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ANNUAL REPORT 2020

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ANNUAL REPORT 2020

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ANNUAL REPORT 2020

YESTERDAY

WE ARE DRIVEN BY AN IDEA

TODAY

WE ARE WHAT WE DO

TOMORROW

LOOKING AHEAD

1950 - 2020

70 YRS AHEAD

YESTERDAY, TODAY

WE ARE DRIVEN BY AN IDEA

In 1950 we started believing in an idea, the idea that we could make something impactful for people, being always by their side.

LOOKING AHEAD

We are pleased to celebrate an important milestone, heartfeltly reached through dedication, feet set on the present and eyes always looking at the future.

TOGETHER, WE MAKE DREAMS COME TRUE

Today we are proud to say that any limit can be overcome if we only work together, embracing change, aiming to grow and go and beyond.

TOMORROW

TO IMPROVE PEOPLE'S LIVES

Time has passed, but we continue to be guided by the same purpose: empower people to rediscover all the emotions of sound.

TO MAKE A DIFFERENCE

Listening, forward thinking and attention to our customers will continue to allow us to transform the way hearing care is perceived and experienced also in the future.

TO CONTINUE TO GROW

The future is an opportunity in our hands. Our commitment to offer an extraordinary experience to our customers allow us to be always one step ahead, to continue to grow and strengthen our global leadership.

70 YRS AHEAD

This year is a unique occasion to celebrate not only our history,
but also, and above all, our future.

**WE WILL NEVER STOP
THINKING AHEAD
TO BUILD TOMORROW TOGETHER**

HISTORY

Innovation and service, since 1950

1950
FOUNDATION

Algernon Charles Holland founds Amplifon in Milano to provide hearing solutions for people experiencing hearing loss after World War II.

1971
THE CRS

The Centre for Research and Studies (CRS) is founded to promote clinical research and disseminate innovation in the fields of audiology and otology.

90's
INTERNATIONALIZATION

In the early 90's, we begin our expansion in Europe and in 1999, with the acquisition of Miracle-Ear, we enter the North American market, strengthening our international leadership.

2010
A NEW GLOBAL DIMENSION

With the acquisition of National Hearing Care (NHC), we expand our activities to Australia, New Zealand, and India. In 2014, we are present in 22 countries.

2000 - 2010
CONTINUOUS EXPANSION

In addition to strengthening our presence in core markets such as the USA, the Netherlands and France, we also enter Canada, Hungary, Egypt, Germany, the United Kingdom and Ireland, Belgium and Luxembourg.

2001
LISTING ON THE STOCK EXCHANGE

In 2001 we are listed on the Italian Stock Exchange and, in 2008, we become part of the STAR Segment, for companies committed to complying with stricter requirements. Then, in 2018, we enter the FTSE-MIB index, in 2019 the Stoxx Europe 600 and in 2020 we become part of the MSCI Global Standard index.

70 YRS AHEAD

2020
AGILITY & DECISIVE REACTION

2020 results, in a year profoundly marked by the COVID-19 pandemic, confirm the resilience of our business, the strength of our competitive positioning, as well as the soundness of the industry fundamentals. The timeliness and efficacy of the initiatives carried out since the very beginning of the health crisis led to an increased efficiency that is destined to remain in the years to come.

2015
NON-STOP GROWTH

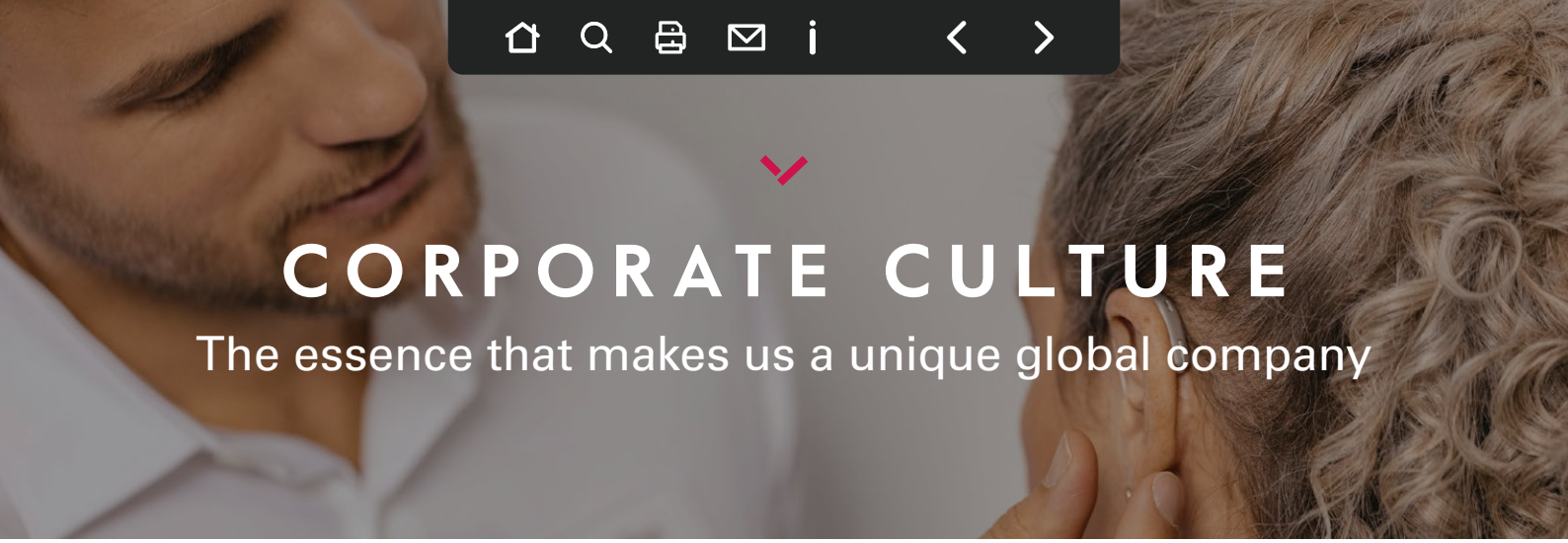
We continue to grow, and our revenues exceed the billion-euro threshold in 2015, thanks to a solid strategy, careful planning, and strong execution.

2018
STRONG INNOVATION AND CONTINUOUS EXPANSION

We pursue a strong technological innovation program in the customer experience with the launch of the Amplifon Product Line and proprietary ecosystem in Italy. We further consolidate our global leadership position with the acquisition of GAES, the largest privately-owned hearing care retailer worldwide, and enter the Chinese market.

2019
PERFECT EXECUTION OF A WINNING STRATEGY

We successfully roll-out the Amplifon Product Experience in France, Germany, the Netherlands, the USA and Australia, leveraging on data, brand, as well as an impeccable and decidedly personalized service. Additionally, the GAES integration process continues with results well above expectations.



CORPORATE CULTURE

The essence that makes us a unique global company

OUR PURPOSE

We empower people to rediscover all the emotions of sound.

OUR MISSION

We transform the way in which hearing care is perceived and experienced across the world, so that everyone naturally turns to the high-quality service and professionalism offered by our specialists.

Each day we strive to understand the unique needs of each customer, guaranteeing each and every one of them the best solution and a fantastic experience.

We select, develop and grow the best talent who share our ambition to change the lives of millions of people around the world.

OUR VALUES

CUSTOMER DEVOTION
We serve our customers' best interests with passion and seek to surprise them by always going the extra-mile.

PERSONAL IMPACT
We empower our people to think freely, perform and succeed, working together to make a lasting difference.

EVERYDAY EXCELLENCE
We take accountability for setting and delivering the highest standards of quality, and never give up.

FORWARD THINKING
We listen to the world around us and embrace every challenge with the ambition to learn, grow and innovate.

ACTING RESPONSIBLY
We do well by doing good, acting with true integrity, and showing respect to everyone, every time.

TODAY

WE ARE THE OFFSPRING OF A HISTORY THAT LOOKS AHEAD

LETTER TO SHAREHOLDERS

2020, resilience, agility and strong execution in an exceptionally challenging environment

Dear Shareholders,
2020 will certainly be remembered all over the world for the Covid-19 pandemic, an unprecedent health crisis of epic proportions bearing profound social, economic and financial consequences. A human tragedy of which the scars will remain visible for a long time. We are close to all of those who lost their dear ones and remind with the utmost gratitute all those who did their best to assist, care for and help the victims.

> In this situation, our absolute priority was to safeguard the health of our people, thanks to the implementation of a rigorous protocol to ensure the highest safety in our stores, continuous support and superior service to our customers, besides adopting remote-work for the back-office. Moreover, being conscious of the importance of the service we provide, we decided since the very beginning of the outbreak to keep at least part of our stores always open to offer the assistance our clients needed also during the most severe lockdowns.

Such decision, different from those taken by several other hearing care retailers and not always economically convenient, allowed us to guarantee what the governmental authorities defined as an "essential service", thus further increasing the trust our customers devote to Amplifon and strengthening our competitive positioning.
The performance of the Company, which had been very positive and growing in the first two months of 2020, was severely impacted since the beginning of March by the effects of the pandemic and, above all, by the adoption of restrictive measures by the authorities of the different countries to contain the outbreak. Even if hearing care services were considered essential services in most of the countries in which we operate, allowing us to keep our shops open, the progressive lockdown measures introduced in several countries caused, mainly between March and June of last year, a generalized drop in the Group's store traffic and, consequently, in revenues.

> We have, however, starting already in March, taken immediate and decisive actions to mitigate the financial impact of the health emergency triggered by Covid-19 through measures aimed at containing costs, maximizing cash generation, and safeguarding the net financial position, as well as further strengthening our already solid financial structure.

Moreover, in June, once the first signs of recovery were visible following the gradual easing of the restrictive measures, we have swiftly decided to reactivate our growth investments, mainly those in marketing, further accelerating the recovery of our business, and confirming the validity of the market fundamentals and the unchanged behavior of our customers.

2020 results reflect the dynamics described above. Revenues came to 1,555.5 million euros, down 9.3% at constant exchange rates compared to 2019 due to the Covid-19 outbreak, but well above the reference market performance and strongly improving in the second half of the year. All that testifies to the resilience of our business. EBITDA came to 371 million euros, with the margin at 23.8%, around 110 basis points higher than in 2019 notwithstanding the impact of the pandemic, thanks to the timely cost containment measures. Net profit was 101 million euros compared to the recurring 127 million euros and reported 108.7 million euros registered in 2019. These results allow us to propose a dividend distribution of 0.22 euro for each ordinary share to shareholders, with a pay-out of around 49%.

Finally, also the balance sheet and financial indicators show excellent results in this unprecedented period, with free cash flow reaching the record level of 257 million euros and favoring an improvement of around 150 million euros in net financial indebtedness compared to December 31st, 2019, with a financial leverage that also improves at year-end. We have also further strengthened our financial structure, thus closing the year with a liquidity position of around 800 million euros including cash on balance sheet and undrawn committed revolving facilities.

Through 2020 we have also continued, despite the impact of the pandemic, the implementation of our several strategic initiatives: we completed the roll-out of our Amplifon Product Experience – which comprises the Amplifon product line and the Amplifon multichannel ecosystem – in the US and in Germany, as well as launched it in the United Kingdom with great results.

We have also continued with the GAES integration in Spain, and successfully pursued our consolidation process, always in line with our strategy of further strengthening our position in core markets. In February we completed the acquisition of Attune Hearing, the largest independent hearing healthcare player in Australia and in December the acquisition of the hearing care business of PJC Investments, our second largest Miracle-Ear franchisee in the United States.

> “
>
> We are very satisfied indeed with the excellent results achieved in 2020, which clearly confirm the resilience of our business, the agility of our organization and the strong execution capabilities. We can surely say we emerged even stronger from an exceptionally challenging scenario.

We conclude by reminding that this year we present our fifth Sustainability Report that, besides reporting the Company’s sustainability performances, is enriched by an essential component: a sustainability plan with objectives aligned to our business strategy and to the United Nations’ 2030 Agenda for Sustainable Development.

This is a particularly important year for us as it represents not only the 70th year since Amplifon was founded in 1950 by Algernon Charles Holland, but also a great challenge from which we emerged even stronger. We want to thank each of our 17,500 people, the management, and the Board members, expressing our greatest appreciation for their passion, extreme commitment, and sense of responsibility also in this difficult year. We also want to thank our clients for their trust which recognizes the uniqueness of the value we bring them; our partners who shared strategies to face common difficulties together and all our shareholders who continued to show us their trust and support.

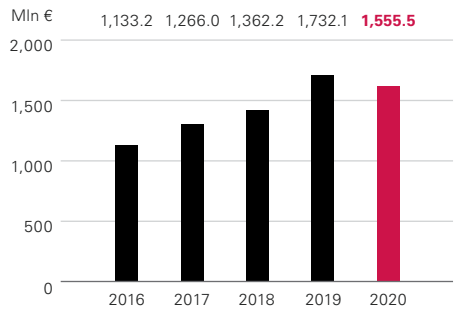
SUSAN CAROL HOLLAND
Chairperson

ENRICO VITA
Chief Executive Officer

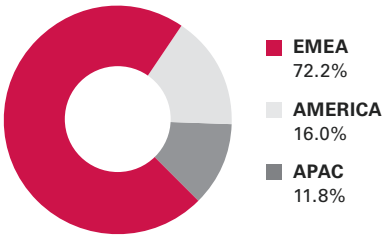
2020 HIGHLIGHTS

Swift recovery and great agility in facing the effects of COVID-19

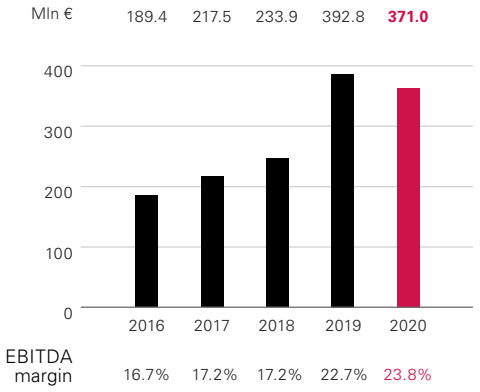
REVENUES
(MILLION EUROS)



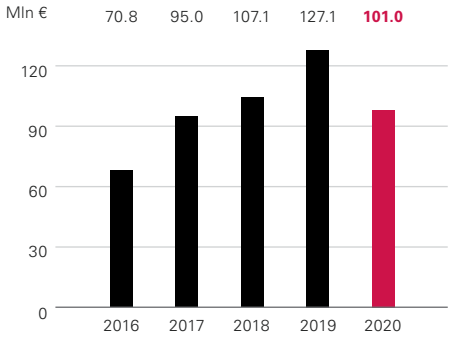
2020 REVENUES BY REGION



EBITDA[1]
(MILLION EUROS)



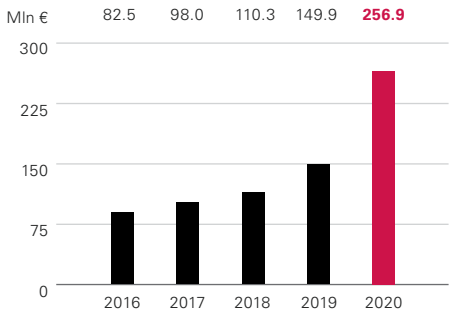
NET PROFIT[1]
(MILLION EUROS)



[1] Recurring data and without the application of the accounting principle IFRS16 from 2016 to 2018.

