.076 | 382.635 | 32.763 |
| Net medium and long-term financial indebtedness (4) | 439.832 | 435.426 | 435.426 | 4.407 |
| Net short-term financial indebtedness (4) | (142.574) | (160.059) | (160.083) | 17.484 |
| Total net financial indebtedness | 297.258 | 275.367 | 275.343 | 21.891 |
| OWN FUNDS AND NET FINANCIAL INDEBTEDNESS | 711.097 | 656.443 | 657.978 | 54.654 |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

Notes for reconciling the condensed balance sheet with the statutory balance sheet:

(1) “Financial fixed assets” and “Other non-current financial assets” include equity interests valued using the net equity method, financial assets at fair value through profit and loss and other non-current assets;

(2) “Other payables” includes other liabilities, accrued liabilities and deferred income, current portion of liabilities for employees’ benefits and tax liabilities;

(3) "Derivative instruments" includes cash flow hedging instruments not comprised in the net financial position;

(4) The item "loan fees" is presented on the balance sheet as a direct reduction of the short-term and medium/long-term components of the items "financial payables" and "financial liabilities" for the short-term and long-term portion, respectively.

# CONDENSED RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

The condensed consolidated cash flow statement represents a summary version of the reclassified cash flow statement detailed in the following pages and its purpose is, starting from the EBIT, to detail the flows generated from or absorbed by operating, investing and financing activities.

| (€ thousands) | First Half 2014 | First Half 2013 (Restated)(*) | First Half 2013 (Reported) |
|---|---|---|---|
| Operating profit (EBIT) | 35.358 | 31.970 | 32.076 |
| Amortization, depreciation and write downs | 22.142 | 23.159 | 23.254 |
| Provisions, other non-monetary items and gains/losses from disposals | 6.910 | 6.227 | 6.226 |
| Net financial expenses | (10.826) | (13.964) | (13.961) |
| Taxes paid | (5.431) | (16.931) | (17.006) |
| Changes in net working capital | (12.029) | (15.869) | (16.022) |
| Cash flow generated from (absorbed by) operating activities (A) | 36.124 | 14.592 | 14.567 |
| Cash flow generated from (absorbed by) operating investing activities (B) | (16.516) | (13.678) | (13.834) |
| Free cash flow (A+B) | 19.608 | 914 | 733 |
| Cash flow generated from (absorbed by) business combinations (C) | (26.317) | (1.622) | (1.622) |
| (Purchase) sale of other investments, businesses and securities (D) | (167) | (307) | (308) |
| Cash flow generated from (absorbed by) investing activities (B+C+D) | (43.000) | (15.607) | (15.764) |
| Cash flows generated from (absorbed by) operating and investing activities | (6.876) | (1.015) | (1.197) |
| Dividends | (9.350) | (9.330) | (9.330) |
| Commissions and fees on long-term financing | - | (701) | (701) |
| Capital increases, third parties contributions, dividends paid to third parties by subsidiaries | 1.165 | 1.315 | 1.315 |
| Changes in non-current assets and hedging instruments | (4.640) | (2.087) | (2.087) |
| Net cash flow from the period | (19.701) | (11.818) | (12.000) |
| | | | |
| Opening net financial indebtedness | (275.367) | (305.977) | (305.835) |
| Effect of the disposal of assets and of exchange rate fluctuations on the net financial position | (2.190) | 4.601 | 4.601 |
| Change in net financial position | (19.701) | (11.818) | (12.000) |
| Closing net financial indebtedness | (297.258) | (313.194) | (313.234) |

*(*) Restated to reflect retrospective application of IFRS 11*

# CONSOLIDATED INCOME STATEMENT BY GEOGRAPHICAL AREA

| (€ thousands) | First Half 2014 | | | | |
|---|---|---|---|---|---|
| | EMEA | The Americas | Asia Pacific | Elim. | Total |
| Revenues from sales and services | 289,330 | 66,375 | 60,745 | - | 416,450 |
| Raw materials, consumables and supplies and change in raw materials, consumables and supplies | (53,470) | (36,868) | (8,690) | - | (99,028) |
| Personnel expenses | (96,767) | (8,748) | (23,545) | (1) | (129,061) |
| External services | (109,184) | (9,169) | (12,187) | 1 | (130,539) |
| Other costs and revenues | (541) | 292 | (72) | - | (321) |
| Gross operating profit (EBITDA) | 29,368 | 11,882 | 16,251 | - | 57,501 |
| Depreciation and write-downs of non-current assets | (11,300) | (1,268) | (2,282) | - | (14,850) |
| Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 18,068 | 10,614 | 13,969 | - | 42,651 |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (3,665) | (511) | (3,117) | - | (7,293) |
| Operating profit (EBIT) | 14,403 | 10,103 | 10,852 | - | 35,358 |
| Income, expenses, valuation and adjustments of financial assets | | | | | 513 |
| Net financial expenses | | | | | (11,617) |
| Exchange differences and non hedge accounting instruments | | | | | (839) |
| Profit (loss) before tax | | | | | 23,415 |
| Current and deferred tax | | | | | (935) |
| Net profit (loss) | | | | | 22,480 |
| Profit (loss) of minority interests | | | | | (83) |
| Net profit (loss) attributable to the Group | | | | | 22,563 |

| (€ thousands) | First Half 2013 (*) | | | | |
|---|---|---|---|---|---|
| | EMEA | The Americas | Asia Pacific | Elim. | Total |
| Revenues from sales and services | 275,253 | 69,974 | 63,372 | - | 408,599 |
| Raw materials, consumables and supplies and change in raw materials, consumables and supplies | (46,953) | (38,616) | (9,160) | - | (94,729) |
| Personnel expenses | (94,296) | (8,651) | (25,708) | (23) | (128,678) |
| External services | (107,833) | (9,371) | (13,394) | 23 | (130,575) |
| Other costs and revenues | 264 | 317 | (70) | - | 511 |
| Gross operating profit (EBITDA) | 26,435 | 13,653 | 15,040 | - | 55,128 |
| Depreciation and write-downs of non-current assets | (11,196) | (1,367) | (2,642) | - | (15,205) |
| Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 15,239 | 12,286 | 12,398 | - | 39,923 |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (4,009) | (636) | (3,308) | - | (7,953) |
| Operating profit (EBIT) | 11,230 | 11,650 | 9,090 | - | 31,970 |
| Income, expenses, valuation and adjustments of financial assets | | | | | 123 |
| Net financial expenses | | | | | (18,204) |
| Exchange differences and non hedge accounting instruments | | | | | (535) |
| Profit (loss) before tax | | | | | 13,354 |
| Current and deferred tax | | | | | (9,045) |
| Net profit (loss) | | | | | 4,309 |
| Profit (loss) of minority interests | | | | | 24 |
| Net profit (loss) attributable to the Group | | | | | 4,285 |

*(*) Restated to reflect retrospective application of IFRS 11*

| (€ thousands) | Second Quarter 2014 | | | | |
|---|---|---|---|---|---|
| | EMEA | The Americas | Asia Pacific | Elim. | Total |
| Revenues from sales and services | 161,391 | 33,404 | 33,306 | - | 228,101 |
| Raw materials, consumables and supplies and change in raw materials, consumables and supplies | (29,504) | (18,650) | (4,681) | - | (52,835) |
| Personnel expenses | (49,797) | (4,542) | (12,370) | (1) | (66,710) |
| External services | (58,112) | (4,663) | (6,447) | 1 | (69,221) |
| Other costs and revenues | (613) | 172 | (40) | - | (481) |
| Gross operating profit (EBITDA) | 23,365 | 5,721 | 9,768 | - | 38,854 |
| Depreciation and write-downs of non-current assets | (5,896) | (592) | (1,171) | - | (7,659) |
| Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 17,469 | 5,129 | 8,597 | - | 31,195 |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (1,898) | (250) | (1,602) | - | (3,750) |
| Operating profit (EBIT) | 15,571 | 4,879 | 6,995 | - | 27,445 |
| Income, expenses, valuation and adjustments of financial assets | | | | | 145 |
| Net financial expenses | | | | | (5,882) |
| Exchange differences and non hedge accounting instruments | | | | | (527) |
| Profit (loss) before tax | | | | | 21,181 |
| Current and deferred tax | | | | | (8,686) |
| Net profit (loss) | | | | | 12,495 |
| Profit (loss) of minority interests | | | | | (57) |
| Net profit (loss) attributable to the Group | | | | | 12,552 |

| (€ thousands) | Second Quarter 2013 (*) | | | | |
|---|---|---|---|---|---|
| | EMEA | The Americas | Asia Pacific | Elim. | Total |
| Revenues from sales and services | 149,858 | 35,539 | 33,834 | - | 219,231 |
| Raw materials, consumables and supplies and change in raw materials, consumables and supplies | (24,510) | (19,470) | (4,853) | - | (48,833) |
| Personnel expenses | (46,687) | (4,456) | (13,153) | (21) | (64,317) |
| External services | (57,177) | (4,566) | (7,094) | 21 | (68,816) |
| Other costs and revenues | (24) | 147 | (26) | - | 97 |
| Gross operating profit (EBITDA) | 21,460 | 7,194 | 8,708 | - | 37,362 |
| Depreciation and write-downs of non-current assets | (5,631) | (661) | (1,339) | - | (7,631) |
| Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 15,829 | 6,533 | 7,369 | - | 29,731 |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (2,000) | (287) | (1,628) | - | (3,915) |
| Operating profit (EBIT) | 13,829 | 6,246 | 5,741 | - | 25,816 |
| Income, expenses, valuation and adjustments of financial assets | | | | | 14 |
| Net financial expenses | | | | | (12,356) |
| Exchange differences and non hedge accounting instruments | | | | | (463) |
| Profit (loss) before tax | | | | | 13,011 |
| Current and deferred tax | | | | | (6,673) |
| Net profit (loss) | | | | | 6,338 |
| Profit (loss) of minority interests | | | | | (8) |
| Net profit (loss) attributable to the Group | | | | | 6,346 |

*(*) Restated to reflect retrospective application of IFRS 11*

## Revenues from sales and services

| (€ thousands) | First Half 2014 | First Half 2013 (Restated)(*) | First Half 2013 (Reported) |
|---|---|---|---|
| Revenues from sales and services | 416,450 | 408,599 | 409,209 |

| (€ thousands) | Second Quarter 2014 | Second Quarter 2013 (Restated)(*) | Second Quarter 2013 (Reported) |
|---|---|---|---|
| Revenues from sales and services | 228,101 | 219,231 | 219,540 |

*(*) Restated to reflect retrospective application of IFRS 11*

Consolidated revenue from sales and services reached €416,450 thousand in the first six months of 2014, versus €408,599 thousand in the corresponding period of 2013, an increase of €7,851 thousand (+1.9%) explained, for €7,073 thousand (+1.7%) by acquisitions, for €10,903 thousand (+2.7%) by organic growth, while exchange differences had a negative impact of €10,125 thousand (-2.5%).

In the second quarter alone, consolidated revenue from sales and services amounted to € 228,101 thousand versus €219,231 thousand in the second quarter of 2013, an increase of €8,870 thousand (+4.0%), explained for €5,441 thousand (+2.5%) by acquisitions, for €7,923 thousand (+3.6%) by organic growth, while exchange differences had a negative impact of €4,494 thousand (-2.1%).

The following table shows the distribution of revenue from sales and services by geographical region:

| (€ thousands) | First Half 2014 | % | First Half 2013 (Restated)(*) | % | Change | % | Exchange diff. | % in local currency |
|---|---|---|---|---|---|---|---|---|
| Italy | 107,426 | 25.8% | 113,127 | 27.7% | (5,701) | -5.0% | | |
| France | 50,398 | 12.1% | 48,478 | 11.9% | 1,920 | 4.0% | | |
| The Netherlands | 30,852 | 7.4% | 28,247 | 6.9% | 2,605 | 9.2% | | |
| Germany | 27,172 | 6.5% | 20,325 | 5.0% | 6,847 | 33.7% | | |
| United Kingdom and Ireland | 18,423 | 4.4% | 18,765 | 4.6% | (342) | -1.8% | 627 | -5.2% |
| Iberian Peninsula | 17,931 | 4.3% | 15,580 | 3.8% | 2,351 | 15.1% | | |
| Switzerland | 14,500 | 3.5% | 14,494 | 3.5% | 6 | 0.0% | 100 | -0.7% |
| Belgium and Luxembourg | 12,140 | 2.9% | 11,546 | 2.8% | 594 | 5.1% | | |
| Hungary | 5,257 | 1.3% | 2,483 | 0.6% | 2,774 | 111.7% | (194) | 119.5% |
| Israel | 1,822 | 0.4% | - | 0.0% | 1,822 | n.a. | | |
| Turkey | 1,570 | 0.4% | 966 | 0.2% | 604 | 62.5% | (387) | 102.5% |
| Egypt | 1,305 | 0.3% | 1,256 | 0.3% | 49 | 3.9% | (97) | 11.6% |
| Poland | 537 | 0.1% | - | 0.0% | 537 | n.a. | | |
| Intercompany eliminations | (3) | 0.0% | (14) | 0.0% | 11 | | | |
| Total EMEA | 289,330 | 69.5% | 275,253 | 67.4% | 14,077 | 5.1% | 49 | 5.1% |
| USA and Canada | 66,375 | 15.9% | 69,974 | 17.1% | (3,599) | -5.1% | (3,043) | -1.0% |
| Total The Americas | 66,375 | 15.9% | 69,974 | 17.1% | (3,599) | -5.1% | (3,043) | -1.0% |
| Australia | 42,215 | 10.1% | 44,285 | 10.8% | (2,070) | -4.7% | (6,607) | 10.2% |
| New Zealand | 17,046 | 4.1% | 17,817 | 4.4% | (771) | -4.3% | (298) | -2.7% |
| India | 1,484 | 0.4% | 1,270 | 0.3% | 214 | 16.9% | (226) | 34.7% |
| Total Asia Pacific | 60,745 | 14.6% | 63,372 | 15.5% | (2,627) | -4.1% | (7,131) | 7.1% |
| Total | 416,450 | 100.0% | 408,599 | 100.0% | 7,851 | 1.9% | (10,125) | 4.4% |

*(*) Restated to reflect retrospective application of IFRS 11*

## Europe, Middle East and Africa

Revenue from sales and services in the EMEA region amounted to €289,330 thousand in the first six months of 2014 versus €275,253 thousand in the corresponding period of 2013, an increase of €14,077 thousand (+5.1%), explained for €6,816 thousand (+5.1%) by acquisitions, for €7,214 thousand (+2.6%) by organic growth, while exchange differences had a positive impact of €49 thousand.

In the second quarter alone, revenue from sales and services amounted to €161,391 thousand, versus €149,858 thousand in the second quarter of 2013, an increase of €11,533 thousand (+7.7%), explained for €5,365 thousand (+3.6%) by acquisitions, for €6,085 thousand (+4.1%) by organic growth, while exchange differences had a positive impact of €83 thousand.

## Italy

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 43,707 | 46,959 | (3,252) | -6.9% |
| Second Quarter | 63,719 | 66,168 | (2,449) | -3.7% |
| First Half | 107,426 | 113,127 | (5,701) | -5.0% |

Revenue from sales and services amounted to €107,426 thousand in the first half of 2014 versus €113,127 thousand in the corresponding period of 2013, a decrease of €5,701 thousand (-5.0%). The result recorded in the first few months of the year is explained by a drop in sale volumes. Following the difficulties experienced, above all, in the first quarter due primarily to bad weather conditions, sales picked up. The comparison with the prior year is affected by the acquisition in the second quarter of Audika Italia S.r.l., present in Italy with 55 stores, which contributed Euro 1,200 thousand (1.1%) to revenue in the period. Net of the impact of this acquisition, the decline with respect to the prior period amounted to 6.1% for the first half of the year and to 5.5% for the second quarter alone.

## France

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 24,130 | 22,986 | 1,144 | 5.0% |
| Second Quarter | 26,268 | 25,492 | 776 | 3.0% |
| First Half | 50,398 | 48,478 | 1,920 | 4.0% |

Revenue from sales and services amounted to €50,398 thousand in the first six months of 2014 versus €48,478 thousand in the corresponding period of 2013, an increase of €1,920 thousand (+4.0%), €1,017 thousand (+2.1%) of which was linked to acquisitions. Sale volumes rose, while the average price was basically unchanged.

## The Netherlands

| Period (€ thousands) | 2014 | 2013 (Restated)(*) | 2013 (Reported) | Change (On Restated) | % (On Restated) |
|---|---|---|---|---|---|
| First Quarter | 13,398 | 15,121 | 15,459 | (1,723) | -11.4% |
| Second Quarter | 17,454 | 13,126 | 13,433 | 4,328 | 33.0% |
| First Half | 30,852 | 28,247 | 28,892 | 2,605 | 9.2% |

*(*) Restated to reflect retrospective application of IFRS 11*

Revenue from sales and services amounted to €30,852 thousand in the first six months of 2014 versus €28,247 thousand in the corresponding period of 2013, an increase of €2,605 thousand (+9.2%). After the decline posted in the first quarter, linked also to the fact that the first quarter of 2013 was still benefitting from the order backlog of year-end 2012 and was still not impacted by the new regulations which subsequently caused the average selling price to drop drastically, growth was recorded in the second quarter. Volumes increased significantly as a result of the market concentration around the players who were awarded tenders by insurance companies (Amplifon is the only company to have a contract with all the main insurance companies), as well as the growth of the market itself and the success of the commercial strategies implemented by Amplifon's management.

## Germany

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 12,891 | 9,099 | 3,792 | 41.7% |
| Second Quarter | 14,281 | 11,226 | 3,055 | 27.2% |
| First Half | 27,172 | 20,325 | 6,847 | 33.7% |

Revenue from sales and services amounted to €27,172 thousand in the first six months of 2014, versus €20,325 thousand in the corresponding period of 2013, a significant increase of €6,847 thousand (+33.7%). Acquisitions contributed €1,806 thousand (+8.9%). The result recorded in the second quarter confirmed the growth trend reported in the first quarter, driven by an increase in both volumes and the average selling price. The increase is attributable to both the regulatory change that introduced higher refunds starting from November 2013 and to the sales push implemented by management in line with the reorganization carried out in 2013.

## United Kingdom and Ireland

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 9,133 | 9,894 | (761) | -7.7% |
| Second Quarter | 9,290 | 8,871 | 419 | 4.7% |
| First Half | 18,423 | 18,765 | (342) | -1.8% |

| Period (GBP thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 7.561 | 8.421 | (860) | -10.2% |
| Second Quarter | 7.570 | 7.545 | 25 | 0.3% |
| First Half | 15.131 | 15.966 | (835) | -5.2% |

Revenue from sales and services amounted to €18,423 thousand in the first six months of 2014 versus €18,765 thousand in the corresponding period of 2013, a slight decrease of €342 thousand (-1.8%) which also reflects a positive exchange difference. In local currency the decline came to 5.2%, explained primarily by a drop in volumes only partially offset by an increase in the average selling price and the positive trend reported in the last month of the period.

## Iberian Peninsula

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 8,287 | 6,732 | 1,555 | 23.1% |
| Second Quarter | 9,644 | 8,848 | 796 | 9.0% |
| First Half | 17,931 | 15,580 | 2,351 | 15.1% |

Revenue from sales and services amounted to €17,931 thousand in the first six months of 2014 versus €15,580 thousand in the corresponding period of 2013, an increase of €2,351 thousand (+15.1%), driven by a noticeable increase in volumes as a result of the repositioning of the business (completed in mid-2013) which is now entirely focused on the retail sector and the opening of new stores.

## Switzerland

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 6,665 | 6,660 | 5 | 0.1% |
| Second Quarter | 7,835 | 7,834 | 1 | 0.0% |
| First Half | 14,500 | 14,494 | 6 | 0.0% |

| Period (CHF thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 8,158 | 8,182 | (24) | -0.3% |
| Second Quarter | 9,553 | 9,645 | (92) | -1.0% |
| First Half | 17,711 | 17,827 | (116) | -0.7% |

Revenue from sales and services amounted to €14,500 thousand in the first quarter of 2014 (CHF 17,711 thousand) versus €14,494 thousand in 2013 (CHF 17,827 thousand). The result posted in the period is basically in line with the comparison period, both in Euro and local currency, but reflects an increase in volumes and a decrease in the average selling price.

