Annual Report 2013

Bringing Sound to Life

Our commitment is to restore a fully active life and joie de vivre to people with hearing difficulties by achieving complete satisfaction in auditive communication in all listening situations.

amplifon

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Annual Report 2013

Message from the CEO

Dear Shareholders,

2013 was a particularly challenging year which was significantly impacted by the regulatory changes implemented in the Netherlands and a persistently weak and highly volatile European economic environment, but it was also a year during which the Group's capital structure has been significantly strengthened laying the foundations for future development activities. Even though, the Amplifon Group continues to benefit from its geographical diversification strategy demonstrating, once again, the solidity of its leadership and the ability to react to changes, even unexpected ones, in the business environment and the market.

The resilient profile of the Group's business was confirmed in 2013 which ended with turnover largely unchanged at constant exchange rates and down 2.1% at current exchange rates due to the particularly negative exchange effect of the US and Australian dollars. The result was positively impacted by the robust growth recorded in North America (+9.9% in USD) and in Asia-Pacific (+8.7% in AUD), which offset the negative performance posted in the Netherlands (-25.6%) and the general stationary scenario in the rest of Europe (-0.1%). The organic growth in the emerging countries (+45%) continues at a good pace, though influenced by the negative exchange effect. These markets currently represent less than 1% of the Group's turnover, but the contribution is destined to rise considerably in the medium-long term.

Our Group continues to post growth rates that exceed those of the main competitors in the majority of the markets where we are present, strengthened by a business model that is focused on the customers' needs and capable of meeting the growing demand for hearing care with cutting edge, personalized hearing solutions. More in detail, Amplifon has become market leader in terms of sales in France and has consolidated its market share in the Netherlands, the Iberian Peninsula, Hungary, North America, Australia, India and Egypt.

During the year we continued to increase the reach of our specialized stores and incessantly pursued organic growth through investments in marketing, training and IT systems in order to strengthen our brands and the excellence of our service.

Profitability was, however, significantly impacted by the regulatory changes implemented in the Netherlands, the general weakness of the European market and lower profitability in the Asia-Pacific region, partially offset by the brilliant performance recorded in North America. Profitability was also influenced by the unfavorable exchange effect of €3.8 million and non-recurring restructuring costs of €5.8 million relating to the steps taken to address the difficulties of the business environment and noticeably improve productivity and profitability beginning already in 2014.

The Company, in fact, sought to improve the efficiency of its business model in order to be even stronger and better positioned for the future. The restructuring carried out involved different markets, with a particular focus on the fixed cost structure, as well as brand simplification, the closure of non-productive shops, strengthening of the managerial structure, and streamlining of back office functions.

The net profit came to €12.8 million due to the contraction of gross margins, as well as the higher financial charges of €6.8 million associated with the Eurobond issue, and the €0.9 million financial costs related to the divestment from the Sonus Franchise channel.

During the year the Group strengthened its capital structure as a result of a private placement in the USA of $130 million and the issue of a €275 million Eurobond. The transactions generated strong interest with institutional investors which confirms, once again, the significant credibility that the Amplifon Group has on the capital markets both in Italy and abroad. These issues made it possible to refinance debt, which is now entirely long term, as well as maintain the flexibility needed to take advantage of any opportunities to further consolidate and develop the business that may materialize.

2013 was a demanding year, but we believe we have rendered our Company even more solid and efficient in order to continue to face, with tenacity and determination, the new challenges of a market full of opportunities.

In 2014, the Amplifon Group will continue to invest in international expansion and to pursue solid organic growth while maintaining a strong focus on the customers' needs, the excellence of the service offered and the ability to respond to the growing needs worldwide for hearing care with unique and personalized solutions.

The worldwide demographic changes, the growing noise pollution, the increasingly widespread culture of health and wellbeing, the aging of the baby boom generation, the development of the emerging countries, in addition to the low penetration rate of the hearing solutions, continue to support the enormous growth potential of our sector and allow us to look to the future with optimism and determination.

The international reach, the strong vocation for organic growth and customer satisfaction, the innovative services and solutions offered, along with operational excellence continue to represent the fulcrum of our strategies and the values that inspire the almost 11,000 people who are part of the Amplifon Group. People who everyday work to help millions of hearing impaired worldwide to rediscover the joy of hearing all the sounds of life and to be fully active.

On behalf of the Board of Directors
CEO
Franco Moscetti

Highlights 2013

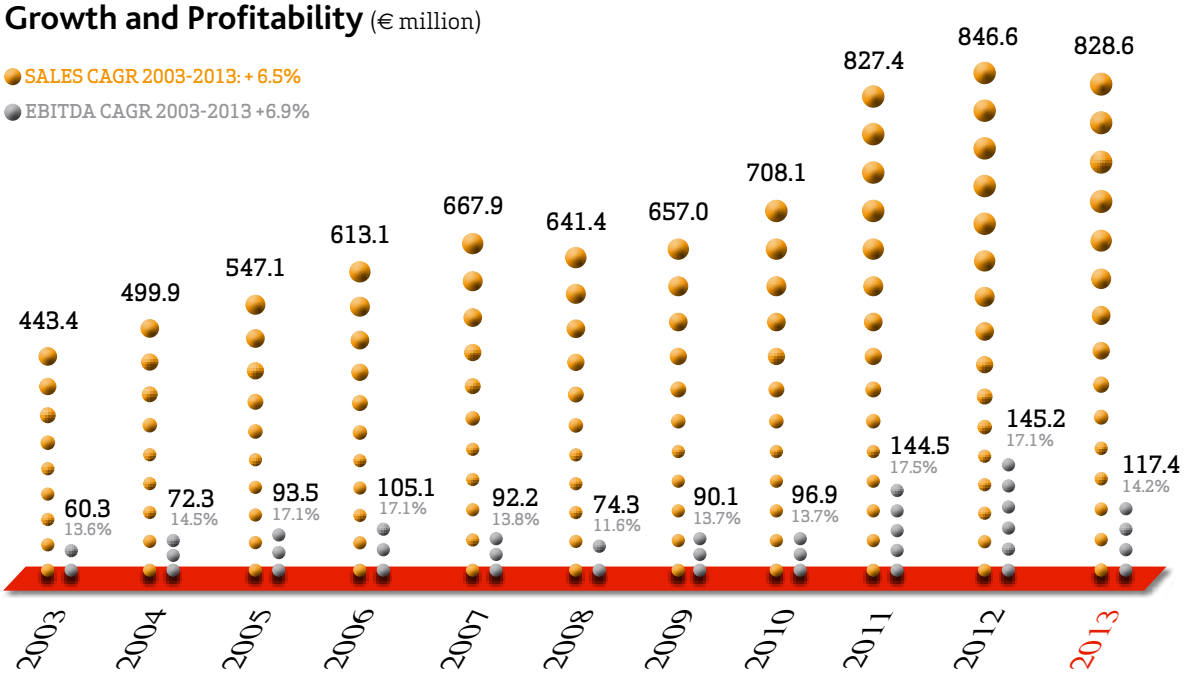
The Amplifon Group's results for FY 2013 were influenced considerably by the difficulties encountered in the Netherlands following the changes affecting insurance refunds and by the particularly adverse exchange effect, as well as the non-recurring restructuring costs incurred which will have a positive impact already in 2014.

TURNOVER

Consolidated revenue came to €828.6 million, largely unchanged at constant exchange rates (+0.1%) with respect to the figure posted at 31 December 2012.

More in detail, the Group continued to benefit from the international diversification of its business reporting brilliant growth in North America (+9.9% in USD) and Asia-Pacific (+8.7% in AUD) which made it possible to offset the drop recorded in Europe (-3.6% at constant exchange rates), linked primarily to regulatory changes in the Netherlands. At current exchange rates the Group's consolidated revenue fell by 2.1% influenced, in particular, by the unfavorable trend of the US and Australian dollars.

Growth and Profitability (€ million)



CAGR: Compound Annual Growth Rate: the weighted growth rate for the period considered.

EBITDA

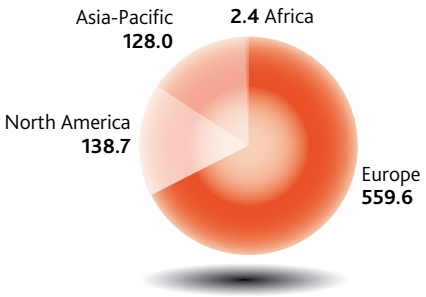
EBITDA amounted to €117.4 million, a decline of 19.1%, or €27.8 million, with the EBITDA margin falling 2.9% against the comparison period to 14.2%.

The result was impacted significantly by regulatory changes in the Netherlands, the general weakness of the European market and the lower profitability in Asia-Pacific which were only partially offset by the positive performances recorded in Nord America.

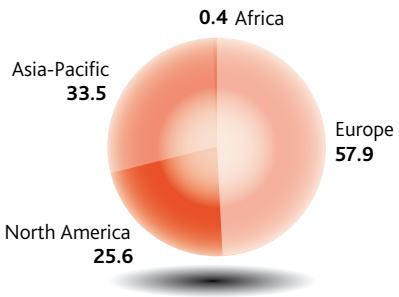
Profitability was also influenced by the unfavorable exchange effect of €3.8 million and non-recurring restructuring costs of €5.8 million relating to brand simplification, closing/disposal of non-productive shops, along with streamlining and automation of some back office functions.

Ugo Giorcelli (Chief Financial Officer)

Sales by Region FY-2013 (€ million)



EBITDA by Region FY-2013 (€ million)



NET PROFIT

The Group closed the year with a net profit of €12.8 million, a decrease of €30.3 million (-70.2%) with respect to the €43.2 million posted in 2012.

More in detail, in addition to the shrinking gross margins, net profit was impacted by higher financial charges of €6.8 million following the advance repayment of the syndicated loan, made possible by the €275 million Eurobond issue, and by other non-recurring financial costs of €0.9 million related to the divestment from the Sonus Franchise channel.

NET FINANCIAL INDEBTEDNESS

Net financial indebtedness amounted to €275.3 million at 31 December 2013, a decrease of €30.5 million with respect to the €305.8 million posted at the end of the prior year.

This figure confirms the Group's ability to generate significant cash flow capable of financing capital expenditure of €33.4 million, acquisitions worth €4.8 million, interest payable and other net financial charges totaling €30.3 million, taxes of €37.8, as well as dividends paid to shareholders of €9.3 million.

In the period under examination the Group further strengthened its capital structure as a result of two debt capital market transactions, namely the $130 million US Private Placement and the €275 million Eurobond issue.

These issues made it possible to refinance debt, which is now entirely long term, as well as maintain the flexibility needed to take advantage of any opportunities to further consolidate and develop the business that may materialize.

MAIN ECONOMIC AND FINANCIAL DATA

(€ thousands)	2013					2012					Change % on recurring
	Recurring	% on recurring	Non recurring	Total	% on total	Recurring	% on recurring	Non recurring	Total	% on total	
Revenues from sales and services	828,632	100.0%	-	828,632	100.0%	846,611	100.0%	-	846,611	100.0%	-2.1%
Gross operating margin (EBITDA)	123,234	14.9%	(5,820)	117,414	14.2%	145,172	17.1%	-	145,172	17.1%	-15.1%
Operating result before the amortisation and impairment of customers lists, , non-competition agreements and goodwill arising from business combinations (EBITA)	91,075	11.0%	(7,016)	84,059	10.1%	114,113	13.5%	-	114,113	13.5%	-20.2%
Operating income (EBIT)	75,604	9.1%	(7,086)	68,518	8.3%	97,886	11.6%	-	97,886	11.6%	-22.8%
Profit (loss) before income taxes	51,657	6.2%	(14,783)	36,874	4.5%	72,205	8.5%	-	72,205	8.5%	-28.5%
Group net income (loss)	23,409	2.8%	(10,561)	12,848	1.6%	43,182	5.1%	-	43,182	5.1%	-45.8%

(€ thousands)	31/12/2013	31/12/2012	Change %
Financial data:			
Fixed Assets	752,138	829,881	-9.4%
Net Invested Capital	657,978	735,993	-10.6%
Total Net Equity	382,635	430,158	-11.0%
Total Net Financial Indebtedness	275,343	305,835	-10.0%

Financial Indebtedness/Group Net Equity	0.72
Financial Indebtedness /Net Equity	0.72
Financial Indebtedness /EBITDA	2.22

- **EBITDA** is the operating result before depreciation, amortization and impairment of tangible and intangible assets.
- **EBITA** is the operating result before amortization and impairment of customer lists, trademarks, non-compete agreements and goodwill arising from business combinations.
- **EBIT** is the operating result before financial income, charges and taxes.
- ***Free cash flow*** is the cash flow from operations and investment activities before acquisitions and the payment of dividends.
- 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/total net equity** ratio is the ratio of net financial indebtedness to total net equity.
- The **net financial indebtness/EBITDA** charges ratio is the ratio of net debt to EBITDA for the last four quarters (determined with reference to recurring operations and on a pro-forma basis in the event significant changes in the Group's structure).

70+

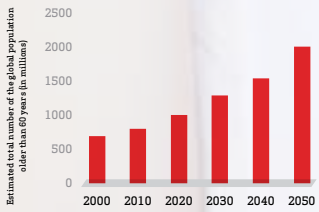
Ageing Population

Senior citizens are always in the spotlight.

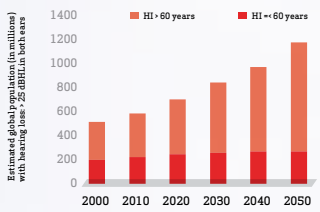
The constant increase in life expectancy worldwide is key to the growth of our business. Even if hearing problems can materialize at any time, they become decidedly more prevalent with age. More than 40% of the people between the ages of 60 and 69, in fact, suffer from a significant form of hearing loss and the occurrence reaches almost 90% in people over 80. As the world population continues to grow, thanks also to better healthcare, in the near future the population over 60 is expected to increase considerably. The United Nations estimates that by 2050 1.95 billion individuals, or 21% of the global population, will be more than 60 years old.

In the next 50 years the life expectancy of 60, 70 and 80-year-olds will increase by an average of 20%.

Estimated world population aged over 60



Estimated world population suffering from hearing loss (2000 - 2050)



Fonti: Lin et al, Arch Intern Med, 2011 and UN – Department of Economic and Social Affairs – Population Division.

Our identity

Mission

"Bringing sound to life" is the Mission that everyday inspires and drives Amplifon's core activities, namely providing personalized and highly qualified services that meet the increasing needs for hearing care and wellness.

Strengthened by vast international experience and know how, as well as a modern and competitive global business model which focuses on customer needs, Amplifon's commitment is to helping an ever increasing number of people worldwide.

Through the use of exclusive and technologically advanced solutions for the diagnosis, fitting and maintenance of the hearing aids we select for our customers from the best manufacturers in the world, we are able to help millions of people all over the world to improve their hearing ability in every listening situation.

Strengths

The Group's ability to successfully accomplish its Mission, providing personalized solutions that are always on the cutting edge of the increasing need for hearing care, is based on several distinctive strengths.

- The combination of **medical and retail expertise** and a **unique, innovative, global business model** which focuses entirely on customer needs.
- **Professional know-how**, enriched by the expertise and best practices acquired in over 60 years of experience in Italy and worldwide.
- The **internationalization strategy** which has made it possible to build a distribution network in 20 countries on 5 continents and strengthen international leadership, as well as guarantee the financial stability and solidity that are key to the future growth of the Group.
- The **qualified relationship with the medical community** and the support provided for the development of new ways to treat hearing loss. These are made possible through the work of the Group's Center for Research and Studies (CSR) which has allowed Amplifon to become a specialized partner and an international authority in the fields of audiology and otorhinolaryngology.
- **Extremely high brand recognition,** particularly in Italy and North America, where Amplifon and Miracle-Ear are both used in everyday conversations as synonyms for hearing solutions.
- **Being the employer of choice** in the hearing care retail sector.

Positioning, scope of operations and market share

In a highly competitive market with a diverse and fragmented retail industry, the Amplifon Group is the worldwide leader in terms of volumes, turnover, distribution network and geographic presence.

Today the Group has a **9% world market share and is the sector's only global player.**

More than 10,000 people work in over 3,200 points of sale, 2,500 service centers, 1,650 affiliate shops and back-office units found in 20 countries worldwide: Italy, France, the Netherlands, Germany, the UK, Ireland, Spain, Portugal, Switzerland, Belgium, Luxembourg, Hungary, Poland, Turkey, the USA, Canada, Australia, New Zealand, India and Egypt.

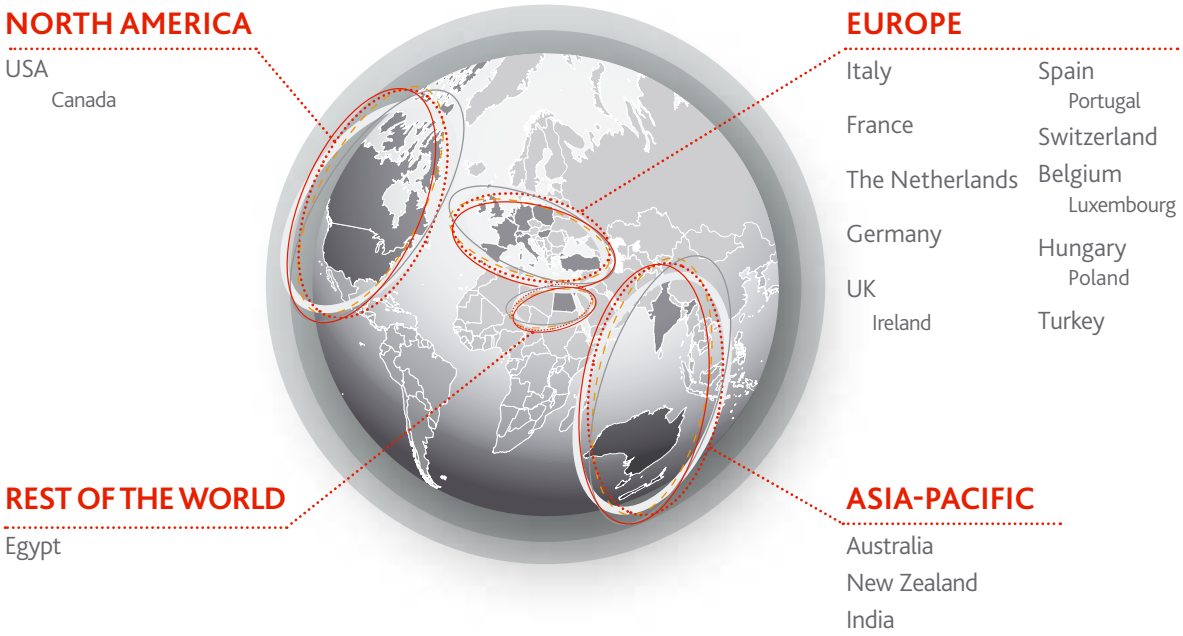
The Amplifon Group's business can be broken down in:
1) the sale of hearing solutions and the related fitting and personalization services (87%);
2) the sale of accessories such as batteries, consumables and spare parts (12%);
3) the distribution of biomedical devices (1%).

The countries are grouped in 4 Geographic Regions, each of which is responsible for the full implementation of the Group's strategic guidelines, as well as the coordination of local activities and the sharing of best practices.

The management of each country is responsible for developing the business and implementing the commercial and marketing strategies in accordance with specific market needs, as well as regulatory framework, in order to meet customer needs worldwide.

With a business model in which medical and retail expertise are combined as effectively as possible, Amplifon is constantly working on 3 parallel fronts:
1) the implementation of strategies that place the customer at the center of all decisions, projects and activities;
2) the improvement and diversification of the services, products and solutions offered;
3) the definition and implementation of communication campaigns designed to increase the awareness of the general public regarding the problems related to hearing loss and the solutions available which can improve the quality of life if used, above all, in a timely manner.

Our regional operational divisions



2013 Market Shares

Country	Brand	Market Share	Position
Italy	Amplifon	41%	# 1
France	Amplifon	11%	# 1
The Netherlands	Beter Horen	34%	# 1
Germany	Amplifon	3%	# 3
UK & Ireland	Amplifon	13%	# 3
Spain	Amplifon	11%	# 2
Portugal	Amplifon	9%	# 4
Switzerland	Amplifon	21%	# 1
Belgium & Luxembourg	Amplifon	19%	# 2
Hungary	Amplifon	16%	# 1
Poland	Amplifon	N/A	-
Turkey	Maxtone	N/A	# 4
USA	Miracle Ear/ Elite/ Sonus	10%	# 1
Canada	Sonus	1%	-
Australia	NHC	25%	# 2
New Zealand	Bay Audiology	48%	# 1
India	Amplifon	N/A	-
Egypt	Amplifon	36%	# 1
Markets of Operation**		**14%**	**# 1**
Global market **		**9%**	**# 1**

(*) These figures refer to the private sector only, excluding the National Health Service.
(**) Source: National Trade Associations and figures provided by insurance brokers.
Amplifon market shares are calculated by local management based on information received from the suppliers. There is no official certified data source for the volumes sold. Since our average selling price is in the upper market range, it is reasonable to expect that market shares calculated on revenue will exceed those based on volumes.

Our history

1950

In 1950 Algernon Charles Holland founded Amplifon S.r.l. in Milan with a view to distributing, personalizing and fitting hearing solutions in order to address the numerous hearing problems that developed as a result of the Second World War.
The economic and manufacturing boom that followed WWII provided the ideal climate for the launch and continuous growth of the business, as well as geographical expansion, which resulted in Amplifon becoming the undisputed leader of the Italian market.
In this period the exponential increase in the birth rate laid the foundation for the Company's future success: the baby boomers are, in fact, one of the most numerous generations in history and represent one of our future growth drivers.

1960s – 1980s

Amplifon becomes leader in the distribution, fitting and personalization of hearing aids in Italy, opening new stores in every region. In 1971 Amplifon founds the Center for Research and Studies (CRS) in order to support its core business, promote basic clinical research, and divulge information regarding new developments in audiology and otology.
Over time the CRS will become a point of reference for the medical community and healthcare professionals offering increasingly detailed programs which include seminars, conventions, publications, competitions, scholarships and international projects.

1990s

With the advent of digital technology, the hearing aid functions become potentially unlimited which make it possible for Amplifon to reach a level of service that is even more personalized with respect to the specific needs of each person. In 1996 Amplifon introduces the first digital hearing aids in Italy: by combining high technology and its personalized services, the Company obtains a domestic market share of more than 40%.
In addition to strengthening its presence in the Italian market, in the 90's Amplifon also begins expanding beyond its domestic borders. The development of its internationalization strategy begins, in fact, in 1992: Amplifon enters the Spanish market by founding Amplifon Iberica (1991) which subsequently is expanded to include Portugal; between 1998 and 2000 the Amplifon Group strengthens its international leadership exporting innovation, entrepreneurial spirit and Italian excellence throughout Europe and North America.

The New Millennium

Amplifon assumes an even more international identity strengthening its position in key markets like the United States, the Netherlands, and France, while also expanding its presence to include Canada, Hungary, Egypt, Germany, the United Kingdom, Ireland, Belgium and Luxembourg.
On 27 June 2001 Amplifon S.p.A. is listed on the Italian Stock Exchange and in 2008 becomes part of the STAR segment.
This segment is reserved for mid-size companies that capitalize between €40 million and €1 billion and are committed to meeting certain standards of excellence in terms of:
• maximum transparency and disclosure;
• liquidity (35% of free-float minimum);
• corporate governance in line with international standards.

2010 - 2013

The acquisition in 2010 of National Hearing Care (NHC) and its points of sale in Australia, New Zealand and India represents an important step in Amplifon's growth path and globalization, expanding its presence across five continents and its leadership on a global level.
In 2012 Amplifon enters Turkey, through the acquisition of 51% of Maxtone and, thanks to the formation of Amplifon Poland, its geographical presence now includes a total of 20 countries.
After having become leader of the Indian market, in 2013 Amplifon strengthens its position in the Hungarian market thanks to the acquisition of Kind Hallàscentrum Kft.

Our brands

The international growth strategy initiated in the 1990s resulted in the acquisition of a number of local players which only in a few specific instances maintained their own brand in light of particularly strong local brand recognition.

Amplifon, created in Italy in 1950 and now used in 14 countries, is synonymous with customer care, professionalism and service excellence.

Beter Horen, a Dutch brand with over 100 years of history, acquired in 2003. In light of its strong brand recognition the name was maintained inside the Amplifon brand-image.

Miracle Ear, brand of the franchisee network, market leader in the United States.

National Hearing Care (NHC), a brand with a great reputation and widely known in Australia, entered the Group in 2010 following the acquisition of the NHC retail chain.

Bay Audiology, the long standing leader in New Zealand, acquired in 2010 together with NHC.

Maxtone, brand of the largest retail chain in Turkey, a guarantee of high quality service and clear customer focus.

The distribution network

The international expansion strategy undertaken beginning in the 90's made it possible to develop an efficient and extensive distribution network worldwide, comprising two channels, which over time has become a competitive factor of great strategic importance.

Direct points of sale (corporate)

This is the direct channel, in which Amplifon has a direct relationship with its customers.
The points of sale may be run by Amplifon employees or people working for the Company on a commission basis.

This channel includes the Amplifon Points which are often opened only part-time and are located in third-party premises such as pharmacies, optical stores and doctors' offices.
Given their geographical reach, in these service centers will frequently occur the initial contact with customers, who will then be directed to a store, if necessary.

Indirect points of sale (non-corporate)

This is the indirect channel through which Amplifon sells to independent retailers who then distribute the hearing aids, miscellaneous accessories and complementary services to end users.

A distinction may be made based on the degree to which the Group's brands are present in the point of sale between:

a) the franchisees, who run the business themselves under a franchising agreement, but who benefit from the possibility to use sophisticated marketing tools, the Group's proprietary brands that are market leaders (i.e. Amplifon or Miracle Ear) and other value added services (i.e. training, administrative-accounting, pension funds, etc.); they purchase products exclusively from the Amplifon Group and may use the service centers (similar to the Amplifon Points described above) as initial customer contact points.;

b) the network affiliates, active primarily in the USA, are independent retailers who operate under their own brands. They purchase products from the Amplifon Group, benefit from various support activities offered by the Group and resale hearing solutions to end users;

c) the insurance companies and associations that direct their customers or members to either direct or indirect points of sale managed by the Group.

Points of sale across the world

2013

		Direct points of sale:		Indirect points of sale:	
	Brand	Direct/ Agents	Amplifon points	Franchisee/ Service centre	Affiliates
Italy	Amplifon	478	2,080		
France	Amplifon	308	74	1	
The Netherlands	Beter Horen	192	65		
Germany	Amplifon	183			
UK & Ireland	Amplifon	140	69		
Spain & Portugal	Amplifon	100	38	19	
Switzerland	Amplifon	78			
Belgium & Luxembourg	Amplifon	67	76	21	
Hungary	Amplifon	38	11		
Poland	Amplifon	9	1		
Turkey	Maxtone	10			
North America:	Miracle Ear	8		1,131	
	Sonus - US			26	
	Sonus - Canada	10			
	Elite Hearing Network				1,649
Australia	NHC	137	47		
New Zealand	Bay Audiology	86			
India	Amplifon	83	7		
Egypt	Amplifon	18			
Total		**1,945**	**2,468**	**1,198**	**1,649**

2012

		Direct points of sale:		Indirect points of sale:	
	Brand	Direct/ Agents	Amplifon points	Franchisee/ Service centre	Affiliates
Italy	Amplifon	469	2,007		
France	Amplifon	299	69	1	
The Netherlands	Beter Horen	192	110		
Germany	Amplifon	200			
UK & Ireland	Amplifon	141	69		
Spain & Portugal	Amplifon	108	31	24	
Switzerland	Amplifon	79		4	
Belgium & Luxembourg	Amplifon	61	84	21	
Hungary	Amplifon	26	11		
Poland	Amplifon	2			
Turkey	Maxtone	9			
North America:	Miracle Ear	6		1,166	
	Sonus - US	1		113	
	Sonus - Canada	10			
	Elite Hearing Network				1,665
Australia	NHC	127	20		
New Zealand:	Bay Audiology	77			
	NHC	15			
India	Amplifon	73			
Egypt	Amplifon	13			
Total		**1,908**	**2,401**	**1,329**	**1,665**

Governance and management structures

The Corporate Bodies

Board of Directors

TITLE	NAME	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT[1]	C.C.R.[2]	C.R.[3]
Honorary Chairperson	Anna Maria Formiggini Holland		•			
Chairperson	Susan Carol Holland		•		•	•
Chief Executive Officer	Franco Moscetti	•				
Director	Giampio Bracchi		•	•	•	
Director	Maurizio Costa		•	•		•
Director	Luca Garavoglia		•	•	•	•
Director	Andrea Guerra		•	•		•
Director	Giovanni Tamburi		•	•		

(1) These directors declare to qualify as independent as defined under current law and in the Italian Stock Exchange's Corporate Governance Code.
(2) C.C.R: Members of the Risk and Control Committee
(3) C.R.: Members of the Remuneration Committee

Board of Statutory Auditors

Appointed during the Shareholders' Meeting held on 18 April 2012 and in office for the three-year period 2012-2014.

Chairperson	Giuseppe Levi
Standing auditor	Maria Stella Brena
Standing auditor	Emilio Fano
Alternate auditor	Mauro Coazzoli
Alternate auditor	Claudia Mezzabotta

External Auditors

PricewaterhouseCoopers S.p.A.

The Corporate Governance structure is described in detail in the 'Report on Corporate Governance and Ownership Structure' which can be found in its entirety in the Report on Operations (pg. 123).

It is based on the principles outlined in the Corporate Governance Code for Listed Companies, proposed by the Committee for the Corporate Governance of Listed Companies, which Amplifon adopted (both the first version issued in 2001 and the one issued subsequently in December 2011).

Risk and Control Committee	
Chairperson	Giampio Bracchi
Member	Susan Carol Holland
Member	Luca Garavoglia
Remuneration and Nomination Committee	
Chairperson	Maurizio Costa
Member	Susan Carol Holland
Member	Luca Garavoglia
Member	Andrea Guerra
Supervisory Board	
Chairperson	Giampio Bracchi
Member	Luca Garavoglia
Head of Internal Audit	Paolo Tacciaria
Secretary of the Board of Directors	Luigi Colombo
Lead Independent Director	Giampio Bracchi
Executive responsible for Financial Reporting	Ugo Giorcelli
Head of Internal Audit	Paolo Tacciaria

Members of the Board of Directors

Anna Maria Formiggini

(Born in 1924, Italian citizen)

Her professional career began in 1945 when she was made Marketing Director at Elizabeth Arden S.p.A., where she remained until 1957.

In 1950 she married Algernon Charles Holland, a former Major in the British Special Forces, who, after moving to Italy, set up a business importing modern hearing aids and, founding in the same year, Amplifon S.r.l.. In 1959 she joined Amplifon's Marketing Department, promoting and supporting direct marketing, which in the following years was crucial to the growth of the company.

In 1980 she was appointed a member of the Board of Directors of Amplifon S.p.A. and in 1990 she was appointed Chairperson. She was appointed Chairperson of the Board of Directors of Amplifin S.p.A., and subsequently Chairperson of Ampliter N.V. and Chairperson of the A. Charles Holland Foundation.

In the past she has also acted as Vice Chairperson of the Managing Council of the Alzheimers Federation Italy and Deputy Chairperson of the Board of Ager, an Association for geriatric research and the study of longevity. In 2011 she was appointed Honorary Chairperson of Amplifon S.p.A..

Susan Carol Holland

(Born in 1956, Italian citizen)

She graduated in Psychology and Sociology from Keele University in the UK. She then took a diploma in Logopaedia at the Università degli Studi, Milan, and in 1982 began her professional career as a logopaedist in Milan's General Hospital.

In 1988 she was appointed to the Board of Directors of Amplifon S.p.A. and in 1993 she became Deputy Chairperson of the Board of Directors, while also acting as Deputy Chairperson of the Board of Directors of Amplifin S.p.A. and, since 2006, as Chairperson of the Board of Directors of Ampliare S.r.l., the Amplifin Group's real estate company.

In 2011 she was appointed Chairperson of Amplifon S.p.A..

Franco Moscetti

(Born in 1951, Italian citizen)

He began his career as part of the Air Liquide Group in 1973. After different experiences, in 1989 he was appointed General Manager of Vitalaire Italia, a company specialized in home healthcare.

In 1995 Mr. Moscetti became General Manager and Chief Executive Officer of Air Liquide Sanità, a sub-holding controlling all the Group's healthcare activities in Italy.

In 1999 he was also made Chief Executive Officer of the parent company, Air Liquide Italia.

In 2001 he moved to Paris where he managed the Hospital Division on an international level and, at the same time, acted as Chairman – General Manager of Air Liquide Santé France. Mr. Moscetti has been General Manager and Chief Executive Officer of the Amplifon Group since December 2004. Currently he is also a member of the Steering Committee of Touring Club Italiano and an independent director of Diasorin S.p.A. and Fideuram Investimenti SGR S.p.A. (IntesaSanpaolo Group). In 2012 he was decorated by the President of the Italian Republic, Giorgio Napolitano, with the title of "Cavaliere al merito del lavoro".

Giampio Bracchi

(Born in 1944, Italian citizen)

He received a degree in Electrical Engineering from Milan's Politecnico. He is the author of more than 20 books and over 200 scientific publications in Italy and abroad on business and financial innovation. He has been a member of the steering committees of a number of Italy's leading manufacturing companies, banks and public-sector organizations, overseeing innovation.
He is Chairman of the Politecnico Foundation in Milan, and also of IntesaSanpaolo Private Banking, Perennius Capital Partners, as well as Coordinator of the Rosselli Foundation's Annual Report on the Italian Financial System. He was Deputy Chairman of Banca Intesa, Chairman of AIFI the Italian Private Equity and Venture Capital Association, adviser to the Prime Minister's cabinet and director of companies and public entities including INPS, Cariplo and SORIN.

Maurizio Costa

(Born in 1948, Italian citizen)

With a degree in Mechanical Engineering, as of June 2012 Mr. Costa is a member of the Board of Directors of Fininvest S.p.A. and Deputy Chairman of the company since March 2013.
Maurizio Costa is also member of Assolombarda and Confindustria.
He began his career in the IRI Group and, beginning in 1984, he was part of the Montedison Group where he acted as Head of Strategic Planning and Development of Standa from 1985 to 1988, and as General Manager of the Standa Group from 1989 to 1992. In 1992 he joined Mondadori in order to manage the Group's holdings and Business Development. Chief Executive Officer of the Elemond Group since 1994, he was appointed Chief Executive Officer of the Mondadori Group in 1997, where he has also been acting as Deputy Chairman since 2003.

Luca Garavoglia

(Born in 1969, Italian citizen)

Mr. Garavoglia received a degree in Business Economics from Milan's Bocconi University in 1994. He is the Chairman of Davide Campari-Milano S.p.A., the parent company of the homonymous Group. He currently holds the following offices: member of the General Council and Executive Committee of Assonime, member of the Board of Directors and Chairman of the Risk and Control Committee of RCS MediaGroup S.p.A., Director and Deputy Chairman of Federvini, member of INSEAD's Italian Council, member of the Strategic Committee of Fondo Strategico Italiano, controlled by Cassa Depositi e Prestiti, member of the Board of Directors and Executive Committee of FAI - Fondo per l'Ambiente Italiano, member of the Board of Directors of Fondazione Telethon.
In the past he was on the Board of Directors of Indesit Company S.p.A., where he also acted as member of the Technology and Innovations Committee, of FIAT S.p.A., where over the years he was part of the audit, nominations, corporate governance & sustainability, and remuneration committees, and of Banca Popolare di Lodi S.c.a.r.l.. He also presided over Confindustria's Technical Committee for Taxation and Corporate Governance and he served on the European Institute of Oncology Foundation's Board of Directors.

Andrea Guerra

(Born in 1965, Italian citizen)

He received a degree in Business Economics from La Sapienza University in Rome in 1989. He has been the CEO of Luxottica since 27 July 2004; he is a Director of its main subsidiaries. Previously he worked for ten years at Merloni Elettrodomestici, having joined in 1994, and was CEO from 2000. Before Merloni he worked at Marriott Italia for five years in roles with increasing responsibility up to that of Marketing Manager.

Within the Luxottica Group he also acts as a Director of Luxottica S.r.l., Chairman of OPSM Group PTY Limited, a Director of Luxottica U.S. Holdings Corp., Luxottica Retail North America Inc. and Oakley Inc. He is also a Director of Ariston Thermo S.p.A..

Giovanni Tamburi

(Born in 1954, Italian citizen)

Mr. Tamburi graduated from Rome's Sapienza University cum laude with a degree in Business Economics. He is the founder and Chairman of TIP – Tamburi Investment Partners S.p.A..

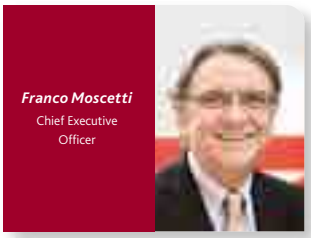
Active in the field of corporate finance since 1977, first as part of the Bastogi Group and then, beginning in 1980, in Euromobiliare (Midland – Hong Kong & Shanghai Bank Group) and subsequently became Managing Director and Deputy General Manager of Euromobiliare S.p.A., Managing Director of Banca Euromobiliare S.p.A. and of other group companies and Managing Director of Euromobiliare Montagu S.p.A., the group's investment bank.

Currently, in addition to being Chairman and Chief Executive Officer of TIP, he is a member of the Board of Directors of Amplifon S.p.A., Datalogic S.p.A., Interpump S.p.A., Prysmian S.p.A., Zignago Vetro S.p.A and member of the Supervisory Board of the Roche Bobois Group.

He was a member of the privatization commission that analyzed the Ministry of Financial Reporting's Law 35/92 and was a member of the advisory board for the privatization of the municipality of Milan. He was a professor of Corporate Finance at LIUC (Castellanza - Varese) and professor of Extraordinary Financial Transactions at LUISS University in Rome. He is the author of a number of publications and editorials that have appeared in the major domestic newspapers.

The Executive Leadership Team

The Executive Leadership Team is responsible for defining the Group's strategic guidelines and the international structure which involves strategic planning, business development and innovation, marketing and corporate communication, finance and control, investor relations, IT systems, human resource management, legal assistance, as well as purchasing, relationships with providers and main partners, promotion of research and quality control.



Franco Moscetti
Chief Executive Officer

Enrico Vita*
Executive Vice President Europe, Middle East and Africa

Alberto Baroli
Chief Innovation & Development Officer

Enrico Bortesi
Chief Supply Chain & Purchasing Officer

Giovanni Caruso
Chief Human Resources Officer

Ugo Giorcelli
Chief Financial Officer

Massimiliano Gerli
Chief Information Officer

Heinz Ruch
Executive Vice President America

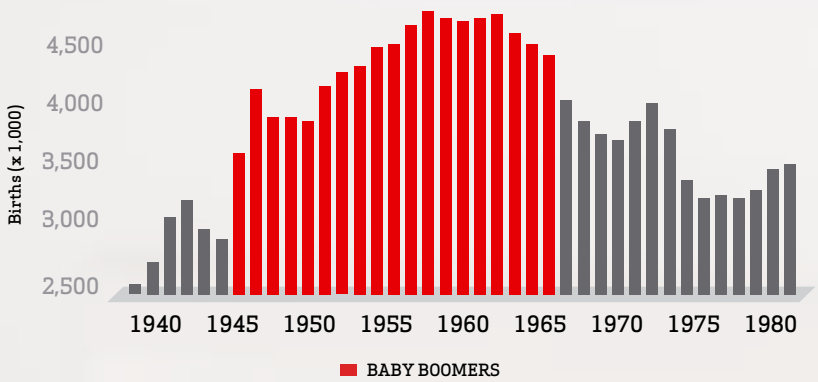
Paul Mirabelle
Executive Vice President Asia-Pacific

** Effective from March 2014*

Baby Boomers

A new generation of customers.

Today Amplifon is getting ready to meet the needs of what is potentially the biggest customer base in history: the Baby Boomers, the children born during the Post-World War II baby boom.
This generation which, at this point, is nearing 65 – the age from which hearing problems are most likely to materialize – has developed consumer habits focused on health and personal wellbeing, as well as on the search for the best and most technologically advanced products. For this potential target, the hearing aid is increasingly viewed as an effective solution to rediscovering the quality of life and the joy of hearing in every situation.



Source: U.S. Census Bureau – International Database, 2009

The people born in the twenty-year period between 1950 and 1970 are gradually entering the age bracket that is the most critical for hearing problems.

Our industry

Hearing loss

Hearing loss can be defined generally as a decrease in hearing ability. Even if it can affect all age brackets, it is more prevalent in the elderly due to the natural aging of cells: typically this type of hearing loss is referred to as presbycusis.

Types

Every person has an individual hearing profile and for this reason no two forms of hearing loss are the same. It is possible, however, to categorize hearing loss generally as follows:

- conductive, the sound is not conducted efficiently through the outer or middle ear and dissipates before reaching the inner ear.
- sensorineural, the problem resides in the inner ear (cochlea, acoustic nerve, neurons) which becomes incapable of converting sound vibrations into nerve impulses;
- mixed, a combination of both of the problems referred to above;
- central, the problem resides in the cerebral cortex.

The most common type of hypoacusis is sensorineural and accounts for almost 90% of the cases.

Hearing aids, implantable devices and cochlear implants are designed to minimize and correct sensorineural, conductive and mixed hearing loss and are basically the only remedies available.

The causes

The origin of hearing problems is not always easy to identify, but it is generally attributable to injury or malformation, congenital or acquired, of one or more parts of the ear. Congenital hearing loss is often linked to hereditary factors or pathologies occurring during pregnancy and delivery.

Acquired hypoacusis is often explained, rather, by aging or other external factors such as:

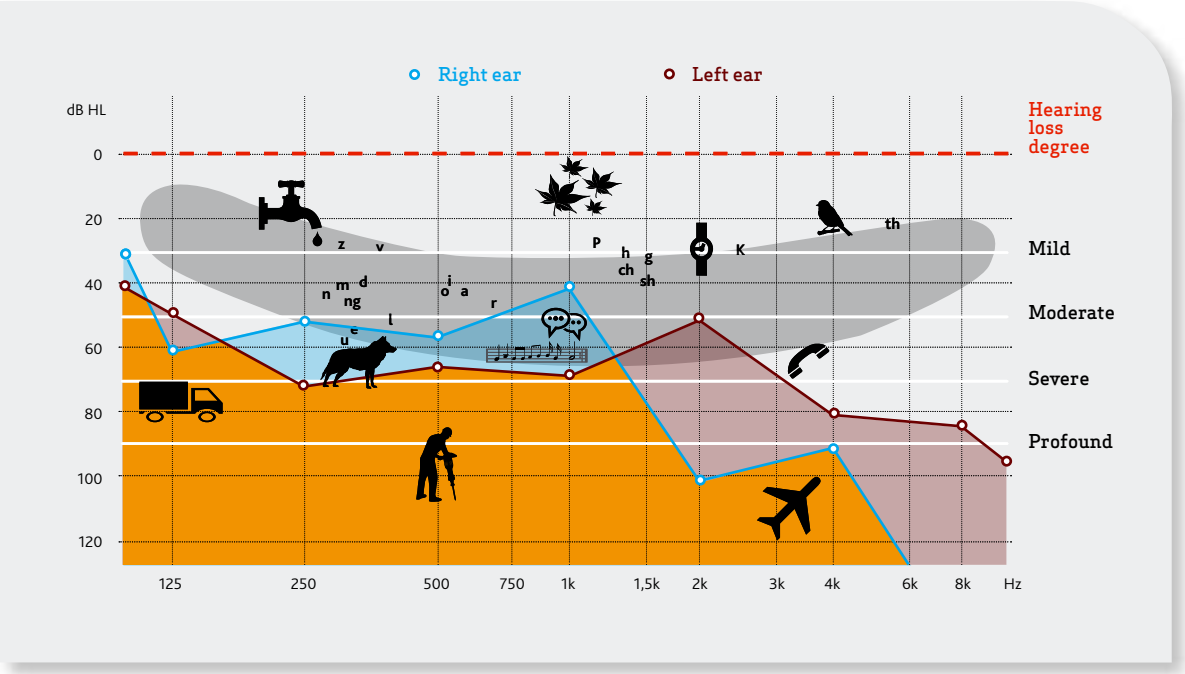
- noise pollution;
- accidental injuries;
- infections (as a result of, for example, Scarlet fever, German measles, meningitis);
- untreated otitis;
- otosclerosis, which affects the mobility of the small bones of the middle ear;
- the consumption of drugs and alcohol, as well as smoking.

The symptoms

In the vast majority of cases, hearing loss is the result of gradual and progressive degeneration. It begins with a decrease in the ability to hear higher pitched sounds, difficulty in hearing certain consonants (typically d, t, s, p, f) and then gradually it becomes difficult to hear medium and low pitch sounds.

In the end the person finds it difficult to understand a conversation that takes place in a crowded space or outdoors as the ability to distinguish between the discussion and the background noise decreases. In order to understand, the individual will often ask for words or whole sentences to be repeated, speak loudly or raise the volume of the television or radio.

Sometimes the hearing loss materializes as a bothersome ringing in the ears, referred to as tinnitus. Whatever the origin or the site, these hearing problems can occur with varying degrees of intensity and seriousness: "mild", "medium-mild", "moderate", "moderately severe", "severe" and " profound", based on the lowest level of sound that the person is able to hear.



The market scenario

Hearing impairments are considered one of the most common and growing health concerns but, at the same time, one of the least treated.

Currently nearly **10% of the population of the industrialized countries suffers from hearing loss.** This figure reaches 30% if only individuals between the age of 65 and 74 are considered and 50% if only the over 75 are considered.

Only 20% of the people who could benefit from a hearing solution, however, actually use one. This is due to a number of factors: on the one hand, the social stigma and the preconceived notions linked to deafness and hearing aids and, on the other hand, customer dissatisfaction resulting from the use of the "old technologies".

Hearing loss is typically treated as a handicap of which the hearing aid is a tangible reminder. The person suffering from hearing loss has trouble admitting to him/herself that the problem exists and tends to delay looking for a solution for, on average, seven years.

Today it is also still widely believed that hearing aids are not very effective and hard to use – even if this perception is inaccurate as the technical limitations referred to are linked to the "first generation" hearing aids.

In addition to being significantly underpenetrated, there is ample margin for growth in Amplifon's market. The potential growth drivers include:

1) **Worldwide demographic changes**, as life expectancy increases the elderly population is destined to progressively rise;

2) Greater **noise pollution** which exposes individuals to prolonged periods of harmful noise at work and/or social environments (traffic, loud music, etc.);

3) The **increasingly widespread culture of health and wellbeing among the elderly** who are looking to live a full life, in all respects, and who increasingly view health as wellbeing;

4) The **incessant technological-scientific advances** that have resolved the aesthetic and functional problems of hearing aids: today the devices are increasingly more similar to highly advanced mini-computers with cutting-edge technology condensed in tiny dimensions;

5) The **aging of the baby-boomers,** the target population with the greatest potential for the hearing aid sector. The generation born between World War II and the first half of the 1960s, in addition to being the largest in the history of the industrialized nations, thanks to the quest for wellbeing and being well informed is more focused on and ready to embrace technology;

6) The rapid **development of the emerging markets** in terms of per capita income, industrialization and urbanization.

Our strategy

Amplifon targets all those who suffer from hearing loss.

What distinguishes us in this sector is that the retail distribution of hearing aids is accompanied by highly qualified, personalized fitting services and we work to meet the specific technical, psychoacoustic and aesthetic needs of each customer.

The personalization of the hearing aid is an important service as it is exactly what makes it possible to improve the ability to listen and communicate.

Communication and hearing ability do not depend solely on the functions and intrinsic quality of the device but, above all, on the ability of those who possess the specific know-how needed to select the most appropriate model based on scientific evidence, carry out a personalized fitting and make the most of the features of the device based on individual needs.

Two individuals who suffer from the same sort of hearing loss may need two different devices and/or two different solutions based on their lifestyles, the sounds to which they are exposed everyday, aesthetic preferences, different psychological profiles; the fact that it is a first fitting or a repeat purchase can also impact the fitting process. The product, therefore, is an essential part of Amplifon's corporate philosophy, but it is definitely not enough to meet customer needs.

The personalized fitting service is offered by the more than 5,000 Amplifon audiologists active worldwide.

The audiologist and the regulatory environment

The audiologist is a professional specialized in custom fitting hearing aids based on specific individual needs and in after sale care. In all the countries where the Group operates the audiologist is subject to domestic regulation which determines the training needed, the type of activities they may conduct and the professional ethic standards.

The audiologist is, for all intents and purposes, Amplifon's frontman. Beginning with pediatric hearing loss through adulthood and retirement, the audiologist assists and guides the customer every step of the way, planned down to the last detail, along with his/her family, support network, as well as the general practitioner.

Amplifon's audiologists propose solutions to complex problems that are easy to use thanks to the extensive assessment of the individual's hearing ability, and anatomical analysis of the ear canal, while also seeking to understand individual expectations and motivation.

The relationship with the customer does not end once the device is fitted, but continues over time as a result of the periodic testing, assistance and maintenance services offered.

As the expertise and capabilities of the audiologists have such a great impact on their patients' quality of life, they must complete accredited training programs recognized by regulatory authorities, as well as supervised internships.

All of Amplifon's audiologists possess the legally recognized professional credentials needed to diagnose the customers' hearing loss, as well as develop personalized programs for the rehabilitation and recovery of the ability to hear.

The sector is also regulated by public healthcare agencies and the legislation in each country varies based on different factors:

- the professional qualifications of the audiologists and the hearing aid specialists;
- whether or not an examination by or prescription from a doctor for the hearing aid is mandatory;
- the predominance of the public versus the private sector;
- whether or not the national healthcare service provides a subsidy.

The skills required by the regulatory authorities are supplemented by the educational and training programs offered globally by the Group that enrich mandatory training and provide the audiologists not only with technical training, but also with other abilities, including how to establish empathetic relationships, listen and understand each interlocutor and give effective psychological support.

COUNTRY	Sales Force Qualification	Medical Prescription	System of reimbursement and fiscal regime	Eligibility	% of Amplifon revenues from reimbursement
ITALY	Audiologists / 3 years	Mandatory	Average reimbursement of € 600 per hearing aid which covers the basic device cost. Eligible individuals are entitled to purchase a higher level device and fund the gap privately. Moreover Hearing Aids are considered within the medical expenses fiscally deductible from the income taxes to be paid for an amount equal to the 19% of the device cost.	Everyone is eligible for contribution regardless the personal income, provided that the best of the two ears has lost at least 65db.	21%
FRANCE	Audiologists / 3 years	Mandatory medical prescription & verification	French Social Security: the amount of the reimbursement is fixed, 119,83 € (for any HA). Private Insurance Company (or Mutuals): the level of reimbursement depends on the contract that has been signed. Very often, the reimbursement is between 300 and 500 €. The total reimbursement (Social Security + Private Insurance) is around 30%. No fiscal deductions for our customer linked to the purchase of HA.	French Social Security: all clients are eligible for this repayment. For children under 20 years old: the reimbursement by the Social Security + Private Insurance Company can amount to 100 % of the HA price. Private Insurance Company (or Mutuals): it is not compulsory for French people to sign a contract with a Private Insurance Company.	30%
THE NETHERLANDS	Dispensers and Audiologists / 0 - 3 years	Mandatory medical prescription & verification	New reimbursement scheme effective from 1.1.2013, with 75% of the device's price to be covered by private insurance and 25% out-of-pocket by the end user. No fiscal deduction anymore effective from 1.1.2013 related to the purchase of HA's.	Minimum loss of 35 Db on worst ear. There's no guideline related to income, but there are some social governamental funds that compensate the own contribution of the client if he/she has a very low income.	70%
GERMANY	Audiologists / 3 years audiology apprenticeship. Additional studies between 1 and 2 years, depending on study model to achieve the title of master and with that beeing able to lead a shop and invoice towards health insurance companies in line with the craftsmenship-regulations.	Mandatory medical prescription & verification	Full or partial reimbursement by National Federal Association of Statutory Health Insurance Funds based on functional fitting. For moderate and severe level of impairment (WHO 2+3), since 1st of Nov 2013 reimbursement of € 650-784 mono/ € 1,144 - 1,412 stereo + € 33 - 35 per HA ear mould + € 120 - 150 service fee every 6 years. For profound impairment (WHO 4) reimbursement of € 840 mono/ € 1,515 stereo + € 33 -35 per HA ear mould + € 180 service fee.	People with amblyacousia at one of the following levels (World Health Organization Classification): LEVEL 2-3: Moderate-Severe Impairment: from 41 to 80 Behl (db HL); LEVEL 4: Profound impairment inluding deafness: → 81 Behl (db HL).	40%
SPAIN	Audiologists / 2 years	Mandatory only below 16 years	Full reimbursement only for certain patients up to 16 years of age.		1%
PORTUGAL	Audiologists / 4 years	Mandatory for public tenders and private insurances	Reimbursement from private insurances, Portuguese state employees insurance (ADSE) or some private companies with their own insurance.		3%
SWITZERLAND	No formal qualification required Audiologists / 3 years (required only for pediatric fitting)	Mandatory medical prescription & verification	IV (Invalidity Insurance): CHF 840 monaural, CHF 1'650 binaural AHV (elderly pension insurance) CHF 630 monaural. The fiscal treatment in Switzerland is not clearly defined and varies from Canton to Canton. In general part of the out of pocket cost can be deducted from taxable income leading to a saving between 10% and 20% of the cost deducted (depending on the income level of the person, the Canton and the village).	The minimum threshold is a total hearing loss of 20% for IV (Invalidity insurance) and 35% for AHV (Elderly pension insurance). Personal income is not relevant.	25%
BELGIUM	Audiologists / 3 - 5 years	Mandatory	Reimbursement of approx. € 660 for monaural fittings/€ 1,300 for binaural for adults. Higher reimbursement of approx. € 1,120 for monaural fittings/€ 2,220 for binaural fitting for children <18 yrs. Paid-up allowed.	Minimal hearing loss of 40dB for the ear which needs a HA.	48%
LUXEMBOURG	No formal qualification required	Mandatory	Rate mono-aural in between € 890 minimum and € 1,900 maximum.	Eligibility criteria for reimbusement are not publically available. Variable reimbursement rate, based on hearing loss, social life, employed or retired, patient's motivation, etc.	65%
HUNGARY	Audiologists / aprox. 1-1,5 years	Mandatory	Full or partial reimbursement by private health insurance and/or government (up to 70% of total amount).		70%
POLAND	Audiologists / 2 years course + 2 years practice	Mandatory only for public reimbursement	Partial reimbursement provided by public health service (150 € for each digital instrument - only one per head).	People with >30 db hearing loss.	40%
TURKEY	Audiologists/ 2 - 4 years	Mandatory	Partial reimbursement provided by public health service (up to 200 € for adults; up to 400 € for kids <4 yrs).		30%
UK	Audiologists / 2 - 4 years	None	Free of charge in case of NHS. Private market with no reimbursement. Private can respond to tenders to contract on behalf of NHS via AQP (Any Qualified Provider) route. This is only offered in some areas of England.	GP referral for AQP. Primarily over 55 Years old with age related hearing loss.	0%
IRELAND	Hearing Aid Specialists / 0 - 2 years	Mandatory	€ 830 per HA.	Reimbursement dependent on ratification from ISHAA-registered acousticians and customer having paid sufficiently into NH scheme and signed by GP (Approx 60% of all HA are provided with this subsidy).	50%
USA	Audiologists / 4 years Dispensers / 0 - 2 years	None	Each State manages its own program and level of reimbursement complying with Federal regulations. Veteran Affairs: hearing aid benefits. Amplifon USA does not do business with Veteran Affairs (done directly through manufacturers). Private health insurances: reimbursement of out of pocket expenses. Tax deduction: for hearing aids it is limited to the amount by which an individual total medical care expenses for the year exceed 7.5% of his/her adjusted gross income.	Government reimbursement: based on income, age, and/ or disability (Medicaid). Veteran Affairs: War Veterans.	5% (Miracle Ear)/ 40% (Sonus)/ 10% (HearPO)
CANADA	Audiologists/ 0 - 2 years	None	Private Insurance for about 5%. Few provinces give contributions to the purchase of hearing aids.		5%
AUSTRALIA	Audiologists / 5 years university Audiometrist / Dispenser 4 years with supervision	None	The total avarage amount reimbursed for a binaural fitting is AUSD 1,484 (including the fees for Device, Assessment and Fitting). Hearing devices are not tax deductible against income. However, an individual with an annual income below AUSD 84,000 can claim a tax offset of 20% of their net medical expenses over AUSD 2,120. There is no upper limit on the amount you can claim and hearing aids qualify as medical expenses.	There is a government program that entitles pensioners and war veterans to basic free hearing devices. To be eligible an individual must have a three-frequency hearing loss in the low frequencies of at least 23db or a three-frequency hearing loss of 40db in the high frequencies and a positive score in a motivation test. Eligible individuals are also entitled to purchase a higher level device and fund the gap privately. There are also state regulatory schemes that provide coverage for devices fitted to individuals with noise-induced hearing loss.	60%
NEW ZEALAND	Audiologists / 3 years undergraduate Degree + 2 years Masters Dispensers / 0 years	None	Ministry of Health - NZD 1,022 (incl. GST) subsidy for a binaural hearing aid fitting (NZD 511 for Monarual fitting) once every 6 years. ACC - The level of funding will depend on the severity of the hearing loss and the claimants age. Funding range is across 10 bands, from NZD 1,403 to NZD 4,830 binaurally (Incl. GST). Repairs and batteries part-funded for the life of the devices. Accessable NZ - Wholesale cost of the device. War Pension - Wholesale cost of the device.	Ministry of Health: All NZ citizens over 65 are eligible to claim this subsidy once every 6 years (if no other subsidy is claimed). ACC: eligibility will depend on whether the hearing loss is a result of: exposure to a noisy work environment or to a sudden, extremely loud noise or sudden accident (congenital hearing loss, age-related or illness-related hearing loss are not covered).	30%
INDIA	No formal qualification required	None	None.		0%
EGYPT	No formal qualification required	Mandatory	Variable level of reimbursement from some private insurances.		25%

Data at February 2014.
H.A. : hearing aids.

