# Interim Financial Report as at 31 March 2019

TRANSLATION FROM THE ORIGINAL ITALIAN TEXT

# INDEX

# PREFACE

This interim financial report for the period has been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Union and must be read together with the financial statements of the Group at 31 December 2018 that includes additional information on the risks and uncertainties that could impact the Group's operative results or its financial position.

# INTERIM MANAGEMENT REPORT

# AS AT 31 MARCH 2019

# CHANGES IN THE ACCOUNTING POLICY

**New Accounting Standards**

The Group has adopted IFRS 16 “Leases” effective 1 January 2019 which resulted in changes to the accounting policies and adjustments to the amounts recognized in the financial statements.

Based on IFRS 16 the right to use leased assets which fall in the scope of the standard must be recognized as an asset and the relative financial payable must be recognized as a liability.

The comparison figures were not restated and the figures for this reporting period are also shown without applying IFRS 16. The comparison figures refer to the first quarter 2019 before the application of IFRS 16, unless stated otherwise.

# HIGHLIGHTS

In the first three months of 2019 Amplifon reported not only a significant increase in revenues with positive results in all its geographies, but also improved profitability. This result was achieved thanks to a solid organic growth, to the efficacy of the continuous and strong investments in marketing, to a robust operating leverage and to the sizeable contribution of the GAES Group acquisition which, consolidated as of the beginning of the year, posted excellent results that exceeded expectations.

The first three months of the year closed with:

- turnover of €391,973 thousand, an increase of +26.7% compared to the same period of the prior year (+25.4% at constant exchange rates) with double digit growth thanks to the contribution of GAES in both EMEA and America;
- a gross operating margin (EBITDA) of €77,517 thousand, calculated based on the new accounting standard (IFRS 16). If the new accounting standard had not been applied, recurring EBITDA would have reached €54,915 thousand, 30.3% higher than in the first three months of 2018 and the EBITDA margin would have reached 14.4% (+0.4 p.p. against the comparison period);
- Group net profit of €17,748 thousand, based on the new accounting standard. If the new accounting standard had not been applied, net profit would have come to €18,934 thousand, (an increase of 36.9% against the first three months of the previous year on a recurring basis).

Net financial debt amounted to €837,983 thousand at 31 March 2019, a slight improvement with respect to 31 December 2018, after absorbing net investments in acquisitions of €14,364 thousand.

The ability of ordinary operations to generate excellent cash flow was also confirmed in the weakest quarter of the year, which was impacted by an increase in the amounts paid to suppliers and staff members in the latter part of the prior year. Free cash flow reached a positive €16,241 thousand (versus €8,371 thousand in the first three months of the prior year) after absorbing capital expenditure of €18,601 thousand (€10,581 thousand in the first quarter of 2018).

# MAIN ECONOMIC AND FINANCIAL DATA

| (€ thousands) | First quarter 2019 | | | | First quarter 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | % on recurring | Recurring | Non-recurring | Total | % on recurring | Change % on recurring |
| **Economic data:** | | | | | | | | | |
| Revenues from sales and services | 391,973 | - | 391,973 | 100.0% | 309,407 | - | 309,407 | 100.0% | 26.7% |
| Gross operating margin (EBITDA) | 78,942 | (1,425) | 77,517 | 20.1% | 43,225 | - | 43,225 | 14.0% | 82.6% |
| Operating result before amortisation and impairment of customer lists (EBITA) | 42,661 | (1,425) | 41,236 | 10.9% | 31,611 | - | 31,611 | 10.2% | 35.0% |
| Operating income (EBIT) | 34,299 | (1,425) | 32,874 | 8.8% | 26,549 | - | 26,549 | 8.6% | 29.2% |
| Profit (loss) before tax | 27,717 | (1,425) | 26,292 | 7.1% | 21,831 | - | 21,831 | 7.1% | 27.0% |
| Group net profit (loss) | 18,810 | (1,062) | 17,748 | 4.8% | 14,603 | - | 14,603 | 4.7% | 28.8% |

| (€ thousands) | First quarter without IFRS 16 (*) | | | | First quarter 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | % on recurring | Recurring | Non-recurring | Total | % on recurring | Change % on recurring |
| **Economic data:** | | | | | | | | | |
| Revenues from sales and services | 391,973 | - | 391,973 | 100.0% | 309,407 | - | 309,407 | 100.0% | 26.7% |
| Gross operating margin (EBITDA) | 56,340 | (1,425) | 54,915 | 14.4% | 43,225 | - | 43,225 | 14.0% | 30.3% |
| Operating result before amortisation and impairment of customer lists (EBITA) | 41,254 | (1,425) | 39,829 | 10.5% | 31,611 | - | 31,611 | 10.2% | 30.5% |
| Operating income (EBIT) | 32,892 | (1,425) | 31,467 | 8.4% | 26,549 | - | 26,549 | 8.6% | 23.9% |
| Profit (loss) before tax | 29,150 | (1,425) | 27,725 | 7.4% | 21,831 | - | 21,831 | 7.1% | 33.5% |
| Group net profit (loss) | 19,996 | (1,062) | 18,934 | 5.1% | 14,603 | - | 14,603 | 4.7% | 36.9% |

| (€ thousands) | 31/03/2019 | 31/12/2018 (**) | Change | 31/03/2019 without IFRS 16 (*) |
|---|---|---|---|---|
| **Financial data:** | | | | |
| Non-current assets | 2,240,224 | 1,778,102 | 462,122 | 1,804,842 |
| Net invested capital | 1,902,415 | 1,436,803 | 465,612 | 1,468,762 |
| Group net equity | 627,185 | 594,919 | 32,266 | 628,376 |
| Total net equity | 628,348 | 595,947 | 32,401 | 629,547 |
| Net financial indebtedness | 837,983 | 840,856 | (2,873) | 839,215 |
| Lease liabilities | 436,084 | - | 436,084 | - |
| Total lease liabilities and net financial indebtedness | 1,274,067 | 840,856 | 433,211 | 839,215 |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.
(**) 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.

| (€ thousands) | First quarter 2019 | Frist quarter 2018 |
|---|---|---|
| **Free cash flow** | **16,241** | **8,371** |
| Cash flow generated from (absorbed by) business combinations | (14,364) | (25,081) |
| (Purchase) sale of other investments and securities | - | 85 |
| Cash flow provided by (used in) financing activities | 1,089 | (6,023) |
| **Net cash flow from the period** | **2,966** | **(22,648)** |
| Effect of discontinued operations on the net financial position | - | - |
| Effect of exchange rate fluctuations on the net financial position | (93) | (1,222) |
| **Net cash flow from the period with changes for exchange rate fluctuations and discontinued operations** | **2,873** | **(23,870)** |

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

# INDICATORS

| | 31/03/2019 | 31/12/2018 (*) | 31/03/2018 |
|---|---|---|---|
| Net financial indebtedness (€ thousands) | 837,983 | 840,856 | 320,135 |
| Net Equity (€ thousands) | 628,348 | 595,947 | 536,502 |
| Group Net Equity (€ thousands) | 627,185 | 594,919 | 536,862 |
| Net financial indebtedness/Net Equity | 1.33 (**) | 1.41 | 0.60 |
| Net financial indebtedness/Group Net Equity | 1.34 (**) | 1.41 | 0.60 |
| Net financial indebtedness/EBITDA | 2.36 (**) | 3.11 (***) | 1.44 (****) |
| EBITDA/Net financial charges | 29.52 (**) | 20.41 (***) | 13.01 (****) |
| Earnings per share (EPS) (€) | 0.08043 | 0.45706 | 0.066670 |
| Diluted EPS (€) | 0.07898 | 0.44801 | 0.065270 |
| EPS (€) adjusted for one-offs and PPA-related amortization (net of tax) | 0.11246 | 0.52578 | 0.08307 |
| Group Net Equity per share (€) | 2.842 | 2.696 | 2.453 |
| Period-end price (€) | 17.350 | 14.050 | 14.450 |
| Highest price in period (€) | 17.770 | 20.700 | 14.610 |
| Lowest price in period (€) | 13.610 | 12.590 | 12.590 |
| Share price/net equity per share | 6.105 | 5.211 | 5.891 |
| Market capitalization (€ millions) | 3,829.00 | 3,180.27 | 3,270.60 |
| Number of shares outstanding | 220,691,875 | 220,637,875 | 218,856,917 |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.
(**) Indicators re-defined together with the banks and the financial investors after the adoption of IFRS 9, 15 and 16.
(***) Indicators calculated in compliance with the previous definitions included in the syndicated loan for the GAES acquisition, before the adoption of IFRS 9, 15 and 16.
(****) Indicators determined in compliance with the definitions as at 31/03/2018 before the adoption of IFRS 9, 15 and 16.

- 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, based on 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, based on restated figures where there were significant changes to the structure of the Group) to net interest payable and receivable of the same last 4 quarters.
- **Earnings per share (EPS) (€)** is net profit for the period attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period, considering purchases and sales of treasury shares as cancellations or issues of shares, respectively.
- **Diluted earnings per share (EPS) (€)** is net profit for the period attributable to the Parent's ordinary shareholders divided by the weighted average number of shares outstanding during the period adjusted for the dilution effect of potential shares. In the calculation of

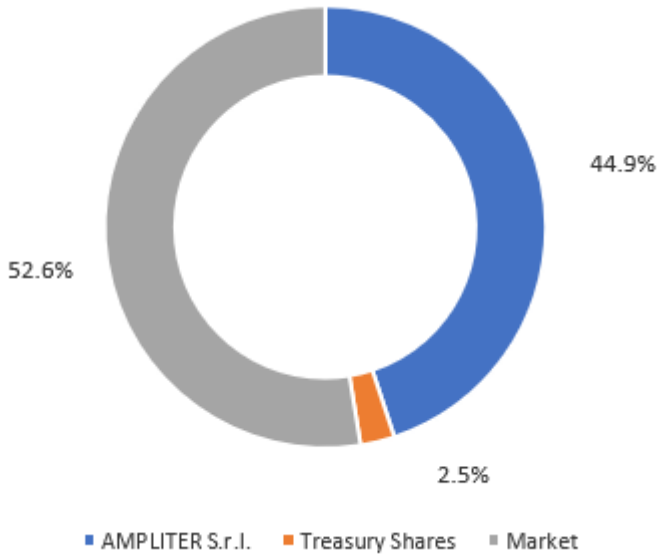
outstanding shares, purchases and sales of treasury shares are considered as cancellations and issues of shares, respectively.

- **Earnings per share (EPS) (€) adjusted for one-offs and PPA-related amortization (net of taxes)** is net profit for the period attributable to the Parent's ordinary shareholders adjusted for the non-recurring items and for the amortization originated from the purchase price allocation of the acquisitions, divided by the weighted average number of shares outstanding during the period, considering purchases and sales of treasury shares as cancellations or issues of shares, respectively.
- **Net Equity per share (€)** is the ratio of Group equity to the number of shares outstanding.
- **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.
- **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 capitalization** 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.

# SHAREHOLDER INFORMATION

## Main Shareholders

The main Shareholders of Amplifon S.p.A. as at 31 March 2019 are:



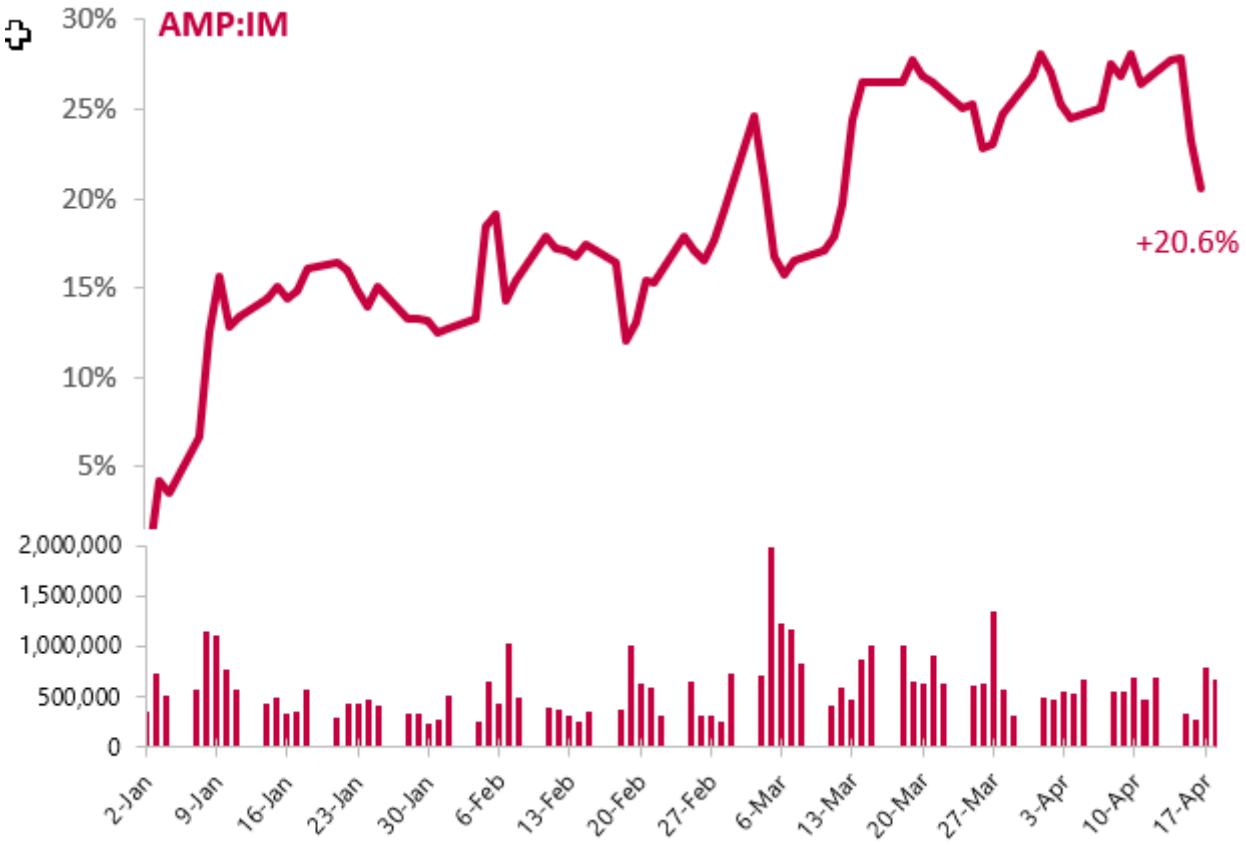

| Shareholder | No. of ordinary shares | % held | % of the total share capital in voting right |
|---|---|---|---|
| Ampliter S.r.l. | 101,715,003 | 44.9% | 61.9% |
| Treasury shares | 5,661,745 | 2.5% | 1.7% |
| Market | 118,976,872 | 52.6% | 36.4% |
| **Total** | **226,353,620 (*)** | **100.0%** | **100.0%** |

(*) Number of shares related to the share capital registered with the "Registro delle Imprese" on 31 March 2019.

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

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

The chart shows the performance of the Amplifon share price and its trading volumes from 2 January 2019 to 18 April 2019.




As at 31 March 2019 market capitalization was €3,829.00 million.

Dealings in Amplifon shares in the screen-based stock market Mercato Telematico Azionario during the period 2 January 2019 – 29 March 2019, showed:

- average daily value: €9,793,985.72;
- average daily volume: 594,062 shares;
- total volume traded of 37,425,915 shares, or 17.0% of the total number of shares comprising company capital, net of treasury shares.

# CONSOLIDATED INCOME STATEMENT

| (€ thousands) | First quarter 2019 | | | | First quarter 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recurring | Non-recurring (*) | Total | % on recurring | Recurring | Non-recurring (*) | Total | % on recurring | Change % on recurring |
| Revenues from sales and services | 391,973 | - | 391,973 | 100.0% | 309,407 | - | 309,407 | 100.0% | 26.7% |
| Operating costs | (313,334) | (1,425) | (314,759) | -79.9% | (267,242) | - | (267,242) | -86.4% | -17.2% |
| Other costs and revenues | 303 | - | 303 | 0.1% | 1,060 | - | 1,060 | 0.4% | -71.4% |
| **Gross operating profit (EBITDA)** | **78,942** | **(1,425)** | **77,517** | **20.1%** | **43,225** | **-** | **43,225** | **14.0%** | **82.6%** |
| Depreciation and write-downs of non-current assets | (36,281) | - | (36,281) | -9.3% | (11,614) | - | (11,614) | -3.8% | -212.4% |
| **Operating result before the amortization and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)** | **42,661** | **(1,425)** | **41,236** | **10.9%** | **31,611** | **-** | **31,611** | **10.2%** | **35.0%** |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (8,362) | - | (8,362) | -2.1% | (5,062) | - | (5,062) | -1.6% | -65.2% |
| **Operating profit (EBIT)** | **34,299** | **(1,425)** | **32,874** | **8.8%** | **26,549** | **-** | **26,549** | **8.6%** | **29.2%** |
| Income, expenses, valuation and adjustments of financial assets | 72 | - | 72 | 0.0% | 149 | - | 149 | 0.0% | -51.7% |
| Net financial expenses | (6,495) | - | (6,495) | -1.7% | (4,598) | - | (4,598) | -1.5% | -41.3% |
| Exchange differences and non-hedge accounting instruments | (159) | - | (159) | 0.0% | (269) | - | (269) | 0.0% | 40.9% |
| **Profit (loss) before tax** | **27,717** | **(1,425)** | **26,292** | **7.1%** | **21,831** | **-** | **21,831** | **7.1%** | **27.0%** |
| Tax | (8,918) | 363 | (8,555) | -2.3% | (7,277) | - | (7,277) | -2.4% | -22.6% |
| **Net profit (loss)** | **18,799** | **(1,062)** | **17,737** | **4.8%** | **14,554** | **-** | **14,554** | **4.7%** | **29.2%** |
| Profit (loss) of minority interests | (11) | - | (11) | 0.0% | (49) | - | (49) | 0.0% | 77.6% |
| **Net profit (loss) attributable to the Group** | **18,810** | **(1,062)** | **17,748** | **4.8%** | **14,603** | **-** | **14,603** | **4.7%** | **28.8%** |

(*) See table at page 16 for details of non-recurring transactions.

| (€ thousands) | First quarter 2019 without IFRS 16 (*) | | | | First quarter 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recurring | Non-recurring (**) | Total | % on recurring | Recurring | Non-recurring (**) | Total | % on recurring | Change % on recurring |
| Revenues from sales and services | 391,973 | - | 391,973 | 100.0% | 309,407 | - | 309,407 | 100.0% | 26.7% |
| Operating costs | (335,936) | (1,425) | (337,361) | -85.7% | (267,242) | - | (267,242) | -86.4% | -25.7% |
| Other costs and revenues | 303 | - | 303 | 0.1% | 1,060 | - | 1,060 | 0.4% | -71.4% |
| **Gross operating profit (EBITDA)** | **56,340** | **(1,425)** | **54,915** | **14.4%** | **43,225** | **-** | **43,225** | **14.0%** | **30.3%** |
| Depreciation and write-downs of non-current assets | (15,086) | - | (15,086) | -3.8% | (11,614) | - | (11,614) | -3.8% | -29.9% |
| **Operating result before the amortization and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)** | **41,254** | **(1,425)** | **39,829** | **10.5%** | **31,611** | **-** | **31,611** | **10.2%** | **30.5%** |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (8,362) | - | (8,362) | -2.1% | (5,062) | - | (5,062) | -1.6% | -65.2% |
| **Operating profit (EBIT)** | **32,892** | **(1,425)** | **31,467** | **8.4%** | **26,549** | **-** | **26,549** | **8.6%** | **23.9%** |
| Income, expenses, valuation and adjustments of financial assets | 72 | - | 72 | 0.0% | 149 | - | 149 | 0.0% | -51.7% |
| Net financial expenses | (3,655) | - | (3,655) | -0.9% | (4,598) | - | (4,598) | -1.5% | 20.5% |
| Exchange differences and non-hedge accounting instruments | (159) | - | (159) | 0.0% | (269) | - | (269) | 0.0% | 40.9% |
| **Profit (loss) before tax** | **29,150** | **(1,425)** | **27,725** | **7.4%** | **21,831** | **-** | **21,831** | **7.1%** | **33.5%** |
| Tax | (9,158) | 363 | (8,795) | -2.3% | (7,277) | - | (7,277) | -2.4% | -25.8% |
| **Net profit (loss)** | **19,992** | **(1,062)** | **18,930** | **5.1%** | **14,554** | **-** | **14,554** | **4.7%** | **37.4%** |
| Profit (loss) of minority interests | (4) | - | (4) | 0.0% | (49) | - | (49) | 0.0% | 91.8% |
| **Net profit (loss) attributable to the Group** | **19,996** | **(1,062)** | **18,934** | **5.1%** | **14,603** | **-** | **14,603** | **4.7%** | **36.9%** |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.
(**) See table at page 16 for details of non-recurring transactions.