## Belgium and Luxembourg

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 6,153 | 5,625 | 528 | 9.4% |
| Second Quarter | 5,987 | 5,921 | 66 | 1.1% |
| First Half | 12,140 | 11,546 | 594 | 5.1% |

Revenue from sales and services amounted to €12,140 thousand in the first six months of 2014 versus €11,546 thousand in the corresponding period of 2013, an increase of €594 thousand (+5.1%). The increase in sales is in line with the positive trend underway for some time and reflects an increase in both volumes and the average selling price.

## Hungary

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 2,095 | 1,187 | 908 | 76.5% |
| Second Quarter | 3,162 | 1,296 | 1,866 | 144.0% |
| First Half | 5,257 | 2,483 | 2,774 | 111.7% |

| Period (HUF thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 645,022 | 351,831 | 293,191 | 83.3% |
| Second Quarter | 968,586 | 383,239 | 585,347 | 152.7% |
| First Half | 1,613,608 | 735,070 | 878,538 | 119.5% |

Revenue from sales and services amounted to €5,257 thousand in the first six months of 2014, versus €2,483 thousand in the same period 2013, an increase of €2,774 thousand (+111.7%), and is explained for €1,983 thousand (+79.7%) by the sale of cochlear implants to the national healthcare service after having won the tender. Tenders are put out periodically, but not on a regular basis and none in the comparison period. The increase attributable to the sale of hearing aids was also significant, however, coming in at €795 thousand (+32.0%), € 216 thousand (+8.7%) of which relating to the business purchased at the end of September 2013.
In local currency the total increase came to 119.5%.

## Israel

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | - | - | - | n.a. |
| Second Quarter | 1,822 | - | 1,822 | n.a. |
| First Half | 1,822 | - | 1,822 | n.a. |

| Period (NIS thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | - | - | - | n.a. |
| Second Quarter | 8,616 | - | 8,616 | n.a. |
| First Half | 8,616 | - | 8,616 | n.a. |

At the end of June 2014 revenue from sales and services amounted to €1,822 thousand (8.616 thousand in Israeli new shekels). Amplifon purchased the Medtechnica Ortophone Group, the Israeli market leader, at the beginning of May and, therefore, revenue was consolidated only for the two month period May-June 2014 and no comparison figures are reported.

## Turkey

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 594 | 497 | 97 | 19.5% |
| Second Quarter | 976 | 469 | 507 | 108.1% |
| First Half | 1,570 | 966 | 604 | 62.5% |

| Period (TL thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 1,805 | 1,172 | 633 | 54.0% |
| Second Quarter | 2,854 | 1,128 | 1,726 | 153.0% |
| First Half | 4,659 | 2,300 | 2,359 | 102.5% |

Revenue from sales and services amounted to €1,570 thousand in the first six months of 2014 versus €966 thousand in the corresponding period of 2013, an increase of €604 thousand (+62.5%) impacted for €387 thousand (-40.0%) by the adverse exchange effect. In local currency growth reached 102.5% (27.0% of which relating to the acquisitions made in the period) and is attributable to an increase in volumes which confirms the positive growth trend that has characterized the country since its acquisition in early 2012.

## Egypt

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 645 | 638 | 7 | 1.1% |
| Second Quarter | 660 | 618 | 42 | 6.8% |
| First Half | 1,305 | 1,256 | 49 | 3.9% |

| Period (EGP thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 6,152 | 5,635 | 517 | 9.2% |
| Second Quarter | 6,406 | 5,617 | 789 | 14.0% |
| First Half | 12,558 | 11,252 | 1,306 | 11.6% |

Revenue from sales and services amounted to €1,305 thousand in the first six months of 2014 versus €1,256 thousand in the first six months of 2013, an increase of €49 thousand (+3.9%), impacted for €97 thousand (-7.7%) by the adverse exchange effect. In local currency growth reached 11.6%, despite the country's difficult socio-political situation.

## Poland

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 243 | - | 243 | n.a. |
| Second Quarter | 294 | - | 294 | n.a. |
| First Half | 537 | - | 537 | n.a. |

| Period (PLN thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 1,016 | - | 1,016 | n.a. |
| Second Quarter | 1,225 | - | 1,225 | n.a. |
| First Half | 2,241 | - | 2,241 | n.a. |

Revenue from sales and services amounted to €537 thousand in the first six months of 2014 (PLN 2,241 thousand). Amplifon has had control of the entity only starting from this year and for this reason no comparison figures are reported.

## North America

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 32,970 | 34,435 | (1,465) | -4.3% |
| Second Quarter | 33,405 | 35,539 | (2,134) | -6.0% |
| First Half | 66,375 | 69,974 | (3,599) | -5.1% |

| Period (US$ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 45,157 | 45,477 | (320) | -0.7% |
| Second Quarter | 45,799 | 46,425 | (626) | -1.3% |
| First Half | 90,956 | 91,902 | (946) | -1.0% |

In North America (United States and Canada) revenue from sales and services amounted to €66,375 thousand in the first half of 2014 versus €69,974 thousand in the comparison period, a drop of €3,599 thousand (-5.1%) almost entirely attributable to the exchange effect which had a negative impact of € 3,043 thousand. In local currency revenue reached USD 90,956 thousand in the first six months of 2014 against USD 91,902 thousand in the comparison period, a drop of USD 946 thousand (-1.0%).

Revenue from sales and services in the second quarter alone amounted to € 33,405 thousand in 2014 and €35,539 thousand in 2013, a drop of €2,134 thousand (-6.0%) almost entirely attributable to the exchange effect which had a negative impact of €1,509 thousand. In local currency revenue came to USD 45,799 thousand in the first six months of 2014 against USD 46,425 thousand in the comparison period, a drop of USD 626 thousand (-1.3%).

Despite the good performances recorded by the Miracle Ear franchisee channel and the Elite Hearing Network, sales fell with volumes down due to the bad weather conditions that struck the

country in the winter and the different mix of suppliers for high end hearing aids requested by the Elite network which generated temporary inefficiencies.

## Asia Pacific

Revenue from sales and services in the Asia-Pacific region amounted to €60,745 thousand in the first half of 2014 versus €63,372 thousand in the comparison period, a drop of €2,627 thousand (-4.1%) explained entirely by the adverse exchange effect which had a negative impact of €7,131 thousand. In local currency an increase of AUD 8,916 thousand or 10.9% was recorded.

In the second quarter alone revenue from sales and services amounted to €33,306 thousand versus €33,833 thousand in the comparison period, a decrease of €527 thousand (-1.6%) explained entirely by the adverse exchange effect which had a negative impact of € 2,854 thousand. In local currency an increase of AUD 4,560 thousand or 10.2% was recorded.

### Australia

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 19,354 | 20,882 | (1,528) | -7.3% |
| Second Quarter | 22,861 | 23,403 | (542) | -2.3% |
| First Half | 42,215 | 44,285 | (2,070) | -4.7% |

| Period (AU$ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 29,563 | 26,549 | 3,014 | 11.4% |
| Second Quarter | 33,713 | 30,847 | 2,866 | 9.3% |
| First Half | 63,276 | 57,396 | 5,880 | 10.2% |

Revenue from sales and services amounted to €42,215 thousand in the first half of 2014 versus €44,285 thousand in the first six months of the prior year, a decrease of €2,070 thousand (-4.7%), explained entirely by the adverse exchange effect which had a negative impact of €6,607 thousand. In local currency a rise of 10.2% was posted due primarily to an increase in volumes, but also to a rise in the average selling price. The growth in volumes was also facilitated by the introduction of a new portal which has reduced the sales cycle for customers entitled to receive government subsidies.

## New Zealand

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 7,417 | 8,064 | (647) | -8.0% |
| Second Quarter | 9,629 | 9,753 | (124) | -1.3% |
| First Half | 17,046 | 17,817 | (771) | -4.3% |

| Period (NZD thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 12,142 | 12,760 | (618) | -4.8% |
| Second Quarter | 15,385 | 15,519 | (134) | -0.9% |
| First Half | 27,527 | 28,279 | (752) | -2.7% |

Revenue from sales and services amounted to €17,046 thousand in the first half of 2014 versus €17,817 thousand in the first six months of the prior year, a decrease of €771 thousand (-4.3%), explained for €298 thousand (-1.6%) by the adverse exchange effect and for the remainder by a weak market ahead of a change in regulations which calls for an increase in subsidies beginning in July.

## India

| Period (€ thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 668 | 593 | 75 | 12.6% |
| Second Quarter | 816 | 677 | 139 | 20.5% |
| First Half | 1,484 | 1,270 | 214 | 16.9% |

| Period (INR thousands) | 2014 | 2013 | Change | % |
|---|---|---|---|---|
| First Quarter | 56,493 | 42,405 | 14,088 | 33.2% |
| Second Quarter | 67,137 | 49,404 | 17,733 | 35.9% |
| First Half | 123,630 | 91,809 | 31,821 | 34.7% |

Revenue from sales and services amounted to €1,484 thousand in the first half of 2014 versus €1,270 thousand in 2013, an increase of € 214 thousand (+16.9%) which was impacted for €226 thousand (-17.8%) by the negative exchange effect. In local currency growth reached 34.7% due to an increase in both volumes and the average selling price.

## Gross operating profit (EBITDA)

| (€ thousands) | First Half 2014 | First Half 2013 (Restated)(*) | First Half 2013 (Reported) |
|---|---|---|---|
| Gross operating profit (EBITDA) | 57,501 | 55,128 | 55,330 |

| (€ thousands) | Second Quarter 2014 | Second Quarter 2013 (Restated)(*) | Second Quarter 2013 (Reported) |
|---|---|---|---|
| Gross operating profit (EBITDA) | 38,854 | 37,362 | 37,467 |

*(*) Restated to reflect retrospective application of IFRS 11*

Gross operating profit (EBITDA) amounted to €57,501 thousand in the first six months of 2014 (with an EBITDA margin of 13.8%) versus €55,128 thousand in the corresponding period of the previous year (and an EBITDA margin of 13.5%), an increase of €2,373 thousand (+4.3%) while the EBITDA margin rose 0.3%. Net of the € 2,768 thousand in negative exchange differences and the non-recurring costs of € 730 thousand incurred in the first half of the prior year, EBITDA would have increased by €4,411 thousand (+7.9%).

In the second quarter alone, gross operating profit (EBITDA) amounted to €38,854 thousand in 2014 (with an EBITDA margin of 17.0%) versus € 37,362 thousand in the prior year (and an EBITDA margin of 17.0%), an increase of € 1,492 thousand (+4.0%) while the EBITDA margin was unchanged. Net of the €1,333 thousand in negative exchange differences EBITDA would have increased by €2,825 thousand (+7.6%).

The following table shows a breakdown of EBITDA by geographical region:

| (€ thousands) | First Half 2014 | EBITDA Margin | First Half 2013 (*) | EBITDA Margin | Change | % |
|---|---|---|---|---|---|---|
| EMEA | 29,368 | 10.2% | 26,435 | 9.6% | 2,933 | 11.1% |
| The Americas | 11,882 | 17.9% | 13,653 | 19.5% | (1,771) | -13.0% |
| Asia Pacific | 16,251 | 26.8% | 15,040 | 23.7% | 1,211 | 8.1% |
| Total | 57,501 | 13.8% | 55,128 | 13.5% | 2,373 | 4.3% |

| (€ thousands) | Second Quarter 2014 | EBITDA Margin | Second Quarter 2013 (*) | EBITDA Margin | Change | % |
|---|---|---|---|---|---|---|
| EMEA | 23,365 | 14.5% | 21,460 | 14.3% | 1,905 | 8.9% |
| The Americas | 5,721 | 17.1% | 7,194 | 20.2% | (1,473) | -20.5% |
| Asia Pacific | 9,768 | 29.3% | 8,708 | 25.7% | 1,060 | 12.2% |
| Total | 38,854 | 17.0% | 37,362 | 17.0% | 1,492 | 4.0% |

*(*) Restated to reflect retrospective application of IFRS 11*

## Europe, Middle East and Africa

Gross operating profit (EBITDA) amounted to €29,368 thousand in the first six months of 2014 (with an EBITDA margin of 10.2%) versus €26,435 thousand in the corresponding period of the prior year (and an EBITDA margin of 9.6%), an increase of € 2,933 thousand (+11.1%) while the EBITDA margin rose 0.6%. Net of the exchange differences which had a negative impact of €100 thousand, and the non-recurring costs of €730 thousand incurred in the first quarter of the prior year, EBITDA would have reached €2,303 thousand (+8.5%) primarily due to the performances posted in Germany and the Netherlands (and net of the decreases recorded in Italy described in the section on revenue from sales and services).

In the second quarter alone gross operating profit (EBITDA) amounted to €23,365 (with an EBITDA margin of 14.5%) versus €21,460 thousand in the prior year (and an EBITDA margin of 14.3%), an increase of €1,905 thousand (+8.9%) while the EBITDA margin rose 0.2%. Net of the exchange differences which had a negative impact of €69 thousand EBITDA would have reached €1,974 thousand (+9.2%).

## The Americas

Gross operating profit (EBITDA) amounted to €11,882 thousand in the first six months of 2014 (with an EBITDA margin of 17.9%) versus €13,653 thousand in the corresponding period of the prior year (and an EBITDA margin of 19.5%), a decrease of €1,771 thousand (-13.0%). The EBITDA margin fell 1.6%. Net of the exchange differences which had a negative impact of € 502 thousand, EBITDA would have fallen by €1,269 thousand (-9.3%). As already described in the section on sales, the results for the period were negatively influenced by the bad weather conditions that struck the country's central/northern regions in the first part of the year and the different mix of suppliers for high end hearing aids requested by the Elite network in the second quarter which resulted in a few temporary inefficiencies.

In the second quarter alone gross operating profit (EBITDA) came to €5,721 thousand, a decrease of €1,473 thousand (-20.5%) against the second quarter of the prior year. The EBITDA margin fell 3.1% from 20.2% to 17.1%. Net of the exchange differences EBITDA would have decreased by €1,181 thousand (-16.4%).

## Asia - Pacific

Gross operating profit (EBITDA) amounted to €16,251 in the first six months of 2014 (with an EBITDA margin of 26.8%) versus €15,040 thousand in the corresponding period of the prior year (and an EBITDA margin of 23.7%), an increase of €1,211 thousand (+8.1%) and of 3.1% in the EBITDA margin. Net of the exchange differences which had a negative impact of €2,166 thousand, EBITDA would have risen €3,377 thousand (+22.5%) as a result of the good

performance of the Australian market, while the contribution of the New Zealand market was unchanged against the prior year ahead of a change in regulations which calls for an increase in subsidies beginning in July. The contribution made by India was also basically unchanged with the operating losses posted largely in line with those of the comparison period.

In the second quarter alone gross operating profit (EBITDA) came to €9,768 thousand, an increase of €1,060 thousand (+12.2%) against the second quarter of the prior year. The EBITDA margin rose 3.6% from 25.7% to 29.3%. Net of the exchange differences, EBITDA would have risen €2,032 thousand (+23.3%).

## Operating profit (EBIT)

| (€ thousands) | First Half 2014 | First Half 2013 (Restated)(*) | First Half 2013 (Reported) |
|---|---|---|---|
| Operating profit (EBIT) | 35,358 | 31,970 | 32,076 |

| (€ thousands) | Second Quarter 2014 | Second Quarter 2013 (Restated)(*) | Second Quarter 2013 (Reported) |
|---|---|---|---|
| Operating profit (EBIT) | 27,445 | 25,816 | 25,875 |

*(*) Restated to reflect retrospective application of IFRS 11*

Operating profit (EBIT) amounted to €35,358 thousand in the first six months of 2014 versus €31,970 thousand in the corresponding period of the prior year, an increase of €3,388 thousand (+10.6%). The EBIT margin rose 0.7% from the 7.8% posted in the first six months of 2013 to 8.5%. Net of the exchange differences which had a negative impact of €2,148 thousand and the non-recurring costs of €730 thousand incurred in the first quarter of the prior year, EBIT would have increased by €4,806 thousand (+14.7%). With respect to the gross operating profit (EBITDA), EBIT benefited from a drop in amortization in the period as the amortization of the customer lists acquired in 2004 was completed in December 2013.

In the second quarter alone operating profit (EBIT) amounted to €27,445 thousand in 2014 (with an EBIT margin of 12.0%) versus €25,816 thousand in the prior year (and an EBIT margin of 11.8%), an increase of €1,629 thousand (+6.3%) with the EBIT margin rising 0.2%. Net of the exchange differences which had a negative impact of €1,109 thousand, EBIT would have increased by €2,738 thousand (+10.6%).

The following table shows a breakdown of EBIT by geographical region:

| (€ thousands) | First Half 2014 | EBIT Margin | First Half 2013 (*) | EBIT Margin | Change | % |
|---|---|---|---|---|---|---|
| EMEA | 14,403 | 5.0% | 11,230 | 4.1% | 3,173 | 28.3% |
| The Americas | 10,103 | 15.2% | 11,650 | 16.6% | (1,547) | -13.3% |
| Asia Pacific | 10,852 | 17.9% | 9,090 | 14.3% | 1,762 | 19.4% |
| Total | 35,358 | 8.5% | 31,970 | 7.8% | 3,388 | 10.6% |

| (€ thousands) | Second Quarter 2014 | EBIT Margin | Second Quarter 2013 (*) | EBIT Margin | Change | % |
|---|---|---|---|---|---|---|
| EMEA | 15,571 | 9.6% | 13,829 | 9.2% | 1,742 | 12.6% |
| The Americas | 4,879 | 14.6% | 6,246 | 17.6% | (1,367) | -21.9% |
| Asia Pacific | 6,995 | 21.0% | 5,741 | 17.0% | 1,254 | 21.8% |
| Total | 27,445 | 12.0% | 25,816 | 11.8% | 1,629 | 6.3% |

*(*) Restated to reflect retrospective application of IFRS 11*

## Europe, Middle East and Africa

Operating profit (EBIT) amounted to €14,403 thousand in the first six months of 2014 versus €11,230 thousand in the corresponding period of the prior year, an increase of € 3,173 thousand (+28.3%). Net of exchange differences which had a negative impact of € 156 thousand and non-recurring costs of €730 thousand incurred in the first quarter of the prior year EBIT would have increased by €2,599 thousand (+21.7%). With respect to gross operating profit (EBITDA), EBIT benefited from a drop in amortization in the period as the amortization of the customer lists acquired in 2004 was completed in December 2013.

In the second quarter alone operating profit (EBIT) came to €15,571 thousand (with an EBIT margin of 9.6%) versus €13,829 thousand in the prior year (and an EBIT margin of 9.2%), an increase of €1,742 thousand (+12.6%) and of 0.4% in the EBIT margin. Net of exchange differences which had a negative impact of €107 thousand, EBIT would have risen €1,849 thousand (+13.4%).

## The Americas

Operating profit (EBIT) amounted to €10,103 thousand in the first six months of 2014 versus €11,650 thousand in the corresponding period of the prior year, a drop of €1,547 thousand (-13.3%). Net of the exchange differences which had a negative impact of €397 thousand, the decrease comes to €1,150 (-9.9%), less than the decline in EBITDA due to lower amortization as the amortization of the customer lists acquired in 2004 was completed in December 2013.

In the second quarter alone operating profit (EBIT) came to €4,879 thousand, a decrease of €1,367 thousand (-21.9%) against the second quarter of the prior year. Net of exchange differences which had a negative impact of €222 thousand, the decrease amounted to €1,145 thousand (-18.3%).

## Asia - Pacific

Operating profit (EBIT) amounted to €10,852 thousand in the first six months of 2014 versus €9,090 thousand in the corresponding period of the prior year, an increase of €1,762 thousand (+19.4%). Net of exchange differences which had a negative impact of €1,595 thousand EBIT would have increased by € 3,357 thousand (+36.9%).