Restoring hearing ability

Amplifon's primary objective is to help the customer reach a level of hearing that fits his/her lifestyle needs.

Restoring hearing comprises **4 key phases** that are developed over a period of time based on individual needs.

1) **Review:** the Audiologist establishes an empathetic and confidential relationship with the customer, becomes acquainted with the patient's history, his or her expectations and what drove him/her to take a hearing test, also in accordance with any instructions from the referring doctor. The ability to hear the sounds is then visualized in an audiogram.
2) **Choosing the solution:** having analyzed all the data available the Audiologist proposes the most suitable solution for the customer, bearing in mind the non-auditory aspects such as aesthetic preferences and manual dexterity, as well as psychological aspects and the customer's lifestyle.
3) **Fitting and customization:** the selected device is personalized based on the patient's auditory needs using computerized systems which adapt the hearing aid to the person's hearing ability.
4) **Follow-up and assessment:** sophisticated instruments are used to measure the improvements and advantages that the new hearing solution brings to the customer's life. These data are the basis for a follow-up plan, namely the assessment of the results in the short, medium and long term.

Throughout this process, Amplifon provides the customer - typically first time users of hearing aids and the relative accessories - with great **moral and psychological support** which helps him/her to come to terms with the hearing impairment and to have an accurate perception of the progress made since the fitting.

Amplifon also offers a unique range of **high value-added services** which are key to providing each customer with maximum satisfaction: from free adjustments and cleaning to home visits and international assistance in all the countries where the Group is present.

The service targets both potential customers, who typically do not believe there is a problem or have difficulty in acknowledging it as they view it as a handicap, and the so-called influencers, i.e.:

- family and friends who can help the patient to accept his/her problem and take concrete action;
- the family doctor, who can refer the patient to a specialist for an examination;
- the specialist as the rules and regulations in most of Amplifon's countries of operation require a doctor's prescription for the fitting of a hearing aid.

Hearing aids

Hearing aids are one part of the solution offered to customers: the most up-to-date models are **miniature electronic devices that receive, analyze, process and amplify sounds**, differentiating and selecting them over many frequencies, in order to relay them to the ear in a clear, controlled and comfortable manner.

They address all degrees of hearing impairment, from mild to profound deafness, as they are able to:

- identify background noise and tone it down, while picking out and emphasizing speech;
- recognize and reduce loud, annoying or sudden sounds in order to maintain a natural listening experience;
- reduce disturbing wind noises.

Thanks to Bluetooth™ technology it is possible to synchronize the signals of all electronic appliances (television, telephone, mp3 player, computer, etc.) wirelessly and without headphones, to listen to music, watch films or talk over the telephone without interference from surrounding noise sources.

The Amplifon Store

Amplifon's store format is set-up to provide the customer with a 'store experience', avant-garde for the sector, in which the customer – treated as a person and no longer a patient – is guided step by step along the path leading to rediscovering the joy of efficient hearing.

The store windows are designed to reduce the anxiety typically associated with medical experiences as much as possible, transforming the decision to enter Amplifon into a positive emotional experience.

The interior is planned specifically to make the customer feel at ease, with areas dedicated to specific functions. All the activities (diagnosis, choosing a solution, fitting, fine-tuning and assistance) take place here and are part of an integrated process designed to guarantee a comfortable rehabilitation experience in every sense, both physical and psychological.

In this way the customer, support person (spouse, children, friends), ENT doctor, audiologist and shop-assistant can establish productive relationships with each other and better understand the hearing profile, an indispensable tool in the selection and fitting of the ideal hearing aid.

Charles Holland Award

Beginning in 2011 a special award was instituted designed to identify and **reward annually the 50 Amplifon stores around the world that distinguish themselves for the excellence of their service and performance** on the basis of criteria such as customer care, innovation, growth, teamwork and productivity.

This is an international initiative which confirms the concept of **excellence as one of the Group's values** and makes it possible to share the best practices that contribute to the continuous improvement and innovation of the services offered.

The social value of the business and the Center for Research and Studies (CRS)

In Amplifon the business mission and the social mission go side by side.

The personalized fitting service offered by our audiologists has made, makes and will make it possible for millions of people worldwide to improve their auditory communication in every listening situation and rediscover the joy of hearing the sounds of life.

In our company, therefore, the social value of what we do and the value of relationships with people, above and beyond any commercial objectives, are essential to the uniqueness of our business model. In Amplifon we are aware of our duties with respect to the community that derive from being sector leader worldwide. Toward this end, we work daily to disseminate information about hearing in general and the importance of prevention, as well as to eliminate the social stigma that impacts those who suffer from hearing loss of any type, regardless of age, gender or ethnicity.

As part of this activity, the Group works closely with Amplifon's **Center for Research and Studies (CRS)**, a world renowned point of reference in the fields of audiology and otorhinolaryngology, as well as a specialized partner for more than forty years of the medical, scientific and academic communities.

Far too often, still today, the fundamental importance of hearing to human growth is underestimated. Being able to "hear" is essential to the development of verbal communication, to understanding speech and, consequently, to interacting with other people and feeling part of the community, to enjoying the experience of sound that makes the existence of each individual more pleasant, as well as safer.

Hearing loss, therefore, has very serious implications in terms of integration, equal opportunities and access to a quality lifestyle. This is true for all age groups: while hearing loss is a common consequence of aging in the elderly, it also has implications for the very young in terms of their relational skills and the overall development of their personalities. It is just this very tight link between hearing and the social dimension that unfortunately frequently stigmatizes the hard of hearing as they are perceived as unable to interact with the world. The fact, furthermore, that hearing loss is common among the elderly has caused hearing impairment to be associated with aging. This association, which is almost automatic, clashes with the culture of youth that is so common in industrialized countries and this results in an even greater stigma being attached to hearing problems.

This stigma is so strong that it is interiorized by those who suffer from the problem. They ultimately end up, therefore, feeling incapable and unfit, and avoid potentially embarrassing social situations, shutting the world out, which further exacerbates the feeling of isolation and, for the older ones, the cognitive aging.

The CRS

Amplifon's Center for Research and Studies (CRS) was founded by Algernon Charles Holland in 1971, as an independent non-profit organization, the purpose of which was to promote research, development and training in the fields of audiology and otology.
Over its more than 40 years of activity, the CRS has worked alongside Amplifon as it grew first in Italy and then abroad, contributing to the understanding of hearing by organizing various initiatives in collaboration with international and domestic institutions, organizations and companies.

The CRS avails itself of the scientific and technical advice of an independent Scientific Committee composed of high profile academics who, each year, identify the initiatives that should be undertaken.

CRS supports doctors in several areas. These include:

- cooperation with university departments of Audiology and Otorhinolaringology to organize ECM (Educazione Continua in Medicina - continuing education in medicine) accredited training and conferences which provide the participants with an up-to-date overview of the latest scientific developments in the sector;
- involvement in European research projects such as AHEAD (Advancement of Hearing Assessment methods and Devices), I and II HEAR (Hereditary Deafness Epidemiology And clinical Research) and GENDEAF (Genetic Deafness) as contract coordinator on behalf of the European Commission and in cooperation with the foremost university research centers in Europe;
- extensive publishing activities which include:
  - studies, manuals and scientific conference papers;
  - compiling "INDEX", a bibliographical review that collects the most important articles that appear in medical publications on audiology, otology, vestibulogy, hearing aids and implants, rhinology and phoniatry, published online (www.crsamplifon.com) quarterly;
  - the twice yearly publications Logopaedia (the Italian Logopaedia journal) and the official texts of AOOI (Associazione Otorinolaringologi Ospedalieri Italiani - the association of Italian clinical ENT specialists);
- operation of one of the largest private libraries in the fields of audiology and otorhinolaryngology which subscribes to the most influential international sector periodicals and, together with a group of professionals, prepares a critical review of select articles.

In addition to all these activities, as mentioned before, the CRS provides excellent support for the Amplifon Group's work on raising public awareness with regard to hearing loss.

Thanks to the CRS, for example, it was possible to move forward with the Group's most important initiative in the quest for increased public awareness: the **Consensus Paper.** Each year Amplifon selects a specific topic dedicated to a particular aspect of hearing problems which is further explored by the most important international experts on the subject. More in detail, these, Italian as well as foreign, experts, doctors and scholars help to compile a short paper, of scientific value, but written for the general public, in which the latest developments in research relating to the theme are discussed.
After the first edition in 2011, in which a team of Italian scholars discussed the impact of aging on hearing, in 2012 the horizons of the Consensus Paper were expanded to include European medical researchers which, thanks to the Amplifon's coordination, gave life to a paper entitled "Hypoacusis in children: hearing to grow up". Lastly, in 2013 the project assumed a truly worldwide dimension: translated in 4 languages and distributed throughout Europe and the United States, the Consensus Paper 2013, which focused on the correlation between hearing loss and cognitive aging, counted on the contribution of the American researcher Prof. Frank Lin M.D. Ph. D. of Johns Hopkins University - U.S.A..

CRS 2013 Courses

Paris - 16 February B. Frachet	Audiometry and first fitting *Audiométrie et primo appareillage*
Paris - 16 March A. Bozorg Grayeli	Urgencies in ENT *Les urgences en ORL*
Paris - 13 April A. Chays	Starting with the assessment of Vertigo *Débuter dans l'exploration des Vertiges*
Milan - 18, 19 April E. Genovese A. Schindler	From language disorders to learning deficits *Dai disturbi del linguaggio ai deficit di apprendimento*
Milan - 9, 10 May R. Albera	Sleep-related respiratory disorders in paediatrics *I disturbi respiratori del sonno in età pediatrica*
Barcelona - 9, 10 May	*Vestibular Disorders and Tinnitus Training Course 2013*
Sorrento - 13,14 June U. Barillari	Dysphonia *Disfonie*
Porto-Vecchio - 13, 16 June	ENT symposium – mult topics *Journée corse et Méditerranéennes*
Budapest - 20, 22 June	EFAS/CRS congres Budapest *CRS theme: Hearing & Cognition Symposium*
Paris - 14 September O. Gallet de Santerre	PolygraphTesting *La Polygraphie*
Trieste - 19, 20 September G. Tirelli	New frontiers in head & neck oncology, related to mini-invasive surgery and quality of life *Nuove frontiere in oncologia testa e collo in funzione della chirurgia mini invasiva e della qualità di vita*
Firenze - 25, 28 September Prof. P. Pagnini P. Vannucchi	Vestibology " L. Cipparrone" *Vestibologia " L. Cipparrone"*
Palermo - 10, 11 October Prof. R. Speciale	Roncopathy and Obstruction Sleep Apnea Syndrome (O.S.A.S.) *La roncopatia e le apnee ostruttive nel sonno (O.S.A.S.)*
Milan 7 - 8 November	The vocal fold: 1st Milano Masterclass *The vocal fold: 1st Milano Masterclass*
Milan - 14, 15 November Prof. A. Martini	Top-down & bottom up: hearing plasticity at all ages *Top-down & bottom up: la plasticità uditiva a tutte le età*
Paris, 16 - November Prof. A. Chays	Veritigo level 2 – diagnosis & treatment of acoustic neurinoma What to do when a patient experiences vertigo? *Les vertiges de niv. 2 – diagnostique et traitement du neurinôme de l'acoustique* *Que faire devant un patient vertigineux ?*
Paris - 23 November N. Loundon - D. Boucara	Peadiatric Audiometry *L'audiométrie infantile*
Milan - 21, 22 November Prof. S. Berrettini	Progressive Neuro-sensorial Hearing Impairment *Le ipoacusie neurosensoriali progressive (INP)*
Milan - 28, 29 November G. Guidetti	Vestibular rehabilitation *Rieducazione Vestibolare*
Milan - 5, 6 December A. Dragonetti	Maxillo-facial neoformations: a global approach *Le neoformazioni del massiccio facciale: un approccio globale*
Rome - 12, 13 December Prof. F. Ottaviani Prof. G. Paludetti	Therapies for the treatment of Neuro-sensorial Hearing Impairment *La Terapia delle Sordità Neurosensoriali*
Luxor - 27, 30 December Prof. Aziz Belal	Future of Otology *The Future is today*

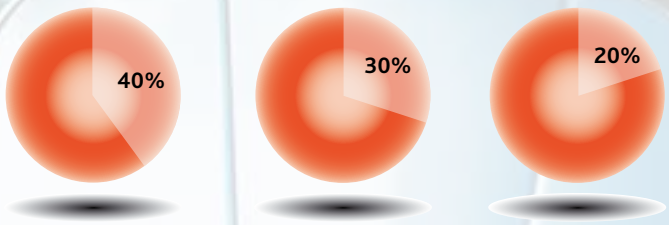
Acoustic Pollution

The volume of sounds is growing worldwide.

The gradual increase of noise pollution, caused by excessive exposure to loud sounds and noise, is a given in the contemporary world: progress, the needs linked to managing increasingly populated communities and the new consumer trends, in fact, place human beings at the center of a series of very different stressful sounds, both passive (just think of public transportation and the noise of generated by construction sites), and voluntary (from the use of personal communication devices to entertainment). According to the World Health Organization (WHO), in the European Union 9 out of 10 citizens are exposed to noise that exceeds 65 decibels, while background noise of only 40-50 decibels is tolerable without damage. The hearing organ and its main canals are, obviously, the first to be harmed by noise: ranging from a reversible fatigue to irreversible damage.
In an environment, therefore, in which damage to hearing appears closely linked to social change, it is clear that the various forms of hearing loss are destined to increase.

Noise is one of the most underestimated causes of hearing loss and affects, above all, the elderly, children, convalescents, as well as adult shift workers.

Exposure of EU citizens to noise that exceeds healthy levels



Exposure to traffic noise that exceeds 55dB

Exposure to noise that exceeds 55dB at night

Exposure to noise that exceeds 65dB during the day

Source: World Health Organization - 2013.

Our people

The Code of Ethics

As a result of the daily contact with multiple competitive, social and institutional environments, as well as with different legal and cultural systems, the need emerged to formalize and share, in a single document, the values and operating models to which the company aspires, both inside and outside the organization.

The Amplifon Group's Code of Ethics, published for the first time in 2003, can be downloaded from the website www.amplifon.com in the "Investors/Corporate Governance/Statutory and Codes" section.

The document is based on the premise that, given the nature of its business, Amplifon contributes significantly to the wellbeing of all the communities of which it is a member and this document is, therefore, the tool that the Company uses to ensure that each member of its global network shares the same standards of conduct and ethics.

More in detail the Code of Ethics:

- disciplines the business conduct policies to which all the recipients must adhere and regulates situations involving, for example, conflict of interest, confidentiality, responsibilities, as well as corruption and illegal payments;
- reiterates the commitment to providing all employees with equal opportunities, a safe and secure workplace, and formalizes the ban on discriminatory practices and harassment;
- codifies the compliance with standards for accurate, clear and exhaustive accounting entries, recorded in accordance with the highest standards for financial planning and control, as well as with the accounting standards adopted and applied;
- regulates the relationships that the Code recipients may maintain with suppliers, public officials, customers and the press.

All the Group's subsidiaries and affiliates are subject to the Code, as are the business partners in each country where the Company operates: applicable at all levels of corporate responsibility, the Code promotes consistency and transparency in dealings with customers, as well as with all the public and private counterparties in contact with the Amplifon world.

The Company works constantly to promote awareness of the Code with its recipients, to ensure that it is implemented and to not enter into nor pursue business relationships with any party who refuses to respect the Code's standards.

Human resources management

Over 10,000 people work for Amplifon around the world. They bring a wealth of skills and excellent international experience to the Company.

In order to reinforce and expand our role as global leader, we incentivize professional growth and achieving business excellence through continuous updates, on-the-job training, the comparison and sharing of experiences with colleagues holding different positions, in different functions and countries, and also by providing access to the expertise and best practices developed worldwide.

Amplifon's Human Resource systems support the conduct needed to achieve the strategic objectives and for this they reflect exactly the same standards.

Key to creating value for all stakeholders is the competitive advantage that can be built through human resource management which focuses on:
- sharing strategy and business objectives with the entire staff;
- creating a corporate culture based on performance and skills, developed thanks to continuous training and on-the-job learning;
- capitalizing on the Group's international dimension and best practices, by having colleagues from different departments and countries compare and exchange their experiences;
- drawing up and spreading advanced HR policies and systems;
- investing in the development of talents, while also maintaining a slim and efficient organization;
- maintaining the highest levels of integrity and ethics.

Those holding key positions are engaged in an extensive system of relationships based on teamwork, as well involved in dedicated training, development, communication and reward programs.

Every day numerous professionals work in the Amplifon Group alongside the Audiologists; their work is essential to running the business with the necessary efficiency and continuity. More in detail:
- the International Key Manager is responsible for communicating strategic objectives within the organization, the sharing of best practices, stimulating change and the attainment of targets and specific priorities as set by Senior Management;
- the Customer Relations Manager welcomes each customer, makes a first assessment of his or her needs, provides information, sells materials and accessories and manages the use and maintenance of the product;
- the Sales Manager manages the sales area and the implementation of sales strategies, by planning, coordinating and developing the activities of the sales network in existing and new stores, as well as coaching staff.

Training and development programs

Amplifon's growth is based on training and continuous skills enhancement.

To this end the Company dedicates resources, organization and specialized contributions, both internal and external, and designs customized programs for the various target groups.

FIELD DEVELOPMENT

Special attention is paid to staff working in the stores and in contact with our customers. Considerable and continuous investment is made in offering traditional classroom courses, e-learning, workshops, etc., to the over 5,000 people that are trained every year.
We have also developed dynamic mechanisms and internal processes that allow for the most valid experiences encountered throughout Amplifon's global network to be shared in order to align all daily operations with the highest standards of excellence. One example is the store-school, a virtual path where the best stores become guides and training centers for the staff of other stores.

MANAGEMENT TRAINING

To develop the managerial skills of key staff, Amplifon has designed international programs for the whole Group; this training is carried out with the cooperation of the best business schools which include Ashridge Business School and IESE.

COMPASS is a growth pathway for the development of Talents' self-awareness and skills.
Its format varies based on the different target groups:
- young people with potential just starting their careers;
- managers with potential for further growth.

MANAGEMENT FOR EXECUTION is an initiative that puts ad hoc training programs together for clusters of International Key Managers in order to guarantee that the management skills and techniques are always in line with new business needs and challenges.

TALENT MANAGEMENT PROGRAM

The Company is committed to identifying - by means of formalized and structured periodic processes – Group staff members who possess the ability and potential to grow into key positions in their country or internationally. This process involves all staff.

The people selected take part in a program consisting of:
- greater visibility, including international visibility, and an accelerated career path;
- international courses at the best business schools to develop skills;
- a mentoring program in which the mentors are Senior Managers of the Group;
- specific incentive and retention plans.

Remuneration Policy

Amplifon's remuneration policy is based on four cardinal principles:

1. **Performance based:** remuneration is largely linked to the performance of the individual, the team and the Group; specific performance assessment processes and tools identify the Top Performers and reward them by means of highly motivational mechanisms; the variable component has considerable importance in the pay-mix and has a different weight based on the roles and responsibilities; exceeding targets is specially rewarded.
2. **Competitive & attractive:** comparison with the appropriate market is on-going in order to ensure that our people are rewarded in line with the most advanced standards. The flexibility and mix of compensation packages attract the best talents and increase their loyalty.
3. **Fair and equitable:** Amplifon's bonus schemes are based on proven international methods of mapping and assessing roles, thus guaranteeing the maximum equity within the firm and compliance with transparency principles throughout the salary review process.
4. **Lean and cost effective:** the Group's remuneration policy is based on the return on investment principle and is linked to rigorous control of staff costs.

International mobility

The Group has an internal exchange program, mainly for Executives and Managers, which makes it possible to optimize the allocation of resources, provide opportunities for personal growth and development, facilitate comparison with other cultures and make the most of people's skills.

Audiologists, however, encounter greater obstacles in pursuing international careers due primarily to:
- the non-recognition of their qualifications outside their own country;
- language differences in a profession for which language is a fundamental work tool.

However they have the option of changing their role within the sales area, for example, by becoming an Area Manager, or assuming another position at the Head Office.

	December 2013																December 2012
	Italy	France	The Netherlands	Germany	UK and Ireland	Iberian Peninsula	Switzerland	Belgium & Luxembourg	Hungary	Turkey	North America	Australia	New Zealand	India	Egypt	Total	Total
Audiologists	88	235	406	413	147	172	71	49	47	15	22	181	85	95	14	2,040	2,072
Other front office staff	142	365	158	106	284	75	119	17	39	14	50	268	129	55	116	1,937	1,946
Total stores	**230**	**600**	**564**	**519**	**431**	**247**	**190**	**66**	**86**	**29**	**72**	**449**	**214**	**150**	**130**	**3,977**	**4,018**
Support functions	199	79	102	57	90	57	29	23	14	3	158	263	31	93	18	1,216	1,235
Total employees	**429**	**679**	**666**	**576**	**521**	**304**	**219**	**89**	**100**	**32**	**230**	**712**	**245**	**243**	**148**	**5,193**	**5,253**
Sales force not on payroll	1,173	0	0	1	0	27	0	66	33	0	3,900*	0	1	0	0	5,201**	5,137**
Grand total	**1,602**	**679**	**666**	**577**	**521**	**331**	**219**	**155**	**133**	**32**	**4,130**	**712**	**246**	**243**	**148**	**10,394**	**10,390**

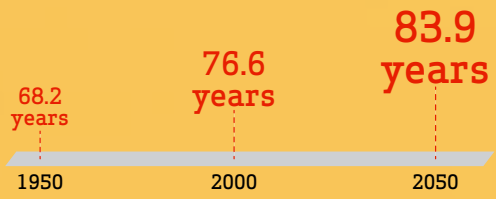
(*) Estimated number.
(**) Of which approximately 2,900 audiologists.

Wellbeing

Hearing well also means feeling better.

The culture of wellbeing is increasingly becoming a lifestyle choice in the industrialized countries: more and more people, of all ages, from the young to the oldest, pay increasing attention to "feeling good", to being active and "in shape". This search for psychophyscial wellbeing is even more important for those suffering from hearing problems that have yet to be addressed impacting not only functional autonomy, but also the individual's social sphere.
Amplifon is able to respond effectively to these contemporary needs with concrete solutions, thanks also to professional, highly personalized service: technologically advanced hearing solutions capable of contributing to the quest for wellbeing, helping people rediscover the joy that comes from the sounds of life.

Life expectancy/USA



Source: Harvard Business Publishing – Global Editions
CDC - Centers for Desease Control and Prevention

Healthcare industry/INDIA

Source: Harvard Business Publishing – Global Editions
PriceWaterhouseCoopers India HC Report

The increasing life expectancy in the most developed countries, the constant rise in healthcare spending in the emerging countries and the importance of the healthcare business globally confirm the greater propensity people have to paying more attention to psychophysical wellbeing.

Year 2010

Global GDP
61.96 trillion US$

Global healthcare expenses
6.46 trillion US$

10.4%

Source: Emergo Group – Global Medical Device Consulting 2012.

Investor relations

Listing on the Italian Stock Exchange

The shares of the holding Amplifon S.p.A. have been listed on the *Mercato Telematico Azionario* (MTA - screen-based stock market) since 27 June 2001 and have been part of the **STAR segment** since 10 September 2008, in relation to which Banca Akros assumed the role of specialist.

STAR *(Segmento Titoli con Alti Requisiti)* is the segment of Borsa Italiana dedicated to small and mid-sized companies that undertake to comply with more stringent requirements in terms of transparency, liquidity and corporate governance.

Amplifon is also part of the FTSE Italia Mid Cap Index.

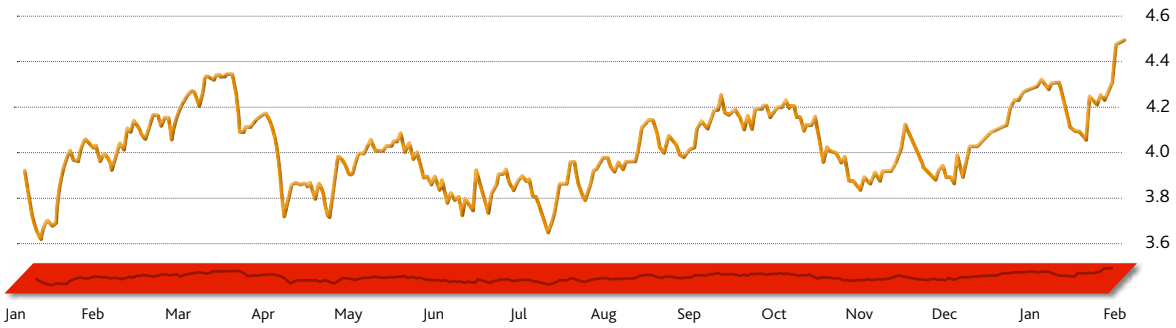
Main Shareholders

The main shareholders of Amplifon S.p.A. at 31 December 2013 were:

Shareholder	% held
Ampliter N.V.	54.47 %
Other named shareholders with significant holdings	11.00 %
Treasury shares	3.09 %
Market	31.44 %
Total	**100.00 %**

Share performance, volumes traded and market capitalization

The chart shows the performance of Amplifon's stock and the volumes traded from 2 January 2013 to 14 February 2014. At 31 December 2013 market capitalization reached €877.1 million.



Trading of Amplifon's stock on the Mercato Telematico Azionario showed the following:
- average daily amount: €52,180;
- average daily volume traded: 205,148 shares;
- total volume traded: 217,200,782 shares or 23.80% of the Company's total share capital, net of treasury shares.

Internal dealing

With regard to the trading of financial instruments issued by the Company, in May 2006 Amplifon issued a specific Internal Dealing Code drawn up pursuant to § 152-octies Consob's Issuers' Regulation No. 11971.

Additionally, principles more generally concerning proper conduct and confidentiality while working within the Group are contained in the Code of Ethics.

Both documents are available on www.amplifon.com in the Investors /Corporate Governance/ Statutory and Codes section.

Relations with the financial markets

The Group takes care to inform its investors promptly and continuously. The main objective of Investor Relations in Amplifon is to ensure maximum transparency, clarity and timeliness when informing the financial community and to maintain an uninterrupted flow of information between the Company and the market.

To this end press releases are issued regularly, meetings are organized periodically with institutional investors and the international financial community and constantly updated documentation is made available on the Company's website.

The Head of Investor Relations is charged with managing the flow of information to shareholders, financial analysts and institutional investors while ensuring that the rules regarding the disclosure of Company information and documentation are fully complied with.

In Amplifon the activities pertaining to Investor Relations are carried out as part of a proactive process both inside and outside the Company.

Senior management is constantly updated on the market's perception of the Company in order to facilitate strategic decision making.

Every year a presentation is made to the financial community at Company HQ during which management analyzes the year-end results and announces the guidelines for future operations. Conference calls with the financial community are held at the end of each Board meeting approving quarterly results.

Management plays an active role in roadshows and broker conferences with shareholders and investors organized in the most important international marketplaces.

The following were the main events in which the Company's management took part in 2013:

Date	Location/Event	Participants
16-17/01/2013	Roadshow - Switzerland	CFO
6/03/2013	Board of Directors' approval of Draft Financial Statements at Dec. 31st, 2012	BoD
	Investor Day: FY 2012 results	CEO, CFO, IRM
	Roadshow FY 2012 results	
12-14/03/2013	Roadshow - UK	CFO, IRM
21/03/2013	KeplerCheuvreux CEO Mid Cap Week - Paris	CEO, IRM
26-27/03/2013	STAR Conference - Milan	CEO, CFO, IRM
8-9/04/2013	Roadshow - USA	CFO
17/04/2013	Annual General Meeting	BoD
24/04/2013	Board of Directors approval of Interim Financial Report at March 31st, 2013	BoD
	Conference Call - Q1 2013 Results	CEO, CFO, IRM
	Roadshow Q1 2013 results	
9/05/2013	Roadshow - London	CFO, IRM
16/05/2013	Roadshow - Frankfurt	CFO, IRM
28/05/2013	Citi's Swiss Healthcare Investor Day - Zurich	IRM
30/05/2013	Nordea Markets HA Seminar 2013 - Copenhagen	CI&DO, IRM
3/06/2013	Roadshow - Milan	IRM
24/06/2013	Roadshow - Paris	CFO, IRM
24/07/2013	Board of Directors approval of Interim Management Report at June 30th, 2013	BoD
	Conference Call - H1 2013 Results	CEO, CFO, IRM
	Roadshow H1 2013 results	
31/07-01/08/2013	Roadshow - USA & Canada	CFO
19-21/08/2013	Roadshow - USA	CFO
27/08/2013	Commerzbank Chemicals & Life Sciences Conference - Frankfurt	CFO, IRM
4-5/09/2013	Goldman Sachs Medtech&Healthcare Conference - London	CEO, CFO, IRM
11/09/2013	Bank of America Global Healthcare Conference - London	CEO, CFO, IRM
18/09/2013	Kepler-Cheuvreux Autumn Conference - Paris	CFO, IRM
19/09/2013	ISMO Event - Milan	CEO, IRM
24/10/2013	Board of Directors approval of Interim Financial Report at September 30th, 2013	BoD
	Conference Call - Q3 2013 Results	CEO, CFO, IRM
	Roadshow Q3 2013 results	
29/10/2013	Reverse Roadshow Danske Bank Markets Equities - Milan	CFO/ IRM
30/10/2013	Reverse Roadshow SEB ENSKILDA - Milan	CFO/ IRM
5/11/2013	Roadshow - Milan	CEO/IRM
21/11/2013	Jefferies Global Healthcare Conference - London	CFO/IRM
3/12/2013	Roadshow - Paris	CFO
9-11/12/2013	Roadshow - USA & Canada	IRM
13/12/2013	Roadshow - London	IRM

BoD: Board of Directors - CEO: Chief Executive Officer - CFO: Chief Financial Officer - CI&DO: Chief Innovation and Development Officer - IRM: Investor Relations Manager.

Communication with investors and financial analysts is ongoing throughout the year:
in 2013 management held over 320 one-to-one meetings, conference calls and Group presentations.

In addition, the Company has dedicated a large section of its website www.amplifon.com to providing shareholders with information.

The Group Investor Relations Manager is Emilia Trudu.

Broker coverage

The stock is covered by the following brokers who, in 2013, actively followed the development of the Company in specific research and analyses:

- Banca Akros
- Banca Aletti
- Bank of America Merril Lynch
- Citigroup
- Commerzbank
- Equita Sim
- Exane BNP Paribas
- Fidentiis Equities
- Goldman Sachs
- Intermonte
- Jefferies International
- Kepler Cheuvreux
- Mediobanca
- Sanford Bernstein

During the year more than 100 reports were published about the Group.

Financial calendar 2014

Date	Event
05 March 2014	Board of Directors' meeting to approve the draft Financial Statements at 31 December 2013
16 April 2014	Annual General Meeting to approve Financial Statements at 31 December 2013
28 April 2014	Board of Directors' Meeting to approve the Interim Financial Report at 31 March 2014
23 July 2014	Board of Directors' Meeting to approve the Interim Management Report at 30 June 2014
23 October 2014	Board of Directors' Meeting to approve the Interim Financial Report at 30 September 2014

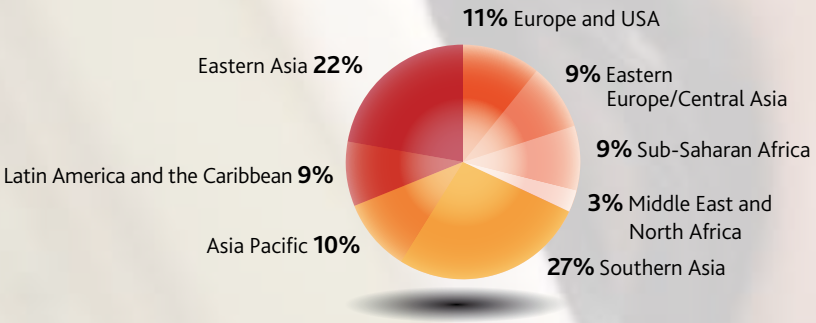
New Markets

Ready to satisfy the hearing needs of new markets.

The global context in which Amplifon operates continues to provide enormous growth prospects in both mature markets and those in which the Group is not yet present. In line with the internationalization strategy which made it possible for us to become the undisputed leader worldwide, present in 20 countries in every continent, Amplifon will continue to reinforce its global leadership through solid organic growth and potential acquisitions in order to achieve optimal market shares in all the countries where the Group is already present and to enter new markets with interesting opportunities for development.The further expansion of the perimeter of operations will take place, above all, through the acquisition of existing sector companies, particularly in countries that are developing at a quick rate and where factors like the aging of the population, the spreading of the wellness culture and the changing social customs will provide fertile territory for the hearing solutions business.

The chart shows that proportionately Amplifon is not yet present in many of the markets where there is great need for hearing care.

Distribution of disabling hearing loss in the world (%)



Source: World Health Organisation - Disabling hearing loss estimates 2012.

Report on Operations at December 2013

Comments on the Financial Results

In 2013 the weakness of global market conditions gradually lessened and in the latter part of the year the first signs of an economic recovery, already visible in the United States for several quarters, became apparent in Europe as well. During the year northern central European countries gradually exited the recession, while for the south forecasts point to the early months of 2014. The end of the recession, however, has not yet resulted in a recovery in employment and, consequently, it is not expected that the recovery in Europe will result in growth rates comparable to those in North America where in the United States the recovery has been solid, even though the dollar continues to be weak. In Asia, Oceania and the other emerging countries growth rates, while positive, continue to be lower than the average rates recorded over the last few years. This, along with the outflow of foreign investment, has resulted in the weakening of local currencies, of the Australian dollar in particular.

In this unfavourable environment, the Ampifon Group's results were substantially influenced by the problems encountered in the Netherlands linked to changes in the insurance refund system and a particularly adverse exchange effect, in addition to non-recurring restructuring charges which will begin to have a positive impact already in 2014.

More in detail, the year closed with a net profit of €12,848 thousand, a noticeable decline (-70.2%) with respect to the prior year (€43,182 thousand). Net profit for recurring operations alone came to €23,409 thousand and the decrease with respect to the comparison period fell to 45.8%.

Revenue performance

Revenues from sales and services amounted to €828,632 thousand in the year (versus €846,611 thousand in 2012), a decrease with respect to the prior year of €17,979 thousand (-2.1%) explained by exchange fluctuations which generated losses of €18,869 thousand (-2.2%), while at constant exchange rates sales were largely unchanged (+0.1% with respect to the figure recorded at 31 December 2012) thanks also to the geographic diversification of the business. More in detail:

- in Europe the Amplifon Group reported a drop in revenue of -3.6% at constant exchange rates due primarily to the regulatory changes that took place in the Netherlands, while significant growth was reported in Switzerland, Belgium, Hungary and Turkey;
- in the United States the excellent results posted by the wholesale channel, specifically Elite, and the franchisee channel, specifically Miracle Ear, resulted in a significant increase in local currency of 9.9%;
- in the Asia Pacific region, the year closed with revenue up by 6.3% in local currency as a result of the good growth recorded in Australia and the slight drop reported in New Zealand. In Euro the figure shows a decrease of 2.1% due to the weakening of the Australian dollar with respect to the Euro.

Profit performance

Gross operating profit (EBITDA) amounted to €117,414 thousand, a decrease of €27,758 thousand with respect to the prior year (-19.1%), explained primarily by the problems encountered in the Dutch market (the contribution of which fell by €13,261 thousand with respect to the comparison period), the adverse exchange effect of €3,814 thousand and non-recurring restructuring costs of €5,820 thousand. Net of these items EBITDA amounted to €140,309 thousand, a drop of 3.3% against 2012. More in detail:

- in Europe profitability fell by €26,003 thousand (-31.0%). Net of the decreased Dutch contribution and non-recurring charges, the decline amounts to 10.5% and is explained by general market weakness;
- in the United States the increase in revenue resulted in a further increase in profitability with EBITDA up 13.1% net of the adverse exchange effect and the non-recurring charges relating to the restructuring of the Sonus franchising channel;
- in Australia and New Zealand the difficulties in encountered in New Zealand were more than offset by the excellent results achieved in Australia in the second part of the year and net of the adverse exchange effect and the non-recurring charges relating to restructuring in New Zealand EBITDA rose by 1.5%.

Changes in net debt

Net financial indebtedness amounted to €275,343 thousand at 31 December 2013, a decrease of €30,492 thousand with respect to 31 December 2012. This figure confirms the Group's ability to generate solid cash flow even in the presence of a noticeable drop in operating profit with respect to the prior year which, moreover, financed capital expenditure of €33,398 thousand and acquisitions amounting to €4,817 thousand. Despite temporary difficulties, the Group, in fact, plans to continue with its investment plan in order to resume its growth path as soon as possible. Interest was also paid, along with fees linked to the debt capital market issues and the termination of derivatives hedging the syndicated loan that was repaid in advance, and other net financial charges totalling €30,345 thousand, as were taxes of €37,825 thousand and dividends to shareholders amounting to €9,330 thousand.

At 31 December 2013 cash and cash equivalents totalled €170,345 thousand, versus total debt of €275,327 thousand and long term debt of €435,426 thousand.

While liquid assets were sufficient to cover all maturing obligations, during the period under examination the Amplifon Group completed two important transactions on the debt capital markets which made it possible to completely refinance the short term debt falling due, as well as the portions maturing in 2014 and 2015, in order to use available resources to support business and take advantage of any growth opportunities that might materialize. More in detail:

- Amplifon USA completed a private placement on the American market of USD 130 million;
- on 16 July 2013 Amplifon S.p.A. issued a €275 million 5-year bond on the European market, listed on the Luxembourg Stock Exchange's Euro MTF market.

During the year the Group, in order to ensure the flexibility needed to finance its growth, also negotiated irrevocable long term credit facilities totalling €100 million.

Through these transactions, the debt is now primarily long term with the first maturity of €55 million in August 2016.

Consolidated Income Statement

(€ thousands)	FY 2013				FY 2012			
	Recurring	Non recurring	Total	% on recurring	Recurring	Non recurring	Total	% on recurring
Revenues from sales and services	828,632	-	828,632	100.0%	846,611	-	846,611	100.0%
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(194,898)	-	(194,898)	-23.5%	(189,731)	-	(189,731)	-22.4%
Personnel expenses	(257,433)	(3,863)	(261,296)	-31.1%	(257,783)	-	(257,783)	-30.4%
External services	(256,157)	(591)	(256,748)	-30.9%	(255,336)	-	(255,336)	-30.2%
Other costs and revenues	3,090	(1,366)	1,724	0.4%	1,411	-	1,411	0.2%
Gross operating profit (EBITDA)	**123,234**	**(5,820)**	**117,414**	**14.9%**	**145,172**	**-**	**145,172**	**17.1%**
Depreciation and write-downs of non-current assets	(32,159)	(1,196)	(33,355)	-3.9%	(31,059)	-	(31,059)	-3.7%
Operating result before the amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**91,075**	**(7,016)**	**84,059**	**11.0%**	**114,113**	**-**	**114,113**	**13.5%**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(15,471)	(70)	(15,541)	-1.9%	(16,227)	-	(16,227)	-1.9%
Operating profit (EBIT)	**75,604**	**(7,086)**	**68,518**	**9.1%**	**97,886**	**-**	**97,886**	**11.6%**
Income, expenses, valuation and adjustments of financial assets	(1)	-	(1)	0.0%	581	-	581	0.1%
Net financial expenses	(22,782)	(7,697)	(30,479)	-2.7%	(25,896)	-	(25,896)	-3.1%
Exchange differences and non hedge accounting instruments	(1,164)	-	(1,164)	-0.1%	(366)	-	(366)	0.0%
Profit (loss) before tax	**51,657**	**(14,783)**	**36,874**	**6,2%**	**72,205**	**-**	**72,205**	**8.5%**
Current tax	(29,384)	3,316	(26,068)	-3.5%	(30,199)	-	(30,199)	-3.6%
Deferred tax	1,208	906	2,114	0.1%	1,136	-	1,136	0.1%
Net profit (loss)	**23,481**	**(10,561)**	**12,920**	**2.8%**	**43,142**	**-**	**43,142**	**5.1%**
Profit (loss) of minority interests	72	-	72	0.0%	(40)	-	(40)	0.0%
Net profit (loss) attributable to the Group	**23,409**	**(10,561)**	**12,848**	**2.8%**	**43,182**	**-**	**43,182**	**5.1%**

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.

(€ thousands)	Q4 2013				Q4 2012			
	Recurring	Non recurring	Total	% on recurring	Recurring	Non recurring	Total	% on recurring
Revenues from sales and services	241,386	-	241,386	100.0%	250,250	-	250,250	100.0%
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(55,937)	-	(55,937)	-23.2%	(54,314)	-	(54,314)	-21.7%
Personnel expenses	(66,967)	(1,796)	(68,763)	-27.7%	(68,015)	-	(68,015)	-27.2%
External services	(69,931)	(113)	(70,044)	-29.0%	(71,821)	-	(71,821)	-28.7%
Other costs and revenues	2,091	(1,846)	245	0.9%	781	-	781	0.3%
Gross operating profit (EBITDA)	**50,642**	**(3,755)**	**46,887**	**21.0%**	**56,881**	**-**	**56,881**	**22.7%**
Depreciation and write-downs of non-current assets	(9,187)	(448)	(9,635)	-3.8%	(8,653)	-	(8,653)	-3.5%
Operating result before the amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**41,455**	**(4,203)**	**37,252**	**17.2%**	**48,228**	**-**	**48,228**	**19.3%**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(3,723)	(70)	(3,793)	-1.5%	(4,086)	-	(4,086)	-1.6%
Operating profit (EBIT)	**37,732**	**(4,273)**	**33,459**	**15.7%**	**44,142**	**-**	**44,142**	**17.6%**
Income, expenses, valuation and adjustments of financial assets	(19)	-	(19)	0.0%	54	-	54	0.0%
Net financial expenses	(5,723)	(914)	(6,637)	-2.4%	(6,985)	-	(6,985)	-2.8%
Exchange differences and non hedge accounting instruments	(293)	-	(293)	-0.1%	(184)	-	(184)	-0.1%
Profit (loss) before tax	**31,697**	**(5,187)**	**26,510**	**13.2%**	**37,027**	**-**	**37,027**	**14.8%**
Current tax	(15,550)	1,370	(14,180)	-6.4%	(12,075)	-	(12,075)	-4.8%
Deferred tax	1,424	407	1,831	0.6%	1,502	-	1,502	0.6%
Net profit (loss)	**17,571**	**(3,410)**	**14,161**	**7.3%**	**26,454**	**-**	**26,454**	**10.6%**
Profit (loss) of minority interests	56	-	56	0.0%	(7)	-	(7)	0.0%
Net profit (loss) attributable to the Group	**17,515**	**(3,410)**	**14,105**	**7.3%**	**26,461**	**-**	**26,461**	**10.6%**

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)	31/12/2013	31/12/2012	Change
Goodwill	500,680	551,853	(51,173)
Non-competition agreements, trademarks, customer lists and lease rights	92,875	119,096	(26,221)
Software, licences, other intangible fixed assets , fixed assets in progress and advances	27,425	25,525	1,900
Tangible assets	88,119	94,070	(5,951)
Financial fixed assets (1)	40,295	36,509	3,786
Other non-current financial assets (1)	2,744	2,828	(84)
Non-current assets	**752,138**	**829,881**	**(77,743)**
Inventories	30,147	34,196	(4,049)
Trade receivables	104,018	111,115	(7,097)
Other receivables	28,940	27,319	1,621
Current assets (A)	**163,105**	**172,630**	**(9,525)**
Operating assets	**915,243**	**1,002,511**	**(87,268)**
Trade payables	(96,297)	(98,016)	1,719
Other payables (2)	(115,690)	(*) (113,515)	(2,175)
Provisions for risks and charges (current portion)	(411)	(689)	278
Current liabilities (B)	**(212,398)**	**(212,220)**	**(178)**
Net working capital (A) - (B)	**(49,293)**	**(39,590)**	**(9,703)**
Derivative instruments (3)	(3,376)	(5,695)	2,319
Deferred tax assets	46,088	48,039	(1,951)
Deferred tax liabilities	(46,671)	(53,081)	6,410
Provisions for risks and charges (non-current portion)	(33,101)	(32,525)	(576)
Liabilities for employees' benefits (non-current portion)	(11,651)	(*) (15,203)	3,552
Loan fees (4)	4,089	4,442	(353)
Other non-current payables	(245)	(275)	30
NET INVESTED CAPITAL	**657,978**	**735,993**	**(78,015)**
Group net equity	382,175	429,562	(47,387)
Minority interests	460	596	(136)
Total net equity	**382,635**	**430,158**	**(47,523)**
Net medium and long-term financial indebtedness (4)	435,426	293,645	141,781
Net short-term financial indebtedness (4)	(160,083)	12,190	(172,273)
Total net financial indebtedness	**275,343**	**305,835**	**(30,492)**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS	**657,978**	**735,993**	**(78,015)**

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 in 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.

The prior year's comparatives were reclassified in order to better present the items relating to "Net working capital".

(€ thousands)	31/12/2012 pre-reclassification	31/12/2012 post-reclassification
Other payables	(113,458)	(113,515)
Liabilities for employees' benefits (non-current portion)	(15,260)	(15,203)
Total	**(128,718)**	**(128,718)**

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)	FY 2013	FY 2012
Operating profit (EBIT)	**68,518**	**97,886**
Amortization, depreciation and write down	48,896	47,286
Provisions, other non-monetary items and gain/losses from disposals	16,348	15,339
Net financial expenses	(21,874)	(22,072)
Taxes paid	(37,825)	(28,580)
Changes in net working capital	6,567	(9,542)
Cash flow generated from (absorbed by) operating activities (A)	**80,630**	**100,317**
Cash flow generated from (absorbed by) operating investing activities (B)	(29,712)	(33,567)
Free cash flow (A+B)	**50,918**	**66,750**
Cash flow generated from (absorbed by) business combinations (C)	(4,817)	(12,576)
(Purchase) sale of other investments, businesses and securities (D)	768	4,176
Cash flow generated from (absorbed by) investing activities (B+C+D)	**(33,761)**	**(41,967)**
Cash flow generated from (absorbed by) operating and investing activities	**46,869**	**58,350**
Dividends	(9,330)	(7,992)
Commissions and fees on long-term financing	(4,604)	-
Capital increases, third parties contributions, dividends paid to third parties by subsidiaries	1,671	2,388
Hedging instruments and other changes in non-current assets	(8,036)	(5,428)
Net cash flow from the period	**26,570**	**47,318**
Net financial indebtedness at the beginning of the period	**(305,835)**	**(351,836)**
Effect of the disposal of assets and of exchange rate fluctuations on the net financial position	3,922	(1,317)
Change in net financial position	26,570	47,318
Net financial indebtedness at the end of the period	**(275,343)**	**(305,835)**

Cash flow for the period reflects non-recurring charges of €5,449 thousand, €1,758 thousand of which affected free cash flow and €3,691 thousand of which net financial expense.

Indicators

	31/12/2013	31/12/2012
Net financial indebtedness (€ thousands)	275,343	305,835
Net Equity (€ thousands)	382,635	430,158
Group Net Equity (€ thousands)	382,175	429,562
Net financial indebtedness/Net Equity	0.72	0.71
Net financial indebtedness/Group Net Equity	0.72	0.71
Net financial indebtedness/EBITDA	2.22	2.11
EBITDA/Net financial charges	4.41	5.69
Earnings per share (EPS) (€)	0.059210	0.20005
Diluted EPS (€)	0.057610	0.199264
Earnings per share – Recurring operations (EPS) (€)	0.107880	n.a.
Diluted EPS – Recurring operations (€)	0.104965	n.a.
Net Equity per share (€)	1.760	1.984
Dividend per share (DPS) (€)	0.043	0.043
Pay-out ratio (%) (*)	72.62%	21.49%
Dividend yield (%) (*)	1.06%	1.15%
Period-end price	4.038	3.754
Highest price in period (€)	4.340	4.190
Lowest price in period (€)	3.560	2.818
Price/earnings ratio (P/E)	68.20	18.77
Price/earnings ratio (P/E) – Recurring operations	37.43	18.77
Share price/net equity per share	2.295	1.892
Market capitalisation (€ millions)	877.06	812.75
Number of shares outstanding	217,200,782	216,502,039

(*) Values determined based on the dividend resolved by the Shareholders' Meeting dated April, 16th, 2014.

- 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 and 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 and 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
- **Dividend per share (DPS) (€)** is the dividend paid in the following year resolved by the shareholders' meeting approving the accounts for the year indicated. This indicator is not given in interim reports since it is only meaningful with reference to the full year result
- **Pay out ratio (%)** is the ratio of the dividend paid to EPS
- **Dividend yield (%)** is the ratio of the dividend per share paid in the following year to the share price on 31 December of the year indicated
- **Period-end price (€)** is the closing price on the last stock exchange trading day of the period
- **Highest price (€) and lowest price (€)** are the highest and lowest prices from 1 January to the end of the period
- **Price/Earnings ratio (P/E)** is the ratio of the share price on the last stock exchange trading day of the period to earnings per share
- **Price/Earnings ratio (P/E)** – **recurring operations** is the ratio of the share price on the last stock exchange trading day of the period to earnings per share
- **Share price/Net equity per share** is the ratio of the share closing price on the last stock exchange trading day of the period to net equity per share
- **Market capitalisation** is the closing 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

Income Statement review

Consolidated Income Statement by Geographical Area

(€ thousands)	FY 2013					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Revenues from sales and services	559,551	138,663	127,984	2,434	-	828,632
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(98,671)	(76,972)	(18,409)	(846)	-	(194,898)
Personnel expenses	(192,886)	(17,846)	(49,999)	(524)	(41)	(261,296)
External services	(211,199)	(18,984)	(25,989)	(617)	41	(256,748)
Other costs and revenues	1,083	742	(101)	-	-	1,724
Gross operating profit (EBITDA)	**57,878**	**25,603**	**33,486**	**447**	**-**	**117,414**
Depreciation and write-downs of non-current assets	(24,017)	(3,266)	(6,014)	(58)	-	(33,355)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**33,861**	**22,337**	**27,472**	**389**	**-**	**84,059**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(8,063)	(1,192)	(6,286)	-	-	(15,541)
Operating profit (EBIT)	**25,798**	**21,145**	**21,186**	**389**	**-**	**68,518**
Income, expenses, valuation and adjustments of financial assets						(1)
Net financial expenses						(30,479)
Exchange differences and non hedge accounting instruments						(1,164)
Profit (loss) before tax						**36,874**
Current and deferred tax						(23,954)
Net profit (loss)						**12,920**
Profit (loss) of minority interests						72
Net profit (loss) attributable to the Group						**12,848**

(€ thousands)	FY 2013 – Recurring only					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Revenues from sales and services	559,551	138,663	127,984	2,434	-	828,632
Gross operating profit (EBITDA)	61,933	27,060	33,794	447	-	123,234
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	38,374	24,247	28,065	389	-	91,075
Operating profit (EBIT)	30,311	23,125	21,779	389	-	75,604
Profit (loss) before tax						51,657
Net profit (loss) attributable to the Group						23,409

(€ thousands)	FY 2012					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Revenues from sales and services	582,937	130,404	130,787	2,483	-	846,611
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(98,738)	(71,074)	(18,966)	(954)	1	(189,731)
Personnel expenses	(189,058)	(17,415)	(50,734)	(514)	(62)	(257,783)
External services	(211,592)	(18,368)	(24,781)	(656)	61	(255,336)
Other costs and revenues	332	1,146	(67)	-	-	1,411
Gross operating profit (EBITDA)	**83,881**	**24,693**	**36,239**	**359**	**-**	**145,172**
Depreciation and write-downs of non-current assets	(22,410)	(4,176)	(4,418)	(55)	-	(31,059)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**61,471**	**20,517**	**31,821**	**304**	**-**	**114,113**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(7,960)	(1,426)	(6,841)	-	-	(16,227)
Operating profit (EBIT)	**53,511**	**19,091**	**24,980**	**304**	**-**	**97,886**
Income, expenses, valuation and adjustments of financial assets						581
Net financial expenses						(25,896)
Exchange differences and non hedge accounting instruments						(366)
Profit (loss) before tax						**72,205**
Current and deferred tax						(29,063)
Net profit (loss)						**43,142**
Profit (loss) of minority interests						(40)
Net profit (loss) attributable to the Group						**43,182**

(€ thousands)	FY 2012 – Recurring only					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Revenues from sales and services	582,937	130,404	130,787	2,483	-	846,611
Gross operating profit (EBITDA)	83,881	24,693	36,239	359	-	145,172
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	61,471	20,517	31,821	304	-	114,113
Operating profit (EBIT)	53,511	19,091	24,980	304	-	97,886
Profit (loss) before tax						72,205
Net profit (loss) attributable to the Group						43,182

follows

Consolidated Income Statement by Geographical Area

(€ thousands)	Q4 2013					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Revenues from sales and services	175,167	33,292	32,306	621	-	241,386
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(32,078)	(19,005)	(4,637)	(217)	-	(55,937)
Personnel expenses	(52,177)	(4,724)	(11,730)	(129)	(3)	(68,763)
External services	(58,838)	(5,075)	(5,952)	(182)	3	(70,044)
Other costs and revenues	(40)	293	(8)	-	-	245
Gross operating profit (EBITDA)	**32,034**	**4,781**	**9,979**	**93**	**-**	**46,887**
Depreciation and write-downs of non-current assets	(6,621)	(1,213)	(1,787)	(14)	-	(9,635)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**25,413**	**3,568**	**8,192**	**79**	**-**	**37,252**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(2,037)	(268)	(1,488)	-	-	(3,793)
Operating profit (EBIT)	**23,376**	**3,300**	**6,704**	**79**	**-**	**33,459**
Income, expenses, valuation and adjustments of financial assets						(19)
Net financial expenses						(6,637)
Exchange differences and non hedge accounting instruments						(293)
Profit (loss) before tax						**26,510**
Current and deferred tax						(12,349)
Net profit (loss)						**14,161**
Profit (loss) of minority interests						56
Net profit (loss) attributable to the Group						**14,105**

(€ thousands)	Q4 2013 – Recurring only					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Revenues from sales and services	175,167	33,292	32,306	621	-	241,386
Gross operating profit (EBITDA)	34,372	6,238	9,939	93	-	50,642
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	27,761	5,478	8,137	79	-	41,455
Operating profit (EBIT)	25,725	5,279	6,649	79	-	37,732
Profit (loss) before tax						31,697
Net profit (loss) attributable to the Group						17,515

(€ thousands)	Q4 2012					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Revenues from sales and services	184,572	32,853	32,182	643	-	250,250
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(32,573)	(16,389)	(5,111)	(242)	1	(54,314)
Personnel expenses	(50,765)	(4,510)	(12,587)	(135)	(18)	(68,015)
External services	(59,492)	(5,301)	(6,873)	(172)	17	(71,821)
Other costs and revenues	355	531	(105)	-	-	781
Gross operating profit (EBITDA)	**42,097**	**7,184**	**7,506**	**94**	**-**	**56,881**
Depreciation and write-downs o f non-current assets	(5,992)	(1,495)	(1,151)	(15)	-	(8,653)
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	**36,105**	**5,689**	**6,355**	**79**	**-**	**48,228**
Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill	(2,029)	(352)	(1,705)	-	-	(4,086)
Operating profit (EBIT)	**34,076**	**5,337**	**4,650**	**79**	**-**	**44,142**
Income, expenses, valuation and adjustments of financial assets						54
Net financial expenses						(6,985)
Exchange differences and non hedge accounting instruments						(184)
Profit (loss) before tax						**37,027**
Current and deferred tax						(10,573)
Net profit (loss)						**26,454**
Profit (loss) of minority interests						(7)
Net profit (loss) attributable to the Group						**26,461**

(€ thousands)	Q4 2012 – Recurring only					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Revenues from sales and services	184,572	32,853	32,182	643	-	250,250
Gross operating profit (EBITDA)	42,097	7,184	7,506	94	-	56,881
Operating result before amortisation and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)	36,105	5,689	6,355	79	-	48,228
Operating profit (EBIT)	34,076	5,337	4,650	79	-	44,142
Profit (loss) before tax						37,027
Net profit (loss) attributable to the Group						26,461

Revenues from sales and services

(€ thousands)	FY 2013	FY 2012	Q4 2013	Q4 2012
Revenues from sales and services	828,632	846,611	241,386	250,250

Consolidated revenues from sales and services reached €828,632 thousand in 2013 versus €846,611 thousand in 2012, a decrease of €17,979 thousand (-2.1%) explained primarily by exchange losses of €18,869 thousand (-2.2%), while acquisitions amounted to €4,817 thousand (+0.6%) and organic growth fell by €3,927 thousand (-0.5%) as a result of the problems encountered in the Dutch market described below.