The details of the non-recurring transactions included in the previous tables are shown below:

| (€ thousands) | Q1 2019 | Q1 2018 |
|---|---|---|
| Cost related to GAES integration | (1,425) | - |
| **Impact of the non-recurring items on EBITDA** | **(1,425)** | **-** |
| **Impact of the non-recurring items on EBIT** | **(1,425)** | **-** |
| **Impact of the non-recurring items pre-tax** | **(1,425)** | **-** |
| Impact of the above items on the tax burden of the period | 363 | - |
| **Impact of the non-recurring items on total net result** | **(1,062)** | **-** |

# 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) | 31/03/2019 | 31/12/2018 (*) | Change | 31/03/2019 w/o IFRS 16 (**) |
|---|---|---|---|---|
| Goodwill | 1,180,526 | 1,161,461 | 19,065 | 1,180,526 |
| Non-competition agreements, trademarks, customer lists and lease rights | 279,866 | 279,406 | 460 | 279,866 |
| Software, licences, other intangible fixed assets, fixed assets in progress and advances | 80,874 | 79,996 | 878 | 80,874 |
| Tangible assets | 193,150 | 188,941 | 4,209 | 193,150 |
| Right-of-use assets | 435,382 | - | 435,382 | - |
| Financial fixed assets (1) | 41,206 | 41,546 | (340) | 41,206 |
| Other non-current financial assets (1) | 29,220 | 26,752 | 2,468 | 29,220 |
| **Non-current assets** | **2,240,224** | **1,778,102** | **462,122** | **1,804,842** |
| Inventories | 68,591 | 61,740 | 6,851 | 68,591 |
| Trade receivables | 171,425 | 169,454 | 1,971 | 171,425 |
| Other receivables | 80,739 | 77,292 | 3,447 | 82,886 |
| **Current assets (A)** | **320,755** | **308,486** | **12,269** | **322,902** |
| **Operating assets** | **2,560,979** | **2,086,588** | **474,391** | **2,127,744** |
| Trade payables | (155,509) | (173,100) | 17,591 | (155,680) |
| Other payables (2) | (264,392) | (244,986) | (19,406) | (264,400) |
| Provisions for risks and charges (current portion) | (7,002) | (6,492) | (510) | (7,002) |
| **Current liabilities (B)** | **(426,903)** | **(424,578)** | **(2,325)** | **(427,082)** |
| **Net working capital (A) - (B)** | **(106,148)** | **(116,092)** | **9,944** | **(104,180)** |
| Derivative instruments (3) | (11,736) | (10,876) | (860) | (11,736) |
| Deferred tax assets | 77,311 | 75,340 | 1,971 | 77,071 |
| Deferred tax liabilities | (99,511) | (98,932) | (579) | (99,511) |
| Provisions for risks and charges (non-current portion) | (49,657) | (48,043) | (1,614) | (49,657) |
| Liabilities for employees' benefits (non-current portion) | (19,943) | (20,290) | 347 | (19,943) |
| Loan fees (4) | 3,072 | 3,796 | (724) | 3,073 |
| Other non-current payables | (131,197) | (126,202) | (4,995) | (131,197) |
| **NET INVESTED CAPITAL** | **1,902,415** | **1,436,803** | **465,612** | **1,468,762** |
| Group net equity | 627,185 | 594,919 | 32,266 | 628,376 |
| Minority interests | 1,163 | 1,028 | 135 | 1,171 |
| **Total net equity** | **628,348** | **595,947** | **32,401** | **629,547** |
| Net medium and long-term financial indebtedness (4) | 813,479 | 877,688 | (64,209) | 813,922 |
| Net short-term financial indebtedness (4) | 24,504 | (36,832) | 61,336 | 25,293 |
| **Total net financial indebtedness** | **837,983** | **840,856** | **(2,873)** | **839,215** |
| Lease liabilities | 436,084 | - | 436,084 | - |
| **Total lease liabilities & net financial indebtedness** | **1,274,067** | **840,856** | **433,211** | **839,215** |
| **NET EQUITY, LEASE LIABILITIES AND NET FIN. INDEBTEDNESS** | **1,902,415** | **1,436,803** | **465,612** | **1,468,762** |

(*) 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.
(**) For the sake of comparison, 2019 data are shown without the application of IFRS 16.

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 item “Net medium and long-term financial indebtedness”;
(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.

# CONDENSED RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

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

| (€ thousands) | First quarter 2019 | First quarter 2018 |
|---|---|---|
| **Operating profit (EBIT)** | **32,874** | **26,549** |
| Amortization, depreciation and write down | 44,643 | 16,675 |
| Provisions, other non-monetary items and gain/losses from disposals | 7,760 | 5,204 |
| Net financial expenses | (5,733) | (4,722) |
| Taxes paid | (6,395) | (9,311) |
| Changes in net working capital | (18,673) | (15,443) |
| **Cash flow provided by (used in) operating activities before repayment of lease liabilities** | **54,476** | **18,952** |
| Repayment of lease liabilities | (19,634) | - |
| **Cash flow provided by (used in) operating activities (A)** | **34,842** | **18,952** |
| Cash flow provided by (used in) operating investing activities (B) | (18,601) | (10,581) |
| **Free Cash Flow (A) + (B)** | **16,241** | **8,371** |
| Net cash flow provided by (used in) acquisitions (C) | (14,364) | (25,081) |
| (Purchase) sale of other investment and securities (D) | - | 85 |
| **Cash flow provided by (used in) investing activities (B+C+D)** | **(32,965)** | **(35,577)** |
| **Cash flow provided by (used in) operating activities and investing activities** | **1,877** | **(16,625)** |
| Fees paid on medium/long-term financing | - | (90) |
| Treasury shares | - | (6,753) |
| Capital increases, third parties' contributions and dividends paid by subsidiaries to third parties | - | (8) |
| Hedging instruments and other changes in non-current assets | 1,089 | 828 |
| **Net cash flow from the period** | **2,966** | **(22,648)** |
| | | |
| **Net financial indebtedness as of period opening date** | **(840,856)** | **(296,265)** |
| Effect of discontinued operation on financial position | - | - |
| Effect of exchange rate fluctuations on financial position | (93) | (1,222) |
| Change in net financial position | 2,966 | (22,648) |
| **Net financial indebtedness as of period closing date** | **(837,983)** | **(320,135)** |

The impact of non-recurring transactions on free cash flow in the period is shown in the following table.

| (€ thousands) | First quarter 2019 | First quarter 2018 |
|---|---|---|
| **Free cash flow** | **16,241** | **8,371** |
| Free cash flow generated by non-recurring transactions (see page 41 for details) | (3,053) | - |
| **Free cash flow generated by recurring transactions** | **19,294** | **8,371** |

# INCOME STATEMENT REVIEW

## Consolidated income statement by segment and geographic area (*)

| (€ thousands) | First quarter 2019 | | | | |
|---|---|---|---|---|---|
| | EMEA | Americas | Asia Pacific | Corporate | Total |
| Revenues from sales and services | 283,763 | 63,102 | 44,415 | 693 | 391,973 |
| Operating costs | (223,567) | (50,517) | (30,374) | (10,301) | (314,759) |
| Other costs and revenues | 255 | 132 | (74) | (10) | 303 |
| **Gross operating profit (EBITDA)** | **60,451** | **12,717** | **13,967** | **(9,618)** | **77,517** |
| Depreciation and write-downs of non-current assets | (28,056) | (2,111) | (4,096) | (2,018) | (36,281) |
| **Operating result before amortization and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)** | **32,395** | **10,606** | **9,871** | **(11,636)** | **41,236** |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (6,569) | (261) | (1,470) | (62) | (8,362) |
| **Operating profit (EBIT)** | **25,826** | **10,345** | **8,401** | **(11,698)** | **32,874** |
| Income, expenses, valuation and adjustments of financial assets | | | | | 72 |
| Net financial expenses | | | | | (6,495) |
| Exchange differences and non-hedge accounting instruments | | | | | (159) |
| **Profit (loss) before tax** | | | | | **26,292** |
| Tax | | | | | (8,555) |
| **Net profit (loss)** | | | | | **17,737** |
| Profit (loss) of minority interests | | | | | (11) |
| **Net profit (loss) attributable to the Group** | | | | | **17,748** |

| (€ thousands) | First quarter 2019 – Only recurring operations | | | | |
|---|---|---|---|---|---|
| | EMEA | Americas | Asia Pacific | Corporate | Total |
| Revenues from sales and services | 283,763 | 63,102 | 44,415 | 693 | 391,973 |
| Gross operating profit (EBITDA) | 61,876 | 12,717 | 13,967 | (9,618) | 78,942 |
| Operating result before amortization and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 33,819 | 10,606 | 9,871 | (11,635) | 42,661 |
| Operating profit (EBIT) | 27,251 | 10,345 | 8,401 | (11,698) | 34,299 |
| Profit (loss) before tax | | | | | 27,717 |
| Net profit (loss) attributable to the Group | | | | | 18,810 |

(*) For the purposes of reporting on economic data by geographic area, please note that the Corporate structures are included in EMEA.

| (€ thousands) | First quarter 2018 | | | | |
|---|---|---|---|---|---|
| | **EMEA** | **Americas** | **Asia Pacific** | **Corporate** | **Total** |
| Revenues from sales and services | 215,729 | 51,800 | 41,295 | 583 | 309,407 |
| Operating costs | (185,818) | (42,832) | (30,007) | (8,585) | (267,242) |
| Other costs and revenues | 499 | (8) | 395 | 174 | 1,060 |
| **Gross operating profit (EBITDA)** | **30,410** | **8,960** | **11,683** | **(7,828)** | **43,225** |
| Depreciation and write-downs of non-current assets | (7,540) | (1,085) | (1,766) | (1,223) | (11,614) |
| **Operating result before amortization and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA)** | **22,870** | **7,875** | **9,917** | **(9,051)** | **31,611** |
| Amortization and impairment of trademarks, customer lists, lease rights and non-competition agreements and goodwill | (3,456) | (157) | (1,415) | (34) | (5,062) |
| **Operating profit (EBIT)** | **19,414** | **7,718** | **8,502** | **(9,085)** | **26,549** |
| Income, expenses, valuation and adjustments of financial assets | | | | | 149 |
| Net financial expenses | | | | | (4,598) |
| Exchange differences and non-hedge accounting instruments | | | | | (269) |
| **Profit (loss) before tax** | | | | | **21,831** |
| Tax | | | | | (7,277) |
| **Net profit (loss)** | | | | | **14,554** |
| Profit (loss) of minority interests | | | | | (49) |
| **Net profit (loss) attributable to the Group** | | | | | **14,603** |

| (€ thousands) | First quarter 2018 – Only recurring operations | | | | |
|---|---|---|---|---|---|
| | **EMEA** | **Americas** | **Asia Pacific** | **Corporate** | **Total** |
| Revenues from sales and services | 215,729 | 51,800 | 41,295 | 583 | 309,407 |
| Gross operating profit (EBITDA) | 30,410 | 8,960 | 11,683 | (7,828) | 43,225 |
| Operating result before amortization and impairment of customer lists, trademarks, non-competition agreements and goodwill arising from business combinations (EBITA) | 22,870 | 7,875 | 9,917 | (9,051) | 31,611 |
| Operating profit (EBIT) | 19,414 | 7,718 | 8,502 | (9,085) | 26,549 |
| Profit (loss) before tax | | | | | 21,831 |
| Net profit (loss) attributable to the Group | | | | | 14,603 |

# Revenues from sales and services

| (€ thousands) | First quarter 2019 | First quarter 2018 | Change | Change % |
|---|---|---|---|---|
| **Revenues from sales and services** | **391,973** | **309,407** | **82,566** | **26.7%** |

Consolidated revenues from sales and services amounted to €391,973 thousand in the first three months of 2019, an increase of €82,566 thousand (+26.7%) against the comparison period. This result was driven by the significant contribution of the acquisitions (particularly GAES which was consolidated beginning 1 January 2019) for €66,396 thousand (+21.5%) net of the Direito de Ouvir Amplifon Brasil SA disposal occurred at the beginning of the second quarter of 2018, and by a solid organic growth which, impacted by one less working day than the first quarter of 2018 and including the contribution of the newly opened stores, was €12,130 thousand (+3.9%). The foreign exchange differences had a positive impact of €4,040 thousand (+1.3%) driven primarily by the Americas.

The following table shows the breakdown of revenues from sales and services by segment.

| (€ thousands) | Q1 2019 | % on Total | Q1 2018 | % on Total | Change | Change % | Exchange diff. | Change % in local currency |
|---|---|---|---|---|---|---|---|---|
| EMEA | 283,763 | 72.4% | 215,729 | 69.8% | 68,034 | 31.6% | 334 | 31.4% |
| Americas | 63,102 | 16.1% | 51,800 | 16.7% | 11,302 | 21.9% | 4,119 | 13.9% |
| Asia Pacific | 44,415 | 11.3% | 41,295 | 13.3% | 3,120 | 7.6% | (413) | 8.6% |
| Corporate | 693 | 0.2% | 583 | 0.2% | 110 | 18.9% | - | 18.9% |
| **Total** | **391,973** | **100.0%** | **309,407** | **100.0%** | **82,566** | **26.7%** | **4,040** | **25.4%** |

## Europe, Middle-East and Africa

| (€ thousands) | First quarter 2019 | First quarter 2018 | Change | Change % |
|---|---|---|---|---|
| **Revenues from sales and services** | **283,763** | **215,729** | **68,034** | **31.6%** |

Revenues from sales and services amounted to €283,763 thousand in the first three months of 2019, an increase of €68,034 thousand (+31.6%) with respect to the comparison period explained for €8,388 thousand (+3.9%) by organic growth, including the contribution of the newly opened stores, and for €59,312 thousand (+27.5%) by acquisitions, including GAES consolidated as of 1 January 2019, while the foreign exchange differences had a positive impact of €334 thousand (+0.2%).

In Italy revenues continued to perform well, supported by the launch of the new Amplifon brand products and the digital ecosystem. In Germany, a core market, the increase in sales was driven by both solid organic growth and acquisitions. In France sales were largely unchanged against the first quarter of 2018 due to a change in seasonality linked to new regulations which established a mandatory trial period for hearing aids of at least 30 days. The result reported in Spain reflects excellent organic growth, as well as the contribution of both GAES, included in the acquisitions referred to above, and Amplifon which reported a double-digit increase in revenues.

## Americas

| (€ thousands) | First quarter 2019 | First quarter 2018 | Change | Change % |
|---|---|---|---|---|
| **Revenues from sales and services** | **63,102** | **51,800** | **11,302** | **21.9%** |

Revenues from sales and services amounted to €63,102 thousand in the first three months of 2019, an increase of €11,302 thousand (+21.9%) against the comparison period explained for €1,586 thousand (+3.1%) by organic growth, including the contribution of the newly opened stores, and for €5,597 thousand (+10.8%) by acquisitions, in particular by the consolidation of GAES's Latin American companies as of 1 January 2019, net of the Direito de Ouvir Amplifon Brasil SA disposal occurred at the beginning of the second quarter 2018. The foreign exchange differences had an impact of €4,119 thousand (+8.0%).

The United States reported a +13.9% increase in local currency thanks mainly to Miracle-Ear. The increase recorded in Canada reflects acquisitions, while GAES's Latin America companies, included in the acquisitions referred to above, posted double-digit organic growth.

## Asia Pacific

| (€ thousands) | First quarter 2019 | First quarter 2018 | Change | Change % |
|---|---|---|---|---|
| **Revenues from sales and services** | **44,415** | **41,295** | **3,120** | **7.6%** |

Revenues from sales and services amounted to €44,415 thousand, an increase of €3,120 thousand (+7.6%) against the comparison period explained for €2,046 thousand (+5.0%) by organic growth, including the contribution of the newly opened stores, and for €1,487 thousand (+3.6%) by the acquisition made in China, while the foreign exchange differences had a negative impact of €413 thousand (-1.0%).

Revenues in local currency rose by +8.6% thanks to a solid return to growth which was driven by organic business in Australia and the excellent performance recorded in China where, thanks to

the acquisitions referred to above, double-digit growth in revenues was recorded. Revenues in New Zealand were basically unchanged compared to the first quarter of 2018 due to a drop in the traffic of existing customers explained by the regulatory changes that took place in 2013.

## Gross operating profit (EBITDA)

| (€ thousands) | First quarter 2019 | | | First quarter 2018 | | |
|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total |
| **Gross operating profit (EBITDA)** | **78,942** | **(1,425)** | **77,517** | **43,225** | **-** | **43,225** |

| (€ thousands) | First quarter 2019 without IFRS 16 (*) | | | First quarter 2018 | | |
|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total |
| **Gross operating profit (EBITDA)** | **56,340** | **(1,425)** | **54,915** | **43,225** | **-** | **43,225** |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €77,517 thousand (with an EBITDA margin of 19.8%) in the first three months of 2019.
If IFRS 16 had not been applied, EBITDA would have amounted to €54,915 thousand, an increase against the comparison period of €11,690 thousand (+27.0%) linked to solid operating leverage supported by GAES's performance which beat expectations. The result was also boosted by the positive foreign exchange differences of €813 thousand.
The result posted in the period reflects non-recurring costs of €1,425 thousand relating to the integration of GAES.
Net of this item and excluding IFRS 16 application, EBITDA would have been €13,115 thousand (+30.3%) higher in the first three months of the year with an EBITDA margin of 14.4% (+0.4 p.p. against the comparison period).

The following table shows a breakdown of EBITDA by segment.

| (€ thousands) | Q1 2019 | EBITDA Margin | Q1 2018 | EBITDA Margin | Change | Change % |
|---|---|---|---|---|---|---|
| EMEA | 60,451 | 21.3% | 30,410 | 14.1% | 30,041 | 98.8% |
| Americas | 12,717 | 20.2% | 8,960 | 17.3% | 3,757 | 41.9% |
| Asia Pacific | 13,967 | 31.4% | 11,683 | 28.3% | 2,284 | 19.5% |
| Corporate (**) | (9,618) | -2.5% | (7,828) | -2.5% | (1,790) | -22.9% |
| **Total** | **77,517** | **19.8%** | **43,225** | **14.0%** | **34,292** | **79.3%** |

| (€ thousands) | Q1 2019 w/o IFRS 16 (*) | EBITDA Margin | Q1 2018 | EBITDA Margin | Change | Change % |
|---|---|---|---|---|---|---|
| EMEA | 41,435 | 14.6% | 30,410 | 14.1% | 11,025 | 36.3% |
| Americas | 11,690 | 18.5% | 8,960 | 17.3% | 2,730 | 30.5% |
| Asia Pacific | 11,408 | 25.7% | 11,683 | 28.3% | (275) | -2.4% |
| Corporate (**) | (9,618) | -2.5% | (7,828) | -2.5% | (1,790) | -22.9% |
| **Total** | **54,915** | **14.0%** | **43,225** | **14.0%** | **11,690** | **27.0%** |

The table below shows the breakdown of the EBITDA by segment with reference to the recurring operations.

| (€ thousands) | Q1 2019 | EBITDA Margin | Q1 2018 | EBITDA Margin | Change | Change % |
|---|---|---|---|---|---|---|
| EMEA | 61,876 | 21.8% | 30,410 | 14.1% | 31,466 | 103.5% |
| Americas | 12,717 | 20.2% | 8,960 | 17.3% | 3,757 | 41.9% |
| Asia Pacific | 13,967 | 31.4% | 11,683 | 28.3% | 2,284 | 19.5% |
| Corporate (**) | (9,618) | -2.5% | (7,828) | -2.5% | (1,790) | -22.9% |
| **Total** | **78,942** | **20.1%** | **43,225** | **14.0%** | **35,717** | **82.6%** |

| (€ thousands) | Q1 2019 w/o IFRS 16 (*) | EBITDA Margin | Q1 2018 | EBITDA Margin | Change | Change % |
|---|---|---|---|---|---|---|
| EMEA | 42,860 | 15.1% | 30,410 | 14.1% | 12,450 | 40.9% |
| Americas | 11,690 | 18.5% | 8,960 | 17.3% | 2,730 | 30.5% |
| Asia Pacific | 11,408 | 25.7% | 11,683 | 28.3% | (275) | -2.4% |
| Corporate (**) | (9,618) | -2.5% | (7,828) | -2.5% | (1,790) | -22.9% |
| **Total** | **56,340** | **14.4%** | **43,225** | **14.0%** | **13,115** | **30.3%** |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.
(**) Centralized costs are shown as a percentage of the Group's total sales.

## Europe, Middle-East and Africa

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €60,451 thousand (with an EBITDA margin of 21.3%) in the first three months of 2019.
If IFRS 16 had not been applied, EBITDA would have amounted to €41,435 thousand, an increase against the comparison period of €11,025 thousand (+36.3%), including the substantially immaterial foreign exchange differences of €82 thousand. The EBITDA margin would have reached 14.6%, an increase of 0.5 p.p. against the comparison period.

The result posted in the period was impacted by the €1,425 thousand in non-recurring costs relating to the integration of GAES. Net of this item and excluding IFRS 16 application, EBITDA would have been €12,450 thousand (+40.9%) higher with an EBITDA margin of 15.1% (+1.0 p.p. against the comparison period).

The result for this area shows continuous and persistent improvement in EBITDA and benefitted from a GAES performance that beat expectations and which made it possible to absorb the increase in marketing costs.

## Americas

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €12,717 thousand (with an EBITDA margin of 20.2%) in the first three months of 2019.
If IFRS 16 had not been applied, EBITDA would have amounted to €11,690 thousand, an increase against the comparison period of €2,730 thousand (+30.5%), thanks also to positive foreign exchange differences of €906 thousand. The EBITDA margin would have reached 18.5%, an increase of 1.2 p.p. against the comparison period.

The result posted in this area reflects strong operating efficiency which allows to absorb the dilutive effect linked to the consolidation of GAES's Latin American companies beginning 1 January 2019.

## Asia Pacific

Gross operating profit (EBITDA), determined based on the new IFRS 16, amounted to €13,967 thousand (with an EBITDA margin of 31.4%) in the first three months of 2019.
If IFRS 16 had not been applied, EBITDA would have amounted to €11,408 thousand, a decrease against the comparison period of €275 thousand (-2.4%) due also to the €177 thousand in negative exchange differences. The EBITDA margin would have reached 25.7%, a decrease of 2.6 p.p. against the comparison period, but showing decided improvement against the fourth quarter of 2018.