In the second quarter alone operating profit (EBIT) came to €6,995 thousand, an increase of €1,254 thousand (+21.8%) against the second quarter of the prior year. Net of exchange differences which had a negative impact of €778 thousand, EBIT would have increased by €2,032 thousand (+35.4%).

## Profit before tax

| (€ thousands) | First Half 2014 | First Half 2013 (Restated)(*) | First Half 2013 (Reported) |
|---|---|---|---|
| Profit before tax | 23,415 | 13,354 | 13,380 |

| (€ thousands) | Second Quarter 2014 | Second Quarter 2013 (Restated)(*) | Second Quarter 2013 (Reported) |
|---|---|---|---|
| Profit before tax | 21,181 | 13,011 | 13,030 |

*(*) Restated to reflect retrospective application of IFRS 11*

Profit before tax for the first six months of 2014 came to €23,415 thousand (with a gross profit margin of 5.6%) versus €13,354 thousand in the corresponding period of the prior year (and a gross profit margin of 3.3%), an increase of €10,061 thousand. Financial charges in the comparison period reflected of €6,783 thousand incurred to early payment of fees and closure of hedges as a result of the advance repayment of the syndicated loan on 23 July 2013 subsequent to the issue on 16 July 2013 of a €275 million Eurobond. Net of this item financial charges were in line with the comparison period, thanks also to the stable level of gross debt with respect to the comparison period.

## Net profit attributable to the Group

| (€ thousands) | First Half 2014 | First Half 2013 (Restated)(*) | First Half 2013 (Reported) |
|---|---|---|---|
| Net profit attributable to the Group | 22,563 | 4,285 | 4,285 |

| (€ thousands) | Second Quarter 2014 | Second Quarter 2013 (Restated)(*) | Second Quarter 2013 (Reported) |
|---|---|---|---|
| Net profit attributable to the Group | 12,552 | 6,346 | 6,346 |

*(*) Restated to reflect retrospective application of IFRS 11*

The net profit attributable to the Group came to €22,563 thousand in the first six months of 2014 (with a profit margin of 5.5%) versus €4,285 thousand in the first half of 2013 (and a profit margin of 1.0%), an increase of €18,278 thousand (+426.6%).
In addition to the increase in profit before tax, the profit posted in the half-year was also boosted by the Australian tax authority's recognition of the deductibility for tax purposes of part of the assets acquired in 2010 as a result of the NHC Group acquisition which resulted in tax income of AUD 15.7 million (€10.6 million), AUD 12.8 million of which relating to prior periods (for which tax refunds of AUD 10.7 million were received) and AUD 2.9 million of which to the change in deferred tax liabilities in light of the possibility that this amortization will be deducted in future periods.

Net of this item, the lack of recognition of additional deferred tax assets against losses recorded in the United Kingdom, in accordance with the principle of prudence, coupled with the situation in Germany where tax is offset by the tax losses carried forward and for which no deferred tax assets were recognized in the past would have resulted in a tax rate of 42.5%, in line with the 42.9% rate recorded in the first half of 2013 calculated, again, net of the losses posted in the UK and Germany.

# CONSOLIDATED BALANCE SHEET BY GEOGRAPHICAL AREA

| (€ thousands) | 30/06/2014 | | | | |
|---|---|---|---|---|---|
| | EMEA | The Americas | Asia Pacific | Elim. | Total |
| Goodwill | 215,262 | 57,769 | 252,263 | - | 525,294 |
| Non-competition agreements, trademarks, customer lists and lease rights | 31,748 | 1,993 | 69,561 | - | 103,302 |
| Software, licences, other intangible fixed assets, fixed assets in progress and advances | 19,576 | 8,756 | 400 | - | 28,732 |
| Tangible assets | 74,271 | 2,250 | 18,290 | - | 94,811 |
| Financial fixed assets | 7,367 | 36,381 | 640 | - | 44,388 |
| Other non-current financial assets | 3,206 | 14 | 331 | - | 3,551 |
| Non-current assets | 351,430 | 107,163 | 341,485 | - | 800,078 |
| Inventories | 30,357 | 200 | 1,960 | - | 32,517 |
| Trade receivables | 71,827 | 23,321 | 7,339 | (932) | 101,555 |
| Other receivables | 27,231 | 6,832 | 642 | (8) | 34,697 |
| Current assets (A) | 129,415 | 30,353 | 9,941 | (940) | 168,769 |
| Operating assets | 480,845 | 137,516 | 351,426 | (940) | 968,847 |
| Trade payables | (66,237) | (27,559) | (7,330) | 932 | (100,194) |
| Other payables | (86,794) | (1,594) | (14,885) | 8 | (103,265) |
| Provisions for risks and charges (current portion) | (1,034) | - | - | - | (1,034) |
| Current liabilities (B) | (154,065) | (29,153) | (22,215) | 940 | (204,493) |
| Net working capital (A) - (B) | (24,650) | 1,200 | (12,274) | - | (35,724) |
| Derivative instruments | (6,401) | - | - | - | (6,401) |
| Deferred tax assets | 42,746 | 2,680 | 2,447 | - | 47,873 |
| Deferred tax liabilities | (12,989) | (17,737) | (18,960) | - | (49,686) |
| Provisions for risks and charges (non-current portion) | (16,999) | (17,089) | (773) | - | (34,861) |
| Liabilities for employees' benefits (non-current portion) | (12,028) | (250) | (1,327) | - | (13,605) |
| Loan fees | 3,207 | - | 429 | - | 3,636 |
| Other non-current payables | - | (11) | (202) | - | (213) |
| NET INVESTED CAPITAL | 324,316 | 75,956 | 310,825 | - | 711,097 |
| Group net equity | | | | | 413,417 |
| Minority interests | | | | | 422 |
| Total net equity | | | | | 413,839 |
| Net medium and long-term financial indebtedness | | | | | 439,832 |
| Net short-term financial indebtedness | | | | | (142,574) |
| Total net financial indebtedness | | | | | 297,258 |
| OWN FUNDS AND NET FINANCIAL INDEBTEDNESS | | | | | 711,097 |

| (migliaia di Euro) | 31/12/2013 (*) | | | | |
|---|---|---|---|---|---|
| | EMEA | The Americas | Asia Pacific | Elim. | Total |
| Goodwill | 205,645 | 57,217 | 237,818 | - | 500,680 |
| Non-competition agreements, trademarks, customer lists and lease rights | 22,115 | 2,367 | 68,393 | - | 92,875 |
| Software, licences, other intangible fixed assets, fixed assets in progress and advances | 17,970 | 8,740 | 518 | - | 27,228 |
| Tangible assets | 69,643 | 1,574 | 16,473 | - | 87,690 |
| Financial fixed assets | 5,893 | 34,945 | 652 | - | 41,490 |
| Other non-current financial assets | 2,418 | 14 | 312 | - | 2,744 |
| Non-current assets | 323,684 | 104,857 | 324,166 | - | 752,707 |
| Inventories | 27,868 | 115 | 1,849 | - | 29,832 |
| Trade receivables | 74,526 | 22,561 | 7,304 | (704) | 103,687 |
| Other receivables | 20,874 | 7,204 | 751 | (7) | 28,822 |
| Current assets (A) | 123,268 | 29,880 | 9,904 | (711) | 162,341 |
| Operating assets | 446,952 | 134,737 | 334,070 | (711) | 915,048 |
| Trade payables | (62,299) | (25,235) | (9,411) | 704 | (96,241) |
| Other payables | (92,636) | (3,469) | (21,013) | 7 | (117,111) |
| Provisions for risks and charges (current portion) | (411) | - | - | - | (411) |
| Current liabilities (B) | (155,346) | (28,704) | (30,424) | 711 | (213,763) |
| Net working capital (A) - (B) | (32,078) | 1,176 | (20,520) | - | (51,422) |
| Derivative instruments | (3,376) | - | - | - | (3,376) |
| Deferred tax assets | 40,175 | 3,303 | 2,610 | - | 46,088 |
| Deferred tax liabilities | (9,549) | (16,874) | (20,248) | - | (46,671) |
| Provisions for risks and charges (non-current portion) | (16,779) | (15,601) | (696) | - | (33,076) |
| Liabilities for employees' benefits (non-current portion) | (10,269) | (265) | (1,117) | - | (11,651) |
| Loan fees | 3,614 | - | 475 | - | 4,089 |
| Other non-current payables | - | (11) | (234) | - | (245) |
| NET INVESTED CAPITAL | 295,422 | 76,585 | 284,436 | - | 656,443 |
| Group net equity | | | | | 380,616 |
| Minority interests | | | | | 460 |
| Total net equity | | | | | 381,076 |
| Net medium and long-term financial indebtedness | | | | | 435,426 |
| Net short-term financial indebtedness | | | | | (160,059) |
| Total net financial indebtedness | | | | | 275,367 |
| OWN FUNDS AND NET FINANCIAL INDEBTEDNESS | | | | | 656,443 |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

## Non-current assets

Non-current assets amounted to €800,078 thousand at 30 June 2014 versus €752,707 thousand at 31 December 2013, a net increase of €47,371 thousand, explained (i) for €18,834 thousand by capital expenditure; (ii) for €26,080 by acquisitions; (iii) for €22,142 thousand by depreciation, amortization and impairment and for € 24,599 thousand by other net increases relating primarily to positive exchange differences.

The following table shows a breakdown of non-current assets by geographical region:

| | (€ thousands) | 30/06/2014 | 31/12/2013 (*) | Change |
|---|---|---|---|---|
| EMEA | Goodwill | 215,262 | 205,645 | 9,617 |
| | Non-competition agreements, trademarks, customer lists and lease rights | 31,748 | 22,115 | 9,633 |
| | Software, licences, other intangible fixed assets, fixed assets in progress and advances | 19,576 | 17,970 | 1,606 |
| | Tangible assets | 74,271 | 69,643 | 4,628 |
| | Financial fixed assets | 7,367 | 5,893 | 1,474 |
| | Other non-current financial assets | 3,206 | 2,418 | 788 |
| | Non-current assets | 351,430 | 323,684 | 27,746 |
| The Americas | Goodwill | 57,769 | 57,217 | 552 |
| | Non-competition agreements, trademarks, customer lists and lease rights | 1,993 | 2,367 | (374) |
| | Software, licences, other intangible fixed assets, fixed assets in progress and advances | 8,756 | 8,740 | 16 |
| | Tangible assets | 2,250 | 1,574 | 676 |
| | Financial fixed assets | 36,381 | 34,945 | 1,436 |
| | Other non-current financial assets | 14 | 14 | - |
| | Non-current assets | 107,163 | 104,857 | 2,306 |
| Asia Pacific | Goodwill | 252,263 | 237,818 | 14,445 |
| | Non-competition agreements, trademarks, customer lists and lease rights | 69,561 | 68,393 | 1,168 |
| | Software, licences, other intangible fixed assets, fixed assets in progress and advances | 400 | 518 | (118) |
| | Tangible assets | 18,290 | 16,473 | 1,817 |
| | Financial fixed assets | 640 | 652 | (12) |
| | Other non-current financial assets | 331 | 312 | 19 |
| | Non-current assets | 341,485 | 324,166 | 17,319 |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

## Europe, Middle East and Africa

Non-current assets came to €351,430 thousand at 30 June 2014 versus €323,684 thousand at 31 December 2013, an increase of €27,746 thousand explained:

- for €10,649 thousand, by investments in plant, property and equipment, relating primarily to the renovation of stores as part of the continuing introduction of the new concept store developed beginning in 2008;
- for €3,260 thousand, by investments in intangible assets, relating primarily to technological infrastructure, the development and implementation of a new front-office system and the implementation of the new version of the Group's back-office system in France;
- for € 25,892 thousand, by acquisitions made during the period;
- for €14,965 thousand, by amortization, depreciation and impairment;
- for €2,910 thousand, by other net increases, relating primarily to positive exchange differences.

## The Americas

Non-current assets came to €107,163 thousand at 30 June 2014 versus € 104,857 thousand at 31 December 2013, an increase of €2,306 thousand explained:

- for €1,247 thousand, by investments in plant, property and equipment, relating primarily to the renovation of stores;
- for €772 thousand, by investments in intangible assets relating primarily to joint investment plans with the franchisees for the renovation and relocation of stores and further implementation of front-office systems;
- for €182 thousand, by acquisitions made during the period
- for €1,779 thousand, by amortization, depreciation and impairment;
- for €1,884 thousand, by other net decreases relating primarily to the loans granted to franchisees.

## Asia - Pacific

Non-current assets came to €341,485 thousand at 30 June 2014 versus €324,166 thousand at 31 December 2013, an increase of €17,319 thousand explained:

- for €2,897 thousand, by investments in plant, property and equipment, relating primarily to the opening, renovation and relocation of a few stores;
- for €9 thousand by investments in intangible assets;
- for €5,399 thousand, by amortization, depreciation and impairment;
- for €19,812 thousand, by other net increases, primarily exchange differences.

## Net invested capital

Net invested capital came to €711,097 thousand al 30 June 2014 versus €656,443 thousand at 31 December 2013, an increase of €54,654 thousand. The rise in non-current assets detailed above was accompanied by an increase in working capital attributable primarily to the payment of long term incentives to top management and commissions to agents at 31 December 2013, along with a slight increase in inventory comparing to December, relating to the delivery of trial devices.

The following table shows a breakdown of net invested capital by geographical region.

| (€ thousands) | 30/06/2014 | 31/12/2013(*) | Change |
|---|---|---|---|
| EMEA | 324,316 | 295,422 | 28,894 |
| The Americas | 75,956 | 76,585 | (629) |
| Asia Pacific | 310,825 | 284,436 | 26,389 |
| Total | 711,097 | 656,443 | 54,654 |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

## Europe, Middle East and Africa

Net invested capital came to €324,316 thousand at 30 June 2014, an increase of €28,894 thousand against the figure posted at 31 December 2013, basically in line with the increase in non-current assets described above. The rise in working capital following payment of long term incentives to top management and commissions to agents at 31 December 2013, along with a slight increase in inventory, was offset by an increase in liabilities for employee benefits (following the consolidation of new acquisitions) and derivatives. Factoring without recourse in the period involved trade receivables for a nominal value of €24,528 thousand (€23,358 thousand in the first half of the prior year) and VAT receivables for a nominal value of €7,162 thousand (€6,912 thousand in the first half of the prior year).

## The Americas

Net invested capital came to €75,956 thousand at 30 June 2014, a decline of € 629 thousand with respect to 31 December 2013. The increase in non-current assets described above was only partially offset by a slight increase in trade payables.

## Asia - Pacific

Net invested capital came to €310,825 thousand at 30 June 2014, an increase of €26,389 thousand against the figure recorded at 31 December 2013: the change in non-current assets described above was accompanied by an increase in working capital following payment of long-term incentives to top management and the decrease in tax payables recognized at December

2013 which are no longer due as a result of the Australian tax authorities' recognition of the deductibility for tax purposes of part of the assets acquired in 2010 as a result of the NHC Group acquisition.

## Net financial indebtedness

| (€ thousands) | 30/06/2014 | 31/12/2013 (Restated)(*) | 31/12/2013 (Reported) | Change on Restated |
|---|---|---|---|---|
| Net medium and long-term financial indebtedness | 439,832 | 435,426 | 435,426 | 4,406 |
| Net short-term financial indebtedness | 27,684 | 10,262 | 10,262 | 17,422 |
| Cash and cash equivalents | (170,258) | (170,321) | (170,345) | 63 |
| Net financial indebtedness | 297,258 | 275,367 | 275,343 | 21,891 |
| Group net equity | 413,417 | 380,616 | 382,175 | 32,801 |
| Minority interests | 422 | 460 | 460 | (38) |
| Net Equity | 413,839 | 381,076 | 382,635 | 32,763 |
| Financial indebtedness/Group net equity | 0.72 | 0.72 | 0.72 | |
| Financial indebtedness/net equity | 0.72 | 0.72 | 0.72 | |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

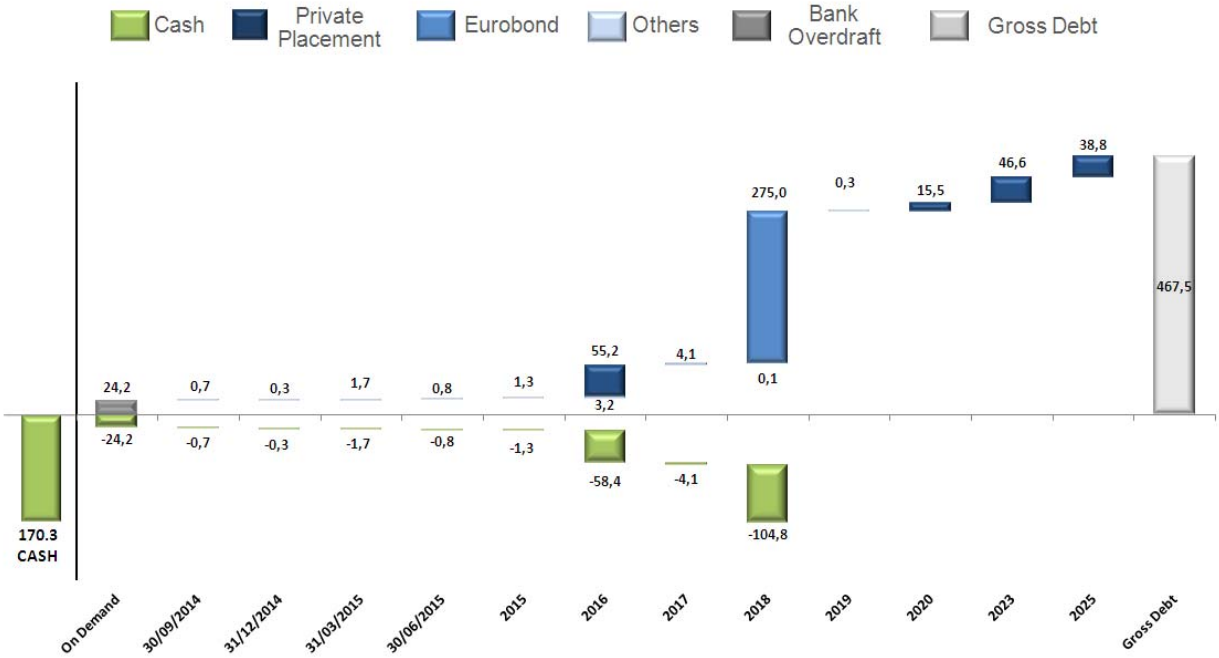
Net financial indebtedness amounted to €297,258 thousand at 30 June 2014, an increase of €21,891 thousand with respect to 31 December 2013. The increase in debt is the direct consequence of the acquisitions made in the period (totaling €26,317 thousand). Net of this item the figure would be in line with the largely stable level of debt seen historically in the first half of the year which is impacted by first quarter seasonality and the payment of dividends in the second quarter (€9,350 thousand in 2014). This year long term incentives were also paid to top management for which provisions were made in previous years (€6,639 thousand). Cash flow generated by current operations absorbed interest payable and other financial charges of €10,931 thousand, capital expenditure totalling €18,834 thousand and the payment of tax (net of the refunds received in Australia and described in the section relating to the Group's net profit) amounting to €5,431 thousand.

At 30 June 2014 total financial indebtedness amounted to €297,258 thousand against cash and cash equivalents totaling €170,258 thousand. Long term debt amounted to €439,832 thousand.

Thanks to the debt capital market transactions carried out in the prior year, the Group's debt is now primarily long term, with the first maturity in August 2016 when the last tranche of the 2006-2016 private placement of €55.2 million, at the hedging rate, will fall due.

Cash and cash equivalents of €170,258 thousand, along with the unused portion of the long-term credit lines granted of €124.6 million, €100 million of which is irrevocably committed, therefore

ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.




Interest payable on financial indebtedness amounted to €11,052 thousand at 30 June 2014, versus €17,230 thousand at 30 June 2013 which included costs of €6,783 thousand incurred to early payment of fees and closure of hedges as a result of the advance repayment of the syndicated loan on 23 July 2013 subsequent to the issue on 16 July 2013 of a €275 million Eurobond.