In the fourth quarter alone, revenues from sales and services reached €241,386 thousand, a decrease of €8,864 thousand (-3.5%) with respect to the same period of the prior year explained, for €7,032 thousand (-2.8%) by exchange losses and for €919 thousand (+0.4%) by acquisitions, while organic growth fell by €2,752 thousand (-1.1%) as a result of the problems encountered in the Dutch market described below.

The following table shows the breakdown of revenues from sales and services by geographical area:

(€ thousands)	FY 2013	%	FY 2012	%	Change	Change %	Exchange diff.	Change % in local currency
Italy	225,501	27.2%	224,496	26.5%	1,005	0.4%	-	0.4%
France	98,329	11.9%	98,325	11.6%	4	0.0%	-	0.0%
The Netherlands	66,804	8.1%	89,807	10.6%	(23,003)	-25.6%	-	-25.6%
Germany	41,201	5.0%	41,762	4.9%	(561)	-1.3%	-	-1.3%
United Kingdom and Ireland	36,328	4.4%	41,825	4.9%	(5,497)	-13.1%	(1,685)	-9.0%
Iberian Peninsula	31,471	3.8%	31,967	3.8%	(496)	-1.6%	-	-1.6%
Switzerland	27,269	3.3%	25,995	3.1%	1,274	4.9%	(583)	7.1%
Belgium and Luxembourg	23,964	2.9%	21,461	2.5%	2,503	11.7%	-	11.7%
Hungary	6,782	0.8%	6,014	0.7%	768	12.8%	(179)	15.7%
Turkey	2,006	0.2%	1,402	0.2%	604	43.1%	(191)	56.7%
Intercompany eliminations	(104)	0.0%	(117)	0.0%	13			
Total Europe	559,551	67.5%	582,937	68.9%	(23,386)	-4.0%	(2,638)	-3.6%
USA and Canada	138,663	16.7%	130,404	15.4%	8,259	6.3%	(4,810)	9.9%
Total America	138,663	16.7%	130,404	15.4%	8,259	6.3%	(4,810)	9.9%
Australia	89,594	10.8%	91,827	10.8%	(2,233)	-2.4%	(9,891)	8.3%
New Zealand	35,843	4.3%	37,904	4.5%	(2,061)	-5.4%	(765)	-3.4%
India	2,547	0.3%	1,056	0.1%	1,491	141.2%	(347)	174.0%
Total Asia Pacific	127,984	15.4%	130,787	15.4%	(2,803)	-2.1%	(11,003)	6.3%
Egypt	2,434	0.3%	2,483	0.3%	(49)	-2.0%	(418)	14.8%
Total Africa	2,434	0.3%	2,483	0.3%	(49)	-2.0%	(418)	14.8%
Total	828,632	100.0%	846,611	100.0%	(17,979)	-2.1%	(18,869)	0.1%

Europe

Revenues from sales and services in Europe came to €559,551 thousand in 2013 versus €582,937 thousand in 2012, a decrease of €23,386 thousand (-4.0%) explained primarily by a drop of €24,512 thousand (-4.2%) in organic growth linked, above all, to the problems encountered in the Dutch market, while acquisitions amounted to €3,764 thousand (+0.7%) and exchange losses to €2,638 thousand (-0.5%).

In the fourth quarter alone, consolidated revenues from sales and services in the European market amounted to €175,167 thousand in 2013 versus €184,573 thousand in 2012, a decrease of €9,406 thousand (-5.1%) explained primarily by organic growth which fell by €9,562 thousand (-5.2%) as a result, above all, to the problems encountered in the Dutch market explained below, while acquisitions amounted to €850 thousand (+0.5%) and exchange losses to €694 thousand (-0.4%).

The number of (direct and indirect) stores in Europe reached 1,644 at 31 December 2013 compared to 1,636 at 31 December 2012. In addition to the (direct and indirect) stores there are also 2,414 customer contact points (2,381 at 31 December 2012).

Italy

Period (€ thousands)	2013	2012	Change	Change %
I quarter	46,959	48,070	(1,111)	-2.3%
II quarter	66,168	59,057	7,111	12.0%
I Half-year	**113,127**	**107,127**	**6,000**	**5.6%**
III quarter	37,184	41,962	(4,778)	-11.4%
IV quarter	75,190	75,407	(217)	-0.3%
II Half-year	**112,374**	**117,369**	**(4,995)**	**-4.3%**
Total year	**225,501**	**224,496**	**1,005**	**0.4%**

Revenues from sales and services amounted to €225,501 thousand in 2013 versus €224,496 thousand in the prior year, an increase of €1,005 thousand (+0.4%).

In the fourth quarter of 2013 revenues from sales and services amounted to €75,190 thousand, largely in line with the comparison period, dropping slightly by €217 thousand (-0.3%).

Despite the decline recorded in the second half of the year, the performance in 2013 was positive and confirms the solidity of the business despite the country's difficult macroeconomic environment.

In 2013, Amplifon continued to expand its geographical coverage reaching 478 points of sale, versus 469 at 31 December 2012, and renovating existing ones on the basis of a new layout. In addition to the stores, there are also 2,080 customer contact points (2,007 at the end of 2012).

France

Period (€ thousands)	2013	2012	Change	Change %
I quarter	22,986	24,940	(1,954)	-7.8%
II quarter	25,492	25,641	(149)	-0.6%
I Half-year	**48,478**	**50,581**	**(2,103)**	**-4.2%**
III quarter	20,686	20,142	544	2.7%
IV quarter	29,165	27,602	1,563	5.7%
II Half-year	**49,851**	**47,744**	**2,107**	**4.4%**
Total year	98,329	98,325	4	0.0%

Revenues from sales and services in 2013 was largely unchanged with respect to the €98,325 thousand posted in 2012, coming in at €98,329 thousand, thanks to the contribution made by the new acquisitions of €1,554 thousand (+1.6%).

Sales rose in the fourth quarter by €1,563 thousand (+5.7%) explained for only €294 thousand (+1.1%) by acquisitions which strengthened the positive performance that characterized the entire second half of the year. The result is due to a substantial increase in volumes, versus a slight decrease in the average price due primarily to strong competitive pressure from local, smaller players, namely small chains and independent stores. Despite the difficult environment Amplifon, thanks to its performance, became market leader.

The total number of stores in France at 31 December 2013 reached 309 versus 300 at the end of the prior year. The number of customer contact points also increased from the 69 recorded at 31 December 2012 to 74.

The Netherlands

Period (€ thousands)	2013	2012	Change	Change %
I quarter	15,459	16,899	(1,440)	-8.5%
II quarter	13,433	17,673	(4,240)	-24.0%
I Half-year	**28,892**	**34,572**	**(5,680)**	**-16.4%**
III quarter	14,135	19,106	(4,971)	-26.0%
IV quarter	23,777	36,129	(12,352)	-34.2%
II Half-year	**37,912**	**55,235**	**(17,323)**	**-31.4%**
Total year	**66,804**	**89,807**	**(23,003)**	**-25.6%**

Revenues from sales and services amounted to €66,804 thousand in 2013 versus €89,807 thousand in 2012, a drop of €23,003 thousand (-25.6%).

The performance of Beter Horen, Amplifon's wholly-owned Dutch subsidiary, continues to be strongly impacted by the new regulations for insurance refunds that took effect in January 2013. Under the new regulations the prior fixed refund has been replaced by a system in which the insurance company pays 75% of the cost and the end customer pays 25%. Insurance companies, in order to neutralize the impact of the increased refund, launched tenders in order to find their preferred suppliers and take advantage of reduced prices. Beter Horen's bid was the only one to have been accepted by all leading insurance companies, thanks also to average price reductions of 25%-30% with respect to the prior year. At the same time, the fact that Beter Horen qualified with all the main insurance companies made it possible to increase the number of units sold.

In the fourth quarter alone revenues from sales and services amounted to €23,777 thousand, a drop of €12,352 thousand (-34.2%) with respect to the same period of the prior year during which, moreover, revenue peaked: the uncertainty at that time relative to the new refund scheme caused sales to accelerate.

There are 192 stores in the Netherlands, unchanged with respect to 2012. The number of customer contact points, in contrast, fell from 110 at the end of the prior year to 65.

Germany

Period (€ thousands)	2013	2012	Change	Change %
I quarter	9,099	11,233	(2,134)	-19.0%
II quarter	11,226	9,173	2,053	22.4%
I Half-year	**20,325**	**20,406**	**(81)**	**-0.4%**
III quarter	9,691	9,438	253	2.7%
IV quarter	11,185	11,918	(733)	-6.2%
II Half-year	**20,876**	**21,356**	**(480)**	**-2.2%**
Total year	**41,201**	**41,762**	**(561)**	**-1.3%**

Revenues from sales and services amounted to €41,201 thousand in 2013 and €41,762 thousand in 2012, a drop of €561 thousand (-1.3%). The contribution of acquisitions to turnover reached €2,036 thousand (+4.9%), while the impact of the 22 non-performing stores sold at the end of the third quarter reached €506 thousand (-1.2%).

In the fourth quarter of 2013 alone revenues from sales and services amounted to €11,185 thousand, a decline of €733 thousand (-6.2%) with respect to the comparison period. Acquisitions contributed €385 thousand (+3.2%) to the quarterly result, while the effect of the disposal of the 22 non-performing stores sold at the end of the third quarter reached €506 thousand (-4.2%). The performance reflects the weak results posted in the first part of the quarter when customers delayed their purchases in order to take advantage of the new regulations based on which refunds were increased starting from November. Sales for the month of December, in fact, increased by almost 30% with respect to the comparison period.

The German market is extremely fragmented with approximately 5,000 points of sale. Amplifon, which sold 22 non-performing stores at the end of the third quarter as part of a restructuring undertaken to recover profitability, is present with 183 stores (200 at the end of 2012).

United Kingdom and Ireland

Period (€ thousands)	2013	2012	Change	Change %
I quarter	9,894	10,782	(888)	-8.2%
II quarter	8,871	9,728	(857)	-8.8%
I Half-year	**18,765**	**20,510**	**(1,745)**	**-8.5%**
III quarter	8,629	10,819	(2,190)	-20.2%
IV quarter	8,934	10,496	(1,562)	-14.9%
II Half-year	**17,563**	**21,315**	**(3,752)**	**-17.6%**
Total year	**36,328**	**41,825**	**(5,497)**	**-13.1%**

Period (GBP thousands)	2013	2012	Change	Change %
I quarter	8,421	8,998	(577)	-6.4%
II quarter	7,545	7,872	(327)	-4.2%
I Half-year	**15,966**	**16,870**	**(904)**	**-5.4%**
III quarter	7,377	8,570	(1,193)	-13.9%
IV quarter	7,508	8,475	(967)	-11.4%
II Half-year	**14,885**	**17,045**	**(2,160)**	**-12.7%**
Total year	**30,851**	**33,915**	**(3,064)**	**-9.0%**

Revenues from sales and services amounted to €36,328 thousand in 2013, versus €41,825 thousand in 2012, a drop of €5,497 thousand (-13.1%) explained, in part, by the adverse exchange effect. In local currency, in fact, the figures are £30,851 thousand and £33,915 thousand, respectively, giving a decrease of 9.0%.

In the fourth quarter alone revenues from sales and services amounted to €8,934 thousand, a drop of €1,562 thousand (-14.9%) with respect to the comparison period (-11.4% in local currency).

The decrease in sales is explained by an overall drop in volumes with respect to the comparison period. The competitive environment continues, in fact, to be very difficult due to both the supply by the National Health Service of hearing aids free of charge and the aggressive approach adopted by the other private sector players.

Amplifon has 140 stores in the UK (141 at 31 December 2012), as well as 69 contact points (unchanged with respect to the prior year).

Iberian Peninsula

Period (€ thousands)	2013	2012	Change	Change %
I quarter	6,732	7,784	(1,052)	-13.5%
II quarter	8,848	9,004	(156)	-1.7%
I Half-year	**15,580**	**16,788**	**(1,208)**	**-7.2%**
III quarter	5,940	6,062	(122)	-2.0%
IV quarter	9,951	9,117	834	9.1%
II Half-year	**15,891**	**15,179**	**712**	**4.7%**
Total year	31,471	31,967	(496)	-1.6%

Revenues from sales and services amounted to €31,471 thousand in 2013, versus €31,967 thousand in 2012, a drop of €496 thousand (-1.6%).

In the fourth quarter alone revenues from sales and services amounted to €9,951 thousand, an increase of €834 thousand (+9.1%) with respect to the comparison period, despite the difficult macroeconomic environment and the complete lack of government subsidies for the purchase of hearing aids. This performance, recorded in both Spain and Portugal, is also the result of a strategic choice to focus more on a retail approach to the business versus the medical one used previously.

The region is served by 119 stores, 100 direct stores and 19 franchises (108 and 24, respectively, at 31 December 2012), as well as by 38 customer contact points (31 at 31 December 2012).

Switzerland

Period (€ thousands)	2013	2012	Change	Change %
I quarter	6,660	7,309	(649)	-8.9%
II quarter	7,834	7,132	702	9.8%
I Half-year	**14,494**	**14,441**	**53**	**0.4%**
III quarter	5,989	5,476	513	9.4%
IV quarter	6,786	6,078	708	11.6%
II Half-year	**12,775**	**11,554**	**1,221**	**10.6%**
Total year	27,269	25,995	1,274	4.9%

Period (CHF thousands)	2013	2012	Change	Change %
I quarter	8,182	8,829	(647)	-7.3%
II quarter	9,645	8,570	1,075	12.5%
I Half-year	**17,827**	**17,399**	**428**	**2.5%**
III quarter	7,401	6,588	813	12.3%
IV quarter	8,342	7,344	998	13.6%
II Half-year	**15,743**	**13,932**	**1,811**	**13.0%**
Total year	33,570	31,331	2,239	7.1%

Revenues from sales and services amounted to €27,269 thousand in 2013, versus €25,995 thousand in 2012, an increase of €1,274 thousand (+4.9%). The result was impacted by the adverse exchange effect; in local currency, in fact, the increase amounts to 7.1%.

In the fourth quarter alone revenues from sales and services amounted to €6,786 thousand, an increase of €708 thousand (+11.6%) with respect to the comparison period (+13.6% in local currency). The market, which was expected to recover after the difficulties encountered in 2012 and the first part of the current year linked to the impact of regulatory changes introduced in mid-2011, has been gradually returning to historic volumes and in the second quarter of the year Amplifon was able to invert the adverse sales trend that had characterized 2012 and the beginning of 2013.

There are 78 direct stores in the region (83 at 31 December 2012).

Belgium and Luxembourg

Period (€ thousands)	2013	2012	Change	Change %
I quarter	5,625	5,261	364	6.9%
II quarter	5,921	5,143	778	15.1%
I Half-year	**11,546**	**10,404**	**1,142**	**11.0%**
III quarter	6,083	5,442	641	11.8%
IV quarter	6,335	5,615	720	12.8%
II Half-year	**12,418**	**11,057**	**1,361**	**12.3%**
Total year	**23,964**	**21,461**	**2,503**	**11.7%**

Revenues from sales and services amounted to €23,964 thousand in 2013, versus €21,461 thousand in 2012, an increase of €2,503 thousand (+11.7%).

In the fourth quarter alone revenues from sales and services amounted to €6,335 thousand, an increase of €720 thousand (+12.8%) with respect to the same period in 2012. This result reflects the positive trend which has been underway for some time and was confirmed in the fourth quarter. A better product mix has helped to increase both prices and volumes.

The region is served by 67 direct points of sale and 21 franchises (61 and 21, respectively, at 31 December 2012), as well as by 76 customer contact points (84 at 31 December 2012).

Hungary

Period (€ thousands)	2013	2012	Change	Change %
I quarter	1,187	1,621	(434)	-26.8%
II quarter	1,296	1,414	(118)	-8.3%
I Half-year	**2,483**	**3,035**	**(552)**	**-18.2%**
III quarter	1,107	1,169	(62)	-5.3%
IV quarter	3,192	1,810	1,382	76.4%
II Half-year	**4,299**	**2,979**	**1,320**	**44.3%**
Total year	6,782	6,014	768	12.8%

Period (HUF thousands)	2013	2012	Change	Change %
I quarter	351,831	481,269	(129,438)	-26.9%
II quarter	383,239	415,325	(32,086)	-7.7%
I Half-year	**735,070**	**896,594**	**(161,524)**	**-18.0%**
III quarter	329,971	327,943	2,028	0.6%
IV quarter	948,239	514,960	433,279	84.1%
II Half-year	**1,278,210**	**842,903**	**435,307**	**51.6%**
Total year	2,013,280	1,739,497	273,783	15.7%

Revenues from sales and services amounted to €6,782 thousand in 2013, versus €6,014 thousand in 2012, an increase of €768 thousand (+12.8%), despite the weakening of the Hungarian Forint against the Euro. In local currency, in fact, the increase amounted to 15.7%.

In the fourth quarter alone revenues from sales and services amounted to €3,192 thousand, an improvement of €1,382 thousand (+76.4%) with respect to the comparison period.

The increase in revenues is primarily explained by the increase in the sale of cochlear implants to the National Healthcare Service which, for the purposes of comparison, were made in the fourth quarter of 2013 versus the first quarter of the prior year.

The revenue generated by the sale of hearing aids benefited from the contribution of the assets purchased from the competitor Kind in September which amounted to €130 thousand (+2.2%).

Regional coverage is guaranteed by the presence of 38 stores (26 at 31 December 2012). In addition to the proprietary stores there are also 11 customer contact points (unchanged with respect to the prior year).

Turkey

Period (€ thousands)	2013	2012	Change	Change %
I quarter	497	356	141	39.6%
II quarter	469	341	128	37.5%
I Half-year	**966**	**697**	**269**	**38.6%**
III quarter	376	293	83	28.3%
IV quarter	664	412	252	61.2%
II Half-year	**1,040**	**705**	**335**	**47.5%**
Total year	2,006	1,402	604	43.1%

Period (TL thousands)	2013	2012	Change	Change %
I quarter	1,172	838	334	39.9%
II quarter	1,128	790	338	42.8%
I Half-year	**2,300**	**1,628**	**672**	**41.3%**
III quarter	1,000	658	342	52.0%
IV quarter	1,782	957	825	86.2%
II Half-year	**2,782**	**1,615**	**1,167**	**72.3%**
Total year	5,082	3,243	1,839	56.7%

Revenues from sales and services amounted to €2,006 thousand in 2013, versus €1,402 thousand in 2012, an increase of €604 thousand (+43.1%) despite the weakening of the Turkish Lire against the Euro. In local currency, in fact, the increase reached 56.7%.

In the fourth quarter alone revenues from sales and services amounted to €664 thousand, rising €252 thousand (+61.2%) with respect to the comparison period (+86.2% in local currency).

The positive performance that characterized Maxtone's business for all of 2013 is in line with the good results posted since its acquisition in 2012.

The region is served by 10 stores (9 at 31 December 2012).

North America

Period (€ thousands)	2013	2012	Change	Change %
I quarter	34,435	31,132	3,303	10.6%
II quarter	35,539	33,069	2,470	7.5%
I Half-year	**69,974**	**64,201**	**5,773**	**9.0%**
III quarter	35,397	33,350	2,047	6.1%
IV quarter	33,292	32,853	439	1.3%
II Half-year	**68,689**	**66,203**	**2,486**	**3.8%**
Total year	138,663	130,404	8,259	6.3%

Period (USD thousands)	2013	2012	Change	Change %
I quarter	45,477	40,809	4,668	11.4%
II quarter	46,425	42,426	3,999	9.4%
I Half-year	**91,902**	**83,235**	**8,667**	**10.4%**
III quarter	46,883	41,710	5,173	12.4%
IV quarter	45,375	42,596	2,779	6.5%
II Half-year	**92,258**	**84,306**	**7,952**	**9.4%**
Total year	184,160	167,541	16,619	9.9%

Revenues from sales and services amounted to €138,663 thousand in 2013, versus €130,404 thousand in 2012, an increase of €8,259 thousand (+6.3%). The result was impacted by the unfavourable exchange effect; in local currency, in fact, sales revenue reached USD 184,160 thousand in 2013, versus USD 167,541 thousand in the prior year, an increase of 9.9% (USD 16,619 thousand).

The fourth quarter's performance further confirmed the positive trend recorded in the first nine months of the year. Revenues from sales and services rose 1.3% (+6.5% in local currency) to €33,292 thousand in the fourth quarter of 2013 (USD 45,375 thousand), versus €32,853 thousand in 2012 (USD 42,596 thousand). More in detail, excellent results were achieved by both the Elite wholesale channel and the Miracle Ear franchise channel which continue to post positive performances in terms of both volumes and average sales prices.

Amplifon has 18 direct stores in North America, 1,157 franchises and 1,649 wholesale points of sale. At the end of the previous year, there were 17 direct stores, 1,279 franchises and 1,665 wholesale points of sale.

Asia Pacific

Revenues from sales and services in the Asia Pacific region amounted to €127,984 thousand in 2013, a decline of €2,803 thousand (-2.1%) against the prior year attributable entirely to the exchange losses.
In local currency, in fact, an increase of 6.3% was posted.

In the fourth quarter alone revenues from sales and services in Asia Pacific amounted to €32,306 thousand, an increase of €124 thousand with respect to the comparison period. In local currency the increase reached 17.8%.

At 31 December 2013 the Group had 306 stores in Asia Pacific (versus 292 at 31 December 2012), as well as 54 customer contact points (20 at 31 December 2012).

Australia

Period (€ thousands)	2013	2012	Change	Change %
I quarter	20,882	21,636	(754)	-3.5%
II quarter	23,403	23,396	7	0.0%
I Half-year	**44,285**	**45,032**	**(747)**	**-1.7%**
III quarter	22,737	24,624	(1,887)	-7.7%
IV quarter	22,572	22,171	401	1.8%
II Half-year	**45,309**	**46,795**	**(1,486)**	**-3.2%**
Total year	**89,594**	**91,827**	**(2,233)**	**-2.4%**

Period (AUD thousands)	2013	2012	Change	Change %
I quarter	26,549	26,883	(334)	-1.2%
II quarter	30,847	29,670	1,177	4.0%
I Half-year	**57,396**	**56,553**	**843**	**1.5%**
III quarter	32,953	29,690	3,263	11.0%
IV quarter	33,084	27,688	5,396	19.5%
II Half-year	**66,037**	**57,378**	**8,659**	**15.1%**
Total year	**123,433**	**113,931**	**9,502**	**8.3%**

Revenues from sales and services amounted to €89,594 thousand (A$123,433 thousand) in 2013, a drop of €2,233 thousand (-2.4%) with respect to the €91,827 thousand (A$113,931 thousand) posted in 2012, attributable entirely to the exchange losses. In local currency, in fact, an increase of 8.3% was posted.

In the fourth quarter alone sales reached A$5,396 thousand (+19.5%), confirming the positive trend begun in the second quarter after the decline recorded in the first months of the year due primarily to the fewer number of working days in the year. These results, which confirm the solidity of NHC Australia's business, are the result of a substantial increase in sales revenue, along with a better product mix that made it possible to increase the average selling price.
In Australia there are 137 direct points of sale (127 at 31 December 2012). In addition to the proprietary stores there are also 47 customer contact points (versus 20 at 31 December 2012).

New Zealand

Period (€ thousands)	2013	2012	Change	Change %
I quarter	8,064	8,511	(447)	-5.3%
II quarter	9,753	9,700	53	0.5%
I Half-year	**17,817**	**18,211**	**(394)**	**-2.2%**
III quarter	8,972	10,162	(1,190)	-11.7%
IV quarter	9,054	9,531	(477)	-5.0%
II Half-year	**18,026**	**19,693**	**(1,667)**	**-8.5%**
Total year	35,843	37,904	(2,061)	-5.4%

Period (NZD thousands)	2013	2012	Change	Change %
I quarter	12,760	13,642	(882)	-6.5%
II quarter	15,519	15,737	(218)	-1.4%
I Half-year	**28,279**	**29,379**	**(1,100)**	**-3.7%**
III quarter	14,925	15,750	(825)	-5.2%
IV quarter	14,882	15,013	(131)	-0.9%
II Half-year	**29,807**	**30,763**	**(956)**	**-3.1%**
Total year	58,086	60,142	(2,056)	-3.4%

Revenues from sales and services reached €35,843 thousand in 2013, versus €37,904 thousand in 2012, a decrease of €2,061 thousand (-5.4%) due also to the adverse exchange effect. In local currency the decline amounted to 3.4%.

The unfavourable trend with respect to the prior year, which slowed somewhat in the last quarter of the year as the weakening of the local currency stopped at -0.9%, is explained by the generalized weakness of the New Zealand market where competition is also quite stiff and where there was another, albeit limited, unfavourable change made to the coverage offered by the public healthcare service.

The region is served by 86 stores (92 at 31 December 2012).

India

Period (€ thousands)	2013	2012	Change	Change %
I quarter	593	132	461	349.2%
II quarter	677	144	533	370.1%
I Half-year	**1,270**	**276**	**994**	**360.1%**
III quarter	597	301	296	98.3%
IV quarter	680	479	201	42.0%
II Half-year	**1,277**	**780**	**497**	**63.7%**
Total year	2,547	1,056	1,491	141.2%

Period (INR thousands)	2013	2012	Change	Change %
I quarter	42,405	8,697	33,708	387.6%
II quarter	49,404	9,985	39,419	394.8%
I Half-year	**91,809**	**18,682**	**73,127**	**391.4%**
III quarter	49,651	20,577	29,074	141.3%
IV quarter	57,041	33,199	23,842	71.8%
II Half-year	**106,692**	**53,776**	**52,916**	**98.4%**
Total year	198,501	72,458	126,043	174.0%

Revenues from sales and services amounted to €2,547 thousand in 2013, versus €1,056 thousand in 2012, an increase of €1,491 thousand (+141.2%). In local currency, sales in 2013 reached 198,501 thousand Rupees, an increase of 126,043 thousand Rupees (+174.0%) with respect to 2012.

The constant growth in revenue is explained by both organic growth and the acquisition of 38 stores in September 2012 which contributed €761 thousand (+72.1%).

In the fourth quarter alone revenues from sales and services amounted to €680 thousand, an increase of €201 thousand with respect to the comparison period (+42.0%), explained entirely by organic growth.

There are 83 points of sale in India (73 at 31 December 2012) and 7 customer contact points. This figure includes both direct stores and points of sale found inside hospitals.

Africa

Period (€ thousands)	2013	2012	Change	Change %
I quarter	638	571	67	11.7%
II quarter	618	604	14	2.3%
I Half-year	**1,256**	**1,175**	**81**	**6.9%**
III quarter	557	665	(108)	-16.2%
IV quarter	621	643	(22)	-3.4%
II Half-year	**1,178**	**1,308**	**(130)**	**-9.9%**
Total year	2,434	2,483	(49)	-2.0%

Period (EGP thousands)	2013	2012	Change	Change %
I quarter	5,635	4,517	1,118	24.8%
II quarter	5,617	4,683	934	19.9%
I Half-year	**11,252**	**9,200**	**2,052**	**22.3%**
III quarter	5,163	5,067	96	1.9%
IV quarter	5,823	5,098	725	14.2%
II Half-year	**10,986**	**10,165**	**821**	**8.1%**
Total year	22,238	19,365	2,873	14.8%

Revenues from sales and services in Egypt reached €2,434 thousand in 2013, versus €2,483 thousand in 2012, a decrease of €49 thousand (-2.0%) due entirely to the weakening of the Egyptian Lira against the Euro. In local currency an increase of 14.8% was posted.

In the fourth quarter alone revenues from sales and services amounted to €621 thousand, a decrease of €22 thousand with respect to the comparison period (-3.4%) explained entirely by the weakening of the Egyptian Lira against the Euro. In local currency an increase of 14.2% was posted.

Despite the country's complex socio-political situation, the positive trend in both turnover and product mix was confirmed once again in the fourth quarter.

The business is carried out through 18 points of sale (13 at 31 December 2012).

Gross operating profit (EBITDA)

	FY 2013			FY 2012		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	123,234	(5,820)	117,414	145,172	-	145,172

	Q4 2013			Q4 2012		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	50,642	(3,755)	46,887	56,881	-	56,881

Gross operating profit (EBITDA) amounted to €117,414 thousand in 2013 versus €145,172 thousand in 2012, a decrease of €27,758 thousand (-19.1%) while the EBITDA margin dropped 2.9% with respect to the prior year to 14.2%.

In the fourth quarter alone, EBITDA amounted to €46,887 thousand, a decrease of €9,994 thousand (-17.6%) with respect to the fourth quarter of the previous year. The EBITDA margin dropped 3.3% with respect to the comparison period to 19.4%.

The result was impacted by the problems encountered in the Dutch market which contributed €13,261 thousand less (€7,175 thousand of which in the fourth quarter alone) than in the comparison period, non-recurring restructuring charges of €5,820 thousand (€3,755 thousand of which in the fourth quarter alone), and exchange losses of €3,814 thousand (€1,606 thousand of which in the fourth quarter alone). Net of these items, the drop with respect to the comparison period amounted to €4,863 thousand (-3.3%) and is explained by the weakness of the markets in Europe and New Zealand only partially offset by the excellent results posted in the United States. In the fourth quarter alone, again net of the items referred to above, an increase of €2,542 thousand (+4.5%) was recorded.
The EBITDA margin on recurring operations, net of the problems encountered in the Dutch market, came to 16.5% (-0.7%) and to 24.0% (+1.3%) in the fourth quarter alone.

Total operating costs amounted to €711,218 thousand, increasing as a percentage of sales by approximately three percentage points due primarily to personnel expenses which, being largely a fixed cost, was higher with respect to sales that declined overall due to the reasons described above.

The following table shows the breakdown of EBITDA by geographical area:

(€ thousands)	FY 2013	EBITDA Margin	FY 2012	EBITDA Margin	Change	Change %
Europe	57,878	10.3%	83,881	14.4%	(26,003)	-31.0%
North America	25,603	18.5%	24,693	18.9%	910	3.7%
Asia Pacific	33,486	26.2%	36,239	27.7%	(2,753)	-7.6%
Africa	447	18.4%	359	14.5%	88	24.5%
Total	117,414	14.2%	145,172	17.1%	(27,758)	-19.1%

(€ thousands)	Q4 2013	EBITDA Margin	Q4 2012	EBITDA Margin	Change	Change %
Europe	32,034	18.3%	42,097	22.8%	(10,063)	-23.9%
North America	4,781	14.4%	7,184	21.9%	(2,403)	-33.4%
Asia Pacific	9,979	30.9%	7,506	23.3%	2,473	32.9%
Africa	93	15.0%	94	14.6%	(1)	-1.1%
Total	46,887	19.4%	56,881	22.7%	(9,994)	-17.6%

The following table shows the breakdown of EBITDA by geographical area for recurring operations only:

(€ thousands)	FY 2013	EBITDA Margin	FY 2012	EBITDA Margin	Change	Change %
Europe	61,933	11.1%	83,881	14.4%	(21,948)	-26.2%
North America	27,060	19.5%	24,693	18.9%	2,367	9.6%
Asia Pacific	33,794	26.4%	36,239	27.7%	(2,445)	-6.7%
Africa	447	18.4%	359	14.5%	88	24.5%
Total	123,234	14.9%	145,172	17.1%	(21,938)	-15.1%

(€ thousands)	Q4 2013	EBITDA Margin	Q4 2012	EBITDA Margin	Change	Change %
Europe	34,372	19.6%	42,097	22.8%	(7,725)	-18.4%
North America	6,238	18.7%	7,184	21.9%	(946)	-13.2%
Asia Pacific	9,939	30.8%	7,506	23.3%	2,433	32.4%
Africa	93	15.0%	94	14.6%	(1)	-1.1%
Total	50,642	21.0%	56,881	22.7%	(6,239)	-11.0%

Europe

Gross operating profit (EBITDA) amounted to €57,878 thousand in 2013, versus €83,881 thousand in 2012, a drop of €26,003 thousand (-31.0%). The EBITDA margin fell 4.1% from the 14.4% posted in 2012 to 10.3% in 2013.

In the fourth quarter alone EBITDA amounted to €32,034 thousand, a decrease of €10,063 thousand (-23.9%) with respect to the figure posted in the fourth quarter of the prior year. The EBITDA margin fell 4.5% with respect to the comparison period to 18.3%.

The significant drop in profitability is, first of all, attributable to the problems encountered as a result of the regulatory changes enacted in the Netherlands (which contributed €13,261 thousand less year-on-year and €7,175 thousand less quarter-on-quarter), while the remainder is explained by the overall weakness of the European market. As the Group's costs are primarily fixed, profitability is impacted directly and significantly if revenue drops. In light of the weak market the Group took steps to restructure the sales network, regional coverage and centralized country structures which generated expenses of €4,055 thousand (€ 2.338 thousand in the fourth quarter alone). Net of the lower contribution from the Netherlands, non-recurring restructuring charges and exchange losses, EBITDA would have dropped by €8,795 thousand (-10.5%) in 2013 and by €556 thousand (-1.3%) in the fourth quarter alone.
The EBITDA margin on recurring operations, net of the problems encountered in the Dutch market, amounted to 13.4% (-1.0%) and to 26.4% (+3.6%) in the fourth quarter alone.

Total operating costs amounted to €501,673 thousand, rising as a percentage of sales by approximately four percentage points due primarily to personnel expenses which, being largely a fixed cost, was higher with respect to sales that declined overall due to the reasons described above.

North America

Gross operating profit (EBITDA) amounted to €25,603 thousand in 2013, versus €24,693 thousand in 2012, an increase of €910 thousand (+3.7%). The EBITDA margin fell 0.4% from the 18.9% posted in 2012 to 18.5% in 2013.

In the fourth quarter alone EBITDA amounted to €4,781 thousand, a decrease of €2,403 thousand (-33.4%) with respect to the figure posted in the fourth quarter of the prior year. The EBITDA margin fell 7.5% from the 21.9% posted in 2012 to 14.4% in 2013.

The results for the year, and the fourth quarter in particular, reflect €1,457 thousand in non-recurring costs relating to the restructuring of the Sonus franchisee channel, which is gradually being shut down and its affiliates are being shifted to the Elite wholesale channel. The effect of the weakening of the US dollar against the Euro, which amounted to €858 thousand (€272 thousand in the fourth quarter alone), must also be kept in mind when analyzing these results.

Net of non-recurring restructuring costs and exchange losses, EBITDA, thanks to the continuous growth of the Elite wholesale channel and the Miracle Ear franchisee channel, would have amounted to €3,225 thousand (+13.1%) in 2013 and to €674 thousand (-9.4%) in the fourth quarter alone.
The EBITDA margin on recurring operations came to 19.5% (+0.6%) in 2013 and to 18.7% (-3.1%) in the fourth quarter alone.

Asia Pacific

Gross operating profit (EBITDA) amounted to €33,486 thousand in 2013, versus €36,239 thousand in 2012, a decrease of €2,753 thousand (-7.6%). The EBITDA margin fell by 1.5% from the 27.7% recorded in 2012 to 26.2%.

In the fourth quarter alone EBITDA amounted to €9,979 thousand, an increase of €2,473 thousand (+32.9%) against the fourth quarter of the prior year. The EBITDA margin rose by 7.6% from the 23.3% recorded in 2012 to 30.9%.

The drop in profitability, in addition to the significant impact of the unfavourable exchange effect which came to €2,987 thousand (€1,322 thousand of which in the fourth quarter alone) and the €308 thousand in non-recurring restructuring costs in New Zealand, is also attributable to the weakness of the market in New Zealand where the drop in revenue described above was accompanied by the costs associated with the restructuring of the sales network and regional coverage begun in the third quarter which will only begin to have a positive influence next year, and the effect of the results posted in India which made a significantly larger contribution to revenue but, as the business is still in a start-up phase, also posted a nominal increase in operating losses. Net of the exchange losses, non-recurring restructuring charges and the results for India, EBITDA would have increased by €770 thousand (+2.0%) in 2013 while the increase in the fourth quarter would have reached €3,433 thousand (+42.5%).
The EBITDA margin on recurring operations, net of the results posted in India, came to 28.0% (-0.8%) in 2013 and to 32.2% (+6.7%) in the fourth quarter alone.

Africa

Egypt's gross operating profit (EBITDA) amounted to €447 thousand at 31 December 2013 (with an EBITDA margin of 18.4%) versus €359 thousand at 31 December 2012 (and an EBITDA margin of 14.5%), an increase of €88 thousand (+24.5%).

In the fourth quarter alone, EBITDA amounted to €93 thousand, a decrease of €1 thousand (-1.1%) with respect to the figure posted in the prior year. The EBITDA margin came in at 15.0% versus 14.6% in the comparison period.

In addition to the complex political environment, the exchange differences, which had an adverse impact on EBITDA of €77 thousand (€18 thousand in the fourth quarter alone), should be taken into account when assessing this positive result.

Operating profit (EBIT)

	FY 2013			FY 2012		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Operating profit (EBIT)	75,604	(7,086)	68,518	97,886	-	97,886

	Q4 2013			Q4 2012		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Operating profit (EBIT)	37,732	(4,273)	33,459	44,142	-	44,142

Operating profit (EBIT) amounted to €68,518 thousand in 2013, versus €97,886 thousand in 2012, a decline of €29,368 thousand (-30.0%) while the EBIT margin fell by 3.3% against the comparison period to 8.3%.

In the fourth quarter alone EBIT amounted to €33,459 thousand, a decrease of €10,683 thousand (-24.2%) with respect to the figure posted in the fourth quarter of the previous year. The EBIT margin fell 3.7% with respect to the comparison period to 13.9%.

The result was impacted by the problems encountered in the Dutch market, the contribution of which fell by €13,343 thousand against the comparison period (-€7,122 thousand against the fourth quarter alone), non-recurring restructuring costs of €7,087 thousand (-€4.273 thousand against the fourth quarter alone) and exchange losses of €2,395 thousand (-€1,038 thousand against the fourth quarter alone). Net of these items the decrease would have been €6,543 thousand or 6.7% against 2012.
In the fourth quarter alone, again net of the above items, there was a rise of €1,840 thousand (+4.2%).
The EBIT margin on recurring operations, net of the problems encountered in the Netherlands, came to 10.7% (-0.8%) and to 18.6% (+1.0%) in the fourth quarter alone.

The following table shows the breakdown of EBIT by geographical area.

(€ thousands)	FY 2013	EBIT Margin	FY 2012	EBIT Margin	Change	Change %
Europe	25,798	4.6%	53,511	9.2%	(27,713)	-51.8%
North America	21,145	15.2%	19,091	14.6%	2,054	10.8%
Asia Pacific	21,186	16.6%	24,980	19.1%	(3,794)	-15.2%
Africa	389	16.0%	304	12.2%	85	28.0%
Total	68,518	8.3%	97,886	11.6%	(29,368)	-30.0%

(€ thousands)	Q4 2013	EBIT Margin	Q4 2012	EBIT Margin	Change	Change %
Europe	23,376	13.3%	34,076	18.5%	(10,700)	-31.4%
North America	3,300	9.9%	5,337	16.2%	(2,037)	-38.2%
Asia Pacific	6,704	20.8%	4,650	14.4%	2,054	44.2%
Africa	79	12.7%	79	12.3%	-	0.0%
Total	33,459	13.9%	44,142	17.6%	(10,683)	-24.2%

The following table shows the breakdown of EBIT by geographical area for recurring operations only:

(€ thousands)	FY 2013	EBIT Margin	FY 2012	EBIT Margin	Change	Change %
Europe	30,311	5.4%	53,511	9.2%	(23,200)	-43.4%
North America	23,125	16.7%	19,091	14.6%	4,034	21.1%
Asia Pacific	21,779	17.0%	24,980	19.1%	(3,201)	-12.8%
Africa	389	16.0%	304	12.2%	85	28.0%
Total	75,604	9.1%	97,886	11.6%	(22,282)	-22.8%

(€ thousands)	Q4 2013	EBIT Margin	Q4 2012	EBIT Margin	Change	Change %
Europe	25,725	14.7%	34,076	18.5%	(8,351)	-24.5%
North America	5,279	15.9%	5,337	16.2%	(58)	-1.1%
Asia Pacific	6,649	20.6%	4,650	14.4%	1,999	43.0%
Africa	79	12.7%	79	12.3%	-	0.0%
Total	37,732	15.6%	44,142	17.6%	(6,410)	-14.5%

Europe

Operating profit (EBIT) amounted to €25,798 thousand in 2013 versus €53,511 thousand in 2012, falling by €27,713 thousand (-51.8%). The EBIT margin fell by 4.6% from the 9.2% recorded in 2012 to 4.6% in 2013.

In the fourth quarter alone EBIT amounted to €23,376 thousand, a decrease of €10,700 thousand (-31.4%) with respect to the fourth quarter of the prior year. The EBIT margin fell by 5.2% against the comparison period to 13.3%.

First of all the significant drop in profitability is attributable to the problems encountered as a result of the regulatory changes enacted in the Netherlands (which contributed €13,343 thousand less year-on-year and €7,122 thousand less quarter-on-quarter) and non-recurring business restructuring costs of €4,513 thousand (€2,348 thousand in the fourth quarter). Net of the lower contribution from the Netherlands, non-recurring restructuring charges and exchange losses, EBIT would have dropped by €10,205 thousand (-19.1%) in 2013 and by €1,294 thousand (-3.8%) in the fourth quarter alone.

The EBIT margin on recurring operations, net of the problems encountered in the Netherlands, came to 7.8% (-1.4%) and to 20.9% (+2.4%) in the fourth quarter alone.

North America

Operating profit (EBIT) amounted to €21,145 thousand in 2013 versus €19,091 thousand in 2012, an increase of €2,054 thousand (+10.8%). The EBIT margin rose by 0.6% from the 14.6% posted in 2012 to 15.2%.

In the fourth quarter alone EBIT amounted to €3,300 thousand, a decrease of €2,037 thousand (-38.2%) with respect to the fourth quarter of the prior year. The EBIT margin fell by 6.3% from the 16.2% posted in 2012 to 9.9%.

The results for the year, and the fourth quarter in particular, reflect €1,980 thousand in non-recurring costs relating to the restructuring of the Sonus Franchisee channel, which is gradually being shut down and whose affiliates are being shifted to the Elite wholesale channel. The effect of the weakening US dollar against the Euro, which amounted to €705 thousand (€205 thousand in the fourth quarter alone), must also be kept in mind when analyzing these results.

Net of non-recurring restructuring costs and exchange losses, EBIT would have amounted to €4,739 thousand (+24.8%) in 2013 and to €148 thousand (+2.8%) in the fourth quarter alone.
The EBIT margin on recurring operations came to 16.7% (+2.0%) in 2013 and to 15.9% (-0.4%) in the fourth quarter alone.

Asia Pacific

Operating profit (EBIT) amounted to €21,186 thousand in 2013 versus €24,980 thousand in 2012, a decrease of €3,794 thousand (-15.2%). The EBIT margin fell by 2.5%, from the 19.1% posted in 2012 to 16.6%.

In the fourth quarter alone EBIT amounted to €6,704 thousand, an increase of €2,054 thousand (+44.2%) with respect to the fourth quarter of the prior year. The EBIT margin rose by 6.4% from the 14.4% posted in 2012 to 20.8%.

The drop in operating profit, in addition to the significant impact of unfavourable exchange fluctuations which came to €1,971 thousand (€882 thousand of which in the fourth quarter alone) and the €593 thousand in non-recurring restructuring costs in New Zealand, is also attributable the effect of the results posted in India which made a significantly larger contribution to revenue but, as the business is still in a start-up phase, also posted a nominal increase in operating losses. Net of exchange losses, non-recurring restructuring charges and the results for India, EBIT would have fallen by only €899 thousand (-3.4%) in 2013 while the increase in the fourth quarter would have reached €2,581 thousand (+49.0%). The EBIT margin on recurring operations, net of the results posted in India, came to 18.7% (-1.6%) and to 22.0% (+5.4%) in the fourth quarter alone.

Africa

Operating profit (EBIT) amounted to €389 thousand in 2013 versus €304 thousand in the same period of the prior year, an increase of €85 thousand (+28.0%). The EBIT margin rose 3.8%, from 12.2% to 16.0%.

In the fourth quarter alone EBIT amounted to €79 thousand, unchanged with respect to the fourth quarter of the prior year. The EBIT margin reached 12.7%, an increase of 0.4% with respect to the comparison period.

The exchange fluctuations which had an adverse impact on EBIT of €67 thousand (€15 thousand in the fourth quarter alone) should also be taken into account when assessing this positive result.

Profit before tax

	FY 2013			FY 2012		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Profit before tax	51,657	(14,783)	36,874	72,205	-	72,205

	Q4 2013			Q4 2012		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Profit before tax	31,697	(5,187)	26,510	37,027	-	37,027

Profit before tax in 2013 amounted to €36,874 thousand (4.5% of revenues from sales and services), versus €72,205 thousand (8.5% of revenues from sales and services) in 2012, a decrease of €35,331 thousand (-48.9%).

In addition to the change in operating profit (EBIT), the drop is also attributable:

- for €6,783 thousand to the financial charges recorded following the early payment of fees and closure of hedges on the syndicated loan which was repaid in advance on 23 July 2013 as a result of the issue on 16 July 2013 of a €275 million 5-year Eurobond;
- for €914 thousand to discounting charges recognized as a result of having redefined the terms of repayment for the loans granted by the American subsidiary to the members of the Sonus franchising network as part of the restructuring implemented in order to move the latter to the wholesale network of the Elite channel described in the section on EBITDA above.

Net of these non-recurring transactions, financial charges would have dropped by €1,727 thousand with respect to the prior year due primarily to a decrease in the spread on the syndicated loan of 75 bps as of 1 July 2012. As a result of having refinanced all outstanding debt in mid-year, in fact, average debt was largely unchanged.

In the fourth quarter alone profit before tax amounted to €26,510 thousand, a decrease of €10,517 thousand with respect to the fourth quarter of the prior year (-28.4%) and of €5,330 thousand (-14.4%) for profit before tax on recurring operations.

Net profit attributable to the Group

	FY 2013			FY 2012		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit attributable to the Group	23,409	(10,561)	12,848	43,182	-	43,182

	Q4 2013			Q4 2012		
(€ thousands)	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit attributable to the Group	17,515	(3,410)	14,105	26,461	-	26,461

The Group's net profit amounted to €12,848 thousand, versus €43,182 thousand in 2012, a decrease of €30,334 thousand (-70.2%). When looking at recurring net profit alone, the decrease falls to €19,773 thousand (-45.8%).

The decrease in profit before tax was only partially offset by lower taxes. The tax rate for the year, in fact, increased significantly reaching 65.0% versus 40.3% in the prior year due primarily to:

- a failure to recognize, in accordance with the principle of prudence, additional deferred tax assets against losses recorded in the United Kingdom and Germany which weighed some 11.9% on the tax rate (versus 2.8% in the prior year);
- the impact of taxes such as IRAP in Italy and CVAE in France, based on which taxable income is not directly related to profit before tax and which, therefore, are particularly significant when profit before tax is not high. The impact on the tax rate reached 8.3% (versus 4.6% in the prior year);
- the tax withholdings on dividends paid by Amplifon USA which, in large part, are not recoverable and other items relating to prior years which weighed some 3.0% on the tax rate, whereas the comparison period had benefited from the recognition in Italy of a tax credit linked to an IRES (corporate income tax) refund (from previous years) following recognition of a partial deduction of IRAP (regional business tax) from taxable income which had a positive impact on the tax rate of 2.5%.

Net of these items, the Group's tax rate would have been 41.8% (35.4% in the comparison period, again net of the above mentioned items).

In the fourth quarter alone the Group's net profit came to €14,105 thousand, a decrease against the same period of the prior year of €12,356 thousand (-46.7%).

The decrease in net profit from recurring operations alone was €8,946 thousand (-33.8%).

Balance Sheet review

Consolidated Balance Sheet by Geographical Area

(€ thousands)	31/12/2013					
	Europe	North America	Asia Pacific	Africa	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	18,167	8,740	518	-	-	27,425
Tangible assets	69,606	1,574	16,473	466	-	88,119
Financial fixed assets	4,698	34,945	652	-	-	40,295
Other non-current financial assets	2,418	14	312	-	-	2,744
Non-current assets	**322,649**	**104,857**	**324,166**	**466**	**-**	**752,138**
Inventories	27,637	115	1,849	546	-	30,147
Trade receivables	74,701	22,561	7,304	157	(705)	104,018
Other receivables	20,895	7,204	751	97	(7)	28,940
Current assets (A)	**123,233**	**29,880**	**9,904**	**800**	**(712)**	**163,105**
Operating assets	**445,882**	**134,737**	**334,070**	**1,266**	**(712)**	**915,243**
Trade payables	(62,238)	(25,235)	(9,411)	(118)	705	(96,297)
Other payables	(92,586)	(3,469)	(19,454)	(188)	7	(115,690)
Provisions for risks and charges (current portion)	(411)	-	-	-	-	(411)
Current liabilities (B)	**(155,235)**	**(28,704)**	**(28,865)**	**(306)**	**712**	**(212,398)**
Net working capital (A) - (B)	**(32,002)**	**1,176**	**(18,961)**	**494**	**-**	**(49,293)**
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)	(16,804)	(15,601)	(696)	-	-	(33,101)
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	**294,438**	**76,585**	**285,995**	**960**	**-**	**657,978**
Group net equity						382,175
Minority interests						460
Total net equity						**382,635**
Net medium and long-term financial indebtedness						435,426
Net short-term financial indebtedness						(160,083)
Total net financial indebtedness						**275,343**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS						**657,978**

(€ thousands)	31/12/2012					
	Europe	North America	Asia Pacific	Africa	Elim.	Total
Goodwill	203,928	59,604	288,321	-	-	551,853
Non-competition agreements, trademarks, customer lists and lease rights	28,991	3,509	86,596	-	-	119,096
Software, licences, other intangible fixed assets, fixed assets in progress and advances	15,515	9,052	958	-	-	25,525
Tangible assets	73,087	1,573	18,931	479	-	94,070
Financial fixed assets	4,747	31,137	625	-	-	36,509
Other non-current financial assets	2,563	8	257	-	-	2,828
Non-current assets	**328,831**	**104,883**	**395,688**	**479**	**-**	**829,881**
Inventories	31,282	54	2,388	472	-	34,196
Trade receivables	75,791	28,549	7,508	141	(874)	111,115
Other receivables	18,112	8,063	1,068	137	(61)	27,319
Current assets (A)	**125,185**	**36,666**	**10,964**	**750**	**(935)**	**172,630**
Operating assets	**454,016**	**141,549**	**406,652**	**1,229**	**(935)**	**1,002,511**
Trade payables	(63,772)	(23,651)	(11,197)	(270)	874	(98,016)
Other payables (*)	(84,593)	(7,484)	(21,253)	(246)	61	(113,515)
Provisions for risks and charges (current portion)	(441)	-	(248)	-	-	(689)
Current liabilities (B)	**(148,806)**	**(31,135)**	**(32,698)**	**(516)**	**935**	**(212,220)**
Net working capital (A) - (B)	**(23,621)**	**5,531**	**(21,734)**	**234**	**-**	**(39,590)**
Derivative instruments	(5,695)	-	-	-	-	(5,695)
Deferred tax assets	38,995	6,511	2,533	-	-	48,039
Deferred tax liabilities	(10,552)	(16,836)	(25,684)	(9)	-	(53,081)
Provisions for risks and charges (non-current portion)	(18,263)	(13,459)	(803)	-	-	(32,525)
Liabilities for employees' benefits (non-current portion) (*)	(12,428)	(726)	(2,049)	-	-	(15,203)
Loan fees	3,790	-	652	-	-	4,442
Other non-current payables	-	(11)	(264)	-	-	(275)
NET INVESTED CAPITAL	**301,057**	**85,893**	**348,339**	**704**	**-**	**735,993**
Group net equity						429,562
Minority interests						596
Total net equity						**430,158**
Net medium and long-term financial indebtedness						293,645
Net short-term financial indebtedness						12,190
Total net financial indebtedness						**305,835**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS						**735,993**

(*) The comparative figures were reclassified in order better to present the items relating to "Net working capital".

(€ thousands)	31/12/2012					
Pre-reclassification	**Europe**	**North America**	**Asia Pacific**	**Africa**	**Elim.**	**Total**
Other payables	(84,593)	(7,427)	(21,253)	(246)	61	(113,458)
Liabilities for employees' benefits	(12,428)	(783)	(2,049)	-	-	(15,260)
Total	**(97,021)**	**(8,210)**	**(23,302)**	**(246)**	**61**	**(128,718)**
Post-reclassification	**Europe**	**North America**	**Asia Pacific**	**Africa**	**Elim.**	**Total**
Other payables	(84,593)	(7,484)	(21,253)	(246)	61	(113,515)
Liabilities for employees' benefits	(12,428)	(726)	(2,049)	-	-	(15,203)
Total	**(97,021)**	**(8,210)**	**(23,302)**	**(246)**	**61**	**(128,718)**

Non-current assets

Non-current assets amounted to €752,138 thousand at 31 December 2013, versus €829,881 thousand at 31 December 2012, a net decrease of €77,743 thousand, explained (i) for €33,398 thousand by capital expenditure; (ii) for €5,557 thousand by acquisitions; (iii) for €48,896 thousand by amortization, depreciation and impairment charges, and (iv) for €67,802 thousand by other net decreases explained primarily by exchange losses.

Investments

In 2013 the Amplifon Group, in line with its strategy to further increase the focus on customer care and to maximize operating efficiency, continued and accelerated store renovation on the basis of the concept store developed over the last few years. Investments were, therefore, made in restructuring and relocating a few stores. The customer focus and the goal to increase control of operating activities drove the investments made in Information Technology. Of note, in this regard, is the work done on front office systems particularly with regard to sales force automation systems, CRM and renewal of the store system in Europe.

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

(€ thousands)		31/12/2013	31/12/2012	Change
Europe	Goodwill	205,645	203,928	1,717
	Non-competition agreements, trademarks, customer lists and lease rights	22,115	28,991	(6,876)
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	18,167	15,515	2,652
	Tangible assets	69,606	73,087	(3,481)
	Financial fixed assets	4,698	4,747	(49)
	Other non-current financial assets	2,418	2,563	(145)
	Non-current assets	322,649	328,831	(6,182)
North America	Goodwill	57,217	59,604	(2,387)
	Non-competition agreements, trademarks, customer lists and lease rights	2,367	3,509	(1,142)
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	8,740	9,052	(312)
	Tangible assets	1,574	1,573	1
	Financial fixed assets	34,945	31,137	3,808
	Other non-current financial assets	14	8	6
	Non-current assets	104,857	104,883	(26)
Asia Pacific	Goodwill	237,818	288,321	(50,503)
	Non-competition agreements, trademarks, customer lists and lease rights	68,393	86,596	(18,203)
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	517	958	(441)
	Tangible assets	16,473	18,931	(2,458)
	Financial fixed assets	653	625	28
	Other non-current financial assets	312	257	55
	Non-current assets	324,166	395,688	(71,522)
Africa	Goodwill	-	-	-
	Non-competition agreements, trademarks, customer lists and lease rights	-	-	-
	Software, licences, other intangible fixed assets, fixed assets in progress and advances	-	-	-
	Tangible assets	466	479	(13)
	Financial fixed assets	-	-	-
	Other non-current financial assets	-	-	-
	Non-current assets	466	479	(13)

Europe

Non-current assets, which amounted to €322,649 thousand at 31 December 2013 versus €328,831 thousand at 31 December 2012, decreased by €6,182 thousand. This decrease is explained:

- for €17,589 thousand by investments in plant, property and equipment, relating primarily to investments in technological infrastructure, the renewal of stores as part of the introduction of the new concept store;
- for €6,172 thousand by investments in intangible assets, relating primarily to the implementation of new store and sales support systems and, more specifically, to the renewal of the front-office system;
- for €5,050 thousand by acquisitions made during the period;
- for €32,080 thousand by amortization, depreciation and impairment charges;
- for €1,694 thousand by decreases following disposals;
- for €1,219 thousand by other net decreases relating primarily to exchange losses.

North America

Non-current assets, which amounted to €104,857 thousand at 31 December 2013 versus €104,883 thousand at 31 December 2012, decreased by €26 thousand. This decrease is explained:

- for €1,878 thousand by investments in plant, property and equipment, relating primarily to the renewal of stores;
- for €1,879 thousand by investments in intangible assets, relating primarily to joint investment plans with the franchisees for the renewal and relocation of stores;
- for €507 thousand by acquisitions made in the period;
- for €4,458 thousand by amortization, depreciation and impairment charges;
- for €4,974 thousand by loans granted to the indirect network for business expansion;
- for €4,806 thousand by other net decreases relating primarily to exchange losses.