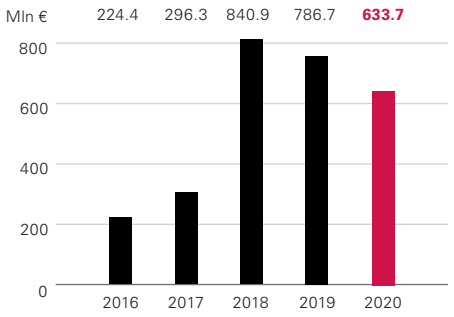
FREE CASH FLOW

(MILLION EUROS)



NET FINANCIAL DEBT[2]

(MILLION EUROS)



GLOBAL LEADER IN HEARING CARE

>11%
GLOBAL MARKET SHARE

1,350
SHOPS IN FRANCHISING

27[3]
COUNTRIES

4,100
SHOP-IN-SHOP & CORNERS

3,950
CORPORATE SHOPS

2,000
NETWORK AFFILIATES

PEOPLE

BY ROLE

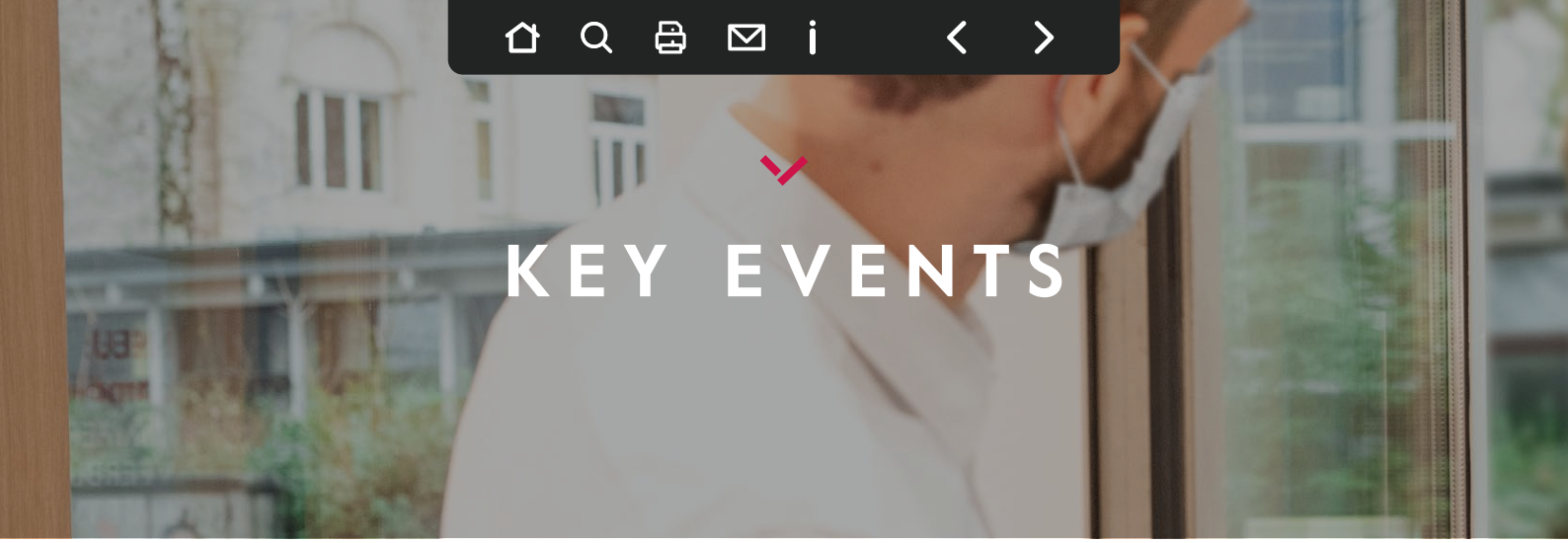
- HEARING CARE PROFESSIONALS 52.0%
- OTHER SHOP PERSONNEL 35.0%
- SUPPORT FUNCTIONS 13.0%

BY REGION

- EMEA 57.4%
- AMERICAS 28.9%
- APAC 12.6%
- CORPORATE 1.1%

[2] Data without lease liabilities.

[3] In 2020 the shop in Andorra was closed.



KEY EVENTS

FEBRUARY 5TH, 2020

PLACEMENT OF €350 MILLION BOND

We successfully placed non-convertible bond notes for 350 million euros with 7-year maturity. The issue attracted high quality institutional investors across Europe, and total demand exceeded 3 billion euros, implying an oversubscription rate of the amount of notes initially offered of over 10 times. The issuance of the notes is in line with our goal of constantly optimizing our financial structure through diversification of sources of funding and extension of average debt maturity.

FEBRUARY 6TH, 2020

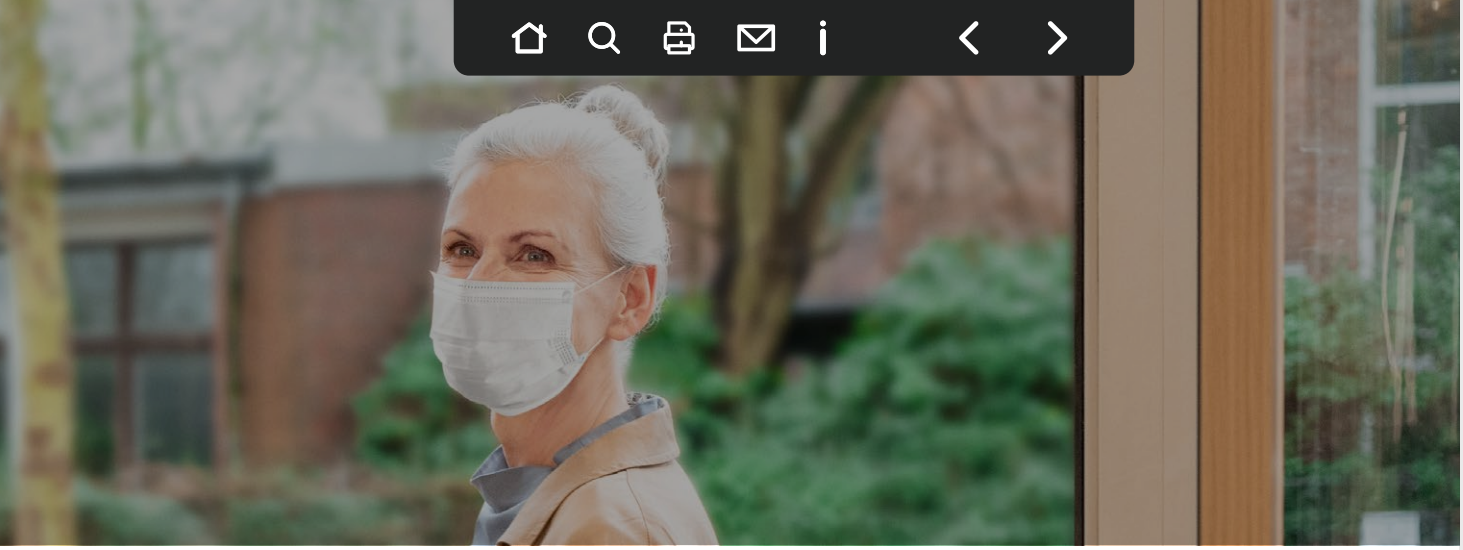
ACQUISITION OF ATTUNE HEARING

We finalized the acquisition of Attune Hearing, the largest independent hearing healthcare player in Australia with 55 points of sale. The transaction perfectly fits our strategy aimed at further strengthening our position in the core Australian market, complementing Amplifon retail business with Attune's integrated medical model.

JANUARY - DECEMBER 2020

A SINGLE GLOBAL CLOUD PLATFORM

In 2020 we started the roll-out of *One Amplifon Transformation* – a program aimed at simplifying the way tasks are performed by our people, harmonizing operational processes withing the group and optimizing decision-making processes through a single integrated global cloud-based platform. In fact, the finance, procurement and human resources processes in Italy, United Kingdom and Australia and the financial management of the new supply chain process for the direct procurement in the Netherlands, United Kingdom and Australia are now managed by means of our new ERP system, which will be implemented in all the other countries in the coming years.



SEPTEMBER 1ST, 2020

AMPLIFON PRODUCT EXPERIENCE IN 7 COUNTRIES

Provided the excellent results reached by the Amplifon Product Experience in Italy, where it was launched in 2018, and in France, Germany, the Netherlands, the United States and Australia in 2019, the roll-out was extended to the United Kingdom despite the persisting pandemic. Our strong customer experience program, which combines the Amplifon product line and our multichannel ecosystem, places us in the forefront of digital technologies and allows the use of big data to be always more efficient in personalizing customers' experience.

NOVEMBER 30TH, 2020

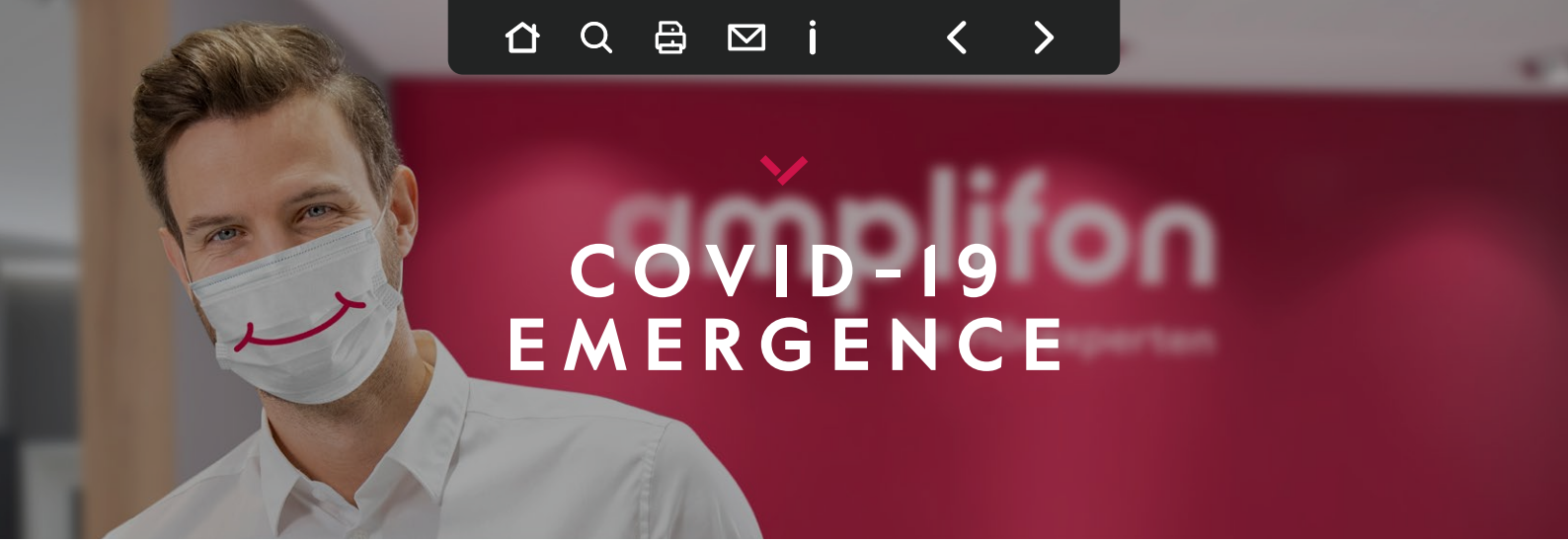
ENTERING THE MSCI GLOBAL STANDARD INDEX

Amplifon shares are listed on the Electronic Stock Exchange (MTA) of the Italian Stock Exchange since 2001, part of the STAR segment of the Italian Stock Exchange since 2008 and part of the FTSE MIB since December 2018. Since June 24th, 2019 they are part of the Stoxx Europe 600 index, and since November 30th, 2020 they became part of the MSCI Global Standard index.

DECEMBER 2020

ACQUISITION OF THE HEARING CARE BUSINESS OF PJC INVESTMENTS

We finalized the acquisition of the hearing care business of PJC investments, the second largest Miracle-Ear franchisee with 110 points of sales located in the states most densely populated by senior citizens in the US, the major market in hearing care worldwide. The acquisition allows us to combine PJC's 110 stores with the 59 corporate stores owned by Miracle-Ear to accelerate growth in the core US market. The new entity will represent a great platform to develop, implement and share best practices and processes which will then be deployed to the entire Miracle-Ear franchise network.



COVID-19 EMERGENCE

SAFETY PROTOCOL

Since the very beginning of the pandemic, our absolute priority has been safeguarding the health of our people, as well as providing continuous support and service to our customers: a service considered as essential in most of the countries in which we operate. In fact, conscious of the importance of the service we provide, we decided to keep a part of our stores always open to offer the assistance our clients needed.

Such decision was possible thanks to the implementation of a rigorous operational protocol, developed in collaboration with expert virologists and audiologists to ensure the highest levels of safety in our several countries of operation. All the recommendations and measures foreseen by the protocol follow the international guidelines to prevent the transmission of the virus (WHO, ECDC, EU), safeguarding all our stakeholders and, above all, the over-70s population, which accounts for a significant portion of customers and more often requires audiological assistance to maintain the best possible quality of life. The protocol foresees, among others, the adoption of personal protection equipment for hearing care professionals and client advisors, visits on an appointment-only basis, following an in-depth telephone triage in order to assess the customers' health condition, strict social distancing and hygiene procedures, as well as remote working practices for back-office personnel and other safety measures.

ACTIONS TO MITIGATE THE FINANCIAL IMPACT

LABOUR COST

We activated, mainly in the second quarter, government social schemes and other employment support tools which were either already in place or have been implemented to mitigate the impacts of the pandemic in the various countries where we operate. The management voluntarily reduced their remuneration, and, above all, we reached higher efficiency and productivity thanks to the close management of the agenda for the network and of back-office processes.

OTHER OPERATIONAL COSTS

We significantly reduced marketing costs as well as all other discretionary costs during the second quarter, which were then reactivated to accelerate the recovery at the beginning of June. Moreover, several supply and distribution network rent agreements were renegotiated.

ALWAYS CLOSE TO OUR CUSTOMERS, A WINNING DECISION

2020 performance was characterized by very different trends over the reporting period depending on the impact of the COVID-19 outbreak and the restrictive measures adopted to contain its spread. In fact, after a very positive beginning of the year, the Group's performance was severely impacted by the pandemic and the adoption of restrictive measures in the period March-June. Even though hearing care services were categorized as essential services in most countries and our stores could, therefore, continue to operate, the adoption of lockdown measures caused a generalized, significant drop in store traffic and, consequently, in revenues above all in the second quarter.

In order to mitigate the pandemic's effects on our financial and economic results, we immediately adopted, already since March, a decisive action plan with measures aimed at containing costs, maximizing cash generation and safeguarding our net financial position, as well as strengthening our financial structure by refinancing the credit lines.

From July onwards, with the easing of the restrictive measures, the pace of recovery was faster than initially expected and, also thanks to the swift restart of marketing investments, strongly accelerated month-over-month, confirming the unchanged industry fundamentals and consumer behavior. Indeed, as soon as people were allowed to do so, they came back to our stores.

Finally, the restrictive measures reintroduced by the governments at year-end have slightly slowed the pace of revenue growth. Therefore, in 2020, revenues, although influenced by the pandemic primarily in the second quarter, returned to growth since the third quarter and at a much more sustained pace than the reference market. In 2020 we also reached a significant improvement in profitability and maximized cash generation confirming the efficacy of the initiatives implemented since the very first days of the crisis.

The decision to remain open and close to our customers, together with our strong commitment to implement in the best way possible all the measures to mitigate the effects of the pandemic were proofed to be a winning decision. They allowed us not only to guarantee a high level of assistance to our customers, but also to optimize our operating efficiency and productivity – benefits that are destined to remain also in the years to come.

CASH FLOW MAXIMIZATION

Besides carefully managing working capital, non-essential investments and cash-out for acquisitions were suspended mainly during the second quarter. As soon as the conditions allowed it, we restarted investing in the business. Moreover, the entire profit for the year 2019 was allocated as retained earnings, without dividend distribution to shareholders.

REFINANCING ACTIVITY

We further strengthened our financial structure, extending the maturities and increasing the amount of the committed lines by around 380 million euros. This activity allowed us to close the year with a strong liquidity position of around 800 million euros, including cash on balance sheet and undrawn committed revolving facilities.

STRENGTHS

Our global leadership and seventy-year-long history allow us to be the best at interpreting the needs of people who won’t settle for anything else apart from living life to the full.

STRONG COMPETENCIES

Our around 9,100 hearing care specialists perform hundreds of thousands of hearing tests and keep up to date by completing 167,000 hours of training each year. They bring together innovation, scientific knowledge and a highly personalized approach following the exclusive Amplifon 360 protocol to ensure an excellent customer experience.

UNMATCHED BRANDS

Our portfolio of strong, well-known brands allows us to drive real cultural change in the sector, redefining the way in which customers relate to their hearing well-being. United under the Amplifon brand, all of our trademarks invite people to enjoy unique experiences.

INNOVATION

Our attitude of always looking ahead and pushing our limits, leads us to experiment with innovative technologies to develop high value-added services. The Amplifon multichannel ecosystem enables data mining activities, thus allowing us to further differentiate the customer journey and the experience we offer.

GLOBAL DIMENSION

Our global distribution network, interconnected through our databases, lets us stay close to our customers, share excellence among our hearing care specialists in 27 countries and diversify exposure to different markets.