Interest receivable on bank deposits at 30 June 2014 reached €429 thousand, versus €245 thousand at 30 June 2013.

*Covenants:*

The USD 130 million private placement 2013-2025 (equal to Euro 100.9 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2885) is subject to the following covenants:

- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.5;
- the ratio of net financial indebtedness to EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

In the event of relevant acquisitions, the above ratios may be increased to 2.0 and 4.0, respectively, for a period not longer than 12 months, twice over the life of the loan.

The USD 70 million 2006-2016 private placement (equal to Euro 55.2 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2676) is subject to the following covenants:

- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.5;
- the ratio of net financial indebtedness to EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

At 30 June 2014 these ratios were as follows:

| | Value |
|---|---|
| Net financial indebtedness/Group net equity | 0.72 |
| Net financial indebtedness/EBITDA for the last 4 quarters | 2.36 |

As is typical international practice, the two private placements are also subject to other covenants which limit the ability to issue guarantees and complete sale and lease-back, as well as extraordinary, transactions.

The Euro 275 million Eurobond, due in 2018 and issued in July 2013, is not subject to any covenants nor is the remaining Euro 2 million in long-term debt, including the short term portion.

The net debt to net capital employed ratio at 30 June 2014 was 41.8% (41.95% at 31 December 2013).

The reasons for the changes in net debt are detailed in the next paragraph on the statement of cash flows.

# CASH FLOW

The reclassified cash flow statement shows the change in net debt between the start and the end of the period. The financial statements include a cash flow statement based on cash holdings as per IAS 7 showing the change in cash holdings between the beginning and the end of the period.

| (€ thousands) | First Half 2014 | First Half 2013 (Restated)(*) | First Half 2013 (Reported) |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net profit (loss) attributable to the Group | 22,563 | 4,285 | 4,285 |
| Minority interests | (83) | 24 | 24 |
| *Amortization, depreciation and write-downs:* | | | |
| - Intangible fixed assets | 10,326 | 11,000 | 11,046 |
| - Tangible fixed assets | 11,816 | 12,159 | 12,208 |
| - Goodwill | - | - | - |
| *Total amortization, depreciation and write-downs* | *22,142* | *23,159* | *23,254* |
| Provisions | 6,847 | 6,249 | 6,249 |
| (Gains) losses from sale of fixed assets | 62 | (23) | (23) |
| Group's share of the result of associated companies | (168) | (17) | (34) |
| Financial income and charges | 12,111 | 18,633 | 18,730 |
| Current and deferred income taxes | 935 | 9,045 | 9,071 |
| *Change in assets and liabilities:* | | | |
| - Utilization of provisions | (3,671) | (3,591) | (3,591) |
| *- (Increase) decrease in inventories* | *994* | *999* | *931* |
| *- Decrease (increase) in trade receivables* | *9,538* | *15* | *67* |
| *- Increase (decrease) in trade payables* | *(789)* | *(8,238)* | *(8,265)* |
| *- Changes in other receivables and other payables* | *(18,101)* | *(5,054)* | *(5,164)* |
| *Total change in assets and liabilities* | (12,029) | (15,869) | (16,022) |
| Dividends received | 106 | 57 | 57 |
| Net interest charges | (10,931) | (14,020) | (14,018) |
| Taxes paid | (5,431) | (16,931) | (17,006) |
| Cash flow generated from (absorbed by) operating activities | 36,124 | 14,592 | 14,567 |
| INVESTING ACTIVITIES: | | | |
| Purchase of intangible fixed assets | (4,041) | (5,263) | (5,361) |
| Purchase of tangible fixed assets | (14,793) | (11,612) | (11,670) |
| Consideration from sale of tangible fixed assets and businesses | 2,318 | 3,197 | 3,197 |
| *Cash flow generated from (absorbed by) investing activities* | *(16,516)* | *(13,678)* | *(13,834)* |
| Cash flow generated from operating and investing activities (Free cash flow) | 19,608 | 914 | 733 |
| Business combinations (**) | (26,317) | (1,622) | (1,622) |
| (Purchase) sale of other investments and securities | (167) | (307) | (308) |
| *Cash flow generated from acquisitions* | *(26,484)* | *(1,929)* | *(1,930)* |
| Cash flow generated from (absorbed by) investing activities | (43,000) | (15,607) | (15,764) |

| (€ thousands) | First Half 2014 | First Half 2013 (Restated)(*) | First Half 2013 (Reported) |
|---|---|---|---|
| FINANCING ACTIVITIES: | | | |
| Changes in hedging derivatives | - | - | - |
| Fees paid on medium/long-term financing | - | (701) | (701) |
| Other non-current assets | (4,640) | (2,087) | (2,087) |
| Dividend distributions | (9,350) | (9,330) | (9,330) |
| Capital increases (reduction)/third parties contributions in subsidiaries / dividends paid to third parties by the subsidiaries | 1,165 | 1,315 | 1,315 |
| Cash flow generated from (absorbed by) financing activities | (12,825) | (10,803) | (10,803) |
| Changes in net financial indebtedness | (19,701) | (11,818) | (12,000) |
| Net financial indebtedness at the beginning of the period | (275,367) | (305,978) | (305,835) |
| Effect of disposal of assets on net financial indebtedness | - | - | - |
| Effect of exchange rate fluctuations on net financial indebtedness | (2,190) | 4,601 | 4,601 |
| Changes in net indebtedness | (19,701) | (11,818) | (12,000) |
| Net financial indebtedness at the end of the period | (297,258) | (313,194) | (313,234) |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*
*(**)The item refers to the net **cash** flow absorbed by acquisitions of business units and equity investments*

The change in net debt of €21,891 thousand is explained by:

(i) Investing activities:
- capital expenditure on property, plant and equipment and intangible investments of €18,834 thousand, as described in the section on non-current assets, relating primarily to the renovation and repositioning of stores in order to introduce the concept store developed over the last three years, technological infrastructure, the implementation of new front-office systems and the implementation in France of the new version of the back-office of the Group;
- acquisitions of €26,317 thousand including the debt of the acquired companies;
- net proceeds from the disposal of other assets, equity investments and securities amounting to €2,151 thousand.

(ii) Operating activities:
- interest payable on financial indebtedness and other net financial charges of €10,931 thousand;
- payment of tax amounting to €5,431 thousand net of the refunds received amounting to €7,143 thousand as a result of the Australian tax authorities' recognition of the deductibility for tax purposes of amortization of part of the assets acquired in 2010 as a result of the NHC Group acquisition;
- cash flow generated by operations of €52,486 thousand.

(iii) Financing activities:
- payment of dividends to shareholders of €9,350 thousand;
- net proceeds from capital increases following the exercise of stock options of €953 thousand;

- increase in non-current assets of €4,640 thousand relating primarily to loans granted by the American companies to franchisees for the renovation of stores, investments and development in the US.

(iv) Negative exchange differences of €2,190 thousand.

Free cash flow for the period is impacted by a non–recurring payment of €2,218 thousand recognized during the prior year.

## ACQUISITION OF COMPANIES AND BUSINESSES

In the first half of 2014 the Group intensified its external growth and finalized a number of acquisitions:

At the end of April 60% of Medtechnica Orthophone Ltd, the leading Israeli provider of hearing aids and related services, was acquired. With a market share of around 30%, Medtechnica Orthophone operates through a network of 70 direct and indirect points of sale reaching revenue of approximately €10 million. This acquisition, in line with the Group's internationalization strategy, makes it possible for Amplifon to enter a new market with great growth potential. Amplifon, leveraging on its own medical-retail expertise, will make it possible for Medtechnica Orthophone to further accelerate the development of its business. Medtechnica Orthophone, unlike its competitors, also possesses great expertise in research and development, which will now become part of the Amplifon Group's culture of excellence. The transaction, value-accretive in terms of EV/Ebitda without taking into account potential synergies, called for a total investment of approximately €11.3 million, including the call option on the remaining 40% and the impact of consolidating the acquired company's debt.

At the beginning of May a chain of stores belonging to Audika Italia S.r.l., the Italian branch of the French group Audika, a hearing aid distributor, was purchased. With its 55 points of sale (sales reached €7.4 million in 2013), this new reality will make it possible for Amplifon to strengthen its domestic presence in regions like Emilia Romagna, Piemonte, Lazio and Triveneto – increasing the reach of its distribution network and moving closer to its customers, factors that are key to the Company's success. The transaction called for an investment of €6.9 million inclusive of cash on hand.

The Group made a few minor acquisitions in order to increase existing holdings, as well as coverage in a few countries, as described below:

- in Poland the Group acquired control (63%) of Amplifon Poland by purchasing minority interests (9%) and subsequently subscribing the capital increase's unexercised rights (7%);
- in Spain Ampli Lleida (Barcelona) and Audiosalud (Murcia) held 80% and 75.1%, respectively, became wholly-owned subsidiaries;

- in Germany 3 stores were purchased in the Stuttgart region, one in the Nuremberg region, one in Saarland and one in North Rhine-Westphalia;
- in France 3 stores were purchased in the Haute Savoy region, one in St. Malò and one near Auxerre;
- in Turkey two stores were purchased in the southeast;
- in Switzerland a customer list of a store near Zurich was purchased;
- in the United States a customer list of a store in Missouri was purchased.

A total of €26,317 thousand was invested, including the debt consolidated and the best estimate of the earn-out linked to sales and profitability targets over the next few years.

## SUBSEQUENT EVENTS AFTER 30 JUNE 2014

No significant events took place after 30 June 2014 through today's date.

## OUTLOOK

In 2014 the Amplifon Group will continue to operate in a global environment geared for recovery, including in Europe where profitability is expected to recover gradually, thanks also to the contribution of the Netherlands where, despite persistent price pressure, the Group expects the increase in volumes reported in the period to continue for the rest of the year, and Germany where the increase in sales should continue in the second part of the year, albeit at a less robust pace than that recorded in the first half of the year. Recovery is also expected in Italy, where seasonality has not been in line with the prior year.

In the United States the Group believes that it will be possible to narrow the lag caused by bad weather conditions, as well as inefficiencies caused by the different mix of suppliers for high end products requested by the Elite network. As for Asia-Pacific, in Australia the Group expects to see stable organic growth, while New Zealand should benefit from the increase in subsidies beginning July 2014.

We believe that the recovery in profitability reported in the first half of the year can continue, thanks also to the restructuring carried out and the specific programs put in place to increase productivity, while organic growth will be sustained by investments in marketing, CRM initiatives and the opening of new stores. The priority will continue to be external growth in order to reach an adequate critical mass in specific regions, as well as enter new countries, after Israel, with a growing and wealthy elderly population segment.

## RISKS, UNCERTAINTIES AND CONTINGENT LIABILITIES

As mentioned in the 2013 Annual Financial Report, in 2013 the Italian tax police ("Guardia di Finanza") began investigating a series of Italian banks in reference to medium/long-term loans granted by the latter abroad in order to verify if the loans were subject to substitute tax, ordinary duties, stamps, liens, surveys and government concession tax. Between the latter part of 2013 and early 2014 the Italian tax authorities challenged the failure of a number of banks to apply substitute tax on all the loans granted abroad, including the syndicated loan of €303.8 million and AUD 70 million granted to the Amplifon Group in December 2010 by a pool of 15 Italian and foreign banks to finance the acquisition of the Australian group NHC. Pursuant to the loan agreement, Amplifon S.p.A., Amplifon S.p.A. – French branch and Amplifon Nederland BV could be held liable for the substitute tax. The Revenue was claiming at total of €708 thousand from the different banks, in addition to interest and any other penalties as might be determined, for up to a maximum of double the amount in question.

The banks involved, the majority of which in collaboration with Amplifon and its consultants, appealed the findings and paid only the taxes and interest found to be owed in order to avoid extra penalties in the event the appeal was rejected after going to higher courts. In the event the appeal is granted the amounts paid in advance will be refunded. A few banks requested a refund of the amount paid by them from Amplifon. At 30 June 2014 Amplifon had refunded €407 thousand (including interest of €39 thousand) to the banks.

Amplifon, its consultants and the banks involved believe that arguments presented and documented in the appeals filed are enough to demonstrate that the tax was not due and, consequently, though the uncertainty typical of any dispute remains, the appeal will be granted in a higher court. In any case, the possibility of any penalties being imposed is viewed as remote and for this reason no provisions were made in the half-year financial statements at 30 June 2014.

In March 2014 a supplier of high end hearing aids in the United States decided to also offer its products to a hard discount distributor. As a result of this decision a number of small retailers that belong to the Elite network decided to stop purchasing or reduce the amount purchased from this provider. Amplifon, subsequently, found alternative products and managed overall to maintain sales volumes, albeit with tighter margins. The contract with the supplier referred to, however, provides for current discounts and free services if certain amounts are purchased each year and, as a result of the above, at 30 June 2014 the amounts purchased are below the initial estimation. At 30 June 2014 the contingent liabilities incurred by Amplifon are estimated to have reached around Euro 1 million, but based on the same contract price increases will not be applied if negative events take place over which Amplifon has no control and given the good relationship that still exists with this provider with which the Amplifon Group has been working for many years worldwide, we believe that we will find an amicable solution without incurring any further costs for the company considering the risk associated with this liability remote.

The petition filed with the Australian tax authorities requesting that it be allowed to deduct the amortization of a few intangible assets (in particular, the customer database) acquired as part of the NHC Group acquisition in December 2010 for tax purposes was granted in March 2014. The related positive effects were recognized in this half-year report at 30 June 2014 and are commented on in the section about the Group's net profit.

Currently the Group is not subject to any other particular risks or uncertainties.


# CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2014

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (€ thousands) | | 30/06/2014 | 31/12/2013 Reported | 31/12/2013 Restated (*) |
|---|---|---|---|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| Goodwill | Note 5 | 525,294 | 500,680 | 500,680 |
| Intangible fixed assets with finite useful life | Note 6 | 132,034 | 120,300 | 120,103 |
| Tangible fixed assets | Note 7 | 94,811 | 88,119 | 87,690 |
| Investments valued at equity | | 2,816 | 940 | 2,135 |
| Financial assets measured at fair value through profit or loss | | 4,386 | 4,131 | 4,131 |
| Hedging instruments | | 1,635 | 2,382 | 2,382 |
| Deferred tax assets | | 47,873 | 46,088 | 46,088 |
| Other assets | | 40,736 | 37,968 | 37,968 |
| Total non-current assets | | 849,585 | 800,608 | 801,177 |
| Current assets | | | | |
| Inventories | | 32,517 | 30,147 | 29,832 |
| Trade receivables | | 101,555 | 104,018 | 103,687 |
| Tax receivables | | 12,386 | 11,359 | 11,310 |
| Other receivables | | 22,311 | 17,581 | 17,510 |
| Hedging instruments | | 14 | 2,572 | 2,572 |
| Cash and cash equivalents | | 170,258 | 170,345 | 170,322 |
| Total current assets | | 339,041 | 336,022 | 335,233 |
| TOTAL ASSETS | | 1,188,626 | 1,136,630 | 1,136,410 |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

| (€ thousands) | | 30/06/2014 | 31/12/2013 Reported | 31/12/2013 Restated (*) |
|---|---|---|---|---|
| LIABILITIES | | | | |
| Net Equity | | | | |
| Share capital | Note 8 | 4,488 | 4,482 | 4,482 |
| Share premium account | | 190,625 | 189,312 | 189,312 |
| Treasury shares | Note 8 | (44,091) | (44,091) | (44,091) |
| Other reserves | | (15,508) | (31,367) | (31,367) |
| Profit (loss) carried forward | | 255,340 | 250,991 | 249,432 |
| Profit (loss) for the period | | 22,563 | 12,848 | 12,848 |
| Group net equity | | 413,417 | 382,175 | 380,616 |
| Minority interests | | 422 | 460 | 460 |
| Total net equity | | 413,839 | 382,635 | 381,076 |
| Non-current liabilities | | | | |
| Medium/long-term financial liabilities | Note 10 | 419,911 | 417,541 | 417,541 |
| Provisions for risks and charges | | 34,861 | 33,101 | 33,076 |
| Liabilities for employees' benefits | | 13,605 | 11,651 | 11,651 |
| Hedging instruments | | 17,716 | 16,850 | 16,850 |
| Deferred tax liabilities | | 49,686 | 46,671 | 46,671 |
| Payables for business acquisitions | | 7,334 | 3,446 | 3,446 |
| Other long-term debt | | 213 | 245 | 245 |
| Total non-current liabilities | | 543,326 | 529,505 | 529,480 |
| Current liabilities | | | | |
| Trade payables | | 100,194 | 96,297 | 96,241 |
| Payables for business acquisitions | | 2,336 | 621 | 621 |
| Other payables | | 90,044 | 92,397 | 92,298 |
| Hedging instruments | | 2,455 | 59 | 59 |
| Tax payables | | 12,635 | 15,037 | 16,556 |
| Provisions for risks and charges | | 1,034 | 411 | 411 |
| Liabilities for employees' benefits | | 586 | 8,257 | 8,257 |
| Short-term financial liabilities | Note 10 | 22,177 | 11,411 | 11,411 |
| Total current liabilities | | 231,461 | 224,490 | 225,854 |
| TOTAL LIABILITIES | | 1,188,626 | 1,136,630 | 1,136,410 |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

# CONSOLIDATED INCOME STATEMENT

| (€ thousands) | I Half 2014 | I Half 2013 Reported | I Half 2013 Restated (*) |
|---|---|---|---|
| Revenues from sales and services | 416,450 | 409,209 | 408,599 |
| Cost of raw materials, consumables and supplies and change in inventories of raw materials, consumables and supplies | (99,028) | (94,367) | (94,729) |
| Personnel expenses | (129,061) | (129,235) | (128,678) |
| Services | (130,539) | (130,788) | (130,575) |
| Other income and costs | (321) | 511 | 511 |
| Gross operating profit (EBITDA) | 57,501 | 55,330 | 55,128 |
| Amortisation, depreciation and impairment | | | |
| Amortisation of intangible fixed assets | (10,327) | (11,046) | (11,000) |
| Depreciation of tangible fixed assets | (11,624) | (12,175) | (12,124) |
| Impairment and impairment reversals of non-current assets | (192) | (33) | (34) |
| | (22,143) | (23,254) | (23,158) |
| Operating result | 35,358 | 32,076 | 31,970 |
| Financial income, charges and value adjustments to financial assets | | | |
| Group's share of the result of associated companies valued at equity | 168 | 34 | 114 |
| Other income and charges, impairment and revaluations of financial assets | 344 | 9 | 9 |
| Interest income and charges | (10,246) | (16,753) | (16,753) |
| Other financial income and charges | (1,370) | (1,451) | (1,451) |
| Exchange gains and losses | 2,279 | (1,517) | (1,517) |
| Gain (loss) on assets measured at fair value | (3,118) | 982 | 982 |
| | (11,943) | (18,696) | (18,616) |
| Profit (loss) before tax | 23,415 | 13,380 | 13,354 |
| Current and deferred income tax (Note 13) | | | |
| Current tax | (1,985) | (7,698) | (7,672) |
| Deferred tax | 1,050 | (1,373) | (1,373) |
| | (935) | (9,071) | (9,045) |
| Total net profit (loss) | 22,480 | 4,309 | 4,309 |
| Minority interests | (83) | 24 | 24 |
| Net profit (loss) attributable to the Group | 22,563 | 4,285 | 4,285 |

*(*) Restated to reflect retrospective application of IFRS11*

| Income (loss) and earnings per share (€ per share) | Note 11 | I Half 2014 | I Half 2013 |
|---|---|---|---|
| Earnings per share | | | |
| - base | | 0.103792 | 0.019761 |
| - diluted | | 0.100789 | 0.019319 |