Asia Pacific

Non-current assets, which amounted to €324,166 thousand at 31 December 2013 versus €395,688 thousand at 31 December 2012, decreased by €71,522 thousand. This decrease is explained:

- for €5,714 thousand by investments in plant, property and equipment, relating primarily to the opening, restructuring and relocation of a few stores;
- for €59 thousand by investments in intangible assets;
- for €12,300 thousand by amortization, depreciation and impairment charges;
- for €64,995 thousand by other net decreases relating primarily to exchange losses.

Africa

Non-current assets, which amounted to €466 thousand at 31 December 2013 versus €479 thousand at 31 December 2012, decreased by €13 thousand. This decrease is explained:

- for €107 thousand by investments in plant, property and equipment;
- for €57 thousand by amortization and depreciation charges;
- for €63 thousand by other net decreases linked primarily to exchange losses.

Net invested capital

Net invested capital amounted to €657,978 thousand at 31 December 2013 versus €735,993 thousand at 31 December 2012. The decrease of €78,015 thousand is basically in line with the change in non-current assets described above: a decrease in working capital linked primarily to the recognition as short-term debt of long-term incentives for the Group's top management was offset by the increase in other assets and liabilities.

The following table shows the breakdown of net invested capital by geographical area.

(€ thousands)	31/12/2013	31/12/2012	Change
Europe	294,438	301,057	(6,619)
North America	76,585	85,893	(9,308)
Asia Pacific	285,995	348,339	(62,344)
Africa	960	704	256
Total	657,978	735,993	(78,015)

Europe

Net invested capital amounted to €294,438 thousand at 31 December 2013, a decrease of €6,619 thousand with respect to the figure posted at 31 December 2012. The decrease is basically in line with the change in non-current assets described above: a decrease in working capital linked primarily to the recognition as short-term debt of the Group's top management's long-term incentives was offset by the increase in other assets and liabilities. Factoring without recourse in the period involved trade receivables with a face value of €45,572 thousand (€46,576 thousand in the prior year) and VAT receivables with a face value of €12,854 thousand (€11,961 thousand in the prior year).

North America

Net invested capital amounted to €76,585 thousand at 31 December 2013, an increase of €9,308 thousand with respect to the figure posted at 31 December 2012. The change is linked to the decrease in working capital that came to €1,176 thousand versus €5,588 thousand at 31 December 2012, along with a decrease in deferred tax assets.

Asia Pacific

Net invested capital amounted to €285,995 thousand at 31 December 2013, a decrease of €62,344 thousand with respect to the figure posted at 31 December 2012: the decrease in non-current assets described above was offset by an increase in working capital which came to a negative €18,961 thousand, versus a negative €21,734 thousand at 31 December 2012, and a drop in deferred tax liabilities.

Africa

Net invested capital amounted to €960 thousand at 31 December 2013, an increase of € 256 thousand with respect to the figure posted at 31 December 2012.

Net financial indebtedness

(€ thousands)	31/12/2013	31/12/2012	Change
Net medium and long-term financial indebtedness	435,426	293,645	141,781
Net short-term financial indebtedness	10,262	123,370	(113,108)
Cash and cash equivalents	(170,345)	(111,180)	(59,165)
Net financial indebtedness	275,343	305,835	(30,492)
Group net equity	382,175	429,562	(47,387)
Minority interests	460	596	(136)
Net Equity	382,635	430,158	(47,523)
Financial indebtedness/Group net equity	0.72	0.71	
Financial indebtedness/net equity	0.72	0.71	

Net financial indebtedness at 31 December 2013 amounted to €275,343 thousand, a decrease of €30,492 thousand against 31 December 2012, confirmation of the Group's ability to generate solid cash flow even in the presence of a noticeable drop in operating profit with respect to the prior year and which, moreover, financed capex of €33,398 thousand, acquisitions of €4,817 thousand, in addition to the payment of interest, fees linked to the debt capital market issues, charges relating to the early closure of hedges on the syndicated loan which was repaid in advance and other net financial charges which amounted to €30,345 thousand, taxes of €37,825 thousand and dividends paid to shareholders of €9,330 thousand. Despite what is an uncertain environment, the Group, in fact, plans to continue with its investment plan in order to resume its growth path as soon as possible.

At 31 December 2013 total financial indebtedness amounted to €275,343 thousand with cash and cash equivalents totalling €170,345 thousand, while long-term debt amounted to €435,426 thousand.

While liquid assets were sufficient to discharge all maturing obligations, during the period under examination the Amplifon Group changed its debt structure profoundly and completed two important transactions on the debt capital markets which made it possible to completely refinance the short-term debt falling due, as well as the portions maturing in 2014 and 2015, in order to use available resources to support business and take advantage of any growth opportunities that might materialize. More in detail:

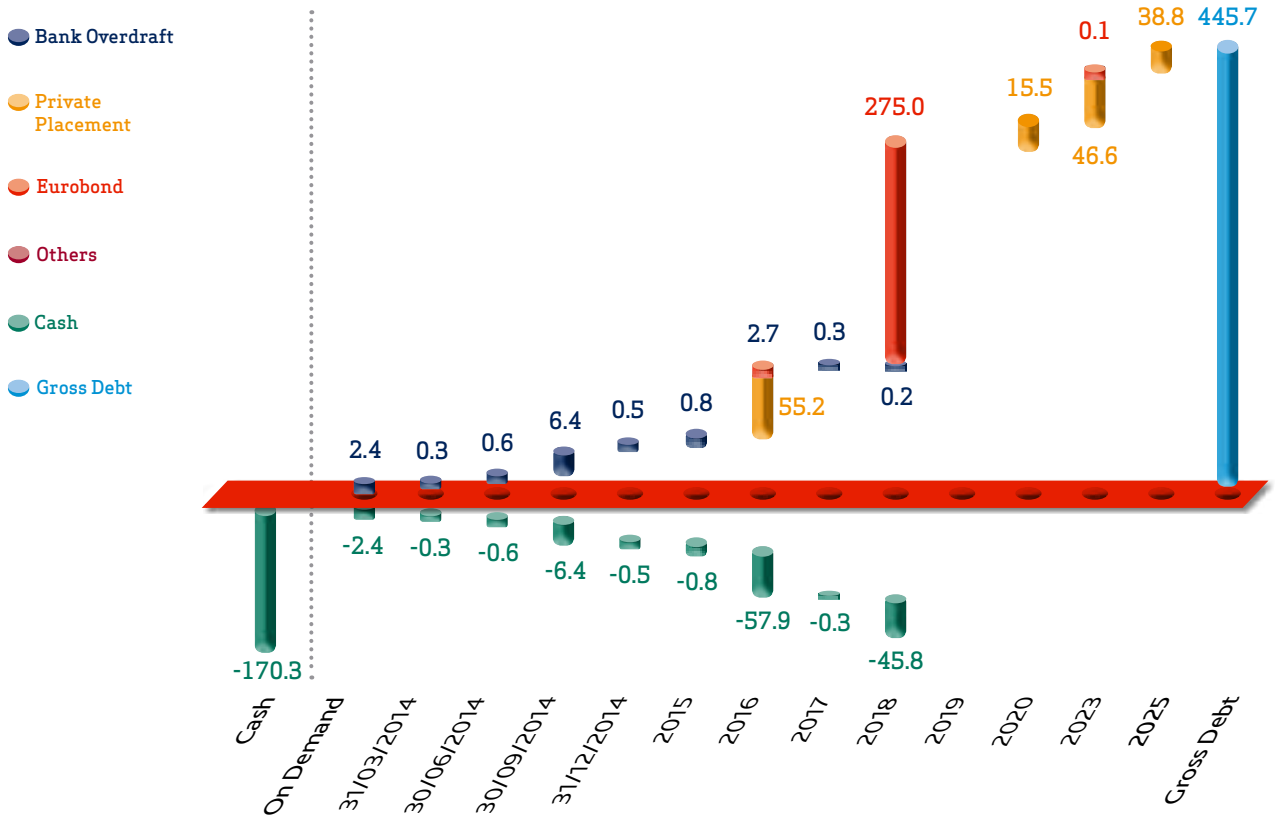
- Amplifon USA completed a private placement on the American market of USD 130 million with 7, 10 and 12 year maturities, an average duration of 10.3 years and an average coupon of 3.90% after the swap to Euro. USD 15 million of the loan was disbursed on 30 May 2013 and USD 115 million on 31 July 2013;
- on 16 July 2013 Amplifon S.p.A. issued a €275 million 5-year bond loan on the European market with a coupon of 4.875% reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF market.

In order to ensure the flexibility needed to finance its growth, in the year the Group also negotiated irrevocable long term (3 and 4 years) credit lines of €100 million, bringing the total of the unused portion of the credit lines granted to €135.9 million, €100 million of which irrevocable.

Thanks to these transactions the Group was not only able to procure the financial resources needed to repay the second tranche of the 2006-2016 private placement maturing on 2 August 2013 amounting, at the hedging rate, to €67 million, but also on 23 July 2013 to repay in advance the entire amount outstanding of the syndicated loan taken out for the NHC Group acquisition at the end of 2010 which at 30 June 2013 amounted to €254.5 million. The 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 million, at the hedging rate, falls due.

Debt Maturity & Cash Equivalents at 31.12.2013

(€ millions)



Interest payable on financial indebtedness amounted to €27,634 thousand at 31 December 2013, versus €24,442 thousand at 31 December 2012. This sum includes €6,783 thousand relating to the early payment of fees and closure of hedges on the syndicated loan which was repaid in advance on 23 July 2013 following the issue on 16 July 2013 of a 5-year Eurobond of €275 million.

Interest receivable on bank deposits came to €1,253 thousand at 31 December 2013 versus €951 thousand at 31 December 2012.

Covenants

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 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 operations and restated if the Group's structure should change significantly) must not exceed 3.5.

These ratios, in the event significant acquisitions are made, may be increased to 2.0 and 4.0, respectively, for a period not exceeding 12 months on two occasions over the life of the loan.

The USD 70 million private placement 2006-2016 (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 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 operations and restated if the Group's structure should change significantly) must not exceed 3.5.

At 31 December 2013 the value of the ratios was as follows:

	Value
Net financial indebtedness/Group net equity	0.72
Net financial indebtedness/EBITDA for the last 4 quarters	2.22

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

The €275 million Eurobond maturing in 2018 and issued in July 2013 is not subject to any covenants nor is the remaining €0.3 million long-term debt, including the short-term portion.

The net debt to net invested capital ratio amounted to 41.85% at 31 December 2013 (41.55% at 31 December 2012).

The reasons for the changes in net debt are detailed below, in the section on cash flow.

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)	FY 2013	FY 2012
OPERATING ACTIVITIES		
Net profit (loss) attributable to the Group	12,848	43,182
Minority interests	72	(40)
Amortization, depreciation and write-downs:		
- Intangible fixed assets	22,302	23,505
- Tangible fixed assets	26,268	23,640
- Goodwill	326	141
Total amortization, depreciation and write-downs	**48,896**	**47,286**
Provisions	16,672	15,276
(Gains) losses from sale of fixed assets	(324)	63
Group's share of the result of associated companies	131	(63)
Financial income and charges	31,513	25,744
Current and deferred income taxes	23,954	29,063
Change in assets and liabilities:		
- Utilization of provisions	(7,983)	(8,076)
- (Increase) decrease in inventories	3,624	1,285
- Decrease (increase) in trade receivables	(2,271)	(6,701)
- Increase (decrease) in trade payables	439	1,504
- Changes in other receivables and other payables	12,758	2,446
Total change in assets and liabilities	*6,567*	*(9,542)*
Dividends received	176	73
Net interest charges	(22,050)	(22,145)
Taxes paid	(37,825)	(28,580)
Cash flow generated from (absorbed by) operating activities	**80,630**	**100,317**
INVESTING ACTIVITIES:		
Goodwill	-	-
Purchase of intangible fixed assets	(8,110)	(8,415)
Purchase of tangible fixed assets	(25,288)	(26,972)
Consideration from sale of tangible fixed assets and businesses	3,686	1,820
Cash flow generated from (absorbed by) investing activities	*(29,712)*	*(33,567)*
Cash flow generated from operating and investing activities (Free cash flow)	**50,918**	**66,750**
Business combinations (*)	(4,817)	(12,576)
(Purchase) sale of other investments and securities	768	4,176
Cash flow generated from acquisitions	*(4,049)*	*(8,400)*
Cash flow generated from (absorbed by) investing activities	**(33,761)**	**(41,967)**
FINANCING ACTIVITIES:		
Changes in hedging derivatives	(3,691)	-
Fees paid on medium/long-term financing	(4,604)	-
Other non-current assets	(4,345)	(5,428)
Dividend distributions	(9,330)	(7,992)
Capital increases (reduction)/third parties contributions in subsidiaries / dividends paid to third parties by the subsidiaries	1,671	2,388
Cash flow generated from (absorbed by) financing activities	**(20,299)**	**(11,032)**
Changes in net financial indebtedness	**26,570**	**47,318**
Net financial indebtedness at the beginning of the period	(305,835)	(351,836)
Effect of disposal of assets on net financial indebtedness	-	-
Effect of exchange rate fluctuations on net financial indebtedness	3,922	(1,317)
Changes in net indebtedness	26,570	47,318
Net financial indebtedness at the end of the period	**(275,343)**	**(305,835)**

(*) The item refers to the net cash flow absorbed by acquisitions of business units and equity investments.

The change in **net debt** of €30,492 thousand is explained by:

(i) Investing activities:
- capital expenditure on property, plant and equipment and intangible investments of €33,398 thousand and, as commented in the section on non-current assets, above, relating largely to the investments in technological infrastructure, the renewal of stores in order to introduce the concept store developed over the last three years and to the implementation of new front-office sales support systems;
- acquisitions of €4,817 thousand including the debt of the acquired companies;
- net proceeds from the disposal of other assets, equity investments and securities amounting to €4,454 thousand.

(ii) Operating activities:
- interest payable on financial indebtedness and other net financial charges of €22,050 thousand;
- payment of taxes which amounted to €37,825 thousand;
- cash flow generated from operating activities of €140,505 thousand.

(iii) Financing activities:
- commissions and fees on loans of €4,604 thousand;
- charges linked to the closure of derivatives hedging the syndicated loan of €3,691 thousand;
- net proceeds from capital increases following the exercise of stock options of €1,737 thousand;
- payment of dividends to shareholders of €9,330 thousand;
- payment of dividends to minorities by subsidiaries amounting to €66 thousand;
- increase in non-current assets of €4,345 thousand relating primarily to joint investment plans with the US franchisees for the renewal and relocation of stores.

(iv) Exchange losses of €3,922 thousand.

Cash flow for the period reflects non-recurring charges of €5,449 thousand, of which €1,758 thousand affected free cash flow and €3,691 thousand net financial expense.

Acquisition of Companies and Businesses

In 2013 the Group made a few minor acquisitions in order to increase coverage in some countries for a total of €4,817 thousand, including the debt assumed and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years.

More in detail:

- in Germany 2 stores were purchased in the city of Bremen, along with one store in Minden (Westphalia) and a store in Kusel (Rhineland);
- in France Correction Auditive de l'Est, which has three stores in the Nancy area, and C2A Audition, with 6 stores in the Rhône-Alpes region, were acquired;
- in Belgium a store that was part of the indirect network was purchased in Diest;
- in Hungary the assets that Kind had in the country were purchased which includes 5 stores and customer files from 6 other points of sale;
- in the United States Miracle Ear purchased 4 stores which were previously part of the Sonus Franchisee network as part of a rationalization of the franchising network: the stores acquired will be used to increase coverage in a few geographical regions and will, at any rate, become part of the franchising network once again. Customer files of two indirect stores in Oklahoma and Alabama were purchased to become part of this network.

Reconciliation between the Parent Company's net equity and results and the Group's consolidated net equity and results at 31 December 2013

(€ thousands)	Net equity	Net result
Net equity and year-end result as reported in the Parent company's financial statements	**327,462**	**32,643**
Elimination of carrying amount of consolidated investments:		
- difference between carrying amount and the pro-quota value of net equity	(352,760)	-
- pro-quota results reported by the subsidiaries	67,695	67,695
- pro-quota results reported by investments valued at equity	1,151	(131)
- difference from consolidation	340,044	-
Elimination of the effects of intercompany transactions:		
- elimination of impairment net of reversals of investments and intercompany receivables	-	4,881
- intercompany dividends	-	(92,608)
- intercompany profits included in the year-end value of inventories net of fiscal effect	(706)	293
- exchange differences and other changes	(251)	147
Net equity and year-end result as stated in the consolidated financial statements	382,635	12,920
Minority equity and result for the year	459	73
Group net equity and result for the year	382,175	12,848

Risk Management

In line with the most advanced management systems and best practices in the design and implementation of internal control systems Amplifon focuses strongly on risk management.
All enterprises deal with risk: this exercise is all the more vital in a continually changing situation, where moreover there is an ongoing recession.
Amplifon's management carefully assesses the balance between risk and opportunity and channels resources towards the achievement of the best balance in line with the risk threshold which is considered acceptable.

Risks are identified both at Group level and locally, in the Group's countries of operation by regularly performing risk assessment exercises involving the whole management of the Group using the self-assessment method. Risks are then ranked according to priority in light of the Group's objectives and those of its subsidiaries and on the basis of the combined effect of probability and severity of the residual risks.

Systems are then put in place to monitor the factors contributing to risk with the aim of mitigating risk and exploiting business opportunities in relation to the ability to anticipate competitive trends.

In this way risk management and risk monitoring continuously complete the Group's risk analysis work.

For ease of assessment, risk factors are grouped into categories: those originating outside the company, those stemming from Amplifon's own organisation, and those of a more specifically financial nature.

The main external risks identified, grouped by type, are the following:

Political, economic, social, legal and regulatory
The Amplifon Group operates in the "medical" sector which is regulated differently in different countries.

A change in regulations (for example, in terms of refunds, the way in which coverage is calculated, in the ability to access national health coverage, in the role of the ENT doctors and, more in general, in the laws relating to hearing aids), has and will have a significant and immediate impact on performance, similar to the unfavourable events that took place in 2013 in the Netherlands, in 2011 in Switzerland and in New Zealand, or the positive developments that took place in Germany at the end of 2013, as would any changes in social policies which result in the public sector having a larger or smaller role in the treatment of hearing disorders.

Typically the distorting impact of any regulatory changes relating to the amounts reimbursed is felt for a limited time of two/six quarters, after which the market returns to the pre-change growth rates.

The impact of regulatory changes which seek to also control the sale price of hearing aids (similar to what happened in the Netherlands) lasts longer as in this instance results decline sharply immediately, while any market growth commences only in the medium/long term.

Being well aware that other unexpected and unforeseen changes could take place in addition to those mentioned above (in Switzerland, New Zealand, the Netherlands and Germany), also in light of the persistent tensions in the debt market and pressure on governments' accounts the Group has implemented a series of measures which ensure the ability to react in a timely manner to these events with a view to reducing the impact of any unfavourable changes or maximizing the upside in the event the changes are favourable.

In particular: (i) regular reporting has been set up on the main changes in regulations, on analyses of their impact and on plans made to adapt them, which are discussed with Corporate management and approved centrally; (ii) mapping of industry regulations in all countries of operation has been initiated, together with monitoring of changes in regulations by the Group's compliance function with the support of the legal affairs department; (iii) mapping of trade bodies and associations in the Group's countries of operation has been initiated, as also to ensure appropriate participation in them by Amplifon's managers with the aim of agreeing future strategy.

With regard to the economic environment, while the market sector in which the Amplifon Group operates is less sensitive than others to fluctuations in the general economic cycle, it is, however, influenced and the current situation involves significant uncertainty concerning future results. A drop in sales in the short term could have a direct impact on margins as the stores' costs are primarily fixed.

In contrast, in the United States, where the Group's business model is based on commercial partners and other indirect channels, the Group's performance is strongly dependent on their performance and financial solidity, which must be monitored carefully in order to react quickly, including by repositioning stores as has been done since the second part of 2011 with some of the Miracle Ear franchise stores that are part of structures managed by partners that are currently experiencing difficulties.

With regard to demographic changes, there are a number of factors including the growing number of senior citizens (baby boomers), the increased average life expectancy and the declining age at which the hearing aid market is being accessed, which represent both a great opportunity and a risk, as the opportunity could be missed as a result of the failure to correctly estimate the increased rate of penetration and, consequently, to calculate the growth opportunities. In the marketing plans, therefore, particular attention is paid to interpreting all the trend signals and to using them to develop effective communication while continuously monitoring the results.

Competition and the Market

The entry of new competitors into the market, intensifying competition, constitutes an obstacle to growth by acquisition due to increased competition for acquisition targets.

Entry into the market by new players, especially optician chains, which are able to use distribution channels based on already existing stores, or by hearing aid producers, which could earn higher margins on their products, or by eCommerce or on-line players, entails greater price competition.

The risk that new players may enter the market could also be increased by regulatory changes relating to store personnel qualified to sell hearing aids in the event qualifications should become less stringent (as has already happened in some countries) and/or professions like audiologist/hearing aid specialist become more accessible, which would make it easier to recruit these professionals.

Organic growth, supported by investments in store renovations with new openings and increased productivity, and growth through acquisitions are keys to staying ahead of the competition. These activities call for significant financial resources and, therefore, during the year Group completed two issues on the debt capital markets which made it possible to refinance its debt, now all long term. The cash flow generated from operations, as well as existing liquidity, can now be used to support these important investing activities.

In the United States the Group is, at this point, totally focused on the indirect channel which again showed strong growth in 2013. In order, however, for this growth to be sustained over time new partners must be added going forward. At the end of the year, therefore, it was decided to focus on the channels that ensure greater volumes and are more attractive to potential partners (Elite wholesale, Miracle Ear and Hear PO). A gradual shift of the business with less critical mass (Sonus) toward these channels was, therefore, initiated.

Technological Innovation

The Amplifon Group's distinctive features are the quality of customer assistance at the sales stage and the customization of the hearing aid. Any technological changes affecting the development of self-fitting hearing aids would entail a reduction of the importance of customisation, but assistance and support given to the customer when choosing the best solution, and post-sale service would remain of fundamental importance.

The Amplifon Group has set up a work-group to monitor continuously the technological changes in the fitting of products and to inform Corporate managers of all innovations or alterations. This work-group is also studying and developing alternatives to hearing aids and new marketing methods.

The risk that an alternative to the hearing aid may be developed to remedy hearing loss (e.g. surgical techniques or the use of pharmaceuticals) would have a very significant impact, but is considered very remote.

Relationships with the Medical Profession

Doctors are important influencers of our customers' buying choices. We consider our relationship with the medical profession of primary importance, though in different ways, both in countries where a prescription is obligatory (such as Italy, France, Germany, Belgium, Switzerland and Hungary), and in those where it is not, since there is a strong bond between patients and their doctors. We have therefore created a position in the corporate centre to coordinate relationships with the medical profession internationally, with the aim of disseminating information and providing professional and scientific support. At the same time the Group continues to be a reference-point - through our CRS (the Company's research centre) - for the international scientific community both by organising numerous conferences and scientific seminars and cooperating with numerous universities, and through its scientific publications.

Customer Relationships

Amplifon's business essentially consists of providing high quality service to customers in terms of both technical performance and personal relations. This is what distinguishes us from our competitors. Should customers not be satisfied, the Company would be running a risk.

To monitor customer satisfaction continuously, Amplifon carries out regular customer satisfaction surveys, and frequent training programmes for its audio-prosthesists; our sales policies are also oriented towards customer satisfaction.

The main internal risks identified, grouped by type, are as follows:

Organisation and Processes

In the current economic situation, in which the decisive factors for our business are highly volatile, the ability to take rapid strategic and tactical action is vital in all the countries where the Group operates. It follows that the Company must possess an adequate level of formalisation and application and control over its processes in order to maximise its operating efficiency and effectively control its stores in terms of the profitability, effectiveness and efficiency of each one. These processes are still more important with acquisitions, where it is crucial to assess all the risks arising from such operations: mistakes in assessing those risks, like slow and delayed integration of acquired businesses into the Group's processes, might entail significantly higher costs and inefficiency levels for the Group.

After having implemented a project to standardize the Group's IT processes, including in geographical regions where recent acquisitions were made, as well as the Compliance 262 and the Business Performance Management projects in the stores, with a view to more effective monitoring of activities and international comparison, at the beginning of 2013 the Group adopted its worldwide Cash Pooling project which will make it possible to more efficiently manage liquidity and monitor daily availability in order to take timely action with regard to any critical areas.

Rapid implementation of strategic decisions is ensured by an organisation based on uniform geographical regions and a leadership team working with the Managing Director which includes the Directors of each macro geographical area and the corporate heads of the various functions: innovation and development, HR, administration and finance and purchasing.

Human Resources

One of Amplifon's strengths is its customer service and in this context our people are a vital factor, while they also present certain issues and areas of risk. Specifically:

- limited availability of audio-prosthesists in our market, the difficulty of attracting new ones and some of them moving to the competition can pose significant risks for the Group's organic growth together with the risk of losing customers and increased labour cost due to salary increases;
- deficiencies in staff's technical and sales skills might make the sales effort ineffective in certain countries and would be a significant risk in terms of reaching our organic growth targets;
- the risk of illegal acts or behaviour out of line with Group rules committed by the sales force.

To mitigate these risks the Group has taken the following actions:

- we have defined and set out our values in our Code of Conduct, which has been distributed in all our countries of operation and in Italy we have also implemented the Internal Organizational Model adopted pursuant to Legislative Decree 231/2001;
- we have drawn up the ideal audio-prosthesist's profile, with the aim of having a profile consistent with our recruitment methods and the Group's business policies. We have also acted to increase the supply of audio-prosthesists in the market, through agreements with universities and specialist courses;
- we have stepped up our internal training programmes and developed central coordination of training organised in our countries of operation;
- we have implemented a structured performance management system with the aim of aligning individual objectives, corporate strategies, the incentive system and the results achieved, and to provide all employees and collaborators with a valid tool for their professional development;
- in order to check that procedures are being followed, for a long time we have been inspecting our branches in Italy, this is repeated frequently over time. Similar activities have been started in France and in UK, and will be started soon in the other countries.

Financial risks

With a view to structured management of treasury activities and financial risks, since 2012 the Group has adopted a treasury policy which contains guidelines for the management of:

- currency risk;
- interest rate risk;
- credit risk;
- price risk;
- liquidity risk.

Currency risk
This includes the following types:

- *foreign exchange transaction risk*, that is the risk of changes in the value of a financial asset or liability, of a forecasted transaction or a firm commitment, changes due to exchange rate fluctuations;
- *foreign exchange translation risk*, that is the risk that the translation of the assets, liabilities, costs and revenues relating to net investment in a foreign operation into the reporting currency gives rise to an exchange gain or loss.

In the Amplifon Group, foreign exchange transaction risk is substantially limited in consideration of the fact that each country is largely autonomous in the operation of its business, incurring costs in the same currency as it realises revenues and derives primarily from intragroup transactions (medium long-term and short loans, recharges for intercompany service agreements), which give rise to an exchange rate risk exposure to the companies operating in a currency other than that of the intragroup transaction. Additionally, exposure to foreign exchange transaction risk arises from investments in listed financial instruments denominated in a currency other than the investing company's functional currency.
Foreign exchange translation risk arises from investments in the following countries: United States, United Kingdom, Switzerland, Hungary, Turkey, Poland, Australia, New Zealand, India and Egypt.

The Group's strategy is to minimise the impact on the income statement of exchange rate fluctuations and provides for hedging the exposure of the financial positions of individual companies denominated in currencies other than the reporting currency, and specifically: (i) bonds in US dollars issued by Amplifon S.p.A. and subscribed by Amplifon USA Inc; (ii) inter-company loans denominated in currencies other than the Euro between Amplifon S.p.A. and the Group associates in the United Kingdom and Australia.
The intercompany loans existing between the companies in Australia and New Zealand, as well as an intercompany loan granted by Amplifon S.p.A. to its English affiliate, are considered equity investments insofar as they are not interest bearing and are not expected to be repaid. Any changes in exchange rates are, therefore, charged directly to the translation reserve without impacting the income statement.

The risks arising from other intercompany transactions and investments in quoted instruments in foreign currency are not high since the amounts involved are not significant, hence they are not hedged.
Taking the foregoing into account, fluctuations in exchange rates during the financial year had no significant effects on the Amplifon Group's consolidated financial statements.

With regard to foreign exchange translation risk, as individual countries earn income and pay expenses in their own currency no hedging is undertaken, having also considered the potential complexity of similar

hedging transactions. The effects of the significant strengthening of the Euro against the Australian and US dollars caused the Group's EBITDA in Euro to be lower by a few percentage points with respect to the Group's total EBITDA.

Interest rate risk

Interest rate risk includes the following situations:

- fair value risk, that is the risk that the value of a financial asset or liability at fixed interest rate may change due to fluctuations in market interest rates;
- cash flow risk, that is the risk that the future cash flows of a floating interest rate financial asset or liability fluctuate due to changes in market interest rates.

In the Amplifon Group fair value risk arises on the issue of fixed-income bonds (private placement and Eurobond). Cash flow risk derives from taking out floating-rate bank loans.

The Group's strategy is to minimise cash flow risk, especially in respect of long-term exposures, through a balanced division between fixed- and floating-rate loans, judging whether to transform floating-rate borrowings to fixed-rate both when each loan is taken out and during the life of the loans, also having regard to the interest rate levels seen in the markets on each occasion. In any event, at least 50% of the debt must be hedged against changes in interest rates.

Almost the total amount of long/medium term debt at 31 December 2013 amounting to €431 million is linked to the fixed rate debt capital market issues. The debt has yet to be swapped to floating rate as interest rates are currently low and there is little room for additional decreases with respect to the possibility of an increase. Consequently the risk that a swap of the current debt to floating rate could result in financial charges over the life of the debt which, overall, exceeds the current fixed rate is viewed as high.

Credit risk

Credit risk is the possibility that the issuer of a financial instrument may default on its obligations and cause a financial loss to the holder.

In the Amplifon Group credit risk arises from:

(i) sales made as part of ordinary business operations;

(ii) the use of financial instruments that require settlement of positions with the counterparty;

(iii) the transfer of Group-owned American stores to franchisees, with the payment spread over up to 12 years, following the transformation of the business model of the subsidiary Sonus from the direct to the indirect channel.

With regard to the risk under (i) above, it is noted that the only positions with a high unit value are amounts due from Italian public-sector entities, whose risk of insolvency – while existing – is remote and further mitigated by the fact that they are factored without recourse, on a quarterly basis, to specialist factoring companies. Additionally, the credit risk arising from sales with private individuals to whom payment by installments has been agreed, is becoming significant as is that arising from sales to US indirect channel firms (wholesalers and franchisees), which in any case are related to a number of partners which individually owe Amplifon a limited amount that also with reference to the biggest of them does not exceed the few million US dollars. Due to the persistent general economic crisis, some may not be able to honour their debts. This causes a risk of increased working capital and bad debt losses. The Group, through its Corporate functions,

has set up a system of monthly reporting on its debtors, to monitor their composition and due dates for each country and decide with local management both the actions to be taken to recover overdue accounts and credit policy. In particular, with regard to private customers, who are however largely paying cash, instalment or financed sales have been limited to a maximum term of 12 months and where possible they are managed by external finance companies which advance the whole amount of the sale to Amplifon, while with regard to the indirect channel in the US, the situation is closely monitored by local management.

The risk referred to in (ii) above, notwithstanding the inevitable uncertainties linked to a sudden and unforeseeable counterparty default, is managed by diversifying among the main national and international investment-grade financial institutions and through the use of specific counterparty limits with regard to both liquidity invested and/or deposited and to the notional amount of derivative contracts. Counterparty limits are higher if the counterparty has a Standard & Poor's and Moody's short-term rating equal to at least A-1 and P-1, respectively. The Group's CEO and CFO may not carry out transactions with non-investment-grade counterparties unless specifically authorized to do so.

The risk referred to in (iii) above is mitigated by ensuring the return of sold stores to form part of Amplifon property in the instance where payment is not made.

Price risk

This arises from the possibility that the value of a financial asset or liability may change due to changes in market prices (other than those caused by currency or interest-rate fluctuations) whether these changes arise from specific characteristics of the financial asset or liability or the issuer of the financial liability, or are caused by market factors. This risk is typical of financial assets not listed on an active market, which may not be easily realised at a value close to their fair value.

In the Amplifon Group price risk arises from certain financial investments in listed instruments, mainly bonds. Given the size of these investments, this risk is not significant and is therefore not hedged.

Liquidity risk

This risk often arises from the possibility that an entity may have difficulty finding sufficient funds to meet its obligations. It includes the risk that the counterparties that have granted loans or lines of credit may request repayment.
This risk, which had become particularly significant, first as a result of the 2008 financial crisis and more recently as a result of the crisis involving the peripheral Euro zone countries' sovereign debt crisis and the single currency itself, still exists albeit smaller.

In this situation the Group continues to pay the utmost attention to cash flow and debt management, maximizing the positive cash flow from operations, as well as refinancing all expiring debt well in advance. While liquid assets were more than sufficient to cover all the obligations maturing through the end of 2013, during the year the Amplifon Group completed two important transactions on the debt capital markets which made it possible to completely refinance the short-term debt falling due, as well as the portions maturing in 2014 and 2015, in order to use available resources to support business and take advantage of possible growth opportunities. More in detail:

- Amplifon USA completed a private placement on the American market of USD 130 million with 7, 10 and 12 year maturities, an average duration of 10.3 years and an average coupon of 3.90% after the swap to Euro. USD 15 million of the loan was disbursed on 30 May 2013 and USD 115 million was disbursed on 31 July 2013;

- on 16 July 2013 Amplifon S.p.A. issued a €275 million 5-year bond loan on the European market with a coupon of 4.875% reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF market.

Through these transactions the Group was not only able to procure the financial resources needed to repay the second tranche of the 2006-2016 private placement that expired on 2 August 2013 amounting, at the hedging rate, to €67 million, but also on 23 July 2013 to repay in advance the entire amount outstanding of the syndicated loan taken out for the NHC Group acquisition at the end of 2012 which amounted to €254.5 million. The 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 million, at the hedging rate, will fall due.

These activities, along with the liquidity, long term credit lines which amount to €100 million and the positive cash flow that the Group continues to generate, lead us to believe that, at least in the short term, liquidity risk is not significant.

Hedging instruments

Hedging instruments are used by the Group exclusively to mitigate - in line with company strategy - interest rate and currency risk and are exclusively financial derivatives. In order to maximise the effectiveness of these hedges Group strategy prescribes that:

- the counterparties be of large size and high credit standing and that transactions be within the limits laid down by treasury policy in order to minimise counterparty risk;
- the instruments used match, as far as possible, the characteristics of the risk they hedge;
- the performance of the instruments used be monitored, not least in order to check and, if necessary, optimise the appropriateness of the structure of the instruments used to attain the aims of the hedge.

The derivatives used by the Group are generally so-called plain vanilla financial instruments. In particular, the types of derivatives adopted are the following:

- cross currency swaps;
- interest rate swaps;
- interest rate collars;
- forward foreign exchange contracts.

On initial recognition these instruments are measured at fair value. At subsequent reporting dates the fair value of derivatives must be re-measured and:

(i) if these instruments fail to qualify for hedge accounting, any changes in fair value that occur after initial recognition are taken to profit and loss;

(ii) if these instruments subsequently qualify as fair value hedges, from that date any changes in the fair value of the derivative are taken to profit and loss; at the same time, any fair value changes due to the hedged risk are recorded as an adjustment to the book value of the hedged item and the same amount is recorded in the income statement; any ineffectiveness of the hedge is recognised in profit and loss;

(iii) if these instruments qualify as cash flow hedges, from that date any changes in the fair value of the derivative are taken to net equity; changes in the fair value of the derivative that are recognised in net equity are subsequently transferred to the income statement in the period in which the transaction that is hedged against affects the income statement; when the object of the hedge is the purchase of a non-financial asset, changes to the fair value of the derivative taken to net equity are reclassified to adjust the purchase cost of the asset hedged (so-called basis adjustment); any ineffectiveness of the hedge is recognised in profit and loss.

The Group's hedging strategy is reflected in the accounts as described above starting from the time when the following conditions are satisfied:

- the hedging relationship, its purpose and the overall strategy are formally defined and documented; the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk to be neutralised and the procedures whereby the entity will assess the effectiveness of the hedge;
- the effectiveness of the hedge may be reliably assessed and there is a reasonable expectation, confirmed by ex post evidence, that the hedge will be highly effective for the period in which the hedged risk is present;
- if the hedged risk is that there may be changes in cash flow arising from a future transaction, the latter is highly probable and has exposure to changes in cash flow that could affect profit and loss.

Derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under assets or liabilities if related to derivatives which do not qualify for hedge accounting, conversely they are classified consistently with the hedged item.

In detail, if the hedged item is classified as a current asset or liability, the positive or negative fair value of the hedging instrument is included under current assets or liabilities; if the hedged item is classified as a non-current asset or liability, the positive or negative fair value of the hedging instrument is included under non-current assets or liabilities.

The Group does not have in place any hedges of a net investment.

Intercompany derivatives, if any, are eliminated on consolidation.

Treasury Shares

No authorizations for the purchase of treasury shares were in effect at 31 December 2013 and in 2013 no transactions involving the purchase or disposal of Amplifon's treasury shares purchased in prior years took place.

Treasury shares purchased in 2005, 2006 and 2007 and held by the Company are listed below.

	No. of shares	Average Price €	Total Paid €
Data at 31 December 2013	6,900,000	6.39	44,091,446

Research and Development

The Group did not carry out any research and development activities in the year.

Transactions between Group Companies and with Related Parties

Pursuant to and in accordance with Consob Regulation n. 17221 of 12 March 2010, on 24 October 2012, subject to the favorable opinion of the Independent Directors' Committee, Amplifon S.p.A.'s Board of Directors adopted new Regulations for Related Party Transactions which took effect on 1 December 2012 and superseded the version approved by the Board on 3 November 2010.

Transactions with related parties, including intercompany transactions, do not qualify as atypical or unusual, and are part of the Group's ordinary course of business. They are conducted at arm's-length in relation to the nature of the goods and services sold.

Information on transactions with related parties, including specific disclosures required pursuant to Consob Bulletin of 28 July 2006, is provided in Note 34 to the consolidated financial statements and in Note 32 to the separate financial statements.

Contingent Liabilities

In 2013 the Italian tax police ("Guardia di Finanza") began investigating a series of Italian banks with reference to medium/long-term loans granted by the latter abroad in order to verify whether those loans qualified for exemption from substitute tax for ordinary stamp duties and government concessions. In the last part of the year the Italian Revenue 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 A$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 to pay the substitute tax. The Revenue claims at total of €496 thousand from the different banks, plus interest and any other penalties that might be determined, for a maximum of double the amount claimed.
The banks involved, the majority of which in collaboration with Amplifon and its consultants, appealed against the findings and paid in advance 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 sought a refund of the amount paid by them from Amplifon. At 31 December 2013 Amplifon had refunded the banks €41 thousand and an additional €132 thousand was refunded in 2014.
Amplifon, its consultants and the banks involved believe that the 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, they believe it probable that the appeal will be granted going through the various degrees of judgement. In any case, the possibility of any penalties being imposed is viewed as remote and for this reason no provisions were made in the financial statements at 31 December 2013.

A claim was filed with the Australian tax authorities in order to establish whether or not the amortization of a few intangible assets (in particular, the customer database) acquired as a result of the NHC Group acquisition in December 2010 may be deducted for tax purposes.
The tax authorities are in the process of verifying if the request may be granted or not, as well as the congruity of the value of those assets, estimated around A$50 million.
We believe that in the end the Australian tax authorities will recognize the deductibility of these assets, but currently formal evidence of a total or partial granting of the request is not available. If the request is completely granted, the taxes paid and deposits made for the years between 2010 and 2013 will be refunded and it will also be possible to deduct the amortization in the future, which should have a positive impact on cash flow and the income statement of approximately A$15 million.

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

Subsequent events after 31 December 2013

On 13 February 2014 the Company's bylaws were updated following the partial subscription of a capital increase servicing the current stock option plan approved by the Board of Directors on 28 October 2010 and the consequent issue of 115,730 ordinary shares in Amplifon S.p.A. with a par value of €0.02 each. The share capital subscribed and paid up at 13 February 2014 amounted to €4,484,330.

At the beginning of March 2014 the leadership of Europe was entrusted to Enrico Vita who assumes the role of Executive Vice President Europe, Middle East and Africa.

Outlook

In 2014 the Amplifon Group will continue to operate in a global environment characterized by a certain amount of volatility but, overall, pointing to a recovery including in Europe where there is expected to be a gradual recovery in profitability. In the Netherlands, where pressure on average sales prices will continue, the Group expects to see an increase in volumes.

In the United States the Group expects growth of the Miracle Ear and Elite wholesale channels to continue, fuelling a further increase in profitability, and in the Asia-Pacific region the Group expects to see stable organic growth in Australia and to benefit from the reorganization carried out in New Zealand.

Overall profitability is expected to increase, 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.

Reaching an adequate critical mass in specific areas, including through acquisitions, along with the entry into new countries with a growing and wealthy elderly population, will continue to be priorities.

Report on Corporate Governance and Ownership Structure at 31 December 2013

(pursuant to art 123-*bis* TUF)

1. Issuer Profile

Amplifon S.p.A. is an Italian multinational company with its registered office in Milan, world leader in the distribution, fitting, adaptation and personalization of hearing systems (hearing aids) designed to meet the needs of those suffering from hearing disabilities.

Founded in 1950, Amplifon also contributes to the development of detection and rehabilitation techniques, while also providing the ENT community with the assistance and know-how that are key to otology diagnosis and the management of computerised and integrated auditory systems.

The Group is active in 20 Countries: directly in Italy through Amplifon S.p.A., through its subsidiaries in France, Germany, Switzerland, The Netherlands, Belgium, Luxembourg, the UK, Ireland, Spain, Portugal, Hungary, Turkey, the USA, Canada, Australia, New Zealand, India and Egypt, and through an affiliate, of which Amplifon S.p.A. owns 49%, in Poland.
The hearing aids are fitted in dedicated points of sale, service centres and, to a marginal extent, at customers' homes. The points of sale are operated both directly and indirectly through agents and franchisees.

The company's mission is to help the hard of hearing to rediscover the joy of a full and active life through solutions which provide maximum hearing satisfaction in all of daily life's different situations.

Amplifon S.p.A.'s corporate governance is based on the traditional organisational model with Shareholders' Meetings, a Board of Directors and a Board of Statutory Auditors. Descriptions of these bodies are provided below and are found throughout this report.

The Shareholders' Meeting is convened at least once a year, in ordinary session, to approve the annual financial report, appoint and remove members of the Board of Directors and the Statutory Auditors, as well as approve their remuneration, and to also resolve on other matters falling under its prerogative as provided for by law. In extraordinary session, the Shareholders' meeting resolves to amend the Company's articles of incorporation and articles of association, as well as on other matters falling under its prerogative as provided for by law.

An auditing firm, listed in the special register kept by CONSOB, is responsible for carrying out the independent audit of the financial statements in accordance with the law.

2. Information on ownership structure (pursuant to art. 123-*bis*, par. 1 TUF) at 31 December 2013

a) Structure of share capital (pursuant to art. 123-*bis*, par. 1, letter a), TUF)

The share capital at 31 December 2013 amounts to €4,482,015.64 broken down in 224,100,782 ordinary shares with a nominal value of € 0.02 each, 217,200,782 of which are shares with voting rights and 6,900,000 shares with voting rights suspended pursuant to art. 2357 ter, paragraph 2 of the Italian Civil Code as they represent the Company's treasury shares.

There are no shares with limited voting rights at 31 December 2013.

	n. of shares	% of share capital	Listed (indicate the markets) / non listed	Rights and obligations
Ordinary shares	224,100,782	100%	MTA – STAR Segment	
Of which shares with limited voting rights	-			
Of which shares with no voting rights	6,900,000	3.079%		Treasury shares

The Company, as from financial year 2001, has implemented stock option plans which involve capital increases: the description of these plans can be found in the notes to the accounts in the annual report under Note 31, 'Stock Options – Performance Stock Grant' and in the information circular prepared as per art. 84-*bis* of the Issuers' Regulations, in the remuneration statement prepared as per art. 84-*quarter* of the Issuers' Regulations published on the Company's website in the sections "Investors/Financial Reports" and "Investors/Other Corporate Documents".

There are no other instruments granting subscription rights of newly issued shares in existence at 31 December 2013.

b) Share transfer restrictions (pursuant to art. 123-*bis*, par. 1, letter b), TUF)

At 31 December 2013 the following share transfer restrictions were in effect:

- 55,785,124 ordinary shares of Amplifon were pledged by the shareholder Ampliter N.V. in favour of the Bondholders, Trustee, Registrar, Transfer Agent, Principal Paying and Exchange Agent, Calculation Agent, Parallel Debt Creditor and Custodian (the Secured Parties), pursuant to a Deed of pledge executed on 14 November 2013 as part of Ampliter N.V.'s issue of senior secured bonds in the aggregate amount of € 135 million, due in 2018, exchangeable into existing ordinary Amplifon shares;

- Beginning 5 November 2013 and for 90 days after the issue date (14 November 2013), Ampliter N.V. undertook not to dispose of any Amplifon shares.

c) Significant interests in share capital (pursuant to art. 123-*bis*, par. 1, letter c), TUF)

Based on the declarations received under art. 120 of TUF, the following shareholders hold significant interests in the Company's share capital at 31 December 2013:

Declarant	Direct shareholder	% of ordinary capital*	% of voting capital*
Ampliter NV	Ampliter NV	54.843	56.002
FMR LLC	FMR LCC	5.132	5.295
Tamburi Investment Partners S.p.A.	Tamburi Investment Partners S.p.A.	4.256	4.391
FIL Limited	FIL Limited	2.011	2.075

(*) The percentages refer to the share capital disclosed to CONSOB pursuant to art. 120 of T.U.F. With regard, specifically, to the majority shareholder Ampliter NV reference is made to the declaration dated 20/03/2012.

N.B. At 03/07/2013 Allianz Global Investors holds n. 5,842,601 shares equal to 2.945%. Allianz exercised the exemption provided for in art. 119-bis. 4 of the Issuers' Regulations.

At 31 December 2013 n. 55,785,124 ordinary shares of Amplifon or 24.89% of the share capital and 25.68% of the shares with voting rights had been pledged by Ampliter N.V. in favor of the Bondholders, Trustee, Registrar, Transfer Agent, Principal Paying and Exchange Agent, Calculation Agent, Parallel Debt Creditor and Custodian (the Secured Parties), pursuant to a Deed of pledge executed on 14 November 2013 as part of Ampliter N.V.'s issue of senior secured bonds in the aggregate amount of € 135 million due in 2018, exchangeable into existing ordinary shares of Amplifon.

d) Shares with special rights
(pursuant to art. 123-*bis*, par. 1, letter d), TUF)
At 31 December 2013 there are no shares granting special rights of control.

e) Employee share ownership:
exercise of voting rights
(pursuant to art. 123-*bis*, par. 1, letter e), TUF)
No specific mechanisms for the exercise of voting rights under employee share ownership are provided for.

f) Restrictions on voting rights
(pursuant to art. 123-*bis*, par. 1, letter f), TUF)
At 31 December 2013 the only limits on voting rights are those pursuant to art. 2357-*ter*, paragraph 2 of the Italian Civil Code (voting rights suspended) related to the Company's treasury shares as described in paragraph 2 a.

As part of the issue made by Ampliter N.V. of the senior secured bonds for a total aggregate amount of € 135 million, the voting rights pertaining to the Amplifon shares pledged by Ampliter N.V. may be exercised by the latter unless Ampliter N.V. fails to pay the bondholders, or if any other default events occur as per the Deed of pledge, and the Secured Parties exercise the voting rights.

Furthermore, at 31 December 2013, n. 2,361,358 shares had been loaned by Ampliter N.V. as part of the same transaction. These shares (included in the percentages shown in the table found in item c) above) do not grant voting rights to Ampliter N.V.

As part of the above issue, for the period beginning 5 November 2013 and for 90 days after the issue date (14 November 2013), Ampliter N.V. undertook (i) to attend and abstain from voting in any Shareholders' Meetings of Amplifon S.p.A. during which the issuance of shares of Amplifon S.p.A. or financial instruments granting the right to purchase and/or subscribe to shares of Amplifon S.p.A. or that can be converted or exchanged for these shares is submitted for approval; (ii) not to propose the issue of these shares or financial instruments during a Shareholders' Meeting of Amplifon S.p.A.

g) Shareholders' agreements
(pursuant to art. 123-*bis*, par. 1, letter g), TUF)
At 31 December 2013 there are no known shareholder agreements pursuant to art. 122 of TUF.

h) Change of control clauses
(pursuant to art. 123-*bis*, par. 1, letter h), TUF)
and provisions relating to takeover bids
(pursuant to art. 104, par. 1-*ter*, and 104-*bis*, par. 1)
In the course of their normal business, the Company and its subsidiaries may stipulate agreements with financial partners which, as is common practice in international contracts, include clauses which grant each of the parties the right to rescind or amend said agreements in the event the direct or indirect control of the parties themselves should change.

At 31 December 2013 a Eurobond issued by Amplifon S.p.A., which amounted to € 275 million at 31 December 2013, maturing in 2018, the residual debt pertaining to a private placement expiring in 2016, which totalled USD 70 million at 31 December 2013, the residual debt pertaining to a second private placement made by the American subsidiary expiring between 2020 and 2025, which amounted to USD 130 million at 31 December 2013, contain, as is normally the practice in these kinds of financial transactions, change of control clauses in the event the controlling shareholder of Amplifon S.p.A. should change based on which the Company must advise the parties of same and the latter may request repayment.

i) Authority to increase share capital and
authorizations to buyback shares
(pursuant to art. 123-*bis*, par. 1, letter m), TUF)
i.1) authority to increase share capital
Pursuant to the powers granted by the Extraordinary Shareholders' Meeting held on 27 April 2006 pursuant to art. 2443 of the Italian Civil Code, on 28 October 2010 the Board of Directors resolved to increase share capital against payment in one or more instalments for up to a maximum amount of € 150,000 through the issue of 7,500,000 ordinary shares of a nominal value of € 0.02 per share, share with dividend rights, to be offered in subscription to employees of the Company and its subsidiaries without option rights pursuant to art. 2441, last paragraph, of the Italian Civil Code and art. 114-*bis* and art. 134, second paragraph, of Decree 58/98 and subsequent amendments, based on the strategic importance of the position held within the Group. Any board resolution to increase share capital as per the powers granted must be subscribed within the period indicated (at any rate, not after 31 December 2020) and the share capital will be considered increased by an amount equal to the subscriptions tendered at the expiration date.

For a detailed description of the stock option plans, please refer to the notes to the accounts in the annual report, specifically Note 31, 'Stock options-Performance Stock Grant', and to the information circular prepared as per art. 84-*bis* of the Issuers' Regulations published on the Company's website in the 'Investors/Other Corporate Documents" section.

At 31 December 2013 no other authorisations were in place to increase the share capital or the issuance of securities holdings.

i.2) authorizations to buyback shares
No authorizations for the purchase of treasury shares were granted or in effect through the whole year 2013 nor at 31 December 2013. At the close of financial year 2013 Amplifon held a total of 6,900,000 ordinary shares, equal to 3.079% of the share capital; these shares were already held at the close of financial year 2007 as part of the previous buyback programmes.
In 2013 no transactions involving the disposal of Amplifon's treasury shares purchased in prior years took place.

l) Co-ordination and direction activities
(pursuant to art. 2497 *et seq*. of the Italian Civil Code)
The Company is not subject to direction or co-ordination by other parties.

It is opportune to point out that Anna Maria Formiggini, Sole Administrator of the direct Parent Company Ampliter N.V. and Chairman of the Board of Directors of the indirect Parent Company Amplifin S.p.A., is the non-executive Honorary Chairman of Amplifon S.p.A. and that Susan Carol Holland, Deputy Chairman of the indirect Parent Company of Amplifin S.p.A., is the non-executive Chairman of Amplifon S.p.A.

It is the Company's view that the mere presence of directors serving on the boards of both the Company and its parent companies is not to be construed as exercising control or co-ordination given the lack of involvement in operations.

Furthermore, none of the factors commonly recognized as indicative of exercising direction and co-ordination activities were found to exist with Amplifon S.p.A. and its parent company.

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The information requested in art. 123-*bis*, first paragraph, letter i), *"agreements between the company and the directors and members of the Internal Control and Supervisory committees which call for indemnity in the event of resignation or dismissal without cause or termination following a takeover bid"* can be found in the Remuneration Statement published in accordance with art. 123-*ter* of TUF.

The information requested in art.123-*bis*, first paragraph, letter l), *"the norms governing nomination and replacement of directors and members of the Internal Control and Supervisory Committees, as well as amendments to the bylaws, if different from those provided for under the applicable laws and regulations"* can be found in the section regarding the Board of Directors found in this report.

3. Compliance (pursuant to art. 123-*bis*, par. 2, letter a), TUF)

The Company adopted the Corporate Governance Code issued in December 2011 as approved by the Corporate Governance Committee. The Corporate Governance Code is available on the Borsa Italiana S.p.A.'s website (www.borsaitaliana.it) in the "Regulations/ Corporate Governance" section.

Neither the Company nor its strategically relevant subsidiaries are subject to foreign legislation which could impact or influence the Company's corporate governance structure.

4. Board of Directors

4.1. APPOINTMENT AND REPLACEMENT (pursuant to art. 123-*bis*, par. 1, letter l), TUF)

The Company is managed by a Board of Directors comprised of between three and eleven members, as resolved by shareholders.

The members of the Board of Directors are elected based on a list of candidates presented by the shareholders and/or a group of shareholders who own at least 2.5% of share capital (as per CONSOB Resolution n. 18775 dated 29 January 2014).

The lists presented must indicate the candidates in sequential numerical order and must be filed at the Company's registered office at least 25 days prior to the date of the Shareholders' Meeting in first call. The Company will also publish the lists on its website and in accordance with other modalities indicated in the CONSOB regulation issued pursuant to art. 147-*ter*, par. 1-*bis* of Legislative Decree 58/1998 at least 21 days prior to the Shareholders' Meeting. Each shareholder who submits a list or is party to a list must submit the certificate issued by the authorized intermediary, by the legal deadline set for the Company's publication of said lists.

Based on the Company's Articles of Association, at least one of the members of the Board of Directors, or two if the Board is comprised of more than seven members, must meet the requisites for an independent statutory auditor set forth in the applicable norms and regulations.

Only those candidates included in lists presented by shareholders holding voting rights equal to half the amount required in order to be entitled to present lists will be considered.

Based on the Articles of Association the Board of Directors will be appointed in compliance with the current law governing gender equality rounding up the number of candidates belonging to the least represented gender in the event application of the quota criteria does not result in a whole number.
The Directors will be elected based on the lists submitted, the majority of votes obtained in the sequential numerical order in which the candidates appear on said lists. One Director, in possession of the requisite of independence pursuant to the law and in no way connected, even indirectly, to the shareholders who submitted or cast more votes for the list, will be elected from the minority list on the basis of sequential numerical order and the majority of votes obtained.

The Directors are appointed for a maximum term of three years and may be re-elected. If one or more of the Directors should resign, for whatever reason, during their term, the Board of Directors will act in accordance with art. 2386 of the Italian Civil Code.

If one or more of the resigned Directors was included in a list containing candidates who were not elected, the Board of Directors will appoint substitute Directors based on the sequential numerical order of said list providing the candidates are still eligible for election and willing to accept the assignment.

In any case the Board will ensure that the total number of Independent Directors appointed complies with the law, including with respect to gender quotas.

In the event the exiting Director was an Independent Director, the Board will attempt, to the extent possible, to appoint the first of the non-elected Independent Directors included in the exiting Directors' list.

The Board of Directors is vested with the broadest powers for the Company's ordinary and extraordinary administration. It meets at least once every three months and has adopted an organization and modus operandi which guarantee effective and efficient performance of its functions. The Board of Directors, including through its delegates, reports on a timely basis to the Board of Statutory Auditors on its work and on any transactions carried out by the Company and its subsidiaries having a significant impact on profitability, assets and liabilities or financial position; in particular, it reports on transactions representing a potential conflict of interests.

Succession planning
During the meeting held on 6 March 2013 the Board of Directors, pursuant to the Risk and Control Committee's proposal, approved the succession plan relative to the appointment of Executive Directors in the event of unexpected vacancies or expiration of the term.

Based on this procedure the Chairman of the Board of Directors and, if unable, the Risk and Control Committee, after consulting with the Chairman of the Board of Statutory Auditors, will:
- seek to understand the situation and decide which is more opportune: succession or a temporary appointment;
- inform the Directors and the Board of Statutory Auditors;
- call a Board of Directors' meeting in order to adopt the measures deemed opportune.