### Corporate

The net cost of centralized Corporate functions (corporate bodies, general management, business development, procurement, treasury, legal affairs, human resources, IT systems, global marketing and internal audit) which do not qualify as operating segments under IFRS 8 amounted to €9,618 thousand in the first three months of 2019 (2.5% of the revenues generated by the Group's sales and services), an increase of €1,790 thousand with respect to the same period of the prior year.

## Operating profit (EBIT)

| (€ thousands) | First quarter 2019 | | | First quarter 2018 | | |
|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total |
| **Operating profit (EBIT)** | **34,299** | **(1,425)** | **32,874** | **26,549** | **-** | **26,549** |

| (€ thousands) | First quarter without IFRS 16 (*) | | | First quarter 2018 | | |
|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total |
| **Operating profit (EBIT)** | **32,892** | **(1,425)** | **31,467** | **26,549** | **-** | **26,549** |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.

Operating profit (EBIT), determined based on the new IFRS 16, came to €32,874 thousand (with an EBIT margin of 8.4%) in the first three months of 2019.
If IFRS 16 had not been applied, EBIT would have reached €31,467 thousand, an increase against the comparison period of €4,918 thousand (+18.5%), including the positive foreign exchange differences of €743 thousand. The EBIT margin would have come to 8.0%, a decrease of 0.6 p.p. against the comparison period.

EBIT was impacted by the same non-recurring costs of €1,425 thousand commented on in the section relating to EBITDA. Net of this item and excluding IFRS 16 application, EBIT would have been €6,343 thousand (+23.9%) higher with an EBIT margin of 8.4% (-0.2 p.p. against the comparison period).

With respect to the gross operating profit (EBITDA), EBIT was also influenced by higher depreciation and amortization as a result of the opening of new stores, investments in IT systems and, above all, the temporary allocation of the price paid for the GAES Group's intangible assets.

The following table shows the breakdown of EBIT by segment:

| (€ thousands) | Q1 2019 | EBIT Margin | Q1 2018 | EBIT Margin | Change | Change % |
|---|---|---|---|---|---|---|
| EMEA | 25,826 | 9.1% | 19,414 | 9.0% | 6,412 | 33.0% |
| Americas | 10,345 | 16.4% | 7,718 | 14.9% | 2,627 | 34.0% |
| Asia Pacific | 8,401 | 18.9% | 8,502 | 20.6% | (101) | -1.2% |
| Corporate (**) | (11,698) | -3.0% | (9,085) | -2.9% | (2,613) | -28.8% |
| **Total** | **32,874** | **8.4%** | **26,549** | **8.6%** | **6,325** | **23.8%** |

| (€ thousands) | Q1 2019 w/o IFRS 16 (*) | EBIT Margin | Q1 2018 | EBIT Margin | Change | Change % |
|---|---|---|---|---|---|---|
| EMEA | 24,772 | 8.7% | 19,414 | 9.0% | 5,358 | 27.6% |
| Americas | 10,185 | 16.1% | 7,718 | 14.9% | 2,467 | 32.0% |
| Asia Pacific | 8,209 | 18.5% | 8,502 | 20.6% | (293) | -3.4% |
| Corporate (**) | (11,699) | -3.0% | (9,085) | -2.9% | (2,614) | -28.8% |
| **Total** | **31,467** | **8.0%** | **26,549** | **8.6%** | **4,918** | **18.5%** |

The following table shows the breakdown of EBIT by segment with reference to the recurring transactions:

| (€ thousands) | Q1 2019 | EBIT Margin | Q1 2018 | EBIT Margin | Change | Change % |
|---|---|---|---|---|---|---|
| EMEA | 27,251 | 9.6% | 19,414 | 9.0% | 7,837 | 40.4% |
| Americas | 10,345 | 16.4% | 7,718 | 14.9% | 2,627 | 34.0% |
| Asia Pacific | 8,401 | 18.9% | 8,502 | 20.6% | (101) | -1.2% |
| Corporate (**) | (11,698) | -3.0% | (9,085) | -2.9% | (2,613) | -28.8% |
| **Total** | **34,299** | **8.8%** | **26,549** | **8.6%** | **7,750** | **29.2%** |

| (€ thousands) | Q1 2019 w/o IFRS 16 (*) | EBIT Margin | Q1 2018 | EBIT Margin | Change | Change % |
|---|---|---|---|---|---|---|
| EMEA | 26,196 | 9.2% | 19,414 | 9.0% | 6,782 | 34.9% |
| Americas | 10,185 | 16.1% | 7,718 | 14.9% | 2,467 | 32.0% |
| Asia Pacific | 8,209 | 18.5% | 8,502 | 20.6% | (293) | -3.4% |
| Corporate (**) | (11,698) | -3.0% | (9,085) | -2.9% | (2,613) | -28.8% |
| **Total** | **32,892** | **8.4%** | **26,549** | **8.6%** | **6,343** | **23.9%** |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.
(**) Centralized costs are shown as a percentage of the Group's total sales.

## Europe, Middle-East and Africa

Operating profit (EBIT), determined based on the new IFRS 16, came to €25,826 thousand (with an EBIT margin of 9.1%) in the first three months of 2019.
If IFRS 16 had not been applied, EBIT would have reached €24,772 thousand, an increase against the comparison period of €5,358 thousand (+27.6%), including the not material foreign exchange differences of €67 thousand. The EBIT margin would have come to 8.7% (-0.3 p.p. against the comparison period).

EBIT was impacted by the same non-recurring costs of €1,425 thousand commented on in the section relating to EBITDA. Net of this item and excluding IFRS 16 application, EBIT would have been €6,782 thousand (+34.9%) higher with an EBIT margin of 9.2% (+0.2 p.p. against the comparison period).

## Americas

Operating profit (EBIT), determined based on the new IFRS 16, came to €10,345 thousand (with an EBIT margin of 16.4%) in the first three months of 2019.
If IFRS 16 had not been applied, EBIT would have reached €10,185 thousand, an increase against the comparison period of €2,467 thousand (+32.0%), including the positive foreign exchange differences of €822 thousand. The EBIT margin would have come to 16.1%, an increase of 1.2 p.p. against the comparison period.

## Asia Pacific

Operating profit (EBIT), determined based on the new IFRS 16, came to €8,401 thousand (with an EBIT margin of 18.9%) in the first three months of 2019.
If IFRS 16 had not been applied, EBIT would have reached €8,209 thousand, a decrease against the comparison period of €293 thousand (-3.4%), including also a result of the negative foreign exchange differences of €148 thousand. The EBIT margin would have come to 18.5%, a decrease of 2.1 p.p. against the comparison period. This change is basically in line with the change in EBITDA described above.

## Corporate

The net costs of centralized Corporate functions at the EBIT level amounted to €11,698 thousand (3.0% of the revenues generated by the Group's sales and services), an increase of €2,613 thousand with respect to the comparison period.

# Profit before tax

| (€ thousands) | First quarter 2019 | | | First quarter 2018 | | |
|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total |
| **Profit before tax** | **27,717** | **(1,425)** | **26,292** | **21,831** | **-** | **21,831** |

| (€ thousands) | First quarter without IFRS 16 (*) | | | First quarter 2018 | | |
|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total |
| **Profit before tax** | **29,150** | **(1,425)** | **27,725** | **21,831** | **-** | **21,831** |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.

Profit before tax, determined based on the new accounting standard IFRS 16 which calls for the recognition of the financial expenses on leased goods, amounted to €26,292 thousand (with a gross profit margin of 6.7%) in the first three months of 2019. Based on the accounting standards applied in the prior year, profit before tax would have come to €27,725 thousand (with a gross profit margin of 7.1%), an increase of €5,894 thousand (+27.0%), compared to the profit before tax posted in the comparison period. This increase is higher than the increase in EBIT described above due to a decrease in financial expenses beginning in the third quarter of 2018 following repayment of the Eurobond on 16 July 2018 financed using new long-term credit lines granted at rates which are significantly better than those of the Eurobond, as was the debt used on 18 December to finance the GAES Group acquisition.

The period under examination was impacted by non-recurring expenses of €1,425 thousand relating to the acquisition of the GAES Group in December 2018 and its integration already described in the EBITDA section. Net of these one-offs and applying the same accounting standards, the increase in profit before tax reaches €29,150 thousand (+33.5%) in the first three months of 2019.

# Group net profit

| (€ thousands) | First quarter 2019 | | | First quarter 2018 | | |
|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total |
| **Group net profit** | **18,810** | **(1,062)** | **17,748** | **14,603** | **-** | **14,603** |

| (€ thousands) | First quarter without IFRS 16 (*) | | | First quarter 2018 | | |
|---|---|---|---|---|---|---|
| | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total |
| **Group net profit** | **19,996** | **(1,062)** | **18,934** | **14,603** | **-** | **14,603** |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.

The Group's net profit, determined based on the new accounting standards in effect as of January 1st, came to €17,748 thousand (with a profit margin of 4.5%) in the first three months of 2019. Based on the accounting standards applied in the prior year, the Group's net profit would have amounted to €18,934 thousand (with a profit margin of 4.8%), an increase of €4,331 thousand. Recurring net profit would have shown an increase of €5,393 thousand (+36.9%) compared to the Group's recurring net profit in the comparison period.

The Group's tax rate came to 32.5% compared to 33.3% at 31 March 2018. Due to seasonality, the first quarter is impacted more than the other quarters by the losses recorded by few subsidiaries for which, in accordance with the principle of prudence, deferred tax assets are not recognized. Net of these, the tax rate would have been 25.5%.

# BALANCE SHEET REVIEW

## Consolidated balance sheet by geographical area (*)

| (€ thousands) | 31/03/2019 | | | | |
|---|---|---|---|---|---|
| | EMEA | Americas | Asia Pacific | Eliminations | Total |
| Goodwill | 804,462 | 124,337 | 251,727 | - | 1,180,526 |
| Non-competition agreements, trademarks, customer lists and lease rights | 228,736 | 10,410 | 40,720 | - | 279,866 |
| Software, licenses, other intangible fixed assets, fixed assets in progress and advances | 55,853 | 15,770 | 9,251 | - | 80,874 |
| Tangible assets | 155,513 | 12,760 | 24,877 | - | 193,150 |
| Right-of-use assets | 379,268 | 17,672 | 38,442 | - | 435,382 |
| Financial fixed assets | 4,436 | 36,770 | - | - | 41,206 |
| Other non-current financial assets | 27,815 | 345 | 1,060 | - | 29,220 |
| **Non-current assets** | **1,656,083** | **218,064** | **366,077** | **-** | **2,240,224** |
| Inventories | 59,457 | 5,162 | 3,972 | - | 68,591 |
| Trade receivables | 119,236 | 37,887 | 17,640 | (3,338) | 171,425 |
| Other receivables | 64,760 | 9,733 | 6,254 | (8) | 80,739 |
| **Current assets (A)** | **243,453** | **52,782** | **27,866** | **(3,346)** | **320,755** |
| **Operating assets** | **1,899,536** | **270,846** | **393,943** | **(3,346)** | **2,560,979** |
| Trade payables | (109,008) | (35,482) | (14,357) | 3,338 | (155,509) |
| Other payables | (229,880) | (16,189) | (18,331) | 8 | (264,392) |
| Provisions for risks and charges (current portion) | (5,946) | (1,056) | - | - | (7,002) |
| **Current liabilities (B)** | **(344,834)** | **(52,727)** | **(32,688)** | **3,346** | **(426,903)** |
| **Net working capital (A) - (B)** | **(101,381)** | **55** | **(4,822)** | **-** | **(106,148)** |
| Derivative instruments | (11,736) | - | - | - | (11,736) |
| Deferred tax assets | 70,303 | 2,649 | 4,359 | - | 77,311 |
| Deferred tax liabilities | (69,525) | (18,159) | (11,827) | - | (99,511) |
| Provisions for risks and charges (non-current portion) | (21,437) | (27,691) | (529) | - | (49,657) |
| Liabilities for employees' benefits (non-current portion) | (17,916) | (177) | (1,850) | - | (19,943) |
| Loan fees | 3,072 | - | - | - | 3,072 |
| Other non-current payables | (118,832) | (10,116) | (2,249) | - | (131,197) |
| **NET INVESTED CAPITAL** | **1,388,631** | **164,625** | **349,159** | **-** | **1,902,415** |
| Group net equity | | | | | 627,185 |
| Minority interests | | | | | 1,163 |
| **Total net equity** | | | | | **628,348** |
| Net medium and long-term financial indebtedness | | | | | 813,479 |
| Net short-term financial indebtedness | | | | | 24,504 |
| **Total net financial indebtedness** | | | | | **837,983** |
| Lease liabilities | | | | | 436,084 |
| **Total lease liabilities & net financial indebtedness** | | | | | **1,274,067** |
| **NET EQUITY, LEASE LIABILITIES AND NET FINANCIAL INDEBTEDNESS** | | | | | **1,902,415** |

(*) The balance sheet items are analyzed by the Chief Executive Officer and the Top Management by geographical area without separation of the Corporate structures that are natively included in EMEA.

| (€ thousands) | 31/12/2018 (**) | | | | |
|---|---|---|---|---|---|
| | EMEA | Americas | Asia Pacific | Eliminations | Total |
| Goodwill | 793,332 | 122,184 | 245,945 | - | 1,161,461 |
| Non-competition agreements, trademarks, customer lists and lease rights | 228,048 | 10,331 | 41,027 | - | 279,406 |
| Software, licenses, other intangible fixed assets, fixed assets in progress and advances | 56,303 | 14,654 | 9,039 | - | 79,996 |
| Tangible assets | 155,319 | 9,807 | 23,815 | - | 188,941 |
| Financial fixed assets | 4,170 | 37,376 | - | - | 41,546 |
| Other non-current financial assets | 25,606 | 298 | 848 | - | 26,752 |
| **Non-current assets** | **1,262,778** | **194,650** | **320,674** | **-** | **1,778,102** |
| Inventories | 53,313 | 5,084 | 3,343 | - | 61,740 |
| Trade receivables | 124,424 | 33,247 | 13,412 | (1,629) | 169,454 |
| Other receivables | 64,007 | 9,211 | 4,081 | (7) | 77,292 |
| **Current assets (A)** | **241,744** | **47,542** | **20,836** | **(1,636)** | **308,486** |
| **Operating assets** | **1,504,522** | **242,192** | **341,510** | **(1,636)** | **2,086,588** |
| Trade payables | (123,002) | (39,716) | (12,011) | 1,629 | (173,100) |
| Other payables | (212,445) | (14,401) | (18,147) | 7 | (244,986) |
| Provisions for risks and charges (current portion) | (5,389) | (1,103) | - | - | (6,492) |
| **Current liabilities (B)** | **(340,836)** | **(55,220)** | **(30,158)** | **1,636** | **(424,578)** |
| **Net working capital (A) - (B)** | **(99,092)** | **(7,678)** | **(9,322)** | **-** | **(116,092)** |
| Derivative instruments | (10,876) | - | - | - | (10,876) |
| Deferred tax assets | 69,295 | 1,760 | 4,285 | - | 75,340 |
| Deferred tax liabilities | (69,677) | (17,337) | (11,918) | - | (98,932) |
| Provisions for risks and charges (non-current portion) | (20,286) | (27,240) | (517) | - | (48,043) |
| Liabilities for employees' benefits (non-current portion) | (18,368) | (177) | (1,745) | - | (20,290) |
| Loan fees | 3,796 | - | - | - | 3,796 |
| Other non-current payables | (116,749) | (6,872) | (2,581) | - | (126,202) |
| **NET INVESTED CAPITAL** | **1,000,821** | **137,106** | **298,876** | **-** | **1,436,803** |
| Group net equity | | | | | 594,919 |
| Minority interests | | | | | 1,028 |
| **Total net equity** | | | | | **595,947** |
| Net medium and long-term financial indebtedness | | | | | 877,688 |
| Net short-term financial indebtedness | | | | | (36,832) |
| **Total net financial indebtedness** | | | | | **840,856** |
| **OWN FUNDS AND NET FINANCIAL INDEBTEDNESS** | | | | | **1,436,803** |

(**) 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.

# Non-current assets

Non-current assets amounted to €2,240,224 thousand at 31 March 2019, an increase of €462,122 thousand against the €1,778,102 thousand recorded at 31 December 2018, which includes the temporary purchase price allocated to the non-current assets and liabilities relating to the GAES Group acquisition. Please note that the new accounting principle IFRS 16 has been applied according to the retrospective modified approach which does not require the restatement of 2018 data.

The changes in the period are explained (i) for €442,063 thousand by the recognition of right-of use assets following application of IFRS 16; (ii) for €18,983 thousand by capital expenditure; (iii) for €12,540 thousand by the right of use of leased assets; (iv) for €18,358 thousand by acquisitions; (v) for €44,643 thousand by depreciation, amortization and impairment which includes the amortization of the above right-of-use assets; (vi) for €14,821 thousand by other net increases relating primarily to positive exchange differences.

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

| (€ thousands) | | 31/03/2019 | 31/12/2018 (*) | Change |
|---|---|---|---|---|
| EMEA | Goodwill | 804,462 | 793,332 | 11,130 |
| | Non-competition agreements, trademarks, customer lists and lease rights | 228,736 | 228,048 | 688 |
| | Software, licenses, other intangible fixed assets, fixed assets in progress and advances | 55,853 | 56,303 | (450) |
| | Tangible assets | 155,513 | 155,319 | 194 |
| | Right-of-use assets | 379,268 | - | 379,268 |
| | Financial fixed assets | 4,436 | 4,170 | 266 |
| | Other non-current financial assets | 27,815 | 25,606 | 2,209 |
| | **Non-current assets** | **1,656,083** | **1,262,778** | **393,305** |
| Americas | Goodwill | 124,337 | 122,184 | 2,153 |
| | Non-competition agreements, trademarks, customer lists and lease rights | 10,410 | 10,331 | 79 |
| | Software, licenses, other intangible fixed assets, fixed assets in progress and advances | 15,770 | 14,654 | 1,116 |
| | Tangible assets | 12,760 | 9,807 | 2,953 |
| | Right-of-use assets | 17,672 | - | 17,672 |
| | Financial fixed assets | 36,770 | 37,376 | (606) |
| | Other non-current financial assets | 345 | 298 | 47 |
| | **Non-current assets** | **218,064** | **194,650** | **23,414** |
| Asia Pacific | Goodwill | 251,727 | 245,945 | 5,782 |
| | Non-competition agreements, trademarks, customer lists and lease rights | 40,720 | 41,027 | (307) |
| | Software, licenses, other intangible fixed assets, fixed assets in progress and advances | 9,251 | 9,039 | 212 |
| | Tangible assets | 24,877 | 23,815 | 1,062 |
| | Right-of-use assets | 38,442 | - | 38,442 |
| | Financial fixed assets | - | - | - |
| | Other non-current financial assets | 1,060 | 848 | 212 |
| | **Non-current assets** | **366,077** | **320,674** | **45,403** |

(*) 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.

## Europe, Middle-East and Africa

Non-current assets amounted to €1,656,083 thousand at 31 March 2019, an increase of €393,305 thousand against the €1,262,778 thousand recorded at 31 December 2018 which includes the temporary purchase price allocated to the non-current assets and liabilities acquired from the GAES Group.

The increase is explained:
- for €392,104 thousand, by the recognition of right-of-use assets following application of IFRS 16 beginning 1 January 2019;
- for €18,233 thousand, by acquisitions;
- for €7,455 thousand, by investments in plant, property and equipment, relating primarily to the opening of new and renewal of existing stores;
- for €3,988 thousand, by investments in intangible assets, relating primarily to further improvements of the CRM systems, digital marketing and a new business transformation system for back office functions (Human Resources, Procurement, Administration and Finance);
- for €3,605 thousand, by the right of use of leased assets;
- for €36,705 thousand, by amortization, depreciation and impairment which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €4,625 thousand, by other net increases.

## Americas

Non-current assets amounted to €218,064 thousand at 31 March 2019, an increase of €23,414 thousand against the €194,650 thousand recorded at 31 December 2018 which includes the temporary purchase price allocated to the non-current assets and liabilities acquired from the GAES Group.

The increase is explained:
- for €11,942 thousand, by the recognition of right-of-use assets following application of IFRS 16 beginning 1 January 2019;
- for €3,519 thousand, by investments in plant, property and equipment;
- for €1,387 thousand, by investments in intangible assets;
- for €6,555 thousand, by the right of use of leased assets;
- for €125 thousand, by acquisitions made in the period;
- for €2,372 thousand, by amortization and depreciation which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €2,258 thousand, by other net increases relating primarily to positive foreign exchange differences.

### Asia Pacific

Non-current assets amounted to €366,077 thousand at 31 March 2019, an increase of €45,403 thousand against the €320,674 thousand recorded at 31 December 2018.

The increase is explained:
- for €38,017 thousand, by the recognition of right-of-use assets for leased assets following application of IFRS 16 beginning 1 January 2019;
- for €2,166 thousand, by investments in plant, property and equipment;
- for €468 thousand, by investments in intangible assets;
- for €2,381 thousand, by the right of use of leased assets;
- for €5,566 thousand, by amortization and depreciation which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €7,937 thousand, by other net increases relating primarily to positive foreign exchange differences.