# STATEMENT OF COMPREHENSIVE INCOME

| (€ thousands) | I Half 2014 | I Half 2013 |
|---|---|---|
| Income (loss) for the period | 22,480 | 4,309 |
| Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss: | | |
| Re-measurement of defined benefit plans | (683) | (85) |
| Tax effect on components of other comprehensive income that will not be reclassified subsequently to profit or loss | 125 | 9 |
| Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss after the tax effect (A) | (558) | (76) |
| Other comprehensive income that will be reclassified subsequently to profit or loss | | |
| Gains/(losses) on cash flow hedging instruments | (2,689) | 710 |
| Gains/(losses) on exchange differences from translation of financial statements of foreign entities | 18,002 | (30,931) |
| Tax effect on components of other comprehensive income that will be reclassified subsequently to profit or loss | 734 | (94) |
| Total other comprehensive income (loss) that will be reclassified subsequently to profit or loss after the tax effect (B) | 16,047 | (30,315) |
| Total other comprehensive income (loss) (A)+(B) | 15,489 | (30,391) |
| Comprehensive income (loss) for the period | 37,969 | (26,082) |
| Attributable to the Group | 38,061 | (26,069) |
| Attributable to Minority interests | (92) | (13) |

# STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

| (€ thousands) | Share capital | Share premium account | Legal reserve | Other reserves | Treasury shares reserve | Stock option reserve |
|---|---|---|---|---|---|---|
| Balance at 1 January 2013 | 4,468 | 186,775 | 934 | 2,770 | (44,091) | 11,034 |
| Appropriation of FY 2012 result | | | | | | |
| Share capital increase | 11 | 1,304 | | | | |
| Dividend distribution | | | | | | |
| Implicit cost of stock options and stock grants | | | | | | 1,994 |
| Other changes | | 608 | | | | (608) |
| *- Hedge accounting* | | | | | | |
| *- Actuarial gains (losses)* | | | | | | |
| *- Translation difference* | | | | | | |
| *- Result for the six months to 30 June 2013* | | | | | | |
| Total comprehensive income (loss) for the period | | | | | | |
| Balance at 30 June 2013 | 4,479 | 188,687 | 934 | 2,770 | (44,091) | 12,420 |

| (€ thousands) | Share capital | Share premium account | Legal reserve | Other reserves | Treasury shares reserve | Stock option reserve |
|---|---|---|---|---|---|---|
| Balance at 1 January 2014 | 4,482 | 189,312 | 934 | 2,770 | (44,091) | 15,614 |
| Appropriation of FY 2013 result | | | | | | |
| Share capital increase | 6 | 947 | | | | |
| Dividend distribution | | | | | | |
| Implicit cost of stock options and stock grants | | | | | | 3,272 |
| Other changes | | 366 | | | | (428) |
| *- Hedge accounting* | | | | | | |
| *- Actuarial gains (losses)* | | | | | | |
| *- Translation difference* | | | | | | |
| *- Result for the six months to 30 June 2014* | | | | | | |
| Total comprehensive income (loss) for the period | | | | | | |
| Balance at 30 June 2014 | 4,488 | 190,625 | 934 | 2,770 | (44,091) | 18,458 |

| Cash flow hedge reserve | Actuarial gains and losses | Profit (loss) carried forward | Translation difference | Profit (loss) for the period | Total Shareholders' equity | Minority interests | Total net equity |
|---|---|---|---|---|---|---|---|
| (4,642) | - | 219,601 | 9,531 | 43,182 | 429,562 | 596 | 430,158 |
| | | 43,182 | | (43,182) | - | | - |
| | | | | | 1,315 | | 1,315 |
| | | (9,330) | | | (9,330) | | (9,330) |
| | | | | | 1,994 | | 1,994 |
| | | (4,203) | | | (4,203) | | (4,203) |
| *616* | | | | | *616* | | *616* |
| | *(76)* | | | | *(76)* | | *(76)* |
| | | | *(30,894)* | | *(30,894)* | *(37)* | *(30,931)* |
| | | | | *4,285* | *4,285* | *24* | *4,309* |
| 616 | (76) | | (30,894) | 4,285 | (26,069) | (13) | (26,082) |
| (4,026) | (76) | 249,250 | (21,363) | 4,285 | 393,269 | 583 | 393,852 |

| Cash flow hedge reserve | Actuarial gains and losses | Profit (loss) carried forward | Translation difference | Profit (loss) for the period | Total Shareholders' equity | Minority interests | Total net equity |
|---|---|---|---|---|---|---|---|
| (2,716) | 598 | 249,432 | (48,567) | 12,848 | 380,616 | 460 | 381,076 |
| | | 12,848 | | (12,848) | - | | - |
| | | | | | 953 | | 953 |
| | | (9,350) | | | (9,350) | | (9,350) |
| | | | | | 3,272 | | 3,272 |
| | (2,483) | 2,410 | | | (135) | 54 | (81) |
| *(1,955)* | | | | | *(1,955)* | | *(1,955)* |
| | *(558)* | | | | *(558)* | | *(558)* |
| | | | *18,011* | | *18,011* | *(9)* | *18,002* |
| | | | | *22,563* | *22,563* | *(83)* | *22,480* |
| (1,955) | (558) | | 18,011 | 22,563 | 38,061 | (92) | 37,969 |
| (4,671) | (2,443) | 255,340 | (30,556) | 22,563 | 413,417 | 422 | 413,839 |

# CONSOLIDATED CASH FLOW STATEMENT

| (€ thousands) | I Half 2014 | I Half 2013 Reported | I Half 2013 Restated (*) |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net profit (loss) | 22,480 | 4,309 | 4,309 |
| Amortization, depreciation and write-downs: | | | |
| - intangible fixed assets | 10,326 | 11,046 | 11,000 |
| - tangible fixed assets | 11,816 | 12,208 | 12,159 |
| - goodwill | | - | - |
| Provisions | 6,847 | 6,249 | 6,249 |
| (Gains) losses from sale of fixed assets | 62 | (23) | (23) |
| Group's share of the result of associated companies | (168) | (34) | (114) |
| Financial income and charges | 12,111 | 18,730 | 18,730 |
| Current, deferred tax assets and liabilities | 936 | 9,071 | 9,044 |
| *Cash flow from operating activities before change in working capital* | *64,410* | *61,556* | *61,354* |
| Utilization of provisions | (3,671) | (3,591) | (3,591) |
| (Increase) decrease in inventories | 994 | 931 | 999 |
| Decrease (increase) in trade receivables | 9,538 | 67 | 15 |
| Increase (decrease) in trade payables | (789) | (8,265) | (8,238) |
| Changes in other receivables and other payables | (18,101) | (5,163) | (5,054) |
| *Total change in assets and liabilities* | *(12,029)* | *(16,021)* | *(15,869)* |
| Dividends received | 106 | 57 | 57 |
| Interest received (paid) | (4,419) | (10,303) | (10,303) |
| Taxes paid | (5,413) | (17,007) | (16,931) |
| Cash flow generated from (absorbed by) operating activities (A) | *42,655* | *18,282* | *18,308* |
| INVESTING ACTIVITIES: | | | |
| Purchase of intangible fixed assets | (4,041) | (5,361) | (5,262) |
| Purchase of tangible fixed assets | (14,793) | (11,670) | (11,612) |
| Consideration from sale of tangible fixed assets | 2,318 | 3,197 | 3,197 |
| *Cash flow generated from (absorbed by) investing activities (B)* | *(16,516)* | *(13,834)* | *(13,677)* |
| Purchase of subsidiaries and business units | (27,453) | (1,647) | (1,647) |
| Increase (decrease) in payables through business acquisition | 5,518 | 293 | 293 |
| (Purchase) sale of other investments, business units and securities | (167) | (308) | (308) |
| *Cash flow generated from (absorbed by) acquisition activities (C)* | *(22,102)* | *(1,662)* | *(1,662)* |
| *Cash flow generated from (absorbed by) investing activities (B+C)* | *(38,618)* | *(15,496)* | *(15,339)* |
| FINANCING ACTIVITIES: | | | |
| Increase (decrease) in financial payables | 4,210 | (10,059) | (10,162) |
| (Increase) decrease in financial receivables | 2,085 | (2,547) | (2,547) |
| Derivatives instruments and other non-current assets | - | - | - |
| Commissions paid for medium/long-term financing | - | (701) | (701) |
| Other non-current assets and liabilities | (4,640) | (2,086) | (2,086) |
| Dividends distributed | (9,350) | (9,330) | (9,330) |
| Capital increases and minority shareholders' contributions and dividends paid to third parties by subsidiaries | 1,165 | 1,315 | 1,315 |
| *Cash flow generated from (absorbed by) financing activities (D)* | *(6,530)* | *(23,408)* | *(23,511)* |
| Net increase in cash and cash equivalents (A+B+C+D) | (2,493) | (20,622) | (20,542) |

| (€ thousands) | I Half 2014 | I Half 2013 Reported | I Half 2013 Restated (*) |
|---|---|---|---|
| Cash and cash equivalents at beginning of period | 170,322 | 111,180 | 111,100 |
| Effect of discontinued operations on cash & cash equivalents | (163) | - | - |
| Effect of exchange rate fluctuations on cash & cash equivalents | 1,455 | (1,444) | (1,444) |
| Liquid assets acquired | 1,137 | 25 | 25 |
| Cash flows | (2,493) | (20,622) | (20,542) |
| Cash and cash equivalents at the end of period | 170,258 | 89,139 | 89,139 |

*(*) Restated to reflect retrospective application of IFRS 11*

Free cash flow for the period is impacted by a non–recurring payment of €2,218 thousand recognized at the end of the previous year.

Related-party transactions relate to rentals of the main office and certain stores, to recharges of maintenance costs and general services of the above-mentioned buildings and to commercial transactions, personnel costs and loans. They are detailed in Note 12, where the related financial flows can be easily deduced.

## SUPPLEMENTARY INFORMATION TO CASH FLOW STATEMENT

The fair values of the assets and liabilities acquired are summarised in the following table:

| (€ thousands) | I Half 2014 | I Half 2013 |
|---|---|---|
| - Goodwill | 8,935 | 1,443 |
| - Customer lists | 12,653 | 561 |
| - Trademarks and non-competition agreements | 462 | - |
| - Other intangible fixed assets | 167 | 57 |
| - Tangible fixed assets | 3,272 | 67 |
| - Financial fixed assets | 585 | - |
| - Current assets | 12,544 | 186 |
| - Provisions for risks and charges | (1,677) | (105) |
| - Current liabilities | (9,970) | (469) |
| - Other non-current assets and liabilities | (2,453) | (113) |
| - Minority interests | 6 | - |
| Total investments | 24,523 | 1,627 |
| Net financial debt acquired | 2,931 | 20 |
| Total business combinations | 27,453 | 1,647 |
| (Increase) decrease in payables for businesses combinations | (5,518) | (293) |
| Disposal of businesses (reduction in earn-outs), purchase of investments and shares | 167 | 308 |
| Cash flow absorbed by (generated from) acquisitions | 22,102 | 1,662 |
| (Cash and cash equivalents acquired) | (1,137) | (25) |
| Net cash flow absorbed by (generated from) acquisitions | 20,966 | 1,637 |

# EXPLANATORY NOTES

## 1. General Information

The Amplifon Group is global leader in the distribution of Hearing Aid systems and in their fitting and customization to meet the needs of hearing impaired patients.

The parent company, Amplifon S.p.A. is based in Milan, in Via Ripamonti 133. The Group is controlled directly by Ampliter N.V. and indirectly by Amplifin S.p.A., owned by Susan Carol Holland, with 100% of the shares, whilst Anna Maria Formiggini Holland retains usufruct.

The condensed consolidated interim financial statements at 30 June 2014 have been prepared in accordance with International Financial Reporting Standards and the implementing regulations set out in Article 9 of Legislative Decree No. 38 of 28 February 2005. These standards include the IAS and IFRS issued by the International Accounting Standard Board, as well as the SIC and IFRIC interpretations issued by the International Financial Reporting Interpretations Committee, which were endorsed in accordance with the procedure set out in Article 6 of Regulation (EC) No. 1606 of 19 July 2002 by 30 June 2014. International Financial Reporting Standards endorsed after that date and before the preparation of these financial statements are adopted in the preparation of the consolidated financial statements only if early adoption is allowed by the endorsing regulation and the accounting standard itself, and the Group has elected to do so. The condensed consolidated interim financial statements have been prepared in accordance with the provisions of IAS 34 – Interim Financial Reporting.

The condensed consolidated interim financial statements at 30 June 2014 do not include all the additional information required to be presented in annual financial statements, and must be read together with the Group's annual consolidated financial statements at 31 December 2013.

The valuation criteria adopted in the preparation of the condensed consolidated interim financial statements as at 30 June 2014 did not change from those applied in the consolidated accounts as at 31 December 2013.

The publication of the condensed consolidated interim financial statements of the Amplifon Group at 30 June 2014 was authorised by a resolution of the Board of Directors of 23 July 2014 which approved their distribution to the public.

# 2. Accounting policies

## 2.1. Presentation of financial statements

The condensed consolidated interim financial statements at 30 June 2014 have been prepared in accordance with the historical cost convention with the exception of derivative financial instruments, certain financial investments measured at fair value and assets and liabilities hedged by a fair value hedge, as more fully explained hereafter, as well as on the going concern assumption.
The following table lists the international accounting standards and the interpretations approved by IASB and endorsed to be adopted in Europe and applied for the first time in the financial year under review.

| Description | Endorsement date | Publication in O.J.E.C | Effective date | Effective date for Amplifon |
|---|---|---|---|---|
| Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance | 4 Apr '13 | 5 Apr '13 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| IFRS 10 Consolidated Financial Statements | 11 Dec '12 | 29 Dec '12 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| IFRS11 Joint arrangements | 11 Dec '12 | 29 Dec '12 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| IFRS 12 Disclosure of interest in other entities | 11 Dec '12 | 29 Dec '12 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| IAS 27 Separate Financial Statements | 11 Dec '12 | 29 Dec '12 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| IAS 28 Investments in associates and joint ventures | 11 Dec '12 | 29 Dec '12 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| Amendments to IAS 32 Financial instruments –presentation offsetting financial assets and financial liabilities | 13 Dec '12 | 29 Dec '12 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27) | 20 Nov '13 | 21 Nov '13 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| Recoverable amount disclosures for non-financial assets (amendments to IAS 36) | 19 Dec '13 | 20 Dec '13 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |
| Novation of derivatives and continuation of hedge accounting (amendments to IAS 39) | 19 Dec '13 | 20 Dec '13 | Financial years beginning on or after 1 Jan '14 | 1 Jan '14 |

IFRS 11 – Joint Arrangements supersedes IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities: Non-monetary Contributions by Venturers. This new standard requires a reclassification of investments classified as jointly controlled entities under IAS 31 that focuses on the rights and obligations of the arrangements, rather than their legal form.
Those investments are classified as Joint ventures (if the Group has right only to the net assets of an arrangement) or Joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement). The adoption of the standard by the Amplifon Group has determined the use of the net equity method in relation to its interests in the Dutch company Comfoor BV, that was previously consolidated using the proportional method, since the Group has right only to the net assets of this arrangement.

IFRS 11 prescribes the retrospective application of the correction, and in accordance with IAS 8, the comparative figures as of 31 December 2013 and 30 June 2014 have been restated. Such comparative data have also been restated, following the correction of some tax payables recognized in Australia in 2010 and 2012.

The adoption of the other standards and interpretations has not had, and will not have in the future, any material impact on the valuation of the assets, liabilities, costs and revenues of the Group and the disclosures provided in the financial statements.

With respect to the presentation of the financial statements the following should be noted that:

- statement of financial position: the Group distinguishes between current and non-current assets and liabilities;
- income statement: the Group classifies costs by nature, as such classification is deemed to be more representative of the mainly commercial and distribution activities carried out by the Group;
- statement of comprehensive income (loss): this includes the net result of the period and the effects of changes in exchange rates, the cash flow hedge reserve and actuarial gains and losses that are recognised directly in net equity; those items are disclosed on the basis of whether they will potentially be reclassified subsequently to profit or loss;
- statement of changes in net equity: the Group includes all changes in net equity, including those arising from transactions with the shareholders (dividend distributions, increases in share capital);
- cash flow statement: this is prepared using the indirect method for defining cash flows deriving from operating activities

## 2.2. Use of estimates in preparing the financial statements

Preparation of the financial statements schedules and explanatory notes required the use of estimates and assumptions in respect of the following items:

- provisions for impairment, calculated on the basis of the asset's estimated realisable value;
- provisions for risks and charges, calculated on the basis of a reasonable estimate of the amount of the potential liability, not least in relation to any claim made by the counterparty;
- provisions for obsolescence, in order to adjust the carrying value of inventory to reflect realisable value;
- provisions for employee benefits, recognised on the basis of the actuarial valuations made;
- amortisation and depreciation, recognised on the basis of the estimated remaining useful life and recoverable amount;
- income tax, which is recognised on the basis of the best estimate of the expected tax rate for the full year;

- IRSs and currency swaps (instruments not traded on regulated markets), marked to market at the reporting date based on the yield curve and exchange rate fluctuations and subject to credit/debit valuation adjustments, which are supported by market quotations.

Estimates are periodically reviewed and any adjustments due to changes in the circumstances which determined such estimates or additional information are recognised in the income statement. The use of reasonable estimates is an essential part of the preparation of the financial statements and does not affect their overall reliability.

The Group tests goodwill for impairment at least once a year. This requires an estimation of the value in use of the cash-generating unit to which the goodwill pertains. This calculation requires estimation of future cash flows and the after-tax discount rate reflecting market conditions at the date of the valuation.

## 2.3. Future accounting principles and interpretations

The following table lists the international accounting standards and the interpretations approved by IASB and to be adopted in Europe after 30 June 2014:

| Description | Endorsement date | Publication in O.J.E.C | Effective date | Effective date for Amplifon |
|---|---|---|---|---|
| Interpretation IFRIC 21 Levies | 13 June '14 | 14 June '14 | Financial years beginning on or after 17 June '14 | 1 Jan '15 |

Below are the International Financial Reporting Standards, interpretations, amendments to existing standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB which on 21 July 2014 had not yet been endorsed for adoption in Europe:

| Description | Effective date |
|---|---|
| *IFRS 9 Financial Instruments (Issued on 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures issued on 16 December 2011; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 issued on 19 November 2013)* | Financial years beginning on or after 1 Jan '17 and to be defined for IFRS 9 |
| *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)* | Financial years beginning on or after 1 Jul '14 |
| *Annual Improvements to IFRSs 2010–2012 Cycle* | Financial years beginning on or after 1 Jul '14 |
| *Annual Improvements to IFRSs 2011–2013 Cycle* | Financial years beginning on or after 1 Jul '14 |
| *IFRS 14 Regulatory Deferral Accounts* | Financial years beginning on or after 1 Jan '16 |
| *IFRS 15 Revenue from Contracts with Customers* | Financial years beginning on or after 1 Jan '17 |
| *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation* | Financial years beginning on or after 1 Jan '16 |
| *Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations* | Financial years beginning on or after 1 Jan '16 |

The endorsement and consequent adoption of the above standards and interpretations is not expected to have a significant impact on the valuation of the assets, liabilities, costs and revenues of the Group.

## 3. Financial risk management

The condensed consolidated interim financial statements at 30 June 2014 do not include all the additional information on financial risk management that is required in annual financial statements, therefore reference is made to the financial statements of the Group at 31 December 2013 for a detailed analysis of financial risk management.

### Fair value hierarchy levels and financial instruments measurement techniques

At 30 June 2014, the Amplifon Group held the following financial instruments measured at fair value:

- financial assets designated at fair value through profit or loss: this item includes investments in bonds and other listed securities made by the subsidiary Amplinsure RE AG which is a reinsurer. These assets are held in two portfolios managed by specialised managers. The fair value of these instruments at the reporting date is determined on the basis of stock exchange prices on the last trading day;
- hedging derivatives: these are instruments not listed in official markets; entered into for the purpose of hedging interest-rate and/or currency risk. The fair value of these instruments is determined by the dedicated department using valuation models based on market-derived inputs such as forward interest-rate curve, exchange rates, etc. (source: Bloomberg). The measurement technique adopted is the discounted cash flow approach. Own risk and counterparty risk (credit/debit value adjustments) were taken into account when calculating fair value. These credit/debit value adjustments were determined based on market information such as the value of CDSs (Credit Default Swaps) in order to determine the counterparty risk of individual banks and the yield to maturity of the Eurobond when determining Amplifon's risk.