4.2. COMPOSITION (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

At 31 December 2013 the Board of Directors was comprised as follows:

Name	Office held	In office since	List	Exec.	Non-exec.	Ind.	Indep. TUF	% BoD	Other appoint-ments
Anna Maria Formiggini	Honorary Chairman	17/04/2013 - 19/02/2001	M		X			78	1
Susan Carol Holland	Chairman	17/04/2013 - 19/02/2001	M		X			100	1
Franco Moscetti	Chief Executive Officer (CEO)	17/04/2013 - 14/12/2004	M	X				100	3
Giampio Bracchi	Director	17/04/2013 - 24/04/2007	M		X	X	X	100	4
Maurizio Costa	Director	17/04/2013 - 24/04/2007	M		X	X	X	100	1
Luca Garavoglia	Director	17/04/2013 - 17/04/2013	M		X	X	X	78	2
Andrea Guerra	Director	17/04/2013 - 08/03/2011	M		X	X	X	78	6
Giovanni Tamburi	Director	17/04/2013 - 17/04/2013	M		X	X	X	100	6

THROUGH THE ORDINARY SHAREHOLDERS' MEETING HELD ON 17 APRIL 2013 THE BOARD OF DIRECTORS WAS COMPRISED AS FOLLOWS:

Name	Office held	In office since	List	Exec.	Non-exec.	Ind.	Indep. TUF	% BoD	Other appoint-ments
Anna Maria Formiggini	Honorary Chairman	21/04/2010 - 19/02/2001	M		X			78	1
Susan Carol Holland	Chairman	21/04/2010 - 19/02/2001	M		X			100	1
Franco Moscetti	Chief Executive Officer (CEO)	21/04/2010 - 14/02/2004	M	X				100	3
Giampio Bracchi	Director	21/04/2010 - 24/04/2007	M		X	X	X	100	4
Maurizio Costa	Director	21/04/2010 - 24/04/2007	M		X	X	X	100	1
Andrea Guerra	Director	08/03/2011 - 08/03/2011	M		X	X	X	78	6
Umberto Rosa	Director	21/04/2010 - 26/04/2004	M		X	X	X	100	2

KEY
Office held: Chairman, Deputy Chairman, CEO, etc.
In office since: Date of first appointment
List: indicated as M/m depending on whether the Director was elected on a majority list or a minority list (art. 144-decies of the CONSOB's Issuers' Regulations)
Exec.: Marked if the Director qualifies as executive
Non exec.: Marked if the Director qualifies as non-executive
Ind.: Marked if the Director qualifies as independent under the Code's criteria
Indep. TUF: Marked if the Director meets the independence qualifications established by par. 3, art. 148 of TUF (art. 144-decies of the CONSOB's Issuers' Regulations)
% BoD: Indicates the Director's attendance record in percentage terms at Board meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Board meetings held during the year or after the Director's appointment)
Other appointments: Indicates the total number of appointments held in other companies listed on regulated markets (in Italy or abroad), in financial, banking, insurance or large companies, identified on the basis of the criteria established by the Board of Directors

The professional characteristics of the Directors are described in the annual report in the section "Corporate Governance and personnel" (the annual report can be found on the Company's website in the section "Investors/Financial statements".

For a more detailed description of the criteria used to evaluate the independence of the Directors, please refer to Section 4.6 of this report.

The list of the other companies in which the Directors of Amplifon S.p.A. have other appointments can be found in Annex 1 of this report.

The members of the Board Committees formed as resolved on 17 April 2013 and their attendance records for the year are shown below:

Name	Office held	E.C.	% E.C.	N.C.	% N.C.	R.A.C.	% R.A.C.	R.C.C.	% R.C.C.
Susan Carol Holland	Chairman	n/a	n/a	n/a	n/a	M	100	M	100 (4/4)
Giampio Bracchi	Director	n/a	n/a	n/a	n/a			P	100 (4/4)
Maurizio Costa	Director	n/a	n/a	n/a	n/a	P	100		
Luca Garavoglia	Director	n/a	n/a	n/a	n/a	M	100	M	100 (4/4)
Andrea Guerra	Director	n/a	n/a	n/a	n/a	M	71		

THE BOARD COMMITTEES FORMED AND THE RELATIVE ATTENDANCE RECORDS UP UNTIL THE ORDINARY SHAREHOLDERS' MEETING HELD ON 17 APRIL 2013 ARE SHOWN BELOW:

Name	Office held	E.C.	% E.C.	N.C.	% N.C.	R.A.C.	% R.A.C.	R.C.C.	% R.C.C.
Susan Carol Holland	Chairman	n/a	n/a	n/a	n/a	M	100	M	100 (2/2)
Giampio Bracchi	Director	n/a	n/a	n/a	n/a			M	100 (2/2)
Maurizio Costa	Director	n/a	n/a	n/a	n/a	P	100		
Andrea Guerra	Director	n/a	n/a	n/a	n/a	M	71		
Umberto Rosa	Director	n/a	n/a	n/a	n/a	M	100	P	50 (1/2)

KEY
n/a: not applicable
E.C.: Executive Committee; C/M for chairman/member of Executive Committee
% E.C.: Indicates the Director's attendance record in percentage terms at Executive Committee meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Executive Committee meetings held during the year or after the Director's appointment to this committee)
N.C.: Nominations Committee; C/M for chairman/member of the Nominations Committee
% N.C.: Indicates the Director's attendance record in percentage terms at Nominations Committee meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Nominations Committee meetings held during the year or after the Director's appointment to this committee)
R.A.C.: C/M: chairman/member of the Remuneration and Appointments Committee
% R.A.C.: Indicates the Director's attendance record in percentage terms at Remuneration and Appointments Committee meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Remuneration and Appointments Committee meetings held during the year or after the Director's appointment to this committee)
R.C.C.: C/M: chairman/member of the Risk and Control Committee
%. R.C.C.: Indicates the Director's attendance record in percentage terms at Risk and Control Committee meetings (the calculation of this percentage reflects the number of meetings attended by the Director relative to the number of Risk and Control Committee meetings held during the year or after the Director's appointment to this committee)

Maximum number of appointments allowed in other companies
Pursuant to the Corporate Governance Code for listed companies issued by Borsa Italiana S.p.A. in March 2006, and updated in December 2011, on 19 December 2012 Amplifon S.p.A.'s Board of Directors defined general criteria for the maximum permitted number of directorships or statutory auditorships in other companies deemed to be compatible with holding the office of Director: 'Non-executive Directors and the Chairman will not be able to assume directorships or statutory auditorships in more than 5 companies listed on regulated markets (including foreign markets), financial, banking, insurance or large companies, while Independent Directors may not assume more than 10 directorships or statutory auditorships'. Please note that 'the limit on the number of appointments does not include subsidiaries nor the parent of Amplifon S.p.A.'.

Induction Programme
Following the appointment of the Directors specific meetings will be held with the company management during which information relating to the sector, the competitive environment, the Group structure, the Company and the organization will be provided.

4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

4.3.1 Activities carried out in 2013 and expected for 2014
During 2013 the Board of Directors met nine times on:
- 6 March
- 17 April
- 24 April
- 22 May
- 5 July
- 24 July
- 9 September
- 24 October
- 18 December

Meetings lasted an average of four hours each.

Four meetings have been scheduled for 2014, with the possibility of holding other ones in order to examine specific topics related to operations and to evaluate strategic development plans as, to date, the Company has not instituted a Strategic Committee insofar as the Company believes that this role can be filled through specific Board of Directors' meetings.

The Board meetings are called by the Chairman, or on the Chairman's behalf, by way of a registered letter sent to each Director and Standing Auditor at least five days prior to the meeting or, in urgent cases, via telegram, fax, or return receipt e-mail at least one day prior to the scheduled meeting date.

The Board of Directors may also be called, after having notified the Chairman of the Board itself, by the Board of Statutory Auditors otherwise two of its members.

The Board members usually receive the documentation relating to the meeting together with the summons for the Board of Directors' meeting, unless for reasons of confidentiality or lack of readiness it is not advisable or possible.

In 2013 the Chairman of the Board of Directors invited the Manager charged with preparing the Company's financial reports to attend all the meetings; several Group Market Directors were also invited to report directly to the Board on the micro and macro economic trends in the countries for which they are responsible, as were a few members of the Leadership Team and of the Management Team in order to discuss specific topics.
All other aspects relating to the functioning of the Board of Directors are governed by specific regulations, compliance with which is monitored by the Chairman with the assistance of the Board Secretary.

4.3.2 Role of the Board of Directors
The Board of Directors is vested with the broadest powers for the Company's ordinary and extraordinary administration and may perform all activities deemed necessary to achieve the Company's purpose, with the exception of those powers attributed by law or the Articles of Association to the Shareholders' Meeting. In detail, the Board of Directors:
- resolves on the opening and closure of secondary offices and the transfer of the registered office within the borders of Italy;
- indicates which of the Directors should represent the Company;

- resolves on reduction of share capital in the event of shareholder withdrawal;
- resolves on the amendments needed to be made to the Articles of Association in light of new norms and regulations;
- within the limits envisaged in art. 2420 *ter*, art. 2443 and art. 2436 of the Italian Civil Code, assumes decisions on mergers and spin-offs pursuant to art. 2505, art. 2505-*bis* and art. 2506-*ter* of the Italian Civil Code;
- examines and approves the strategic, operational and financial plans of the Company and the Group companies and periodically monitors implementation; defines the corporate governance system for the Company and the Group structure;
- defines the nature and level of risk compatible with the Company's strategic objectives;
- evaluates the adequacy of the general organizational and administrative structure of the Company and its strategically relevant subsidiaries put in place by the Chief Executive Officer, particularly with regard to and on an annual basis, the adequacy, efficiency and effective functioning, of the internal control and risk management systems, and the management of conflicts of interest;
- grants and revokes the Chief Executive Officer's powers, defining the limits and means of operation, without prejudice to the powers reserved exclusively for the Board pursuant to art. 2381 of the Italian Civil Code, as well as in relation to art. 20 of the Articles of Association;
- determines, following the advice of the Remuneration and Appointments Committee a remuneration policy for the Directors, the Key Managers and the Head of Internal Audit; determines, after examining the proposals of the Remuneration and Appointments Committee and consulting the Board of Statutory Auditors pursuant to art. 2389. par. 3 of the Italian Civil Code, the remuneration of the Chief Executive Officer and the other Directors holding particular offices, including as members of Board committees, as well as, in the event the shareholders have not done so, the breakdown of the Board members' global compensation;
- evaluates the Company's general performance, paying particular attention to the information received from the executive Directors, and periodically comparing the results achieved with those forecast;
- examines and approves the Company's and its subsidiaries' operations, in case such operations have a significant impact on the Company's profitability, assets and liabilities or financial position, paying special attention to situations in which one or more Directors have a direct or indirect (through third parties) interest and, more in general, transactions involving related parties; toward this end establishes the general criteria to identify relevant transactions;
- evaluates, at least once a year, the size, composition and performance of the Board of Directors and its committees and may provide opinions about the profile of the professionals that should serve on the Board;
- evaluates the need to adopt a succession plan for the Chief Executive Officers;
- provides information in the report on corporate governance:
  - on the composition of the Board, indicating, for each member, the qualifications, office held within the Board, the main professional experiences, as well as how long the office has been held;
  - on how the duties assigned are fulfilled and, more specifically on the number and the average duration of the Board meetings held during the year and the attendance record of each Board member;
  - on the principal characteristics of the internal control and risk management system expressing the Board's opinion as to the adequacy and efficacy of the latter with respect to Group's characteristics and risk profile;
- evaluates any exceptions to the non-compete provisions contained in art. 2390 of the Italian Civil Code authorized by the shareholders in light of organizational needs pointing out any critical areas to the shareholders during their next meeting. Toward this end, each Director will inform the Board, upon accepting his/her appointment of any activities carried out which could be considered in competition with the Company and, subsequently, of any relevant changes in this regard;
- provides the shareholders with information about the activities carried out and planned and works to ensure that the shareholders receive the information needed to be able to make informed decisions during Shareholders' Meetings. All the Directors usually attend the Shareholders' Meeting and any absences must be justified;
- assesses whether or not it is opportune, in the event of significant changes in the Company's market capitalization or in the composition of its shareholders, to propose that shareholder amend the Articles of Association with regard to the percentages needed to mobilize shares and the steps taken to protect minority shareholders.

During the meeting held on 17 April 2013, the Board allocated the overall remuneration approved, on the same date, by the Shareholders' Meeting to its individual members.

The Board also resolved to pay the Independent Directors, in the event they should be called upon to chair one of the committees instituted by the Board or the Supervisory Board, an additional fee of € 25,000 for each chairmanship or, in the event they are called upon to serve on one of the committees instituted by the Board or the Supervisory Board, an additional fee of € 15,000 for each membership.

To be noted that the above additional fees have no impact on the overall remuneration approved by the Shareholders' Meeting insofar as they are not considered as being in addition to said amounts.
The Board, in all of the meetings dedicated to examining the yearly and periodic accounting records, also looks at the reports on operations of each single subsidiary and the Group as a whole presented by the Chief Executive Officer.

With the resolution dated 17 April 2013, the Board of Directors determined the powers of the Chief Executive Officer and the limits on the exercise of powers which should be exercised in accordance with the guidelines approved by the Board of Directors, as well as the forecast investments and expenses indicated in the budgets approved by the Board of Directors.

Toward this end the Chief Executive Officer was granted single signatory powers for an amount of up to € 10 million per transaction, as well as for transfer of funds, without limits, between the Company's bank accounts.

The Chief Executive Officer may also exercise powers relating to bank loans and lines of credit in joint signature with the Group's CFO for an amount of up to € 20 million per transaction, as well as transfer of funds, without limits, to subsidiaries and associates; in joint signature with the Chief HR Officer or a member of the Board of Directors, the Chief Executive Officer may stipulate, take disciplinary action relating to, or terminate any employment contract with a company executive.

The Chief Executive Officer may also carry out extraordinary transactions by executing the necessary deeds and contracts for an amount of up to € 10 million per transaction subject to the approval of the Board of Directors for which these sorts of transactions are reserved.
With the resolution dated 17 April 2013, the Board of Directors also granted the General Manager single signatory powers for an amount of up to € 10 million per transaction to the extent that the transactions are in accordance with the guidelines, the forecast investments and budgets approved by the Board of Directors.

During the meeting held on 24 October 2012, the Board of Directors approved the Regulations for related party transactions issued pursuant to and in accordance with CONSOB Regulation n. 17221 of 12 March 2010. Please refer to Chapter 12 below for information on "Directors' interests and related party transactions".

The Risk and Control Committee, with the support of the Head of Internal Audit, prepared a report summarizing the interviews conducted with the members of the Board of Directors regarding the evaluation of the Board's composition and performance.

This report was submitted to the Board during the meeting held on 18 December 2013 and the comments included in the report were shared with those present, underlining the areas of improvement highlighted by the survey.

The Shareholders' Meeting did not authorise any exceptions to the non-compete provisions contained in art. 2390 of the Italian Civil Code.

4.4. EXECUTIVE BODIES

4.4.1 Chief Executive Officers

To date the Company has deemed it sufficient to appoint a single Chief Executive Officer in the person of Franco Moscetti, who also serves as the General Manager.

During the meeting held on 17 April 2013 the Chief Executive Officer/ General Manager was granted the powers described above in section 4.3.2.
The Chief Executive Officer reported to the Board every three months on the activities carried out in order to fulfil his duties.

4.4.2 Chairman of the Board of Directors

The Chairman acts in accordance with the law and the Company's Articles of Association, without operational powers and does not have a specific institutional role in determining Company strategies.

Reporting to the Board

Periodically, usually at least every three months, the Chief Executive Officer reports to the Board on the most significant events which occurred within the Group and on the market conditions which could influence operations.

Furthermore, the heads of the various subsidiaries present in the markets where the Group operates are, as deemed appropriate, invited to present to the Board information regarding each subsidiary's operation and the reference markets (please also refer to Section 4.3.1).

4.5. OTHER EXECUTIVE DIRECTORS

The Chief Executive Officer is the only Executive Director.

If deemed opportune, managers from the Leadership Team and from the Management Team may also be called upon to discuss specific transactions with the Board of Directors.

4.6. INDEPENDENT DIRECTORS

In the meeting held on 18 December 2013, the Board of Directors evaluated the qualifications of Directors Giampio Bracchi, Maurizio Costa, Luca Garavoglia, Andrea Guerra and Giovanni Tamburi as Independent Directors.

This evaluation was carried out on the basis of the criteria outlined in the Code and the prudent assessment of the Board with the abstention, from time to time, of the Director being evaluated. More in detail, the Board examined, on the basis of information made available and the declarations made by the persons concerned, the relationships which could potentially compromise independence.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members, informing the Company of the following findings which will be included in the annual report on supervisory activities:

"The Board of Statutory Auditors verified correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of the directors Giampio Bracchi, Maurizio Costa, Luca Garavoglia, Andrea Guerra and Giovanni Tamburi. The assessment criteria were found to be adequate".

On 18 December 2013 a meeting of the Independent Directors took place in order to discuss the Group's risk management and monitoring and, in general, the internal control system, including the quality and the functioning of the corporate governance and the qualifications of the Independent Directors.

4.7. LEAD INDEPENDENT DIRECTOR

Even though the conditions provided by art. 2.C.3. of the Code, on 17 April 2013 the Board of Directors, during the first meeting held following its appointment by the Shareholders' Meeting, on the same date, appointed Giampio Bracchi, non-executive independent director, Lead Independent Director.

Giampio Bracchi acts as a point of reference for the non-executive Directors (in particular the Independent Directors) to enhance their contribution and the performance of the Board itself. The Lead Independent Director works with the Chief Executive Officer in order to ensure that the Directors receive adequate information in a timely manner. The Lead Independent Director may also call, at his own initiative or at the request of other Directors, special meetings for just the Independent Directors to discuss issues considered of interest in relation to the operation of the Board or management of the business.

The Lead Independent Director, in addition to chairing the meetings of the Independent Directors, carried out his activities by attending meetings of the Risk and Control Committee as well as the Supervisory Board.

5. Treatment of corporate information

On 24 October 2012 the Board updated the 'Procedures for the internal management and external disclosure of company documents and information, with particular reference to price sensitive information" approved on 15 March 2007.

The procedures can be found on the corporate website in the "Investors/Corporate Governance/Statutory and codes' section".

6. Board Committees (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

On 17 April 2013 the Board of Directors appointed the Risk and Control Committee, and the Remuneration and Appointments Committee, while it was deemed unnecessary, for the moment, to appoint a Nominations Committee as the functions are attributed to the above mentioned Remuneration and Appointments Committee as provided for in the comment to art. 4 of the Corporate Governance Code. As described in Item 4.3.2 above, committee members are to receive a supplementary fee in addition to the overall remuneration approved by the Shareholders' Meeting. The Board also indicated that the committees were to perform their activities in accordance with the guidelines found in the Corporate Governance Code.

The committees are comprised of three non-executive Directors, the majority of which are independent, and minutes are taken at the meetings. In order to perform their duties, the committees may access all information and Company systems as deemed necessary and they may invite non-members to attend meetings.

The Remuneration and Appointments Committee and the Risk and Control Committee have a budget which is approved by the Board and have the power to make expenditures if deemed necessary.

7. Nominations Committee

Pursuant to the amendments made to the Corporate Governance Code approved in December 2011 by Borsa Italiana's Committee for Corporate Governance, on 19 December 2012 the Board of Directors, for the moment, deemed unnecessary to form a Nominations Committee, including on the basis of the results risen during the self-evaluation process on the well-balanced Board composition itself and on the professional contents acquired, attributing the functions to the Remuneration Committee as provided for in the comment to art. 4 of the Corporate Governance code.
During the meeting held on 17 April 2013 the Board, therefore, resolved to form a Remuneration and Appointments Committee, in accordance with the requirements for the composition of both Committees, with the duties described in art. 5 and art. 6 of the Corporate Governance Code. More in detail:

a) to provide the Board of Directors with opinions about the size and composition of the Board itself and recommendations on the professional profiles of the Board members whose presence in the Board is deemed opportune; to provide opinions on the maximum number of assignments of a Director and a Statutory Auditor deemed compatible with serving efficiently as a Company's Director of the Board; to provide opinions relating to any exercise of the powers granted by the Shareholders' Meeting, in general and prudently, according to the exception to the non-compete clauses provided for in art. 2390 of the Italian Civil Code;
b) to propose to the Board of Directors candidates to act as Directors in the event it is necessary for the Board to coopt a director to substitute an Independent Director;
c) to provide the Board of Directors with a remuneration policy of the Directors and the Executives with strategic responsibilities.

8. Remuneration Committee

Please refer to the **Remuneration Statement**
Part 1
Chapter 1 "Governance"- Section 1.3 "Remuneration Committee".

9. Directors' Compensation

Please refer to the **Remuneration Statement**
Part 1
Chapter 4 *"Directors' Compensation"*;
Chapter 5 *"Compensation of the Chief Executive Officer and the General Manager"*;
Chapter 6 *"Compensation of executives with strategic responsibilities"*.

10. Risk and Control Committee

10.1. Composition and duties of the Risk and Control Committee (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

After having appointed the Directors during the meeting held on 17 April 2013, the Board of Directors also formed a Risk and Control Committee which consists of:

- Giampio Bracchi: Chairman, non-executive Independent Director;
- Susan Carol Holland: non-executive Chairman;
- Luca Garavoglia: non-executive Independent Director.

The current members were found to possess the qualifications deemed necessary to fulfil the committee's duties as outlined in the Code.

In order to perform its tasks, the Risk and Control Committee works with the Group's Head of Internal Audit, Paolo Tacciaria, the Company's Head of Internal Control appointed as per the Chief Executive Officer's recommendation in March 2005.

Furthermore, in order to carry out its "internal audit" activities, the Committee may engage KPMG Advisory S.p.A. as a 'co-sourcer', under the supervision of the Head of Internal Audit.

As indicated in Chapter 6, the Risk and Control Committee submits a budget to the Board and has the power to make expenditures as deemed necessary.

In 2013 the Risk and Control Committee met on six occasions, distributed evenly throughout the year:
- 5 February;
- 26 February;
- 26 June
- 18 July;
- 21 October;
- 11 December.

Minutes are taken regularly during the meetings and filed with the office of the Head of Internal Audit.

All the members of the Risk and Control Committee attended the meetings, with the exception of one member on one occasion. The Chairman of the Board of Statutory Auditors or who on his behalf also attended, as did the Head of Internal Audit. The meetings lasted on average more than two hours.

In order to encourage a reciprocal exchange of information and in light of discussion on specific issues, the Chief Executive Officer was invited to attend the meetings; in certain instances the group's CFO and Manager charged with preparing the company's financial reports was also invited to attend, as were several consultants and Company managers.

In 2014 the Risk and Control Committee is expected to meet at least five times.

10.2. Functions of the Risk and Control Committee

The Risk and Control Committee assists the Board of Directors with matters related to internal control and risk management, while also monitoring the adequacy and proper working of the internal control system.

The Risk and Control Committee:
- assists the Board in the assessment of the adequacy and proper working of the Company's internal control system and risk management expressing its opinion on specific aspects;
- examines and approves the proposals presented by the management, the Head of Internal Audit and the independent auditors for improving the structure of the economic and financial reporting needed to monitor and fully represent the Company's performance;
- express an opinion regarding the appointment, dismissal, compensation and hiring of resources to be dedicated to Internal Audit;
- monitor the independence, adequacy, efficacy and efficiency of Internal Audit;
- assesses the work programme prepared by the Head of Internal Audit and receives his periodic reports;
- assesses any findings emerging from the periodic reports prepared by the Head of Internal Audit based on the information provided by the Board of Statutory Auditors and by its individual members;
- reports to the Board of Directors, at least once every six months, at the time the annual and half-year financial statements are approved, on its activity and on the adequacy of the internal control system;
- assesses, along with the Manager charged with preparing Company's financial reports and the independent auditors, the appropriateness of the accounting standards adopted and their uniformity with a view to the preparation of the consolidated financial statements;
- assesses the work of the independent auditors, also as regards the independence of their opinions, and the results thereof as set out in the independent auditors' report and their letter of recommendations;
- assesses the proposals presented by the independent auditing firm in order to obtain the relevant audit engagement;
- performs the other duties entrusted to it by the Board of Directors, particularly as regards to relations with the independent auditors.

In 2013 the internal control activities, coherently to the functions described above, were focused on the following activity areas:
- compliance with the Corporate Governance Code and with any new norms and regulations relating to Corporate Governance;
- guidance and supervision of the internal audit activities particularly with regard to maintaining an adequate Group control system, as well as the constant monitoring of the main risks, debt and the financial position;
- constant check of the activities involving the application of the Internal Organizational Model pursuant to Legislative Decree 231/2001;
- support to the Manager charged with preparing the Company's financial reports;
- other supervisory activities which, directly or indirectly, are aimed at obtaining information relating to the internal control system (including, for example, meetings with Company managers and consultants).

11. Internal control and risk management system

The internal control system consists in the set of rules, procedures and organizational structures designed to ensure, through a proper identification, assessment managing and monitoring of the primary risks process, that the business is run safely, correctly and in line with the objectives agreed upon. This internal control system helps guarantee the safeguarding of the Company's assets, the efficiency and efficacy of the Company's operations, the reliability of financial information as well as compliance with laws and regulations.

The Board of Directors is responsible for the internal control system and toward this end works with the Risk and Control Committee, the Chief Executive Officer and the Head of Internal Audit.

The Board of Directors provides the guidelines for the internal control and risk management system in a specific document which summarizes and describes the individuals involved, the different components and the mode of operation along with the criteria to be used to assess the system as a whole.

During the year the Board, based also on the contribution of the Risk and Control Committee and the Head of Internal Audit, expressed a positive opinion on the adequacy, efficiency and actual functioning of the internal control system through internal audit's activities, meetings with the Company management, the Board of Statutory Auditors and the independent auditors; examined the reports presented by the Chairman of the Supervisory Board, pursuant to Legislative Decree 231/2001, whose purpose is also to verify that the internal control system works properly, albeit for different reasons.

It should also be noted that during the meeting held on 18 December 2013, the Board acknowledged and assessed the Group's risk map on the basis of a report entitled "Group Risk Reporting 2013" in which there was a summary and an evaluation of the Group's primary risks selected through processing the totality of the risks communicated by each of the different Countries.

The **main features of the existing internal control and risk management systems in relation to the financial reporting process pursuant to art. 123-*bis*, par. 2b), TUF** are discussed below.

Introduction
Amplifon, in line with the most advanced management systems and best practices for the design and implementation of internal control systems, treats risk management as one of its highest priorities. Every business has risks to face and risk management is even more important in a constantly changing business environment characterized by recessionary pressures.
Amplifon's Management carefully considers the ratio risks / opportunities, channelling the resources toward the best possible balance, coherently with the threshold of risk defined as acceptable.

Risks are appraised for the Group as a whole and at a local level (countries where the Group is present), through regular risk assessment exercises involving the entire Group's management team, through the self-evaluation procedure. The risks are then prioritized in relation to the Group's objectives and those of its subsidiaries, and in consideration of the probability/impact matrix of the residual risks. Accordingly, systems are set up to monitor the underlying factors of risk, in order to mitigate the risks themselves and take advantage of business opportunities arising from the ability to anticipate competitive dynamics.

Risk management and risk monitoring activities, therefore, complete the Group's risk analysis activities on an ongoing basis.

For ease of assessment, risk factors are grouped into homogeneous categories: those originating outside the Company, those stemming from Amplifon's own organization and those of a more specifically financial nature.

The internal control and risk management system in relation to the financial reporting process should, therefore, be viewed not as an independent system, but as part of the overall risk management apparatus.

Below is a description of the main features of Amplifon's internal control and risk management systems in relation to the financial reporting process, i.e. the process leading to preparation and public disclosure of the annual financial report and of the quarterly and half-year reports.

Main features of the existing internal control and risk management systems in relation to the financial reporting process
The Amplifon Group, by the Manager charged with preparing the Company's financial reports, has set up a system of administrative and accounting procedures for the preparation of the separate and consolidated financial statements and of the interim financial reports.

The system was designed and implemented with the help of a leading consulting firm and is based on the framework of the "Committee of Sponsoring Organizations of the Treadway Commission" (CoSO). According to that framework, the internal control system is viewed as a process involving all business functions, which thus provides reasonable assurance as to:
- the effectiveness and efficiency of operations;
- the reliability, accuracy and timeliness of financial reporting;
- compliance with laws and regulations.

The model adopted, after preliminary activities and initial implementation, calls for a set of cyclical activities that keep it up to date, in good working order and correctly applied.

Phases of the internal control and risk management processes in relation to the financial reporting process
In the initial "scoping" phase, the single account lines of the consolidated financial statements were studied to identify material and significant accounts, their underlying processes, and the specific Group companies on which to develop and implement the model.

The outcome of the "scoping" phase is reviewed each year to make sure it is adequate and provides the necessary coverage in light of the constant changing perimeter of consolidation and of the significance of the single items of the annual report.

For purely operational reasons, and to ensure the consistency and governance of the entire system, the implementation of the administrative and accounting procedure system was implemented gradually: starting with Amplifon S.p.A. and then expanding the activities, step by step, to the other Group companies found to be material. Within the individual companies the model was also implemented gradually, again for operational reasons only. It initially addressed certain cycles, and eventually reached full coverage of the processes defined as "in-scope".

Currently the process has been carried out in all the countries deemed material based on the qualitative and quantitative criteria described above.

For each Company and each process defined as "in-scope", the following steps are in place:

- Narrative mapping of the process with identification of key risks and controls to ensure:
  - completeness, i.e. that all transactions and data are entered and processed within the systems so that they are duly reflected in the financial statements;
  - accuracy, i.e. that the transactions and data are entered and processed correctly and neutrally so that the financial statements provide precise, objective information;
  - cut-off, i.e. that all transactions and data are entered for the period to which they pertain so that the financial statements represent the Company's and the Group's real economic and financial situation with respect to the period under review;
  - promptness, i.e. that all transactions and data are processed speedily so that the financial statements can be prepared correctly by the legal deadline;
  - reliability, i.e. that the information managed is fair, consistent with the accounting standards used and in line with the legal and regulatory standards.
- Assessment of controls design in respect of each objective listed above; identification of principal gaps.
- Identification of actions and remediation processes in order to implement any compensating controls, or process modifications, ensuring proper control of the areas in question.
- Preparation of a risk control matrix that summarizes:
  - the sub-process;
  - the risk;
  - the objective of the control;
  - the description of the control;
  - the type of control (preventive, detective, manual, automatic);
  - the possibility of fraud risk, if any;
  - IT support for the control;
  - the frequency (daily, monthly, quarterly, yearly);
  - the person in charge of the control;
  - the gap identified in the control, if any.
- On the basis of the Risk Control Matrix, at least once a year and under the coordination and supervision of the Manager charged with preparing the Company's financial reports, regular checks are performed by headquarter personnel, internal audit personnel or the external consultant to make sure the tests are being carried out.
- The initial narrative of the process then evolves into an actual Company procedure, which is reviewed at least once a year to make sure it reflects any changes that have occurred.
- The results of the tests, kept on file with the Consolidated Financial Statements function, and the progress reports of activities underway at individual Group companies, are analysed each quarter by a Steering Committee made up of:
  - the Manager charged with preparing the Company's financial reports
  - the Head of Internal Audit
  - the Group Accounting & Finance Director

When data is submitted for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the country or company, the Market Directors and the CFOs of each country send the parent company a letter confirming that the submitted data is complete, accurate, consistent with the accounting records, as well as compliant with the accounting standards used and with all laws and regulations, and that they are responsible for implementing an adequate internal control system to prevent or identify any fraudulent or erroneous reporting.

Bodies and positions involved

Board of Directors: issued the regulations for the Manager charged with preparing the Company's financial reports and is brought regularly up to date on the activities of the Internal Control Committee.

Manager charged with preparing the company's financial reports: through a specially appointed team, plays a proactive role in the ongoing implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, and periodically checks the status of operations and tests' results. As part of the Steering Committee, evaluates possible critical situations and, together with the Head of Internal Audit and the Group Accounting & Finance Director, defines the necessary actions to be taken.

Head of Internal Audit: works with the Manager charged with preparing the Company's financial reports on the ongoing implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, updates the Steering Committee on tests performed at the request of and to support the Manager charged with preparing the Company's financial reports, and periodically checks the status of operations and the results of tests performed by external consultants or headquarter personnel. As part of the Steering Committee, evaluates possible critical situations together with the Manager charged with preparing the Company's financial reports and the Group Accounting & Finance Director.

Group Accounting & Finance Director: coordinates the implementation and progressive maintenance of the internal control and risk management systems in relation to the financial reporting process, oversees testing at foreign affiliates, and updates the Steering Committee on the status of operations and tests' results. As part of the Steering Committee, evaluates possible critical situations together with the Manager charged with preparing the Company's financial reports and the Head of Internal Audit and defines the necessary actions to be taken.

Market Directors and Finance Directors of the subsidiaries: oversee proper implementation of the administrative and accounting procedures defined in the model and, upon submission of data for the periodic financial reports (quarterly, half-yearly and yearly), regardless of the materiality of the Country or the company, send the parent company a letter confirming that the submitted data is complete, accurate, consistent with the accounting records and compliant with the accounting standards used and with all laws and regulations, and confirming that they are responsible for implementing an adequate internal control system to prevent or identify any fraudulent or erroneous reporting.

Company-level manager: a manager has been appointed, at each material subsidiary, to serve as the focal point for the implementation and progressive maintenance of the model.

Process owner: for each procedure, a process owner is appointed to oversee its ongoing progressive maintenance.

11.1. Executive Director in charge of the internal control and risk management system

The Chief Executive Officer oversees the planning and operation of the Internal Control and Risk Management System (*Sistema di Controllo Interno e di Gestione dei Rischi* or 'SCIGR'), along with the implementation of the system and identification of the primary business risks.

The responsibilities of the director in charge of the SCIGR are outlined in the document "Board of Directors – Role, Organization and Mode of Operation" and accurately reflect the relative provisions found in the Corporate Governance Code (Application criteria 7.C.4).

During the year the Chief Executive Officer, in his capacity as director in charge of the SCIGR, activated channels of communication and worked together with the Head of Internal Audit and the Risk and Control Committee.

As mentioned above, the Chief Executive Officer works with the Head of Internal Audit and Company's divisions in order to identify the Company's primary risks and monitors the Internal Control System's existing set of procedures and rules which comprise the internal control system with regard to the operating conditions, laws and regulations.

11.2. Head of internal audit

The Board of Directors, as per the Chief Executive Officer's recommendation, appointed the Group Risk and Compliance Officer, Paolo Tacciaria, the Company's Head of Internal Audit (formerly Internal Control Officer). As a formality, the proposal was also submitted to the Risk and Control Committee.

The Head of Internal Audit's compensation was established based on company policies and on the Remuneration and Appointments Committee's recommendations and approved by the Board of Directors. The Head of Internal Audit reports to the Board of Directors and reports on his activities to the Risk and Control Committee which oversees his activities, monitoring the independence, adequacy, efficacy and efficiency of his operations.
The Head of Internal Audit also interacts with the Board of Statutory Auditors and the Director in charge of the internal control and risk management systems in order to ensure that his duties are fulfilled consistently and comply with the requirement for independence in line with the Company's corporate governance system and the Corporate Governance Code.

The Head of Internal Audit is not responsible for any operations and does not report to the head of any operational area.

The Head of Internal Audit must verify that the internal control and risk management system is adequate, fully operational and functional:
- carries out and facilitates the activities needed to identify, assess and manage the Company's risks;
- proposes to the Risk and Control Committee and, then, to the Board of Directors, an internal audit plan to carry out evaluation activities at the Group's companies in order to ensure that the company's risks are being properly monitored in line with the best practices, including the recommendations found in the Corporate Governance Code;
- meets periodically with the Board of Statutory Auditors and the Independent Auditors;
- oversees and facilitates compliance with the Corporate Governance Code and the functioning of the corporate governance;
- carries out, coordinates and facilitates the activities linked to the implementation of the Internal Organisational Model adopted pursuant to Legislative Decree 231/2001;
- offers autonomous and independent assistance to the Manager charged with preparing company's financial reports.

Periodically prepares reports on the work carried out which are presented to the Risk and Control Committee, the Board of Statutory Auditors and the Director in charge of the internal control and risk management system, as well as assisting the Risk and Control Committee with the preparation of the periodic reports for the Board of Directors on the internal control system.

Pursuant to the 'Supervisory Board Regulations', the Head of Internal Audit is also a member of the Supervisory Board.

In order to fulfil his duties, the Head of Internal Audit has access to all the information deemed useful as well as the resources and means included in the Risk and Control Committee's budget as per Chapter 6 and has, after obtaining an initial estimate, the power to make expenditures as deemed necessary.

The Internal Audit Plan, approved by the Board of Directors, is carried out by the Head of Internal Audit in collaboration with the consulting company KPMG Advisory S.p.A., the co-sourcer.
The Head of Internal Audit works on internal orientation, planning, raising awareness and supervision while the operations are carried out by the consultants who also guarantee a direct, professional presence in all the different countries where the Group is active.

The Internal Audit Plan is prepared based on the results of the Group's risk mapping, on the indications provided by the managers and on any organizational changes that have taken place; it also includes the follow-up activities relating to the work carried out in prior years.

11.3. Organizational Model pursuant to Legislative Decree 231/2001

On 14 March 2005 the Board of Directors resolved to adopt an Internal Organizational Model ("the Model") in accordance with the recommendations of Decree 231/2001 which has made companies administratively responsible in criminal proceedings for certain types of crimes committed by directors, managers or employees in the interests of or to the benefit of the companies themselves.

The Model was prepared with the purpose of preventing the committing of crimes envisaged under the Legislative Decree and is based on the guidelines for Organizational Models issued by *Confindustria* (the Federation of Italian Industrialists) and other industry associations.

The Model consists of a general and an operational part. The general part sets out the guiding principles underlying the conduct of company transactions, describes how the Supervisory Committee is formed and works and describes the penalties. The operational part includes the procedures to be used to control the Company's activities, including the way of carrying out certain "sensitive" activities.

The model's adoption is a way for fostering the conduct of the company activities in accordance with the principles of fairness and transparency in order to safeguard the company's image, the work of its employees and collaborators, while, at the same time, fostering the achievement of the greatest efficiency. The Organizational Model is, by definition, dynamic and for this reason is continuously updated: in the current version, approved by the Board of Directors on 25 July 2012 and updated on 18 December 2013, the most sensitive activities include crimes against public administrations, corporate crimes and market abuse.

The Supervisory Board, comprised of two independent Directors and Head of Internal Audit, in 2013 met four times:
- 26 February;
- 18 July;
- 21 October;
- 11 December.

11.4. Independent auditors

The Shareholders' Meeting held on 21 April 2010 resolved to grant the assignment for the financial audit of the parent company and consolidated financial statements of Amplifon S.p.A. to the company PricewaterhouseCoopers S.p.A. for the nine year period 2010-2018.

11.5. Manager charged with preparing the company's financial reports

The company's Articles of Association call for the Board of Directors to appoint a Manager charged with preparing company's financial reports, subject to the unbinding opinion of the Board of Statutory Auditors. The Manager charged with preparing company's financial reports must possess certain professional requisites or precisely three years of management experience in the field of accounting, finance and control with the Group's companies or other listed companies.

In the meeting held on 25 June 2007 the Board, after having received a favourable opinion from the Board of Statutory Auditors, appointed the group's CFO, Ugo Giorcelli, Manager charged with preparing company's financial reports and approved the "Rules for the Manager charged with preparing company's financial reports" in the subsequent meeting held on 12 September 2007. These rules govern the responsibilities, the activities, the relationships with other corporate divisions, the powers and means of the Manager charged with preparing company's financial reports in accordance with proven best practices.

11.6. Coordination among the personnel involved in the internal control and risk management system

The Board of Directors, prepares and approves the document "Guidelines for the Internal Control and Risk Management System" which, indicates the objectives of the internal control and risk management system, as well as describes the personnel and bodies involved, inside and outside of the Company, and describes their responsibilities and mode of interaction.
The Director in charge of the Internal Control and Risk Management System is in charge of the implementation of the guidelines stated by the Board of Directors.

12. Directors' interests and related party transactions

During the meeting held on 24 October 2012, the Board of Directors approved a new "Regulations on related party transactions" issued pursuant to and in accordance with CONSOB Regulation n. 17221 of 12 March 2010, designed to define definitions and procedures related to the identification, instruction, approval and execution of the Related Party Transactions entered into by the Company, either directly or through its direct or indirect Italian or foreign Subsidiaries.

The document is available on the company's corporate website (www.amplifon.com) and may be accessed by clicking on the following link: http://www.amplifon.com/wps/wcm/connect/english_com/hearing_solutions/investors/corporate_governance/statutory_and_codes/.

The Regulations adopted by the Board of Directors are designed to ensure the real transparency, as well as the substantive and procedural fairness criteria of any related party transactions in accordance with current norms and regulations and, in particular, with the CONSOB Regulations.

Please note that the Company, in light of its characteristics, structure, size, business and internal organization, deemed it opportune to:
- not select other related parties subject to the procedures defined herein;
- not define materiality thresholds lower than those indicated in the CONSOB Regulations for the definition of material related party transactions;
- not let the Shareholders' Meeting approve transactions underway in the event the Independent Directors' Committee issues a negative opinion;
- without prejudice to mandatory financial and accounting disclosures called for under applicable laws and regulations, not apply the Regulations to:
  - decisions relating to stock option plans approved during the Shareholders' Meetings in accordance with art. 114-*bis* of the TUF and implementation therein;
  - resolutions relating to the compensation of members of the Board of Directors and the Directors holding particular offices, Executives with strategic responsibilities, as long as: (i) the Company has adopted a compensation policy; (ii) a committee comprising exclusively non-executive directors, primarily independent, was involved in the definition of the compensation policy; (iii) a report on the compensation policy was presented to the shareholders for approval; and (iv) the compensation assigned is in line with that policy;
  - ordinary transactions conducted in accordance with market or standard conditions;
  - the transactions entered into between the Company and its Subsidiaries, or among its Subsidiaries, including where subject to joint control, as well as among affiliates, as long as no related party of Amplifon has a significant interest in the subsidiary or affiliate involved in the transaction;
  - the transactions which must be completed in order to comply with the supervisory authority's instructions;
  - immaterial transactions, meaning those related party transactions representing a total of not more € 1,000,000;
- regulate the adoption of framework resolutions defining the characteristics and ensuring that complete information about their implementation is provided to the Board at least quarterly;
- apply the procedure to urgent transactions.

Pursuant to the Regulations, the Company adopted the operational procedures needed to select and manage the Related Party transactions and, similarly, the Board of Directors defined its own internal regulations governing the approval and execution of the transactions in which a director holds an interest, either directly or indirectly (through third parties).
During the year no transactions were carried out which made it necessary to comply with the procedures referred to in the above mentioned regulations.

13. Appointment of statutory auditors

As per art. 23 of the Articles of Association, the Board of Statutory Auditors consists of three standing auditors and two alternate auditors, in possession of the requisites (including professional and personal characteristics), including those relative to cumulative appointments and gender equality, as well as the abilities provided for by law.
With regard to gender equality, in the event application of the quota criteria does not result in a whole number, the number of candidates belonging to the least represented gender should be rounded up.
More in detail, with regard to the professional requisites, pursuant to article 1, paragraph 3 of Ministerial Decree n. 162 dated 30 March 2000 in reference to paragraph 2, letters b) and c) of the same article 1, strictly related to the Company's activities is to be construed as related to commercial and corporate law, corporate finance, finance, statistics as well as medicine and electronic engineering, and also like or analogous disciplines while sectors in which the company operates are to be construed as wholesale and retail production and commercialisation of the instruments, devices and products referred to in art. 2 of the Articles of Association.

The ordinary Shareholders' Meeting appoints the Board of Statutory Auditors and determines its remuneration. The minority is entitled to elect one Statutory Auditor and one Alternate Auditor. The Board of Statutory Auditors is appointed, with the exception of what specified in the second to last paragraph of art. 23 of the Articles of Association, on the basis of lists submitted by the shareholders or groups of shareholders who own at least 2% of the shares with voting rights. The lists, where the candidates are listed in sequential numerical order, must be filed at the company registered office at least twenty five days before the date set for the Shareholders' Meeting. The Company will publish the lists on its website as well as in accordance with the other modalities indicated by CONSOB in the regulation issued pursuant to art. 147-*ter*, paragraph 1-*bis* of Legislative Decree 58/1998 at least twenty one days before the Shareholders' Meeting. Each shareholder who presents, or is party to a list, must present the certification issued by a licensed intermediary entitling the shareholder to present the list along with the lists or within the timeframe in which the Company must publish the lists under the law.

With regard to the election of a minority Statutory Auditor, if several lists have obtained the same number of votes the list presented by the majority of shareholders shall prevail.

In the event two or more lists which are not connected, including indirectly, with the shareholders who presented or voted for the other, obtain the same number of votes, a run-off election is held between these lists with the participation of all the shareholders present at the Shareholders' Meeting, with the candidates on the list that obtains the simple majority of votes being elected.

With regard to the replacement of Standing Auditor in the event of death, resignation or expiration of the term, the Alternate Auditor belonging to the same list as the previous auditor takes over, provided the compliance with the current law governing gender equality.

14. Composition and role of the Board of Statutory Auditors (pursuant to art. 123-*bis*, par. 2, letter d), TUF)

As per the Articles of Association, the Board of Statutory Auditors is comprised of three standing auditors and two alternate auditors who remain in office for three financial years and may be re-elected. The Board of Statutory Auditors, appointed on 18 April 2012 and in office through the Shareholders' Meeting to approve the 2014 annual report, consists of the following members:

The Statutory Auditors possess the requisite of standing, professional abilities and independence provided for by law, the Articles of Association and the regulations for Corporate Governance to which the issuer adheres and the existence of which is verified by the Board of Statutory Auditors every year.

The Board of Statutory Auditors met five times during the year. The meetings lasted, on average, more than two hours.

The Board of Statutory Auditors plans to meet, at least, five times in 2014. The first meeting took place on 27 February.

The Board of Statutory Auditors fulfils its duties in accordance with the standards of professionalism and independence provided for by law, in the Articles of Association and the regulations for Corporate Governance to which the issuer adheres.

The Board of Statutory Auditors carries out its supervisory activities in accordance with the applicable law. Through a constant exchange of information regarding the independent auditors' activities, the Board of Statutory Auditors verifies that the independent auditors possess the requisite of independence in existence at the time of their appointment.

The Chairman of the Board of Statutory Auditors or a delegated statutory auditor attended all the Risk and Control Committee meetings and all the Remuneration and Appointments meetings and coordinated his supervisory activities through the exchange of information and updates provided by the Head of Internal Audit.

The Board of Statutory Auditors, in its capacity as "Internal Control and Internal Audit Committee", carried out all of the supervisory activities referred to in art. 19 of Legislative Decree 39/2010.

15. Relations with Shareholders

The company has created an extensive, easily accessible section on its corporate website, www.amplifon.com, containing all the information of interest to shareholders.

Currently the Investor Relations and Corporate Communication Manager is Mrs. Emilia Trudu who coordinates and monitors the information provided to shareholders, financial analysts and institutional investors in full compliance with the rules established for corporate disclosures. In order to fulfil her duties, the Investor Relations and Corporate Communication Manager is supported by an internal resource and an external company specialized in media relations.

The Company actively endeavours to provide investors, the market and the press with adequate information in compliance with the law and the applicable regulations, particularly with regard to the handling of price sensitive information. Toward this end the company regularly issues press releases, meets periodically with institutional investors and with the financial market, and constantly updates the corporate documentation made available on its website.

Name	Office held	In office since	List	Indep. as per Code	% attend. B.S.A.	Other appointments
Giuseppe Levi	Chairman	18/4/2012	M	X	100%	14
Maria Stella Brena	Standing	18/4/2012	M	X	100%	15
Emilio Fano	Standing	18/4/2012	M	X	100%	13
Mauro Coazzoli	Alternate	18/4/2012	M	X	--	12
Claudia Mezzabotta	Alternate	18/4/2012	M	X	--	7

KEY
Office held: Chairman, Standing Auditors, Alternate Auditors.
List: indicated as M/m depending on whether the statutory auditor was elected on a Majority list or a minority list (art. 144-decies of the Issuers' Regulations).
Indep.: marked if the statutory auditor qualifies as independent under the Code's criteria, indicating at the bottom of the table if these criteria have been amended or modified in anyway.
% attend. B.S.A.: indicates the statutory auditor's attendance record in percentage terms at meetings of the Board of Statutory Auditors (the calculation of this percentage reflects the number of meetings attended by the statutory auditor relative to the number of meetings of the Board of Statutory Auditors held during the year or after the statutory auditor's appointment or through the termination date).
Other appointments: indicates the total number of appointments held in companies described in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code.

16. Shareholders' Meetings (pursuant to art. 123-*bis*, par. 2, letter c), TUF)

The Shareholders' Meetings are regulated by the Articles of Association as well as by a specific set of regulations which was approved by the Shareholders' Meeting held on 24 April 2007 and which can be found in the 'Investors/Corporate Governance/Statutory and codes" section of the corporate website. The Articles of Association and the Shareholders' Meetings Regulations govern all aspects of the Shareholders' Meetings in accordance with current norms and regulations.

As to the powers reserved to the Shareholders' Meeting, with the exception of those powers attributed during the shareholders' meeting when appointed, the Articles of Association establishes that the Board of Directors is vested, under law provisions, with the broadest powers for the company's ordinary and extraordinary administration and may perform all activities deemed necessary to achieve the company's purpose (please also refer to Item 4.3.2 above).

The above mentioned Regulations guarantee each shareholder's right to take the floor and participate in discussions.

During the Shareholders' Meeting the Board reported on its activities in order to ensure that the shareholders were adequately informed and that they might help contribute to informed resolutions.

17. Other corporate governance practices (pursuant to art. 123-*bis*, par. 2, letter a), TUF)

No other Corporate Governance practices have been adhered to other than those described above.

18. Changes since year end

No changes have been made to the company's corporate governance structure since year end.

ANNEX 1
List of Amplifon S.p.A.'s Directors' appointments in other companies at 31 December 2013 [1].

Name	Office held in Amplifon S.p.A.	Other companies	Office held
Anna Maria Formiggini	Honorary Chairman	Amplifin S.p.A.	Chairman
Susan Carol Holland	Chairman	Amplifin S.p.A.	Deputy Chairman
Franco Moscetti	Chief Executive Officer	Diasorin S.p.A.	Independent Director
		Fideuram Investimenti SGR S.p.A.	Independent Director
		Touring Club Italiano	Director
Giampio Bracchi	Independent non-executive Director	IntesaSanPaolo Private Banking S.p.A.	Chairman
		CIR S.p.A.	Director
		Banca del Sempione S.A.	Director
		Perennius Capital Partners SGR	Chairman
Maurizio Costa	Independent non-executive Director	Fininvest S.p.A.	Deputy Chairman
Luca Garavoglia	Independent non-executive Director	Davide Campari-Milano S.p.A.	Chairman
		RCS MediaGroup S.p.A.	Director
Andrea Guerra	Independent non-executive Director	Luxottica Group S.p.A.	Chief Executive Officer Director
		Luxottica S.r.l.	Chairman of the Board
		OPSM Group PTY LIMITED	Director
		Oakley INC	Director
		Luxottica US HOLDINGS CORP	Director
		Luxottica Retail North America INC	Amministratore
		Luxottica Retail UK LTD	Amministratore
		Luxottica Retail North America INC	Amministratore
Giovanni Tamburi	Independent non-executive Director	Tamburi Investment Partners S.p.A.	Chairman and Chief Executive Officer
		Prysmian S.p.A.	Director
		Datalogic S.p.A.	Director
		Interpump S.p.A.	Director
		Zignago Vetro S.p.A.	Director
		Roche Bobois Group	Member of the Supervisory Board

[1] The offices held with listed companies or, at any rate, of note are listed based on the information provided by the Directors.

Comments on the Financial Results of Amplifon S.p.A.

Reclassified Income Statement

(€ thousands)	FY 2013				FY 2012			
	Recurring	Non-recurring	Total	% on recurring	Recurring	Non-recurring	Total	% on recurring
Revenues from sales and services	225,676	-	225,676	100.0%	224,681	-	224,681	100.0%
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(32,946)	-	(32,946)	-14.6%	(29,466)	-	(29,466)	-13.1%
Personnel costs	(46,244)	(978)	(47,222)	-20.5%	(46,528)	-	(46,528)	-20.7%
External services	(117,317)	-	(117,317)	-52.0%	(115,770)	-	(115,770)	-51.5%
Other income and revenues	15,135	-	15,135	6.7%	11,270	-	11,270	5.0%
Other expenses	(28)	-	(28)	0.0%	(181)	-	(181)	-0.1%
Gross operating profit (EBITDA)	**44,276**	**(978)**	**43,298**	**19.6%**	**44,006**	**-**	**44,006**	**19.6%**
Depreciation and write-downs of non-current assets	(7,128)	-	(7,128)	-3.2%	(6,907)	-	(6,907)	-3.1%
Operating profit (EBIT)	**37,148**	**(978)**	**36,170**	**16.5%**	**37,099**	**-**	**37,099**	**16.5%**
Income, expenses, valuation and adjustments of financial assets	30,271	(4,578)	25,693	13.4%	14,191	(10,500)	3,691	6.3%
Net financial expenses	(17,020)	(4,029)	(21,049)	-7.5%	(16,335)	-	(16,335)	-7.3%
Exchange differences and non hedge accounting instruments	(644)	-	(644)	-0.3%	30	-	30	0.0%
Profit (loss) before tax	**49,755**	**(9,585)**	**40,170**	**22.0%**	**34,985**	**(10,500)**	**24,485**	**15.6%**
Current tax	(8,854)	1,322	(7,532)	-3.9%	(5,874)	-	(5,874)	-2.6%
Deferred tax	(50)	55	5	0.0%	(1,334)	-	(1,334)	-0.6%
Net profit (loss)	**40,851**	**(8,208)**	**32,643**	**18.1%**	**27,777**	**(10,500)**	**17,277**	**12.4%**

- **EBITDA:** operating result before charging amortisation, depreciation and impairment of both tangible and intangible assets.
- **EBIT:** operating result before financial income and charges and taxes.

Reclassified Balance Sheet

The reclassified 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)	31/12/2013	31/12/2012	Change
Goodwill	415	415	-
Other intangible assets	10,072	6,607	3,465
Tangible assets	19,709	20,162	(453)
Financial fixed assets	471,687	469,407	2,280
Other non-current financial assets	491	438	53
Other non-current financial assets - related parties	46	-	46
Non-current assets	**502,420**	**497,029**	**5,391**
Inventories	10,348	11,108	(760)
Trade receivables (1)	41,825	44,085	(2,260)
Other receivables (2)	8,808	8,425	383
Current assets (A)	**60,981**	**63,618**	**(2,637)**
Operating assets	**563,401**	**560,647**	**2,754**
Trade payables (3)	(27,851)	(28,558)	707
Other payables (4)	(37,651)	(31,047)	(6,604)
Current liabilities (B)	**(65,502)**	**(59,605)**	**(5,897)**
Net working capital (A)+(B)	**(4,521)**	**4,013**	**(8,534)**
Derivative instruments (5)	(3,376)	(3,632)	256
Deferred tax assets	26,282	26,529	(247)
Provisions for contingency and obligations (non-current portion)	(8,367)	(10,136)	1,769
Liabilities for employees' benefits (non-current portion)	(4,712)	(9,220)	4,508
Loan fees (6)	2,717	2,624	93
NET INVESTED CAPITAL	**510,443**	**507,207**	**3,236**
Net Equity	**327,462**	**296,652**	**30,810**
Net short-tem financial indebtedness	(156,054)	31,449	(187,503)
Net medium and long-term financial indebtedness	339,035	179,106	159,929
Total net financial indebtedness	**182,981**	**210,555**	**(27,574)**
OWN FUNDS AND NET FINANCIAL INDEBTEDNESS	**510,443**	**507,207**	**3,236**

(1) The item "Trade receivables" includes "Trade receivables" and "Receivables – related parties"
(2) The item "Other receivables" includes "Other receivables" and "Other receivables – related parties"
(3) The item "Trade payables" includes "Trade payables" and "Trade payables – related parties"
(4) The item "Other payables" includes "Other payables – third parties", "Other payables – related parties", "Liabilities for employees' benefits – current portion" and "Tax payables"
(5) The item "Derivative instruments" includes cash flow hedges, fair value hedges and non hedge accounting instruments not comprised in the net financial position
(6) The item "Loan fees" is recognized in the balance sheet as a direct reduction of the short and long-term components of "Financial payables" and "Financial liabilities"

Condensed Reclassified Cash Flow Statement

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

(€ thousands)	FY 2013	FY 2012
Operating profit (EBIT)	**36,170**	**37,099**
Amortization, depreciation and write-downs	7,128	6,907
Provisions, other non-monetary items and gain/losses from disposals	3,162	3,812
Net financial expenses	(15,901)	(12,700)
Write down of financial current assets	-	-
Dividends received	30,271	14,191
Taxes paid	(9,835)	(9,714)
Change in net working capital	3,786	(5,652)
Cash flow generated from (absorbed by) operating activities (A)	**54,781**	**33,943**
Cash flow generated from (absorbed by) operating investing activities (B)	(10,191)	(10,730)
Free cash Flow (A +B)	**44,590**	**23,213**
Purchases of equity investments/share capital increases in subsidiaries (C)	(3,796)	(91,168)
(Purchase) sale of other investments and securities (D)	-	-
Cash flow generated from (absorbed by) investing activities (B+C+D)	**(13,987)**	**(101,898)**
Hedging instruments	(2,410)	-
Other non-current assets	(100)	(77)
Fees paid on medium and long term borrowings	(3,117)	-
Dividends paid	(9,330)	(7,992)
Share capital increases	1,737	2,512
Net cash flow from the period	**27,574**	**(73,512)**
Net financial indebtedness at the beginning of the period	**(210,555)**	**(137,043)**
Changes in net financial position	27,574	(73,512)
Net financial indebtedness at the end of the period	**(182,981)**	**(210,555)**

Revenues from sales and services

(€ thousands)	FY 2013	%	FY 2012	%	Change	%
Hearing aid line sales	219,141	97.1%	217,638	96.9%	1,503	0.7%
Biomedical line sales	3,553	1.6%	3,941	1.8%	(388)	-9.8%
Total sales	222,694	98.7%	221,579	98.6%	1,115	0.5%
Hearing aid line services	2,192	1.0%	2,287	1.0%	(95)	-4.2%
Biomedical line services	790	0.4%	815	0.4%	(25)	-3.1%
Total services	2,982	1.3%	3,102	1.4%	(120)	-3.9%
Revenues from sales and services	225,676	100.0%	224,681	100.0%	995	0.4%

Revenues from sales and services, including the €175 thousand generated by the French branch, increased by Euro 995 thousand (+0.4 %) with respect to the prior year rising from the €224,681 thousand posted in 2012 to €225,676 thousand due to increased hearing aid sales.