EMPLOYER OF CHOICE

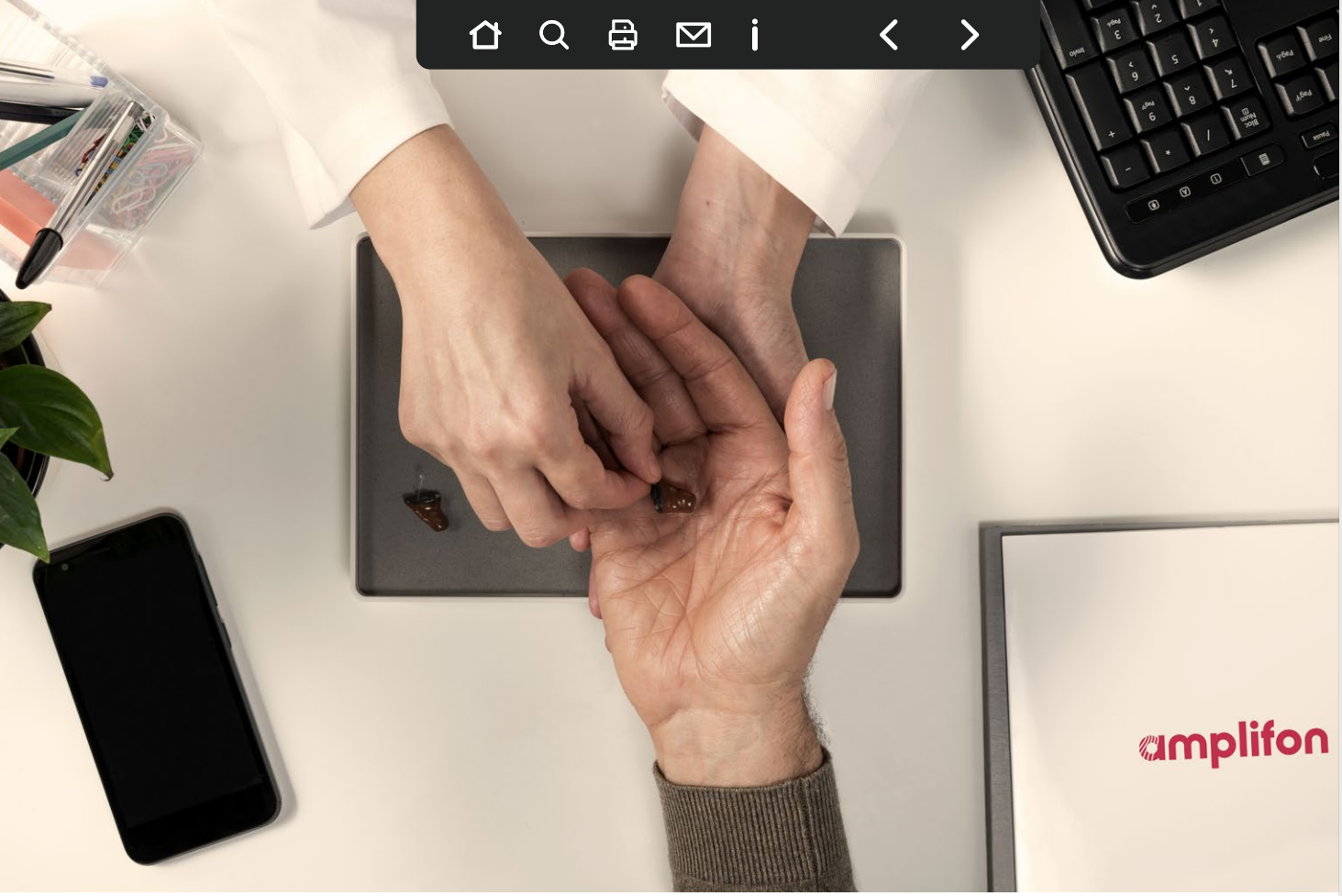
We are the employer of choice thanks to our corporate culture, constant investment in our talent and incentives to professional development, also through assignments within global projects.

SCIENTIFIC LEADERSHIP

Amplifon's Centre for Research and Studies is a specialist partner for the medical and scientific community in the fields of audiology and ENT since 1971. Its prestige is linked to the contribution of internationally recognized experts, whose innovative contribution is fundamental for the continuous theoretical and practical development of the medical community.

BUSINESS MODEL

In all markets, it is the customer experience we offer that makes our service stand out. Wherever we are, we draw on innovative technologies, extensive technical expertise and, above all, empathy: those who choose us have a totally unique and personalized experience.



WE ARE RETAILERS

This means staying continuously in contact with people, listening to their needs and getting to know their expectations.

The success of the hearing solution, and thus the improvement in the ability to hear and communicate, relies above all on the skills of the hearing care specialists to perform hearing tests, select the most suitable devices, correctly fit them and make the most of hearing aid technology, based on the single person's needs.

AMPLIFON 360

We build relationships with our customer through the actively listening of our hearing care specialists and by using technology with a data-driven approach so we can provide an unforgettable experience.

Our 70-year experience and strong drive made it possible to define Amplifon 360: an innovative and personalized journey that is the beginning of a close collaboration between the hearing care specialist and every single individual.

Amplifon 360[4] is our proprietary protocol that integrates pioneering methods and instruments to assess the quality of hearing.

[4] Available in most countries of operation.

The Amplifon 360 protocol focuses on the person and allows us to identify the best-suited hearing solution to every single person's needs and lifestyle through a data-driven approach.

1 IDENTIFYING NEEDS

The hearing care professional identifies people's hearing needs, passions and habits by working together to create a personal profile through a simple yet effective interview.

2 ASSESSING PERCEPTION

Through targeted questions, the hearing care professional understands how each person perceives the quality of their own hearing in different environments and in different situations.

3 360 DEGREE HEARING TEST

Thanks to advanced equipment and our hearing care professionals' training, it is possible to carry out a full, in-depth check-up free of charge through a series of physical tests to evaluate: the quality of hearing, noise tolerance, as well as word comprehension in quiet and in noisy environments.

4 SHARING RESULTS

After collecting all the necessary information, the results of the various tests are gathered together and compared with the person's initial perceptions.

5 CUSTOMIZING THE SOLUTION

Our experts suggest the most suitable solution. This is when the fitting takes place and the device is adjusted using computerized systems to bridge the gap towards the hearing profile outlined by the tests.

During the 30-day free trial period[5], intermediate checks and hearing aid adjustments are carried out to perfect the selected solution. The Amplifon App[6] is a valid ally when adopting the solution as it provides personalized daily assistance.

6 FOLLOW-U P & CONTINUOUS SUPPORT

Amplifon experts are always available to discuss the benefits obtained and the level of satisfaction with each person.

A successful journey is also the result of optimizing hearing aid settings. Amplifon 360, in fact, includes free assistance for an unlimited period of time, with periodic meetings to check, adjust and clean the devices. Each person lives in a real, protected ecosystem in which they can feel at ease and benefit from continuous support, also making use of the data and feedback from the Amplifon App.

7 REPURCHASING

Hearing aids last 4–5 years on average. After this period, customers are naturally keen to continue the relationship of trust established with Amplifon, repeating all the previous stages.

[5] Available in most countries of operation.
[6] Multichannel ecosystem available in Italy, France, Germany, the Netherlands, Australia, the United States, and the United Kingdom.

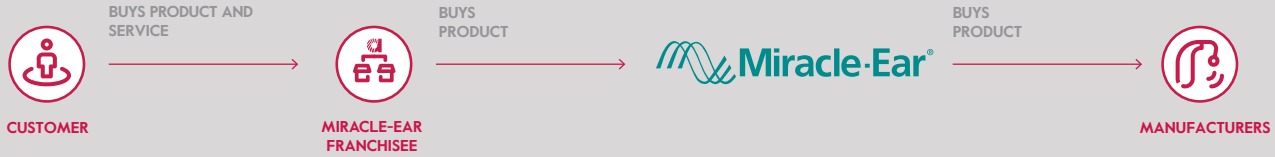
BUSINESS MODELS

BUSINESS-TO-CONSUMER

In EMEA, APAC, Canada, and Latin America, we serve our customers through direct points of sale. In the United States we operate 167 stores with this model under the Miracle-Ear brand.

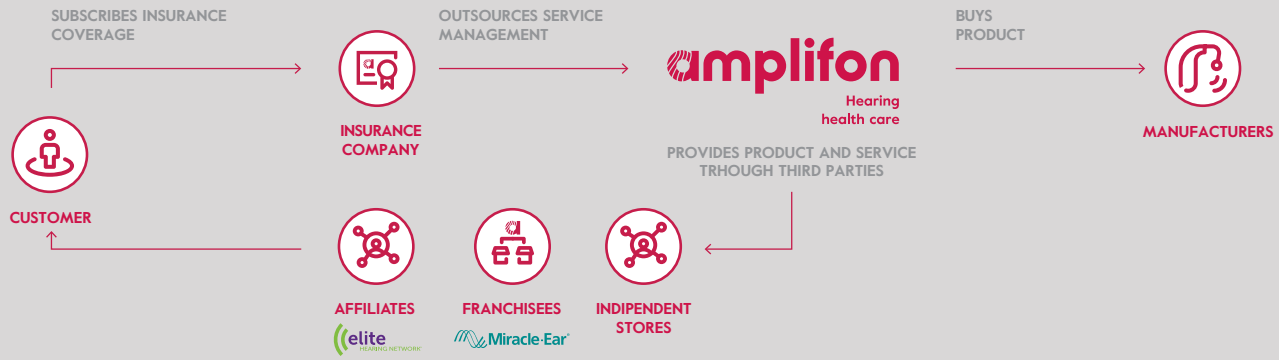
FRANCHISING

Miracle-Ear operates in the United States mainly through a franchised network. Its over 1,300 points of sales provide hearing care services independently according to our strategic guidelines.



MANAGED CARE

Amplifon Hearing Health Care offers hearing care solutions to health plan members in the United State, through a distribution network made of Miracle-Ear shops, Elite Hearing Network affiliates as well as other independent retailers.

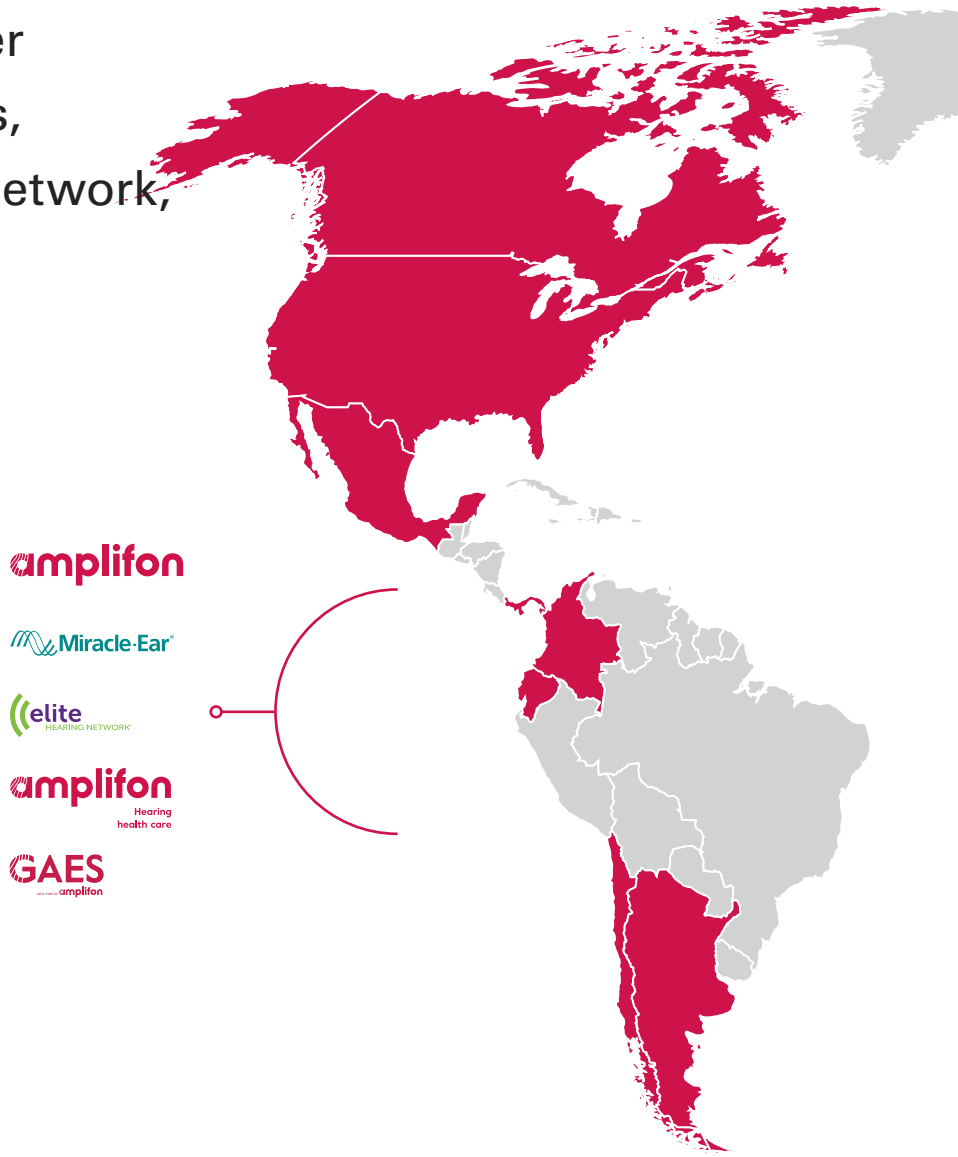


WHOLESALE

Elite Hearing Network operates in the wholesale business providing hearing aids and a wide spectrum of services to independent health care providers in the United States.

DISTRIBUTION NETWORK

We are global leader in terms of volumes, sales, distribution network, and geographic coverage.

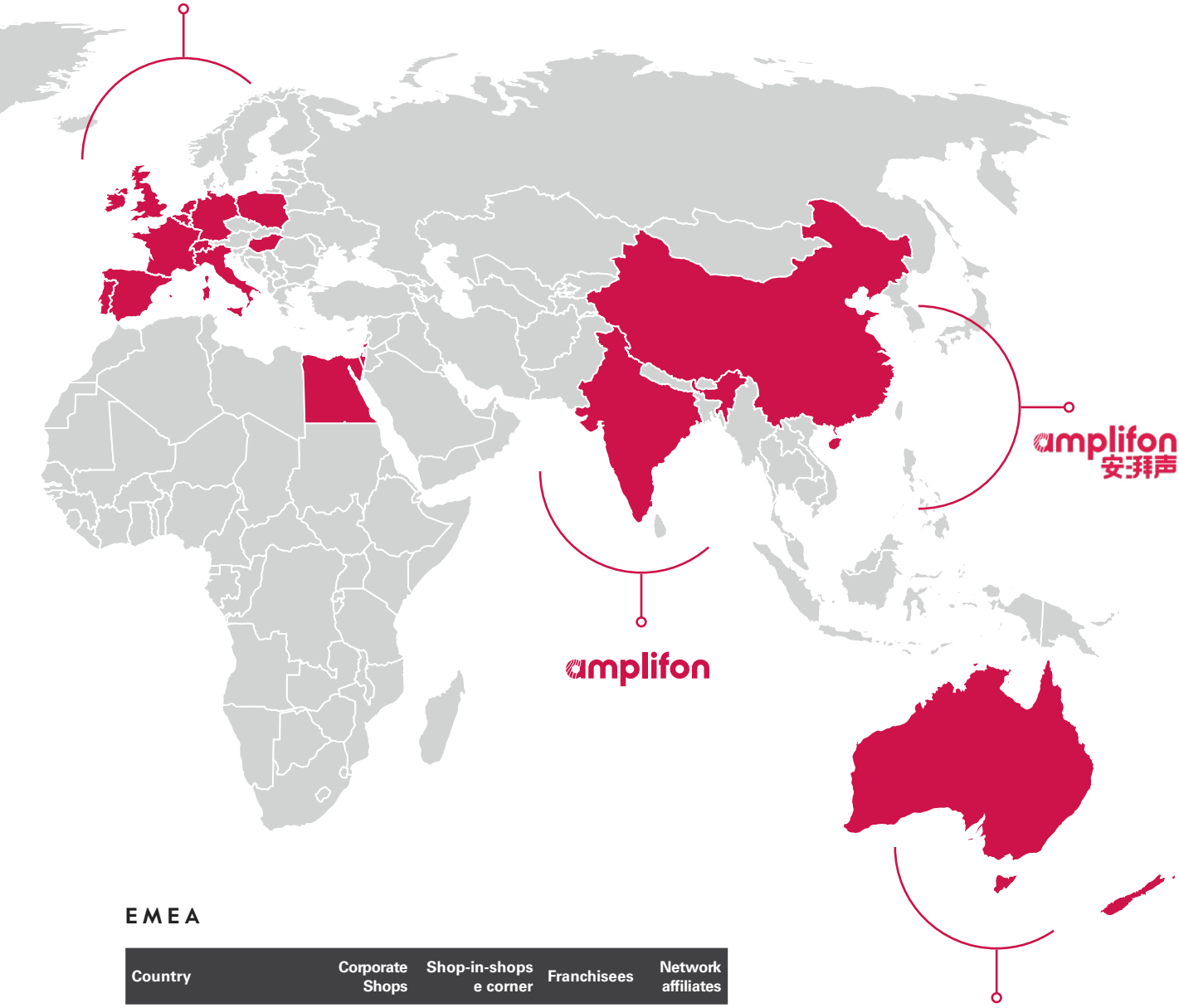


We operate under three regions – in EMEA, Americas and APAC.

Each Region corresponds to a business area and is responsible for pursuing the company's strategy at local level and for sharing its know-how among the various countries.

AMERICAS

Country	Corporate Shops	Franchisees	Network affiliates
USA	167	1,328	1,931
Canada	69	-	-
Argentina	20	5	-
Chile	31	-	-
Colombia	8	2	-
Ecuador	16	5	-
Mexico	12	4	-
Panama	2	-	-
AMERICAS	**325**	**1,344**	**1,931**



EMEA

Country	Corporate Shops	Shop-in-shops e corner	Franchisees	Network affiliates
Italy	694	3,241	-	-
France	577	125	-	-
Spain	573	151	9	-
Germany	535	-	-	-
Netherlands	165	50	-	-
Switzerland	99	-	-	-
Belgium & Luxembourg	92	51	10	-
United Kingdom & Ireland	125	74	-	-
Portugal	65	99	-	-
Hungary	79	-	-	-
Poland	62	-	-	-
Egypt	30	-	-	-
Israel	24	-	-	49
EMEA	**3,120**	**3,791**	**19**	**49**

APAC

Country	Corporate Shops	Shop-in-shops e corner
Australia	258	144
New Zealand	111	25
India	78	145
China	54	-
APAC	**501**	**314**

GOVERNANCE

Our corporate governance system complies with the principles set by the Corporate Governance Code for Listed Companies supported by the Corporate Governance Committee, which we have complied with since its first version of 2001, timely adhering to subsequent amendments.