The following table shows the fair value measurement on the basis of a hierarchy reflecting the level of significance of the data used for the valuation.

This hierarchy consists of the following levels:

1. quoted (unadjusted) prices in active markets for identical assets and liabilities;
2. input data other than the above quoted prices, but which can be observed directly or indirectly in the market;
3. input data on assets or liabilities not based on observable market data.

| | 30/06/2014 | | | | 31/12/2013 | | | |
|---|---|---|---|---|---|---|---|---|
| (€ thousands) | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | |
| Financial assets at fair value through profit and loss | 4,386 | - | - | 4,386 | 4,131 | - | - | 4,131 |
| Hedging instruments | | | | | | | | |
| - Long-term | | 1,635 | - | 1,635 | - | 2,382 | - | 2,382 |
| - Short-term | | 14 | - | 14 | - | 2,572 | - | 2,572 |
| Liabilities | | | | | | | | |
| Hedging instruments | | - | | - | | | | |
| - Long-term | | (17,716) | - | (17,716) | - | (16,851) | - | (16,850) |
| - Short-term | | (2,455) | - | (2,455) | - | (59) | - | (59) |

## 4. Segment information

The Amplifon Group operates in a single business and is present in three geographical macro-areas determined with reference to specific managerial responsibilities: Europe, Middle East and Africa - EMEA - (Italy, France, The Netherlands, Germany, UK, Ireland, Spain, Portugal, Switzerland, Belgium, Luxembourg, Hungary, Egypt, Turkey Poland and Israel), the Americas (USA and Canada) and Asia Pacific (Australia, New Zealand and India).

Performance is monitored for each geographical region, down to operating profit including amortization and depreciation (EBIT), along with the portion of the results of equity investments in associated companies valued using the equity method. Items in the statement of financial position are measured and monitored as individual financial statements line items. Financial charges are not monitored insofar as they are based on corporate decisions regarding the financing of each region (capital versus borrowings) and, consequently, neither are taxes.

Profit and loss and statement of financial position data by region are determined using the same methods and accounting principles as are applied when preparing the consolidated accounts.

# Statement of Financial Position as at 30 June 2014

| (€ thousands) | EMEA | THE AMERICAS | ASIA PACIFIC | ELIM. | CONSOLIDATED |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Goodwill | 215,262 | 57,769 | 252,263 | - | 525,294 |
| Intangible fixed assets with finite useful life | 51,324 | 10,749 | 69,961 | - | 132,034 |
| Tangible fixed assets | 74,271 | 2,250 | 18,290 | - | 94,811 |
| Investments valued at equity | 2,176 | - | 640 | - | 2,816 |
| Financial assets measured at fair value through profit and loss | 4,386 | - | - | - | 4,386 |
| Hedging instruments | 1,635 | - | - | - | 1,635 |
| Deferred tax assets | 42,746 | 2,680 | 2,447 | - | 47,873 |
| Other assets | 4,010 | 36,396 | 330 | - | 40,736 |
| Total non-current assets | | | | | 849,585 |
| Current assets | | | | | |
| Inventories | 30,357 | 200 | 1,960 | - | 32,517 |
| Receivables | 99,058 | 30,153 | 7,981 | (940) | 136,252 |
| Hedging instruments | 14 | - | - | - | 14 |
| Cash and cash equivalents | | | | | 170,258 |
| Total current assets | | | | | 339,041 |
| TOTAL ASSETS | | | | | 1,188,626 |
| LIABILITIES | | | | | |
| Net Equity | | | | | 413,839 |
| Non-current liabilities | | | | | |
| Medium/long-term financial liabilities | | | | | 419,911 |
| Provisions for risks and charges | 16,999 | 17,089 | 773 | - | 34,861 |
| Liabilities for employees' benefits | 12,028 | 250 | 1,327 | - | 13,605 |
| Hedging instruments | 17,716 | - | - | - | 17,716 |
| Deferred taxes | 12,989 | 17,737 | 18,960 | - | 49,686 |
| Payables for business acquisitions | 5,180 | - | 2,154 | - | 7,334 |
| Other long-term debt | - | 11 | 202 | - | 213 |
| Total non-current liabilities | | | | | 543,326 |
| Current liabilities | | | | | |
| Trade payables | 66,237 | 27,559 | 7,330 | (932) | 100,194 |
| Payables for business acquisitions | 2,336 | - | - | - | 2,336 |
| Other payables | 74,680 | 1,439 | 13,933 | (8) | 90,044 |
| Hedging instruments | 2,455 | - | - | - | 2,455 |
| Tax payables | 11,583 | 100 | 952 | - | 12,635 |
| Provisions for risks and charges | 1,034 | - | - | - | 1,034 |
| Liabilities for employees' benefits | 531 | 55 | - | - | 586 |
| Short-term financial liabilities | | | | | 22,177 |
| Total current liabilities | | | | | 231,461 |
| TOTAL LIABILITIES | | | | | 1,188,626 |

# Statement of Financial Position as at 31 December 2013 (*)

| (€ thousands) | EMEA | THE AMERICAS | ASIA PACIFIC | ELIM. | CONSOLIDATED |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Goodwill | 205,645 | 57,217 | 237,818 | - | 500,680 |
| Intangible fixed assets with finite useful life | 40,085 | 11,107 | 68,911 | - | 120,103 |
| Tangible fixed assets | 69,643 | 1,574 | 16,473 | - | 87,690 |
| Investments valued at equity | 1,483 | - | 652 | | 2,135 |
| Financial assets measured at fair value through profit and loss | 4,131 | - | - | - | 4,131 |
| Hedging instruments | 2,382 | - | - | - | 2,382 |
| Deferred tax assets | 40,175 | 3,303 | 2,610 | - | 46,088 |
| Other assets | 2,697 | 34,959 | 312 | - | 37,968 |
| Total non-current assets | | | | | 801,177 |
| Current assets | | | | | |
| Inventories | 27,868 | 115 | 1,849 | - | 29,832 |
| Receivables | 95,399 | 29,765 | 8,055 | (712) | 132,507 |
| Hedging instruments | 2,572 | - | - | - | 2,572 |
| Cash and cash equivalents | | | | | 170,322 |
| Total current assets | | | | | 335,233 |
| TOTAL ASSETS | | | | | 1,136,410 |
| LIABILITIES | | | | | |
| Net Equity | | | | | 381,076 |
| Non-current liabilities | | | | | |
| Medium/long-term financial liabilities | | | | | 417,541 |
| Provisions for risks and charges | 16,779 | 15,601 | 696 | - | 33,076 |
| Liabilities for employees' benefits | 10,268 | 266 | 1,117 | - | 11,651 |
| Hedging instruments | 16,850 | - | - | - | 16,850 |
| Deferred taxes | 9,549 | 16,874 | 20,248 | - | 46,671 |
| Payables for business acquisitions | 1,373 | - | 2,073 | - | 3,446 |
| Other long-term debt | - | 11 | 234 | - | 245 |
| Total non-current liabilities | | | | | 529,480 |
| Current liabilities | | | | | |
| Trade payables | 62,299 | 25,235 | 9,411 | (704) | 96,241 |
| Payables for business acquisitions | 621 | - | - | - | 621 |
| Other payables | 76,393 | 1,573 | 14,340 | (8) | 92,298 |
| Hedging instruments | 59 | - | - | - | 59 |
| Tax payables | 9,627 | 1,272 | 5,657 | - | 16,556 |
| Provisions for risks and charges | 411 | - | - | - | 411 |
| Liabilities for employees' benefits | 6,615 | 625 | 1,017 | - | 8,257 |
| Short-term financial liabilities | | | | | 11,411 |
| Total current liabilities | | | | | 225,854 |
| TOTAL LIABILITIES | | | | | 1,136,410 |

*(*) Restated to reflect retrospective application of IFRS 11 and adjustments, as per IAS 8, to some tax payables recognised in Australia in 2010 and 2012.*

# Income Statement – First Half of 2014

| (€ thousands) | EMEA | THE AMERICAS | ASIA PACIFIC | ELIM. | CONSOLIDATED |
|---|---|---|---|---|---|
| Revenues from sales and services | 289,330 | 66,375 | 60,745 | | 416,450 |
| Raw materials, consumables and supplies and change in raw materials, consumables and supplies | (53,470) | (36,868) | (8,690) | | (99,028) |
| Personnel expenses | (96,767) | (8,748) | (23,545) | (1) | (129,061) |
| Services | (109,184) | (9,169) | (12,187) | 1 | (130,539) |
| Other income and costs | (541) | 292 | (72) | - | (321) |
| Gross operating profit (EBITDA) | 29,368 | 11,882 | 16,251 | | 57,501 |
| Amortisation, depreciation and impairment | | | | | |
| Amortisation | (5,452) | (1,604) | (3,271) | | (10,327) |
| Depreciation | (9,321) | (175) | (2,128) | | (11,624) |
| Impairment and impairment reversals of non-current assets | (192) | | - | | (192) |
| | (14,965) | (1,779) | (5,399) | | (22,143) |
| Operating result | 14,403 | 10,103 | 10,852 | | 35,358 |
| Financial income, charges and value adjustments to financial assets | | | | | |
| Group's share of the result of associated companies valued at equity | 126 | | 42 | | 168 |
| Other income and charges, impairment and revaluations of financial assets | | | | | 344 |
| Interest income and charges | | | | | (10,246) |
| Other financial income and charges | | | | | (1,370) |
| Exchange gains and losses | | | | | 2,279 |
| Gain (loss) on assets measured at fair value | | | | | (3,118) |
| | | | | | (11,943) |
| Net profit (loss) before tax | | | | | 23,415 |
| Current and deferred income tax | | | | | |
| Current income tax | | | | | (1,985) |
| Deferred tax | | | | | 1,050 |
| | | | | | (935) |
| Total net profit (loss) | | | | | 22,480 |
| Minority interests | | | | | (83) |
| Net profit (loss) attributable to the Group | | | | | 22,563 |

# Income Statement – First Half of 2013 (*)

| (€ thousands) | EMEA | THE AMERICAS | ASIA PACIFIC | ELIM. | CONSOLIDATED |
|---|---|---|---|---|---|
| Revenues from sales and services | 275,253 | 69,974 | 63,372 | - | 408,599 |
| Raw materials, consumables and supplies and change in raw materials, consumables and supplies | (46,953) | (38,616) | (9,160) | - | (94,729) |
| Personnel expenses | (94,296) | (8,651) | (25,708) | (23) | (128,678) |
| Services | (107,833) | (9,371) | (13,394) | 23 | (130,575) |
| Other income and costs | 264 | 317 | (70) | - | 511 |
| Gross operating profit (EBITDA) | 26,435 | 13,653 | 15,040 | - | 55,128 |
| Amortisation, depreciation and impairment | | | | | |
| Amortisation | (5,617) | (1,836) | (3,547) | - | (11,000) |
| Depreciation | (9,554) | (167) | (2,403) | - | (12,124) |
| Impairment and impairment reversals of non-current assets | (34) | - | - | - | (34) |
| | (15,205) | (2,003) | (5,950) | - | (23,158) |
| Operating result | 11,230 | 11,650 | 9,090 | - | 31,970 |
| Financial income, charges and value adjustments to financial assets | | | | | |
| Group's share of the result of associated companies valued at equity | 17 | - | 97 | - | 114 |
| Other income and charges, impairment and revaluations of financial assets | | | | | 9 |
| Interest income and charges | | | | | (16,753) |
| Other financial income and charges | | | | | (1,451) |
| Exchange gains and losses | | | | | (1,517) |
| Gain (loss) on assets measured at fair value | | | | | 982 |
| | | | | | (18,616) |
| Net profit (loss) before tax | | | | | 13,354 |
| Current and deferred income tax | | | | | |
| Current income tax | | | | | (7,672) |
| Deferred tax | | | | | (1,373) |
| | | | | | (9,045) |
| Total net profit (loss) | | | | | 4,309 |
| Minority interests | | | | | 24 |
| Net profit (loss) attributable to the Group | | | | | 4,285 |

*(*) Restated to reflect retrospective application of IFRS 11*

## 5. Acquisitions and goodwill

Changes in goodwill and the amounts recorded for this, following acquisitions completed in the period, are provided in the following table, divided by country.

| (€ thousands) | Net carrying value at 31/12/2013 | Business combinations | Disposals | Impairment | Other net changes | Net carrying value at 30/06/2014 |
|---|---|---|---|---|---|---|
| Italy | 451 | 422 | - | - | - | 873 |
| France | 55,270 | 1,180 | - | - | - | 56,450 |
| Iberian Peninsula | 23,983 | - | (8) | - | - | 23,975 |
| Hungary | 1,052 | - | - | - | (18) | 1,034 |
| Switzerland | 11,674 | - | - | - | 115 | 11,789 |
| The Netherlands | 32,781 | - | - | - | - | 32,781 |
| Belgium and Luxembourg | 9,325 | - | - | - | - | 9,325 |
| Germany | 55,432 | 4,054 | - | - | - | 59,486 |
| Poland | - | 217 | - | - | - | 217 |
| United Kingdom and Ireland | 14,695 | - | - | - | 591 | 15,286 |
| Turkey | 982 | 72 | - | - | 2 | 1,056 |
| Israel | - | 2,990 | - | - | - | 2,990 |
| USA and Canada | 57,217 | - | - | - | 552 | 57,769 |
| Australia and New Zealand | 235,633 | - | - | - | 14,361 | 249,994 |
| India | 2,185 | - | - | - | 84 | 2,269 |
| Goodwill | 500,680 | 8,935 | (8) | - | 15,687 | 525,294 |

Business combinations contains the provisional allocation to goodwill of the portion of the purchase price paid that is not directly attributable to the fair value of the assets and liabilities acquired, but reflects the expectations of obtaining a positive contribution in terms of free cash flow for an indefinite period.

During the first half of 2014 the Group intensified its external growth and finalized a number of acquisitions. More in detail:

- at the end of April 60% of Medtechnica Orthophone Ltd, the leading Israeli provider of hearing aids and related services, was acquired;
- at the beginning of May a chain of stores belonging to Audika Italia S.r.l., the Italian branch of the French group Audika, a hearing aid distributor, was purchased;
- in the first quarter the Group acquired the controlling interest (63%) of Amplifon Poland by purchasing minority interests (9%) and, subsequently, subscribing the unexercised rights of a capital increase (7%);
- in the month of May the Spanish companies Ampli Lleida (Barcelona) and Audiosalud (Murcia) held 80% and 75.1%, respectively, became wholly-owned subsidiaries;

- in Germany 3 stores were purchased in the Stuttgart region, one in the Nuremberg region, one in Saarland and one in North Rhine-Westphalia
- in France 3 stores were purchased in the Haute Savoy region, one in St. Malò and one near Auxerre;
- in Turkey two stores were purchased in the southeast;
- in Switzerland a customer list of a store near Zurich was purchased;
- in the United States a client list of a store in Missouri was purchased.

The item “Other net changes” refers entirely to exchange gains.

Based on IFRS 3 relating to step-up acquisitions the cost of the Polish acquisition includes the €39 thousand paid for 9% of the shares and the fair value at the acquisition date of the 49% already held which amounted to €212 thousand.

A total of €26,317 thousand was invested during the period, including the debt consolidated and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years.

A summary of the book values and fair values of assets and liabilities, deriving from the provisional allocation of the purchase price paid in business combinations, is provided in the following table.

| (€ thousands) | Europe | MEA | The Americas | Total |
|---|---|---|---|---|
| Cost of acquisitions of the year | 15,327 | 8,495 | 182 | 24,004 |
| | | | | |
| Assets and liabilities acquired – Book value | | | | |
| Current assets | 3,573 | 7,834 | - | 11,407 |
| Current liabilities | (4,027) | (2,973) | - | (7,000) |
| Net working capital | (454) | 4,861 | - | 4,407 |
| Other intangible and tangible assets | 1,612 | 2,412 | - | 4,024 |
| Provisions for risks and charges | (1,439) | (238) | - | (1,677) |
| Other non-current assets and liabilities | (444) | (422) | - | (866) |
| Non-current assets and liabilities | (271) | 1,752 | - | 1,481 |
| Net invested capital | (725) | 6,613 | - | 5,888 |
| Minority interests | (35) | 41 | - | 6 |
| Net financial position | 740 | (3,093) | - | (2,353) |
| NET EQUITY ACQUIRED - BOOK VALUE | (20) | 3,561 | - | 3,541 |
| | | | | |
| DIFFERENCE TO BE ALLOCATED | 15,347 | 4,934 | 182 | 20,463 |
| | | | | |
| ALLOCATIONS | | | | |
| Customer lists | 10,822 | 1,649 | 182 | 12,653 |
| Trademarks | - | 462 | - | 462 |
| Deferred tax assets | 1,781 | 431 | - | 2,212 |
| Deferred tax liabilities | (3,129) | (670) | - | (3,799) |
| Total allocations | 9,474 | 1,872 | 182 | 11,528 |
| | | | | |
| TOTAL GOODWILL | 5,873 | 3,062 | - | 8,935 |

## 6. Intangible fixed assets

The following table shows the changes in intangible fixed assets:

| (€ thousands) | Historical cost at 31/12/2013 (*) | Accumulated amortisation and write-downs at 31/12/2013 (*) | Net book value at 31/12/2013 (*) | Historical cost at 30/06/2014 | Accumulated amortisation and write-downs at 30/06/2014 | Net book value at 30/06/2014 |
|---|---|---|---|---|---|---|
| Software | 49,821 | (39,895) | 9,926 | 57,029 | (41,965) | 15,064 |
| Licenses | 9,932 | (8,300) | 1,632 | 10,270 | (8,291) | 1,979 |
| Non-competition agreements | 4,217 | (4,217) | - | 4,256 | (4,256) | - |
| Customer lists | 141,786 | (72,454) | 69,332 | 158,791 | (79,607) | 79,184 |
| Trademarks and concessions | 30,212 | (7,121) | 23,091 | 32,472 | (8,768) | 23,704 |
| Other | 13,987 | (3,837) | 10,150 | 18,779 | (8,295) | 10,484 |
| Fixed assets in progress and advances | 5,972 | - | 5,972 | 1,619 | - | 1,619 |
| Total | 255,927 | (135,824) | 120,103 | 283,216 | (151,182) | 132,034 |

*(*) Restated to reflect retrospective application of IFRS 11*

| (€ thousands) | Net book value at 31/12/2013 (*) | Investments | Disposals | Amortisation | Business combinations | Other net changes | Net book value at 30/06/2014 |
|---|---|---|---|---|---|---|---|
| Software | 9,926 | 1,316 | - | (2,218) | 24 | 6,016 | 15,064 |
| Licenses | 1,632 | 291 | - | (368) | 3 | 421 | 1,979 |
| Non-competition agreements | - | - | - | - | - | - | - |
| Customer lists | 69,332 | - | (67) | (5,975) | 12,653 | 3,241 | 79,184 |
| Trademarks and concessions | 23,091 | - | - | (1,258) | 462 | 1,409 | 23,704 |
| Other | 10,150 | 828 | (144) | (508) | 140 | 18 | 10,484 |
| Fixed assets in progress and advances | 5,972 | 1,606 | - | - | - | (5,959) | 1,619 |
| Total | 120,103 | 4,041 | (211) | (10,327) | 13,282 | 5,146 | 132,034 |

*(*) Restated to reflect retrospective application of IFRS 11*

The change in "Customer lists" pertaining to business combinations is explained as follows:

- for €10,822 thousand, by the temporary purchase price allocation relating to the acquisitions made in Europe;
- for €1,649 thousand, by the temporary purchase price allocation relating to the acquisitions made in the Middle East;
- for €182 thousand, by the temporary purchase price allocation relating to the acquisitions made in America.

The increase in intangible assets in the period is primarily attributable to:

- investments in technological infrastructure, development and implementation of a new front-office system and implementation in France of a new back-office system;
- joint investment plans with the franchisees for the renovation and relocation of stores in the United States.

Other net changes include mainly exchange differences of the period.