The slight increase in sales with respect to the prior year should be viewed and assessed in light of the persistence of the serious economic crisis that continued to weigh on Italy in 2013. In terms of unemployment and the propensity for consumption, two indicators that are particularly important for the retail sector, the situation appeared even worse in the year. In light of all this and the fact that sales in 2012 reached a record high for Amplifon S.p.A., the ability to further improve on this historic performance can only be a source of satisfaction. The effective marketing strategy, the extensive reach of the network and the high quality of the service provided to each customer, were the most effective tool to address the deteriorated Italian economic environment.

At the end of the year there were 478 stores in Italy, further increasing the widespread presence in all of the country's regions. All the new stores are now designed on the basis of the new concept and the "old concept" stores continue to be transformed in order to be in line with these new standards that have been so well received by customers. Offering hearing solutions that provide increasing customer satisfaction and continuous training to store personnel are two additional cornerstones of winning strategy. In order to allow store personnel to focus even more on customer satisfaction, in 2013 implementation of the front office IT system, FOX, begun in 2012, continued. The new program is based on a centralized database that makes it possible for branches and the Milan headquarters to share reliable and unique information quickly. The roll out started in July 2013 and will be completed in 2014.

Gross operating profit (EBITDA)

(€ thousands)	FY 2013			FY 2012		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Gross operating profit (EBITDA)	44,276	(978)	43,298	44,006	-	44,006

Gross operating profit (EBITDA) amounted to €43,298 thousand in 2013 versus €44,006 thousand in 2012, a decrease of €708 thousand (-1.6%).

Non-recurring restructuring costs of €978 thousand were incurred in the year. The EBITDA for the year on recurring operations increased by €270 thousand (+0.6%) with respect to the comparison period.

Operating profit (EBIT)

(€ thousands)	FY 2013			FY 2012		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Operating profit (EBIT)	37,148	(978)	36,170	37,099	-	37,099

Operating profit (EBIT) amounted to €36,170 thousand in 2013 versus €37,099 thousand in 2012, a decrease of €929 thousand (-2.5%) explained by the non-recurring charges referred to above in the section about EBITDA. EBIT on recurring operations increased by €49 thousand (+0.1%) with respect to the comparison period.

Profit before tax

(€ thousands)	FY 2013			FY 2012		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Profit before tax	49,755	(9,585)	40,170	34,985	(10,500)	24,485

Profit before tax in 2013 improved with respect to 2012 by €15,685 thousand due primarily to an increase in dividends received from subsidiaries. The non-recurring transactions in the year, in addition to the change in EBIT, refer for €4,578 thousand to write-downs of equity investments and for €4,029 thousand to the charges relating to the early payment of fees and closure of hedges on the syndicated loan which was repaid in advance on 23 July 2013 following the issue on 16 July 2013 of a 5-year Eurobond of €275 million.

Net profit

(€ thousands)	FY 2013			FY 2012		
	Recurring	Non recurring	Total	Recurring	Non recurring	Total
Net profit	40,851	(8,208)	32,643	27,777	(10,500)	17,277

Net profit reached €32,643 thousand in 2013 versus a net profit of €17,277 thousand in 2012, an increase of €15,366 thousand. The increase in EBIT on recurring operations was lower at €13,074 thousand.

Non-current assets

(€ thousands)	31/12/2013	31/12/2012	Change
Goodwill	415	415	-
Other intangible assets	10,072	6,607	3,465
Tangible fixed assets	19,709	20,162	(453)
Financial fixed assets	471,687	469,407	2,280
Other non-current financial assets	491	438	53
Other non-current financial assets vs. related parties	46	-	46
Non-current assets	**502,420**	**497,029**	**5,391**

Non-current assets amounted to €502,420 thousand at 31 December 2013, versus €497,029 thousand at 31 December 2012, an increase of €5,391 thousand attributable to:

- an increase in intangible assets relating primarily to the development of new software to support both the sales network and the head office;
- increase in the value of equity investments as a result primarily of the periodic valuation of the stock option plans and stock grants held by employees of subsidiaries;
- a decrease in the value of equity investments after adjusting the book value of the English subsidiary Amplifon UK to reflect its recoverable value.

Net invested capital

Net invested capital amounted to €510,443 thousand at 31 December 2013 versus €507,207 thousand at 31 December 2012, an increase of €3,236 thousand as a result of:

- the increase in non-current assets described above;
- a decrease in trade receivables of €2,260 thousand due to a drop of €5,124 thousand in trade receivables – related parties and the increase of €2,864 thousand in trade receivables;
- the increase in "Other payables " of €6,604 thousand explained for €4,508 thousand by the reclassification as short-term debt of the provision for the Group's top management's long term incentive plans maturing in 2014, in addition to the charge for the year of €760 thousand;
- an increase in the fair value of derivatives of €256 thousand;
- a drop in provisions for risks and charges of €1,769 thousand, due mainly to the revision of the parameters used in measuring the actuarial value of agents' leaving indemnities;
- a decrease in liabilities relating to employee benefits of €4,508 thousand following reclassification of the long-term portion of the provision for top management's long term incentive plans referred to above.

Net equity

(€ thousands)	31/12/2013	31/12/2012	Change
Share capital	4,482	4,468	14
Share premium account	189,316	186,779	2,537
Statutory reserve	934	934	-
Treasury shares	(44,091)	(44,091)	-
Stock option reserve	15,328	10,790	4,538
Cash flow hedge reserve	(2,715)	(3,074)	359
Extraordinary reserve	2,767	2,767	-
Other reserves	56	-	56
Income brought forward	128,742	120,803	7,939
Income for the year	32,643	17,277	15,366
Net Equity	**327,462**	**296,653**	**30,809**

Net equity amounted to €327,462 thousand at 31 December 2013 versus €296,653 thousand at 31 December 2012, an increase of €30,809 thousand, explained by:

- an increase in share capital and the share premium reserve of 698,743 shares following the exercise of stock options;
- an increase in the stock option and cash flow hedge reserves;
- the net profit posted in 2013.

Net financial indebtedness

(€ thousands)	31/12/2013	31/12/2012	Change
Net medium and long-term financial indebtedness	339,035	179,106	159,929
Short tem net financial indebtedness	(29,140)	85,277	(114,417)
Cash and equivalents	(126,914)	(53,828)	(73,086)
Net financial indebtedness	**182,981**	**210,555**	**(27,574)**

Net financial indebtedness amounted to €182,981 thousand at 31 December 2013, a decrease of €27,574 thousand with respect to 31 December 2012.

During the year the Company changed its debt structure profoundly and completed two important transactions on the debt capital markets which made it possible to completely refinance the short-term debt falling due, as well as the portions maturing in 2014 and 2015. More in detail:

- Amplifon USA completed a private placement on the American market of USD 130 million with 7, 10 and 12 year maturities (duration from 2013 to 2025), an average life of 10.3 years. At the same time Amplifon S.p.A. issued a bond loan subscribed by Amplifon USA Inc. for the same amount and duration;
- on 16 July 2013 Amplifon S.p.A. issued a €275 million 5-year bond loan on the European market with a coupon of 4.875% reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF market.

Through these transactions the Company:

- repaid the second tranche of the 2006-2016 private placement maturing on 2 August 2013 amounting to, at the hedging rate, €67 million;
- repaid in advance on 23 July 2013 the entire amount outstanding of the syndicated loan taken out for the NHC Group acquisition at the end of 2010 and financed the portions of the affiliates Amplifon Nederland BV and Amplifon Australia Pty Ltd.

The unused portion of the credit lines granted amounted to €135.9 million, €100 million of which irrevocable.

Covenants

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) made by Amplifon USA and guaranteed by Amplifon S.p.A. is subject to the following covenants:

- the ratio of Group net financial indebtedness to 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 operations and restated if the Group's structure should change significantly) must not exceed 3.5.

These ratios, in the event relevant acquisitions are made, may be increased to 2.0 and 4.0, respectively, for a period not exceeding 12 months, on two occasions over the life of the loan.

The USD 70 million private placement 2006-2016 (equal to €55.2 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2676) made by Amplifon USA and guaranteed by Amplifon S.p.A. is subject to the following covenants:

- the ratio of Group net financial indebtedness to 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 31 December 2013 the value of the ratios was as follows:

	Value
Consolidated Net financial indebtedness/Group net equity	0.72
Consolidated Net financial indebtedness/Group EBITDA for the last 4 quarters	2.22

As is 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 €275 million Eurobond maturing in 2018 and issued in July 2013 is not subject to any covenants.

Reclassified Cash Flow Statement

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

(€ thousands)	FY 2013	FY 2012
OPERATING ACTIVITIES		
Net profit (loss)	32,643	17,277
Amortization, depreciation and write-downs:		
- other intangible fixed assets	1,586	1,314
- tangible fixed assets	5,542	5,592
Total amortization, depreciation and write-downs	7,128	6,906
Provisions and other non-monetary items	3,156	3,813
(Gains) losses from sale of fixed assets	6	-
Financial income and charges	(4,515)	12,614
Current and deferred income taxes	7,527	7,209
Change in assets and liabilities		-
- Utilization of provisions	(2,702)	(1,111)
- (Increase) decrease in inventories	761	(358)
- Decrease (increase) in trade receivables	1,296	(7,135)
- Increase (decrease) in trade payables	(707)	1,878
- Increase (decrease) in other receivables/payables non-financial net of tax receivables/payables	5,138	1,073
Total change in current assets and liabilities	*3,786*	*(5,653)*
Dividends received	30,271	14,191
Interest received/paid	(15,386)	(12,700)
Taxes paid	(9,835)	(9,714)
Cash flow generated from (absorbed by) operating activities	**54,781**	**33,943**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(5,062)	(3,994)
Purchase of tangible fixed assets	(5,132)	(6,745)
Consideration from sale of tangible fixed assets and businesses	3	9
Cash flow generated from (absorbed by) investing activities	*(10,191)*	*(10,730)*
Cash flow generated from (absorbed by) operating and investing activities (Free cash flow)	**44,590**	**23,213**
Business combinations	(3,796)	(91,168)
Cash flow generated from acquisitions	*(3,796)*	*(91,168)*
Cash flow generated from (absorbed by) investing activities	**(13,987)**	**(101,898)**
FINANCING ACTIVITIES:		
Hedging derivatives	(2,410)	-
Commissions paid for medium/long-term financing	(3,117)	-
Other non-current assets	(100)	(77)
Dividends distributions	(9,330)	(7,992)
Capital increases	1,737	2,512
Cash flow generated from (absorbed by) financing activities	**(13,220)**	**(5,557)**
Net financial indebtedness at the beginning of the period	**27,574**	**(73,512)**
Opening net financial indebtedness	(210,555)	(137,043)
Changes in net indebtedness	27,574	(73,512)
Net financial indebtedness at the end of the period	**(182,981)**	**(210,555)**

The drop in net financial indebtedness of €27,574 thousand is primarily explained by:

a) investing activities:
- a net increase in plant, property and equipment and intangible assets of €10,191 thousand relating primarily to IT investments regarding, particularly, the renewal of the front office system and the centralized IT systems for the processing of corporate data;
- an increase in the value of equity investments following the waiver of receivables from the UK subsidiary.

b) operating activities:
- interest payable on borrowings and other net financial charges amounting to €14,105 thousand;
- payment of taxes of €9,835 thousand;
- dividends received from subsidiaries amounting to €30,271 thousand;
- cash flow generated from current operations of €56,577 thousand.

c) financing activities:
- capital increase following the exercise of stock options of €1,737 thousand;
- dividends paid amounting to €9,330 thousand;
- charges linked to the early closure of hedges on the syndicated loan amounting to €2,410 thousand.

Related party transactions

Pursuant to Consob Regulation n 17221 of 12 March 2010, on 24 October 2012, Amplifon S.p.A.'s Board of Directors, subject to the favourable opinion of the Independent Directors' Committee, approved new regulations for related party transactions, with a view to a more effective application, which took effect on 1 December 2012 and which superseded the regulations approved by the Board on 3 November 2010.

Transactions with related parties, including intercompany transactions, do not qualify as atypical or unusual, and are part of the Group's ordinary course of business. They are conducted at arm's-length in relation to the nature of the goods and services sold.

Information regarding related party transactions, including the information requested in Consob Bulletin of 28 July 2006, can be found in Note 32 to the separate financial statements.

Parent companies

Transactions carried out with Amplifin S.p.A. relate to:

- a lease for the premises owned by Amplifin S.p.A., located in Milan, via Ripamonti 133, the registered office and headquarters of Amplifon S.p.A., which includes the relative portion of the condominium and maintenance charges;
- leases relating to stores owned by the Parent and used in the course of the retail business;
- a contract concerning the secondment of Amplifon S.p.A. employees.

Subsidiaries

Financial transactions with Subsidiaries
Amplifon S.p.A. and its subsidiaries have short and long-term loans outstanding, and participate in cash pooling. All such transactions are settled at market rates.

Service contracts with Subsidiaries
Amplifon S.p.A. has entered into contracts with its foreign subsidiaries for the supply of centralized services which include strategic planning, human resource management, with regard particularly to the shared remuneration policy, incentives, the training and hiring of personnel, and international career paths, as well as marketing, administrative and control services, assistance with bank relationships and the implementation of shared IT systems. Amplifon S.p.A. then charges subsidiaries for the services provided in accordance with the terms and conditions of the contracts.

Security plan

On 11 March 2004 the Board of Directors approved the "Security Plan" pursuant to § 34 (G) Law 196/2003 as amended. At the meeting of 24 April 2010 Franco Moscetti was appointed "Person in charge of the handling of personal data" under the Law; this document was also updated in FY 2013.

Branch offices

Amplifon S.p.A. has set up a branch office - 'Amplifon Succursale de Paris' - with offices in Arcueil, 22 avenue Aristide Briand, France.

Outlook

The macroeconomic forecasts for 2014 tend, in general, to indicate that there will be a trend reversal and that GDP, specifically, will begin to grow again in the year. The recovery in Italy, however, will probably be minimal without producing any substantive changes in what is a very delicate labour market. In Italy the propensity for consumption should pick-up, particularly in the second half, albeit to a very limited extent. It is likely, therefore, that the environment in which Amplifon S.p.A. must operate will remain quite complex for the entire year. Independent of the external factors mentioned, we believe that our business strategies allow us to look to the future with renewed optimism while not underestimating the difficulties of the current phase.

The Company will continue to invest in new stores in order to further increase its geographic reach and to maintain the high standards of quality of points of sale.

In line with this objective, during the year the retail IT system, FOX, is expected to be installed at all the branches. As a result of achieving this important goal Amplifon S.p.A. will be able to manage store procedures (relating to hearing aids, commercial policies and administration) in a way that is more effective and better performing. The completion of the FOX rollout will certainly create an important unique plus with respect to the competition in the years to come.

Technological innovation will make it possible to offer hearing solutions that are always advanced and continuous training of the sales network will continue to be a cornerstone of our strategic activities, in order to be in a position to take advantage of all the opportunities that technology can offer the Company to better satisfy customers' needs.
Maintaining excellent post-sales service will continue to ensure our customers' satisfaction.

Advertising will proceed making increasing use of the new technological channels (digital marketing). The TV campaign will be renewed, local initiatives will be strengthened and focused on the uniqueness of each region. The usual approach to developing sales based on commercial initiatives that the Company may launch in the year will proceed, while carefully managing costs in order to free up resources to be used as strategically and profitably as possible. The concept of a trade off in the use of corporate resources has always been an integral part of Amplifon S.p.A.'s management approach and in 2014 will continue to be an important guarantee for economic, financial and capital solidity.

Consolidated Financial Statements

at 31 December 2013

Consolidated Statement of Financial Position

(€ thousands)		31/12/2013	31/12/2012	Change
ASSETS				
Non-current assets				
Goodwill	Note 5	500,680	551,853	(51,173)
Intangible fixed assets with finite useful life	Note 6	120,300	144,621	(24,321)
Tangible fixed assets	Note 7	88,119	94,070	(5,951)
Investments valued at equity		940	1,348	(408)
Financial assets measured at fair value through profit or loss	Note 8	4,131	3,742	389
Hedging instruments	Note 9	2,382	6,605	(4,223)
Deferred tax assets	Note 24	46,088	48,039	(1,951)
Other assets	Note 8	37,968	34,247	3,721
Total non-current assets		800,608	884,525	(83,917)
Current assets				
Inventories	Note 10	30,147	34,196	(4,049)
Trade receivables	Note 11	104,018	111,115	(7,097)
- Parent companies	Note 34	*87*	*43*	*44*
Tax receivables	Note 11	11,359	7,955	3,404
Other receivables	Note 11	17,581	19,364	(1,783)
Hedging instruments	Note 9	2,572	532	2,040
Cash and cash equivalents	Note 12	170,345	111,180	59,165
Total current assets		336,022	284,342	51,680
TOTAL ASSETS		1,136,630	1,168,867	(32,237)

(€ thousands)		31/12/2013	31/12/2012	Change
LIABILITIES				
Net equity	Note 13			
Share capital		4,482	4,468	14
Share premium account		189,312	186,775	2,537
Treasury shares		(44,091)	(44,091)	-
Other reserves		(31,367)	19,627	(50,994)
Profit (loss) carried forward		250,991	219,601	31,390
Profit (loss) for the period		12,848	43,182	(30,334)
Group net equity		382,175	429,562	(47,387)
Minority interests		460	596	(136)
Total net equity		382,635	430,158	(47,523)
Non-current liabilities				
Medium/long-term financial liabilties	Note 15	417,541	284,714	132,827
- Related parties	Note 34	*128*	*361*	*(233)*
Provisions for risks and charges	Note 16	33,101	32,525	576
Liabilities for employees' benefits	Note 17	11,651	15,203	(3,552)
Hedging instruments	Note 9	16,850	15,319	1,531
Deferred tax liabilities	Note 24	46,671	53,081	(6,410)
Payables for business acquisitions	Note 18	3,446	3,774	(328)
Other long-term debt	Note 18	245	275	(30)
Total non-current liabilities		529,505	404,891	124,614
Current liabilities				
Trade payables	Note 19	96,297	98,016	(1,719)
- Related parties	Note 34	*467*	*245*	*222*
Payables for business acquisitions	Note 20	621	474	147
Other payables	Note 20	92,397	87,827	4,570
Hedging instruments	Note 9	59	2,078	(2,019)
Tax payables		15,037	25,631	(10,594)
Provisions for risks and charges	Note 21	411	689	(278)
Liabilities for employees' benefits	Note 22	8,257	57	8,200
Short-term financial liabilties	Note 23	11,411	119,046	(107,635)
- Related parties	Note 34	*168*	*81*	*87*
Total current liabilities		224,490	333,818	(109,328)
TOTAL LIABILITIES		1,136,630	1,168,867	(32,237)

Consolidated Income Statement

(€ thousands)		FY 2013			FY 2012			Change
		Recurring	Non recurring (*)	Total	Recurring	Non recurring	Total	
Revenues from sales and services	Note 25	828,632	-	828,632	846,611	-	846,611	(17,979)
Cost of raw materials, consumables and supplies and change in inventories of raw materials, consumables and supplies		(194,898)	-	(194,898)	(189,731)	-	(189,731)	(5,167)
Personnel expenses	Note 26	(257,433)	(3,863)	(261,296)	(257,783)	-	(257,783)	(3,513)
- Parent companies and related parties	Note 34	*199*	-	*199*	*83*	-	*83*	*116*
Services		(256,157)	(591)	(256,748)	(255,336)	-	(255,336)	(1,412)
- Parent companies and related parties	Note 34	*(1,972)*	-	*(1,972)*	*(1,973)*	-	*(1,973)*	*1*
Other income and costs	Note 27	3,090	(1,366)	1,724	1,411	-	1,411	313
Gross operating profit (EBITDA)		**123,234**	**(5,820)**	**117,414**	**145,172**	**-**	**145,172**	**(27,758)**
Amortisation, depreciation and impairment	Note 28							
Amortisation of intangible fixed assets		(21,571)	(70)	(21,641)	(22,888)	-	(22,888)	1,247
Depreciation of tangible fixed assets		(25,053)	(14)	(25,067)	(23,571)	-	(23,571)	(1,496)
Impairment and impairment reversals of non-current assets		(1,006)	(1,182)	(2,188)	(827)	-	(827)	(1,361)
		(47,630)	**(1,266)**	**(48,896)**	**(47,286)**	**-**	**(47,286)**	**(1,610)**
Operating result		**75,604**	**(7,086)**	**68,518**	**97,886**	**-**	**97,886**	**(29,368)**
Financial income, charges and value adjustments to financial assets	Note 29							
Group's share of the result of associated companies valued at equity		(131)	-	(131)	63	-	63	(194)
Other income and charges, impairment and revaluations of financial assets		130	-	130	518	-	518	(388)
Interest income and charges		(18,739)	(7,697)	(26,436)	(23,194)	-	(23,194)	(3,242)
- Related parties	Note 34	*(25)*	-	*(25)*	*(41)*		*(41)*	*16*
Other financial income and charges		(4,043)	-	(4,043)	(2,702)	-	(2,702)	(1,341)
Exchange gains and losses		(4,605)	-	(4,605)	387	-	387	(4,992)
Gain (loss) on assets measured at fair value		3,441	-	3,441	(753)	-	(753)	4,194
		(23,947)	**(7,697)**	**(31,644)**	**(25,681)**	**-**	**(25,681)**	**(5,963)**
Profit (loss) before tax		**51,657**	**(14,783)**	**36,874**	**72,205**	**-**	**72,205**	**(35,331)**
Current and deferred income tax	Note 30							
Current tax		(29,384)	3,316	(26,068)	(30,199)	-	(30,199)	4,131
Deferred tax		1,208	906	2,114	1,136	-	1,136	978
		(28,176)	**4,222**	**(23,954)**	**(29,063)**	**-**	**(29,063)**	**5,109**
Total net profit (loss)		**23,481**	**(10,561)**	**12,920**	**43,142**	**-**	**43,142**	**(30,222)**
Minority interests		72	-	72	(40)	-	(40)	112
Net profit (loss) attributable to the Group		**23,409**	**(10,561)**	**12,848**	**43,182**	**-**	**43,182**	**(30,334)**

(*) Non recurring charges are referred to business restructuring in the Netherlands, Germany, France, Italy, New Zealand and the United States and financial charges recorded following the early payment of fees and closure of interest rate hedges on the syndicated loan which was repaid in advance.

Income (loss) and earnings per share (€ per share)	Note 33	FY 2013	FY 2012
Earnings per share			
- base		0.059210	0.200050
- diluted		0.057610	0.199264
Dividend per share		0.043 (*)	0.043

(*) Resolved by the Shareholders' Meeting dated April 16th, 2014.

Consolidated Statement of Comprehensive Income

(€ thousands)	FY 2013	FY 2012
Income (loss) for the period	**12,920**	**43,142**
Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	754	-
Tax effect on components of other comprehensive income that will not be reclassified subsequently to profit or loss	(156)	-
Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss after the tax effect (A)	**598**	**-**
Other comprehensive income that will be reclassified subsequently to profit or loss		
Gains/(losses) on cash flow hedging instruments	2,586	(1,578)
Gains/(losses) on exchange differences from translation of financial statements of foreign entities	(58,153)	(878)
Tax effect on components of other comprehensive income that will be reclassified subsequently to profit or loss	(660)	340
Total other comprehensive income (loss) that will be reclassified subsequently to profit or loss after the tax effect (B)	**(56,227)**	**(2,116)**
Total other comprehensive income (loss) (A)+(B)	**(55,629)**	**(2,116)**
Comprehensive income (loss) for the period	**(42,709)**	**41,026**
Attributable to the Group	(42,726)	41,079
Attributable to Minority interests	17	(53)

Statement of changes in Consolidated Net Equity

(€ thousands)		Share capital	Share premium account	Legal reserve	Other reserves	Treasury shares reserve
Balance at 1 January 2012		**4,422**	**183,317**	**934**	**2,770**	**(44,091)**
Appropriation of FY 2011 result						
Share capital increase		46	2,466			
Dividend distribution						
Implicit cost of stock options and stock grants	Note 31					
Other changes			992			
- Hedge accounting	Note 9					
- Translation difference						
- Result for FY 2012						
Total comprehensive income (loss) for the period						
Balance at 31 December 2012		**4,468**	**186,775**	**934**	**2,770**	**(44,091)**

(€ thousands)		Share capital	Share premium account	Legal reserve	Other reserves	Treasury shares reserve
Balance at 1 January 2013		**4,468**	**186,775**	**934**	**2,770**	**(44,091)**
Appropriation of FY 2012 result						
Share capital increase		14	1,723			
Dividend distribution						
Implicit cost of stock options and stock grants	Note 31					
Other changes			814			
- Hedge accounting	Note 9					
- Actuarial gains and losses						
- Translation difference						
- Result for FY 2013						
Total comprehensive income (loss) for the period						
Balance at 31 December 2013		**4,482**	**189,312**	**934**	**2,770**	**(44,091)**

(*) The amount represents the impact due to the application of the IAS 19, as detailed in paragraph 2.1 "Presentation of financial statements".

Stock option reserve	Cash flow hedge reserve	Profit (loss) carried forward	Translation difference	Profit (loss) for the period	Total Shareholders' equity	Minority interests	Total net equity
8,694	(3,404)	184,908	10,396	42,698	390,644	526	391,170
		42,698		(42,698)	-		-
					2,512		2,512
		(7,992)			(7,992)		(7,992)
3,332					3,332		3,332
(992)		(13)			(13)	123	110
	(1,238)				*(1,238)*		*(1,238)*
			(865)		*(865)*	*(13)*	*(878)*
				43,182	*43,182*	*(40)*	*43,142*
	(1,238)		(865)	43,182	41,079	(53)	41,026
11,034	(4,642)	219,601	9,531	43,182	429,562	596	430,158

Stock option reserve	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
11,034	(4,642)	-	219,601	9,531	43,182	429,562	596	**430,158**
			43,182		(43,182)	-		-
						1,737		1,737
			(9,330)			(9,330)		(9,330)
5,394						5,394		5,394
(814)			(2,462)*			(2,462)	(153)	(2,615)
	1,926					*1,926*		*1,926*
		598				*598*		*598*
				(58,098)		*(58,098)*	*(55)*	*(58,153)*
					12,848	*12,848*	*72*	*12,920*
	1,926	598		(58,098)	12,848	(42,726)	17	(42,709)
15,614	(2,716)	598	250,991	(48,567)	12,848	382,175	460	382,635

Consolidated Cash Flow Statement

(€ thousands)	FY 2013	FY 2012
OPERATING ACTIVITIES		
Net profit (loss)	12,920	43,142
Amortization, depreciation and write-downs:	*48,896*	*47,286*
- intangible fixed assets	22,302	23,505
- tangible fixed assets	26,268	23,640
- goodwill	326	141
Provisions	16,672	15,275
(Gains) losses from sale of fixed assets	(324)	63
Group's share of the result of the associated companies	131	(63)
Financial income and charges	31,513	25,744
Current, deferred tax assets and liabilities	23,954	29,063
Cash flow from operating activities before change in working capital	***133,762***	***160,510***
Utilization of provisions	(7,983)	(8,076)
(Increase) decrease in inventories	3,624	1,285
Decrease (increase) in trade receivables	(2,271)	(6,701)
Increase (decrease) in trade payables	439	1,504
Changes in other receivables and other payables	12,758	2,445
Total change in assets and liabilities	***6,567***	***(9,543)***
Dividends received	176	73
Interest received (paid)	(15,853)	(22,230)
Taxes paid	(37,825)	(28,580)
Cash flow generated from (absorbed by) operating activities (A)	**86,827**	**100,230**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(8,110)	(8,415)
Purchase of tangible fixed assets	(25,288)	(26,972)
Consideration from sale of tangible fixed assets	3,686	1,820
Cash flow generated from (absorbed by) investing activities (B)	***(29,712)***	***(33,567)***
Purchase of subsidiaries and business units	(4,844)	(13,029)
Increase (decrease) in payables through business acquisition	194	2,956
(Purchase) sale of other investments, business units and securities	768	4,176
Cash flow generated from (absorbed by) acquisition activities (C)	***(3,882)***	***(5,897)***
Cash flow generated from (absorbed by) investing activities (B+C)	**(33,594)**	**(39,464)**
FINANCING ACTIVITIES:		
Increase (decrease) in financial payables	35,235	(48,656)
(Increase) decrease in financial receivables	(5,481)	1,394
Derivatives instruments and other non-current assets	(3,691)	(5,428)
Commissions paid for medium/long-term financing	(4,604)	-
Other non-current assets and liabilities	(4,345)	-
Dividend distributed	(9,330)	(7,992)
Capital increases and minority shareholders' contributions and dividends paid to third parties by subsidiaries	1,671	2,388
Cash flow generated from (absorbed by) financing activities (D)	***9,455***	***(58,294)***
Net increase in cash and cash equivalents (A+B+C+D)	**62,688**	**2,472**
Cash and cash equivalents at beginning of period	**111,180**	**108,305**
Effect of discontinued operations on cash & cash equivalents	-	-
Effect of exchange rate fluctuations on cash & cash equivalents	(3,550)	(50)
Liquid assets acquired	27	453
Flows of cash and cash equivalents	***62,688***	***2,472***
Cash and cash equivalents at the end of period	**170,345**	**111,180**

Related-party transactions relate to rentals of the main office and certain stores, recharges of maintenance costs and general services for the above-mentioned buildings and personnel costs and loans. They are detailed in Note 34, where the related financial flows can be easily deduced.

Supplementary information to Consolidated Cash Flow Statement

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

(€ thousands)	FY 2013	FY 2012
- Goodwill	3,201	9,216
- Customer lists	1,683	3,670
- Trademarks and non-competition agreements	-	-
- Other intangible fixed assets	304	2
- Tangible fixed assets	369	777
- Financial fixed assets	-	-
- Current assets	528	1,703
- Provisions for risks and charges	(191)	(378)
- Current liabilities	(1,099)	(880)
- Other non-current assets and liabilities	(280)	(1,497)
- Minority interest	-	(2)
Total investments	**4,514**	**12,611**
Net financial debt acquired	330	418
Total business combination	**4,844**	**13,029**
(Increase) decrease in payables for businesses combinations	(194)	(2,956)
Disposal of businesses (reduction in earn-outs), purchase of investments and shares	(768)	(4,176)
Cash flow absorbed by (generated from) acquisitions	**3,882**	**5,897**
(Cash and cash equivalents acquired)	27	(453)
Net cash flow absorbed by (generated from) acquisitions	**3,909**	**5,444**

Explanatory notes

1. General Information

The Amplifon Group is the world leader in the distribution of hearing systems (hearing aids) and their adjustment and customization to hypo-acusic patients' needs.

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 consolidated financial statements at 31 December 2013 have been prepared in accordance with International Accounting Standards and the regulations implementing 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 31 December 2013. International Accounting 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 publication of the consolidated financial statements of the Amplifon Group at 31 December 2013 was authorised by the resolution of the Board of Directors of 5 March 2014. These financial statements are subject to the approval of the Shareholders' Meeting of Amplifon S.p.A. on 16 April 2014.

2. Accounting policies

2.1. Presentation of financial statements

The consolidated financial statements at 31 December 2013 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
2009-2011 Annual Improvement	27 Mar '13	28 Mar '13	Financial years beginning on or after 1 Jan '13	1 Jan '13
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans	4 Mar '13	5 Mar '13	Financial years beginning on or after 1 Jan '13	1 Jan '13
Amendments to IFRS 7 Financial Instruments: Disclosures -Offsetting Financial Assets and Financial Liabilities	13 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '13	1 Jan '13
Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '13	1 Jan '13
Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '13	1 Jan '13
IFRS 13 Fair Value Measurement	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '13	1 Jan '13
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	11 Dec '12	29 Dec '12	Financial years beginning on or after 1 Jan '13	1 Jan '13
Amendments to IAS 1 presentation of items of other comprehensive income	5 Jun '12	6 Jun '12	Financial years beginning on or after 1 Jul '12	1 Jan '13
Amendment to IAS 19: Accounting for post employment benefits	5 Jun '12	6 Jun '12	Financial years beginning on or after 1 Jan '13	1 Jan '13

The adoption of IFRS 13 – Fair value measurement, which clarifies the determination of fair value for the purposes of financial statements and provides a framework in terms of methodology and evaluation techniques, requires additional information relating to the counterparty risk included in the fair value calculation by adjusting the mark to market value of the financial instruments through the recognition of credit/debit valuation adjustments.

The adoption of the amendments to "IFRS 7– Financial Instruments: disclosures" that require disclosure of the effect or potential effect on an entity's financial position of offsetting financial assets and liabilities has had no effect on the disclosures included in these consolidated financial statements.

The adoption of the amendments to IAS 19 results in the recognition of actuarial gains and losses directly in other comprehensive income. Considering that the impact is not material the standard has been applied prospectively and the impact is disclosed in the statements of changes in consolidated net equity; in accordance with the new definition of net interest expense set out in the standard, the interest expense on defined benefit plans is recognized as financial income and charges in the income statement.

The adoption of the amendments to IAS 1 – Presentation of Financial Statements, requiring companies to group items presented in other comprehensive income on the basis of whether they will potentially be reclassified subsequently to profit or loss has not had any effect on the measurement of financial statement items and had a limited effect on the disclosures provided in this report.

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 sestiamted 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 (see § 2.10). This requires an estimation of the value in use of the cash-generating unit to which the goodwill pertains. This calculation requires estimating 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 shows amendments to existing standards and interpretations endorsed by IASB and that will come into force for financial years beginning after 31 December 2013.

Description	Endorsement date	Pubblication 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

The adoption of the above standards and interpretations is not expected to significantly affect the valuation of assets, liabilities, costs and revenues of the Group, with particular reference also to IFRS 10, 11 and 12.

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 25 February 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
Interpretation 21 – Levies	Financial years beginning on or after 1 Jan '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

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.

2.4. Subsidiaries

The consolidation area includes companies which are controlled by the Group. Control is defined as the power to influence the financial and operating policies of a company. The existence of control over a company is determined on the basis of: (i) voting rights, including potential ones, that the Group is entitled to and by virtue of which the Group may exercise the majority of the votes that can be cast at the ordinary Shareholders' meeting; (ii) the content of possible agreements between shareholders or the existence of specific clauses the entity's by-laws which grant the Group the power to manage the company; (iii) control by the Group of a sufficient number of votes to control the Shareholders' meeting of the company.

Income statement items are included in the consolidated financial statements starting from the date control is acquired and up to the date such control ceases. All payables and receivables, as well as the revenue and expense items deriving from transactions between companies included in the consolidation are eliminated entirely; capital gains and losses deriving from transfers of assets between consolidated companies are also eliminated, as are the profits and losses arising from transfers of assets between consolidated companies that come to form inventories of the acquiring company, write-downs and reversals of holdings in consolidated companies, and intragroup dividends. Assets, liabilities, costs and revenues of subsidiaries are recorded in full, allocating to minority shareholders their share of net equity and of the net result.
The financial statements of subsidiaries companies are adjusted in order to make the measurement criteria consistent with those adopted by the Group.

The closing dates of subsidiaries are aligned with that of the Parent company; where this is not the case, the subsidiaries prepare appropriate financial statements for consolidation purposes.

2.5. Jointly-controlled companies
The financial statements of companies that are jointly controlled are consolidated using the proportional method, with the exception of those relating to non-operating companies, which are valued using the equity method. Joint control arises from a shareholders' agreement and exists only where unanimous approval by all the parties having joint control is required for financial and strategic decisions. Based on the proportional method of consolidation, only the Group's share of the assets, liabilities, costs and revenues of the investee are included in the consolidated financial statements based on the share held by the Group, hence the exclusion of the minority's share of net equity and result. Transactions carried out by the Group with jointly controlled companies consolidated using the proportional method are proportionately eliminated according to the Group's percentage holding. The financial statements of subsidiaries and jointly-controlled companies are adjusted in order to make the measurement criteria consistent with those adopted by the Group.

2.6. Associated companies
Investments in associated companies are valued using the equity method. A company is considered as an associated company if the Group is able to participate in the definition of the financial and operating policies of the company and the said company is neither controlled nor jointly-controlled by the Group. In accordance with the equity method, an investment in an associated company is included in the statement of financial position at acquisition cost as adjusted (written-up or down) by the Group's share of the changes in the associated company's net assets. The goodwill relating to the associated company is included in the carrying amount of the investment and is not amortised. Transactions generating internal profits carried out by the Group with associated companies are eliminated based on the Group's ownership percentage. The financial statements of companies valued using the equity method are adjusted in order to make the valuation criteria consistent with those adopted by the Group.

2.7. Business combinations
Business combinations are accounted for in the financial statements as follows:
- acquisition cost is determined on the basis of the fair value of assets transferred, liabilities taken over, or the shares transferred to the seller in order to obtain control;
- acquisition costs related to business combinations are recognised in the income statement for the period in which the costs were incurred;
- the fair value of the shares transferred is determined according to the market price at the exchange date;

- where the agreement with the seller provides for a price adjustment linked to the profitability of the business acquired, over a defined timeframe or at a pre-established future date (earn-out), the adjustment is included in the acquisition price as of the acquisition date and is valued at fair value as at the date of acquisition;
- at the acquisition date, the assets and liabilities, including contingent ones, of the acquired company are recognised at their fair value at that date. When determining the value of these assets we also consider the potential tax benefits applicable to the jurisdiction of the acquired company;
- when the values of assets, liabilities and contingent liabilities recorded differ from their corresponding tax base at the acquisition date, deferred tax assets and liabilities are recognised;
- any difference between the acquisition cost of the investment and the corresponding share of net assets acquired is recorded as goodwill, if positive, conversely it is charged to the income statement, if negative;
- income items are included in the consolidated financial statements starting from the date control is acquired and up to the date control ceases.

2.8. Functional currency, presentation currency and translation criteria applied to foreign currency items

The consolidated financial statements of the Amplifon Group are presented in Euros, the functional currency of the Parent company, Amplifon S.p.A.
The financial statements of subsidiaries and jointly-controlled companies are prepared in the functional currency of each company. When this currency differs from the reporting currency of the consolidated financial statements, the financial statements are translated using the current exchange rate method: income statement items are translated using the average exchange rates of the year, asset and liability items are translated using year-end rates and net equity items are translated at historical rates. Exchange differences are recorded under "translation difference" in the consolidated net equity; when the company is disposed of, the cumulative differences booked in net equity are taken to the income statement.

Foreign currency transactions are recorded at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currency and valued at cost are reported at the exchange rate used upon initial recognition. Non-monetary assets and liabilities denominated in foreign currency and valued at fair value, at recoverable value, or realizable value, are translated using the exchange rate of the date when the value was determined.

Any exchange rate differences arising from the settlement of monetary assets and liabilities or from the translation at exchange rates that are different from those used upon initial recognition, during the year or in previous financial statements, are recognised in the income statement.

2.9. Intangible fixed assets

Intangible assets purchased separately and those acquired through business combinations carried out prior to the adoption of the IFRS are initially measured at cost, whilst those acquired through business combinations completed after the date of transition to the IFRS, are initially measured at fair value. Expenditure incurred after the initial acquisition is recorded as an increase in the cost of the intangible asset to the extent that the expenditure can generate future economic benefits.

Intangible assets having a finite useful life are amortised systematically along their useful life and written down for impairment (see § 2.12). Amortisation begins when the asset is available for use and ceases when the asset is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortisation criterion are periodically reviewed and, where significant changes have occurred compared to the previously adopted assumptions, the amortisation charge for the current year and subsequent ones is adjusted.

The periods of amortisation are shown in the following table:

Asset type	Amortisation period (years)
Software	2.5- 5
Licences	2-10
Non-competition agreements	5-7
Customer lists	10-15
Trademarks and concessions	3-15
Other	4-10

2.10. Goodwill

Goodwill is recognised in the financial statements following business combinations and is initially recorded at cost, which is the excess of the cost of acquisition over the Group's share in the fair values of the assets, liabilities and contingent liabilities acquired.

Goodwill is classified as an intangible asset. As of the acquisition date, the goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are allocated to those units or groups of units.

Subsequent to initial recognition, goodwill is not amortised but valued at cost less any cumulative impairment losses (see § 2.12).

If goodwill has been allocated to a cash-generating unit and the company disposes of an asset which is part of the unit, the goodwill associated with the asset disposed of is included in the book value of the asset when the gain or loss on disposal is calculated; this proportion is determined according to values relating to the asset disposed of and the retained portion.

2.11. Tangible assets

Tangible fixed assets are recorded at purchase or production cost, inclusive of accessory costs that are directly attributable to the assets. Operating assets acquired under finance lease agreements whereby all risks and benefits of ownership are substantially transferred to the Group are recognised at the time of signing the agreement (finance lease) at the lower of their fair value and the present value of the minimum payments due under the lease terms. A liability equal to the amount due to the lessor is recorded under financial liabilities.

Leases where the lessor does not substantially transfer all the risks and rewards of ownership associated with the assets are classified as operating leases. The costs incurred for operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

The value upon initial recognition of tangible fixed assets, or their significant elements (except for land), net of their residual value, is depreciated on a straight-line basis over their useful life and is written down for impairments (see § 2.12). The depreciation starts when the asset is available for use and terminates when it is classified as held for sale (or included as part of a disposal group classified as held for sale). The useful life and the depreciation rate, as well as the residual value, are periodically reviewed and, where significant changes have occurred compared to the previously adopted assumptions, the depreciation charge for the current year and subsequent ones is adjusted.

Maintenance costs that do not add value to an asset are charged to the income statement in the year in which they have incurred. Maintenance costs that add value to an asset are recorded with the fixed asset item to which they relate and are depreciated on the basis of the future residual useful life of the asset.

Leasehold improvements, such as to premises, shops and branches held under operating leases, are capitalised and depreciated over the shorter of the term of the lease and the useful life of the tangible asset installed.

The periods of depreciation are shown in the following table:

Asset type	Amortisation period (years)
Buildings, constructions and leasehold improvements	5-39
Plant and machinery	3-10
Industrial and commercial equipment	3-10
Motor vehicles	2.5-5
Computers and office machinery	2.5-5
Furniture and fittings	4-8
Other tangible fixed assets	4-10

2.12. Impairment of intangible fixed assets, tangible fixed assets, investments in associated companies and goodwill

The Group verifies the recoverable value of an asset whenever an impairment indicator exists and, for intangible fixed assets with an indefinite life, other tangible assets and goodwill, the assessment is carried out yearly. The recoverable value is defined as the higher of the asset's fair value less costs to sell and its value in use.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (in an orderly transaction between market participants (at the measurement date).

Value in use is determined by reference to the present value of the future estimated cash flows that are expected to be generated by the continued use of an asset and its disposal at the end of its useful life, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks associated with the asset. Where the value in use of a single asset cannot be determined due to the fact that the asset does not generate independent cash flows, the value in use is estimated by reference to the cash-generating unit that the asset relates to.

With regard to goodwill, the impairment test is performed for the smallest cash-generating unit that the goodwill relates to and which is used by the Group to evaluate, either directly or indirectly, the return on the investment which includes the goodwill itself.

Impairment losses are recognised in the income statement when the carrying value of the asset is higher than its recoverable value. Except for goodwill, for which impairment losses cannot be reversed, when there is an indication that an impairment loss is no longer justified or may have decreased, the carrying value of the asset is adjusted to its recoverable value. The increased carrying value of an asset due to an impairment reversal does not, however, exceed the carrying value that the asset would have had (net of the write-down or depreciation) if the impairment had not been recognised in previous years. The reversal is immediately recognised in the income statement.

2.13. Financial assets (excluding derivatives)

Financial assets are initially recognised in the financial statements, at the transaction date, at their fair value. This value is increased by the transaction costs that are directly attributable to the purchase of the asset, excluding ancillary costs related to the purchase of financial assets held for trading that are recognised in the income statement when incurred.

Subsequent to initial recognition, the accounting treatment of financial assets depends on their functional destination:

- financial assets held for trading, acquired for the purpose of generating short-term gains from price fluctuations, are measured at fair value and any gains and losses arising from the changes in fair value are included in the income statement;
- receivables and loans represented by non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are valued at amortised cost using the effective interest rate method and written down for impairment; any impairment losses are measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows based on the original effective interest rate of the financial asset; the amount of the impairment loss is charged to provision if it originated from revising an estimate, or is charged directly against the asset's carrying value in the event that it is related to a finally determined loss, and is recognised in the income statement. If in a subsequent period the amount of the impairment loss is reduced and such reduction can be objectively traced to an event occurring after the impairment was recognised, the impairment loss may be reversed up to its amortised cost by using provisions if it originated from revising an estimate, or it is charged directly against the asset's carrying value in the event that it is related to a finally determined loss, and is recognised in the income statement. Impairment losses are recognised where there are objective difficulties in recovering receivables, e.g. (i) financial difficulties experienced by the debtor, (ii) non-payment of several instalments under the contract and/or significantly delayed payment of instalments or (iii) the significant age of the receivables;
- shares and other securities which do not fall into the above categories are classifed as financial assets measured at fair value through profit or loss. Such classification is in line with the Group strategy which requires the return on such assets to be managed and measured at fair value.

Financial assets are derecognised from the financial statements when the related contractual rights expire, or when Amplifon S.p.A. substantially transfers all the risks and rewards of ownership associated with the financial asset. In the latter case the difference between the sale consideration and the net book value of the asset sold is recognised in the income statement.

2.14. Inventories

Inventories are valued at the lower of purchase or production cost and their net realizable value (represented by their open market value). Inventories are valued using the weighted average cost method.

2.15. Cash and cash equivalents and financial assets

The item cash and cash equivalents comprises liquid funds and financial investments with a maturity, at the acquisition date, of less than three months and for which there is an insignificant risk of a change in value. These financial assets are recorded at their nominal value.

2.16. Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a specific nature which are certain or probable and whose amount or timing is uncertain at the reporting date.

Provisions are recognised if the following conditions apply: (i) the Group has a present obligation (legal or constructive) that has arisen as a result of a past event; (ii) it is probable that the fulfilment of the obligation will require the use of resources which produce economic benefits; (iii) the amount can be estimated reliably.

The amount recognised as a provision in the financial statements represents the best estimate of the expenditure required by the company to settle the obligation at the reporting date or to transfer it to a third party.

When the time value of money is significant and the due dates of the obligations can be reliably estimated, the provision is discounted to its present value; when the provision is discounted, the increase in provision related to the passage of time is charged to the income statement as a financial charge.

Specifically:

- the agents' leaving indemnity includes the estimate of amounts due to agents, calculated using actuarial methods and having regard to the probability that such amounts will be paid, as well as the expectations as to the time of payment;
- the warranty and repair provision includes the estimate of costs for warranty services to be provided on products sold, calculated on the basis of historical/statistical data and the warranty period;
- the provision for risks arising from legal disputes includes the estimate of charges relating to legal disputes with employees, agents or associated with the provision of services.

2.17. Employees' benefits

Post-employment benefits are defined on the basis of pension plans, even if not formalised, which due to their characteristics can be classified as either defined-contribution or defined-benefit plans.

Under a defined-contribution plan the company's obligation is limited to the payment of the contributions agreed with the employees and it is determined on the basis of the contributions due at the end of the period, as reduced by any amounts already paid.

Under defined-benefit plans the liability recorded in the books is equal to: (a) the present value of the defined-benefit obligation at the reporting date; (b) plus any actuarial gains (minus any actuarial losses); (c) less any past service costs that have not yet been recorded; (d) less the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.
Under defined-benefit plans, the cost charged to the income statement is equal to the algebraic sum

of the following elements: (a) current service cost; (b) the financial charges arising from the increase in liability due to the passage of time; (c) the expected return on plan assets; (d) past service cost; (e) the effect of any curtailments or settlements under the plan.

Actuarial gains and losses are recognised in other comprehensive income.

Net financial charges on defined-benefit plans are recognised in profit or loss under financial income and charges.

2.18. Stock option e stock grant
The Group grants certain top executives and other beneficiaries who hold key positions within the Group the right to participate in share capital plans (stock options and stock grants).

Stock options plans are equity settled; the beneficiary has the right to purchase Amplifon S.p.A. shares at a predefined price if certain conditions are met.
Stock grants are equity settled too and the beneficiary receives a free allotment of shares in Amplifon S.p.A. at the end of the vesting period (4.5 years).

For equity settled stock options and stock grants, the fair value is recognised in the income statement under personnel expenses over the period running from the date they are granted to the vesting date and a corresponding amount is recorded in a net equity reserve. The fair value of the stock options and stock grants is determined at the date they are granted, taking account of the market conditions at that date.

At each reporting date, the Group reviews the assumptions about the number of stock options and stock grants which are likely to be exercised and records the effect of any change in estimate in the income statement adjusting the corresponding net equity reserve. In the event that the stock options are exercised, the amount received from the exercise of the stock options at the strike price is recorded as an increase in share capital and in the share premium account.
In case of free stock allotment (i.e. "*stock grant*"), the corresponding increase in share capital is recognised at the end of the vesting period.

2.19. Financial liabilities (excluding derivatives)
Financial liabilities include financial payables, lease obligations and trade payables.
Financial payables are initially recognised at fair value less any directly attributable transaction costs. Lease obligations are initially recognised at the fair value of the operating assets that are the subject of the agreements or, if lower, at the present value of the minimum payments due. Trade payables are generally recorded at nominal value except in those cases where the fair value of the consideration significantly differs from the nominal value.

Subsequent to initial recognition, the financial liabilities are valued at the amortised cost; the difference between the initial book value and the repayment value is recognised in the income statement using the effective interest rate method.

When a financial liability is hedged against interest rate risk in a fair value hedge, any changes in fair value due to the hedged risk are not included in the calculation of the amortised cost. These changes are amortised starting from the moment fair value hedge accounting is discontinued (§ 2.23).

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or fulfilled.

2.20. Revenues, interest income and dividends

Revenues are recognised on the basis of the fair value of the sale consideration agreed, net of discounts, reductions, returns, rebates and tax, if any. Revenues from the sale of products are recognised at the time when the Group transfers to the purchaser the risks and rewards of ownership, that is on transfer of title (which usually coincides with the dispatch or delivery of the products) or with the end of the trial period, if applicable.

Revenues are discounted to their present value and if the discounting effect is significant, the implicit financial element is separated, interest receivable being indicated separately. The financial element is allocated between the amount pertaining to the current year and future years, with the latter being accounted for as deferred income.
Revenues from services are recognised when the services are provided, based on the accrual method of accounting and based on the stage of completion of the transaction at the reporting date.

Interest income is recognised on the basis of the effective interest rate.
Dividends are recognised when the shareholders' right to receive payment is established.

2.21. Current and deferred income taxes

Current income tax payables and receivables are recorded at the amount that is expected to be paid to/received from the tax authorities at the rates enacted or substantially enacted, and the laws in force at the reporting date.

Deferred tax assets and liabilities are recognised on the temporary differences between the value of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred income taxes are not recognised: (i) when they derive from the initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and which, at the time of the transaction, does not affect either the accounting profit or the taxable profit /loss; (ii) when they relate to temporary differences related to investments in subsidiaries and joint ventures, where the reversal of temporary differences may be controlled and it is probable that it will not occur in the foreseeable future.

Deferred tax assets, including those arising from unused tax losses and tax credits, are recorded only to the extent their recovery is highly probable.

Deferred tax assets are not discounted to present value and are calculated using tax rates that are expected to apply when the taxes are paid or settled in the respective countries where the Group operates.

Deferred tax assets and liabilities are debited or credited directly to net equity if they relate to elements which are recognised directly in net equity. Deferred tax assets and liabilities are recorded respectively under non-current assets and liabilities and are offset only when a legally enforceable right to offset current tax assets against current tax liabilities exists and this will result in a lower tax

charge. Moreover, when there is a legally enforceable right of set-off, deferred tax assets and deferred tax liabilities are offset only if at the time of their reversal they will not generate any current tax asset or liability.

When an asset is revalued for tax purposes and the revaluation does not relate to an accounting revaluation of an earlier period, or to one that is expected to be carried out in a future period, deferred tax assets are recognised in the income statement on the temporary difference arising as a result of the revaluation.

2.22. Value added tax

Revenues, costs and assets are recognised net of valued added tax (VAT), except where VAT applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or as part of the expense recorded in the income statement.

The net amount of indirect tax on sales which may be recovered from/paid to the Tax Authorities is included in the financial statements under other receivables or payables, depending on whether it is a debit or a credit balance.

2.23. Derivative financial instruments

The Group enters into derivative financial instruments for the purpose of neutralizing the financial risks it is exposed to and which it decides to hedge in accordance with its adopted strategy (see § 3).

The documentation which formalises the hedging relationship for the purpose of the application of hedge accounting includes the identification of:

- hedging instrument;
- hedged item or transaction;
- nature of the risk;
- methods that the company intends to adopt to assess the hedge effectiveness in offsetting the exposure to changes in the fair value of the hedged item or the cash flows associated with the risk that is hedged against.

On initial recognition these instruments are measured at fair value. On subsequent reporting dates the fair value of derivatives must be re-measured and:

(i) if these instruments fail to qualify for hedge accounting, any changes in fair value that occur after initial recognition are taken to profit and loss;

(ii) if these instruments qualify as fair value hedges, from that date any changes in the fair value of the derivative are taken to profit and loss; at the same time, any fair value changes due to the hedged risk are recorded as an adjustment to the book value of the hedged item and the same amount is recorded in the income statement; any ineffectiveness of the hedge is recognised in profit and loss in an item separate from that in which changes in the fair value of the hedging instrument and the hedged item are recognised;

(iii) if these instruments qualify as cash flow hedges, starting from that date, any changes in the fair value of the derivative are recognised in net equity, but only to the extent of the effective amount of the hedge, with the amount of any hedge ineffectiveness being recognised in the income statement; changes in the fair value of the derivative that are recognised in net equity are subsequently transferred to the income statement in the period in which the transaction

that is hedged against affects the income statement; when the hedged item is the purchase of a non financial asset, changes to the fair value of the derivative taken to equity are reclassified and adjusted according to the purchase cost of the asset which is the hedged item (referred to as basis adjustment);

(iv) if these instruments qualify as hedges of net investment of a foreign operation, starting from that date any changes in the fair value of the derivative are adjusted as part of the "translation difference", to the extent of the effective amount of the hedge and the ineffective portion is charged to the income statement;

(v) hedging is carried out by the designated instrument, considered as a whole. In the case of options or forward contracts, however, only part of the derivative instrument is designated as the hedging instrument; the remainder is recognised in the income statement. More specifically, in the case of options, only the changes in fair value due to changes in the intrinsic value are designated as hedging instrument; conversely, fair value changes of options due to changes in the time value are recognised in the income statement and are not considered in the assessment of the hedge effectiveness. In the case of forward contracts, only changes in fair value due to changes in the spot rate are designated as a hedging instrument; conversely the fair value changes due to changes in the forward points are recognised in the income statement and are not considered in the assessment of the hedge effectiveness.

If the hedge becomes ineffective or the Group changes its hedging strategies, hedge accounting is discontinued. In particular, hedge accounting is discontinued prospectively when the hedge becomes ineffective or when there is a change in the hedging strategies.

If, in a fair value hedge, the hedged item is a financial instrument measured using the effective interest rate method, the adjustments made to the book value of the hedged item are amortised starting from the date when fair value hedge accounting is discontinued and the hedged item is no longer adjusted for fair value changes attributable to the hedged risk.

Financial instruments hedging exchange rate risk due to forecasted transactions and firm commitments are represented on the statement of financial position according to the cash-flow hedge accounting model.

Derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under assets or liabilities if related to derivatives which do not qualify for hedge accounting criteria, conversely they are classified according to the hedged item.

In particular, if the hedged item is classified as a current asset or liability, the positive or negative fair value of the hedging instrument is included under current assets or liabilities; if the hedged item is classified as a non-current asset or liability, the positive or negative fair value of the hedging instrument is included under non-current assets or liabilities.

2.24. Share capital, treasury shares, dividend distribution and other net equity items

Ordinary shares issued by the parent company Amplifon S.p.A. are classified as part of net equity. Any costs incurred to issue new shares, also following the exercise of stock option plans, are classified as a reduction in net equity.

Purchases and disposals of treasury shares, as well as any gains or losses on purchase/disposal, are recognised in the financial statements as changes in net equity. Dividends distributed to the shareholders are recorded as a reduction in net equity and as a liability of the period when the dividend payment is approved by the Shareholders' Meeting.

2.25. Earnings (loss) per share

Earnings per share are determined by comparing the Group's net profit to the weighted-average number of shares outstanding during the accounting period. For the calculation of the diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming the conversion of all potential shares with a dilutive effect.

3. Financial risk management

With a view to structured management of treasury activities and financial risks, since 2012 the Group adopted a Treasury Policy which contains guidelines for the management of:
- currency risk;
- interest rate risk;
- credit risk;
- price risk;
- liquidity risk.

Currency risk
This includes the following types:

- *foreign exchange transaction risk*, that is the risk of changes in the value of a financial asset or liability, of a forecasted transaction or a firm commitment, changes due to exchange rate fluctuations;
- *foreign exchange translation risk*, that is the risk that the translation of the assets, liabilities, costs and revenues relating to a net investment in a foreign operation into the reporting currency may give rise to an exchange gain or loss.

In the Amplifon Group, the foreign exchange transaction risk is highly limited in consideration of the fact that each country is largely autonomous in the operation of its business, incurring costs in the same currency as it realises the revenue and derives primarily from intragroup transactions (medium long-term and short loans, recharges for intercompany service agreements), which give rise to an exchange rate risk exposure to the companies operating in a currency other than that of the intragroup transaction.
Additionally, exposure to foreign exchange transaction risk arises from investments in listed financial instruments denominated in a currency other than the investing company's functional currency.
Foreign exchange translation risk arises from investments in the following countries: United States, United Kingdom, Switzerland, Hungary, Turkey, Poland, Australia, New Zealand, India and Egypt.

The Group's strategy is to minimise the impact on the income statement of the changes in exchange rates and provides for hedging of the exposure of the financial positions of individual companies denominated in currencies other than the reporting currency, and specifically: (i) by bonds in US Dollars issued by Amplifon S.p.A. and subscribed by Amplifon USA Inc; (ii) the inter-company loans denominated in currencies other than Euro between Amplifon S.p.A. and the Group associates in the United Kingdom and Australia.
The intercompany loans existing between the companies in Australia and New Zealand, as well as an intercompany loan granted by Amplifon S.p.A. to its English affiliate, are considered equity investments insofar as they are not interest bearing and are not expected to be repaid. Any changes in exchange rates are, therefore, charged directly to the translation reserve without impacting the income statement.

The risks arising from other intercompany transactions and investments in quoted instruments in foreign currency are not high since the amounts involved are not significant, hence they are not hedged.
Taking the foregoing into account, the fluctuations in exchange rates during the financial year had no significant effects on the Amplifon Group's consolidated financial statements.

With regard to foreign exchange translation risk, as individual countries earn income and pay expenses in their own currency no hedging is undertaken, having also considered the potential complexity of similar hedging transactions. The effects of the significant strengthening of the Euro against the Australian and US Dollars caused the Group's EBITDA in Euro to be lower by a few percentage points with respect to the Group's total EBITDA.

Currency risk - sensitivity analysis
The two private placements denominated in US Dollars, namely the outstanding portion of the 2006-2016 issue of USD 70 million and the USD 130 million 2013-2025 issue, are hedged against currency risk. As a result of the hedge the Euro/USD rate has been locked-in for the duration of the above mentioned loans.

Therefore, it is reasonable to assume that any change in exchange rates will not give rise to a significant profit and loss effect as the foreign currency positions and the hedging derivatives will automatically generate changes of the same amount but of the opposite sign.

Similar considerations may be made with regard both intercompany loans denominated in currencies other than Euro between Amplifon S.p.A. and UK and Australia subsidiaries.

The intercompany loans existing between the companies in Australia and New Zealand, as well as an intercompany loan granted by Amplifon S.p.A. to its UK affiliate, are considered equity investments insofar as they are not interest bearing and are not expected to be repaid. Any changes in exchange rates are, therefore, charged directly to the translation reserve without impacting the income statement.

As a consequence the *sensitivity analysis* of the above mentioned items is not disclosed.
The analysis excludes receivables, payables and future commercial flows which have not been hedged since, as stated above, these are not significant.

Interest rate risk
Interest rate risk includes:
- *fair value risk*, that is the risk that the value of a financial asset or liability at fixed interest rate may change due to fluctuations in market interest rates;
- *cash flow risk*, that is the risk that the future cash flows of a floating interest rate financial asset or liability may fluctuate due to changes in market interest rates.

In the Amplifon Group fair value risk arises on the issue of fixed-income bonds (private placement and Eurobond). The cash flow risk derives from taking out variable-rate bank loans.

The Group's strategy is to minimise cash flow risk, especially in respect of long-term exposures, through a balanced division between fixed- and floating-rate loans, judging whether to transform floating-rate borrowings to fixed-rate both when each loan is taken out and during the life of the loans, while noting the interest rate levels seen in the markets on each occasion. In any event, at least 50% of the debt must be hedged against changes in interest rates.

Long/medium term debt at 31 December 2013 amounted to €431 million and it is linked to fixed rate debt capital market issues. The debt has yet to be swapped to floating rate as interest rates are currently low and there is little room for additional decreases with respect to the possibility of an increase. Consequently the risk that a swap of the current debt into floating rate could result in financial charges over the life of the debt which, overall, exceeds the current fixed rate was viewed as high.

Interest rate risk - sensitivity analysis

As mentioned above, all the indebtedness generates interest at a fixed rate. More in detail:

- the USD private placements are hedged against interest rate risk. As a result of the swaps, the Euro interest rate was set at 5.815% for the outstanding amount of the 2006-2016 private placement (equal to USD 70 million) and to 3.9% (average rate) for the different tranches of the 2013-2025 private placement (equal to USD 130 million);
- the €275 million 5-year bond loan reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF issued on 16 July 2013 by Amplifon S.p.A. (Eurobond) has a coupon of 4.875%.

With respect to the remaining financial assets and liabilities at floating-rate the following table highlights the higher/lower income before tax arising from increases/decreases in interest rates.

In light of interest rate levels at 31 December 2013 (ECB euro rate of 0.25%), sensitivity analysis considers an upside of 1% and a downside of –0.25%.

(€ thousands) 2013	Note	Balance as at 31 December 2013	Average exposure	Increase/decrease in interest rates (in %)	Effect on profit before tax
Current assets					
Bank current accounts and short-term bank deposits	12	168,906	109,150	1.00%	1,092
Current liabilities					
Bank current accounts	22	(528)	(401)	1.00%	(4)
Short-term bank borrowings	22	(1,368)	(759)	1.00%	(8)
Total effect on profit before tax					**1,080**
Current assets					
Bank current accounts and short-term bank deposits	12	168,906	109,150	-0.25%	(273)
Current liabilities					
Bank current accounts	22	(528)	(401)	-0.25%	1
Short-term bank borrowings	22	(1,368)	(759)	-0.25%	2
Total effect on profit before tax					**(270)**

(€ thousands) 2012	Note	Balance as at 31 December 2012	Average exposure	Increase/decrease in interest rates (in %)	Effect on profit before tax
Current assets					
Bank current accounts and short-term bank deposits	12	109,832	87,127	1.00%	871
Current liabilities					
Bank current accounts	22	(425)	(2,231)	1.00%	(22)
Short-term bank borrowings	22	(263)	(534)	1.00%	(5)
Non-current liabilities					
Loans in Australian dollars including current portion (disclosed in €)	15	(47,632)	(52,175)	1.00%	(522)
Floating interest part of the bond (US$12m): equivalent in € at the hedging rate	15	(9,934)	(9,934)	1.00%	(99)
Total effect on profit before tax					**223**
Current assets					
Bank current accounts and short-term bank deposits	12	109,832	87,127	-0.50%	(435)
Current liabilities					
Bank current accounts	22	(425)	(2,231)	-0.50%	11
Short-term bank borrowings	22	(263)	(534)	-0.50%	3
Non-current liabilities					
Loans in Australian dollars including current portion (disclosed in €)	15	(47,632)	(52,175)	-0.50%	261
Floating interest part of the bond (US$12m): equivalent in € at the hedging rate	15	(9,934)	(9,934)	-0.50%	50
Total effect on profit before tax					**(110)**

Credit risk

Credit risk is the possibility that the issuer of a financial instrument defaults on its obligations and causes a financial loss to the holder.

In the Amplifon Group credit risk arises from:
(i) sales made as part of ordinary business operations;
(ii) the use of financial instruments that require settlement of positions with the counterparty;
(iii) from the transfer of Group-owned American stores to franchisees, with the payment originally spread over up to 12 years, following the transformation of the business model of the subsidiary Sonus, from the direct to the indirect channel.

With regard to the risk under (i) above, it is noted that the only positions with a high unitary value are amounts due from Italian public-sector entities, whose risk of insolvency – while existing – is remote and further mitigated by the fact that they are factored without recourse, on a quarterly basis, to specialist factoring companies. Additionally, the credit risk arising out of sales to private individuals to whom payment by installments has been allowed, is becoming significant as is that arising from sales to US indirect channel firms (wholesalers and franchisees), that in any case are related to several partners which individually own to Amplifon a limited amount, that also with reference to the biggest of them do not exceed the amount of a few million dollars.
Due to the continuance of the general economic crisis, some may not be able to honour their debts. This causes a risk of increased working capital and debtor losses. The Group, through its Corporate functions, has set up a system of monthly reporting on its debtors, to monitor their composition and due dates for each country and decide with local management the action to be taken to recover overdue accounts and determine credit policy. In particular, with regard to private customers, that are however largely paying cash, instalment or financed sales have been limited to a maximum term of 12 months and where possible they are managed by external finance companies which advance the whole amount of the sale to Amplifon, while with regard to the indirect channel in US, the situation is strictly monitored by local management.

The risk referred to in (ii) above, notwithstanding the inevitable uncertainties linked to sudden and unforeseeable counterparty default, is managed by diversifying the main national and international investment grade financial institutions and through the use of specific counterparty limits with regard to both liquidity invested and/or deposited and to the notional amount of derivative contracts.
The counterparty limits are higher if the counterparty has a Standard & Poor's and Moody's short term rating equal to at least A-1 and P-1, respectively. The Group's CEO and CFO may not carry out transactions with non-investment grade counterparties unless specifically authorized to do so.

The risk referred to in (iii) above is mitigated by ensuring the return of the sold stores to form part of Amplifon property in the instance where payment is not made.

S&P's short-term credit rating for the Group's financial assets is detailed below:

			Short term S&P rating					
(€ thousands)	31/12/2013		A-1+	A-1	A-2	B	BB-	Others
Non-current assets								
Financial assets at fair value through profit and loss	4,131	Note 8						4,131 (*)
Hedging instruments – long term	2,382	Note 9		2,382				
Current assets								
Hedging instruments	2,572				2,572			
Bank current accounts and short-term bank deposits	168,906	Note 12	18,584	67,924	71,399	234	49	10,716
Cash on hand	1,439							
Total cash and cash equivalents	**170,345**	Note 12						

(*) Financial assets measured at fair value in the income statement include investments in bonds and other listed securities made by the affiliate Amplinsure RE AG. These assets are grouped together into two portfolios managed by specialist asset managers. These investments present a low risk profile (the goal being long-term capital preservation and growth) and are monitored by management and investment companies.

Price risk

This arises from the possibility that the value of a financial asset or liability may change due to changes in market prices (other than those caused by currency or interest-rate fluctuations) whether these changes arise from specific characteristics of the financial asset or liability or the issuer of the financial liability, or are caused by market factors. This risk is typical of financial assets not listed on an active market, which may not easily be realised at a value close to their fair value.

In the Amplifon Group price risk arises from certain financial investments in listed instruments, mainly bonds. Given the size of these investments, this risk is not significant and is therefore not hedged.

Liquidity risk

This risk often arises from the possibility that an entity may have difficulty finding sufficient funds to meet its obligations. It includes the risk that the counterparties that have granted loans or lines of credit may request repayment.
This risk, which had become particularly significant, first as a result of the 2008 financial crisis and more recently, as a result of the crisis involving the peripheral Euro zone countries' sovereign debt crisis and the single currency itself, still exists albeit smaller in scope.

In this situation the Group continues to pay the utmost attention to cash flow and debt management, maximizing the positive cash flow from operations, as well as repaying all expiring debt well in advance. While liquid assets were more than sufficient to cover all the obligations maturing through the end of 2013, during the year the Amplifon Group completed two important transactions on the debt capital markets which made it possible to completely refinance the short term debt falling due, as well as the portions maturing in 2014 and 2015, in order to use available resources to support business and take advantage of possible growth opportunities. More in detail:

- Amplifon USA completed a private placement on the American market of USD 130 million with 7, 10 and 12 year maturities, an average duration of 10.3 years and an average coupon of 3.90% after the swap in Euros. USD 15 million of the loan was disbursed on 30 May 2013 and USD 115 million was disbursed on 31 July 2013;

- on 16 July 2013 Amplifon S.p.A. issued a €275 million 5-year bond loan on the European market with a coupon of 4.875% reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF market.

Through these transactions the Group was not only able to procure the financial resources needed to repay the second tranche of the 2006-2016 private placement that expired on 2 August 2013 amounting to, at the hedging rate, €67 million, but also on 23 July 2013 to repay in advance the entire amount outstanding on the syndicated loan taken out for the NHC Group acquisition at the end of 2010 which amounted to €254.5 million. The 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 million, at the hedging rate, will fall due.

These activities, along with the liquidity, long term credit lines which amount to €100 million and the positive cash flow that the Group continues to generate, lead us to believe that, at least in the short term, liquidity risk is not significant.

Hedging instruments

Hedging instruments are used by the Group exclusively to mitigate - in line with company strategy - interest rate and currency risk and are exclusively financial derivatives. In order to maximise the effectiveness of these hedges Group strategy prescribes that:

- the counterparties be of large size and high credit standing and that the transactions be within the limits laid down by treasury policy in order to minimise counterparty risk;
- the instruments used match, as far as possible, the characteristics of the risk they hedge;
- the performance of the instruments used be monitored, not least in order to check and, if necessary, optimise the appropriateness of the structure of the instruments used to attain the aims of the hedge.

The derivatives used by the Group are generally represented by so-called plain vanilla financial instruments. In particular, the types of derivatives adopted are the following:

- cross currency swaps;
- interest rate swaps;
- interest rate collar;
- forward foreign exchange contracts.

On initial recognition these instruments are measured at fair value. On subsequent reporting dates the fair value of derivatives must be re-measured and:

(i) if these instruments fail to qualify for hedge accounting, any changes in fair value that occur after initial recognition are taken to profit and loss;

(ii) if these instruments subsequently qualify as fair value hedges, from that date any changes in the fair value of the derivative are taken to profit and loss; at the same time, any fair value changes due to the hedged risk are recorded as an adjustment to the book value of the hedged item and the same amount is recorded in the income statement; any ineffectiveness of the hedge is recognised in profit and loss;

(iii) if these instruments qualify as cash flow hedges, from that date any changes in the fair value of the derivative are taken to net equity; changes in the fair value of the derivative that are recognised in net equity are subsequently transferred to the income statement in the period in which the transaction that is hedged against affects the income statement; when the object of the hedge is the purchase of a non-financial activity, changes to the fair value of the derivative taken to net equity are reclassified to adjust the purchase cost of the activity which is the object of the hedge (so-called basis adjustment); any ineffectiveness of the hedge is recognised in profit and loss.

The Group's hedging strategy is recognised in the accounts as described above starting from the time at which the following conditions are satisfied:

- the hedging relationship, its purpose and the overall strategy are formally defined and documented; the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk to be neutralised and the procedures whereby the entity will assess the effectiveness of the hedge;
- the effectiveness of the hedge may be reliably assessed and there is a reasonable expectation, confirmed by ex post evidence, that the hedge will be highly effective for the period in which the hedged risk is present;
- if the hedged risk is that there may be changes in the cash flow arising from a future transaction, the latter is highly probable and has exposure to changes in cash flow that could affect profit and loss.

Derivatives are recorded as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under assets or liabilities if related to derivatives which do not meet hedge accounting criteria, conversely they are classified according to the hedged item.

In particular, if the hedged item is classified as a current asset or liability, the positive or negative fair value of the hedging instrument is included under current assets or liabilities; if the hedged item is classified as a non-current asset or liability, the positive or negative fair value of the hedging instrument is included under non-current assets or liabilities.

The Group does not have in place any hedges of a net investment.

Intercompany hedges, if any, are eliminated on consolidation.

Reconciliation table

The following table illustrates the link between items reported on the statement of financial position and the categories of financial instrument defined by IAS 39 and IFRS 7.

			31 December 2013									
(€ thousands)			Included in net financial position					Excluded from net financial position				
		Total	Amortised cost			Fair Value Net equity	Fair Value through PL	Amortised cost			Fair Value through PL	Fair Value Net Equity
Statement of Financial Position	Note		Loans and rec.	Fin. liab. at amortised cost	FA/ FL AFS	Cash flow hedge derivatives	Fair value hedge no HA	Loans and rec.	Fin. liab. at amortised cost	FA/FL AFS	Non hedge derivatives	Cash flow hedge derivatives
Non-current assets												
Financial assets measured at FV through PL	8	4,131								4,131		
Other assets	8	25,652						25,652				
Hedging instruments	9	2,382				(4,465)						6,847
Current assets												
Cash and cash equivalents	14	170,345	170,345									
Trade receivables	11	104,018						104,018				
Other receivables	11	17,581						17,581				
Hedging instruments	9	2,572					2,572					
Non-current liabilities												
Financial liabilities	15	(417,541)	(128)	(420,759)					3,346			
Hedging instruments	9	(16,850)				(6,628)						(10,222)
Payables for business acquisitions	18	(3,446)	(3,446)									
Other long-term debt	18	(245)						(245)				
Non-current liabilities												
Trade payables	19	(96,297)							(96,297)			
Payables for business acquisitions	20	(621)		(621)								
Other long-term debt	20	(92,397)							(92,397)			
Hedging instruments	9	(59)					(59)					
Financial payables	23	(11,411)	(2,950)	(9,204)					743			
Total			163,821	(430,583)	-	(11,093)	2,513	147,008	(184,605)	4,131	-	(3,375)
Total net financial position					(275,343)							

Key:
Fin. liab. at amortised cost: financial liabilities at amortised cost;
FA/FL AFS available for trading: financial assets/liabilities available for trading;
FA/FL designated at FV: financial assets/liabilities designated at fair value;
Fair value through net equity: fair value recognised directly in net equity.

(€ thousands)			31 December 2012									
			Included in net financial position					Excluded from net financial position				
		Total	Amortised cost		Fair value through PL			Amortised cost		Fair value through PL		Fair value Net Equity
Statement of Financial Position	Note		Loans and rec.	Fin. liab. at amortised cost	FA/ FL AFS	Cash flow hedge derivatives	Fair value hedge no HA	Loans and rec.	Fin. liab. at amortised cost	FA/ FL AFS	Fair value hedge no HA	Cash flow hedge derivatives
Non-current assets												
Financial assets measured at FV through PL	8	3,742								3,742		
Other assets	8	25,294						25,294				
Hedging instruments	9	6,605				(2,168)						8,773
Current assets												
Cash and cash equivalents	14	111,180	111,180									
Trade receivables	11	111,115						111,115				
Other receivables	11	19,364						19,364				
Hedging instruments	9	532				(2,571)	173				2,930	
Non-current liabilities												
Financial liabilities	15	(284,714)		(287,702)					2,988			
Hedging instruments	9	(15,319)									(15,319)	
Payables for business acquisitions	18	(3,774)	(3,774)									
Other long-term debt	18	(275)						(275)				
Non-current liabilities												
Trade payables	19	(98,016)							(98,016)			
Payables for business acquisitions	20	(474)		(474)								
Other long-term debt	20	(87,827)							(87,827)			
Hedging instruments	9	(2,078)										(2,078)
Financial payables	23	(119,046)	(120,499)						1,453			
Total			(13,093)	(288,176)	-	(4,739)	173	155,498	(181,402)	3,742	(12,389)	6,695
Total net financial position					(305,835)							

Key:
Fin. liab. at amortised cost: financial liabilities at amortised cost;
FA/FL AFS available for trading: financial assets/liabilities available for trading;
FA/FL designated at FV: financial assets/liabilities designated at fair value;
Fair value through net equity: fair value recognised directly in net equity.

Fair value hierarchy levels

At 31 December 2013, 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 as forward interest-rate curve, exchange rates, etc. (source Bloomberg). The evaluation technique adopted is the discounted cash flow approach. Own risk and counter party risk (credit/debit value adjustments) were taken into account

when calculating the fair value. These credit/debit value adjustments were determined based on market information such as the value of the CDS (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.

(€ thousands)		2013				2012			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets									
Financial assets at fair value through profit and loss	Note 8	4,131			**4,131**	3,742			**3,742**
Hedging instruments									
- Long-term	Note 9		2,382		**2,382**		6,605		**6,605**
- Short-term	Note 9		2,572		**2,572**		532		**532**
Liabilities									
Hedging instruments									
- Long-term	Note 9		(16,851)		**(16,851)**		(15,319)		**(15,319)**
- Short-term	Note 9		(59)		**(59)**		(2,078)		**(2,078)**

There were no transfers between the levels during the period.

4. Segment information

The Amplifon Group operates in a single business and is present in four geographical macro-areas determined by uniform market conditions and manners of conducting business, also with respect to the legislation in force and conditions for obtaining refunds from the health service: Europe (Belgium, France, Germany, Hungary, Ireland, Italy, Luxembourg, The Netherlands, Poland, Portugal, Spain, Switzerland, Turkey and UK), North America (USA and Canada), Asia Pacific (Australia, New Zealand and India) and Africa (Egypt).

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 31 December 2013

(€ thousands)	EUROPE	NORTH AMERICA	ASIA PACIFIC	AFRICA	ELIM.	CONSOLIDATED
ASSETS						
Non-current assets						
Goodwill	205,645	57,217	237,818	-	-	500,680
Intangible fixed assets with finite useful life	40,282	11,107	68,911	-	-	120,300
Tangible fixed assets	69,606	1,574	16,473	466	-	88,119
Investments valued at equity	289	-	651	-	-	940
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						**800,608**
Current assets						
Inventories	27,637	115	1,849	546	-	30,147
Receivables	95,596	29,765	8,055	254	(712)	132,958
Hedging instruments	2,572	-	-	-	-	2,572
Cash and cash equivalents						170,345
Total current assets						**336,022**
TOTAL ASSETS						**1,136,630**
LIABILITIES						
Net equity						**382,635**
Non-current liabilities						
Medium/long-term financial liabilities						417,541
Provisions for risks and charges	16,804	15,601	696	-	-	33,101
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						**529,505**
Current liabilities						
Trade payables	62,238	25,235	9,411	118	(705)	96,297
Payables for business acquisitions	621	-	-	-	-	621
Other payables	76,451	1,573	14,340	40	(7)	92,397
Hedging instruments	59	-	-	-	-	59
Tax payables	9,520	1,271	4,098	148	-	15,037
Provisions for risks and charges	411	-	-	-	-	411
Liabilities for employees' benefits	6,616	624	1,017	-	-	8,257
Short-term financial liabilities						11,411
Total current liabilities						**224,490**
TOTAL LIABILITIES						**1,136,630**

Statement of Financial Position as at 31 December 2012

(€ thousands)	EUROPE	NORTH AMERICA	ASIA PACIFIC	AFRICA	ELIM.	CONSOLIDATED
ASSETS						
Non-current assets						
Goodwill	203,928	59,604	288,321	-	-	551,853
Intangible fixed assets with finite useful life	44,506	12,561	87,554	-	-	144,621
Tangible fixed assets	73,087	1,573	18,931	479	-	94,070
Investments valued at equity	723	-	625	-	-	1,348
Financial assets measured at fair value through profit and loss	3,742	-	-	-	-	3,742
Hedging instruments	6,605	-	-	-	-	6,605
Deferred tax assets	38,995	6,511	2,533	-	-	48,039
Other assets	2,845	31,145	257	-	-	34,247
Total non-current assets						884,525
Current assets						
Inventories	31,282	54	2,388	472	-	34,196
Receivables	93,903	36,612	8,576	278	(935)	138,434
Hedging instruments	532	-	-	-	-	532
Cash and cash equivalents						111,180
Total current assets						284,342
TOTAL ASSETS						1,168,867
LIABILITIES						
Net equity						**430,158**
Non-current liabilities						
Medium/long-term financial liabilities						284,714
Provisions for risks and charges	18,263	13,459	803	-	-	32,525
Liabilities for employees' benefits	12,428	726	2,049	-	-	15,203
Hedging instruments	15,319	-	-	-	-	15,319
Deferred taxes	10,552	16,836	25,684	9	-	53,081
Payables for business acquisitions	1,334	-	2,440	-	-	3,774
Other long-term debt	-	11	264	-	-	275
Total non-current liabilities						404,891
Current liabilities						
Trade payables	63,772	23,651	11,197	270	(874)	98,016
Payables for business acquisitions	474	-	-	-	-	474
Other payables	71,412	1,476	14,889	111	(61)	87,827
Hedging instruments	2,078	-	-	-	-	2,078
Tax payables	13,179	5,951	6,366	135	-	25,631
Provisions for risks and charges	441	-	248	-	-	689
Liabilities for employees' benefits	-	57	-	-	-	57
Short-term financial liabilities						119,046
Total current liabilities						333,818
TOTAL LIABILITIES						1,168,867

Income Statement - FY 2013

(€ thousands)	EUROPE	NORTH AMERICA	ASIA PACIFIC	AFRICA	ELIM.	CONSOLIDATED
Revenues from sales and services	559,551	138,663	127,984	2,434	-	828,632
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(98,671)	(76,972)	(18,409)	(846)	-	(194,898)
Personnel expenses	(192,886)	(17,846)	(49,999)	(524)	(41)	(261,296)
Services	(211,199)	(18,984)	(25,989)	(617)	41	(256,748)
Other income and costs	1,083	742	(101)	-	-	1,724
Gross operating profit (EBITDA)	57,878	25,603	33,486	447	-	117,414
Amortisation, depreciation and impairment						
Amortisation	(11,340)	(3,601)	(6,700)	-	-	(21,641)
Depreciation	(19,360)	(334)	(5,315)	(58)	-	(25,067)
Impairment and impairment reversals of non-current assets	(1,380)	(523)	(285)	-	-	(2,188)
	(32,080)	**(4,458)**	**(12,300)**	**(58)**	**-**	**(48,896)**
Operating result	25,798	21,145	21,186	389	-	68,518
Financial income, charges and value adjustments to financial assets						
Group's share of the result of associated companies valued at equity	(342)	-	211	-	-	(131)
Other income and charges, impairment and revaluations of financial assets						130
Interest income and charges						(26,436)
Other financial income and charges						(4,043)
Exchange gains and losses						(4,605)
Gain (loss) on assets measured at fair value						3,441
						(31,644)
Net profit (loss) before tax						36,874
Current and deferred income tax						
Current income tax						(26,068)
Deferred tax						2,114
						(23,954)
Total net profit (loss)						12,920
Minority interests						72
Net profit (loss) attributable to the Group						12,848

Income Statement - FY 2012

(€ thousands)	EUROPE	NORTH AMERICA	ASIA PACIFIC	AFRICA	ELIM.	CONSOLIDATED
Revenues from sales and services	582,937	130,404	130,787	2,483	-	846,611
Raw materials, consumables and supplies and change in raw materials, consumables and supplies	(98,738)	(71,074)	(18,966)	(954)	1	(189,731)
Personnel expenses	(189,058)	(17,415)	(50,734)	(514)	(62)	(257,783)
Services	(211,592)	(18,368)	(24,781)	(656)	61	(255,336)
Other income and costs	332	1,146	(67)	-	-	1,411
Gross operating profit (EBITDA)	83,881	24,693	36,239	359	-	145,172
Amortization, depreciation and impairment						
Amortisation	(11,099)	(4,581)	(7,208)	-	-	(22,888)
Depreciation	(19,061)	(404)	(4,051)	(55)	-	(23,571)
Impairment and impairment reversals of non-current assets	(210)	(617)	-	-	-	(827)
	(30,370)	**(5,602)**	**(11,259)**	**(55)**	**-**	**(47,286)**
Operating result	53,511	19,091	24,980	304	-	97,886
Financial income, charges and value adjustments to financial assets						
Group's share of the result of associated companies valued at equity	(47)	-	110	-		63
Other income and charges, impairment and revaluations of financial assets						518
Interest income and charges						(23,194)
Other financial income and charges						(2,702)
Exchange gains and losses						387
Gain (loss) on assets measured at fair value						(753)
						(25,681)
Net profit (loss) before tax						72,205
Current and deferred income tax						
Current income tax						(30,199)
Deferred tax						1,136
						(29,063)
Total net profit (loss)						43,142
Minority interests						(40)
Net profit (loss) attributable to the Group						43,182

5. Acquisitions and goodwill

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

(€ thousands)	Net carrying value at 31/12/2012	Business combinations	Disposals	Impairment	Other net changes	Net carrying value at 31/12/2013
Italy	451	-	-	-	-	451
France	54,345	925	-	-	-	55,270
Iberian Peninsula	23,983	-	-	-	-	23,983
Hungary	600	454	-	-	(2)	1,052
Switzerland	11,871	-	-	-	(197)	11,674
The Netherlands	32,781	-	-	-	-	32,781
Belgium and Luxembourg	9,251	74	-	-	-	9,325
Germany	54,652	1,459	(353)	(326)	-	55,432
Turkey	982	-	-	-	-	982
United Kingdom and Ireland	15,012	-	-	-	(317)	14,695
USA and Canada	59,604	289	-	-	(2,676)	57,217
Asia Pacific	285,885	-	-	-	(50,252)	235,633
India	2,436	-	-	-	(251)	2,185
Goodwill	**551,853**	**3,201**	**(353)**	**(326)**	**(53,695)**	**500,680**

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

Disposals concern the sale of 22 non-performing stores sold at the end of the third quarter in Germany.

The caption Impairment refers to adjustments to goodwill on minor acquisitions in Germany.

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

The table below summarises all the acquisitions made throughout 2013 (amounts in € thousand):

Name	Date	Location	Total purchase price	Cash acquired	Financial debts acquired	Total cost	Expected annual turnover (*)	Contribution to turnover from the purchase date
Share deals								
Correction Auditive de l'Est	01/03/2013	*France*						
C2A Audition	01/10/2013	*France*						
Total share deals			1,823	27	330	2,126	1,893	600
Asset deals								
Hördienst Sebening	01/01/2013	*Germany*						
Bremer Hörgerätezentrale Heidrun Krause GmbH	02/01/2013	*Germany*						
Rosner	06/05/2013	*USA*						
A&O Hörgeräte GmbH	01/07/2013	*Germany*						
Kind Hallascentrum Kft	01/09/2013	*Hungary*						
Southern Hearing Associates	06/11/2013	*USA*						
Shop	01/12/2013	*Belgium*						
Woodard Inc.	16/12/2013	*USA*						
Total asset deals			2,691	-	-	2,619	2,931	1,051
Total			4,514	27	330	4,817	4,825	1,651

(*) Annual turnover is the best available estimate of the turnover of the firm or business acquired. Information on the turnover of the acquired firm or business since the beginning of the period is not available.

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

(€ thousands)	France	Germany	Hungary	Belgium	USA	Total
Cost of acquisitions of the year	**1,823**	**1,289**	**761**	**134**	**507**	**4,514**
Assets and liabilities acquired – Book value						
Current assets	477	24	-	-	-	501
Current liabilities	(334)	(408)	(28)	-	-	(770)
Net working capital	**143**	**(384)**	**(28)**	**-**	**-**	**(269)**
Other intangible and tangible assets	496	14	103	60	-	673
Provision for risks and charges	(10)	(181)	-	-	-	(191)
Other non-current assets and liabilities	12	-	-	-	-	12
Non-current assets and liabilities	**498**	**(167)**	**103**	**60**	**-**	**494**
Net invested capital	**641**	**(551)**	**75**	**60**	**-**	**225**
Net financial position	**(303)**	**-**	**-**	**-**	**-**	**(303)**
NET EQUITY ACQUIRED - BOOK VALUE	338	(551)	75	60	-	(78)
DIFFERENCE TO BE ALLOCATED	1,485	1,840	686	74	507	4,592
ALLOCATIONS						
Customer lists	852	381	232	-	218	1,683
Deferred tax assets	-	122	-	-	-	122
Deferred tax liabilities	(292)	(122)	-	-	-	(414)
Total allocations	560	381	232	-	218	1,391
TOTAL GOODWILL	925	1,459	454	74	289	3,201

Analysis of the recoverable value of the goodwill allocated to the cash-generating units was made; these CGUs are generally the same as the markets in which Amplifon operates.
Goodwill allocation by region is detailed in the table at the beginning of this section.

With the exception of the UK, cash generating units (CGUs) were tested for impairment determining the value in use using the discounted cash flow (DCF) method net of tax, thus aligned with the post-tax discount rates used.

The CGUs' value in use was determined by discounting estimated future cash flows as per the three-year business plan (2014-2016) with the exception of countries in which the business represented in the third plan year does not reflect full capacity, due to recently implemented significant regulatory changes, changes in the business model or start-up situations in new markets and cannot reasonably be used as a basis for the perpetual growth model. In these cases the impairment test was based on a five-year plan. The plans used for impairment testing reflect – particularly for the European area – the expected general contraction in economic growth.

The DCF calculation assumed a weighted average cost of capital and used a discount rate that reflected current market cost of borrowing estimates, taking into account the specific risks of each CGU.

Specific country risks were reflected in the increase of each country's Beta.

Final perpetual growth for each country is in line with the IMF's inflation forecasts for 2017.

As regard as the countries where the impairment test was performed on 5 year business plan, IMF's inflation forecasts for year 2019 have been used.

	Italy	France	The Netherlands	Germany	Belgium and Luxembourg	Switzerland	Iberian peninsula	United States	Hungary	Oceania	Turkey	India
Growth rate	1.40%	1.70%	1.40%	1.90%	1.20%	1.00%	1.50%	2.20%	3.00%	2.30%	5.00%	7.4%
Weighted average cost of capital	6.72%	6.56%	9.02%	7.16%	6.85%	6.16%	8.54%	6.45%	12.62%	9.63%	15.31%	13.80%
Cash flow time horizon	3 years	3 years	5 years	5 years	3 years	3 years	5 years	3 years	3 years	3 years	3 years	5 years
Weighted average cost of capital 2012	8.80%	5.40%	7.10%	7.20%	6.10%	7.20%	8.82%	7.60%	11.80%	7.30%	13.90%	14.70%

A sensitivity analysis was also carried out to determine the changes in values of underlying assumptions, which after considering any consequent changes to the other variables used make the CGU's recoverable value equal to its book value.

This analysis is given in the following table and shows that, for all CGUs, only significant deviations from achievement of business objectives, variations in interest rate levels and in perpetual growth rates would reduce recoverable value to a level close to book value.

	Negative % changes growth rate expected on the basis of each business plan which would make the CGU's recoverable value equal to its book value	Negative % changes in cash flow expected on the basis of each business plan which would make the CGU's recoverable value equal to its book value	% changes in the discount rates which would make the CGU's recoverable value equal to its book value
Italy	> 100%	97.0%	206.0%
France	16.5%	71.0%	11.0%
The Netherlands	25.0%	10.0%	1.0%
Germany	2.9%	26.0%	2.1%
Belgiumand Luxembourg	> 100%	88.5%	42.0%
Switzerland	2.8%	34.0%	3.9%
Iberian Peninsula	4.0%	36.0%	3.0%
USA	40.2%	84.0%	21.0%
Hungary	14.0%	52.0%	9.0%
Oceania	1.0%	10.0%	0.9%
India	8.0%	-60.0%	5.0%
Turkey	3.0%	20.0%	2.4%

In the UK, where an operating loss was again recorded in the fiscal year, at the end of 2012 a change in regulation occurred based on which private operators may qualify as centres authorized to supply the services provided by the National Healthcare Service. A fixed refund was defined for the supply of hearing aids (the qualitative standards for which are defined in the NHS's protocol) and customisation services.

In Amplifon UK's five-year business plan the importance of this segment increases over the life of the plan. However, as the margins for this segment are very low it will only begin to have a relevant impact at the end of the plan. The recoverable value determined using the discounted cash flow method exceeds the book value.

As this is a new segment, however, there is a significant risk that the business will not develop as expected and, while this is reflected in the WACC of 9.08%, it was deemed appropriate to develop an alternative scenario in which the Company focuses its business on the most profitable stores, which would generate lower volumes but would also result in lower operating and overhead costs while also ensuring long-term financial stability. While positive, the recoverable value determined based on this second scenario, using a lower WACC of 6.77% given the different risk profile, was less than the book value.
In light of the uncertainty created by the outcome of the two valuations, an impairment test was conducted using the fair value method, more specifically based on the sales multiples derived from comparable transactions. A discount was applied to the average multiple, again one used in similar transactions, in order to reflect the impact of Amplifon UK's lower profitability. The test confirmed a recoverable amount that exceeded book value by GBP 8 million.

The analysis done, and verified by comparing EBITDA and discounted cash flow multiples based on Amplifon UK's normalized actual figures for 2013 and taking into account between 30% and 50% of the synergies that could be generated as a result of an aggregation with another market participant (relating primarily to the optimization of the regional coverage, as well as marketing and headquarter costs), showed a recoverable value that exceeded book value.

6. Intangible fixed assets

The following table shows the changes in intangible fixed assets:

(€ thousands)	Historical cost at 31/12/2012	Accumulated amortisation and write-downs at 31/12/2012	Net book value at 31/12/2012	Historical cost at 31/12/2013	Accumulated amortisation and write-downs at 31/12/2013	Net book value at 31/12/2013
Software	49,825	(38,393)	11,432	50,046	(39,995)	10,051
Licenses	9,055	(7,719)	1,336	9,956	(8,312)	1,644
Non-competition agreements	4,399	(4,384)	15	4,217	(4,217)	-
Customer lists	160,080	(69,564)	90,516	141,980	(72,648)	69,332
Trademarks and concessions	33,544	(5,483)	28,061	30,214	(7,122)	23,092
Other	13,777	(3,651)	10,126	14,191	(3,982)	10,209
Fixed assets in progress and advances	3,135	-	3,135	5,972	-	5,972
Total	273,815	(129,194)	144,621	256,576	(136,276)	120,300

(€ thousands)	Net book value at 31/12/2012	Investments	Disposals	Amortisation	Business combinations	Impairment	Other net changes	Net book value at 31/12/2013
Software	11,432	1,398	(20)	(4,513)	4	(4)	1,754	10,051
Licenses	1,336	881	-	(677)	2	-	102	1,644
Non-competition agreements	15	-	-	(15)	-	-	-	-
Customer lists	90,516	-	(31)	(13,209)	1,683	(70)	(9,557)	69,332
Trademarks and concessions	28,061	-	-	(2,235)	-	-	(2,734)	23,092
Other	10,126	2,057	(442)	(992)	298	(587)	(251)	10,209
Fixed assets in progress and advances	3,135	3,774	(6)	-	-	-	(931)	5,972
Total	144,621	8,110	(499)	(21,641)	1,987	(661)	(11,617)	120,300

The change in "customer lists" attributable to business combinations is detailed as follows:

- €852 thousand relates to provisional allocation of the price paid for the acquisition of the company Correction Auditive de l'Est SAS in Nancy and C2A Audition in Belley (France);
- €381 thousand relates to provisional allocation of the price paid for the acquisition of two stores in Bremen, one store in Minden and one in Kusel (Germany);
- for €232 thousand by the temporary allocation of the purchase price paid for the assets acquired from the local competitor Kind in Hungary;
- €218 thousand relates to the acquisition of customers list performed by the US subsidiary Miracle Ear in Oklahoma and Alabama.

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

- investments in intangible assets largely relating to the joint investment plan developed with the franchisees to renovate and relocate stores in the United States;
- investments in information technology, namely in technological infrastructure, front office systems relating, in particular, to salesforce automation, CRM and store system renewal in Europe.

"Impairment", amounting to €661 thousand, relates primarily to the write-off of the book value of non-current intangible assets following restructuring of the Sonus franchising network which came to €401 thousand and the write-down of a few French leasehold rights *(droit au bail)* amounting to €257 thousand.

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

7. Tangible fixed assets

The following table shows the changes in tangible fixed assets:

(€ thousands)	Historical cost at 31/12/2012	Accumulated amortisation and write-downs at 31/12/2012	Net book value at 31/12/2012	Historical cost at 31/12/2013	Accumulated amortisation and write-downs at 31/12/2013	Net book value at 31/12/2013
Land	163	-	163	163	-	163
Buildings, constructions and leasehold improvements	86,979	(49,640)	37,339	91,614	(56,242)	35,372
Plant and machines	29,278	(22,177)	7,101	29,375	(23,049)	6,326
Industrial and commercial equipment	30,625	(21,210)	9,415	32,727	(22,870)	9,857
Motor vehicles	5,669	(3,330)	2,339	5,177	(3,108)	2,069
Computers and office machinery	34,652	(26,261)	8,391	34,059	(27,268)	6,791
Furniture and fittings	63,069	(36,732)	26,337	65,237	(41,299)	23,938
Other tangible fixed assets	2,970	(1,467)	1,503	3,026	(1,823)	1,203
Fixed assets in progress and advances	1,482	-	1,482	2,400	-	2,400
Total	254,887	(160,817)	94,070	263,778	(175,659)	88,119

(€ thousands)	Net book value at 31/12/2012	Investments	Disposals	Amortisation	Business combinations	Impairment	Other net changes	Net book value at 31/12/2013
Land	163	-	-	-	-	-	-	163
Buildings, constructions and leasehold improvements	37,339	7,635	(534)	(8,933)	131	(748)	482	35,372
Plant and machines	7,101	1,670	(38)	(2,042)	22	(60)	(327)	6,326
Industrial and commercial equipment	9,415	2,948	(11)	(2,283)	1	(170)	(43)	9,857
Motor vehicles	2,339	825	(17)	(1,032)	-	(3)	(43)	2,069
Computers and office machinery	8,391	2,307	(9)	(3,740)	46	(14)	(190)	6,791
Furniture and fittings	26,337	5,564	(190)	(6,604)	159	(83)	(1,245)	23,938
Other tangible fixed assets	1,503	164	-	(433)	10	-	(41)	1,203
Fixed assets in progress and advances	1,482	4,175	(444)	-	-	(123)	(2,690)	2,400
Total	94,070	25,288	(1,243)	(25,067)	369	(1,201)	(4,097)	88,119

Capital expenditure made in the period mainly concerned the continuation of the store renovation programme based on the new concept store 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 €369 thousand in the item "business combinations" is primarily attributable to the provisional purchase price allocation relating to the acquisitions done in the period.

"Impairment" refers primarily to the restructuring of the regional coverage undertaken by the Group in Germany and New Zealand.

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

8. Other non-current assets

(€ thousands)	31/12/2013	31/12/2012	Change
Financial assets measured at fair value through profit and loss	4,131	3,742	389
Financial long-term receivables	9,842	11,560	(1,718)
Deposits and other restricted amounts	15,810	13,734	2,076
Other non-current assets	12,316	8,953	3,363
Total	**42,099**	**37,989**	**4,110**

Financial assets designated at fair value through profit and loss essentially include investments in bonds and other listed securities made by the subsidiary Amplinsure RE AG which is a reinsurer of the insurances sold on the Dutch market. These assets are grouped in two portfolios managed by specialised managers. The interest rate on these securities varies between 0.5% and 4.75%.

Non-current financial assets refer largely to the loans granted by American subsidiaries to franchisees in order to support investment and development in the United States.

The other long-term assets include the medium/long-term portion of amounts owed by the American subsidiaries for the sale of freehold stores to the indirect channel which came to €9,357 thousand (€5,905 thousand in the comparison period).

Both long-term financial receivables and other non-current assets are discounted when the interest rate applied differs from the market rate.

9. Derivatives and hedge accounting

The following table shows the fair values of the derivatives outstanding at the end of the comparative period and at the reporting date giving separately the fair value of those derivatives that qualify as fair value hedges and cash flow hedges and those that do not qualify for hedge accounting.

(€ thousands)	Fair value at 31/12/2013		Fair value at 31/12/2012	
Type	**Assets**	**(Liabilities)**	**Assets**	**(Liabilities)**
Fair value hedge	-	-	64	-
Cash flow hedge	2,382	(16,851)	6,899	(17,397)
Total hedge accounting	**2,382**	**(16,851)**	**6,963**	**(17,397)**
Non hedge accounting	2,571	(59)	174	-
Total	**4,953**	**(16,910)**	**7,137**	**(17,397)**

Fair Value Hedges

The following table shows the gains or losses from the derivative instruments in place and the impact on profit and loss and the statement of financial position from the hedging instruments and the hedged items.

(€ thousands)	31/12/2013 (Loss) Gain	31/12/2012 (Loss) Gain
Hedging Instrument	(102)	(61)
Hedged item	50	304
Total impact on P&L	**(52)**	**243**

Cash Flow Hedges

In 2013 cash flow hedges were used to hedge the following financial risks:

- the currency and interest rate risk relating to the 2006-2016 private placement which amounted to USD 155 million through 2 August (the date on which the 7-year tranche of USD 85 million fell due) and, subsequently, to USD 70 million;
- the interest rate risk on a portion of the syndicated loan which amounted to €216 million through 23 July when it was paid back entirely;
- the currency and interest rate risk relating to the 2013-2025 private placement which as of the issue dates amounted to USD 130 million (USD 15 million at 30 May 2013 and USD 115 million at 31 July 2013).

(€ thousands)		Fair value at 31/12/2013		Fair value at 31/12/2012	
Purpose of hedging	**Hedged risk**				
Private placement 2006-2016	Exchange rate and interest rate	2,382	(6,416)	6,899	(11,085)
Syndicated loan	Interest rate	-	-	-	(6,312)
Private placement 2013-2025	Exchange rate and interest rate	-	(10,435)	-	-
Total		**2,382**	**(16,851)**	**6,899**	**(17,397)**

The following table details the gains or losses from the derivative instruments in place and the impact on the statement of financial position of the cash flow hedge reserve. Amounts are shown before the tax effect.

(€ thousands)

	Time value (Loss) Gain	Recognised in net equity (Debit)/Credit	Reclassified to the income statement - Effective portion (Loss) Gain	Reclassified to the income statement -Ineffective portion (Loss) Gain
1/1/2012 - 31/12/2012	4	(5,609)	(3,732)	(298)
1/1/2013 - 31/12/2013	-	(11,557)	(14,372)	229

The maturity of the hedges is in line with the duration of the item hedged. Please refer to Note 15 for details.

Non hedge accounting derivatives

Non-hedge accounting derivatives comprise forwards hedging the exchange risk on intra group loans denominated in currencies other than the Euro between Amplifon S.p.A. and subsidiaries in the UK and Australia. The maturities of those instruments are between January and June 2014.

10. Inventories

	31/12/2013			31/12/2012		
(€ thousands)	Cost	Obsolescence provision	Net	Cost	Obsolescence provision	Net
Goods	37,526	(7,413)	30,113	41,531	(7,370)	34,161
Work-in-progress	34	-	34	35	-	35
Total	37,560	(7,413)	30,147	41,566	(7,370)	34,196

The movements in the provision for obsolescence for inventories in the year are as follows.

(€ thousands)	
Balance at 31/12/2012	**(7,370)**
Provision	(2,782)
Utilization	2,737
Translation differences and other movements	2
Balance at 31/12/2013	**(7,413)**

11. Receivables

(€ thousands)	31/12/2013	31/12/2012	Change
Trade receivables	*103,895*	*111,024*	*(7,129)*
Trade receivables - Subsidiaries	*32*	*46*	*(14)*
Trade receivables Parent company	*87*	*43*	*44*
Trade receivables - Associated companies and joint ventures	*4*	*2*	*2*
Total trade receivables	104,018	111,115	(7,097)
Tax receivables	11,359	7,955	3,404
Other receivables	8,845	11,226	(2,381)
Non-financial prepayments and accrued income	8,736	8,138	598
Total	**132,958**	**138,434**	**(5,476)**

Trade receivables

The breakdown of trade receivables is detailed in the table below:

(€ thousands)	31/12/2013	31/12/2012	Change
Trade receivables	112,913	123,185	(10,272)
Sales returns provision	(2,985)	(2,838)	(147)
Allowance for doubtful accounts receivables	(6,033)	(9,323)	3,290
Total	**103,895**	**111,024**	**(7,129)**

All the other receivables have payment term of between 30 and 120 days and there is no significant concentration of credit risk.

The current year movements in the allowance for doubtful accounts are as follows:

(€ thousands)	
Net value at 31/12/2012	**(9,323)**
Provisions	(3,323)
Reversals	716
Utilisation for charges	5,728
Translation differences and other net changes	169
Net value at 31/12/2013	**(6,033)**

Factoring transactions without recourse carried out in 2013 involved a face value of €45,572 thousand and net proceeds of €43,897 thousand (as against €46,576 thousand and €44,875 thousand respectively at 31 December 2012); they related to receivables generated in the year and thus had no significant effect on working capital as compared to that of 2012.

Tax receivables

The change with respect to the prior year is attributable primarily to the recognition of VAT and tax receivables held by the French branch of Amplifon S.p.A. which amount to €1,475 thousand, as well as tax receivables held by Amplifon Nederland BV of €905 thousand.

Factoring without recourse in the period involved VAT receivables with a face value of €12,854 thousand and net proceeds of €12,220 thousand.

Other receivables

Other receivables were €8,845 thousand and included:

- €4,579 thousand relating to short-term instalments of receivables held by the US companies relating to sale to the indirect channel of proprietary stores and loans granted to franchisees to support their store renovation, capital expenditure and development of the US market;
- €542 thousand advance payments to suppliers.

Non-financial accrued income and prepaid expenses

The item refers primarily to prepaid rent of €2,524 thousand, advertising of €1,768 thousand and services of €1,205 thousand.

12. Cash and cash equivalents

(€ thousands)	31/12/2013	31/12/2012	Change
Bank current accounts	109,357	85,918	23,439
Short-term bank deposits	59,549	23,913	35,636
Cash on hand	1,439	1,348	91
Total	170,345	111,180	59,165

Cash and cash equivalents are deposited with top rated banks (refer to the table in Section 3) and earn interest at market rates.

13. Share capital and net equity

At 31 December 2013 the fully paid in and subscribed share capital consisted of 224,100,782 ordinary shares with a par value of €0.02.

At 31 December 2012 share capital was made up of 223,402,039 shares. The increase recorded in the period is due to the exercise of 698,743 stock options, equivalent to 0.31% of the share capital.

At 31 December 2013 Amplifon S.p.A. held 6,900,000 treasury shares equivalent to 3.08% of the share capital.

In 2013 there was no sale of the treasury shares held by the company.

14. Net financial position

In accordance with the requirements of the Consob communication dated 28 July 2006 and in compliance with the CESR (now ESMA) Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Group's net financial position at 31 December 2013, was as follows:

(€ thousands)	31/12/2013	31/12/2012	Change
Liquid funds	(170,345)	(111,180)	(59,165)
Payables for business acquisitions	621	474	147
Other financial payables	12,154	56,014	(43,860)
Current portion private placement 2006-2016	-	64,484	(64,484)
Hedging derivatives	-	2,572	(2,572)
Non hedge accounting derivative instruments	(2,513)	(174)	(2,339)
Short-term financial position	(160,083)	12,190	(172,273)
Long-term debt	-	233,495	(233,495)
Private placement 2006-2016	50,758	53,054	(2,296)
Private placement 2013-2025	94,264	-	94,264
Eurobond 2013-2018	275,000	-	275,000
Finance lease obligations	736	792	(56)
Other medium/long-term debt	128	362	(234)
Hedging derivatives	11,094	2,168	8,926
Medium/long-term acquisition payables	3,446	3,774	(328)
Net medium and long-term indebtedness	**435,426**	**293,645**	**141,781**
Net financial indebtedness	**275,343**	**305,835**	**(30,492)**

In order to reconcile the above items with the statutory statement of financial position, we detail the breakdown of the following items:

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" described in § 15 of the explanatory notes for the long-term portion.

(€ thousands)	31/12/2013
Private placement 2006-2016	50,758
Private placement 2013-2025	94,264
Eurobond 2013-2018	275,000
Finance lease obligations	736
Other medium/long-term debt	128
Loan, private placement 2013-2025 and Eurobond 2013-2018 fees	(3,345)
Medium/long-term financial liabilities	**417,541**

b. under the item "financial payables", described in § 23 of the explanatory notes for the current portion.

(€ thousands)	31/12/2013
Short term debt	11,269
Current portion of finance lease obligations	885
Loan, private placement 2013-2025 and Eurobond 2013-2018 fees	(743)
Short-term financial liabilities	**11,411**

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

Net short-term financial indebtedness reached a positive €160,083 thousand at 31 December 2013 versus a negative €12,190 thousand at 31 December 2012, a rise of €172,273 thousand due primarily to the early repayment of the syndicated loan and the repayment of the second tranche of the 2006-2016 private placement which together amounted to €118,031 thousand.

The **medium/long term portion of the net financial position** came to €435,426 thousand at 31 December 2013 versus €293,645 thousand at 31 December 2012. The decline of €141,781 thousand is attributable primarily:

- for €94,264 thousand to the 2013-2025 private placement of USD 130 million;
- for €275,000 thousand to the Eurobond issue;
- for €233,495 thousand to the early repayment of the syndicated loan.

15. Financial liabilities

Long-term debt breaks down as follows:

(€ thousands)	31/12/2013	31/12/2012	Change
Private placement 2006-2016	50,758	53,054	(2,296)
Private placement 2013-2025	94,264	-	94,264
Eurobond 2013-2018	275,000	-	275,000
Net long-term loans	-	233,495	(233,495)
Loan, private placement 2013-2025 and Eurobond 2013-2018 fees	(3,345)	(2,989)	(356)
Other medium/long-term debt	128	362	(234)
Finance lease obligations	736	792	(56)
Total long-term debt	**417,541**	**284,714**	**132,827**
Short term debt	11,411	119,046	(107,635)
- of which current portion of private placement 2006-2016	*-*	*64,484*	*(64,484)*
- of which current portion of net long-term debt	*-*	*50,974*	*(50,974)*
- of which loan, private placement 2013-2025 and Eurobond 2013-2018 fees	*(743)*	*(1,453)*	*710*
- of which current-portion of lease obligations	*885*	*987*	*(102)*
Total short-term debt	**11,411**	**119,046**	**(107,635)**
Total financial debt	**428,952**	**403,760**	**25,192**

Eurobond 2013-2018

On 16 July 2013 Amplifon S.p.A. issued a €275 million 5-year bond loan on the European market reserved for non-American institutional investors and listed on the Luxembourg Stock Exchange's Euro MTF market.

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	283,855	4.875%
Total			**275,000**	**283,855**	

Private placement 2013-2025

A private placement was completed in the United States of USD 130 million; USD 15 million was disbursed on 30 May 2013 and USD 115 million on 31 July 2013. The bonds were issued by Amplifon USA and guaranteed by Amplifon S.p.A., as well as other wholly-owned Group subsidiaries.

Issue Date	Issuer	Maturity	Currency	Face value (/000)	Fair value (/000)	Nominal interest rate (*)	Interest rate after hedging (**)	Repayments
30 May 13	Amplifon USA	31-Jul-20	USD	7,000	6,432	3.85%	3.39%	
30 May 13	Amplifon USA	31-Jul-23	USD	8,000	6,978	4.46%	3.90%	
31 July 13	Amplifon USA	31-Jul-20	USD	13,000	11,818	3.90%	3.42%	bullet
31 July 13	Amplifon USA	31-Jul-23	USD	52,000	45,557	4.51%	3.90%-3.94%	
31 July 13	Amplifon USA	31-Jul-25	USD	50,000	42,433	4.66%	4.00%-4.05%	
Total in USD				130,000	113,218			

(*) 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 €100,992 thousands. Those instruments are detailed under the caption" Hedging derivatives", Note 9..

Private placement 2006-2016

The book value of the private placement made with institutional investors on 2 August 2006 recognized by the Amercian subsidiary Amplifon U.S.A. Inc. amounts to USD 70 million. The second of the three tranches, amounting to USD 85 million and with a duration of seven years, was repaid on 2 August 2013.

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	75,944	5.815%	6.48%
Total			70,000	75,944		

(*) The hedging instrument, are also fixing the exchange rate at 1.2676. the total equivalent of the bond resulting in €55,222 thousands. Those instruments are detailed under the caption" Hedging derivatives", Note 9.