Our aim goes beyond mere compliance: we are fully aware that a correct governance system is essential for meeting our long-term strategic objectives.

BOARD OF DIRECTORS

Our Board of Directors is characterized by an appropriate mix of skilled, professional profiles: it includes prominent executives, managers from other sectors, financial profiles, and independent professionals. In addition, a third of the members are women, while the average age of Board members decreased significantly, from 72 years-old in 2011 to the current 61, with a maximum age of 72 and a minimum of 52. Lastly, two thirds are independent members and there is a single executive member, the CEO.

Role	Name	Executive	Independent[1]	R.C.S.C.[2]	R.A.C.[3]	Gender	Year of first appointment	Participation rate
Chairperson	**Susan Carol Holland**			•	•	●	2001	100%
Chief Executive Officer	**Enrico Vita**	•				●	2015	100%
Director	**Andrea Casalini**		•		•	●	2016	100%
Director	**Alessandro Cortesi**[4]		•	•		●	2016	85%
Director	**Maurizio Costa**		•		•	●	2007	100%
Director	**Laura Donnini**		•	•		●	2016	100%
Director	**Maria Patrizia Grieco**		•		•	●	2016	100%
Director	**Lorenzo Pozza**		•	•		●	2016	100%
Director	**Giovanni Tamburi**					●	2013	100%

The Board of Directors met seven times in 2020, with a participation rate of 98.5%. The meetings lasted on average four hours.

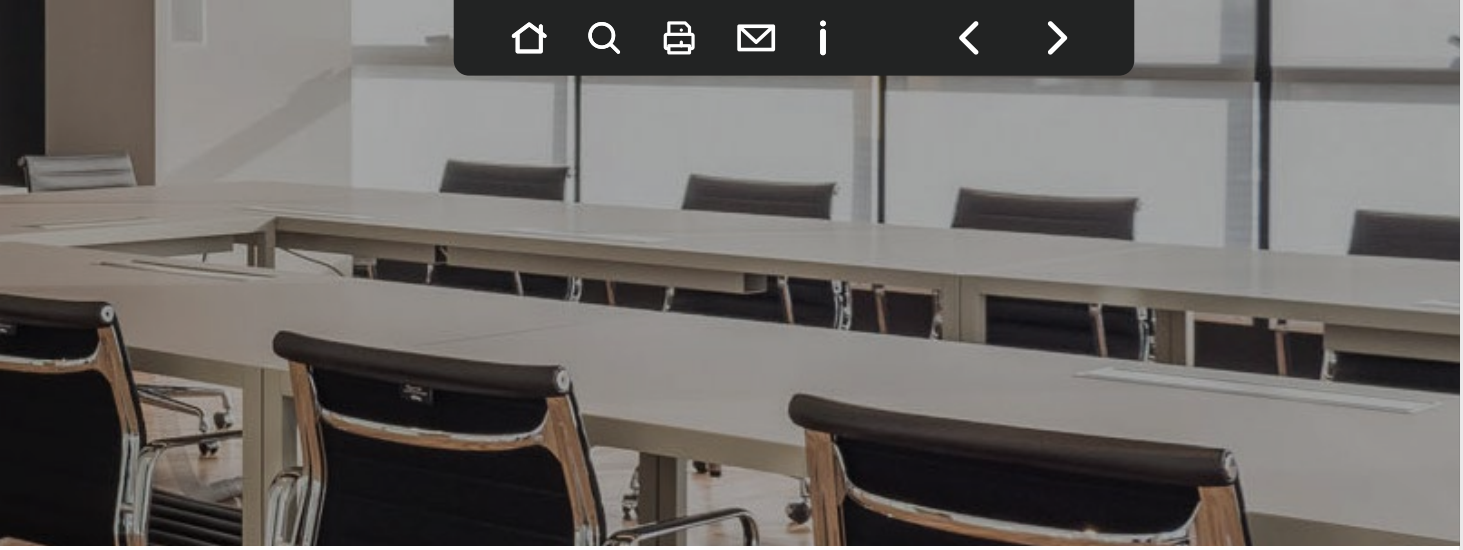
The Board of Directors was appointed by the Shareholders' Meeting held on April 17th, 2019 and will remain in office until the publication of the Financial Statements at December 31st, 2021. The Curricula Vitae of the members of the Board of Directors are available on our corporate website.

(1) Directors that declare they qualify as independent as defined under current law and in the Italian Stock Exchange Corporate Governance Code.

(2) R.C.S.C.: Members of the Risk, Control and Sustainability Committee.

(3) R.A.C.: Members of the Remuneration and Appointment Committee.

(4) Director appointed by the minority shareholders and independent pursuant to the Corporate Governance Code for Listed Companies established by the Corporate Governance Committee for Listed Companies promoted by Borsa Italiana S.p.A..



BOARD OF STATUTORY AUDITORS

Role	Name
Chairperson	**Raffaella Pagani**[5]
Standing auditor	**Maria Stella Brena**
Standing auditor	**Emilio Fano**
Alternate auditor	**Alessandro Grange**[5]
Alternate auditor	**Claudia Mezzabotta**

The Board of Statutory Auditors was appointed by the Shareholders' Meeting held on April 20th, 2018 and will remain in office until the Shareholders' Meeting convene to approve the Financial Statements at December 31st, 2020.

(5) Member of the Board of Statutory Auditors expressed by the minority list.

(6) Effective on February 1, 2021, Paolo Tacciaria was succeeded by Laura Ferrara, who joined the Group as Group Internal Audit & Risk Management Officer.

REMUNERATION & APPOINTMENT COMMITTEE

Role	Name	Participation rate
Chairperson	**Maurizio Costa**	100%
Member	**Susan Carol Holland**	100%
Member	**Andrea Casalini**	100%
Member	**Maria Patrizia Grieco**	100%

RISK, CONTROL & SUSTAINABILITY COMMITTEE

Role	Name	Participation rate
Chairperson	**Lorenzo Pozza**	100%
Member	**Susan Carol Holland**	100%
Member	**Alessandro Cortesi**	100%
Member	**Laura Donnini**	80%

RELATED PARTIES TRANSACTIONS COMMITTEE

Role	Name
Chairperson	**Andrea Casalini**
Member	**Laura Donnini**
Member	**Alessandro Cortesi**

SUPERVISORY BOARD

Role	Name
Chairperson	**Lorenzo Pozza**
Member	**Laura Donnini**
Member	**Paolo Tacciaria**[6] **(Head of Internal Audit)**

LEAD INDEPENDENT DIRECTOR

Lorenzo Pozza

EXTERNAL AUDITORS

KPMG S.p.A.

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

Gabriele Galli

SECRETARY OF THE BOARD OF DIRECTORS

Luigi Colombo

ETHICS & TRANSPARENCY

Bearing in mind the importance of promoting a corporate culture based on honesty, integrity, fairness, and good faith, we have implemented a series of procedures aimed at aligning our way of doing business to the highest ethical principles, standards of integrity and values.

CODE OF ETHICS

Our **Code of Ethics**, updated in July 2019, formalizes the foundational values of our way of doing business. It establishes, in particular, principles in relation to policy on business conduct, human resources, clarity and completeness of accounting records and relations with external stakeholders. It prohibits practices of corruption, unlawful favors, collusion, and personal advantages, either directly or through third parties. We strive to ensure that the principles of the Code are shared by agents, consultants, suppliers, and any other party with whom we have ongoing business relationships, and we do not establish or continue business relations with anyone who refuses to adhere to the principles of the Code.

ORGANIZATIONAL MODEL

In Italy, in accordance with Legislative Decree no. 231/2001, which has introduced into Italian legislation administrative responsibility in criminal proceedings of organizations for some offences committed in their interest or to their advantage by directors, managers or employees, we have adopted an **Internal Organizational and Management Model** and appointed the Supervisory Board. Our Model is designed to promote the execution of company activities in accordance with the principles of fairness and transparency and to avoid risk situations. The aim is two-fold: to guarantee company processes have the highest level of efficiency and integrity, and to protect the company's reputation and workforce.

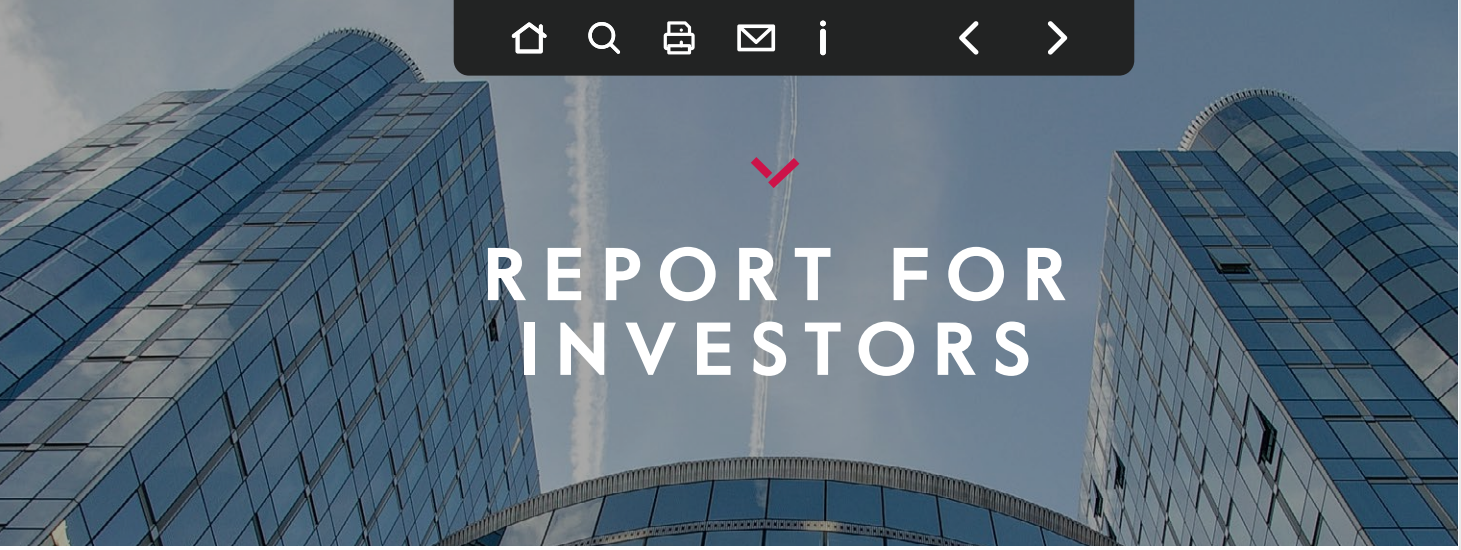
ANTI-CORRUPTION POLICY

We have a zero-tolerance policy towards corruption. For this reason, our Board of Directors approved our Anti-corruption Policy in 2017, which promotes the highest standards in all commercial relations and provides specific rules to prevent, identify and manage any risk of corruption. The recipients of the Policy are the group's directors, managers, and employees, but also our suppliers, consultants and anyone acting on our behalf. Moreover, activities regarding communication, training and audit are carried out regularly.

WHISTLEBLOWING POLICY

In 2020 the whistleblowing policy and system were introduced in Italy and, in the beginning of 2021, also in the United States and in Australia in order to allow the reporting of any deviant conduct or in any case any conduct not compliant with the Anti-corruption Policy, our Code of Ethics, laws and regulations. Such system will be progressively rolled-out in all the countries in which we operate aiming at harmonizing the existing local systems[7]. We encourage anyone who may become aware of any non-compliant conduct to report it: this, in fact, allows us to tackle any problem at an early stage, thereby reducing potential risks.

[7] It should be noted that even before 2020, in some countries local whistleblowing systems were already in place if required by national law. In particular, in Italy, a whistleblowing system had been adopted as required by Amplifon S.p.A.'s Organizational Model, Management and Control ex Legislative Decree 231/2001.

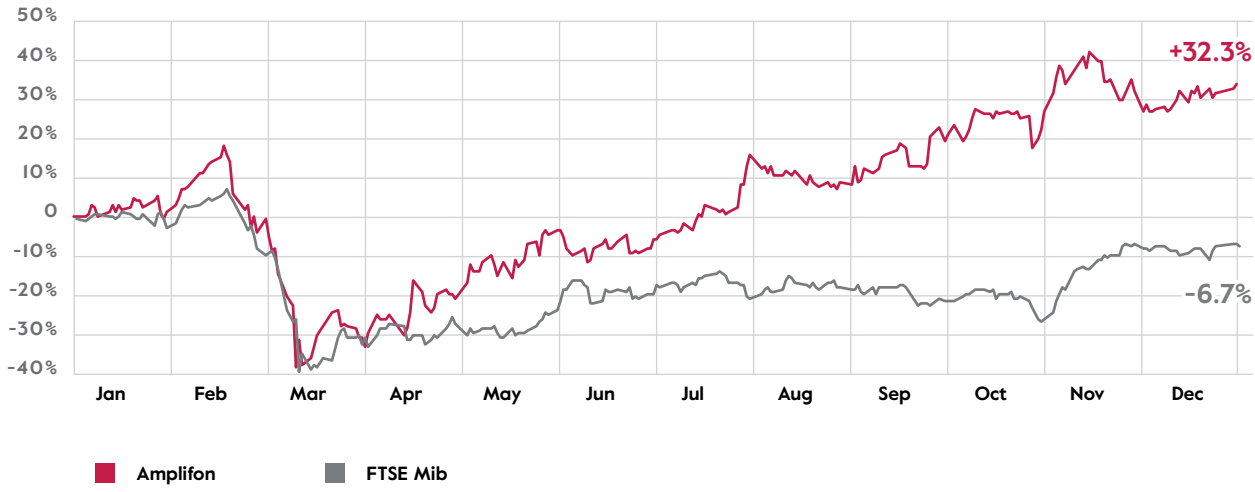


REPORT FOR INVESTORS

AMPLIFON IN THE STOCK EXCHANGE

Amplifon (Bloomberg ticker: AMP:IM/ Reuters ticker: AMPF.MI) is listed on the Electronic Stock Exchange (MTA) of the Italian Stock Exchange since 2001 and part of the STAR segment since 2008. In December 2018 Amplifon became part of the FTSE MIB made of the 40 most capitalized Italian equities. Since June 2019, the shares are also part of the Stoxx Europe 600 index and since November 2020 they are part of the MSCI Global Standard index as well.

2020 PERFORMANCE



KEY SHARE DATA

Stock exchange	**MTA-STAR**	**Nominal value**	€ 0,02
Bloomberg ticker	**AMP:IM**	**Average price**[11]	€ 26,914
Share capital[9]	**€ 4,528**	**Average volumes**[11]	842,520
N° of shares outstanding[9]	**224,785,974**	**Market capitalization**[9]	€ 7,652

[9] At 31.12.2020, in million euros.
[10] Excluding treasury shares.
[11] Last 12 months.

SHAREHOLDING

SHAREHOLDER STRUCTURE AS OF DECEMBER 31ST, 2020[11]

AMPLITER S.r.l.	TREASURY SHARES	MARKET
42.2%	0.7%	57.1%

INCREASED VOTING RIGHTS

The possibility of exercising increased voting rights was adopted by the Extraordinary Shareholders' Meeting held on January 29th, 2015 with a view to pursuing stability and loyalty of the shareholder base. It gives shareholders the option to obtain increased voting rights equal to two votes for each share held for at least 24 consecutive months from the registration date shown in the shareholder register prepared by the Company in accordance with current law and regulations. On December 31st, 2020, there were 95,707,471 registered shares (59.43% of the Company's voting capital), of which 95,604,369 shares (59.36 % of the voting capital) owned by the majority shareholder Ampliter S.r.l..

[11] Percentages refer to the share capital on December 31st, 2020.

RELATIONS WITH THE FINANCIAL COMMUNITY

STOCK COVERAGE

As of December 31st, 2020, the stock was covered by 18 brokers who actively followed the Company, published specific research and analyses, and issued generally positive recommendations. Both Citi and Morgan Stanley initiated coverage of the stock during 2020.

Banca Akros	Commerzbank	Jefferies International
Banca IMI	Equita SIM	Kepler Cheuvreux
Bank of America Merrill Lynch	Exane BNP Paribas	Mediobanca
Bestinver Securities	Goldman Sachs	Morgan Stanley
Carnegie	HSBC	Sanford Bernstein
Citi	Intermonte	Stifel

CONFERENCE CALL

Amplifon organizes conference calls and audiowebcasts with the financial community (analysts and institutional investors) for the release of its annual, half-year and quarterly results. On average, there were 130 people connected to each conference call.

ROADSHOW

In 2020, the Company's management team - Chief Executive Officer and Chief Financial Officer - and Investor Relator organized mainly virtual roadshows with investors from the main global financial markets in: UK, France, Canada, US, and Italy, meeting over 60 institutional investors in one-on-one and group meetings.