## Net invested capital

Net invested capital came to €1,902,415 thousand at 31 March 2019, an increase of €465,612 thousand against the €1,436,803 thousand recorded at 31 December 2018 which includes the temporary purchase price allocated to the non-current assets and liabilities acquired from the GAES Group. Please note that the new accounting principle IFRS 16 has been applied according to the retrospective modified approach which does not require the restatement of 2018 data.

This increase is attributable to the change in non-current assets described above and the improvement in working capital which was partially offset the increase in contract obligations.

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

| (€ thousands) | 31/03/2019 | 31/12/2018 (*) | Change |
|---|---|---|---|
| EMEA | 1,388,631 | 1,000,821 | 387,810 |
| Americas | 164,625 | 137,106 | 27,519 |
| Asia Pacific | 349,159 | 298,876 | 50,283 |
| **Total** | **1,902,415** | **1,436,803** | **465,612** |

(*) 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.

### Europe, Middle-East and Africa

Net invested capital came to €1,388,631 thousand at 31 March 2019, an increase of €387,810 thousand against the €1,000,821 thousand recorded at 31 December 2018 which includes the temporary purchase price allocated to the non-current assets and liabilities acquired from the GAES Group.
The increase is attributable to the change in non-current assets described above which absorbed the decrease in working capital and the increase in contract obligations.

Factoring without recourse in the period involved trade receivables with a face value of €18,738 thousand (€17,595 thousand in the same period of the prior year) and VAT credits with a face value of €9,680 thousand (€6,556 thousand in the same period of the prior year).

### Americas

Net invested capital came to €164,625 thousand at 31 March 2019, an increase of €27,519 thousand against the €137,106 thousand recorded at 31 December 2018.
The increase is attributable to the change in non-current assets described above and the rise in working capital.

### Asia Pacific

Net invested capital came to €349,159 thousand at 31 March 2019, an increase of €50,283 thousand against the €298,876 thousand recorded at 31 December 2018.
The increase is attributable to the change in non-current assets described above and the rise in working capital.

# Net financial indebtedness

| (€ thousands) | 31/03/2019 | 31/12/2018 (*) | Change |
|---|---|---|---|
| Net medium and long-term financial indebtedness | 813,479 | 877,688 | (64,209) |
| Net short-term financial indebtedness | 116,281 | 53,083 | 63,198 |
| Cash and cash equivalents | (91,777) | (89,915) | (1,862) |
| **Net financial indebtedness** | **837,983** | **840,856** | **(2,873)** |
| Group net equity | 627,185 | 594,919 | 32,266 |
| Minority interests | 1,163 | 1,028 | 135 |
| **Net Equity** | **628,348** | **595,947** | **32,401** |
| **Financial indebtedness/Group net equity** | **1.34 (**)** | **1.41** | |
| **Financial indebtedness/Net equity** | **1.33 (**)** | **1.41** | |
| **Financial indebtedness/EBITDA** | **2.36 (**)** | **3.11(***)** | |

(*) For the sake of comparison, 2019 data are shown without the application of IFRS 16.
(**) Indicators re-defined together with the banks and the financial investors after the adoption of IFRS 9, 15 and 16, determining the covenants Financial indebtedness/Net equity at 1.65x (before 1.5x) and Financial indebtedness/EBITDA at 2.85x (before 3.5x).
(***) Indicators calculated in compliance with the previous definitions included in the syndicated loan for the GAES acquisition, before the adoption of IFRS 9, 15 and 16.

Net financial debt amounted to €837,983 thousand at 31 March 2019, a slight improvement with respect to 31 December 2018, after absorbing net investments in acquisitions of € 14,364 thousand.

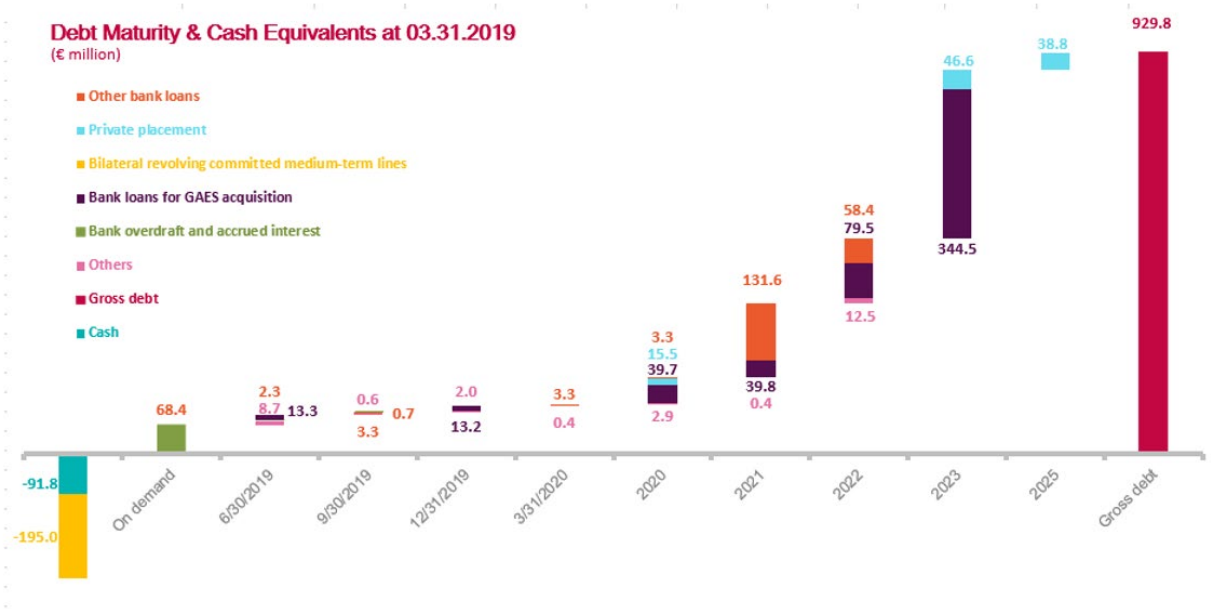
The ability of ordinary operations to generate excellent cash flow was also confirmed in the weakest quarter of the year, which was impacted by an increase in the amounts paid to suppliers and staff members in the latter part of the prior year. Free cash flow reached a positive €16,241 thousand (versus €8,371 thousand in the first three months of the prior year) after absorbing capital expenditure of €18,601 thousand (€10,581 thousand in the first quarter of 2018).

At 31 December 2018 the Group's total financial indebtedness amounted to €837,983 thousand net of cash and cash equivalents totaling €91,777 thousand.

Long-term debt amounts to €813,479 thousand, €15,273 thousand of which reflects the long-term portion of deferred payments for acquisitions. The decrease of around €64,209 thousand is attributable mainly to the substitution of two long-term revolving credit lines, totaling €60 million, with €65 million in hot money which has a better interest rate but is included in short-term debt. Nevertheless, long-term credit lines are still available in case of need/opportunity.

Short-term debt amounts to €116,281 thousand, an increase of €63,198 thousand attributable mainly to the transaction described above. In addition to the hot money (€65,000 thousand), short-term debt includes the short-term portion of the syndicated loan (€26,500 thousand), the short-term portion of long-term bank loans (€6,666 thousand), interest payable on bank loans and on the private placement (€2,981 thousand), and the best estimate of the deferred payments for acquisitions (€8,727 thousand).

The chart below shows that the first significant maturity is in 2021 and that the cash and cash equivalents of €91.8 million, the unutilized portions of irrevocable credit lines which amount to €195 million, as well as the €88 million in other available credit lines, ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.




Interest payable on financial indebtedness amounted to €3,632 thousand at 31 March 2019, versus €4,529 thousand at 31 March 2018.

Interest payable on leases booked according to the IFRS 16 came to 2,842 thousand.

Interest receivable on bank deposits came to €30 thousand at 31 March 2019, versus €97 thousand at 31 March 2018.

The reasons for the changes in net debt are described in the next section on the cash flow statement.

# CASH FLOW

The reclassified statement of cash flows shows the change in net financial indebtedness from the beginning to the end of the period.

Pursuant to IAS 7 the financial statements include a statement of cash flows that shows the change in cash and cash equivalents from the beginning to the end of the period.

| (€ thousands) | First quarter 2019 | First quarter 2018 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net profit (loss) attributable to the Group | 17,748 | 14,603 |
| Minority interests | (11) | (49) |
| *Amortization, depreciation and write-downs:* | | |
| *- Intangible fixed assets* | *13,610* | *8,553* |
| *- Tangible fixed assets* | *9,839* | *8,122* |
| *- Right-of-use assets* | *21,194* | - |
| Total amortization, depreciation and write-downs | 44,643 | 16,675 |
| Provisions, other non-monetary items and gain/losses from disposals | 7,760 | 5,204 |
| Group's share of the result of associated companies | (72) | (72) |
| Financial income and charges | 6,654 | 4,790 |
| Current and deferred income taxes | 8,555 | 7,277 |
| *Change in assets and liabilities:* | | |
| *- Utilization of provisions* | *(1,150)* | *(4,042)* |
| *- (Increase) decrease in inventories* | *(6,903)* | *(3,378)* |
| *- Decrease (increase) in trade receivables* | *(757)* | *6,346* |
| *- Increase (decrease) in trade payables* | *(20,380)* | *(9,063)* |
| *- Changes in other receivables and other payables* | *10,517* | *(5,306)* |
| Total change in assets and liabilities | (18,673) | (15,443) |
| Dividends received | - | - |
| Net interest charges | (5,733) | (4,722) |
| Taxes paid | (6,395) | (9,311) |
| **Cash flow provided by (used in) operating activities before repayment of lease liabilities** | **54,476** | **18,952** |
| Repayment of lease liabilities | (19,634) | - |
| **Cash flow generated from (absorbed) by operating activities** | **34,842** | **18,952** |
| **INVESTING ACTIVITIES:** | | |
| Purchase of intangible fixed assets | (5,843) | (2,696) |
| Purchase of tangible fixed assets | (13,140) | (8,318) |
| Consideration from sale of tangible fixed assets and businesses | 382 | 433 |
| **Cash flow generated from (absorbed) by investing activities** | **(18,601)** | **(10,581)** |
| **Cash flow generated from operating and investing activities (Free cash flow)** | **16,241** | **8,371** |
| Business combinations (*) | (14,364) | (25,081) |
| (Purchase) sale of other investments and securities | - | 85 |
| **Net cash flow generated from acquisitions** | **(14,364)** | **(24,996)** |
| **Cash flow generated from (absorbed) by investing activities** | **(32,965)** | **(35,577)** |

| (€ thousands) | First quarter 2019 | First quarter 2018 |
|---|---|---|
| **FINANCING ACTIVITIES:** | | |
| Fees paid on medium/long-term financing | - | (90) |
| Other non-current assets | 1,089 | 828 |
| Treasury shares | - | (6,753) |
| Capital increases (reduction), third parties' contributions in subsidiaries and dividends paid to third parties by the subsidiaries | - | (8) |
| **Cash flow generated from (absorbed) by financing activities** | **1,089** | **(6,023)** |
| **Changes in net financial indebtedness** | **2,966** | **(22,648)** |
| Net financial indebtedness at the beginning of the period | (840,856) | (296,265) |
| Effect of discontinued operations on net financial indebtedness | - | - |
| Effect of exchange rate fluctuations on net financial indebtedness | (93) | (1,222) |
| Changes in net indebtedness | 2,966 | (22,648) |
| **Net financial indebtedness at the end of the period** | **(837,983)** | **(320,135)** |

(*) The item refers to the net cash flow absorbed by the acquisition of businesses and equity investments.

The change in net financial debt of €2,873 thousand is attributable to:

(i) Investing activities:
- capital expenditure on property, plant and equipment and intangible assets of €18,983 thousand relating primarily to the opening, renewal and repositioning of stores consistent with Amplifon's new brand image, CRM systems, digital marketing, as well as a new business transformation system for back office functions (Human Resources, Procurement, Administration and Finance);
- acquisitions amounting to €14,364 thousand, including the impact of the acquired companies' debt and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years;
- net proceeds from the disposal of assets of €382 thousand.

(ii) Operating activities:
- interest payable on financial indebtedness and other net financial expenses of €5,733 thousand;
- payment of taxes amounting to €6,395 thousand;
- repayment of lease liabilities for €19,634 thousand;
- cash flow generated by operations of €66,604 thousand.

(iii) Financing activities relating to the decrease of other non-current assets of €1,089 thousand.

(iv) Exchange losses of €93 thousand.

The non-recurring transactions described above had a negative impact on cash flow of €3,053 thousand in the first three months of 2019, attributable to the costs incurred for the GAES acquisition made at the end of 2018 and its integration.

# ACQUISITION OF COMPANIES AND BUSINESSES

The Group's external growth continued in the first three months of 2019. 41 points of sale were acquired for a total investment of €14,364 thousand, including the debt consolidated and the best estimate of the earn-out linked to sales and profitability targets payable over the next few years.

More in detail, in the first three months:
- 25 points of sale were acquired in France;
- 15 points of sale were acquired in Germany;
- 1 customer list was acquired in the United Kingdom;
- 1 point of sale that was previously part of the indirect channel and a customer list relating to one store were acquired in the United States.

# OUTLOOK

For the rest of 2019, the Company expects the favorable trend in revenues to continue, outpacing the market, thanks to the contribution of all the geographic areas in which it operates and driven by solid organic growth, as well as the contribution of M&A, particularly GAES. Moreover, for 2019 Amplifon expects recurring EBITDA margin to be at least in line with 2018, even after the consolidation of GAES. The Company also expects to proceed at a steady pace with the execution of its strategic plan thanks to both the integration of GAES and the progressive roll-out of the Amplifon Product Experience in the other core markets.

**Disclaimer**
This report contains forward looking statements ("Outlook") relating to future events and the Amplifon Group's operating, economic and financial results. These forecasts, by definition, contain elements of risk and uncertainty, insofar as they are linked to the occurrence of future events and developments. The actual results may be very different with respect to the original forecast due to a number of factors, the majority of which are out of the Group's control.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

# AS AT 31 MARCH 2019

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (€ thousands) | | 31/03/2019 | 31/12/2018 (*) | Change |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | **Note 4** | 1,180,526 | 1,161,461 | 19,065 |
| Intangible fixed assets with finite useful life | **Note 5** | 360,741 | 359,402 | 1,339 |
| Tangible fixed assets | **Note 6** | 193,150 | 188,941 | 4,209 |
| Right-of-use assets | **Note 7** | 435,382 | - | 435,382 |
| Investments valued at equity | | 2,102 | 2,025 | 77 |
| Long-term hedging instruments | | 6,920 | 3,725 | 3,195 |
| Deferred tax assets | | 77,311 | 75,341 | 1,970 |
| Contract costs | | 5,803 | 5,594 | 209 |
| Other assets | | 62,519 | 60,679 | 1,840 |
| **Total non-current assets** | | **2,324,454** | **1,857,168** | **467,286** |
| **Current assets** | | | | |
| Inventories | | 68,591 | 61,740 | 6,851 |
| Trade receivables | | 171,425 | 169,454 | 1,971 |
| Contract costs | | 4,026 | 3,853 | 173 |
| Other receivables | | 76,654 | 73,380 | 3,274 |
| Hedging instruments | | - | - | - |
| Other financial assets | | 117 | 60 | 57 |
| Cash and cash equivalents | | 91,777 | 89,915 | 1,862 |
| **Current assets** | | **412,590** | **398,402** | 14,188 |
| **TOTAL ASSETS** | | **2,737,044** | **2,255,570** | **481,474** |

(*) 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.

| (€ thousands) | | 31/03/2019 | 31/12/2018 (*) | Change |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Net Equity** | | | | |
| Share capital | **Note 8** | 4,527 | 4,527 | - |
| Share premium account | | 202,565 | 202,565 | - |
| Treasury shares | | (50,451) | (50,933) | 482 |
| Other reserves | | (9,777) | (24,186) | 14,409 |
| Profit (loss) carried forward | | 462,573 | 362,503 | 100,070 |
| Profit (loss) for the period | | 17,748 | 100,443 | (82,695) |
| **Group net equity** | | **627,185** | **594,919** | **32,266** |
| **Minority interests** | | **1,163** | **1,028** | **135** |
| **Total net equity** | | **628,348** | **595,947** | **32,401** |
| **Non-current liabilities** | | | | |
| Medium/long-term financial liabilities | **Note 10** | 811,677 | 872,669 | (60,992) |
| Lease liabilities | **Note 11** | 365,002 | - | 365,002 |
| Provisions for risks and charges | | 49,657 | 48,043 | 1,614 |
| Liabilities for employees' benefits | | 19,943 | 20,290 | (347) |
| Hedging instruments | | 3,839 | 1,957 | 1,882 |
| Deferred tax liabilities | | 99,511 | 98,932 | 579 |
| Payables for business acquisitions | | 15,273 | 16,136 | (863) |
| Contract liabilities | | 120,813 | 118,791 | 2,022 |
| Other long-term debt | | 10,384 | 7,411 | 2,973 |
| **Total non-current liabilities** | | **1,496,099** | **1,184,229** | **311,870** |
| **Current liabilities** | | | | |
| Trade payables | | 155,509 | 173,100 | (17,591) |
| Payables for business acquisitions | | 8,727 | 12,643 | (3,916) |
| Contract liabilities | | 95,598 | 93,692 | 1,906 |
| Other payables | | 168,302 | 150,818 | 17,484 |
| Hedging instruments | | 13 | 58 | (45) |
| Provisions for risks and charges | | 7,002 | 6,492 | 510 |
| Liabilities for employees' benefits | | 491 | 476 | 15 |
| Short-term financial liabilities | **Note 10** | 105,873 | 38,115 | 67,758 |
| Lease liabilities | **Note 11** | 71,082 | - | 71,082 |
| **Total current liabilities** | | **612,597** | **475,394** | **137,203** |
| **TOTAL LIABILITIES** | | **2,737,044** | **2,255,570** | **481,474** |

(*) 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.

# CONSOLIDATED INCOME STATEMENT

| (€ thousands) | | First quarter 2019 | | | First quarter 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Recurring | Non-recurring | Total | Recurring | Non-recurring | Total | Change |
| Revenues from sales and services | | 391,973 | - | 391,973 | 309,407 | - | 309,407 | 82,566 |
| Operating costs | | (313,334) | (1,425) | (314,759) | (267,242) | - | (267,242) | (47,517) |
| Other income and costs | | 303 | - | 303 | 1,060 | - | 1,060 | (757) |
| **Gross operating profit (EBITDA)** | | **78,942** | **(1,425)** | **77,517** | **43,225** | **-** | **43,225** | **34,292** |
| **Amortization, depreciation and impairment** | | | | | | | | |
| Amortization of intangible fixed assets | **Note 5** | (13,610) | - | (13,610) | (8,553) | - | (8,553) | (5,057) |
| Depreciation of tangible fixed assets | **Note 6** | (9,743) | - | (9,743) | (8,064) | - | (8,064) | (1,679) |
| Depreciation of right-of-use assets | **Note 7** | (21,195) | - | (21,195) | - | - | - | (21,195) |
| Impairment and impairment reversals of non-current assets | | (95) | - | (95) | (59) | - | (59) | (36) |
| | | **(44,643)** | **-** | **(44,643)** | **(16,676)** | **-** | **(16,676)** | **(27,967)** |
| **Operating result** | | **34,299** | **(1,425)** | **32,874** | **26,549** | **-** | **26,549** | **6,325** |
| **Financial income, charges and value adjustments to financial assets** | | | | | | | | |
| Group's share of the result of associated companies valued at equity | | 72 | - | 72 | 72 | - | 72 | - |
| Other income and charges, impairment and revaluations of financial assets | | - | - | - | 77 | - | 77 | (77) |
| Interest income and charges | | (3,602) | - | (3,602) | (4,432) | - | (4,432) | 870 |
| Other financial income and charges | | (2,892) | - | (2,892) | (166) | - | (166) | (2,766) |
| Exchange gains and losses | | 185 | - | 185 | (222) | - | (222) | 407 |
| Gain (loss) on assets measured at fair value | | (345) | - | (345) | (47) | - | (47) | (298) |
| | | **(6,582)** | **-** | **(6,582)** | **(4,718)** | **-** | **(4,718)** | **(1,864)** |
| **Profit (loss) before tax** | | **27,717** | **(1,425)** | **26,292** | **21,831** | **-** | **21,831** | **4,461** |
| Current and deferred income tax | **Note 12** | (8,918) | 363 | (8,555) | (7,277) | - | (7,277) | (1,278) |
| **Total net profit (loss)** | | **18,799** | **(1,062)** | **17,737** | **14,554** | **-** | **14,554** | **3,183** |
| Net profit (loss) attributable to Minority interests | | (11) | - | (11) | (49) | - | (49) | 38 |
| **Net profit (loss) attributable to the Group** | | **18,810** | **(1,062)** | **17,748** | **14,603** | **-** | **14,603** | **3,145** |

| **Income (loss) and earnings per share (€ per share)** | **Note 14** | **First quarter 2019** | **First quarter 2018** |
|---|---|---|---|
| Earnings per share | | | |
| - Base | | 0.08043 | 0.06667 |
| - Diluted | | 0.07898 | 0.06527 |

# STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

| (€ thousands) | 31/03/2019 | 31/03/2018 |
|---|---|---|
| **Net income (loss) for the period** | **17,737** | **14,554** |
| **Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss:** | | |
| Re-measurement of defined benefit plans | 974 | 50 |
| Tax effect on components of other comprehensive income that will not be reclassified subsequently to profit or loss | (320) | (13) |
| **Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss after the tax effect (A)** | **654** | **37** |
| **Other comprehensive income that will be reclassified subsequently to profit or loss** | | |
| Gains/(losses) on cash flow hedging instruments | (892) | (2,504) |
| Gains/(losses) on exchange differences from translation of financial statements of foreign entities | 73 | - |
| Tax effect on components of other comprehensive income that will be reclassified subsequently to profit or loss | 10,994 | (16,188) |
| Tax effect on components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss | 196 | 601 |
| **Total other comprehensive income (loss) that will be reclassified subsequently to profit or loss after the tax effect (B)** | **10,371** | **(18,091)** |
| **Total other comprehensive income (loss) (A)+(B)** | **11,025** | **(18,054)** |
| **Comprehensive income (loss) for the period** | **28,762** | **(3,500)** |
| Attributable to the Group | 28,713 | (3,444) |
| Attributable to Minority interests | 49 | (56) |

# STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY (*)

| (€ thousands) | Share capital | Share premium account | Legal reserve | Other reserves | Treasury shares reserve | Stock option and stock grant reserve |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2018 as reported** | **4,527** | **202,412** | **934** | **3,636** | **(60,217)** | **30,387** |
| Variation for introduction of new accounting principles | | | | | | |
| **Balance at 1 January 2018 restated** | **4,527** | **202,412** | **934** | **3,636** | **(60,217)** | **30,387** |
| Appropriation of FY 2017 result | | | | | | |
| Share capital increase | | 47 | | | | |
| Treasury shares | | | | | (6,753) | |
| Dividend distribution | | | | | | |
| Notional cost of stock options and stock grants | | | | | | 3,717 |
| Other changes | | 21 | | | 1,444 | (677) |
| Total comprehensive income (loss) for the period | | | | | | |
| *- Hedge accounting* | | | | | | |
| *- Actuarial gains (losses)* | | | | | | |
| *- Translation difference* | | | | | | |
| *- Result of the period 2018* | | | | | | |
| **Balance at 31 March 2018** | **4,527** | **202,480** | **934** | **3,636** | **(65,526)** | **33,427** |

| (€ thousands) | Share capital | Share premium account | Legal reserve | Other reserves | Treasury shares reserve | Stock option and stock grant reserve |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **4,527** | **202,565** | **934** | **3,636** | **(50,933)** | **34,569** |
| Appropriation of FY 2018 result | | | | | | |
| Share capital increase | | | | | | |
| Treasury shares | | | | | | |
| Dividend distribution | | | | | | |
| Notional cost of stock options and stock grants | | | | | | 3,747 |
| Other changes | | | | | 482 | (303) |
| Total comprehensive income (loss) for the period | | | | | | |
| *- Hedge accounting* | | | | | | |
| *- Actuarial gains (losses)* | | | | | | |
| *- Translation difference* | | | | | | |
| *- Result of the period 2019* | | | | | | |
| **Balance at 31 March 2019** | **4,527** | **202,565** | **934** | **3,636** | **(50,451)** | **38,013** |

(*) 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.

| 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 |
|---|---|---|---|---|---|---|---|
| **(7,282)** | **(5,324)** | **355,714** | **(36,684)** | **100,578** | **588,681** | **(263)** | **588,418** |
| | | (45,267) | | | (45,267) | | (45,267) |
| **(7,282)** | **(5,324)** | **310,447** | **(36,684)** | **100,578** | **543,414** | **(263)** | **543,151** |
| | | 100,578 | | (100,578) | - | | - |
| | | | | | **47** | | **47** |
| | | | | | **(6,753)** | | **(6,753)** |
| | | | | | - | | - |
| | | | | | **3,717** | | **3,717** |
| | | (907) | | | **(119)** | (41) | **(160)** |
| (1,903) | 37 | | (16,181) | 14,603 | **(3,444)** | (56) | **(3,500)** |
| *(1,903)* | | | | | ***(1,903)*** | | ***(1,903)*** |
| | *37* | | | | ***37*** | | ***37*** |
| | | | *(16,181)* | | ***(16,181)*** | *(7)* | ***(16,188)*** |
| | | | | *14,603* | ***14,603*** | *(49)* | ***14,554*** |
| **(9,185)** | **(5,287)** | **410,118** | **(52,865)** | **14,603** | **536,862** | **(360)** | **536,502** |

| Cash flow hedge reserve | *Foreign Curr. Basis Spread reserve* | Actuarial gains and (losses) | Profit (loss) carried forward | Translation difference | Profit (loss) for the period | Total Shareholders' equity | Minority interests | Total net equity |
|---|---|---|---|---|---|---|---|---|
| **(8,012)** | **-** | **(7,123)** | **362,503** | **(48,190)** | **100,443** | **594,919** | **1,028** | **595,947** |
| | | | 100,443 | | (100,443) | - | | - |
| | | | | | | - | | - |
| | | | | | | - | | - |
| | | | | | | - | | - |
| | | | | | | **3,747** | | **3,747** |
| 843 | (843) | | (373) | | | **(194)** | 86 | **(108)** |
| (678) | 55 | 654 | | 10,934 | 17,748 | **28,713** | **49** | **28,762** |
| *(678)* | *55* | | | | | ***(623)*** | | ***(623)*** |
| | | *654* | | | | ***654*** | | ***654*** |
| | | | | *10,934* | | ***10,934*** | *60* | ***10,994*** |
| | | | | | *17,748* | ***17,748*** | *(11)* | ***17,737*** |
| **(7,847)** | **(788)** | **(6,469)** | **462,573** | **(37,256)** | **17,748** | **627,185** | **1,163** | **628,348** |

# CONSOLIDATED CASH FLOW STATEMENT

| (€ thousands) | First quarter 2019 | First quarter 2018 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net profit (loss) | 17,737 | 14,554 |
| Amortization, depreciation and write-downs: | | |
| - intangible fixed assets | 13,610 | 8,553 |
| - tangible fixed assets | 9,839 | 8,122 |
| - right-of-use assets | 21,194 | - |
| - goodwill | - | - |
| Provisions, other non-monetary items and gain/losses from disposals | 7,760 | 5,204 |
| Group's share of the result of associated companies | (72) | (72) |
| Financial income and charges | 6,654 | 4,790 |
| Current, deferred tax assets and liabilities | 8,555 | 7,277 |
| ***Cash flow from operating activities before change in working capital*** | ***85,277*** | ***48,428*** |
| Utilization of provisions | (1,150) | (4,042) |
| (Increase) decrease in inventories | (6,903) | (3,378) |
| Decrease (increase) in trade receivables | (757) | 6,346 |
| Increase (decrease) in trade payables | (20,380) | (9,063) |
| Changes in other receivables and other payables | 10,517 | (5,306) |
| ***Total change in assets and liabilities (delta working capital)*** | ***(18,673)*** | ***(15,443)*** |
| Dividends received | - | - |
| Interest received (paid) | (5,344) | (2,254) |
| Taxes paid | (6,395) | (9,311) |
| **Cash flow generated from (absorbed by) operating activities (A)** | **54,865** | **21,420** |
| **INVESTING ACTIVITIES:** | | |
| Purchase of intangible fixed assets | (5,843) | (2,696) |
| Purchase of tangible fixed assets | (13,140) | (8,318) |
| Consideration from sale of tangible fixed assets | 382 | 433 |
| **Cash flow generated from (absorbed by) operating investing activities (B)** | **(18,601)** | **(10,581)** |
| Purchase of subsidiaries and business units | (14,633) | (26,045) |
| Increase (decrease) in payables through business acquisition | (5,084) | 996 |
| (Purchase) sale of other investments and securities | - | 85 |
| **Cash flow generated from (absorbed by) acquisition activities (C)** | **(19,717)** | **(24,964)** |
| **Cash flow generated from (absorbed by) investing activities (B+C)** | **(38,318)** | **(35,545)** |
| **FINANCING ACTIVITIES:** | | |
| Increase (decrease) in financial payables | 3,015 | (2,169) |
| (Increase) decrease in financial receivables | (169) | 20 |
| Derivatives instruments and other non-current assets | - | - |
| Commissions paid for medium/long-term financing | - | (90) |
| Repayment of lease liabilities | (19,634) | - |
| Other non-current assets and liabilities | 1,089 | 828 |
| Treasury shares | - | (6,753) |
| Dividends distributed | - | - |
| Capital increases and minority shareholders' contributions and dividends paid to third parties by subsidiaries | - | (8) |
| **Cash flow generated from (absorbed by) financing activities (D)** | **(15,699)** | **(8,172)** |
| **Net increase in cash and cash equivalents (A+B+C+D)** | **848** | **(22,297)** |

| (€ thousands) | First quarter 2019 | First quarter 2018 |
|---|---|---|
| **Cash and cash equivalents at beginning of period** | **89,915** | **124,082** |
| Effect of discontinued operations on cash & cash equivalents | - | - |
| Effect of exchange rate fluctuations on cash & cash equivalents | 745 | (1,491) |
| Liquid assets acquired | 269 | 964 |
| Flows of cash and cash equivalents | 848 | (22,297) |
| **Cash and cash equivalents at end of period** | **91,777** | **101,258** |

Related-party transactions relate to rentals of the main office and certain stores, to recharges of maintenance costs and general services of the above-mentioned buildings and to commercial transactions, personnel costs and loans. They are detailed in Note 15. The impact of these transactions on the Group's cash flows is not material.

## SUPPLEMENTARY INFORMATION TO CONSOLIDATED CASH FLOW STATEMENT

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

| (€ thousands) | First quarter 2019 | First quarter 2018 |
|---|---|---|
| - Goodwill | 10,636 | 18,853 |
| - Customer lists | 6,749 | 9,775 |
| - Trademarks and non-competition agreements | - | - |
| - Other intangible fixed assets | 62 | 184 |
| - Tangible fixed assets | 527 | 671 |
| - Right-of-use assets | 356 | - |
| - Financial fixed assets | - | - |
| - Current assets | 1,810 | 1,939 |
| - Provisions for risks and charges | (4) | - |
| - Current liabilities | (2,365) | (2,967) |
| - Other non-current assets and liabilities | (3,728) | (2,904) |
| - Minority interests | - | 140 |
| **Total investments** | **14,043** | **25,691** |
| Net financial debt acquired | 590 | 354 |
| **Total business combinations** | **14,633** | **26,045** |
| (Increase) decrease in payables through business acquisition | 5,084 | (996) |
| Purchase (sale) of other investments and securities | - | (85) |
| **Cash flow absorbed by (generated from) acquisitions** | **19,717** | **24,964** |
| (Cash and cash equivalents acquired) | (269) | (964) |
| **Net cash flow absorbed by (generated from) acquisitions** | **19,448** | **24,000** |

# EXPLANATORY NOTES

## 1. General Information

The Amplifon Group in global leader in the distribution of hearing solutions and the fitting of personalized products.

The parent company, Amplifon S.p.A. is based in Milan, in Via Ripamonti 133. The Group is controlled directly by Ampliter S.r.l. which is owned through a majority stake (93.82% as at 31 March 2019) by Amplifin S.p.A. which is fully controlled by Susan Carol Holland, with 100% of the shares, whilst Anna Maria Formiggini Holland retains usufruct.

The consolidated financial statements at 31 March 2019 have been prepared in accordance with International Accounting Standards and the implementation regulations set out in Article 9 of legislative decree no. 38 of 28 February 2005. These standards include the IAS and IFRS issued by the International Accounting Standard Board, as well as the SIC and IFRIC interpretations issued by the International Financial Reporting Interpretations Committee, which were endorsed in accordance with the procedure set out in Article 6 of Regulation (EC) no. 1606 of 19 July 2002 by 31 March 2019. 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 condensed consolidated interim financial statements at 31 March 2019 do not include all the additional information required by the financial statements, and must be read together with the financial statements of the Group at 31 December 2018.

The condensed consolidated interim financial statements at 31 March 2019 have been prepared in accordance with the new standards IFRS 16 “Leases” which resulted in changes to the accounting policies and related adjustments to amounts recognized in the financial statements. The modifications introduced are illustrated in the following paragraph. No modifications were made to the other standards with respect from those of the financial statements as at 31 December 2018.

The publication of the condensed consolidated interim financial statements of the Amplifon Group at 31 March 2019 was authorized by a resolution of the Board of Directors of 7 May 2019 which approved their distribution to the public.

## 2. Changes to the accounting policies

The new accounting standard IFRS 16 "Leases" substituted the accounting rules called for in IAS 17, as well as the interpretation of IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases—Incentives" and SIC-27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease" and was applied as of 1 January 2019.

Pursuant to the new standard, the lessee must recognize an asset, namely the right-of-use of the leased asset over the duration of the lease (the right-of-use asset) and a liability, namely the lease payments that must be made in the future (the lease liability) as of the lease's effective date.

The financial expenses on lease liabilities and the amortization of the right-of-use assets are accounted for separately in the income statement.

There are two exceptions to which the standard does not apply: low-value and short-term leases.

**Scope of application:**
The Amplifon Group contracts that fall within the scope of the standard include mainly the rental of stores, headquarters, warehouses, cars and other electronic machinery.

**Transition method:**
The Amplifon Group opted to transition using the modified retrospective approach.

More in detail, based on the modified retrospective approach for the leases classified previously as operating leases:
- the lessee must assume the leasing liabilities like the present value of remaining payments over the remaining lease term discounted using the incremental borrowing rate at the first-time application date;
- the lessee must recognize a right-of-use asset at the date of first-time application for leases classified previously as operating leases. As allowed under the standard, the Amplifon Group opted to value the right-of-use asset as a lease lability, adjusted by the amount of any prepaid or accrued lease payments recognized in the latest statement of financial position prior to first-time adoption.

In accordance with the standard, the Company opted:
- to exclude the initial direct costs stemming from the right-of-use measurement at 1 January 2019;
- not to apply the standard to low-value assets like computers, printers, electronic equipment (IFRS 16.5.b) and short-term contracts (IFRS 16.5.a).

For these contracts, the introduction of IFRS 16 will not result in the recognition of the lease liability and the relative right-of-use, but the rent paid will be recognized in the income statement on a straight-line basis over the lease term.

**Use of estimates:**

The transition to IFRS 16 required certain professional judgements to be made including the definition of a few accounting policies and the use of assumptions and estimates relating to the lease term, as well as the determination of the incremental borrowing rate, as summarized below:

- Lease term: the duration was determined on a lease-by-lease basis and is comprised of the "non - cancellable" period along with the impact of any extension or early termination clauses if exercise of that clause is reasonably certain. This property valuation took into account circumstances and facts specific to each asset;
- Incremental borrowing rate: in most of the lease agreements stipulated by the Group there is no implied interest rate, therefore the discount rate applied to future rent payments was determined using the risk-free rate in the country where the agreement was executed, with expirations consistent with the term of the specific lease agreement plus the parent company's credit spread and any costs for additional guarantees.

**Impact:**

Adoption of the standard as of 1 January 2019 resulted in an increase in the right-of-use assets and lease liabilities equal to the present value of future rents payable over the lease term, as show below. Upon first application, the right-of-use was also adjusted to reflect any prepaid expenses made at 1 January 2019.

| (€ thousands) | 01/01/2019 | Change for IFRS 16 adoption | 01/01/2019 without IFRS 16 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | 442,063 | 442,063 | - |
| **Total non-current assets** | **442,063** | **442,063** | **-** |
| **Current assets** | | | |
| Non-financial prepayments and accrued income | 71,123 | (2,257) | 73,380 |
| **Total current assets** | **71,123** | **(2,257)** | **73,380** |
| **TOTAL ASSETS** | **513,186** | **439,806** | **73,380** |

| (€ thousands) | 01/01/2019 | Change for IFRS 16 adoption | 01/01/2019 without IFRS 16 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 368,117 | 368,117 | - |
| **Total non-current liabilities** | **368,117** | **368,117** | **-** |
| **Current liabilities** | | | |
| Lease liabilities | 71,689 | 71,689 | - |
| **Total current liabilities** | **71,689** | **71,689** | **-** |
| **TOTAL LIABILITIES** | **439,806** | **439,806** | **-** |

## 3. Restatement of 2018 Balance Sheet data according to the temporary allocation of the GAES acquisition price

During the first quarter of 2019, a temporary fair value was recognized for the assets acquired and liabilities assumed relating to the acquisition of GAES occurred at the end of 2018. Therefore, the comparison figures in the consolidated financial statements at 31 December 2018 were restated as summarized below.

| (€ thousands) | 31/12/2018 | *Fair value* temporary allocation | 31/12/2018 after temporary allocation |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 1,258,848 (*) | (97,387) | 1,161,461 |
| Intangible fixed assets with finite useful life | 223,832 | 135,570 (**) | 359,402 |
| Tangible fixed assets | 188,651 | 290 | 188,941 |
| Investments valued at equity | 2,025 | - | 2,025 |
| Financial assets measured at fair value through profit or loss | - | - | - |
| Long-term hedging instruments | 3,725 | - | 3,725 |
| Deferred tax assets | 74,641 | 700 | 75,341 |
| Contract costs | 5,594 | - | 5,594 |
| Other assets | 60,679 | - | 60,679 |
| **Total non-current assets** | **1,817,995** | **39,173** | **1,857,168** |
| **Current assets** | | | |
| Inventories | 61,770 | (30) | 61,740 |
| Trade receivables | 169,454 | - | 169,454 |
| Contract costs | 3,853 | - | 3,853 |
| Other receivables | 75,387 | (2,007) | 73,380 |
| Hedging instruments | - | - | - |
| Other financial assets | 60 | - | 60 |
| Cash and cash equivalents | 89,915 | - | 89,915 |
| **Current assets** | **400,439** | **(2,037)** | **398,402** |
| **TOTAL ASSETS** | **2,218,434** | **37,136** | **2,255,570** |

(*) Considering that the GAES acquisition was finalized at the end of 2018, in the consolidated Balance Sheet was recognized a temporary goodwill of €513,286 thousand.
(**) The temporary allocation to intangible fixed assets with finite useful life is detailed as follows: customer lists for €76,170 thousand, trademarks for € 49,000 thousand, licenses for €7,400 thousand and software for €3,000 thousand.

| (€ thousands) | 31/12/2018 | *Fair value* temporary allocation | 31/12/2018 after temporary allocation |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Net Equity** | | | |
| Share capital | 4,527 | - | 4,527 |
| Share premium account | 202,565 | - | 202,565 |
| Treasury shares | (50,933) | - | (50,933) |
| Other reserves | (24,186) | - | (24,186) |
| Profit (loss) carried forward | 362,503 | - | 362,503 |
| Profit (loss) for the period | 100,443 | - | 100,443 |
| **Group net equity** | **594,919** | **-** | **594,919** |
| **Minority interests** | **1,183** | **(155)** | **1,028** |
| **Total net equity** | **596,102** | **(155)** | **595,947** |
| **Non-current liabilities** | | | |
| Medium/long-term financial liabilities | 872,669 | - | 872,669 |
| Provisions for risks and charges | 48,043 | - | 48,043 |
| Liabilities for employees' benefits | 20,290 | - | 20,290 |
| Hedging instruments | 1,957 | - | 1,957 |
| Deferred tax liabilities | 64,885 | 34,047 | 98,932 |
| Payables for business acquisitions | 16,136 | - | 16,136 |
| Contract liabilities | 118,791 | - | 118,791 |
| Other long-term debt | 7,411 | - | 7,411 |
| **Total non-current liabilities** | **1,150,182** | **34,047** | **1,184,229** |
| **Current liabilities** | | | |
| Trade payables | 173,649 | (549) | 173,100 |
| Payables for business acquisitions | 12,643 | - | 12,643 |
| Contract liabilities | 93,692 | - | 93,692 |
| Other payables | 150,749 | 69 | 150,818 |
| Hedging instruments | 58 | - | 58 |
| Provisions for risks and charges | 2,768 | 3,724 | 6,492 |
| Liabilities for employees' benefits | 476 | - | 476 |
| Short-term financial liabilities | 38,115 | - | 38,115 |
| **Total current liabilities** | **472,150** | **3,244** | **475,394** |
| **TOTAL LIABILITIES** | **2,218,434** | **37,136** | **2,255,570** |

The temporary purchase price allocation did not impact the consolidated income statement at 31 December 2018 as the transaction was completed at the end of December.

## 4. Acquisitions and goodwill

During the first three months of 2019 the Group continued its external growth and finalized many acquisitions with the aim of increasing the coverage: in detail 40 points of sale were purchased in the EMEA region and 1 in the Americas.

The total investment, including the debt consolidated and the best estimate of the net change in the earn-out linked to sales and profitability targets payable over the next few years, amounted to €14,364 thousand.

The variations of goodwill and of the amounts booked as such, stemming from of the acquisitions performed during the period, are reported in the table below and shown by cash generating unit.

| (€ thousands) | Net carrying value at 31/12/2018 | Business combinations | Disposals | Impairment | Other net changes | Net carrying value at 31/03/2019 |
|---|---|---|---|---|---|---|
| Italy | 540 | - | - | - | - | 540 |
| France | 115,022 | 3,352 | - | - | - | 118,374 |
| Spain | 400,897 (*) | - | - | - | - | 400,897 |
| Portugal | 13,497 | - | - | - | - | 13,497 |
| Hungary | 1,018 | - | - | - | - | 1,018 |
| Switzerland | 13,624 | - | - | - | 104 | 13,728 |
| The Netherlands | 32,781 | - | - | - | - | 32,781 |
| Belgium and Luxembourg | 14,733 | - | - | - | - | 14,733 |
| Germany | 187,817 | 7,313 | - | - | - | 195,130 |
| Poland | 217 | - | - | - | - | 217 |
| United Kingdom and Ireland | 8,442 | - | - | - | 356 | 8,798 |
| Turkey | 1,026 | - | - | - | (3) | 1,023 |
| Israel | 3,720 | - | - | - | 6 | 3,726 |
| USA and Canada | 88,611 | (30) | - | - | 2,112 | 90,693 |
| Latin America | 33,572 (*) | - | - | - | 72 | 33,644 |
| Australia and New Zealand | 227,190 | - | - | - | 5,756 | 232,946 |
| China | 17,756 | - | - | - | - | 17,756 |
| India | 998 | - | - | - | 27 | 1,025 |
| **Total** | **1,161,461 (*)** | **10,635** | **-** | **-** | **8,430** | **1,180,526** |

(*) 2018 balances were revised according to the Purchase Price Allocation relating to GAES acquisition as described in note 3.