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## 7. Tangible fixed assets

The following table shows the changes in tangible fixed assets:

| (€ thousands) | Historical cost at 31/12/2013 (*) | Accumulated depreciation and write-downs at 31/12/2013 (*) | Net book value at 31/12/2013 (*) | Historical cost at 30/06/2014 | Accumulated depreciation and write-downs at 30/06/2014 | Net book value at 30/06/2014 |
|---|---|---|---|---|---|---|
| Land | 162 | - | 162 | 162 | - | 162 |
| Buildings, constructions and leasehold improvements | 91,237 | (56,057) | 35,180 | 98,688 | (61,556) | 37,132 |
| Plant and machines | 28,939 | (22,683) | 6,256 | 30,323 | (23,680) | 6,643 |
| Industrial and commercial equipment | 32,541 | (22,706) | 9,835 | 35,434 | (23,876) | 11,558 |
| Motor vehicles | 5,177 | (3,108) | 2,069 | 5,345 | (3,226) | 2,119 |
| Computers and office machinery | 33,852 | (27,141) | 6,711 | 36,519 | (29,180) | 7,339 |
| Furniture and fittings | 65,038 | (41,164) | 23,874 | 67,272 | (43,226) | 24,046 |
| Other tangible fixed assets | 3,027 | (1,824) | 1,203 | 3,382 | (2,155) | 1,227 |
| Fixed assets in progress and advances | 2,400 | - | 2,400 | 4,585 | - | 4,585 |
| Total | 262,373 | (174,683) | 87,690 | 281,710 | (186,899) | 94,811 |

*(*) Restated to reflect retrospective application of IFRS 11*

| (€ thousands) | Net book value at 31/12/2013 (*) | Investments | Disposals | Depreciation | Business combinations | Write-downs | Other net changes | Net book value at 30/06/2014 |
|---|---|---|---|---|---|---|---|---|
| Land | 162 | - | - | - | - | - | - | 162 |
| Buildings, constructions and leasehold improvements | 35,180 | 2,735 | (5) | (4,196) | 2,550 | (17) | 885 | 37,132 |
| Plant and machines | 6,256 | 836 | - | (878) | 133 | (4) | 300 | 6,643 |
| Industrial and commercial equipment | 9,835 | 2,792 | (6) | (1,265) | 108 | (101) | 195 | 11,558 |
| Motor vehicles | 2,069 | 467 | (17) | (483) | 19 | (1) | 65 | 2,119 |
| Computers and office machinery | 6,711 | 1,378 | (9) | (1,681) | 206 | (9) | 743 | 7,339 |
| Furniture and fittings | 23,874 | 2,333 | (29) | (2,909) | 229 | (60) | 608 | 24,046 |
| Other tangible fixed assets | 1,203 | 143 | (7) | (212) | 1 | - | 99 | 1,227 |
| Fixed assets in progress and advances | 2,400 | 4,109 | (18) | - | 16 | - | (1,922) | 4,585 |
| Total | 87,690 | 14,793 | (91) | (11,624) | 3,262 | (192) | 973 | 94,811 |

*(*) Restated to reflect retrospective application of IFRS 11*

Capital expenditure made in the period mainly concerned the continuation of the store renovation and relocation programme based on the concept store developed starting from 2008 under the Group's strategy of increasing customer focus. This programme includes expenditure on opening, renovating and in some cases relocating stores.

The increase of €3,262 thousand in the item "business combinations" is primarily attributable to the provisional purchase price allocation relating to the acquisitions done in the period.

Other net changes were mainly due to exchange rate fluctuations during the period.

## 8. Share capital and net equity

Share capital at 30 June 2014, fully subscribed and paid in, consists of 224,376,512 shares with a par value of €0.02 entirely subscribed and paid in.

At 31 December 2013 share capital was made up of 224,100,782 shares. The increase recorded in the period is due to the exercising of 275,730 stock options which took place during the first semester 2014, equal to 0.01% of the share capital.

At 30 June 2014 Amplifon S.p.A. held 6,900,000 treasury shares i.e. 3.1% of company capital.

During the period there was no purchase or sale of the treasury shares held by the company.

## 9. Net financial position

In accordance with the requirements of Consob's communication dated 28 July 2006 and in compliance with the Recommendation of CESR (now ESMA) of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Group's net financial position at 30 June 2014 was as follows:

| (€ thousands) | 30/06/2014 | 31/12/2013 (*) | Change |
|---|---|---|---|
| Cash and cash equivalents | (170,258) | (170,322) | 64 |
| Payables for business acquisitions | 2,336 | 621 | 1,715 |
| Other short term loans- third parties (including current portion) | 1,407 | 169 | 1,238 |
| Other financial payables | 21,499 | 11,986 | 9,513 |
| Non hedge accounting derivative instruments | 2,442 | (2,513) | 4,955 |
| Short-term financial position | (142,574) | (160,059) | 17,485 |
| Private placement 2006-2016 | 51,252 | 50,758 | 494 |
| Private placement 2013-2025 | 95,182 | 94,264 | 918 |
| Eurobond 2013-2018 | 275,000 | 275,000 | - |
| Finance lease obligations | 781 | 736 | 45 |
| Long term loans | 260 | - | 260 |
| Other medium long term debt | 342 | 128 | 214 |
| Hedging derivatives | 9,681 | 11,094 | (1,413) |
| Medium/long-term acquisition payables | 7,334 | 3,446 | 3,888 |
| Net medium and long-term indebtedness | 439,832 | 435,426 | 4,406 |
| Net financial indebtedness | 297,258 | 275,367 | 21,891 |

*(*) Restated to reflect retrospective application of IFRS 11*

The reconciliation of the above items with the statutory statement of financial position can be summarised as follows:

Long-term loans, the private placement 2006-2016 and 2013-2025, the Eurobond and finance lease obligations are shown in the statutory statement of financial position:

a. under the caption "Medium/long-term financial liabilities" as regard as the non-current portion.

| (€ thousands) | 30/06/2014 |
|---|---|
| Private placement 2006-2016 | 51,252 |
| Private placement 2013-2025 | 95,182 |
| Eurobond 2013-2018 | 275,000 |
| Finance lease obligations | 781 |
| Long term loans | 260 |
| Other medium long term debt | 342 |
| Loan, private placement 2013-2025 and Eurobond fees | (2,906) |
| Medium/long-term financial liabilities | 419,911 |

b. under the caption "Short-term financial liabilities" as regard as the current portion

| (€ thousands) | 30/06/2014 |
|---|---|
| Short term debt | 22,022 |
| Current portion of finance lease obligations | 884 |
| Loan, private placement 2013-2025 and Eurobond fees | (729) |
| Short-term financial liabilities | 22,177 |

All the other items in the net financial indebtedness table correspond to items in the statement of financial position schedule.

The short-term portion of the net financial position was positive for some €142,574 thousand at 30 June 2014 versus €160,059 thousand at 31 December 2013, a change of €17,485 thousand explained primarily by the allocation of interest falling due on long term debt and the measurement of non-hedge accounting derivatives.

The medium/long-term portion of the net financial position reached €439,832 thousand at 30 June 2014 versus €435,426 thousand at 31 December 2013. The change of €4,406 thousand is explained primarily by the estimate of the earn-out relating to acquisitions made in the period.

## 10. Financial liabilities

Long-term financial liabilities break down as follows:

| (€ thousands) | 30/06/2014 | 31/12/2013 | Change |
|---|---|---|---|
| Private placement 2006-2016 | 51,252 | 50,758 | 494 |
| Private placement 2013-2025 | 95,182 | 94,264 | 918 |
| Eurobond 2013-2018 | 275,000 | 275,000 | - |
| Loan, private placement 2013-2025 and Eurobond 2013-2018 fees | (2,906) | (3,345) | 439 |
| Long term loans | 260 | - | 260 |
| Other medium long term debt | 342 | 128 | 214 |
| Finance lease obligations | 781 | 736 | 45 |
| Total long-term debt | 419,911 | 417,541 | 2,370 |
| Short term debt | 22,177 | 11,411 | 10,766 |
| - of which loan, private placement 2013-2025 and Eurobond 2013-2018 fees | (729) | (743) | 14 |
| - of which current-portion of lease obligations | 884 | 885 | (1) |
| Total short-term financial debt | 22,177 | 11,411 | 10,766 |
| Total financial debt | 442,088 | 428,952 | 13,136 |

The Group's debt is primarily long term, with the first maturity in August 2016 when the last tranche of the 2006-2016 private placement, amounting to €55 million will fall due.

The most significant items of long-term debt are illustrated below.

- *Eurobond 2013-2018*
  A €275 million 5-year bond loan reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF market issued on 16 July 2013.

| Issue Date | Debtor | Maturity | Face Value (/000) | Fair value (/000) | Nominal interest rate |
|---|---|---|---|---|---|
| 16-Jul-13 | Amplifon S.p.A. | 16-Jul-18 | 275,000 | 296,499 | 4.875% |
| | TOTAL | | 275,000 | 296,499 | |

- *Private placement 2013-2025*
  A USD 130 million private placement made in the USA by Amplifon USA and guaranteed by Amplifon S.p.A. and other Group subsidiaries

| Issue Date | Issuer | Maturity | Currency | Face Value (/000) | Fair value (/000 | Nominal interest rate (*) | Interest rate after hedging (**) |
|---|---|---|---|---|---|---|---|
| 30 May 13 | Amplifon USA | 31-Jul-20 | USD | 7,000 | 6,883 | 3,85% | 3.39% |
| 30 May 13 | Amplifon USA | 31-Jul -23 | USD | 8,000 | 7,853 | 4,46% | 3.90% |
| 31 July 13 | Amplifon USA | 31-Jul -20 | USD | 13,000 | 12,820 | 3,90% | 3.42% |
| 31 July 13 | Amplifon USA | 31-Jul -23 | USD | 52,000 | 51,250 | 4,51% | 3.90%-3.94% |
| 31 July 13 | Amplifon USA | 31-Jul -25 | USD | 50,000 | 48,759 | 4,66% | 4.00%-4.05% |
| | Totale in USD | | | 130,000 | 127,565 | | |

(*)The rate applied if the Group's net debt/ EBITDA ratio is less than 2.75x. Above this level a step-up of 25 bps will be applied. When the ratio exceeds 3.25x but is less than or equal to 3.5x. an additional step-up of 25 bps will kick-in. If the ratio exceeds 3.50x an additional step-up of 75 bps will be applied.
(**)The hedging instruments that determine the interest rate as detailed above, are also fixing the exchange rate at 1.2885, the total equivalent of the bond resulting in €100,892 thousands.

- *Private placement 2006-2016*
  A private placement reserved for institutional investors made on 2 August 2006 by Amplifon U.S.A. Inc with a residual outstanding of USD 70 million.
  Details of the last outstanding tranche are as follows:

| Issue Date | Debtor | Maturity | Face Value (/000) | Fair value (/000) | Nominal interest rate | Issue Date |
|---|---|---|---|---|---|---|
| 02-Aug-06 | Amplifon U.S.A. Inc. | 02- Aug -16 | 70,000 | 80,391 | 5.815% | 6.48% |
| | Total in USD | | 70,000 | 80,391 | | |

(*)The hedging instruments also fix the exchange rate at 1.2676, the total Euro equivalent of the bond being €55,222 thousand.

## The following table shows a breakdown of long-term debt by maturity:

(€ thousands)

| Debtor / Repayments | Nominal amount and maturity date | Average rate 2014/360 | Amount at 31/12/13 | Exchange rate effect | Repayments as at 30/06/2014 | New loans | Business combinations | Amount at 30/06/14 | Short-term portion | Medium and LT portion |
|---|---|---|---|---|---|---|---|---|---|---|
| Eurobond | EUR 275,000 | 4.88% | 275,000 | - | - | - | - | 275,000 | - | 275,000 |
| Bullet 16/7/2018 | 16/07/2018 | | | | | | | | | |
| Private placement Amplifon 2006-2016 (*) | USD 70,000 | 6.41% | 50,757 | 495 | - | - | - | 51,252 | - | 51,252 |
| Instalments at 2/8/2013 and 2/8/2016 | 02/08/2016 | | | | | | | | | |
| Private placement 2013-2025 Amplifon USA (**) | USD 7,000 | 3.85% | 5,076 | 49 | - | - | - | 5,125 | - | 5,125 |
| Instalments at 31/1 and 31/7 from 31/1/2014 | 31/07/2020 | | | | | | | | | |
| Private placamento 2013-2025 Amplifon USA (**) | USD 8,000 | 4.46% | 5,801 | 56 | - | - | - | 5,857 | - | 5,857 |
| Instalments at 31/1 and 31/7 from 31/1/2014 | 31/07/2023 | | | | | | | | | |
| Private placement 2013-2025 Amplifon USA (**) | USD 13,000 | 3.90% | 9,426 | 92 | - | - | - | 9,518 | - | 9,518 |
| Instalments at 31/1 and 31/7 from 31/1/2014 | 31/07/2020 | | | | | | | | | |
| Private placement 2013-2025 Amplifon USA (**) | USD 52,000 | 4.51% | 37,706 | 367 | - | - | - | 38,073 | - | 38,073 |
| Instalments at 31/1 and 31/7 from 31/1/2014 | 31/07/2023 | | | | | | | | | |
| Private placement 2013-2025 Amplifon USA (**) | USD 50,000 | 4.66% | 36,256 | 353 | - | - | - | 36,609 | - | 36,609 |
| Instalments at 31/1 and 31/7 from 31/1/2014 | 31/07/2025 | | | | | | | | | |
| TOTAL LONG TERM DEBT | | | | 420,022 | 1,412 | - | - | - | 421,434 | |
| Other | | | 297 | 58 | (81) | 164 | 1,571 | 2,009 | 1,407 | 602 |
| TOTAL | | | 420,319 | 1,470 | (81) | 164 | 1,571 | 423,443 | 1,407 | 422,036 |

*(*) Considering the effect of the interest rate and currency hedges the total Euro equivalent of the private placement 2006-2016 is €55,222 thousand.*
*(**) Considering the effect of the interest rate and currency hedges disclosed above, the total Euro equivalent of the private placement 2013-2025 is €100,892 thousand.*

The following table shows the maturities of medium/long-term debt at 31 March 2014 based on contractual obligations:

(€ thousands)

| Repayments | Private placement 2006-2016 (*) | Eurobond 2013-2018 | Private placement 2013-2025 (*) | Others | Total |
|---|---|---|---|---|---|
| 2015 | | | - | 357 | 357 |
| 2016 | 55,222 | - | - | 81 | 55,303 |
| 2017 | - | - | - | 49 | 49 |
| 2018 | - | 275,000 | - | 49 | 275,049 |
| 2020 | - | - | 15,522 | 66 | 15,588 |
| 2023 | - | - | 46,566 | | 46,566 |
| 2025 | - | - | 38,804 | | 38,804 |
| Total | 55,222 | 275,000 | 100,892 | 602 | 431,716 |

(*) Amounts related to the private placement are reported at the hedging exchange rate.

The USD 130 million private placement 2013-2025 (equal to €100.9 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2885) is subject to the following covenants:

- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.5;
- the ratio of net financial indebtedness to EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

In the event of relevant acquisitions, the above ratios may be increased to 2.0 and 4.0, respectively, for a period of not more than 12 months, 2 times over the life of the loan.

The USD 70 million 2006-2016 private placement (equal to €55.2 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2676) is subject to the following covenants:

- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.5;
- the ratio of net financial indebtedness to EBITDA in the last four quarters (determined based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 3.5.

At 30 June 2014 these ratios were as follows:

| | Value |
|---|---|
| Net financial indebtedness/Group net equity | 0.72 |
| Net financial indebtedness/EBITDA for the last 4 quarters | 2.36 |

In determining the above mentioned ratios, the EBITDA value has been determined on the basis of restated figures, in order to include the main changes in the Group structure:

| (€ thousands) | |
|---|---|
| Group EBITDA rolling | 119,416 |
| EBITDA normalised ( from acquisitions and disposals) | 1,576 |
| Non recurring transactions | 5,091 |
| EBITDA for covenant calculation | 126,083 |

The two private placements are also subject to other covenants applied in current international practice which limit the ability to issue guarantees and complete sale and lease back, as well as extraordinary, transactions.

The €275 million Eurobond, due in 2018 and issued in July 2013, is not subject to any covenants nor is the remaining €2 million in long term debt, including the short term portion.

## 11. Earnings per share

*Basic EPS*

Basic earnings per share is obtained by dividing the net income for the period attributable to the ordinary shareholders of the parent company by the weighted average number of shares outstanding in the period, considering purchases and disposals of treasury shares as cancellations and issues of shares.
Earnings per share is determined as follows:

| Basic earnings per share | I Half 2014 | I Half 2013 |
|---|---|---|
| Net income (loss) attributable to ordinary shareholders (€ thousands) | 22,563 | 4,285 |
| Average number of shares outstanding in the period | 217,387,182 | 216,841,101 |
| Average earnings per share (€ per share) | 0.103792 | 0.019761 |

*Diluted earnings per share*

Diluted earnings per share is obtained by dividing the net income for the period attributable to ordinary shareholders of the parent company by the weighted-average number of shares outstanding during the period adjusted by the diluting effects of potential shares. In the calculation of shares outstanding, purchases and sales of treasury shares are considered as cancellations or issues of shares.

The 'potential ordinary share' categories refer to the possible conversion of Group employees' stock options and to stock grants. The computation of the number of outstanding potential shares is based on the average fair value of shares for the period; stock options and stock grants with anti-diluting effects are excluded from the calculation.

| Weighted average diluted number of shares outstanding | I Half 2014 | I Half 2013 |
|---|---|---|
| Average number of shares outstanding in the period | 217,387,182 | 216,841,101 |
| Weighted average of potential and diluting ordinary shares | 6,476,925 | 4,964,469 |
| Weighted average of shares potentially subject to options in the period | 223,864,107 | 221,805,570 |

Diluted earnings per share was determined as follows:

| Diluted earnings per share | I Half 2014 | I Half 2013 |
|---|---|---|
| Net profit attributable to ordinary shareholders (€ thousands) | 22,563 | 4,285 |
| Average number of shares outstanding in the period | 223,864,107 | 221,805,570 |
| Average diluted earnings per share (€) | 0.100789 | 0.019319 |

## 12. Transactions with parent companies, associates and other related parties

The Group's parent company, Amplifon S.p.A. is based in Milan, in via Ripamonti 133. The Group is directly controlled by Ampliter N.V. and indirectly by Amplifin S.p.A., owned by Susan Carol Holland, with 100% of the shares, whilst Anna Maria Formiggini Holland retains usufruct.

Transactions effected by Amplifon S.p.A. and its subsidiaries with related parties essentially concern the rendering of services and loans granted by entities related to minorities in Egypt, Israel, Poland and Turkey, and the commercial transactions with associated companies.

All transactions form part of ordinary activities and were settled at arm's length and there were no untypical or unusual transactions.