CONFERENCES

Throughout the year, the Company's management team - Chief Executive Officer and Chief Financial Officer - and Investor Relator attended numerous international healthcare conferences organized by primary institutions such as Goldman Sachs, Citi, and Jefferies, as well as conferences for Italian and/or medium sized companies organized by Sanford C. Bernstein, Banca IMI, UniCredit e Kepler Cheuvreux, Exane BNP Paribas, Mediobanca, Equita SIM and the Italian Stock Exchange. Over 315 institutional investors were met during the one-on-one and group meetings held during these conferences. Additionally, 245 investors were met during video conferences and conference calls throughout the year, totaling over 620 investors met in 2020.

DEBT & CREDIT RATING

We count on a solid financial structure that allows us to support our ambitious growth projects and to embrace future opportunities thanks to a strong cash flow generation. In order to ensure consistency between our financial structure and our strategic objectives, we diversify the composition and maturity of the debt.

DEBT CAPITAL MARKETS

On February 5th, 2020, we successfully placed non-convertible bond notes for 350 million euros with 7-year maturity. The issue attracted high quality institutional investors across Europe, and total demand exceeded 3 billion euros, implying an oversubscription rate of the amount of notes initially offered of over 10 times. The notes pay an annual gross coupon at a fixed rate of 1.125% and were placed at an issuing price of 99.253% of their nominal value.

In the context of the bond placement, Amplifon obtained a public "BB+" corporate credit rating with a stable outlook by S&P Global Ratings Europe Limited ("S&P") and the same rating was assigned to the bond notes upon issuance. The communication activity with the rating agency continued throughout the year, with the credit rating remaining at the "BB+" level, but with a negative outlook since April due to the impact of the Covid-19 pandemic.

BANKING MARKET

During 2020 we further strengthened our financial structure, extending the maturities and increasing the amount of the committed lines by around 380 million euros. This activity allowed us to close the year with a strong liquidity position of around 800 million euros, including cash on balance sheet and undrawn committed revolving facilities.

Together these money & capital markets transactions allowed us to optimize the maturities of our medium-long term debt, extending average length and allowing for a further reduction of the average cost of debt.

FINANCIAL CALENDAR 2021

MARCH 3RD, 2021

Board of Directors' meeting to approve the Consolidated Financial Statements, the draft of Amplifon S.p.A.'s Financial Statements at 31 December 2020 and proposed allocation of 2020 Net Result

APRIL 23RD, 2021

Shareholders' General Meeting (Single Call) to approve Amplifon S.p.A.'s Financial Statements at 31 December 2020 and allocation of 2020 Net Result

APRIL 29TH, 2021

Board of Directors' meeting to approve the Interim Financial Report at 31 March 2021

JULY 29TH, 2021

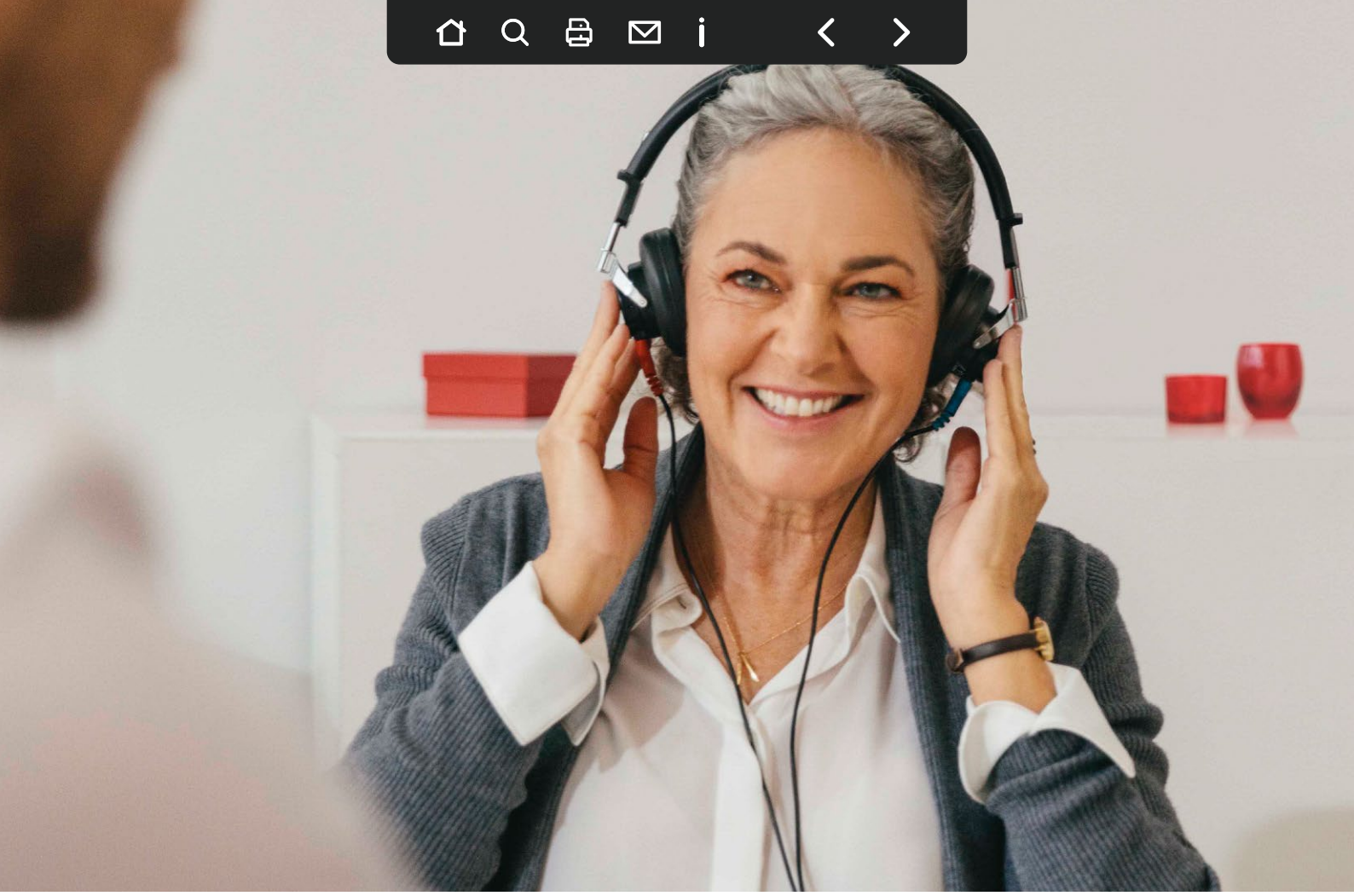
Board of Directors' meeting to approve the Interim Management Report at 30 June 2021

OCTOBER 27TH, 2021

Board of Directors' meeting to approve the Interim Financial Report at 30 September 2021

TOMORROW

WE LOOK AHEAD WITH
THE SAME ENTHUSIASM WE HAD
70 YEARS AGO



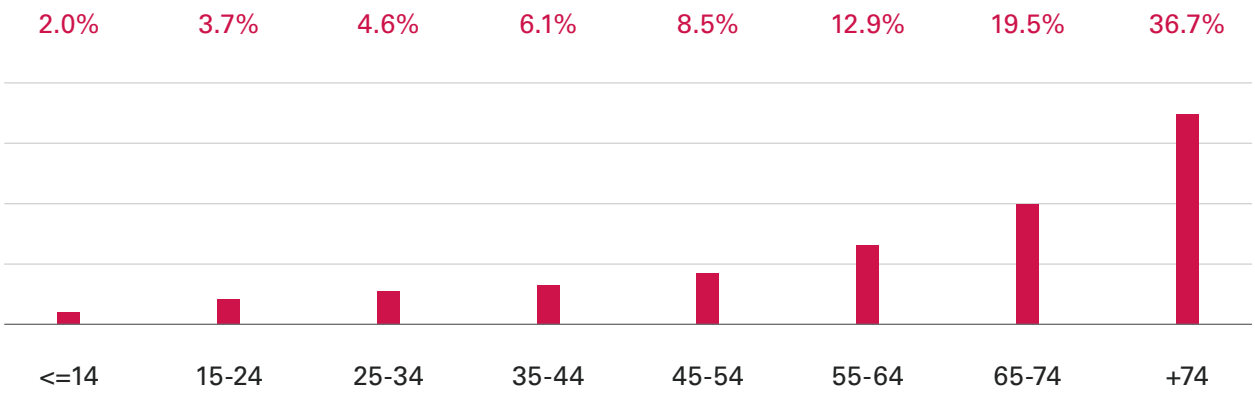
MARKET

The global retail hearing care market is estimated at around 13.5 billion euros in 2020. We expect a market rebound in 2021 and positive growth in the medium and long-term thanks to the unchanged fundamentals. We are the global leading company specialized in hearing care service operating in a highly fragmented, although consolidating retail market.

HEARING LOSS

Currently over 1.5 billion people have some level of **hearing loss** across the world. Among those, it is estimated that at least 430 million people have a hearing loss that would require rehabilitation. Due to the increase in life expectancy of the global population and the increase in noise exposure, this number is likely to reach 700 million by 2050[12].

HEARING LOSS PREVALENCE BY AGE[13]



KEY RETAIL TRENDS

There are numerous trends pushing the hearing care industry towards a more inclusive and technologically advanced future. We hold a privileged position that allows us to anticipate these trends and guide the way in which they develop.

› LIFE EXPECTANCY

We are all aware of the increase in life expectancy. By 2050, the number of people aged over 65 will double, and in the next 5 years, for the first time in the history of mankind, this number will be higher than the number of children aged under 5 years.

› ACTIVE LIFESTYLE

We have a much longer life expectancy than the previous generations and our quality of life is much higher. The so-called active agers represent a new generation that won't compromise on quality of life as the years go by.

› TECHNOLOGY

Advances in technology such as miniaturization, connectivity and rechargeability contribute towards the consumerization of hearing devices. Thus, more and more people decide to take care of their hearing.

› DIGITALIZATION

The use of digital devices, such as smartphones and tablets, is rapidly increasing also among seniors. This makes it possible to offer personalized and interconnected services with added value through new touchpoints such as apps.

[12] Source: "World Report on Hearing", World Health Organization, 2021.

[13] Source : World Health Organization, EuroTrak, MarkeTrak, Amplifon data 2018 in the countries where Amplifon operates.

STRATEGY

Our strategy is based on three key pillars: redefining customer experience thanks to our data-driven approach, consolidating our leadership across core markets worldwide, and building an even more efficient and talented organization.

INNOVATIVE AND DISTINCTIVE CUSTOMER EXPERIENCE

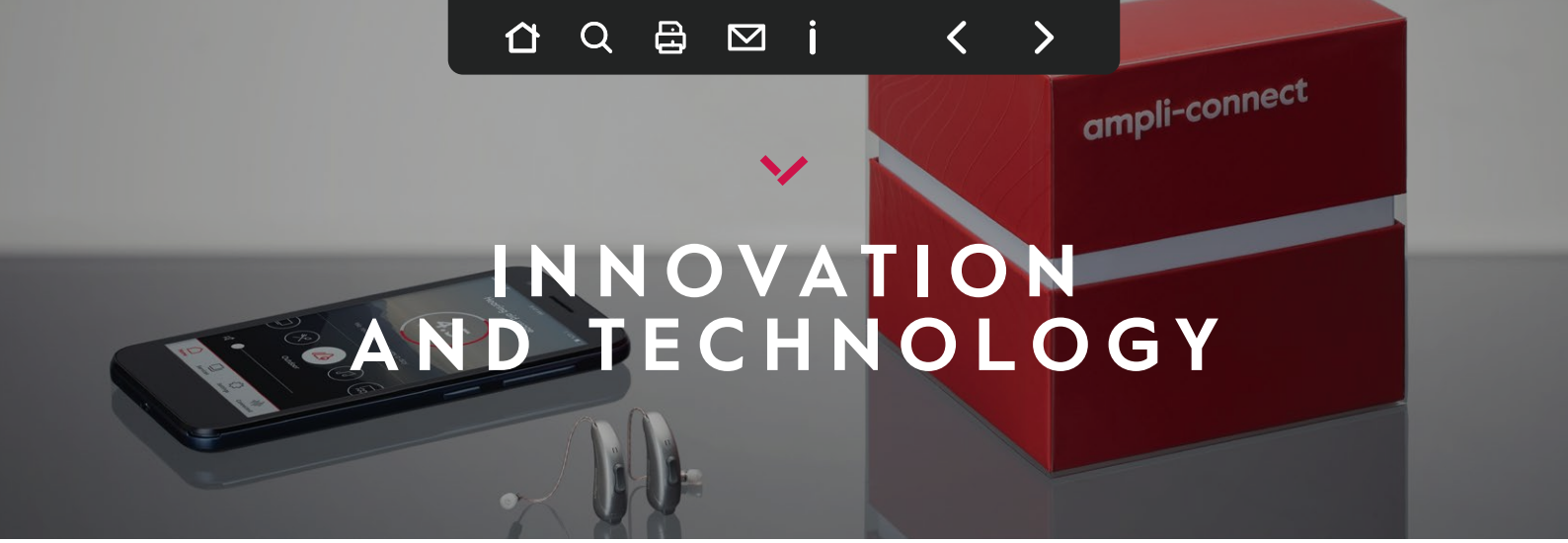
Our growth strategy is built around the customer, to whom we offer a distinctive and highly innovative customer experience, also by means of our Amplifon product line and multichannel ecosystem. By leveraging on unique and distinctive assets such as the data we own, the strength of our brands and the close relationship with our customers, we aim to transform the retail hearing care market thereby opening up new business and value creation opportunities.

STRENGTHEN LEADERSHIP IN CORE MARKETS

Our growth strategy is differentiated according to the countries in which we operate, and focuses on the core global markets: Italy, Spain, France, Germany, the US, Canada, Australia, New Zealand, and China. These markets together make up around 80% of the retail hearing care market. We intend to continue to grow on mature markets, through organic growth and through targeted acquisitions mainly in France and Germany. Among the developing markets, China represents a sizeable opportunity for our medium-term growth path.

EFFECTIVE AND TALENTED ORGANIZATION

In order to support the implementation of our strategy, we will continue to invest in our people and in a distinctive corporate culture, as well as in attracting the best talents, sharing best practices within the group, always leveraging on our globally integrated IT infrastructure, thus creating a more effective organization.



INNOVATION AND TECHNOLOGY

AMPLIFON PRODUCT EXPERIENCE

The Amplifon Product Experience represents a unique and distinctive lever to further strengthen our brand identity, significantly differentiate our service from the competition and offer a complete value proposition to our customers, made of product, service and experience.

The two pillars of our innovation program are the Amplifon product line and the Amplifon multichannel ecosystem. These two elements combined make the Amplifon Product Experience, which was successfully launched in Italy in 2018, where the penetration in the private and paid-up market is around 90%, and later also in France, Germany, the Netherlands, US and Australia. The roll-out plan reached the UK in 2020, with great results already in the first weeks from the launch and foresees the launch in other four countries in 2021.

AMPLIFON MULTICHANNEL ECOSYSTEM

The Amplifon multichannel ecosystem, of which the Amplifon App represents the first touchpoint, redefines the Amplifon experience through the entire customer journey (thus not only in the store), offering fast access to differentiated and value-added services to further increase customer satisfaction.

The **Amplifon App** is a person's first contact with the Amplifon ecosystem: it allows you to manage the device functions in real-time directly from your smartphone, besides booking an appointment with your hearing care specialist and much more.

The **Companion** function is exclusive to the Amplifon App. It processes and analyses hearing device usage data in real-time using an artificial intelligence algorithm and, through a predictive model, gives suggestions on battery replacement or the most suitable program for the surrounding circumstances. Available throughout the entire life span of the chosen device, the Companion is a fundamental support, particularly when first using the device.

AMPLIFON PRODUCT LINE

We selected the most advanced technologies from the best manufacturers to develop our four product families that adapt to every lifestyle.

AMPLI-EASY

The **ampli-easy** product family is powerful, practical, affordable, and easy to use. For everyday life, having a giggle with friends, walking in the park, or watching a good film.