"Acquisitions in the period" refers to the temporary allocation and goodwill relating to the portion of the purchase price paid not directly attributable to the fair value of assets and liabilities which is, rather, based on the positive contribution to cash flow that is expected to be made for an indefinite period of time.

The item "Other net changes" is almost entirely related to differences in exchange rates.

## 5. Intangible fixed assets

The following table shows the changes in intangible fixed assets.

| (€ thousands) | Historical cost at 31/12/2018 (*) | Accumulated amortization and write-downs at 31/12/2018 (*) | Net book value at 31/12/2018 (*) | Historical cost at 31/03/2019 | Accumulated amortization and write-downs at 31/03/2019 | Net book value at 31/03/2019 |
|---|---|---|---|---|---|---|
| Software | 122,838 | (84,195) | 38,643 | 130,116 | (86,465) | 43,651 |
| Licenses | 21,369 | (11,191) | 10,178 | 21,602 | (12,120) | 9,482 |
| Non-competition agreements | 6,459 | (5,808) | 651 | 7,098 | (6,134) | 964 |
| Customer lists | 353,108 | (137,874) | 215,234 | 362,747 | (146,300) | 216,447 |
| Trademarks and concessions | 81,495 | (18,875) | 62,620 | 82,295 | (20,750) | 61,545 |
| Other | 25,541 | (10,100) | 15,441 | 26,127 | (10,548) | 15,579 |
| Fixed assets in progress and advances | 16,635 | - | 16,635 | 13,073 | - | 13,073 |
| **Total** | **627,445** | **(268,043)** | **359,402** | **643,058** | **(282,317)** | **360,741** |

| (€ thousands) | Net book value at 31/12/2018 (*) | Investments | Disposals | Amortization | Business combinations | Impairment | Other net changes | Net book value at 31/03/2019 |
|---|---|---|---|---|---|---|---|---|
| Software | 38,643 | 616 | (6) | (3,928) | 8 | - | 8,318 | 43,651 |
| Licenses | 10,178 | 150 | - | (917) | 4 | - | 67 | 9,482 |
| Non-competition agreements | 651 | 270 | - | (262) | - | - | 305 | 964 |
| Customer lists | 215,234 | - | - | (6,658) | 6,749 | - | 1,122 | 216,447 |
| Trademarks and concessions | 62,620 | - | - | (1,403) | - | - | 328 | 61,545 |
| Other | 15,441 | 456 | (79) | (442) | 50 | - | 153 | 15,579 |
| Fixed assets in progress and advances | 16,635 | 4,351 | - | - | - | - | (7,913) | 13,073 |
| **Total** | **359,402** | **5,843** | **(85)** | **(13,610)** | **6,811** | **-** | **2,380** | **360,741** |

(*) 2018 balances were revised according to the Purchase Price Allocation relating to GAES acquisition as described in note 3.

The variation of the item “Business combinations” is detailed as follows:

- For €6,656 thousand to the temporary allocation of the considerations paid for the acquisitions made in EMEA;
- For €155 thousand to the temporary allocation of the consideration paid for the acquisitions made in the Americas.

The increase in intangible assets in the period is attributable primarily to investments in CRM systems, in digital marketing and in the new system of business transformation for the back-office functions (HR, Procurement and Administration and Finance).

"Other net changes" refers primarily to exchange rate fluctuations during the period and to the recognition of work in progress completed in the period in the relative items in the financial statements.

## 6. Tangible fixed assets

The following table shows the changes in tangible fixed assets.

| (€ thousands) | Historical cost at 31/12/2018 (*) | Accumulated depreciation and write-downs at 31/12/2018 (*) | Net book value at 31/12/2018 (*) | Historical cost at 31/03/2019 | Accumulated depreciation and write-downs at 31/03/2019 | Net book value at 31/03/2019 |
|---|---|---|---|---|---|---|
| Land | 168 | - | 168 | 167 | - | 167 |
| Buildings, constructions and leasehold improvements | 223,218 | (135,555) | 87,663 | 228,217 | (140,907) | 87,310 |
| Plant and machines | 54,097 | (38,577) | 15,520 | 55,514 | (39,813) | 15,701 |
| Industrial and commercial equipment | 48,368 | (33,612) | 14,756 | 49,155 | (34,848) | 14,307 |
| Motor vehicles | 5,931 | (4,238) | 1,693 | 6,125 | (4,381) | 1,744 |
| Computers and office machinery | 53,823 | (41,131) | 12,692 | 55,865 | (42,952) | 12,913 |
| Furniture and fittings | 114,341 | (72,675) | 41,666 | 117,210 | (75,171) | 42,039 |
| Other tangible fixed assets | 2,273 | (1,295) | 978 | 2,276 | (1,309) | 967 |
| Fixed assets in progress and advances | 13,805 | - | 13,805 | 18,002 | - | 18,002 |
| **Total** | **516,024** | **(327,083)** | **188,941** | **532,531** | **(339,381)** | **193,150** |

| (€ thousands) | Net book value at 31/12/2018 (*) | Investments | Disposals | Depreciation | Business combinations | Impairment | Other net changes | Net book value at 31/03/2019 |
|---|---|---|---|---|---|---|---|---|
| Land | 168 | - | - | - | - | - | (1) | 167 |
| Buildings, constructions and leasehold improvements | 87,663 | 2,960 | 32 | (4,279) | 115 | (40) | 859 | 87,310 |
| Plant and machines | 15,520 | 584 | (26) | (880) | 215 | (37) | 325 | 15,701 |
| Industrial and commercial equipment | 14,756 | 394 | (12) | (839) | 13 | - | (5) | 14,307 |
| Motor vehicles | 1,693 | 147 | - | (194) | - | - | 98 | 1,744 |
| Computers and office machinery | 12,692 | 1,205 | (2) | (1,483) | 20 | - | 481 | 12,913 |
| Furniture and fittings | 41,666 | 1,745 | (1) | (2,021) | 164 | (14) | 500 | 42,039 |
| Other tangible fixed assets | 978 | 39 | (3) | (47) | - | (4) | 4 | 967 |
| Fixed assets in progress and advances | 13,805 | 6,066 | (28) | - | - | - | (1,841) | 18,002 |
| **Total** | **188,941** | **13,140** | **(40)** | **(9,743)** | **527** | **(95)** | **420** | **193,150** |

(*) 2018 balances were revised according to the Purchase Price Allocation relating to GAES acquisition as described in note 3.

The investments made in the period refer primarily to network expansion with the opening of new stores and renewal of existing ones based on the Group's new brand image.

The variation of the item "Business combinations", for €527 thousand, is related to the temporary allocation of the price related to the acquisitions made in the EMEA region.

"Other net changes" refers primarily to exchange rate fluctuations during the period and to the recognition of work in progress completed in the period and relating to the specific items in the financial statements.

## 7. Right-of-use assets

The right-of-use assets are detailed as follows:

| (€ thousands) | Historical cost at 31/12/2018 | Accumulated depreciation and write-downs at 31/12/2018 | Net book value at 31/12/2018 | Historical cost at 31/03/2019 | Accumulated depreciation and write-downs at 31/03/2019 | Net book value at 31/03/2019 |
|---|---|---|---|---|---|---|
| Stores and offices | - | - | - | 448,111 | (20,194) | 427,917 |
| Motor vehicles | - | - | - | 8,126 | (991) | 7,135 |
| Computers and office machinery | - | - | - | 374 | (44) | 330 |
| **Total** | **-** | **-** | **-** | **456,611** | **(21,229)** | **435,382** |

| (€ thousands) | Net book value at 31/12/2018 | Change for IFRS 16 adoption | Investments | Disposals | Depreciation | Business combinations | Impairment | Other net changes | Net book value at 31/03/2019 |
|---|---|---|---|---|---|---|---|---|---|
| Stores and offices | - | 434,305 | 11,806 | - | (20,162) | 356 | - | 1,612 | 427,917 |
| Motor vehicles | - | 7,387 | 734 | - | (990) | - | - | 4 | 7,135 |
| Computers and office machinery | - | 371 | | | (43) | - | - | 2 | 330 |
| **Total** | **-** | **442,063** | **12,540** | **-** | **(21,195)** | **356** | **-** | **1,618** | **435,382** |

## 8. Share capital

At 31 March 2019 the share capital comprised 226,353,620 ordinary shares with a par value of €0.02 fully paid in and subscribed. The share capital is unchanged with respect to 31 December 2018.

In the period 54,000 rights of performance stock grants were exercised, as a result of which the Company transferred the same number of treasury shares to the beneficiaries.

At 31 March 2019 the treasury shares held amounted to 5,661,745 or 2.501% of the Company's share capital.

Information relating to the treasury shares held is shown below:

| | N. of shares | Average purchase price (Euro) / FV of transferred rights (Euro) | Total amount (€ thousands) |
|---|---|---|---|
| **Held at 31 December 2018** | **5,715,745** | **8.911** | **50,933** |
| Purchases | - | | - |
| Transfers due to exercise of Performance Stock grants | (54,000) | 8.911 | (482) |
| **Total at 31 March 2019** | **5,661,745** | **8.911** | **50,451** |

## 9. 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 March 2019, was as follows:

| (€ thousands) | 31/03/2019 | 31/12/2018 | Change |
|---|---|---|---|
| Liquid funds | (91,777) | (89,915) | (1,862) |
| Other financial assets | (57) | - | (57) |
| Payables for business acquisitions | 8,727 | 12,643 | (3,916) |
| Bank overdraft and other short-term loans from third parties (including current portion of medium/long-term debt) | 38,401 | 34,852 | 3,549 |
| Other financial payables | 69,198 | 5,530 | 63,668 |
| Non-*hedge* accounting derivative instruments | 12 | 58 | (46) |
| **Short-term financial position** | **24,504** | **(36,832)** | **61,336** |
| Private placement 2013-2025 | 115,710 | 113,537 | 2,173 |
| Finance lease obligations | - | 385 | (385) |
| Other medium/long-term debt | 697,314 | 760,275 | (62,961) |
| Hedging derivatives | (14,818) | (12,645) | (2,173) |
| Medium/long-term acquisition payables | 15,273 | 16,136 | (863) |
| **Net medium and long-term indebtedness** | **813,479** | **877,688** | **(64,209)** |
| **Net financial indebtedness** | **837,983** | **840,856** | **(2,873)** |

In order to reconcile the above items with the statutory statement of financial position, here below you can find the breakdown.

Long-term bank loans and the private placement 2013-2025 are shown in the statutory statement of financial position:

a. under the caption "Medium/long-term financial liabilities".

| (€ thousands) | 31/03/2019 |
|---|---|
| Private placement 2013-2025 | 115,710 |
| Syndicated loan for GAES acquisition | 503,500 |
| Other medium/long-term debt | 193,814 |
| Fees for bank loans, private placement 2013-2025 and syndicated loan for GAES acquisition | (1,347) |
| **Medium/long-term financial liabilities** | **811,677** |

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

| (€ thousands) | 31/03/2019 |
|---|---|
| Bank overdraft and other short-term debt (including current portion of other long-term debt) | 38,401 |
| Other financial payables | 69,198 |
| Fees for bank loans, private placement 2013-2025 and syndicated loan for GAES acquisition | (1,726) |
| **Short-term financial liabilities** | **105,873** |

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

The **medium/long-term portion of the net financial position** reached €813,479 thousand at 31 March 2019 versus €877,688 thousand at 31 December 2018, a difference of €64,209 thousand. The decrease posted in the period is attributable mainly to the substitution of two revolving credit lines, totaling €60 million, with €65 million in hot money included in short-term debt and bearing a lower interest rate.

The **short-term portion of the net financial position** went from a positive €36,832 thousand at 31 December 2018 to a negative €24,504 thousand at 31 March 2019, a negative change of €61,336 thousand attributable mainly to the transaction described above.

## 10. Financial liabilities

Long-term financial liabilities breakdown is as follows:

| (€ thousands) | 31/03/2019 | 31/12/2018 | Change |
|---|---|---|---|
| Private placement 2013-2025 | 115,710 | 113,537 | 2,173 |
| Syndicated loan for GAES acquisition | 503,500 | 503,500 | - |
| Other medium long-term debt | 193,814 | 256,775 | (62,961) |
| Fees for bank loans, private placement 2013-2025 and syndicated loan for GAES acquisition | (1,347) | (1,528) | 181 |
| Finance lease obligations | - | 385 | (385) |
| **Total medium/long-term financial liabilities** | **811,677** | **872,669** | **(60,992)** |
| Short term debt | 105,873 | 38,115 | 67,758 |
| *- of which current portion for the financing for GAES acquisition* | *26,500* | *26,500* | *-* |
| *- of which current portion of other short-term bank loans* | *6,666* | *3,538* | *3,128* |
| *- of which fees for bank loans, private placement 2013-2025 and syndicated loan for GAES acquisition* | *(1,726)* | *(2,268)* | *542* |
| *- of which current-portion of lease obligations* | *-* | *837* | *(837)* |
| **Total short-term financial liabilities** | **105,873** | **38,115** | **67,758** |
| **Total financial liabilities** | **917,550** | **910,784** | **6,766** |

The main financial liabilities are detailed below.

- *Syndicated loan for the GAES acquisition*
  An unsecured syndicated bank loan negotiated with five top-tier banks for the acquisition of GAES comprised of two tranches:
  - a first tranche (Facility A), a €265 million amortizing loan which expires on 28 September 2023;
  - a second tranche (Facility B), a €265 million 18-month bullet loan which may be extended through 28 September 2023 at Amplifon's discretion by exercising the option before 28 March 2020 in order to ensure both the certainty of long-term financing and the flexibility to refinance through debt capital market issues or other forms of financing.

| Issue Date | Debtor | Maturity | Face Value (/000) | Fair value (/000) | Nominal interest rate (*) |
|---|---|---|---|---|---|
| 18/12/2018 | Amplifon S.p.A. | 28/09/2023 | 265,000 | 265,000 | 1.212% |
| 18/12/2018 | Amplifon S.p.A. | 28/03/2020 extendable to 28/09/2023 | 265,000 | 265,000 | 0.562% |
| | **Total in Euro** | | **530,000** | **530,000** | |

(*) The nominal interest rate is equal to Euribor plus a spread.
The initial spread is 1.45% for Facility A and 0.80% for Facility B.
With regard to the first tranche, the floating Euribor rate will be converted into a fixed rate of 0.132% effective June 18th, 2019.
The spread applied to Facility A depends on the Group's net debt/EBITDA ratio while for Facility B the spread is 0.8% for the first six months, 1.0% for the second 6 months and 1.35% for the last 6 months. If the loan is extended the spread will depend on the Group's net debt/EBITDA ratio.

The following table shows the applicable rates depending on the ratio of net financial position over Group EBITDA:

| Ratio between net financial position and Group EBITDA | Facility A | Facility B |
|---|---|---|
| Higher than 3.50x | 1.65% | 1.85% |
| Less or equal than 3.50x but higher than 3.00x | 1.45% | 1.65% |
| Less or equal than 3.00x but higher than 2.50x | 1.25% | 1.45% |
| Less or equal than 2.50x but higher than 2.00x | 1.10% | 1.30% |
| Less or equal than 2.00x | 0.95% | 1.15% |

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

| Issue Date | Issuer | Maturity | Currency | Face Value (/000) | Fair value (/000) | Nominal interest rate (*) | Euro interest rate after hedging (**) |
|---|---|---|---|---|---|---|---|
| 30/05/2013 | Amplifon USA | 31/07/2020 | US$ | 7,000 | 7,174 | 3.85% | 3.39% |
| 30/05/2013 | Amplifon USA | 31/07/2023 | US$ | 8,000 | 8,776 | 4.46% | 3.90% |
| 31/07/2013 | Amplifon USA | 31/07/2020 | US$ | 13,000 | 13,322 | 3.90% | 3.42% |
| 31/07/2013 | Amplifon USA | 31/07/2023 | US$ | 52,000 | 56,954 | 4.51% | 3.90%-3.94% |
| 31/07/2013 | Amplifon USA | 31/07/2025 | US$ | 50,000 | 57,292 | 4.66% | 4.00%-4.05% |
| | **Total** | | | **130,000** | **143,518** | | |

(*) The figure shown reflects the rate paid in 2018 with a Group net debt/EBITDA ratio of below 2.24x. Following the GAES acquisition, which caused an increase in this ratio, a step-up of 25 bps will be applied beginning on 1 February 2019 until a ratio of 2.65x. If the ratio exceeds 2.65x but is less than or equal to 2.85x, an additional step-up of 25 bps will kick-in. If the ratio exceeds 2.85x an additional step-up of 75 bps will be applied.
(**) The hedging instruments that determine the interest rate as detailed above, are also fixing the exchange rate at 1.2885, the total equivalent of the bond resulting in €100,892 thousand.

- *Bank loans*
  4 medium/long-term unsecured bank loans totaling €200 million as shown in the following table.

| Issue Date | Issuer | Type | Maturity | Face Value (/000) | Fair value (/000) | Nominal rate (*) |
|---|---|---|---|---|---|---|
| 28/09/2017 | Amplifon S.p.A. | Bullet financing | 28/09/2021 | 100,000 | 101,031 | 0.987% |
| 24/10/2017 | Amplifon S.p.A. | Amortizing financing | 31/10/2022 | 50,000 | 51,012 | 1.329% |
| 23/03/2018 | Amplifon S.p.A. | Bullet financing | 22/03/2022 | 30,000 | 30,435 | 1.00% |
| 11/01/2018 | Amplifon S.p.A. | Bullet financing | 11/01/2022 | 20,000 | 20,187 | 1.04% |
| | **Total in Euro** | | | **200,000** | **202,665** | |

(*) With reference to the financing, the rate is composed of the fixed rate plus the applicable margin.

The following loans:
- the USD 130 million private placement 2013-2025 (equal to €100.9 million including the fair value of the currency hedges which set the €/USD exchange rate at 1.2885);
- the EUR 200 million medium/long-term bilateral loans with top-tier banking institutions;
- the EUR 195 million in medium/long-term revolving irrevocable credit lines

are subject to the covenants listed below:
- the ratio of Group net financial indebtedness to Group shareholders' equity must not exceed 1.65;
- the ratio of net financial indebtedness to EBITDA recorded in the last four quarters (based only on recurring business and restated if the Group's structure should change significantly) must not exceed 2.85.

In the event of relevant acquisitions, the above ratios may be increased to 2.20 and 3.26 respectively, for a period of not more than 12 months, 2 times over the life of the respective loans.

The syndicated loan granted for the GAES acquisition, amounting to €530 million, is subject to the following covenants:
- the ratio of net financial indebtedness to EBITDA recorded in the last four quarters (determined excluding the fair value of the share-based payments and based only on the recurring business and restated if the Group's structure should change significantly) must not exceed 3.26 through 30 June 2019 and 2.85 in the following periods;
- the ratio of EBITDA recorded in the last four quarters (determined excluding the fair value of the share-based payments and based only on the recurring business and restated if the Group's structure should change significantly) and net interest paid in the last 4 quarters must exceed 4.9. As this last covenant is more restrictive it also applied to the private placement.

Following the recent introduction of the new accounting principles IFRS 9, 15 and 16, which resulted in significant adjustments to the amounts recognized in the financial statements, Amplifon re-defined the covenants with banks and financial investors in order to preserve same headroom for Amplifon and same protection level to lenders.

As at 31 March 2019 the ratios were as follows:

| | Value at 31/03/2019 |
|---|---|
| Net financial indebtedness/Group net equity | 1.34 |
| Net financial indebtedness/EBITDA for the last 4 quarters | 2.36 |
| EBITDA for the last 4 quarters/Net financial expenses | 29.52 |

The above-mentioned ratios were determined based on EBITDA restated for the main changes in the Group structure and normalized for the application of the new IFRS 16 to the data of the last nine months of 2018.

| (€ thousands) | Valore al 31/03/2019 |
|---|---|
| Group EBITDA first quarter | 77,517 |
| EBITDA April-December 2018 without IFRS 16 | 182,242 |
| IFRS 16 impact on EBITDA April-December 2018 | 53,805 |
| Fair value of share-based payments (April 2018-March 2019) | 15,922 |
| EBITDA normalized (from acquisitions and disposals) | 3,847 |
| IFRS 16 impact on EBITDA related to acquisition | 10,572 |
| Acquisitions and non-recurring costs | 11,872 |
| EBITDA for covenant calculation | 355,777 |

The same agreements are also subject to other covenants applied in current international practice which limit the ability to issue guarantees, complete sale and lease back operations and execute extraordinary transactions involving the sale of assets.

The remaining €0.3 million in long term debt, including the short-term portion, is not subject to any covenants.

## 11. Lease liabilities

Lease liabilities derive from lease agreements. These liabilities are equal to the present value of future rents payable over the lease term.