Syndicated loan

As a result of the 2013-2025 private placement and the issue of the 2013-2018 Eurobond, on 23 July 2013 the entire outstanding amount of €254.5 million of the syndicated loan taken out for the NHC Group acquisition at the end of 2010 was repaid in advance.

Thanks to the transactions carried out in 2013, 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 million, at the hedging rate, will fall due.

Long term loans

The following table shows the breakdown of debt by maturity and average interest rate for each transaction currency.

(€ thousands) Debtor Repayments	Nominal amount and maturity date	Average rate 2013/360	Amount at 31/12/12	Exchange effect	Repayments as at 31/12/2013	New loans	Amount at 31/12/13	Short-term portion	Medium and LT portion
Syndicated loan Amplifon S.p.A. Installments at 30/6 and 31/12 from 30/06/2011	**€120,000** 09/12/2015	2.32%	103,800	-	(103,800)	-	-	-	-
Syndicated loan Amplifon NL Installments at 30/6 and 31/12 from 30/06/2011	**€100,000** 09/12/2015	2.32%	86,500	-	(86,500)	-	-	-	-
Syndicated loan Amplifon S.p.A. – French Branch Installments at 30/6 and 31/12 from 30/06/2011	**€53,800** 09/12/2015	2.32%	46,537	-	(46,537)	-	-	-	-
Syndicated loan Amplifon Aus PTY Installments at 30/6 and 31/12 from 30/06/2011	**A$70,000** 09/12/2015	5.01%	47,632	(3,682)	(43,950)	-	-	-	-
Eurobond Bullet 16/7/2018	**€275,000** 16/07/2018	4.88%	-	-	-	275,000	275,000	-	275,000
Private placement Amplifon 2006-2016 (*) Installments at 2/8/2013 and 2/8/2016	**US$180,000** 02/08/2016	6.41%	117,538	(2,781)	(64,000)	-	50,757	-	50,757
Private placement 2013-2025 Amplifon USA (**) Installments at 31/1 and 31/7 from 31/01/2014	**US$7,000** 31/07/2020	3.85%	-	(195)	-	5,271	5,076	-	5,076
Private placement 2013-2025 Amplifon USA (**) Installments at 31/1 and 31/7 from 31/01/2014	**US$8,000** 31/07/2023	4.46%	-	(223)	-	6,024	5,801	-	5,801
Private placement 2013-2025 Amplifon USA (**) Installments at 31/1 and 31/7 from 31/01/2014	**US$13,000** 31/07/2020	3.90%	-	(362)	-	9,788	9,426	-	9,426
Private placement 2013-2025 Amplifon USA (**) Installments at 31/1 and 31/7 from 31/01/2014	**US$52,000** 31/07/2023	4.51%	-	(1,447)	-	39,153	37,706	-	37,706
Private placement 2013-2025 Amplifon USA (**) Installments at 31/1 and 31/7 from 31/01/2014	**US$50,000** 31/07/2025	4.66%	-	(1,392)	-	37,647	36,256	-	36,256
Total long term debt			402,007	(10,081)	(344,787)	372,883	420,021	-	420,021
Other			441	(69)	(75)	-	297	168	128
Total			402,448	(10,150)	(344,862)	372,883	420,318	168	420,150

(*) 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 December 2013 based on contractual obligations:

(€ thousands)

Repayments	Private placement 2013-2025 (*)	Eurobond 2013-2018	Private placement 2006-2016 (*)	Other	Total
2015	-	-	-	64	64
2016	-	-	55,222	64	55,286
2017	-	-	-	-	-
2018	-	275,000	-	-	275,000
2020	15,522	-	-	-	15,522
2023	46,566	-	-	-	46,566
2025	38,804	-	-	-	38,804
Total	**100,892**	**275,000**	**55,222**	**128**	**431,242**

(*) 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.

These ratios, in the event relevant acquisitions are made, may be increased to 2.0 and 4.0, respectively, for a period of not more than 12 months on two occasions over the life of the loan.

The USD 70 million private placement 2006-2016 (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 31 December 2013 the value of the ratios was as follows:

	Value
Net financial indebtedness/Group net equity	0.72
Net financial indebtedness/EBITDA for the last 4 quarters	2.22

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 2013	117,414
EBITDA normalised (from acquisitions and diposals)	556
Non recurring transactions	5,820
EBITDA for covenant calculation	123,791

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 €275 million Eurobond due in 2018 and issued in July 2013 is not subject to any covenants nor is the remaining €0.3 million long term debt, including the short term portion.

16. Provisions for risks and charges (medium/long term)

(€ thousands)	31/12/2013	31/12/2012	Change
Product warranty provision	6,386	7,000	(614)
Contractual risks	1,756	2,002	(246)
Agents' leaving indemnity	23,621	22,495	1,126
Other risk provisions	1,338	1,028	310
Total	33,101	32,525	576

(€ thousands)	Net value at 31/12/2012	Provision	Utilization	Other net changes	Translation differences	Change in consolidation area	Net value at 31/12/2013
Product warranty provision	7,000	2,725	(353)	(3,167)	-	181	6,386
Contractual risks	2,002	1,465	(890)	(827)	(4)	10	1,756
Agents' leaving indemnity	22,495	2,829	(638)	(378)	(687)	-	23,621
Other risk provisions	1,028	867	(64)	(347)	(146)	-	1,338
Total	32,525	7,886	(1,945)	(4,719)	(837)	191	33,101

The "contractual risk provision" refers to the risk of claims from employees and agents, as well as those arising from the supply of services.

Agents' leaving indemnity mainly comprises the agents' leaving indemnity provision recognised in Amplifon S.p.A.'s separate financial statements amounting to €7,185 thousand and equivalent provisions in the US subsidiaries amounting to €15,600 thousand.

The main assumptions used in the actuarial calculation of the agents' leaving indemnity of Amplifon S.p.A. were:

	2013
Economic assumptions	
Annual discount rate	2.50%
Demographic assumptions	
Probability of agency contract termination by the company	2.70%
Probability of agent's voluntary termination	8.25%
Mortality rate	RG48
Disability percentage	INPS tables divided by age and sex

Actuarial gains and losses are included in financial charges of the period with the financial component relating to the discounting of the provision (see note 29 for details).

17. Liabilities for employees' benefits (medium/long term)

(€ thousands)	31/12/2013	31/12/2012	Change
Defined-benefit plans	8,514	6,185	2,329
Other defined-benefit plans	3,045	2,585	460
Other provisions for personnel	93	6,433	(6,340)
Total	**11,652**	**15,203**	**(3,551)**

Provisions for defined-benefit plans include mainly the severance pay potentially owed by the Parent Company, as well as severance owed by the Swiss subsidiaries.
The way in which these benefits are guaranteed varies based on the legal, tax and economic conditions of each country in which the Group operates.

The change in the provision for defined-benefit plans is detailed below:

(€ thousands)	
Net present value of the liability at the beginning of the year	**(6,185)**
Current service cost	(314)
Financial charges	(116)
Actuarial losses (gains)	776
Amounts paid	261
Reclassification	(2,964)
Translation differences	28
Net present value of the liability at the end of the year	**(8,514)**

It should be noted that the current cost of severance indemnity is recognised under personnel expense in the consolidated financial statements, while actuarial gains and losses are recognised, together with the financial component relating to the discounting of the provision, in financial charges of the period (see note 29 for details).

The main assumptions used in the actuarial estimate of the liability for employee benefits were as follows:

	Italy		Switzerland	
(€ thousands)	2013	2012	2013	2012
Economic assumptions				
Annual discount rate	2.50%	2.40%	2.30%	2.10%
Expected annual inflation rate	2.00%	2.00%	1.00%	1.00%
Annual rate of increase of severance indemnity	3.00%	3.00%	2.30%	2.30%
Demographic assumptions				
Mortality rate	RG48 mortality tables published by the General Accounting Office of the State	RG48 mortality tables published by the General Accounting Office of the State	BVG 2010 GT tables	BVG 2010 GT tables
Disability percentage	INPS tables divided by age and sex	INPS tables divided by age and sex	BVG 2010 GT tables	BVG 2010 GT tables
Retirement age	100% on meeting requirements for compulsory national social insurance	100% on meeting requirements for compulsory national social insurance	100% on meeting requirements for compulsory national social insurance (65m / 60f)	100% on meeting requirements for compulsory national social insurance (65m / 60f)

The sensitivity analysis performed in relation to the above disclosed parameters with a standard deviation of 0.25% showed no material impact.

Provisions for other benefits include:
- in Australia, €1,011 thousand relating to the payment of mandatory seniority benefits;
- in France, €1,770 thousand relating to other severance benefits payable upon termination similar to the "trattamento di fine rapporto" or "TFR" in Italy.

Other provisions for personnel relate primarily to the long-term incentives for the Chief Executive Officer and other executives with strategic responsibilities. The decrease of €6,340 thousand is explained for €6,567 thousand by the reclassification of "liabilities for employee benefits" as short term.

18. Other long-term liabilities

(€ thousands)	31/12/2013	31/12/2012	Change
Payables for business acquisitions	3,446	3,774	(328)
Other long-term debt	245	275	(30)
Total	**3,691**	**4,049**	**(358)**

Acquisition liabilities are the amount of the contingent consideration to be paid on reaching certain sales and/or profit targets in respect of the acquisitions made in India (Beltone), Turkey (Makstone Isitme Ürünleri Perakende Satis A.S.), Germany (Kempkes & Groß oHG, A&O Hörgeräte GmbH, Hördienst Sebening and Bremer Hörgerätezentrale Heidrun Krause GmbH) and Switzerland (Micro-Electric Hörgeräte AG).

19. Trade payables

(€ thousands)	31/12/2013	31/12/2012	Change
Trade payables – Associated companies	99	5	94
Trade payables – Joint venture	46	40	6
Trade payables – Related parties	467	245	222
Trade payables – Third parties	95,685	97,726	(2,041)
Total	96,297	98,016	(1,719)

Trade payables do not bear interest and are paid within 60 to 120 days.

20. Other payables

(€ thousands)	31/12/2013	31/12/2012	Change
Payables for business acquisitions	621	474	147
Other payables	59,994	53,366	6,628
Accrued expenses and deferred income	32,403	34,461	(2,058)
Total	93,018	88,301	4,717

Acquisition liabilities are the short-term component of the contingent consideration to be paid on reaching certain sales and/or profit targets in respect of the acquisitions made in Germany (Hördienst Sebening, Egermaier and Bremer Hörgerätezentrale Heidrun Krause GmbH), Turkey (Makstone Isitme Ürünleri Perakende Satis A.S.), Switzerland (Micro-Electric Hörgeräte AG), France (Correction Auditive de l'Est and C2A Audition) and Belgium.

The other payables mainly comprise: (i) €3,593 thousand relating to customer down-payments; (ii) €11,104 thousand relating to social security liabilities; (iii) €25,035 thousand liabilities to personnel; and (iv) €13,466 thousand relating to commission due to agents.

Accrued expenses and deferred income include €24,986 thousand relating to deferred income from after-sales services and guarantees.

21. Provisions for risks and charges (current portion)

(€ thousands)	31/12/2013	31/12/2012	Change
Other provisions for risks	411	689	(278)
Total	411	689	(278)

22. Liabilities for employees' benefits (current portion)

(€ thousands)	31/12/2013	31/12/2012	Change
Liabilities for employees benefits- current portion	8,257	57	8,200
Total	8,257	57	8,200

The increase in the year of €8,200 thousand is explained primarily:

- for €6,567 thousand, by the reclassification of long-term incentives for the Chief Executive Officer and other executives with strategic responsibilities as short-term;
- for €1,345 thousand by the provisions made relative to the above incentives.

23. Short-term financial debt

(€ thousands)	31/12/2013	31/12/2012	Change
Bank current accounts	*528*	*425*	*103*
Short-term bank borrowings	*1,368*	*263*	*1,105*
Private placement 2006-2016- current portion	-	*64,484*	*(64,484)*
Current portion of long-term debts	-	*50,974*	*(50,974)*
Current portion of finance lease obligations	*885*	*987*	*(102)*
Payables to banks and other financing	2,781	117,133	(114,352)
Current portion of fees on loans	(743)	(1,453)	710
Short-term financial debt	168	216	(48)
Financial accrued expenses and deferred income	9,205	3,150	6,055
Total	11,411	119,046	(107,635)

For the current portion of medium and long term loans refer to § 15.

Accrued liabilities and deferred income of €9,205 thousand relate to the interest owed on the private placements (2006-2016 and 2013-2025) and the Eurobond.

24. Deferred tax assets and liabilities

The net balance of deferred tax assets and liabilities at 31 December 2013 was as follows:

(€ thousands)	31/12/2013	31/12/2012	Change
Deferred tax assets	46,088	48,039	(1,951)
Deferred tax liabilities	(46,671)	(53,081)	6,410
Net position	**(583)**	**(5,042)**	**4,459**

(€ thousands)	Balance at 31/12/2012	Recognised in the income statement	Recognised in net equity	Businesses combinations and changes in consolidation area	Exchange differences and other changes	Balance at 31/12/2013
Deferred tax on severance indemnity and pension funds	1,370	217	542	-	(37)	2,092
Deferred tax on tax losses carried forward	7,286	2,476	-	-	(919)	8,844
Deferred tax on inventory	259	(46)	-	-	-	213
Deferred tax on tangible fixed assets	(1,518)	(1,413)	-	-	92	(2,839)
Deferred tax on trademarks and concessions	14,138	(1,069)	-	-	810	13,880
Deferred tax on intangible fixed assets	(40,210)	1,596	-	(278)	3,525	(35,367)
Deferred tax on provisions not adjusting assets	10,703	(1,687)	-	-	(596)	8,420
Deferred tax on receivables	13	(9)	-	-	(1)	3
Other deferred tax	2,917	2,049	(659)	-	(135)	4,171
Total	**(5,042)**	**2,114**	**(117)**	**(278)**	**2,740**	**(583)**

Deferred tax assets on prior-year losses carried forward are as follows:

(€ thousands)	31/12/2013	31/12/2012	Change
Iberian Peninsula	3,234	3,633	(399)
Germany	3,308	3,308	-
The Nederlands	1,864	-	1,864
United States and Canada	222	185	37
Switzerland	216	160	56
Total	**8,844**	**7,286**	**1,558**

At 31 December 2013 the following prior-year losses had not given rise to deferred tax assets:

(€ thousands)	Prior-year tax losses	Rate	Deferred tax assets not recognised in the accounts
UK	49,134	20.00%	9,827
Germany	29,053	32.00%	9,297
Turkey	107	20.00%	21
Portugal	195	25.00%	49
Total	78,489		19,194

25. Revenues from sales and services

(€ thousands)	31/12/2013	31/12/2012	Change
Revenues from sales of products	797,542	816,523	(18,981)
Revenues from services	31,090	30,088	1,002
Total	828,632	846,611	(17,979)

The €17,979 thousand decrease is mainly due, as to €18,869 thousand to exchange differences.

26. Personnel expenses

(€ thousands)	31/12/2013	31/12/2012	Change
Wages and salaries	(195,882)	(199,373)	3,491
Stock options and performance stock grant	(5,394)	(3,333)	(2,061)
Social contributions	(41,803)	(41,396)	(407)
Other personnel costs	(17,096)	(12,730)	(4,366)
Directors' remuneration and oversight bodies	(1,121)	(951)	(170)
Total	(261,296)	(257,783)	(3,513)

Staff headcount by geographical area:

	31/12/2013		31/12/2012	
	Number	Average	Number	Average
Italy	429	433	450	448
France	679	673	670	672
Switzerland	219	226	236	239
Hungary	100	87	81	78
Germany	576	614	626	632
Iberian Peninsula	304	298	301	300
Belgium and Luxembourg	89	88	86	84
The Netherlands	666	692	727	744
United Kingdom and Ireland	521	522	533	542
Turkey	32	27	22	22
Total Continental Europe	3,615	3,660	3,732	3,761
Total North America	230	229	216	220
Australia	712	715	713	701
New Zealand	245	254	250	230
India	243	234	215	170
Total Asia Pacific	1,200	1,203	1,178	1,101
Egypt	148	136	127	124
Total Group	5,193	5,228	5,253	5,206

27. Other income and revenues

(€ thousands)	31/12/2013	31/12/2012	Change
Other income and revenues	2,808	1,628	1,180
Total	2,808	1,628	1,180

The item includes €706 thousand relating to other income arising from Amplifon USA Inc.'s invoicing the IT system Sycle.net to the franchisees (€714 thousand in 2012).

28. Depreciation and amortisation

(€ thousands)	31/12/2013	31/12/2012	Change
Amortisation of intangible fixed assets	*(21,641)*	*(22,888)*	*1,247*
Depreciation of tangible fixed assets	*(25,067)*	*(23,571)*	*(1,496)*
Amortisation and depreciation	(46,708)	(46,459)	(249)
Impairment	(2,188)	(827)	(1,361)
Total	(48,896)	(47,286)	(1,610)

"Impairment" refers primarily to the restructuring of the regional coverage undertaken by the Group in Germany and New Zealand.

29. Financial income, charges and changes in value of financial assets

(€ thousands)	31/12/2013	31/12/2012	Change
Proportionate of the result of associated companies valued at equity	**(131)**	**63**	**(194)**
Other income, charges, revaluation and write-downs of financial assets	**130**	**518**	**(388)**
Interest income on bank accounts	1,253	951	302
Interest payable on short and long-term bank loans	(27,689)	(24,145)	(3,544)
Interest income and charges	**(26,436)**	**(23,194)**	**(3,242)**
Time value collar	-	4	(4)
Other financial income and charges	(4,043)	(2,706)	(1,337)
Other financial income and charges	**(4,043)**	**(2,702)**	**(1,341)**
Exchange gains	4,059	2,983	1,076
Exchange losses	(8,663)	(2,596)	(6,067)
Gain/(losses) on financial assets at fair value – Non hedge derivatives	3,441	(753)	4,194
Total	**(31,643)**	**(25,681)**	**(5,962)**

Interest expense on borrowings at 31 December 2013 amounted to €27,634 thousand as against €24,442 thousand at 31 December 2012.

The sum includes:

- €6,783 thousand relating to the early payment of fees and closure of hedges on the syndicated loan which was repaid in advance on 23 July 2013 following the issue on 16 July 2013 of a 5-year Eurobond of €275 million;
- €914 thousand in discounting charges recognized as a result of having redefined the terms of repayment for the loans granted by the American subsidiary to the members of the Sonus franchising network as part of the restructuring implemented in order to shift the latter to the Elite wholesale channel.

The gains and losses on financial assets measured at fair value refer primarily to currency hedges on intragroup loans: the contra entries are exchange gains and losses.

Financial charges include €1,767 thousand (€1,866 thousand in 2012) relating to the cost of factoring without recourse of receivables due from the Italian public sector.

30. Income tax

(€ thousands)	31/12/2013	31/12/2012	Change
Current income tax	(26,068)	(30,199)	4,131
Deferred income tax	2,114	1,136	978
Total	**(23,954)**	**(29,063)**	**5,109**

The following table reconciles tax recognised in the consolidated financial statements to theoretical tax on the basis of Italy's current tax rates.

(€ thousands)	FY 2013	FY 2012
Profit (loss) before tax	36,874	72,205
Tax for the year	(23,954)	(29,063)
Tax rate	**-65.00%**	**-40.30%**
Corporate tax rate	**-27.50%**	**-27.50%**
Effect of variations from theoretical rate:		
Effect of different tax rate of companies not taxed in Italy	-8.30%	-4.10%
Non-deductible expense net of non taxable income and non taxable dividends	-1.60%	-0.80%
Deferred tax: withholding tax on USA dividends, effect of rate change, recognition of prior-year assets and liabilities	-7.40%	-0.50%
Germany and the United Kingdom non-recognition of deferred taxes on the year's losses	-11.90%	-2.80%
Effective tax rate, net of IRAP	**-56.70%**	**-35.70%**
IRAP [regional tax on productive activity]	**-8.30%**	**-4.60%**
Effective tax rate	**-65.00%**	**-40.30%**

For a better understanding of the reconciliation of the recognised tax charge to the theoretical tax charge, IRAP is disclosed separately since it has a different tax base and would have a distorting effect from one year to the next. Theoretical tax was therefore determined applying only the current corporate tax rate in Italy (IRES of 27.5%) to pre-tax profit.

The tax rate shows a material 24.7% increase, in respect to the comparative period, reaching 65.0% as against 40.3% as a result of:

- the failure to recognize, in accordance with the principle of prudence, additional deferred tax assets against losses recorded in the United Kingdom and Germany which caused the tax rate to rise by 9.10%;
- the withholding on the dividends paid by Amplifon USA which, in large part, is not recoverable and other items relating to prior years which weighed some 6.90% on the tax rate while the comparison period had benefited from the recognition in Italy of a tax credit linked to an IRES (corporate income tax) refund (from previous years) following recognition of a partial deduction of IRAP (regional business tax) from taxable income which had a positive impact on the tax rate of 2.5%;
- the impact of taxes such as IRAP, in Italy, and CVAE, in France, based on which taxable income is not directly related to profit before tax and which, therefore, have a particularly high impact when profit before tax is down: this determined a 3.7% increase in tax rate.

31. Stock option – Performance stock grant

General characteristics of stock option plans:

- the purpose of the issue and therefore of the award of the option rights, is to offer the beneficiaries, who hold particularly important positions within the Group, the possibility to participate in Amplifon's share capital in order to align their interests with those of the Shareholders and to obtain their loyalty, given the significant strategic objectives to be attained;
- the award of the option rights is unconditional;
- the price of the shares includes the information related to the company's performance;
- the award of 14 March 2005, 30 September 2005 and 23 January 2006 were made in accordance with an EGM resolution taken on 19 February 2001 which authorised the Directors to increase Amplifon S.p.A.'s share capital, in one or more stages, by up to 750,000 ordinary shares with a par value of €0.20 (that is 7,500,000 ordinary shares with a par value of €0.02 following the share split approved by shareholders on 27 April 2006);
- the award of 15 March 2007, 18 December 2008 and 6 November 2009, 16 December 2010 and 19 April 2011 were made in accordance with an EGM resolution taken on 27 April 2006 which authorised the Directors to increase Amplifon S.p.A.'s share capital, in one or more stages, by up to €150,000 par value through the issuance of 7,500,000 ordinary shares with a par value of €0.02;
- the shares servicing for the purposes of the stock option plan are ordinary shares, issued in accordance with article 2441, paragraphs 5 and 8 for the purpose of a stock option plan;
- the exercise of the rights shall be in compliance with the Regulations filed with Borsa Italiana S.p.A. and Consob;
- the Board of Directors is entitled to draft regulations, choose the beneficiaries and determine the quantity and values for the execution of the stock option plans;
- Amplifon S.p.A. reserves the indisputable right to modify the plan and the regulations when deemed necessary or merely opportune, following any modification to the provisions of the laws in force at the time of the award, or for any other objective reason that might justify such modification.

The characteristic of the stock options plans currently in place are as follow:

A) Stock options award – 14 March 2005

On 14 March 2005 the Board of Directors resolved the first award of stock options.

- the objective of the plan is to offer option rights to the Group's CEO;
- one-third of the option rights awarded vest one year following the award date, one-third two years after the award date and the remaining portion after three years;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within seven years, starting from the vesting date; non-exercised rights shall be automatically lost after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights is equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €39.94 or €3.994 after the share split;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche, is equal to 1,000 rights, as set out in the new regulation approved by the Remuneration Committee on 23 January 2006 and again on 27 April 2006.

Stock option plan of 14 March 2005

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**402,000**	**3.994**	**3.754**	402,000	3.994	3.272
(Option rights exercised in the period)	159,770	3.994	4.156(*)	-	-	-
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**242,230**	**3.994**	**4.038**	402,000	3.994	3.754
of which exercisable at 31 December	*242,230*			*402,000*		

(*) Weighted average market price.

B) Stock options award 30 September 2005

On 30 September 2005 the Board of Directors resolved the third award of stock options:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- one-third of the granted rights awarded vest one year following the award date, one-third two years after the award date and the remaining portion three years after the same date, with the exception of the employees of companies with headquarters in France and Spain for whom the options vest for two-thirds two years following the award date and for the remaining portion after three years;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within seven years, starting from the vesting date, with the exception of the employees of companies having their headquarters in Switzerland for whom the exercise period lasts 10 years;
- only for employee beneficiaries on the payroll at 1 October 2005 of the companies with registered office in Italy who have undersigned the new Regulation approved by the Remuneration Committee on 12 September 2007, 100% of their option rights may be exercised not earlier than three years from the date of award, meaning that the beneficiary shall subscribe to Amplifon shares and to the terms and conditions listed below only after three years have elapsed from the date of award. The deadline for subscribing to the shares is seven years from the vesting date;
- non-exercised rights shall be automatically lost after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights is defined as equal to the price per share corresponding to the average of the prices reported in the last month before the granting date, that is €56.97 or €5.697 following the share split approved by the Shareholders' Meeting of 27 April 2006;
- only for employee beneficiaries on the payroll at 1 October 2005 of the companies with registered office in Italy who have undersigned the new Regulation approved by the Remuneration Committee on 12 September 2007, the price per share is fixed at €5.713;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights.

Stock Option Plan of 30 September 2005 - general rules

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	912,000	5.697	3.754	967,000	5.697	3.272
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	115,000	-	-	55,000	-	-
(Option rights forfeited in the period)	32,000	-	-	-	-	-
Option rights at 31 December	765,000	5.697	4.038	912,000	5.697	3.754
of which exercisable at 31 December	*765,000*			*912,000*		

Stock options plan 30 September 2005

Italian beneficiaries who subscribed to the Regulation approved on 12 September 2007

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	437,000	5.713	3.754	437,000	5.713	3.272
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	437,000	5.713	4.038	437,000	5.713	3.754
of which exercisable at 31 December	*437,000*			*437,000*		

C) Stock options award 23 January 2006

On 23 January 2006 the Board of Directors resolved the fourth award of stock options:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- one-third of the granted rights awarded vest one year following the award date, one-third two years after the award date and the remaining portion three years after the same date, with the exception of the employees of companies with headquarters in Spain for whom the options mature for two-thirds two years following the award date and for the remaining portion after three years;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within seven years, starting from the vesting date;
- solely for the Beneficiaries employed in companies with registered offices in Italy who have accepted the new Regulation, approved by the Remuneration Committee on 12 September 2007, 100% of the option rights awarded may not be exercised until three years following the award date, meaning that the beneficiary will only be able to subscribe ordinary shares of Amplifon under the terms and conditions indicated below following three years from the award date. The deadline for subscribing to the shares is seven years from the vesting date;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights is equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €57.31 or €5.731 after the share split;
- solely for employee beneficiaries on the payroll of the companies with registered offices in Italy who have

undersigned the new Regulation approved by the Remuneration Committee on 12 September 2007, the price per share is fixed at €5.749;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights.

Stock Option Plan of 23 January 2006 - general rules

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	115,000	5.731	3.754	115,000	5.731	3.272
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	100,000	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	15,000	5.731	4.038	115,000	5.731	3.754
of which exercisable at 31 December	*15,000*			*115,000*		

Stock Option Plan of 23 January 2006

Italian beneficiaries who subscribed to the Regulation approved on 12 September 2007

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	20,000	5.749	3.754	20,000	5.749	3.272
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	20,000	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	-	-	-	20,000	5.749	3.754
of which exercisable at 31 December	-			*20,000*		

D) Stock options award 15 March 2007

On 15 March 2007, the Board of Directors resolved an award of stock options under the following terms and conditions:
- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the options awarded to employees resident in Italy vest after three years from the award date; one-third of the granted rights vest one year following the award date, one-third two years after the award date and the remaining portion three years after the same date, with the exception of the employees of companies with headquarters in France for whom the options mature for two-thirds two years following the award date and for the remaining portion after three years;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within seven years, starting from the vesting date;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary will pay to Amplifon S.p.A. for the subscription following the exercise of the option rights is equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €6.914 after the share split;

- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is equal to 1,000 rights.

Stock Option Plan of 15 March 2007

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	195,000	6.914	3.754	195,000	6.914	3.272
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	25,000	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	170,000	6.914	4.038	195,000	6.914	3.754
of which exercisable at 31 December	*170,000*			*195,000*		

E) Stock options award 18 December 2008

On 18 December 2008, the Board of Directors resolved an award of stock options under the following terms and conditions:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the option rights awarded to each beneficiary vest and therefore give right to the subsequent related subscription of Amplifon ordinary shares, under the following terms and conditions, for an amount of 50% after two years and one day from the award date and the remaining portion after three years and one day from the award date;
- for each granted option awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within five years, starting from the date of maturity;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €0.735;
- on 19 December 2012 the Board of Directors approved an amendment to the operational regulation of the 2008 Stock Option Plan in respect of French beneficiaries only, in order to align it with local requirements for the qualification of the plan. This amendment applies more restrictive exercise conditions and resulted in a reduction in the fair value of the options concerned; higher costs are not therefore to be recognised;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is 1,000 rights.

Stock Option Plan of 18 December 2008

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**487,411**	**0.735**	**3.754**	**2,410,000**	**0.735**	**3.272**
(Option rights exercised in the period)	218,911	0.735	4.148 (*)	1,922,589	0.735	-
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**268,500**	**0.735**	**4.038**	**487,411**	**0.735**	**3.754**
of which exercisable at 31 December	*268,500*			*487,411*		

(*) Weighted average market price.

F) Stock options award 6 November 2009

On 6 November 2009, the Board of Directors resolved an award of stock options under the following terms and conditions:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the option rights grant awarded to each beneficiary vest and therefore give right to the subsequent related subscription of Amplifon ordinary shares, under the following terms and conditions, for an amount of 50% after two years and one day from the award date and the remaining portion after three years and one day from the award date;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within five years, starting from the date of maturity;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary shall pay to Amplifon S.p.A. for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €2.837;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is 1,000 rights.

Stock Option Plan of 6 November 2009

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**377,500**	**2.837**	**3.754**	**765,000**	**2.837**	**3.272**
(Option rights exercised in the period)	287,500	2.837	3.942 (*)	387,500	2.837	-
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**90,000**	**2.837**	**4.038**	**377,500**	**2.837**	**3.754**
of which exercisable at 31 December	*90,000*			*377,500*		

(*) Weighted average market price.

G) Stock options award 16 December 2010

On 16 December 2010, the Board of Directors resolved an award of stock options under the following terms and conditions:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the option rights awarded to each beneficiary vest and therefore give right to the subsequent related subscription of Amplifon ordinary shares, for an amount of 50% after two years and one day from the award date and the remaining portion after three years and one day from the award date;
- for each granted option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within five years, starting from the date of maturity;
- non-exercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary will pay to Amplifon S.p.A. for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €3.746;
- the exercise of the vested option rights shall take place in one or several tranches, as long as the minimum quantity for each tranche is 1,000 rights.

Stock Option Plan of 16 December 2010

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	**800,000**	**3.746**	**3.754**	**890,000**	**3.746**	**3.272**
(Option rights exercised in the period)	32,562	3.746	4.353 (*)	-	-	-
(Option rights cancelled in the period)	30,000	-	-	90,000	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	**737,438**	**3.746**	**4.038**	**800,000**	**3.746**	**3.754**
of which exercisable at 31 December	*737,438*			*400,000*		

(*) Weighted average market price.

H) Stock options award 19 April 2011

On 19 April 2011 Amplifon's Board of Directors, under the 2010-2011 stock option plan approved on 16 December 2010 and as indicated by its Remuneration Committee, granted 215,000 options to key Group employees. This completed the 2006-2011 stock option plan launched at the EGM held on 27 April 2006. The conditions set were as follows:

- the objective of the plan is to offer option rights to beneficiaries covering key positions within the Group;
- the option rights awarded to each beneficiary vest and therefore give right to the subsequent related subscription of Amplifon ordinary shares, for an amount of 50% after two years and one day from the award date and the remaining portion after three years and one day from the award date;
- for each option right awarded, the exercise and therefore the subsequent related subscription of Amplifon ordinary shares must take place within five years, starting from the vesting date;
- unexercised rights shall be automatically forfeited after such term;
- the price per share which the beneficiary will pay to Amplifon S.p.A. for the subscription following the exercise of the option rights shall be equal to the price per share corresponding to the average of the prices reported in the last month before the award date, that is €4.227;
- the exercise of the vested option rights shall take place in one or several tranches, provided that the minimum quantity for each tranche shall be 1,000 rights.

Stock Option Plan of 19 April 2011

	FY 2013			FY 2012		
	No. of options	Strike price (€)	Market Price (€)	No. of options	Strike price (€)	Market Price (€)
Option rights at 1 January	215,000	4.227	3.754	215,000	4.227	3.272
(Option rights exercised in the period)	-	-	-	-	-	-
(Option rights cancelled in the period)	-	-	-	-	-	-
(Option rights forfeited in the period)	-	-	-	-	-	-
Option rights at 31 December	215,000	4.227	4.038	215,000	4.227	3.754
of which exercisable at 31 December	*107,500*			-		

Residual life of awarded stock options

Options assigned up to 31/12/2013

		Residual life				Exercisable	
Strike price	Awarded on	< 1 year	1-5 years	5-10 years	Total	Number of shares	Average expiring date
3.994	14-Mar-05	108,230	134,000	-	242,230	242,230	1 year
5.697	30-Sep-05	349,333	415,667	-	765,000	765,000	3 year
5.713	30-Sep-05	-	437,000	-	437,000	437,000	1 year
5.731	23-Jan-06	-	15,000	-	15,000	15,000	2 year
6.914	15-Mar-07	-	170,000	-	170,000	170,000	4 year
0.735	18-Dec-08	-	268,500	-	268,500	268,500	2 year
2.837	06-Nov-09	-	90,000	-	90,000	90,000	3 year
3.746	16-Dec-10	-	737,438	-	737,438	737,438	4 year
4.227	19-Apr-11	-	107,500	107,500	215,000	107,500	5 year
Total		457,563	2,375,105	107,500	2,940,168	2,832,668	

General characteristics of the stock grant plan

On 16 December 2010 the Board of Directors – as resolved by the Shareholders' Meeting held on 13 December 2010 – approved the regulation of the Performance Stock Grant Plan 2011-2020 with the following general characteristics:

- the Plan provides for the grant of rights, each of which gives the right to Company stock to be granted to beneficiaries in key positions in the Group at the end of the vesting period;
- for each grant cycle, the Board of Directors is empowered to identify the beneficiaries and to set the number of rights to be granted to each beneficiary;
- the Board may also make such changes to the Plan as it considers necessary, at its sole discretion, with the aim e.g. of: (i) accommodating changes in the law; or (ii) making it possible for the Beneficiaries to benefit or continue to benefit from favorable regulations;
- the vesting of the rights awarded and consequently the award of all or part of the related stocks is subject to the following conditions:
  I. on the award date of the shares the beneficiary must be an employee of a Group company, and not be working out a period of notice following dismissal or resignation;
  II. on the award date of the shares the reference price should be at least equal to the reference price;
  III. the individual performance levels assigned to the beneficiary must not be lower - throughout the reference period - than 100% achievement. Where these conditions are not met, the number of shares due to the beneficiary will be reduced by 25% for each reference period in which targets are not met.

On 24 April 2013 the Board of Directors approved, based on proposal of the Remuneration Committee of 27 February 2013, the amendments to the "2011-2020 Performance Stock Grant" plan as approved by the shareholders meeting held on 17 April 2013.
In particular the condition which links the transformation of rights to the performance of Amplifon's stock in the last three months of the vesting period was cancelled (see point II above).
Furthermore the exercise period, subsequent to vesting, was extended to 2.5 years (each grant cycle, therefore, will have a total duration of 7 years), the prime objective of which is to reduce the risk of a large number of shares being sold at the same time. The remaining conditions are unchanged.

The weighted average unit incremental fair value (calculated as the difference between the current fair value of the plans and the current fair value of the plans in light of the above mentioned changes in parameters) amounts to Euro 1.66 per right and is recognized in the income statement based on the residual vesting period of the stock grants awarded as of the date of the shareholders' resolution.

The incremental fair value recognised during the nine months of 2013 amounts to €2,270 thousand.

On 2 May 2013, based on the resolution approved by the Board of Directors on 24 April 2013, rights to 1,862,000 shares (subject to the general terms and conditions described above) with a vesting period of 4.5 years were awarded to employees holding key positions in the Group.
The unit fair value of the performance stock grant awarded in the period is €3.56.

The assumptions adopted in the calculation of the fair value are as follows:

Model used	Binomial
Current price	3.68 €
Exercise price	0.00
Volatility (4 years)	36.74%
Risk-free interest rate	0.613%
Duration (years)	4.15
Expected dividend	1.0%

The implicit cost the above mentioned stock grants plan recognised in the income statement in FY 2013 amounts to €999 thousands.

Below are reported the details of the performance stock grant plans.

A) Stock grant 15 January 2011

	FY 2013		FY 2012	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**1,275,875**	**3.754**	**1,436,500**	**3.272**
Rights granted in the period	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	105,375	-	160,625	-
Option rights at 31 December	**1,170,500**	**4.038**	**1,275,875**	**3.754**

B) Stock grant 16 May 2011

	FY 2013		FY 2012	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**1,144,500**	**3.754**	**1,152,250**	**3.272**
Rights granted in the period	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	207,000	-	7,750	-
Option rights at 31 December	**937,500**	**4.038**	**1,144,500**	**3.754**

C) Stock grant 15 March 2012

	FY 2013		FY 2012	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**2,297,500**	**3.754**	**-**	**-**
Rights granted in the period	-	-	2,386,500	3.842
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	264,750	-	89,000	-
Option rights at 31 December	**2,032,750**	**4.038**	**2,297,500**	**3.754**

D) Stock grant 2 May 2013

	FY 2013		FY 2012	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**-**	**-**	**-**	**-**
Rights granted in the period	1,862,000	3.844	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	105,000	-	-	-
Option rights at 31 December	**1,757,000**	**4.038**	**-**	**-**

32. Investments in jointly-controlled and associated companies

The following table shows the Group's share of the non-current assets, current assets, non-current liabilities, current liabilities, revenues and costs of jointly-controlled companies.

(€ thousands)	31/12/2013	31/12/2012
Non-current assets	626	607
Current assets	834	717
Non-current liabilities	26	26
Current liabilities	240	228
Revenues	1,264	1,289
Net profit for the year	124	387

The following table shows the main income statement and statement of financial position figures of associates accounted for using the equity method.

(€ thousands)	31/12/2013	31/12/2012
Non-current assets	716	613
Current assets	1,858	1,530
Non-current liabilities	639	509
Current liabilities	800	580
Revenues	4,563	3,356
Net profit for the year	461	240

Please see Annexe 1 for a list of associates accounted for using the net equity method, where our interest is between 20% and 49% of capital.

33. Earnings per share

Basic EPS

Basic earnings per share is obtained by dividing the net profit for the year pertaining to the ordinary shareholders of the parent company by the weighted average number of shares outstanding in the year, considering purchases and disposals of own shares as cancellations and issues of shares.

Earnings per share is determined as follows:

Earnings per share from operating activities	FY 2013	FY 2012
Net profit (loss) pertaining to ordinary shareholders (€ thousand)	12,848	43,182
Average number of shares outstanding in the year	216,990,369	215,856,031
Average earnings per share (€ per share)	0.05921	0.200050

Diluted earnings per share

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

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

Weighted average diluted number of shares outstanding	FY 2013	FY 2012
Average number of shares outstanding in the year	216,990,369	215,856,031
Weighted average of potential and diluting ordinary shares	6,026,050	851,471
Weighted average of shares potentially subject to options in the period	223,016,419	216,707,502

The diluted earnings per share was determined as follows:

Diluted earnings per share	FY 2013	FY 2012
Net profit pertaining to ordinary shareholders (€ thousand)	12,848	43,182
Average number of shares outstanding in the period	223,016,419	216,707,502
Average diluted earnings per share (€)	0.05761	0.199264

34. Transactions with Parent companies and related parties

The 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 and Turkey.

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.

Parent company and other related parties

	31/12/2013				FY 2013		
(€ thousands)	Trade receivables	Trade payables	Non current financial liabilities	Financial payables	(Cost)/ recharges of personnel	(Cost)/ recharges of services	Interest income and charges
Amplifin S.p.A.	87	-	-	-	260	(1,968)	-
Total – Parent Company	**87**	**-**	**-**	**-**	**260**	**(1,968)**	**-**
Bardissi Import	-	-	-	104	-	-	-
Meders	-	467	128	64	(61)	(4)	(25)
Total – Other related parties	**-**	**467**	**128**	**168**	**(61)**	**(4)**	**(25)**
Total related parties	87	467	128	168	199	(1,972)	(25)
Total as per financial statement	104,018	96,297	417,541	11,411	(261,296)	(256,748)	(26,436)
% of financial statement total	0.08%	0.48%	0.03%	1.47%	-0.08%	0.77%	0.09%

Receivables from parent companies mainly refer to the recovery of maintenance costs and condo fees paid by Amplifin S.p.A. and recharge of personnel costs 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 to:

- for €1,611 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 €37 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 €260 thousand;
- for €394 thousand, to the rents paid under certain lease agreements for retail store space.

Financial liabilities to other related parties related to:

- a loan made to Maxtone (Turkey) of €192 thousand (equivalent to 570 thousand Turkish pounds) to be repaid in equal amounts over 5 years, granted by Meders (a company owned by Maxtone's minority shareholder;
- an interest-free loan to Amplifon Middle East SAE (Egypt) in the amount of €104 thousand (1,000 thousand Egyptian pounds) granted by Bardissi Import.

Other related parties

The total remuneration of Group Directors, Board of Auditors and Key Managers for the period amounted to €7,490 thousand and is made up as follows:

Directors and Board of Auditors and Key managers (€ thousands).

						Non equity variable compensation							
First Name and Surname	Office Held	Period in which the office has been held	Term of office ends upon	Fixed compensation	Committee attendance fees	Bonuses and other incentives	Profit sharing	Accrued LTI	Fringe benefit.	Tot.	FV equity compensation	Termination allowance	Tot.
Anna Maria Formiggini	Honorary Chairman	01/01/2013-31/12/2013	Approval 2015 financ. stat	190	-	-	-	-	-	190	-	-	190
Susan Carol Holland	Chairman	01/01/2013-31/12/2013	Approval 2015 financ. stat	200	-	-	-	-	4	204	-	-	204
Franco Moscetti	CEO	01/01/2013-31/12/2013	Approval 2015 financ. stat	300	-	-	-	-	-	300	-	-	300
	Man. Director	Permanent		708	-	500	-	216	7	1,431	284	-	1,715
Giampio Bracchi	Indep. Director	01/01/2013-31/12/2013	Approval 2015 financ. stat	55	50	-	-	-	-	105	-	-	105
Maurizio Costa	Indep. Director	01/01/2013-31/12/2013	Approval 2015 financ. stat	55	25	-	-	-	-	80	-	-	80
Luca Garavoglia	Indep. Director	17/04/2013-31/12/2013	Approval 2015 financ. stat	55	45		-	-	-	100	-	-	100
Andrea Guerra	Indep. Director	01/01/2013-31/12/2013	Approval 2015 financ. stat	55	15	-	-	-	-	70	-	-	70
Umberto Rosa	Indep. Director	01/01/2013-17/04/2013	Approval 2012 financ. stat	-	-	-	-	-	-	-	-	-	-
Giovanni Tamburi	Indep. Director	17/04/2013-31/12/2013	Approval 2015 financ. stat	55	-	-	-	-	-	55	-	-	55
Giuseppe Levi	Chairman of the Board of Auditors	01/01/2013-31/12/2013	Approval 2014 financ. stat	45	-	-	-	-	-	45	-	-	45
Emilio Fano	Standing Auditor	01/01/2013-31/12/2013	Approval 2014 financ. stat	30	-	-	-	-	-	30	-	-	30
Maria Stella Brena	Standing Auditor	01/01/2013-31/12/2013	Approval 2014 financ. stat	30	-	-	-	-	-	30	-	-	30
Total				1,778	135	500	-	216	11	2,640	284	-	2,924
Other Key managers				2,373	-	930	-	382	296	3,981	585	-	4,566
Alberto Baroli Giovanni Caruso Gilbert Ferraroli Massimiliano Gerli Ugo Giorcelli Enrico Bortesi Paul Mirabelle Heinz Ruch			Permanent										
Total				4,151	135	1,430	-	598	307 (*)	6,621	869	-	7,490

(*) The amount includes also the Flexible Benefit plan granted in 2012 to all Amplifon S.p.A. employees.

Below are detailed stock options and stock grant awarded to the Board of Directors, General Managers and Key Managers.

			Options held at the beginning of the period			Options granted in the period	Options exercised during the period				
First Name and Surname	Office held	Plan (when approved)	No. of options	Exercise price	Exercise period	No. of options	No. of options	Exercise price	Market price of the shares at the exercise date	Options held at the end of the period.	Fair Value options in FY 2013 (€'000)
Franco Moscetti	CEO and Managing Director	Plan 2005 - CEO (14/03/2005)	402,000	3.994	(1/3) 14/03/2006 - 14/03/2013 (1/3) 14/03/2007 - 14/03/2014 (1/3) 14/03/2008 - 14/03/2015	-	159,770	3.994	4.156	242,230	-
		Plan 2005 - ITA (30/09/2005)	200,000	5.713	(1/3) 30/09/2006 - 30/09/2015 (1/3) 30/09/2007 - 30/09/2015 (1/3) 30/09/2008 - 30/09/2015	-	-	-	-	200,000	-
Total			602,000			-	159,770	-	-	442,230	
Other Key managers: A. Baroli G. Caruso G. Ferraroli M. Gerli U. Giorcelli E. Bortesi P. Mirabelle H. Ruch		Plan 2005 (30/09/2005 general rules)	175,000	5.697	(1/3) 30/09/2006 - 30/09/2016 (1/3) 30/09/2007 - 30/09/2017 (1/3) 30/09/2008 - 30/09/2018	-	-	-	-	175,000	
		Plan 2005 (30/09/2005)	130,000	5.713	(1/3) 30/09/2006 - 30/09/2015 (1/3) 30/09/2007 - 30/09/2015 (1/3) 30/09/2008 - 30/09/2015	-	-	-	-	130,000	
		Plan 2008 (18/12/2008)	75,000	0.735	19/12/2011 - 19/12/2016	-	75,000	0.735	4.162	-	
		Plan 2009 (6/11/2009)	62,500	2.837	(1/2) 7/11/2011 - 7/11/2016 (1/2) 7/11/2012 - 7/11/2017	-	62,500	2.837	3.937	-	
		Plan 2010 (16/12/2010)	250,000	3.746	(1/2) 17/12/2012 - 17/12/2017 (1/2) 17/12/2013 - 17/12/2018	-	22,562	3.746	4.353	227,438	67
Total			692,500			-	160,062	-	-	532,438	67

First Name and Surname	Office held	Programme (when approved)	Financial instruments granted during the FY not vested during the period		Financial instruments granted during the FY					Fair value FY 2013 (€ '000)
			No. and type of financial instrument	Vesting period	No. and type of financial instrument	Fair value	Vesting period	Grant date	Market price on grant date	
Franco Moscetti	CEO and Managing Director	Performance Stock Grant 15 March 2012	300,000	Approval 2015 financ. stat						284
Other Key managers: A. Baroli G. Caruso G. Ferraroli M. Gerli U. Giorcelli E. Bortesi P. Mirabelle H.Ruch		Performance Stock Grant 16 May 2011	110,000	Approval 2015 financ. stat						426
		Performance Stock Grant 15 March 2012	450,000	Approval 2015 financ. stat						159
		Performance Stock Grant 2 May 2013			280,000	3.56	Approval 2016 financ. stat	02/05/2013	3.844	
Total			860,000		280,000					869

35. Guarantees provided, commitments and contingent liabilities

Guarantees issued in favour of third parties

At 31 December 2013 these broke down as follows:

(€ thousands)	31/12/2013	31/12/2012
Guarantees in favour of third parties	75,335	103,154
Total	75,335	103,154

The main guarantees given were the following:

- a guarantee issued to the investors who subscribed the private placement bond issued by Amplifon USA in the amount of US$45,360 thousand equivalent to €32,891 thousand at the 31 December 2013 exchange rate, whereby interest payable was guaranteed (the guarantee of principal is not given here, since the liability is already disclosed in the accounts);
- guarantees issued to third parties for tenders and rentals amounting to €2,869 thousand;
- insurance guarantees released by Amplifon S.p.A. in favour of the Revenue Office for VAT refunds of €30,238 thousand;
- various guarantees totalling €9,337 thousand, which include comfort letters given to third parties in the interest of subsidiaries.

Obligations

Obligations with regard to future rent instalments amounted at the 31 December 2013 to €169,036 thousand, of which €143,950 thousand relates to the lease of stores. The average lease term is equal to 3.4 years.

Contingent liabilities – fiscal litigation

In 2013 the Italian tax police ("Guardia di Finanza") began investigating a series of Italian banks with reference to medium/long-term loans granted by the latter abroad in order to verify whether those loans qualified for exemption from substitute tax for ordinary stamp duties and government concessions. In the last part of the year the Italian Revenue 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 A$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 to pay the substitute tax. The Revenue claims at total of €496 thousand from the different banks, plus interest and any other penalties that might be determined, for a maximum of double the amount claimed.

The banks involved, the majority of which in collaboration with Amplifon and its consultants, appealed against the findings and paid in advance 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 sought a refund of the amount paid by them from Amplifon. At 31 December 2013 Amplifon had refunded the banks €41 thousand and an additional €132 thousand was refunded in 2014.

Amplifon, its consultants and the banks involved believe that the 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, they believe it probable that the appeal will be granted going through the various degrees of judgement. In any case, the possibility of any penalties being imposed is viewed as remote and for this reason no provisions were made in the financial statements at 31 December 2013.

A claim was filed with the Australian tax authorities in order to establish whether or not the amortization of a few intangible assets (in particular, the customer database) acquired as a result of the NHC Group acquisition in December 2010 may be deducted for tax purposes.

The tax authorities are in the process of verifying if the request may be granted or not, as well as the congruity of the value of those assets, estimated around A$50 million.

We believe that in the end the Australian tax authorities will recognize the deductibility of these assets, but currently formal evidence of a total or partial granting of the request is not available. If the request is completely granted, the taxes paid and deposits made for the years between 2010 and 2013 will be refunded and it will also be possible to deduct the amortization in the future, which should have a positive impact on cash flow and the income statement of approximately A$15 million.

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

36. Transactions arising from untypical/unusual operations

Pursuant to Consob Communication of 28 July 2006, it should be noted that during 2013 the Group carried out no atypical and/or unusual transactions, as defined by the Communication.

37. Translation of foreign companies' financial statements

The exchange rates used to translate non-Euro zone companies' financial statements are as follows:

	31/12/2013		31/12/2012	
	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
Canadian dollar	1.368	1.467	1.284	1.314
US dollar	1.328	1.379	1.285	1.319
Hungarian florin	296.873	297.040	289.249	292.300
Swiss franc	1.231	1.228	1.205	1.207
Egyptian lira	9.136	9.587	7.799	8.378
Turkish lira	2.533	2.960	2.314	2.355
British pound	0.849	0.834	0.811	0.816
Australian dollar	1.378	1.542	1.241	1.271
New Zealand dollar	1.621	1.676	1.587	1.605
Indian rupee	77.930	85.366	68.597	72.560
Polish zloty	4.197	4.154	4.113 (*)	4.074

(*) For Amplifon Poland the weighted average exchange rate was calculated starting August, that is the incorporation date of the company.

38. Subsequent events

On 13 February 2014 the Company's bylaws were updated following the partial subscription of a capital increase servicing current stock option plans approved by the Board of Directors on 28 October 2010 and the consequent issue of 115,730 ordinary shares of Amplifon S.p.A. with a par value of €0.02 each. The share capital subscribed and paid-up at 13 February 2014 amounted to €4,484,330.

At the beginning of March 2014 the leadership of Europe was entrusted to Enrico Vita who assumes the role of Executive Vice President Europe, Middle East and Africa.

Milan, March 5th 2014

On behalf of the Board of Directors
CEO
Franco Moscetti

Annexe I - Consolidation Area

As required by §§ 38 and 39 Law 127/91 and § 126 Consob 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 31 December 2013.

Parent Company:

Company name	Head office	Currency	Share Capital
Amplifon S.p.A.	Milano (Italy)	EUR	4,482,016

Subsidiaries consolidated using the line-by-line method:

Company name	Head office	Directly/ Indirectly owned	Currency	Share Capital	% ownership 31/12/2013
Amplimedical S.r.l. - in liquidation	Milano (Italy)	D	EUR	111,967	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%
Amplifon Iberica SA	Barcelona (Spain)	D	EUR	26,578,809	100.0%
Amplifon Portugal SA	Lisboa (Portugal)	I	EUR	720,187	100.0%
G.A. Zamorano SL	Zamora (Spain)	I	EUR	36,060	51.0%
Audiosalud SL	Murcia (Spain)	I	EUR	142,278	75.1%
Ampli Lleida SLU	Barcelona (Spain)	I	EUR	5,016	80.0%
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	0	100.0%
Amplinsure 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 (Luxemburg)	I	EUR	50,000	100.0%
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%
Makstone ÐÐitme Ürünleri Perakende SatıÐ A.Ð.	Istanbul (Turkey)	D	TRY	300,000	51.0%
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%
Ultravox Holdings Ltd - in liquidation	Manchester (UK)	I	GBP	8,594	100.0%
Amplifon Ireland Ltd	Wexford (Ireland)	I	EUR	1,000	75.0%
Miracle Ear Inc.	St. Paul – MN (USA)	I	USD	5	100.0%

Company name	Head office	Directly/ Indirectly owned	Currency	Share Capital	% ownership 31/12/2013
Sonus USA Inc.	Tumwater – WA (USA)	I	USD	10	100.0%
Sonus 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%
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 Middle East SAE	Cairo (Egypt)	D	EGP	3,000,000	51.0%
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	330,000,000	100.0%
NHanCe Hearing Care LLP *	New Delhi (India)	I	INR	1,000,000	0.0%

** Consolidated company subject to de facto control by the Amplifon Group.*

Jointly-controlled subsidiaries consolidated using the proportional method:

Company name	Head office	Directly/ Indirectly owned	Currency	Share Capital	% ownership 31/12/2013
Comfoor BV	Doesburg (The Netherlands)	I	EUR	18,000	50.0%

Companies valued using the equity method:

Company name	Head office	Directly/ Indirectly owned	Currency	Share Capital	% ownership 31/12/2013
Audiogram Audifonos SL	Palma de Mallorca (Spain)	I	EUR	3,006	49.0%
Amplifon Poland Sp.z.o.o.	Warszawa (Poland)	D	PLN	940,000	49.0%
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%

Annexe II - Information pursuant to § 149-*duodecies* of Consob Issuers' Regulations

The following table, prepared pursuant to §149-*duodecies* Consob Issuers' Regulations, shows the fees for both audit and non-audit services provided by the auditing company and entities that are part of its network in relation to the 2013 financial year.

	Subject that provided the service	Recipient	2013 fees (€)
Audit	PricewaterhouseCoopers	Parent company - Amplifon S.p.A.	261,630
	PricewaterhouseCoopers	Subsidiaries	924,609
	Other	Subsidiaries	11,136
Other services (*)	PricewaterhouseCoopers	Parent company - Amplifon S.p.A. and its subsidiaries	446,293
Total			1,643,668

(*) The other services are mainly related to fiscal assistance to the US subsidiaries; forensic consulting activities to the German companies, consulting services related to the Eurobond issued on July, 16th 2013 (see note 15), fiscal consulting to UK companies regarding the analysis of the contractual and fiscal consequences following the regulatory changes introduced in the UK market.

Declaration in respect of the Consolidated Financial Statements pursuant to Article 154-*bis* of Legislative Decree 58/98

We, the undersigned, Franco Moscetti, Managing Director and Ugo Giorcelli, Executive Responsible for Corporate Accounting Information for Amplifon S.p.A., taking into account the provisions of § 154-*bis*, paragraphs 3 and 4 of Law 58/98, certify:

- the adequacy, by reference to the characteristics of the business and
- the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2013.

We also certify that the consolidated financial statements at 31 December 2013:

- correspond to the underlying accounting entries and records;
- have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union as well as the provisions issued to implement § 9 of Law 38/2005, and give a true and fair view of the financial position, result of operations and cash flow of the issuer and of all of the companies included in the consolidation.

The report on operations includes a reliable operating and financial review of the Company and all of the companies included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

Milan, March 5th 2014

CEO

Franco Moscetti

Executive Responsible for
Corporate Accounting Information
Ugo Giorcelli

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Amplifon SpA

1 We have audited the consolidated financial statements of Amplifon SpA and its subsidiaries ("Amplifon Group") as of 31 December 2013, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in net equity, cash flow statements and related explanatory notes. The directors of Amplifon SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union , as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to the report issued by us on 8 March 2013.

3 In our opinion, the consolidated financial statements of the Amplifon Group as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Amplifon Group for the period then ended.

4 The directors of Amplifon SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative

PricewaterhouseCoopers SpA

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Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of Amplifon SpA as of 31 December 2013.

Milan, 7 March 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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