AMPLI-MINI

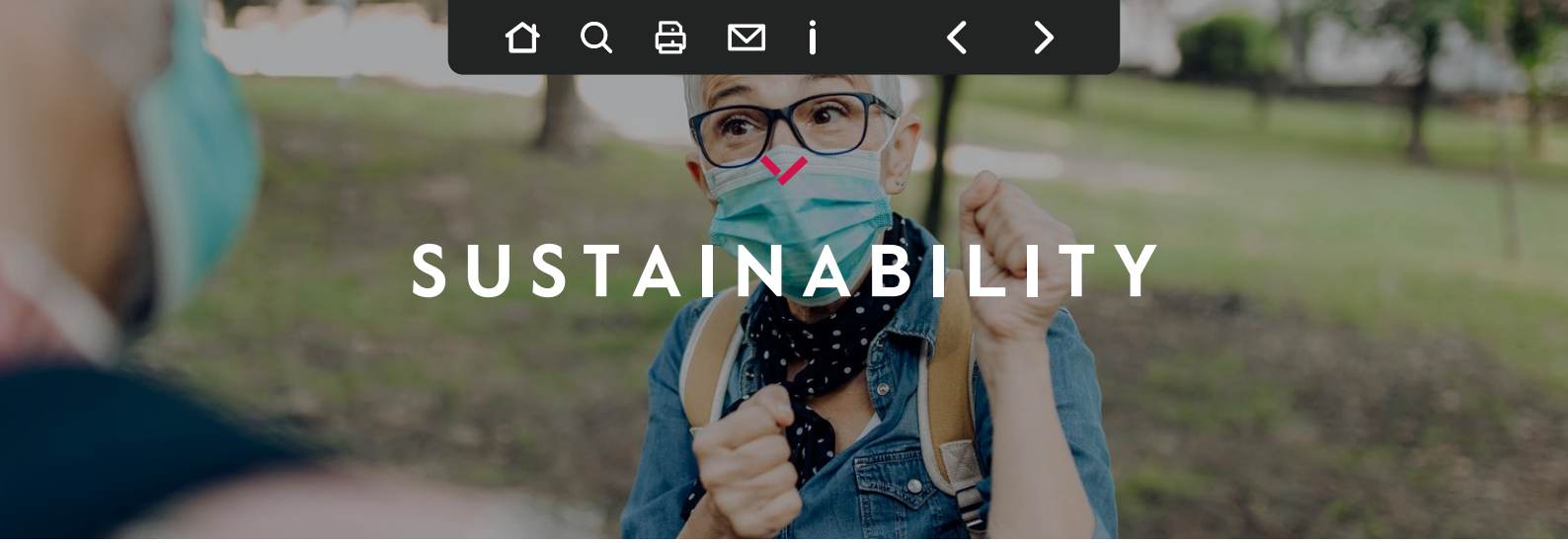
The **ampli-mini** devices are extremely discreet and almost invisible thanks to miniaturized technology. Perfect for those who seek a discreet solution and want to feel elegant without compromising on comfort.

AMPLI-CONNECT

The **ampli-connect** product family connects directly to your TV, smartphone, and sound system. They automatically recognize the environment, and the microphones point towards the direction of the sound. They also connect to the Amplifon app via Bluetooth.

AMPLI-ENERGY

The **ampli-energy** devices are a perfect combination of practicality and style. No more changing batteries, the devices can be recharged using a charger and have up to 30 hours of battery life.



SUSTAINABILITY

If we were already aware of the importance of being close to our stakeholders in the past years, 2020 gave us strong confirmation. The whole world was impacted by the Covid-19 pandemic outbreak, and it showed us not only how interconnected we are, but also, and above all, how important it is to enjoy the relations we have with our dear ones. Today more than ever we want to be close to each other, doing our job well to continue to benefit our customers, our people, our community, and the context in which we operate.

2020 HIGHLIGHTS

› CONTINUOUS SUPPORT TO OUR CUSTOMERS

We decided to remain close to our customers, having a part of our network always up and running also during the most severe lockdowns and enhancing both phone and home assistance for possible repairs. Together with our commitment to implement all the safety measures to face the pandemic, these were confirmed as winning actions. Moreover, together with Croce Rossa Italiana we promoted, entirely for free, the delivery of a kit containing the batteries for the correct functioning of the hearing aids to people aged over-75. Together with our customers we understood it was **time to listen**.

› STRONGER TOGETHER

In order to support our people during this delicate year we promoted 'Stronger together', a program with several initiatives aimed at strengthening our ability to share knowledge and information internally and support people in transitioning to an efficient work-from-home environment, and thus be able to support each other as well as remain united and motivated to reach our common goals.

AMPLI ACADEMY

In 2020 the Ampli Academy was launched to the benefit all our back-office colleagues. They now have access to an online platform which offers several training and development paths designed to answer to the need of our different clusters of population. Ampli Academy aims at developing different sets of competences: the first one addresses the so-called functional competences through the 'functional pathways', while the other addresses behavioral & leadership competences to develop soft skills.

WE CARE

"We Care", our corporate citizenship program, gathers and values the social inclusion initiatives carried out across the world. Among the several initiatives carried out during 2020, we managed to give our contribution during the most difficult periods of the Covid-19 pandemic also through the partnership with the Italian Red Cross for the donation and delivery of hearing aid batteries. Moreover, after the launch of its key awareness project to promote responsible listening among young people, We Care promoted 'Ci Sentiamo Dopo – Listen Responsibly" in 800 middle and high schools in Italy during the academic year 2019-2020 and reached around 20,000 students, who became ambassadors of a new culture of sound. This project, despite the Covid-19 emergence, continued throughout the academic year 2020-2021 thanks to 121 new contents (available on the portal cisentiamodopo.it) dedicated to supporting teachers in remote learning activities, and 24 virtual workshops and laboratories. Finally, thanks to the 'Ci Sentiamo Dopo' app, students were invited to measure environmental noise levels using the app's noise tracker to create an interactive map of Italy's acoustic ecology.

E-WHISTLE

In line with our "Acting Responsibly" value and with the specific policies for a correct business management, a new Whistleblowing System was introduced in Italy at the end of 2020 as well as in the United States and in Australia in the beginning of 2021 and will be progressively adopted by the other countries with a view to harmonizing the existing local systems. Such system, which aims at ensuring a safe, respectful, and protected work environment, provides the set of rules and means of communication to report of any deviant conduct or, in any case, any conduct not compliant with our Code of Ethics, Anti-corruption Policy, laws (ie. legislative Decree n-231/2001) and regulations applicable to our countries of operation.

KNOW MORE

These are only a few of the initiatives promoted this year, to know more please read our Sustainability Report, which also constitutes our Consolidated Non-Financial Disclosure, and visit our corporate website.

OUR COMMITMENT TOWARDS A SUSTAINBLE BUSINESS

In 2020 we made a decided step forward towards the concrete implementation of our Sustainability Policy. We defined Listening Ahead - our Sustainability Plan with mid-term objectives, coherent to our business strategy and the United Nations' Agenda 2030 for Sustainable Development, to which the remuneration of our top management is linked. Namely, we formalized our daily commitment to listening to and providing an answer to the expectations of our customers, our people, the community, and the context in which we operate, safeguarding the ability of future generations to fulfill their needs in the long-term.

PRODUCT & SERVICE STEWARDSHIP

We are committed to raising awareness and accessibility to hearing care, improving people's lives, and empowering them to rediscover all the emotions of sound. We are committed to offering innovative experiences to our customers by listening to their needs and delivering a highly personalized service across all touchpoints.

PEOPLE EMPOWERMENT

We are committed to attracting, developing, and retaining the best talents to guarantee sustainable performances and ensure our leadership in the long-term. We are committed to fostering and promoting diversity among our employees to better represent our customer base.

COMMUNITY IMPACT

Through our 'We Care' program, we are committed to raising awareness on the importance of hearing care prevention, listening responsibly and noise pollution. We are committed to fostering social inclusion by supporting the initiatives promoted by the Group's Foundations.

ETHICAL BEHAVIOR

We are committed to promoting and sharing the highest environmental, ethical, and social standards with all our business partners to lead a responsible management approach within the value chain. We are committed to reducing the environmental impact of our business by promoting green energy sources and circular economy principles.

KNOW MORE

Discover what our sustainability objectives and targets are by reading our **Sustainability Report** or visiting our **corporate website**.

OUR FOUNDATIONS

AMPLIFON FOUNDATION

Amplifon Foundation is our corporate foundation, created in the beginning of 2020, on occasion of our seventieth anniversary, as a means of giving back value to the community. The Amplifon Foundation aims at enabling individuals to achieve their full potential in life through social inclusion. It consolidates our social commitment towards the community and our stakeholders and embodies the values of our corporate purpose of "empowering people". The Amplifon Foundation will represent the point of reference to implement and fund impactful projects for local communities, in Italy and abroad, that are aligned with its areas of action: Enabling Participation, Diversity & Employability, as well as Inclusive Communities.

MIRACLE-EAR FOUNDATION

The several social programs carried out by the Miracle-Ear Foundation are supported both by direct stores and the franchisees comprised in Miracle-Ear's distribution network. Established in 1990, the aim of the former Miracle-Ear Children's Foundation was to empower and enhance the life experience of underserved children suffering from hearing loss in North America, by giving them the possibility of hearing again. Re-established as the "Miracle-Ear Foundation" in 2012, with the aim of serving a larger part of the community, the Foundation now provides hearing aids, follow-up care, and educational resources to those who do not have enough financial resources to meet their hearing health needs, besides implementing awareness campaigns.

GAES SOLIDARIA FOUNDATION

Founded in 1996 and consolidated as Foundation in 2018, GAES Solidaria Foundation is a project that gathers employees, managers, partners and customers towards a single objective: filling the lives of those who need it the most with sounds, music, communication and happiness. Its mission is to provide opportunities to people with hearing loss and with no financial resources so that they can develop their language and communication capacities through the development of local and international hearing care projects. Additionally, the foundation promotes research linked to hearing-related diseases by means of the GAES Solidaria Foundation awards assigned to the medical community, and is also a means of making the population aware of the importance of hearing health care as a basic part of our well-being.

KNOW MORE

During the year, which was characterized an unexpected emergence, our foundations promoted several projects to take care and support the community. To know more about them, read our Sustainability Report or visit their websites: Amplifon Foundation, Miracle-Ear Foundation e Fundaciòn Gaes Solidaria.

SECTION I

REPORT ON OPERATIONS AS AT DECEMBER 31ST, 2020

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COMMENTS ON THE FINANCIAL RESULTS

The performance for FY 2020 was impacted by the health crisis triggered by the spread of the Covid-19 pandemic. The effects varied in the different geographic areas in which the Group operates based on the timing of the outbreak, as well as the gradual adoption of various restrictive measures by the governmental authorities of each Country.

The effective, decisive and rapid implementation of the various measures adopted by the Group made it possible to significantly limit the impact that the drop in sales had on profitability, above all during the period between March and June. These actions also paved the way for structural efficiencies and improvements in productivity which boosted the strong recovery in profitability and sales recorded in the third quarter which continued in the fourth quarter despite the surge of a second wave of infections and the restrictive measures adopted in the various markets.
The economic-financial impact of the drop in sales reported in the lockdown period was partially offset by the different forms of relief and aid made available during the year by the government and other public entities.

Overall, the year closed with:

- turnover of €1,555,543 thousand, a drop of 10.2% compared to the same period of the prior year (-9.3% at constant exchange rates) with negative organic growth of €190,668 thousand (-11.0%).
- a gross operating margin (EBITDA) of €370,967 thousand, 5.6% lower on a recurring basis compared to 2019, with an EBITDA margin of 23.8% (+1.1 p.p. against the comparison period on a recurring basis).
- a Group net profit of €101,004 thousand, falling 20.5% against the recurring net profit recorded in the comparison period as a direct result of the significant drop in sales and the increase in depreciation, amortization and financial expenses. Net profit as reported was 7.1% lower than in 2019.

REVENUES PERFORMANCE

Revenues from sales and services amounted to €1,555,543 thousand in 2020, a decrease of +10.2% compared to the record result reported in 2019 (€ 1,732,063 thousand).

This decline is attributable to negative organic growth of €190,668 thousand (-11.0%), offset slightly by the positive impact of acquisitions for €29,387 thousand (+1.7%). The foreign exchange differences had a negative impact of €15,239 thousand (-0.9%).
The spread of the pandemic during 2020, inevitably had a negative impact on the organic performance, particularly significant in the first half of the year and specifically in the March-June period. Beginning already in April, however, the business began to report a turnaround with improvement that exceeded expectations demonstrating both the resilience of the business and Amplifon's ability to react effectively in a challenging year like 2020.
As a result, the Group was able to post revenues that were higher than the prior year in the second half of 2020, with a strong recovery in the third quarter which was partially offset by the second wave of infections that spread in the fourth quarter and the restrictive measures.

Looking at the geographic areas:

- In EMEA revenues were down by -10.4% (-10.5% at constant exchange rates against the prior year). Italy was the first country to be affected by the outbreak and the relative containment measures, followed by Spain and France and the other markets in which the Group operates, with the partial exception of Germany where the measures were less severe. The recovery was, however, very quick in the region beginning at the end of April and in July the performance was already better than in the prior year with second half revenues coming in higher than the prior year despite the new lockdown measures implemented in the fourth quarter in Europe's main markets due to the second wave of the pandemic;
- Revenues fell by 12.5% in the Americas, where there was a particularly adverse exchange effect (revenues dropped -8.6% at constant exchange rates). The result reflected two speeds: in North America, where the business was impacted by Covid-19 as of the end of March, there was a rapid recovery beginning in May thanks to the easing of the restrictions with solid growth in the second half of the year, even though the fourth quarter was affected by the uptick in infections and the presidential election in the United States. Miracle-Ear recorded a robust performance with organic growth that was, overall, higher than in the prior year. In Canada and Latin America, on the other hand, the pandemic hit later than in the Group's other countries (during the second quarter), and the recovery was slower. The Latin American countries are still being impacted severely by the negative effects of the health crisis, through robust organic growth was posted in the last quarter;
- In APAC, the first to be impacted by the pandemic globally, revenues were down by 2.9% due also to the adverse exchange effect (0.1% at constant exchange rates). The performance was supported by the robust growth reported in the second half of the year and the positive contribution made by Attune Hearing Pty Ltd, acquired in Australia in early February. More in detail, in China the business had already returned to growth in the second quarter and double-digit growth against the same period of the prior year was reported in the second half. New Zealand suffered a decided contraction in revenues due to the mandatory closure of network stores beginning in March through mid-May, but then showed strong recovery as the restrictive measures were eased with double-digit increases in the third and fourth quarters despite the lockdown in Auckland in August. Australia reported positive results thanks to less severe restrictive measures and despite the negative impact of the bushfires in the first quarter, as well as the lockdown in the state of Victoria.

PROFITABILITY PERFORMANCE

Gross operating profit (EBITDA) amounted to €370,967 thousand, slightly higher, by €377 thousand (+0.1%), than the as reported EBITDA posted in 2019, but €21,816 thousand (-5.6%) lower than the recurring EBITDA reported in the prior year after the non-recurring expenses of €22,193 thousand incurred in 2019 stemming from the integration of GAES.
Despite the drop in revenues described above, which had the biggest impact on the Group's results in the March-June period, the EBITDA margin rose 1.1 p.p. against the recurring figure posted in 2019 to 23.8% thanks to the effective, decisive and rapid implementation of the various measures adopted by Amplifon. These actions also paved the way for structural efficiencies and improvements in productivity which boosted the strong recovery in profitability and sales recorded in the third quarter which continued in the fourth quarter despite the surge of a second wave of infections and the restrictive measures adopted in the various markets.
The economic-financial impact of the drop in sales reported in the lockdown period was partially offset by the different forms of relief and aid made available during the year by the government and other public entities.

NET FINANCIAL POSITION CHANGES

Net financial debt, excluding lease liabilities, amounted to €633,665 thousand at 31 December 2020, €153,033 thousand lower compared to 31 December 2019.

The decrease in debt is attributable directly to ordinary operations which, despite the impact of the Covid-19 pandemic, confirmed excellent cash flow generation with free cash flow reaching a positive €256,880 thousand (€149,871 thousand in the prior year) after absorbing net capital expenditure of €57,194 thousand (€88,878 thousand in 2019) and net cash-outs for acquisitions in the period of €89,199 thousand (€66,482 thousand in 2019), as well as the fees paid on medium/long-term loans (€7,709 thousand).
In a period that was profoundly affected by the Covid-19 pandemic, Amplifon succeeded in implementing a series of initiatives and actions which made it possible to safeguard the Group's financial position, further strengthening its structure and solidity. More in detail:

- the Company resolved not to proceed with the payment of a dividend to shareholders, allocating the entire profit for 2019 as retained earnings;
- a series of measures was adopted which focused on cost containment, reducing and redefining investments, quickly accessing all the tools made available by the governmental authorities, along with other operational initiatives and the management of working capital which made it possible for free cash flow to reach €256,880 thousand;
- the Group's financial structure and liquidity position were further strengthened by refinancing debt, extending maturities and gathering new financing of more than €1 billion. More in detail:
  - at the beginning of February, a €350 million 7-year Eurobond was issued in order to refinance the next maturities well in advance;
  - €180 million in existing bilateral loans were renegotiated, the maturities were extended from 2021-2022 to 2024-2025 and the amount was increased by €80 million;
  - an additional €203 million in long-term loans were stipulated, expiring between 2023 and 2025;
  - government Covid-19 loans were requested and granted for €35.5 million, of which €30.5 million utilized (€30 million in France and €0.5 million is Switzerland) and €5 million available (entirely in Switzerland);
  - €65 million in new long-term irrevocable credit facilities (expiring in 2024 and 2025) were granted and the expiration of €90 million in credit lines was extended from 2021 to 2025.