The financial lease liabilities are shown in the statement of financial position as follows:

| | 31/03/2019 | Effect of first-time IFRS 16 application |
|---|---|---|
| Short-term lease liabilities | 71,082 | 71,689 |
| Long-term lease liabilities | 365,002 | 368,117 |
| **Lease liabilities** | **436,084** | **439,806** |

The expiration of the lease liabilities (discounted) is shown below:

| **Lease liabilities** | 31/03/2019 |
|---|---|
| Expiring in 1 year | 71,082 |
| Between 1 and 5 year | 216,821 |
| More than 5 year | 148,181 |
| **Total** | **436,084** |

During the reporting period the following expenses were recognized in the income statement:

| | 31/03/2019 |
|---|---|
| Interest paid on leased assets | 2,842 |
| Costs relating to short-term and low-value leases | 2,693 |

## 12. Taxes

The Group's tax rate came to 32.5% compared to 33.3% at 31 March 2018. Due to seasonality, the first quarter is impacted more than the remaining quarters by the losses recorded by subsidiaries for which, in accordance with the principle of prudence, deferred tax assets are not recognized. Net of these, the tax rate would have been 25.5%.

## 13. Non-recurring significant events

The result of the period was affected by the following non-recurring events:

| (€ thousands) | | First quarter 2019 | First quarter 2018 |
|---|---|---|---|
| Operating costs | Cost related to GAES integration | (1,425) | - |
| **Profit (loss) before tax** | | **(1,425)** | **-** |
| Taxes | Fiscal impact of above-mentioned items | 363 | - |
| **Total** | | **(1,062)** | **-** |

## 14. Earnings (loss) per share

*Basic Earnings (loss) per share*

Basic earnings (loss) 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 are determined as follows:

| Earnings per share | First quarter 2019 | First quarter 2018 |
|---|---|---|
| Net profit (loss) attributable to ordinary shareholders (€ thousand) | 17,748 | 14,603 |
| Average number of shares outstanding in the period | 220,660,372 | 219,025,785 |
| Average earnings per share (€ per share) | 0.08043 | 0.06667 |

*Diluted earnings (loss) per share*

Diluted earnings (loss) 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' attribution. 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 | First quarter 2019 | First quarter 2018 |
|---|---|---|
| Average number of shares outstanding in the period | 220,660,372 | 219,025,785 |
| Weighted average of potential and diluting ordinary shares | 4,057,314 | 4,697,841 |
| Weighted average of shares potentially subject to options in the period | 224,717,686 | 223,723,626 |

The diluted earnings per share were determined as follows:

| Diluted earnings per share | First quarter 2019 | First quarter 2018 |
|---|---|---|
| Net profit attributable to ordinary shareholders (€ thousand) | 17,748 | 14,603 |
| Average number of shares outstanding in the period | 224,717,686 | 223,723,626 |
| Average diluted earnings per share (€) | 0.07898 | 0.06527 |

## 15. 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 controlled directly by Ampliter S.r.l. which is owned through a majority stake (93.82% as at 31 March 2019) by Amplifin S.p.A. which is fully controlled by Susan Carol Holland, with 100% of the shares, whilst Anna Maria Formiggini Holland retains usufruct.

The transactions with related parties, including intercompany transactions do not qualify as atypical or unusual, and fall within the Group's normal course of business and are conducted at arm's-length as dictated by the nature of the goods and services provided.

The following table details transactions with related parties:

| (€ thousands) | 31/03/2019 | | | | | | First quarter 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Trade receivables | Trade payable | Other receivables | Other payables | Other assets | Financial liabilities | Revenues for sales and services | Operating costs | Interest income and expenses |
| Amplifin S.p.A. | 2 | | 1,409 | 232 | | | | 2 | 6 |
| **Total – Parent Company** | **2** | **-** | **1,409** | **232** | **-** | **-** | **-** | **2** | **6** |
| Comfoor BV (The Netherlands) | | 214 | | | | | | (862) | |
| Comfoor GmbH (Germany) | | 4 | | | | | | (8) | |
| Auditiva 2014 S.A. (Andorra) | 51 | | | | | | | | |
| Beijing Cohesion Hearing Science &Technology Co. Ltd. (China) | | | | | | 209 | | | |
| Ruti Levinson Institute Ltd (Israel) | 223 | | | | | | 66 | (5) | |
| Afik - Test Diagnosis & Hearing Aids Ltd (Israel) | 62 | | | | 21 | | 103 | | |
| **Total – Other related parties** | **336** | **218** | **-** | **-** | **21** | **209** | **169** | **(875)** | **-** |
| Bardissi Import (Egypt) | | 387 | | | | 51 | | (233) | |
| Meders (Turkey) | | 1,283 | | | | | | (226) | |
| Nevo (Israel) | 53 | | | | | | | | |
| Ortophone (Israel) | 2 | | | | | | | (79) | |
| Moti Bahar (Israel) | | | | | | | | (136) | |
| Asher Efrati (Israel) | | | | | | | | (121) | |
| Arigcom (Israel) | | 8 | | | | | | (19) | |
| Tera (Israel) | | 6 | | | 1 | | | (15) | |
| **Total – Other related parties** | **55** | **1,684** | **-** | **-** | **1** | **51** | **-** | **(829)** | **-** |
| **Total** | **393** | **1,902** | **1,409** | **232** | **22** | **260** | **169** | **(1,702)** | **6** |
| **Total as per financial statement** | **171,425** | **155,509** | **76,654** | **168,302** | **62,519** | **105,873** | **391,973** | **(314,759)** | **(3,602)** |
| **% of financial statement total** | **0.23%** | **1.22%** | **1.84%** | **0.14%** | **0.04%** | **0.25%** | **0.04%** | **0.54%** | **-0.17%** |

The trade receivables, revenue from sales and services and other income with related parties refer primarily to:

- the recovery of maintenance costs and condominium fees and the recharge of personnel costs to Amplifin S.p.A.;
- the receivables payable to Amplifin S.p.A. for the renovation of the headquarters based on modern and efficient standards for the use of work spaces;
- trade receivables payable by associates (mainly in Israel) which act as resellers and to which the Group supplies hearing aids.

The trade payables and operating costs refer primarily to:

- commercial transactions with Comfoor BV and Comfoor GmbH, joint ventures from which hearing protection devices are purchased and then distributed in Group stores;
- commercial transactions involving the purchase of hearing aids, other products and services in Turkey and Egypt with, respectively, Meders and Bardissi Import (both companies that belong to their minority shareholders). These companies distribute hearing aids in their respective countries and the purchase conditions applied, defined in the Group's framework agreement, are in line with market conditions;
- existing agreements with the parent company Amplifin S.p.A. for:
  - the lease of the property in Milan at Via Ripamonti No. 133, the registered office and Corporate headquarters of Amplifon S.p.A. and ancillary services including routine property maintenance, cafeteria, office cleaning, porters and security;
  - the rental of retail store space;
- the recharge of personnel costs to the Israeli subsidiary by the minority shareholders Moti Bahar and Asher Efrati, as well as rents, administrative and commercial services by Ortophone (Israel).

The other payables refer to withholding tax on foreign income made by Amplifon S.p.A. during the period when the tax consolidation agreement was still in effect (2014 – 2016) and not recovered by the consolidator Amplifin S.p.A. In accordance with TUIR, the tax credit was reallocated to Amplifon S.p.A. upon termination of the tax consolidation agreement.

Financial transactions refer primarily to a short-term liability payable to the minority shareholder in China, a loan granted to the Group's company in Egypt by the minority shareholder and long-term receivable towards a related party in Israel.

## 16. Contingent liabilities

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

## 17. Financial risk management

The condensed consolidated interim financial statements at 31 March 2019 do not include all the additional information on financial risk management that is required in annual financial statements, therefore reference is made to the financial statements of the Group at 31 December 2018 for a detailed analysis of financial risk management.

## 18. Translation of foreign companies' financial statements

The exchange rates used to translate non-Euro zone companies' financial statements are as follows:

| | 31 March 2019 | | 2018 | 31 March 2018 | |
|---|---|---|---|---|---|
| | Average exchange rate | As at 31 March | As at 31 December | Average exchange rate | As at 31 March |
| Panamanian balboa | 1.136 | 1.124 | 1.145 | 1.136 | 1.124 |
| Australian dollar | 1.594 | 1.582 | 1.622 | 1.563 | 1.604 |
| Canadian dollar | 1.510 | 1.500 | 1.561 | 1.554 | 1.590 |
| New Zealand dollar | 1.667 | 1.650 | 1.706 | 1.690 | 1.710 |
| Singapore dollar | 1.539 | 1.521 | 1.559 | 1.621 | 1.616 |
| US dollar | 1.136 | 1.124 | 1.145 | 1.229 | 1.232 |
| Hungarian florin | 317.908 | 321.050 | 320.980 | 311.027 | 312.130 |
| Swiss franc | 1.132 | 1.118 | 1.127 | 1.165 | 1.178 |
| Egyptian lira | 20.011 | 19.469 | 20.511 | 21.717 | 21.749 |
| Turkish lira | 6.110 | 6.345 | 6.059 | 4.690 | 4.898 |
| New Israeli shekel | 4.139 | 4.076 | 4.297 | 4.254 | 4.326 |
| Argentine peso | 44.225 | 48.935 | 43.159 | 24.182 | 24.819 |
| Chilean peso | 757.94 | 766.02 | 794.37 | 740.19 | 744.58 |
| Colombian peso | 3,560.65 | 3,570.25 | 3,721.81 | 3,513.45 | 3,439.76 |
| Mexican peso | 21.806 | 21.691 | 22.492 | 23.072 | 22.525 |
| Brazilian real | 4.278 | 4.387 | 4.444 | 3.989 | 4.094 |
| Chinese renminbi | 7.664 | 7.540 | 7.875 | 7.815 | 7.747 |
| Indian rupee | 80.072 | 77.719 | 79.73 | 79.126 | 80.296 |
| British pound | 0.873 | 0.858 | 0.895 | 0.883 | 0.875 |
| Polish zloty | 4.302 | 4.301 | 4.301 | 4.179 | 4.211 |

## 19. Segment information

In accordance with IFRS 8 "Operating Segments", the schedules relative to each operating segment are shown below.

The Amplifon Group's business (distribution and personalization of hearing solutions) is organized in three specific geographical areas which comprise the Group's operating segments: Europe, Middle-East and Africa - EMEA - (Italy, France, The Netherlands, Germany, the United Kingdom, Ireland, Spain, Portugal, Switzerland, Belgium, Luxemburg, Hungary, Egypt, Turkey, Poland and Israel), Americas (USA, Canada, Chile, Argentina, Ecuador, Colombia, Panama and Mexico) and Asia-Pacific (Australia, New Zealand, India and China).

The Group also operates via centralized Corporate functions (Corporate bodies, general management, business development, procurement, treasury, legal affairs, human resources, IT systems, global marketing and internal audit) which do not qualify as operating segments under IFRS 8.

These areas of responsibility, which coincide with the geographical areas (the Corporate functions are recognized under EMEA), represent the organizational structure used by management to run the Group's operations. The reports periodically analyzed by the Chief Executive Officer and Top Management are divided up accordingly, by geographical area.

Performances are monitored and measured for each operating segment/geographical area, through 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. Financial expenses are not monitored insofar as they are based on corporate decisions regarding the financing of each region (own funds versus borrowings) and, consequently, neither are taxes. Items in the statement of financial position are analyzed by geographical area without being separated from the Corporate functions which remain part of EMEA. All the information relating to the income statement and the statement of financial position is determined using the same criteria and accounting standards used to prepare the consolidated financial statements.

# Statement of Financial Position as at 31 March 2019 (*)

| (€ thousands) | EMEA | AMERICAS | ASIA PACIFIC | ELIM. | CONSOLIDATED |
|---|---|---|---|---|---|
| Goodwill | 804,462 | 124,337 | 251,727 | - | 1,180,526 |
| Intangible fixed assets with finite useful life | 284,589 | 26,180 | 49,972 | - | 360,741 |
| Tangible fixed assets | 155,513 | 12,760 | 24,877 | - | 193,150 |
| Right-of-use assets | 379,268 | 17,672 | 38,442 | - | 435,382 |
| Investments valued at equity | 2,102 | - | - | - | 2,102 |
| Hedging instruments | 6,920 | - | - | - | 6,920 |
| Deferred tax assets | 70,303 | 2,649 | 4,359 | - | 77,311 |
| Contract costs | 5,575 | 157 | 71 | - | 5,803 |
| Other assets | 24,572 | 36,958 | 989 | - | 62,519 |
| **Total non-current assets** | | | | | **2,324,454** |
| Inventories | 59,457 | 5,162 | 3,972 | - | 68,591 |
| Receivables | 180,117 | 47,494 | 23,814 | (3,346) | 248,079 |
| Contract costs | 3,820 | 126 | 80 | - | 4,026 |
| Other financial assets | | | | | 117 |
| Cash and cash equivalents | | | | | 91,777 |
| **Total current assets** | | | | | **412,590** |
| **TOTAL ASSETS** | | | | | **2,737,044** |
| | | | | | |
| **Net Equity** | | | | | **628,348** |
| Medium/long-term financial liabilities | | | | | 811,677 |
| Lease liabilities | | | | | 365,002 |
| Provisions for risks and charges | 21,437 | 27,691 | 529 | - | 49,657 |
| Liabilities for employees' benefits | 17,916 | 177 | 1,850 | - | 19,943 |
| Hedging instruments | 3,839 | - | - | - | 3,839 |
| Deferred tax liabilities | 69,525 | 18,159 | 11,827 | - | 99,511 |
| Payables for business acquisitions | 14,951 | 322 | - | - | 15,273 |
| Contract liabilities | 111,764 | 7,281 | 1,768 | - | 120,813 |
| Other long-term debt | 7,068 | 2,835 | 481 | - | 10,384 |
| **Total non-current liabilities** | | | | | **1,496,099** |
| Trade payables | 109,008 | 35,482 | 14,357 | (3,338) | 155,509 |
| Payables for business acquisitions | 8,038 | 480 | 209 | - | 8,727 |
| Contract costs | 79,499 | 7,980 | 8,119 | - | 95,598 |
| Other payables | 149,956 | 8,141 | 10,212 | (7) | 168,302 |
| Hedging instruments | 13 | - | - | - | 13 |
| Provisions for risks and charges | 5,946 | 1,056 | - | - | 7,002 |
| Liabilities for employees' benefits | 424 | 67 | - | - | 491 |
| Lease liabilities | | | | | 71,082 |
| Short-term financial liabilities | | | | | 105,873 |
| **Total current liabilities** | | | | | **612,597** |
| **TOTAL LIABILITIES** | | | | | **2,737,044** |

(*) The items in the statement of financial position are analyzed by the CEO and the Top Management by geographical area without being separated from the Corporate functions which are included in EMEA.

# Statement of Financial Position as at 31 December 2018 (*)

| (€ thousands) | EMEA | AMERICAS | ASIA PACIFIC | ELIM. | CONSOLIDATED |
|---|---|---|---|---|---|
| Goodwill | 793,332 | 122,184 | 245,945 | - | 1,161,461 |
| Intangible fixed assets with finite useful life | 284,351 | 24,985 | 50,066 | - | 359,402 |
| Tangible fixed assets | 155,319 | 9,807 | 23,815 | - | 188,941 |
| Investments valued at equity | 2,025 | - | - | - | 2,025 |
| Hedging instruments | 3,725 | - | - | - | 3,725 |
| Deferred tax assets | 69,295 | 1,761 | 4,285 | - | 75,341 |
| Contract costs | 5,391 | 137 | 66 | | 5,594 |
| Other assets | 22,360 | 37,537 | 782 | - | 60,679 |
| **Total non-current assets** | | | | | **1,857,168** |
| Inventories | 53,313 | 5,084 | 3,343 | - | 61,740 |
| Receivables | 184,712 | 42,338 | 17,420 | (1,636) | 242,834 |
| Contract costs | 3,660 | 120 | 73 | - | 3,853 |
| Other financial assets | | | | | 60 |
| Cash and cash equivalents | | | | | 89,915 |
| **Total current assets** | | | | | **398,402** |
| **TOTAL ASSETS** | | | | | **2,255,570** |
| | | | | | |
| **Net Equity** | | | | | **595,947** |
| Medium/long-term financial liabilities | | | | | 872,669 |
| Provisions for risks and charges | 20,286 | 27,240 | 517 | - | 48,043 |
| Liabilities for employees' benefits | 18,368 | 177 | 1,745 | - | 20,290 |
| Hedging instruments | 1,957 | - | - | - | 1,957 |
| Deferred tax liabilities | 69,677 | 17,337 | 11,918 | - | 98,932 |
| Payables for business acquisitions | 15,827 | 309 | - | - | 16,136 |
| Contract liabilities | 110,228 | 6,859 | 1,704 | - | 118,791 |
| Other long-term debt | 6,521 | 13 | 877 | - | 7,411 |
| **Total non-current liabilities** | | | | | **1,184,229** |
| Trade payables | 123,002 | 39,716 | 12,011 | (1,629) | 173,100 |
| Payables for business acquisitions | 11,732 | 711 | 200 | - | 12,643 |
| Contract costs | 77,977 | 7,606 | 8,109 | - | 93,692 |
| Other payables | 134,058 | 6,729 | 10,038 | (7) | 150,818 |
| Hedging instruments | 58 | - | - | - | 58 |
| Provisions for risks and charges | 5,389 | 1,103 | - | - | 6,492 |
| Liabilities for employees' benefits | 410 | 66 | - | - | 476 |
| Short-term financial liabilities | | | | | 38,115 |
| **Total current liabilities** | | | | | **475,394** |
| **TOTAL LIABILITIES** | | | | | **2,255,570** |

(*) The items in the statement of financial position are analyzed by the CEO and the Top Management by geographical area without being separated from the Corporate functions which are included in EMEA.
Moreover, 2018 Balance Sheet has been revised for the temporary allocation of the GAES acquisition price.

# Income Statement – First quarter 2019 (*)

| | Frist quarter 2019 | | | | |
|---|---|---|---|---|---|
| (€ thousands) | EMEA | AMERICAS | ASIA PACIFIC | CORPORATE | CONSOLIDATED |
| Revenues from sales and services | 283,763 | 63,102 | 44,415 | 693 | 391,973 |
| Operating costs | (223,567) | (50,517) | (30,374) | (10,301) | (314,759) |
| Other income and costs | 255 | 132 | (74) | (10) | 303 |
| **Gross operating profit by segment (EBITDA)** | **60,451** | **12,717** | **13,967** | **(9,618)** | **77,517** |
| **Amortization, depreciation and impairment** | | | | | |
| Amortization | (8,732) | (1,100) | (2,002) | (1,776) | (13,610) |
| Depreciation | (7,863) | (404) | (1,172) | (304) | (9,743) |
| Impairment and impairment reversals of non-current assets | (17,961) | (868) | (2,366) | - | (21,195) |
| | (69) | - | (26) | - | (95) |
| | **(34,625)** | **(2,372)** | **(5,566)** | **(2,080)** | **(44,643)** |
| **Operating result by segment** | | | | | |
| Revenues from sales and services | **25,826** | **10,345** | **8,401** | **(11,698)** | **32,874** |
| **Financial income, charges and value adjustments to financial assets** | | | | | |
| Group's share of the result of associated companies valued at equity | 72 | - | - | - | 72 |
| Other income and charges, impairment and revaluations of financial assets | | | | | - |
| Interest income and charges | | | | | (3,602) |
| Other financial income and charges | | | | | (2,892) |
| Exchange gains and losses | | | | | 185 |
| Gain (loss) on assets measured at fair value | | | | | (345) |
| | | | | | **(6,582)** |
| **Net profit (loss) before tax** | | | | | **26,292** |
| Tax | | | | | (8,555) |
| **Total net profit (loss)** | | | | | **17,737** |
| Minority interests | | | | | (11) |
| **Net profit (loss) attributable to the Group** | | | | | **17,748** |

(*) For the purposes of reporting on economic data by geographic area, please note that the Corporate structures are included in EMEA.

# Income Statement – First quarter 2018 (*)

| | First quarter 2018 | | | | |
|---|---|---|---|---|---|
| (€ thousands) | EMEA | AMERICAS | ASIA PACIFIC | CORPORATE | CONSOLIDATED |
| Revenues from sales and services | 215,729 | 51,800 | 41,295 | 583 | 309,407 |
| Operating costs | (185,818) | (42,832) | (30,007) | (8,585) | (267,242) |
| Other income and costs | 499 | (8) | 395 | 174 | 1,060 |
| **Gross operating profit by segment (EBITDA)** | **30,410** | **8,960** | **11,683** | **(7,828)** | **43,225** |
| **Amortization, depreciation and impairment** | | | | | |
| Amortization | (4,524) | (939) | (1,982) | (1,108) | (8,553) |
| Depreciation | (6,441) | (303) | (1,171) | (149) | (8,064) |
| Impairment and impairment reversals of non-current assets | (31) | - | (28) | - | (59) |
| | **(10,996)** | **(1,242)** | **(3,181)** | **(1,257)** | **(16,676)** |
| **Operating result by segment** | **19,414** | **7,718** | **8,502** | **(9,085)** | **26,549** |
| **Financial income, charges and value adjustments to financial assets** | | | | | |
| Group's share of the result of associated companies valued at equity | 72 | - | - | - | 72 |
| Other income and charges, impairment and revaluations of financial assets | | | | | 77 |
| Interest income and charges | | | | | (4,432) |
| Other financial income and charges | | | | | (166) |
| Exchange gains and losses | | | | | (222) |
| Gain (loss) on assets measured at fair value | | | | | (47) |
| | | | | | **(4,718)** |
| **Net profit (loss) before tax** | | | | | **21,831** |
| Tax | | | | | (7,277) |
| **Total net profit (loss)** | | | | | **14,554** |
| Minority interests | | | | | (49) |
| **Net profit (loss) attributable to the Group** | | | | | **14,603** |

(*) For the purposes of reporting on economic data by geographic area, please note that the Corporate structures are included in EMEA.