The following table details transactions with related parties.

| | 30/06/2014 | | | | | I Half 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Trade receivables | Trade payables | Non current financial liabilities | Short term financial liabilities | Revenues from sales and services | Cost of good sold | (Cost) recharges of personnel | (Cost) recharges of services | Interest income and charges |
| Amplifin S.p.A. | 16 | 1 | | | | | 112 | (996) | |
| Total parent company | 16 | 1 | - | - | - | - | 112 | (996) | - |
| Audiogram Audifonos SL | 4 | | | | 18 | | | | |
| Comfoor BV | 10 | 123 | | | 7 | (1,260) | | 15 | |
| Medtechnica Ortophone Shaked Ltd | 59 | | | | 25 | | | | |
| Ofakim Quality of Hearing Ltd | 144 | | | | 131 | | | | |
| Bon Ton Hearing & Speech Ltd | 404 | | | | | | | | |
| Ruti Levinson Institute Ltd | 271 | | | | | | | | |
| Kolan Ashdod Speech & Hearing Inst. Ltd | 292 | | | | | | | | |
| Afik - Test Diagnosis & Hearing Aids Ltd | 43 | | | | | | | | |
| Dilworth Hearing Ltd | 4 | | | | | | | | 6 |
| Total – Associated companies | 1,231 | 123 | - | - | 181 | (1,260) | - | 15 | 6 |
| Bardissi Import | - | - | - | 102 | - | - | - | - | - |
| Meders | - | 738 | 98 | 233 | - | - | (50) | (1) | (18) |
| Krzysztof Piotr Borsuk | | | | | - | - | | | (1) |
| Radoslaw Wieslaw Kowalski | | | | | - | - | | | (1) |
| Nevo | 126 | | | | | | | | |
| Ortophone | 33 | | | | | | | (58) | |
| Moti Bahar | | | 72 | | | | (6) | | |
| Elisabeth Bahar | | | 72 | | | | | | |
| Arigcom | | | 72 | 176 | | | | | |
| Altre | 3 | 18 | 27 | | | | (7) | | 1 |
| Total – Other related parties | 162 | 756 | 342 | 511 | - | - | (62) | (59) | (19) |
| Total related parties | 1,409 | 879 | 342 | 511 | 181 | (1,260) | 50 | (1,040) | (13) |
| Total as per financial statements | 101,555 | 100,194 | 419,911 | 22,177 | 416,450 | (99,028) | (129,061) | (130,539) | (10,246) |
| % of financial statement totals | 1.39% | 0.88% | 0.08% | 2.31% | 0.04% | 1.27% | -0.04% | 0.80% | 0.13% |

Trade receivables from parent companies mainly refer to maintenance costs and general services and recharge of the cost of personnel seconded to Amplifin S.p.A.

Expenses charged to Amplifon S.p.A. under existing agreements with the parent company Amplifin S.p.A. refer primarily:

- for €804 thousand, to the rent paid under the lease agreement for the property in Milan at Via Ripamonti No. 133, the legal office and corporate headquarters of Amplifon S.p.A.; for €4

thousand to the amount charged back by Amplifon S.p.A. to Amplifin S.p.A. as the latter's share of the condominium charges for the space occupied in the same building found on via Ripamonti n.133, Milan. The supply of ancillary services, including routine property maintenance, cafeteria, office cleaning, porters and security is regulated under a separate agreement stipulated between the parties;
- recharges of personnel costs related to employees seconded in Amplifin S.p.A. for €112 thousand;
- for €196 thousand, to the rents paid under certain lease agreements for retail store space.

Related party transactions with subsidiaries refer primarily to:
- the negative balance with Comfoor BV comprising trade payables of €123 thousand and the cost of goods sold amounting to €1,260 thousand;
- the positive balance of Medtechnica Ortophone Ltd comprising trade receivables of €1,213 thousand and sales revenue of €156 thousand payable by its subsidiaries.

The transactions with other related parties refer primarily to:
- two loans granted to the company Maxtone (Turkey) by the company Meders (a company held by Maxtone's minority shareholder) of, respectively, €164 thousand (equal to TRY 475 thousand, repayable in equal instalments by 2016) and €168 thousand (equal to TRY 486 thousand, repayable by 3 February 2015);
- a non-interest bearing loan granted to Amplifon Middle East SAE (Egypt) by the company Bardissi Import of €102 thousand (EGP 1,000 thousand);
- financial liabilities payable to Arigcom and the owners of Ortophone Ltd (holders, respectively, of 13% and 27% of Medtechnica Ortophone Ltd) totaling €392 thousand;
- trade receivables payable by the Israeli company Ortophone Ltd and its subsidiary Nevo amounting to €159 thousand for administrative services rendered.

## 13. Current and deferred income taxes

During the period, on the basis of the recognition by the Australian tax authorities of the deductibility for tax purposes of amortization of part of the assets acquired in 2010 as a result of the NHC Group acquisition, the Group benefited from tax income of AUD 15.7 million (€10.6 million), of which AUD 12.8 million relating to prior periods (AUD 10.7 million already received) and AUD 2.9 million related to the adjustment in deferred tax liabilities in light of the possibility that this amortization will be deducted in future periods.

Net of this item, the lack of recognition of additional deferred tax assets against losses recorded in the United Kingdom, in accordance with the principle of prudence, coupled with the situation in Germany where tax is offset by the tax losses carried forward and for which no deferred tax assets were recognized would have resulted in a tax rate of 42.5%, in line with the 42.9% rate recorded in first half 2013 calculated, again, net of the losses posted in the UK and Germany.

## 14. Performance Stock Grant

*General characteristics of the New Performance Stock Grant Plan*

On 28 April 2014 the Board of Directors, as resolved by the Shareholders' Meeting held on 16 April 2014 and based on the recommendations of the Remuneration & Appointment Committee, approved the regulations of the New Performance Stock Grant Plan 2014-2021 with the following general characteristics:

- the plan provides for the free grant of rights, each of which gives the right to a Company share to be granted at the end of the vesting period (3.5 years) to beneficiaries falling within one of the following clusters:
  1. Executives & Senior Managers;
  2. International Key Managers and Group & Country Talents;
  3. High Performing Audiologists & Sales Managers.
- the vesting of the rights and, therefore, the grant of the related shares is subject to the following main condition that as of the date of grant of the shares the beneficiary is an employee of one of the company of the Group and no notice period subsequent to resignation and/or withdrawal is under way. Furthermore for the Cluster 1 and Cluster 2 the plan foresee further conditions to attribute the financial instruments:
  - Cluster 1: achievement of Group 3 Yr business targets;
  - Cluster 2: level of the Individual Performance of the Beneficiary are not lower, in all the Reference Periods, to Fully Meets Expectations.
- the exercise of the vested rights should be performed within the deadline of the exercise period (2.5 years from the date of vesting of the rights) and is subject to a minimum threshold value of the Amplifon Spa share defined by the Board of Directors.
- The Board of Directors has the power for each grant cycle, including through sub-delegation, to select the beneficiaries, determine the number of rights to be granted each beneficiary and amend the regulations as deemed necessary and/or opportune with regard, in particular, to any applicable changes in the law.

### Award of 28 April 2014

On 28 April 2014 a free award of 2,806,500 rights (subject to the general conditions described above) was made to Group employees belonging to the categories described above with a vesting period of 3.5 years.

The fair value of these stock grants awarded during the period amounted to € 4,099.
The assumptions used in determining fair value are as follows:

| Model used | Binomial (Cox-Ross-Rubinstein method) |
|---|---|
| Price at grant date | 4.62 € |
| Threshold | 3.5 € |
| Exercise Price | 0.00 |
| Volatility (6 Years) | 45.23% |
| Risk free Interest Rate | 1.152% |
| Maturity (in years) | 3.5 |
| Expected Dividend Yield | 1.0% |

The figurative cost of this award cycle recorded in the Income Statement 30 June 2014 amounted to € 476 thousand.

## 15. Translation of foreign companies' financial statements

The exchange rates used to translate into Euro non-Italian subsidiaries' financial statements are as follows:

| | I Half 2014 | | 2013 | I Half 2013 | |
|---|---|---|---|---|---|
| | Average | At 30 June | At 31 December | Average | At 30 June |
| Canadian dollar | 1.503 | 1.459 | 1.467 | 1.334 | 1.371 |
| US dollar | 1.370 | 1.366 | 1.379 | 1.313 | 1.308 |
| Hungarian florin | 306.931 | 309.300 | 297.040 | 296.012 | 294.850 |
| Swiss franc | 1.221 | 1.216 | 1.228 | 1.230 | 1.234 |
| Egyptian lira | 9.622 | 9.772 | 9.587 | 8.956 | 9.182 |
| Turkish lira | 2.968 | 2.897 | 2.960 | 2.381 | 2.521 |
| British pound | 0.821 | 0.802 | 0.834 | 0.851 | 0.857 |
| Australian dollar | 1.499 | 1.454 | 1.542 | 1.296 | 1.417 |
| New Zealand dollar | 1.615 | 1.563 | 1.676 | 1.587 | 1.679 |
| Indian rupee | 83.289 | 82.202 | 85.366 | 72.278 | 77.721 |
| Polish Zloty | 4.175 | 4.157 | 4.154 | 4.177 | 4.338 |
| Brazilian Real (*) | 3.039 | 3.000 | - | - | - |
| New Israeli Sheqel (*) | 4.728 | 4.696 | - | - | - |

(*) The weighted average exchange rate of the Israeli subsidiary is calculated beginning from the month of May (month of acquisition). With regard to the Brazilian weighted average exchange rate, it is calculated beginning from the month of June (month of the entity's incorporation).

## 16. Subsequent events

No significant events took place after 30 June 2014 through today's date.

Milan, July 23rd 2014

On behalf of the Board of Directors
CEO
Franco Moscetti

# Annexes

## Consolidation Area

As required by §§ 38 and 39 of Law 127/91 and § 126 of Consob's resolution 11971 dated 14 May 1999, as amended by resolution 12475 dated 6 April 2000, the following is the list of companies included in the consolidation area of Amplifon S.p.A. at 30 June 2014.

## Parent company

| Company name | Head office | Currency | Share Capital |
|---|---|---|---|
| Amplifon S.p.A. | Milan (Italy) | EUR | 4,487,530 |

## Subsidiaries consolidated using the line-by-line method:

| Company name | Head office | Direct/Indirect ownership | Currency | Share Capital | % held at 30/06/2014 |
|---|---|---|---|---|---|
| Amplimedical S.r.l. - in liquidation | Milan (Italy) | D | EUR | 111,967 | 100.0% |
| Audika Italia S.r.l. | Torino (Italy) | D | EUR | 200,000 | 100.0% |
| Amplifon Groupe France SA | Arcueil (France) | D | EUR | 48,550,898 | 100.0% |
| SCI Eliot Leslie | Lyon (France) | I | EUR | 610 | 100.0% |
| Centre Aixois de l'Audition | Aix-Les-Bains (France) | I | EUR | 38,116 | 100.0% |
| AF Annecy Sas | Annecy (France) | I | EUR | 38,114 | 100.0% |
| Saint Malo Audition | Saint-Malo (France) | I | EUR | 110,000 | 100.0% |
| Institut de l'Audition Auxerrois | Saint-Georges sur Baulche (France) | I | EUR | 20,000 | 100.0% |
| Amplifon Iberica SA | Barcelona (Spain) | D | EUR | 26,578,809 | 100.0% |
| Amplifon Portugal SA | Lisboa (Portugal) | I | EUR | 720,187 | 100.0% |
| Audiosalud SL | Murcia (Spain) | I | EUR | 142,278 | 100.0% |
| Ampli Lleida SLU | Barcelona (Spain) | I | EUR | 5,016 | 100.0% |
| Fundación Amplifon Iberica | Madrid (Spain) | I | EUR | 30,000 | 100.0% |
| Amplifon Magyarország Kft | Budapest (Hungary) | D | HUF | 3,500,000 | 100.0% |
| Amplibus Magyarország Kft | Budaörs (Hungary) | I | HUF | 3,000,000 | 100.0% |
| Amplifon AG | Baar (Switzerland) | D | CHF | 1,000,000 | 100.0% |
| Amplifon RE AG | Baar (Switzerland) | I | CHF | 2,800,000 | 100.0% |
| Hearing Supplies SA | Lugano (Switzerland) | I | CHF | 100,000 | 100.0% |
| Amplifon Nederland BV | Doesburg (The Netherlands) | D | EUR | 74,212,052 | 100.0% |
| Auditech BV | Doesburg (The Netherlands) | I | EUR | 22,500 | 100.0% |
| Electro Medical Instruments BV | Doesburg (The Netherlands) | I | EUR | 16,650 | 100.0% |
| Beter Horen BV | Doesburg (The Netherlands) | I | EUR | 18,000 | 100.0% |
| Amplifon Customer Care Service BV | Elst (The Netherlands) | I | EUR | 18,000 | 100.0% |
| Amplifon Belgium NV | Bruxelles (Belgium) | D | EUR | 495,800 | 100.0% |
| Amplifon Luxemburg Sarl | Luxemburg (Luxembourg) | I | EUR | 50,000 | 100.0% |

| Company name | Head office | Direct/Indirect ownership | Currency | Share Capital | % held at 30/06/2014 |
|---|---|---|---|---|---|
| Amplifon Deutschland GmbH | Hamburg (Germany) | D | EUR | 6,026,000 | 100.0% |
| Amplifon München GmbH | München (Germany) | I | EUR | 1,245,000 | 100.0% |
| Amplifon Bayern GmbH | München (Germany) | I | EUR | 30,000 | 100.0% |
| Sanomed GmbH | Hamburg (Germany) | I | EUR | 25,000 | 100.0% |
| Amplifon Poland Sp.z o.o. | Warszawa (Poland) | D | PLN | 3,340,760 | 63.0% |
| Amplifon UK Ltd | Manchester (UK) | D | GBP | 69,100,000 | 100.0% |
| Amplifon Ltd | Manchester (UK) | I | GBP | 1,800,000 | 100.0% |
| Ultra Finance Ltd | Manchester (UK) | I | GBP | 75 | 100.0% |
| Amplifon Ireland Ltd | Wexford (Ireland) | I | EUR | 1,000 | 75.0% |
| Makstone İşitme Ürünleri Perakende Satış A.Ş. | Istanbul (Turkey) | D | TRY | 300,000 | 51.0% |
| Medtechnica Ortophone Ltd* | Tel Aviv (Israel) | D | ILS | 1,000 | 60.0% |
| Audioclinic Natalie Medtechnica Ltd* | Tel Aviv (Israel) | I | ILS | 1,010 | 60.0% |
| Medtechnica Ortophone Tzapon Ltd* | Tel Aviv (Israel) | I | ILS | 100 | 60.0% |
| Mazorfon Ltd* | Tel Aviv (Israel) | I | ILS | 100 | 60.0% |
| Matan Rishon Ltd* | Rishon LeZion (Israel) | I | ILS | 200 | 40.2% |
| Amplifon Middle East SAE | Cairo (Egypt) | D | EGP | 3,000,000 | 51.0% |
| Miracle Ear Inc. | St. Paul – MN (USA) | I | USD | 5 | 100.0% |
| Sonus USA LLC | Minneapolis – MN (USA) | I | USD | 10 | 100.0% |
| Elite Network LLC | Minneapolis – MN (USA) | I | USD | 1,000 | 100.0% |
| Miracle Ear Canada Ltd | Vancouver (Canada) | I | CAD | 200 | 100.0% |
| Amplifon National Hearing Centers Inc. | Dover – DE (USA) | I | USD | 10 | 100.0% |
| Amplifon USA Inc. | Dover – DE (USA) | D | USD | 52,500,010 | 100.0% |
| Miracle-Ear of Texas, Inc. | St. Paul – MN (USA) | I | USD | 10 | 100.0% |
| Sonus-Texas, Inc. | St. Paul – MN (USA) | I | USD | 10 | 100.0% |
| Hear PO, Inc. | St. Paul – MN (USA) | I | USD | 10 | 100.0% |
| Ampifon IPA, LLC | New York – NY (USA) | I | USD | 1,000 | 100.0% |
| National Hearing Centers of Texas INC. | Dover – DE (USA) | I | USD | 10 | 100.0% |
| Beckwith Consultants, Inc. | Tallhassee – FL (USA) | I | USD | 7,500 | 100.0% |
| Amplifon South America Holding LTDA | São Paulo (Brazil) | D | BRL | 1,000 | 100.0% |
| Amplifon Australia Holding Pty Ltd | Sydney (Australia) | D | AUD | 392,000,000 | 100.0% |
| Amplifon Australia Pty Ltd | Sydney (Australia) | I | AUD | 392,000,000 | 100.0% |
| NHC Group Pty Ltd | Sydney (Australia) | I | AUD | 126,116,260 | 100.0% |
| ACN 119430018 Pty Ltd | Sydney (Australia) | I | AUD | 100 | 100.0% |
| National Hearing Centres Pty Ltd | Sydney (Australia) | I | AUD | 100 | 100.0% |
| National Hearing Centres Unit Trust | Sydney (Australia) | I | AUD | 0 | 100.0% |
| Amplifon NZ Ltd | Takapuna (New Zealand) | I | NZD | 130,411,317 | 100.0% |
| Bay Audiology Ltd | Takapuna (New Zealand) | I | NZD | 10,000 | 100.0% |
| Amplifon India Pvt Ltd | New Delhi (India) | I | INR | 455,000,000 | 100.0% |
| NHanCe Hearing Care LLP ** | New Delhi (India) | I | INR | 1,000,000 | 0.0% |

** Medtechnica Ortophone Ltd and its subsidiaries, owned by Amplifon S.p.A at 60%, are consolidated at 100% without reporting minorities due to a put-call option to be exercised in 2017 and related to the purchase of the remaining 40% interest.*
*** Consolidated entity subject to de facto control by the Amplifon Group.*

## Companies valued using the equity method:

| Company name | Head office | Direct/Indirect ownership | Currency | Share Capital | % held at 30/06/2014 |
|---|---|---|---|---|---|
| Audiogram Audifonos SL | Palma de Mallorca (Spain) | I | EUR | 3,006 | 49.0% |
| Comfoor BV | Doesburg (The Netherlands) | I | EUR | 18,000 | 50.0% |
| Medtechnica Ortophone Shaked Ltd | Tel Aviv (Israel) | I | ILS | 1,001 | 30.0% |
| Ofakim Quality of Hearing Ltd | Hadera (Israel) | I | ILS | 2 | 30.0% |
| Bon Ton Hearing & Speech Ltd | Sderot (Israel) | I | ILS | 100 | 8.9% |
| Ruti Levinson Institute Ltd | Ramat HaSharon (Israel) | I | ILS | 105 | 12.0% |
| Kolan Ashdod Speech & Hearing Inst. Ltd | Ashdod (Israel) | I | ILS | 100 | 22.2% |
| Afik - Test Diagnosis & Hearing Aids Ltd | Jerusalem (Israel) | I | ILS | 100 | 12.0% |
| Lakeside Specialist Centre Ltd | Mairangi Bay (New Zealand) | I | NZD | 0 | 50.0% |
| Dilworth Hearing Ltd | Epsom (New Zealand) | I | NZD | 232,400 | 40.0% |
| Dilworth Hearing Takapuna Ltd | Epsom (New Zealand) | I | NZD | 28,000 | 31.0% |
| Dilworth Hearing Hamilton Ltd | Epsom (New Zealand) | I | NZD | 100,000 | 24.0% |
| Dilworth Hearing Tauranga Ltd | Epsom (New Zealand) | I | NZD | 100,000 | 24.0% |

Attestation in respect of the condensed consolidated interim financial statements in accordance with Article 154-bis para 2 and 5 and Article 154-ter para 4 of Legislative Decree 58/98 (Testo Unico della Finanza)

The undersigned Ugo Giorcelli, Chief Financial Officer of the Amplifon Group, as Executive Responsible for Corporate Financial Information hereby declares that the six months report at 30 June 2014 corresponds to the results documented in the books, accounting and other records of the Company.

Milan, July 23rd 2014

Executive Responsible for Corporate
Financial Information
Ugo Giorcelli

**AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 20143**

To the Shareholders of
Amplifon SpA

1 We have reviewed the consolidated condensed interim financial statements of Amplifon SpA and its subsidiaries (Amplifon Group) as of 30 June 2014, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related explanatory notes. The directors of Amplifon SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 We conducted our review in accordance with the criteria for a review recommended by CONSOB, the national stock exchange commission, with resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles utilized therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the consolidated condensed interim financial statements.

The consolidated condensed interim financial statements present the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior interim period for comparative purposes. As described in the explanatory notes to the consolidated condensed interim financial statements, the Directors restated certain comparatives relating to the prior year's annual and interim consolidated financial statements compared with the figures previously audited and reviewed by us and on which we issued our reports on 7 March 2014 and 26 July 2013, respectively. These restatements and the related disclosures, presented in the explanatory notes to the consolidated condensed interim financial statements, have been examined by us for the purpose of issuing our report on the consolidated condensed interim financial statements as of 30 June 2014.

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Amplifon Group as of 30 June 2014 have not been prepared, in all material respects, in accordance with the international

accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 25 July 2014

PricewaterhouseCoopers SpA

Signed by

Ettore Corno
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.


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