Gross debt amounted to €1,178,692 thousand at 31 December 2020, €1,103,265 thousand of which long-term. The short-term portion amounted to €75,427 thousand. The cash and cash equivalents, which came to €545,027 thousand, along with the €265 million in unutilized irrevocable credit lines and the €225 million in other available credit lines, provide ample headroom and ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

CONSOLIDATED INCOME STATEMENT

(€ thousands)	FY 2020				FY 2019				
	Recurring	Non-recurring (*)	Total	% on recurring	Recurring	Non-recurring (*)	Total	% on recurring	Change % on recurring
Revenues from sales and services	1,555,543	-	1,555,543	100.0%	1,732,063	-	1,732,063	100.0%	-10.2%
Operating costs	(1,198,257)	-	(1,198,257)	-77.1%	(1,340,654)	(22,193)	(1,362,847)	-77.4%	10.6%
Other income and costs	13,681	-	13,681	0.9%	1,374	-	1,374	0.1%	895.7%
Gross operating profit (loss) (EBITDA)	**370,967**	**-**	**370,967**	**23.8%**	**392,783**	**(22,193)**	**370,590**	**22.7%**	**-5.6%**
Depreciation, amortization and impairment losses on non-current assets	(73,882)	-	(73,882)	-4.7%	(65,900)	(1,916)	(67,816)	-3.8%	-12.1%
Right-of-use depreciation	(89,769)	-	(89,769)	-5.8%	(87,942)	(105)	(88,047)	-5.1%	-2.1%
Operating result before the amortization and impairment of PPA related assets (EBITA)	**207,316**	**-**	**207,316**	**13.3%**	**238,941**	**(24,214)**	**214,727**	**13.8%**	**-13.2%**
PPA related depreciation, amortization and impairment	(38,816)	-	(38,816)	-2.5%	(37,636)	-	(37,636)	-2.2%	-3.1%
Operating profit (loss) (EBIT)	**168,500**	**-**	**168,500**	**10.8%**	**201,305**	**(24,214)**	**177,091**	**11.6%**	**-16.3%**
Income, expenses, valuation and adjustments of financial assets	(344)	-	(344)	0.0%	191	-	191	0.0%	-280.1%
Net financial expenses	(29,486)	-	(29,486)	-1.8%	(26,325)	-	(26,325)	-1.5%	-12.0%
Exchange differences and non-hedge accounting instruments	655	-	655	0.0%	(818)	-	(818)	0.0%	180.1%
Profit (loss) before tax	**139,325**	**-**	**139,325**	**9.0%**	**174,353**	**(24,214)**	**150,139**	**10.1%**	**-20.1%**
Tax	(38,263)	-	(38,263)	-2.5%	(47,433)	5,818	(41,615)	-2.8%	19.3%
Net profit (loss)	**101,062**	**-**	**101,062**	**6.5%**	**126,920**	**(18,396)**	**108,524**	**7.3%**	**-20.4%**
Profit (loss) of minority interests	58	-	58	0.0%	(142)	-	(142)	0.0%	140.8%
Net profit (loss) attributable to the Group	**101,004**	**-**	**101,004**	**6.5%**	**127,062**	**(18,396)**	**108,666**	**7.3%**	**-20.5%**

(*) See table at page 57 for details of non-recurring transactions.

- **EBITDA** is the operating result before charging amortization, depreciation, impairment of both tangible and intangible fixed assets and the right of use depreciation.
- **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.

(€ thousands)	FOURTH QUARTER 2020				FOURTH QUARTER 2019				
	Recurring	Non-recurring (*)	Total	% on recurring	Recurring	Non-recurring (*)	Total	% on recurring	Change % on recurring
Revenues from sales and services	513,421	-	513,421	100.0%	507,322	-	507,322	100.0%	1.2%
Operating costs	(371,332)	-	(371,332)	-72.3%	(377,438)	(3,821)	(381,259)	-74.4%	1.6%
Other income and costs	521	-	521	0.1%	289	-	289	0.1%	80.3%
Gross operating profit (loss) (EBITDA)	**142,610**	**-**	**142,610**	**27.8%**	**130,173**	**(3,821)**	**126,352**	**25.7%**	**9.6%**
Depreciation, amortization and impairment losses on non-current assets	(22,129)	-	(22,129)	-4.3%	(20,477)	(1,719)	(22,196)	-4.0%	-8.1%
Right-of-use depreciation	(22,254)	-	(22,254)	-4.4%	(23,171)	62	(23,109)	-4.6%	4.0%
Operating result before the amortization and impairment of PPA related assets (EBITA)	**98,227**	**-**	**98,227**	**19.1%**	**86,525**	**(5,478)**	**81,047**	**17.1%**	**13.5%**
PPA related depreciation, amortization and impairment	(9,392)	-	(9,392)	-1.8%	(9,929)	-	(9,929)	-2.0%	5.4%
Operating profit (loss) (EBIT)	**88,835**	**-**	**88,835**	**17.3%**	**76,596**	**(5,478)**	**71,118**	**15.1%**	**16.0%**
Income, expenses, valuation and adjustments of financial assets	95	-	95	0.0%	(28)	-	(28)	0.0%	439.3%
Net financial expenses	(7,402)	-	(7,402)	-1.4%	(6,628)	-	(6,628)	-1.3%	-11.7%
Exchange differences and non-hedge accounting instruments	94	-	94	0.0%	(581)	-	(581)	-0.1%	116.2%
Profit (loss) before tax	**81,622**	**-**	**81,622**	**15.9%**	**69,359**	**(5,478)**	**63,881**	**13.7%**	**17.7%**
Tax	(21,679)	-	(21,679)	-4.2%	(18,152)	1,101	(17,051)	-3.6%	-19.4%
Net profit (loss)	**59,943**	**-**	**59,943**	**11.7%**	**51,207**	**(4,377)**	**46,830**	**10.1%**	**17.1%**
Profit (loss) of minority interests	46	-	46	0.0%	(172)	-	(172)	0.0%	126.7%
Net profit (loss) attributable to the Group	**59,897**	**-**	**59,897**	**11.7%**	**51,379**	**(4,377)**	**47,002**	**10.1%**	**16.6%**

(*) See table at page 57 for details of non-recurring transactions.

The following table shows the details of the non-recurring transactions included in the previous statements.

(€ thousands)	FY 2020	FY 2019
Costs related to GAES integration	-	(22,193)
Impact of the non-recurring items on EBITDA	**-**	**(22,193)**
Impairment of GAES intangible asset	-	(2,021)
Impact of the non-recurring items on EBIT	**-**	**(24,214)**
Impact of the non-recurring items on profit before tax	**-**	**(24,214)**
Impact of the above items on the tax burden of the period	-	5,818
Impact of the non-recurring items on net profit	**-**	**(18,396)**

(€ thousands)	Q4 2020	Q4 2019
Costs related to GAES integration	-	(3,821)
Impact of the non-recurring items on EBITDA	**-**	**(3,821)**
Impairment of GAES intangible asset	-	(1,657)
Impact of the non-recurring items on EBIT	**-**	**(5,478)**
Impact of the non-recurring items on profit before tax	**-**	**(5,478)**
Impact of the above items on the tax burden of the period	-	1,101
Impact of the non-recurring items on net profit	**-**	**(4,377)**

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)	12/31/2020	12/31/2019	Change
Goodwill	1,281,609	1,215,511	66,098
Customer lists, non-compete agreements, trademarks and location rights	259,627	270,307	(10,680)
Software, licenses, other int.ass., wip and advances	101,559	97,201	4,358
Tangible assets	177,616	196,579	(18,963)
Right of use assets	409,338	418,429	(9,091)
Fixed financial assets [1]	38,125	44,887	(6,762)
Other non-current financial assets [1]	31,569	32,282	(713)
Total fixed assets	**2,299,443**	**2,275,196**	**24,247**
Inventories	57,431	64,592	(7,161)
Trade receivables	169,060	205,219	(36,159)
Other receivables	60,533	75,998	(15,465)
Current assets (A)	**287,024**	**345,809**	**(58,785)**
Total assets	**2,586,467**	**2,621,005**	**(34,538)**
Trade payables	(181,036)	(177,390)	(3,646)
Other payables [2]	(318,968)	(284,827)	(34,141)
Provisions for risks (current portion)	(3,560)	(4,242)	682
Short term liabilities (B)	**(503,564)**	**(466,459)**	**(37,105)**
Net working capital (A) - (B)	**(216,540)**	**(120,650)**	**(95,890)**
Derivative instruments [3]	(5,908)	(8,763)	2,855
Deferred tax assets	83,671	81,427	2,244
Deferred tax liabilities	(95,150)	(102,111)	6,961
Provisions for risks (non-current portion)	(49,765)	(50,290)	525
Employee benefits (non-current portion)	(24,019)	(25,281)	1,262
Loan fees [4]	7,941	1,611	6,330
Other long-term payables	(141,361)	(143,701)	(2,340)

(€ thousands)	12/31/2020	12/31/2019	Change
NET INVESTED CAPITAL	**1,858,312**	**1,907,438**	**(49,126)**
Shareholders' equity	800,883	695,031	105,852
Third parties' equity	985	1,084	(99)
Net equity	**801,868**	**696,115**	**105,753**
Long term net financial debt [4]	1,103,265	752,648	350,617
Short term net financial debt [4]	(469,600)	34,050	(503,650)
Total net financial debt	**633,665**	**786,698**	**(153,033)**
Lease liabilities	422,779	424,625	(1,846)
Total lease liabilities & net financial debt	**1,056,444**	**1,211,323**	**(154,879)**
NET EQUITY, LEASE LIABILITIES AND NET FINANCIAL DEBT	**1,858,312**	**1,907,438**	**(49,126)**

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 by 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) "Derivatives instruments" includes cash flow hedging instruments not included 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 portions, respectively.

CONDENSED RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

The condensed consolidated cash flow statement is a summarized version of the reclassified statement of cash flows set out in the following pages and its purpose is, starting from the EBIT, to detail the cash flows from or used in operating, investing and financing activities.

(€ thousands)	FY 2020	FY 2019
Operating profit (loss) (EBIT)	**168,500**	**177,091**
Amortization, depreciation and write down	202,467	193,499
Provisions, other non-monetary items and gain/losses from disposals	24,799	26,771
Net financial expenses	(25,823)	(23,935)
Taxes paid	(34,462)	(46,983)
Changes in net working capital	51,395	(6,688)
Cash flow provided by (used in) operating activities before repayment of lease liabilities	**386,876**	**319,755**
Repayment of lease liabilities	(72,802)	(81,006)
Cash flow provided by (used in) operating activities (A)	**314,074**	**238,749**
Cash flow provided by (used in) operating investing activities (B)	(57,194)	(88,878)
Free Cash Flow (A) + (B)	**256,880**	**149,871**
Net cash flow provided by (used in) acquisitions (C)	(89,199)	(66,860)
(Purchase) sale of other investment and securities (D)	-	378
Cash flow provided by (used in) investing activities (B+C+D)	**(146,393)**	**(155,360)**
Cash flow provided by (used in) operating activities and investing activities	**167,681**	**83,389**
Dividends	-	(30,939)
Fees paid on medium/long-term financing	(7,709)	-
Capital increases, third parties' contributions and dividends paid by subsidiaries to third parties	(306)	(134)
Hedging instruments and other changes in non-current assets	287	2,678
Net cash flow from the period	**159,953**	**54,994**
Net financial indebtedness as of period opening date	**(786,698)**	**(840,856)**
Effect of activities dismissal on net financial indebtedness	-	(42)
Effect of exchange rate fluctuations on financial position	(6,920)	(794)
Change in net financial position	159,953	54,994
Net financial indebtedness as of period closing date	**(633,665)**	**(786,698)**

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

(€ thousands)	FY 2020	FY 2019
Free cash flow	**256,880**	**149,871**
Free cash flow generated by non-recurring transactions (see page 94 for details)	(1,101)	(21,531)
Free cash flow generated by recurring transactions	**257,981**	**171,402**

INDICATORS

	12/31/2020	12/31/2019
Net financial indebtedness (€ thousands)	633,665	786,698
Lease liabilities	422,779	424,625
Total lease liabilities & net financial indebtedness	1,056,444	1,211,323
Net equity (€ thousands)	801,868	696,115
Group Net Equity (€ thousands)	800,883	695,031
Net financial indebtedness/Net Equity	0.80	1.13
Net financial indebtedness/Group Net Equity	0.80	1.13
Net financial indebtedness/EBITDA	1.63	1.90
EBITDA/Net financial expenses	22.79	28.81
Earnings per share (EPS) (€)	0.45132	0.48979
Diluted EPS (€)	0.44556	0.48135
EPS (€) adjusted for non-recurring transactions and amortization/depreciation related to purchase price allocations to tangible and intangible assets	0.57806	0.68166
Group Net Equity per share (€)	3.563	3.115
Dividend per share (DPS) (€) (*)	0.22	-
Pay out ratio (%) (*)	48.75%	-
Dividend yield (%) (*)	0.65%	-
Period-end price (€)	34.040	25.640
Highest price in period (€)	36.540	26.800
Lowest price in period (€)	14.830	13.610
Price/earning ratio (P/E)	75.42	52.35
Share price/net equity per share	9.569	8.231
Market capitalization (€ millions)	7,651.71	5,720.78
Number of shares outstanding	224,785,974	223,119,533

(*) Dividend proposed by the Board of Directors at the Shareholders General Meeting convened on April 23th, 2021.

- **Net financial indebtedness/net equity** is the ratio of net financial indebtedness, excluding lease liabilities and short-term investments not cash equivalents, to total net equity.
- **Net financial indebtedness/Group net equity** is the ratio of the net financial indebtedness, excluding lease liabilities and short-term investments not cash equivalents, to the Group's net equity.
- **Net financial indebtedness/EBITDA** is the ratio of net financial indebtedness, excluding lease liabilities and short-term investments not cash equivalents, to EBITDA for the last four quarters (determined with reference to recurring operations only, based on pro forma figures in case of significant changes to the structure of the Group).
- **EBITDA/net financial expenses ratio** is the ratio of EBITDA for the last four quarters (determined with reference to recurring operations only, based on restated figures in case of significant

changes to the structure of the Group) to net interest payable and receivable of the same last four quarters.

- **Earnings per share (EPS) (€)** is the 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 the 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 non-recurring transactions and amortization/depreciation related to purchase price allocations to tangible and intangible assets (€)** is the profit for the period from recurring operations attributable to the parent's ordinary shareholders divided by the weighted average number of outstanding shares in the period adjusted to reflect the amortization of purchase price allocations. When calculating the number of outstanding shares, the purchases and sales of treasury shares are considered cancellations and share issues, respectively.
- **Net Equity per share (€)** is the ratio of Group equity to the number of outstanding shares.
- **Dividend per share (DPS) (€)** is the dividend, paid in the following year, decided by the shareholders' meeting following the approval of the financial statements of the reported year. This ratio is not given in the *interim* reports because it is meaningful only with reference to the full year result.
- **Pay-out ratio (%)** is the ratio of the dividend paid on EPS.
- **Dividend yield (%)** is the ratio of the dividend per share, paid in the following year, on the share price determined in December 31st of the reported year.
- **Period-end price (€)** is the closing price on the last stock exchange trading day of the period.
- **Highest price (€)** and **lowest price (€)** are the highest and lowest prices from 1 January to the end of the period.
- **Price/Earnings ratio (P/E)** is the ratio of the share price determined during the last stock exchange trading day of the period on earnings per share.
- **Share price/Net equity per share** is the ratio of the share closing price on the last stock exchange trading day of the period to net equity per share.
- **Market capitalization** is the closing price on the last stock exchange trading day of the period multiplied by the number of outstanding shares.
- **The number of shares outstanding** is the number of shares issued less treasury shares.