# 20. Accounting policies

## 20.1 Presentation of the financial statements

The condensed consolidated interim financial statements at 31 March 2019 were prepared in accordance with the historical cost method with the exception of derivatives, a few financial investments measured at fair value and assets and liabilities hedged against changes in fair value, as explained in more detail in this report, as well as on a going concern basis.

With regard to reporting formats:

- in the statement of financial position, the Group distinguishes between non-current and current assets and liabilities;
- in the income statement the Group classifies costs by nature insofar as this is deemed to more accurately represent the primarily commercial and distribution activities carried out by the Group;
- in addition to the net profit or loss for the period, the statement of comprehensive income also shows the impact of foreign exchange differences, changes in the cash flow hedge reserve and actuarial gains and losses that are recognized directly at equity; these items are subdivided based on whether they may subsequently be reclassified to profit or loss;
- in the statement of changes in net equity the Group reports all the changes in net equity, including deriving from shareholder transactions (payment of dividends and capital increases);
- the statement of cash flows is prepared using the indirect method to determine cash flow from operations.

## 20.2 Use of estimates in preparing the financial statements

The preparation of the financial statements and explanatory notes requires the use of estimates and assumptions particularly with regard to the following items:

- revenue for services rendered over time recognized based on the effort or the input expended to satisfy the performance obligation;
- provisions for impairment made based on the asset's estimated realizable value;
- provisions for risks and charges made based on a reasonable estimate of the amount of the potential liability, including with regard to any counterparty claims;
- provisions for obsolete inventory in order to align the carrying value of inventory with the estimated realizable value;
- provisions for employee benefits, calculated based on actuarial valuations;
- amortization and depreciation of intangible and tangible fixed assets recognized based on the estimated remaining useful life and the recoverable amount;
- income tax recognized based on the best estimate of the 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 market exchange rates, which are subject to credit/debit valuation adjustments based on market prices;
- the lease term duration was determined on a lease-by-lease basis and is comprised of the "non - cancellable" period along with the impact of any extension or early termination clauses if exercise of that clause is reasonably certain. This property valuation took into account circumstances and facts specific to each asset;

- the discount rate (incremental borrowing rate) applied to future rent payments was determined using the risk-free rate in the country where the agreement was executed, with expirations consistent with the term of the specific lease agreement plus the parent company's credit spread and any costs for additional guarantees.

Estimates and assumptions are periodically reviewed, and any changes made, following the change of the circumstances or the availability of better information, are recognized in the income statement. The use of reasonable estimates is essential to the preparation of the financial statements and does not affect their overall reliability.

The Group tests goodwill for impairment at least once a year. This calls for an estimate of the value in use of the cash-generating unit to which the goodwill has been allocated based on the estimated future cash flows and the after-tax discount rate consistent with market conditions at the date of the valuation.

**International accounting standards and interpretations approved by the IASB and endorsed in Europe**

The following table lists the IFRS/interpretations approved by the IASB, endorsed in Europe and applied for the first time this year.

| Description | Endorsement date | Publication | Effective date | Effective date for Amplifon |
|---|---|---|---|---|
| IFRS 16 "Leases" | 31 Oct '17 | 9 Nov '17 | Periods beginning on or after 1 Jan '19 | 1 Jan '19 |
| Amendments to IFRS 9 "Financial instruments – elements of prepayment with negative" | 22 Mar '18 | 26 Mar '18 | Periods beginning on or after 1 Jan '19 | 1 Jan '19 |
| IFRIC 23 "Uncertainty over income tax treatments" | 23 Oct '18 | 24 Oct '17 | Periods beginning on or after 1 Jan '19 | 1 Jan '19 |
| Annual Improvements to IFRS Standards 2015-2017 Cycle | 14 Mar '19 | 15 Mar '19 | Periods beginning on or after 1 Jan '19 | 1 Jan '19 |
| Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) | 8 Feb '19 | 11 Feb '19 | Periods beginning on or after 1 Jan '19 | 1 Jan '19 |
| Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) | 13 Mar '19 | 14 Mar '19 | Periods beginning on or after 1 Jan '19 | 1 Jan '19 |

Please see note 2 for more information about the impact of IFRS 16 adoption.

During the year the Amplifon Group adopted the provisions of IFRS 9 relating to hedge accounting, for which IAS 39 had previously been used, which did not impact the valuation of the Group's assets, liabilities, costs and revenues.

With regard to the other standards and interpretations described above, adoption did not have a material impact on the valuation of the Group's assets, liabilities, costs and revenues.

## Future accounting standards and interpretations

### International accounting standards and interpretations approved by the IASB but not yet endorsed in Europe

The international accounting standards, interpretations and amendments to existing accounting standards and interpretations approved by IASB, but not yet endorsed for adoption in Europe at 23 April 2019 are listed below:

| Description | Effective date |
|---|---|
| IFRS 17 "Insurance Contracts" (issued on 18 May 2017) | Periods beginning on or after 1 Jan '21 |
| Revised version of the IFRS Conceptual Framework (issued on 29 March 2018) | Periods beginning on or after 1 Jan '20 |
| Amendments to IFRS 3: "Business Combinations" (issued on 22 October 2018) | Periods beginning on or after 1 Jan '20 |
| Amendments to IAS 1 and IAS 8: "Definition of Material" (issued on 31 October 2018) | Periods beginning on or after 1 Jan '20 |

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

## 21. Subsequent events

The main events that took place after the end of the year are described below.

On 15 April 2019, the Articles of Incorporation were updated following the partial subscription of a capital increase servicing stock option plans which resulted in the issue of 20,000 ordinary shares of Amplifon S.p.A. with a par value of €0.02 per share. The share capital, entirely subscribed and paid-in, amounted to €4,527,472.40 at 15 April 2019.

On 17 April 2019, the Shareholders' Meeting of Amplifon S.p.A. after approving the Financial Statements as at 31 December 2018 and a dividend of €0.14 per share, resolved on the following items:

- appointed the Board of Directors for the period 2019-2021, setting the number of Board members at nine. The appointment was made based on list voting, in accordance with the corporate articles of association. Following the vote, the appointed Directors were Susan Carol Holland, Enrico Vita, Andrea Casalini, Maurizio Costa, Laura Donnini, Maria Patrizia Grieco, Lorenzo Pozza, Giovanni Tamburi e Alessandro Cortesi;
- approved the "Stock Grant Plan 2019-2025" in favor of employees and self-employees of the Company and its subsidiaries. During the Shareholders' Meeting, shareholders also approved the list of the potential beneficiaries who are members of the Issuer's Board of Directors or Boards of the Issuer's subsidiaries;
- the Shareholders' Meeting, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code and Art. 132 of Legislative Decree n. 58 of 24 February 1998, also approved a new share buy-back program following revocation of the current program expiring in October 2019. The new authorization will be effective for a period of 18 months from this date and calls for the purchase and disposal, on one or more solutions, on a rotating basis, of up to a total number of new shares which, taking account of the treasury shares already held, does not exceed 10% of Amplifon S.p.A.'s share capital. The proposal is motivated by the need to continue to provide the Company with an efficient means to access treasury shares to service stock-based incentive plans, existing and future, reserved for executives and/or employees and/or staff members of the Company or its subsidiaries, and for potential free allocation of shares to shareholders, as well as to use as a form of payment for extraordinary transactions, including company acquisitions and the exchange of equity interests. The purchase price of the shares will be determined on a case by case basis for each single transaction. The price, however, may not be 10% higher or lower than the stock price registered at the close of the trading session prior to each single purchase.

During the month of April and in the first days of May the company has continued its external growth through acquisitions and purchased about 11 stores in Germany, Andorra, USA and Canada.

After 31 March 2019 the company continued its stock grant remuneration program and granted 33,350 treasury shares as at 7 May 2019. As at the date of the above financial statements, the total of treasury shares in portfolio is 5,628,395, corresponding to 2.486% of the company share capital.

Milan, 7 May 2019

On behalf of the Board of Directors
CEO
Enrico Vita

# Annexes

## Consolidation area

As required by § 38 and 39 of Law 127/91 and § 126 of Consob's resolution 11971 dated 14 May 1999, as amended by resolution 12475 dated 6 April 2000, the following is the list of companies included in the consolidation area of Amplifon S.p.A. at 31 March 2018.

### Parent company:

| Company name | Head office | Currency | Share capital |
|---|---|---|---|
| Amplifon S.p.A. | Milan (Italy) | EUR | 4,527,072 |

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

| Company name | Head office | Direct/Indirect ownership | Currency | Share Capital | % held as at 31/03/2019 |
|---|---|---|---|---|---|
| Amplifon France SAS | Arcueil (France) | D | EUR | 48,550,898 | 100.0% |
| SCI Eliot Leslie | Lyon (France) | I | EUR | 610 | 100.0% |
| Aides Auditives de France SAS | Clermont-Ferrand (France) | D | EUR | 30,000 | 100.0% |
| Audio-Conseil SAS | Angers (France) | D | EUR | 100,000 | 100.0% |
| S.E. Ducastel SAS | Tarbes (France) | I | EUR | 68,602 | 100.0% |
| Audition Chevet Marie Sarl | Saint-Etienne (France) | I | EUR | 6,000 | 100.0% |
| Medical Acoustic Center SAS | Colmar (France) | I | EUR | 8,0001 | 100.0% |
| Elocam Sarl | Colmar (France) | I | EUR | 1,000 | 100.0% |
| Provas Sarl | Colmar (France) | I | EUR | 1,000 | 100.0% |
| Centre Acoustique Médical SAS | Macon (France) | I | EUR | 45,000 | 100.0% |
| Ré Audition SAS | La Rochelle (France) | I | EUR | 400,000 | 100.0% |
| Acoustique Rey Sarl | La Rochelle (France) | I | EUR | 7,623 | 100.0% |
| Conversons Paris 19 Sarl | Paris (France) | I | EUR | 1,000 | 100.0% |
| Conversons Couëron SAS | Paris (France) | I | EUR | 1,000 | 100.0% |
| Audiosons Nantes SAS | Paris (France) | I | EUR | 16,000 | 100.0% |
| Amplifon France Holding | Arcueil (France) | D | EUR | 1 | 100.0% |
| OLM SAS | Paris (France) | I | EUR | 5,000 | 100.0% |
| Conversons 91 | Paris (France) | I | EUR | 14,000 | 100.0% |
| Conversons 93 Sarl | Paris (France) | I | EUR | 10,000 | 100.0% |
| Conversons Lyon SAS | Paris (France) | I | EUR | 1,000 | 100.0% |
| Entendre - Blandine Lannee SAS | Dax (France) | I | EUR | 4,000 | 100.0% |
| Cap Audition SAS | La Rochelle (France) | I | EUR | 10,000 | 100.0% |
| Amplifon Iberica SA | Barcelona (Spain) | D | EUR | 26,578,809 | 100.0% |
| Fundación Amplifon Iberica | Madrid (Spain) | I | EUR | 30,000 | 100.0% |
| GAES S.A. | Barcelona (Spain) | D | EUR | 332,112 | 100.0% |

| Company name | Head office | Direct/Indirect ownership | Currency | Share Capital | % held as at 31/03/2019 |
|---|---|---|---|---|---|
| Instituto Valenciano De La Sordera S.L. | Valencia (Spain) | D | EUR | 12,020 | 100.0% |
| Microson S.A. | Barcelona (Spain) | D | EUR | 61,752 | 100.0% |
| Blambos S.L. | Barcelona (Spain) | I | EUR | 5,959,600 | 100.0% |
| Circulo Famex 25 S.L. | Barcelona (Spain) | I | EUR | 847,523 | 100.0% |
| Centro de Audioprotesistas Españoles S.L. | Girona (Spain) | I | EUR | 120,200 | 100.0% |
| Centre Auditiu Badalona S.L. | Barcelona (Spain) | I | EUR | 75,000 | 100.0% |
| Centre Auditiu Vic S.L. | Barcelona (Spain) | I | EUR | 37,500 | 100.0% |
| Oidos Audionatur S.L. | Barcelona (Spain) | I | EUR | 90,000 | 100.0% |
| Nostar 22 S.L. | Barcelona (Spain) | I | EUR | 3,012 | 100.0% |
| Noalia Plus S.L. | Barcelona (Spain) | I | EUR | 3,012 | 100.0% |
| Nicer Beta S.L. | Barcelona (Spain) | I | EUR | 33,012 | 100.0% |
| Boston Audit S.L. | Barcelona (Spain) | I | EUR | 77,820 | 100.0% |
| Instituto Gallego de la Audición S.L. | Barcelona (Spain) | I | EUR | 10,000 | 100.0% |
| Centeralia S.L. | Barcelona (Spain) | I | EUR | 3,012 | 100.0% |
| Centro Auditivo Benidorm S.L. | Barcelona (Spain) | I | EUR | 3,005 | 100.0% |
| Servicios Audiologicos Castilla y Leon S.L. | Barcelona (Spain) | I | EUR | 27,900 | 100.0% |
| Amplifon Portugal SA | Lisbon (Portugal) | I | EUR | 5,720,187 | 100.0% |
| GAES Portugal SA | Lisbon (Portugal) | I | EUR | 50,000 | 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 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 | Brussels (Belgium) | D | EUR | 495,800 | 100.0% |
| Hoorcentrum Kempeneers BVBA | Brussels (Belgium) | I | EUR | 18,550 | 100.0% |
| Hoorcentrum De Ridder BVBA | Brussels (Belgium) | I | EUR | 6,200 | 100.0% |
| Amplifon Luxemburg Sarl | Luxemburg (Luxemburg) | I | EUR | 50,000 | 100.0% |
| Amplifon RE SA | Luxemburg (Luxemburg) | D | EUR | 3,700,000 | 100.0% |
| Amplifon Deutschland GmbH | Hamburg (Germany) | D | EUR | 6,026,000 | 100.0% |
| Focus Hören AG | Willroth (Germany) | I | EUR | 485,555 | 100.0% |
| Focus Hören Deutschland GmbH | Willroth (Germany) | I | EUR | 25,000 | 100.0% |
| Egger Hörgeräte + Gehörschutz GmbH, Kempten | Kempten (Germany) | I | EUR | 25,100 | 100.0% |
| Egger Hörgeräte + Gehörschutz Oberstdorf GmbH | Oberstdorf (Germany) | I | EUR | 25,000 | 100.0% |
| Egger Hörgeräte + Gehörschutz GmbH, Amberg | Amberg (Germany) | I | EUR | 26,000 | 100.0% |
| Amplifon Poland Sp. z o.o. | Lodz (Poland) | D | PLN | 3,343,580 | 100.0% |
| Amplifon UK Ltd | Manchester (UK) | D | GBP | 76,600,000 | 100.0% |

| Company name | Head office | Direct/Indirect ownership | Currency | Share Capital | % held as at 31/03/2019 |
|---|---|---|---|---|---|
| Amplifon Ltd | Manchester (UK) | I | GBP | 1,800,000 | 100.0% |
| Ultra Finance Ltd | Manchester (UK) | I | GBP | 75 | 100.0% |
| Amplifon Ireland Ltd | Wexford (Ireland) | I | EUR | 1,000 | 100.0% |
| Amplifon Cell | Ta' Xbiex (Malta) | D | EUR | 1,000,125 | 100.0% |
| Makstone İşitme Ürünleri Perakende Satış A.Ş. | Istanbul (Turkey) | D | TRY | 300,000 | 51.0% |
| Medtechnica Ortophone Ltd (*) | Tel Aviv (Israel) | D | ILS | 1,000 | 80.0% |
| Medtechnica Ortophone Shaked Ltd (*) | Tel Aviv (Israel) | I | ILS | 1,001 | 80.0% |
| Amplifon Middle East SAE | Cairo (Egypt) | D | EGP | 3,000,000 | 51.0% |
| Miracle Ear Inc. | St. Paul (USA) | I | USD | 5 | 100.0% |
| Elite Hearing, LLC | Minneapolis (USA) | I | USD | 1,000 | 100.0% |
| Amplifon USA Inc. | Dover (USA) | D | USD | 52,500,010 | 100.0% |
| Amplifon Hearing Health Care, Inc. | St. Paul (USA) | I | USD | 10 | 100.0% |
| Ampifon IPA, LLC | New York (USA) | I | USD | 1,000 | 100.0% |
| ME Pivot Holdings LLC | Minneapolis (USA) | I | USD | 2,000,000 | 100.0% |
| Miracle Ear Canada Ltd. | Vancouver (Canada) | I | CAD | 53,000,200 | 100.0% |
| Boreal Hearing Centre Inc. | Thunder Bay (Canada) | I | CAD | 0 | 100.0% |
| Sound Authority, Inc. | Orangeville (Canada) | I | CAD | 0 | 100.0% |
| 2279662 Ontario Ltd | Stouffville (Canada) | I | CAD | 0 | 100.0% |
| 6793798 Manitoba Ltd | Winnipeg (Canada) | I | CAD | 0 | 100.0% |
| 2332325 Ontario Ltd | Stouffville (Canada) | I | CAD | 0 | 100.0% |
| Amplifon South America Holding LTDA | São Paulo (Brazil) | D | BRL | 3,636,348 | 100.0% |
| GAES S.A. | Santiago (Chile) | D | CLP | 1,381,655,108 | 100.0% |
| GAES Servicios Corporativo de Latinoamerica Spa | Santiago (Chile) | I | CLP | 10,000,000 | 100.0% |
| GAES S.A. | Buenos Aires (Argentina) | D | ARS | 1,057,770 | 100.0% |
| GAES Colombia SAS | Bogotà (Colombia) | I | COP | 10,000,000,000 | 100.0% |
| Soluciones Audiologicas de Colombia SAS | Bogotà (Colombia) | I | COP | 45,000,000 | 100.0% |
| Audiovital S.A. | Quito (Ecuador) | I | USD | 430,337 | 100.0% |
| Centros Auditivos GAES Mexico sa de cv | Mexico City (Mexico) | I | MXN | 50,000 | 100.0% |
| Compañía de Audiologia y Servicios Medicos sa de cv | Aguascalientes (Mexico) | I | MXN | 43,306,212 | 66.4% |
| GAES Panama S.A. | Panama (Panama) | I | PAB | 10,000 | 100.0% |
| Amplifon Australia Holding Pty Ltd | Sydney (Australia) | D | AUD | 392,000,000 | 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 Asia Pacific Pte Limited | Singapore (Singapore) | I | SGD | 1,000,000 | 100.0% |
| Amplifon NZ Ltd | Takapuna (New Zealand) | I | NZD | 130,411,317 | 100.0% |
| Bay Audiology Ltd | Takapuna (New Zealand) | I | NZD | 0 | 100.0% |
| Dilworth Hearing Ltd | Auckland (New Zealand) | I | NZD | 0 | 100.0% |
| Amplifon India Pvt Ltd | Gurgaon (India) | I | INR | 1,230,000,000 | 100.0% |
| NHanCe Hearing Care LLP (on liquidation) (**) | Gurgaon (India) | I | INR | 1,000,000 | 0.0% |
| Beijing Cohesion Hearing Science &Technology Co. Ltd. (***) | Beijing (China) | D | CNY | 2,000,000 | 100.0% |

*(*) Medtechnica Ortophone Ltd and its subsidiary Medtechnica Ortophone Shaked Ltd, despite being owned by Amplifon at 80%, are consolidated at 100% without exposure of non-controlling interest due to the put-call option exercisable from 2019 and related to the purchase of the remaining 20%.*
*(**) Consolidated company because the Amplifon Group has de facto control.*
*(***) Beijing Cohesion Hearing Science &Technology Co. Ltd., despite being owned by Amplifon at 51%, is consolidated at 100% without exposure of non-controlling interest due to the put-call option exercisable from 2022 and related to the purchase of the remaining 49%.*

## Companies valued using the equity method:

| Company name | Head office | Direct/Indirect ownership | Currency | Share Capital | % held at 31/03/2019 |
|---|---|---|---|---|---|
| B2C SAS (on liquidation) | Ajaccio (France) | I | EUR | 16,165 | 21.0% |
| Comfoor BV | Doesburg (The Netherlands) | I | EUR | 18,000 | 50.0% |
| Comfoor GmbH | Emmerich am Rhein (Germany) | I | EUR | 25,000 | 50.0% |
| Ruti Levinson Institute Ltd | Ramat HaSharon (Israel) | I | ILS | 105 | 12.0% |
| Afik - Test Diagnosis & Hearing Aids Ltd | Jerusalem (Israel) | I | ILS | 100 | 12.0% |
| Lakeside Specialist Centre Ltd | Mairangi Bay (New Zealand) | I | NZD | 0 | 50.0% |
| Auditiva 2014 S.A. | Andorra la Vella (Andorra) | I | EUR | 3,000 | 50.0% |

## Declaration of the Executive Responsible for Corporate Accounting Information pursuant to Article 154-bis of Legislative Decree 58/1998 (Testo Unico della Finanza)

The undersigned Gabriele Galli, Chief Financial Officer of the Amplifon Group, as Executive Responsible for Corporate Accounting Information hereby declares that the quarterly report at 31 March 2019 corresponds to the results documented in the books, accounting and other records of the Company.

Milan, 7 May 2019

Executive Responsible for Corporate
Accounting Information

Gabriele Galli