INCOME STATEMENT REVIEW

CONSOLIDATED INCOME STATEMENT BY SEGMENT AND GEOGRAPHIC AREA (*)

(€ thousands)	FY 2020				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	1,123,534	249,583	182,426	-	1,555,543
Operating costs	(827,940)	(193,949)	(120,724)	(55,644)	(1,198,257)
Other income and costs	9,946	1,912	1,101	722	13,681
Gross operating profit (loss) (EBITDA)	**305,540**	**57,546**	**62,803**	**(54,922)**	**370,967**
Depreciation, amortization and impairment of non-current assets	(42,785)	(8,404)	(11,954)	(10,739)	(73,882)
Right-of-use depreciation	(74,057)	(3,848)	(11,413)	(451)	(89,769)
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	**188,698**	**45,294**	**39,436**	**(66,112)**	**207,316**
PPA related depreciation, amortization and impairment	(31,709)	(733)	(6,374)	-	(38,816)
Operating profit (loss) (EBIT)	**156,989**	**44,561**	**33,062**	**(66,112)**	**168,500**
Income, expenses, revaluation and adjustments of financial assets					(344)
Net financial expenses					(29,486)
Exchange differences and non-hedge accounting instruments					655
Profit (loss) before tax					**139,325**
Tax					(38,263)
Net profit (loss)					**101,062**
Profit (loss) of minority interests					58
Net profit (loss) attributable to the Group					**101,004**

(€ thousands)	FY 2020 – Only recurring operations				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	1,123,534	249,583	182,426	-	1,555,543
Gross operating profit (loss) (EBITDA)	305,540	57,546	62,803	(54,922)	370,967
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	188,698	45,294	39,436	(66,112)	207,316
Operating profit (loss) (EBIT)	156,989	44,561	33,062	(66,112)	168,500
Profit (loss) before tax					139,325
Net profit (loss) attributable to the Group					101,004

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

(€ thousands)	FY 2019				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	1,253,880	285,346	187,791	5,046	1,732,063
Operating costs	(954,771)	(221,645)	(132,523)	(53,908)	(1,362,847)
Other income and costs	1,030	844	(279)	(221)	1,374
Gross operating profit (loss) (EBITDA)	**300,139**	**64,545**	**54,989**	**(49,083)**	**370,590**
Depreciation, amortization and impairment of non-current assets	(43,232)	(6,748)	(8,661)	(9,175)	(67,816)
Right-of-use depreciation	(74,242)	(3,769)	(10,036)	-	(88,047)
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	**182,665**	**54,028**	**36,292**	**(58,258)**	**214,727**
PPA related depreciation, amortization and impairment	(30,226)	(1,479)	(5,806)	(125)	(37,636)
Operating profit (loss) (EBIT)	**152,439**	**52,549**	**30,486**	**(58,383)**	**177,091**
Income, expenses, revaluation and adjustments of financial assets					191
Net financial expenses					(26,325)
Exchange differences and non-hedge accounting instruments					(818)
Profit (loss) before tax					**150,139**
Tax					(41,615)
Net profit (loss)					**108,524**
Profit (loss) of minority interests					(142)
Net profit (loss) attributable to the Group					**108,666**

(€ thousands)	FY 2019 – ONLY RECURRING OPERATIONS				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	1,253,880	285,346	187,791	5,046	1,732,063
Gross operating profit (loss) (EBITDA)	322,235	64,642	54,989	(49,083)	392,783
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	206,782	54,125	36,292	(58,258)	238,941
Operating profit (loss) (EBIT)	176,557	52,645	30,486	(58,383)	201,305
Profit (loss) before tax					174,353
Net profit (loss) attributable to the Group					127,062

(€ thousands)	FOURTH QUARTER 2020				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	382,882	75,420	55,119	-	513,421
Operating costs	(256,668)	(56,927)	(37,533)	(20,204)	(371,332)
Other income and costs	351	346	85	441	521
Gross operating profit (loss) (EBITDA)	**125,863**	**18,839**	**17,671**	**(19,763)**	**142,610**
Depreciation, amortization and impairment of non-current assets	(12,058)	(3,426)	(2,866)	(3,779)	(22,129)
Right-of-use depreciation	(18,197)	(963)	(2,976)	(118)	(22,254)
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	**95,608**	**14,450**	**11,829**	**(23,660)**	**98,227**
PPA related depreciation, amortization and impairment	(8,006)	236	(1,622)	-	(9,392)
Operating profit (loss) (EBIT)	**87,602**	**14,686**	**10,207**	**(23,660)**	**88,835**
Income, expenses, revaluation and adjustments of financial assets					95
Net financial expenses					(7,402)
Exchange differences and non-hedge accounting instruments					94
Profit (loss) before tax					**81,622**
Tax					(21,679)
Net profit (loss)					**59,943**
Profit (loss) of minority interests					46
Net profit (loss) attributable to the Group					**59,897**

(€ thousands)	FOURTH QUARTER 2020 – ONLY RECURRING OPERATIONS				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	382,882	75,420	55,119	-	513,421
Gross operating profit (loss) (EBITDA)	125,863	18,839	17,671	(19,763)	142,610
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	95,608	14,450	11,829	(23,660)	98,227
Operating profit (loss) (EBIT)	87,602	14,686	10,207	(23,660)	88,835
Profit (loss) before tax					81,622
Net profit (loss) attributable to the Group					59,897

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

(€ thousands)	FOURTH QUARTER 2019				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	376,053	81,964	47,573	1,732	507,322
Operating costs	(263,322)	(62,539)	(34,078)	(21,320)	(381,259)
Other income and costs	361	368	(160)	(280)	289
Gross operating profit (loss) (EBITDA)	**113,092**	**19,793**	**13,335**	**(19,868)**	**126,352**
Depreciation, amortization and impairment of non-current assets	(14,463)	(2,710)	(2,363)	(2,660)	(22,196)
Right-of-use depreciation	(19,298)	(973)	(2,838)	-	(23,109)
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	**79,331**	**16,110**	**8,134**	**(22,528)**	**81,047**
PPA related depreciation, amortization and impairment	(7,891)	(598)	(1,440)	-	(9,929)
Operating profit (loss) (EBIT)	**71,440**	**15,512**	**6,694**	**(22,528)**	**71,118**
Income, expenses, revaluation and adjustments of financial assets					(28)
Net financial expenses					(6,627)
Exchange differences and non-hedge accounting instruments					(581)
Profit (loss) before tax					**63,882**
Tax					(17,051)
Net profit (loss)					**46,831**
Profit (loss) of minority interests					(172)
Net profit (loss) attributable to the Group					**47,003**

(€ thousands)	FOURTH QUARTER 2019 – ONLY RECURRING OPERATIONS				
	EMEA	Americas	Asia Pacific	Corporate	Total
Revenues from sales and services	376,053	81,964	47,573	1,732	507,322
Gross operating profit (loss) (EBITDA)	116,841	19,865	13,335	(19,868)	130,173
Operating profit (loss) before the depreciation and amortization of PPA related assets (EBITA)	84,737	16,182	8,134	(22,528)	86,525
Operating profit (loss) (EBIT)	76,847	15,583	6,694	(22,528)	76,596
Profit (loss) before tax					69,360
Net profit (loss) attributable to the Group					51,380

REVENUES FROM SALES AND SERVICES

(€ thousands)	FY 2020	FY 2019	Change	Change %
Revenues from sales and services	**1,555,543**	**1,732,063**	**(176,520)**	**-10.2%**

(€ thousands)	Fourth quarter 2020	Fourth quarter 2019	Change	Change %
Revenues from sales and services	**513,421**	**507,322**	**6,099**	**1.2%**

Consolidated revenues from sales and services amounted to €1,555,543 thousand in 2020, a decrease of €176,520 thousand (-10.2%) attributable entirely to the Covid-19 outbreak. The performance in 2020 was characterized by very different trends depending on the timing of the outbreak in the different markets, as well as the duration and intensity of the restrictive measures adopted by the governmental authorities in each Country. After a very positive beginning of the year, the Group's performance was severely impacted by the adoption of stringent restrictive measures in the period March-June, but began to show signs of a turnaround already in April, with a trend that beat expectations, which allowed the Group to record growth against the comparison period in the second half of the year.
More in detail, the year closed with negative organic growth of €190,668 thousand (-11.0%). Acquisitions made a positive contribution of €29,387 thousand (+1.7%), net of the disposal of Makstone (Turkey) completed in the fourth quarter of 2019, attributable mainly to the Attune Hearing Pty Ltd acquisition (completed early February in Australia). The foreign exchange differences had a negative impact of €15,239 thousand (-0.9%).

In the fourth quarter alone, consolidated revenues from sales and services amounted to €513,421 thousand, an increase of €6,099 thousand (+1.2%) compared to the challenging comparison period when organic growth of was 8.2% higher, excluding GAES, than in fourth quarter 2018. The organic growth was positive for €8,423 thousand (+1.7%) despite the spread of a second wave of infections and the restrictive measures implemented in different markets supported by marketing investments that were higher than in fourth quarter 2019. Acquisitions also made a positive contribution of €6,292 thousand (+1.2%) while the foreign exchange differences had a negative impact of €8,616 thousand (-1.7%).

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

(€ thousands)	FY 2020	% on Total	FY 2019	% on Total	Change	Change %	Exchange diff.	Change % in local currency
EMEA	1,123,534	72.2%	1,253,880	72.4%	(130,346)	-10.4%	1,128	-10.5%
Americas	249,583	16.0%	285,346	16.5%	(35,763)	-12.5%	(11,222)	-8.6%
Asia Pacific	182,426	11.8%	187,791	10.8%	(5,365)	-2.9%	(5,145)	-0.1%
Corporate	-	-	5,046	0.3%	(5,046)	-100.0%	-	-100.0%
Total	**1,555,543**	**100.0%**	**1,732,063**	**100.0%**	**(176,520)**	**-10.2%**	**(15,239)**	**-9.3%**

Europe, Middle-East and Africa

Period (€ thousands)	FY 2020	FY 2019	Change	Change %
I quarter	258,266	283,763	(25,497)	-9.0%
II quarter	179,204	323,365	(144,161)	-44.6%
I half	**437,470**	**607,128**	**(169,658)**	**-27.9%**
III quarter	303,182	270,699	32,483	12.0%
IV quarter	382,882	376,053	6,829	1.8%
II half	**686,064**	**646,752**	**39,312**	**6.1%**
Total year	**1,123,534**	**1,253,880**	**(130,346)**	**-10.4%**

Revenues from sales and services amounted to €1,123,534 thousand in 2020, down €130,346 thousand (-10.4%) against the comparison period, attributable entirely to the adverse impact of the Covid-19 crisis which peaked in the period March – June. The reporting period closed with negative organic growth of €145,044 thousand (-11.6%) while acquisitions, primarily in France, Spain and Germany and net the disposal of Makstone (Turkey) in fourth quarter 2019, made a positive contribution of €13,570 thousand (+1.1%). The foreign exchange differences had a positive impact of €1,128 thousand (+0.1%).

EMEA was affected by the pandemic beginning at the end of February, initially in Italy and then in the area's other main countries, with the exception of Germany where the restrictions were less severe. As the anti-Covid-19 measures were eased gradually, beginning at the end of April the business in the Group's core markets began to recover, posting robust organic growth, beginning in July which continued throughout the second half of the year despite the new lockdown measures implemented in the fourth quarter in the main European markets due to the second wave of the pandemic.

In the fourth quarter alone, revenues from sales and services amounted to €382,882 thousand, an increase of €6,829 thousand (+1.8%) against the comparison period driven for €5,617 thousand (+1.5%) by positive organic growth and for €1,504 thousand (+0.4%) by the positive contribution of acquisitions. The foreign exchange differences had a negative impact of €292 thousand.

Americas

Period (€ thousands)	FY 2020	FY 2019	Change	Change %
I quarter	64,355	63,102	1,253	2.0%
II quarter	40,246	68,782	(28,536)	-41.5%
I half	**104,601**	**131,884**	**(27,283)**	**-20.7%**
III quarter	69,562	71,498	(1,936)	-2.7%
IV quarter	75,420	81,964	(6,544)	-8.0%
II half	**144,982**	**153,462**	**(8,480)**	**-5.5%**
Total year	**249,583**	**285,346**	**(35,763)**	**-12.5%**

Revenues from sales and services amounted to €249,583 thousand in 2020, a decrease of €35,763 thousand (-12.5%) against the comparison period attributable entirely to Covid-19 which first struck the USA, at the end of March, and, subsequently, Canada and Latin America. The year closed with negative organic growth of €25,565 thousand (-9.0%). The contribution of acquisitions, mainly in Canada, was positive for €1,024 thousand (+0.4%). The result was penalized heavily by foreign exchange differences of -€11,222 thousand (-3.9%).

The region's results reflected two speeds. The United States, while strongly impacted by Covid-19 and store closures in April, showed rapid recovery in sales beginning in May and in the second half posted strong growth even though the fourth quarter was impacted by the uptick in infections and the presidential election in the United States. Miracle-Ear recorded a robust performance with organic growth that was, overall, higher than in the prior year. After reporting double-digit growth in the first quarter, in Latin America there was a noticeable slowdown in the business after the pandemic exploded, later than in the Group's other Countries, and the recovery has been slower. Consequently, the region continues to be severely impacted by the negative effects of the health crisis, but with the first positive signs in the last quarter of 2020 when growth against the prior year, was recorded in local currency.

In the fourth quarter alone revenues from sales and services amounted to €75,420 thousand, a decrease of €6,544 thousand (-8.0%) on the comparison period attributable entirely to the negative exchange differences of €7,483 thousand (-9.1%). At constant exchange rates revenues were up by 1.1% explained for €841 thousand (+1.0%) by organic growth and for €98 thousand (+0.1%) by acquisitions, primarily in Canada.

Asia Pacific

Period (€ thousands)	FY 2020	FY 2019	Change	Change %
I quarter	40,855	44,415	(3,560)	-8.0%
II quarter	30,973	46,622	(15,649)	-33.6%
I half	**71,828**	**91,037**	**(19,209)**	**-21.1%**
III quarter	55,479	49,181	6,298	12.8%
IV quarter	55,119	47,573	7,546	15.9%
II half	**110,598**	**96,754**	**13,844**	**14.3%**
Total year	**182,426**	**187,791**	**(5,365)**	**-2.9%**

Revenues from sales and services amounted to €182,426 thousand in year, down €5,365 thousand (-2.9%) against the comparison period explained primarily, in this region too, by the Covid-19 crisis. The period closed with negative organic growth of €15,013 thousand (-8.0%). Acquisitions made a positive contribution of €14,793 thousand (+7.9%) thanks to the Attune Hearing Pty Ltd acquisition completed in the first part of February.The foreign exchange differences were negative for €5,145 thousand (-2.8%), while in local currency revenues were down only 0.1% compared to 2019.

The region's performance reflects the different timing and impact of the pandemic, as well as the differences in the duration and intensity of the restrictive measures adopted in each Country. In Australia the performance was also affected by the bushfires which continued throughout January and were only definitively extinguished at the beginning of March. The Covid-19 containment measures were, however, less stringent than in other markets, with the exception of the lockdown in the state of Victoria and did not result in mandatory store closures. The containment ordinances in New Zealand, China and India resulted in the closure of all

the network stores, albeit at different times, which caused sales to fall. New Zealand was also penalized by the lockdown in Auckland in August.

In the fourth quarter alone revenues from sales and services amounted to €55,119 thousand, an increase of €7,546 thousand (+15.9%) against the comparison period explained for €3,697 thousand (+7.8%) by organic growth and for €4,690 thousand (+9.9%) by acquisitions. The foreign exchange differences had a negative impact of €841 thousand (-1.8%).

GROSS OPERATING PROFIT (EBITDA)

(€ thousands)	FY 2020			FY 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (loss) (EBITDA)	370,967	-	370,967	392,783	(22,193)	370,590

(€ thousands)	FOURTH QUARTER 2020			FOURTH QUARTER 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (loss) (EBITDA)	142,610	-	142,610	130,173	(3,821)	126,352

Gross operating profit (EBITDA) amounted to €370.967 thousand in 2020, a slight increase of €377 thousand (+0.1%) with respect to the comparison period with foreign exchange differences that were negative for €2,888 thousand. The EBITDA margin came to 23.8%, 2.4 p.p. higher than in the comparison period.
No non-recurring expenses were incurred in the reporting period, while non-recurring expenses relating to the GAES integration of €22,193 thousand were incurred in the prior year. Net of this item, EBITDA would have been down by €21,816 thousand (-5.6%) in the year, with an EBITDA margin that was 1.1 p.p. lower than in 2019.

From the very beginning of the Covid-19 pandemic, the Group worked quickly to contain and optimize the company's costs in order to protect margins which were excellent and higher than in the comparison period. More in detail, the Group moved rapidly to access all the aid and contributions made available by the different governmental authorities and other public entities relative to the cost of labor and business relief for a total of €42,289 thousand which partially offset the drop in revenues caused by the lockdown measures. The Group also benefitted from income of €9,683 thousand stemming from the renegotiation of contracts with suppliers of goods and services, as well as leases, pursuant to the practical expedient introduced in the IFRS 16 amendment approved by IASB in May 2020. On the other hand, the Group incurred a series of costs totaling around €9,689 thousand related directly to the Covid-19 outbreak. Please refer to note 2 of the explanatory notes for further details.

In the fourth quarter alone EBITDA amounted to €142,610 thousand (with an EBITDA margin of 27.8%), an increase of €16,258 thousand with respect to the comparison period. The EBITDA margin was 2.9 p.p. higher and the foreign exchange differences were negative for €1,336 thousand.
The noticeable increase in profitability, higher than in the prior year, reflects the recovery in revenues which was boosted by the greater efficiency and productivity achieved by the Group as a result of the decisive actions on costs implemented during the second quarter which made it possible to absorb investments in marketing that were higher than in the fourth quarter of 2019 and the restart of important Corporate growth projects already begun in the third quarter.

No non-recurring expenses were incurred in the reporting period, while non-recurring expenses relating to the GAES integration of €3,821 thousand were incurred in the fourth quarter of the prior year. Net of this item, EBITDA would have been €12,437 thousand higher (+9.6%) in the fourth quarter, with the EBITDA margin up 2.1 p.p. against the comparison period.

The following table shows a breakdown of EBITDA by segment.

(€ thousands)	FY 2020	EBITDA Margin	FY 2019	EBITDA Margin	Change	Change %
EMEA	305,540	27.2%	300,139	23.9%	5,401	1.8%
Americas	57,546	23.1%	64,545	22.6%	(6,999)	-10.8%
Asia Pacific	62,803	34.4%	54,989	29.3%	7,814	14.2%
Corporate (*)	(54,922)	-3.5%	(49,083)	-2.8%	(5,839)	-11.9%
Total	**370,967**	**23.8%**	**370,590**	**21.4%**	**377**	**0.1%**

(€ thousands)	Fourth quarter 2020	EBITDA Margin	Fourth quarter 2019	EBITDA Margin	Change	Change %
EMEA	125,863	32.9%	113,092	30.1%	12,771	11.3%
Americas	18,839	25.0%	19,793	24.1%	(954)	-4.8%
Asia Pacific	17,671	32.1%	13,335	28.0%	4,336	32.5%
Corporate (*)	(19,763)	-3.8%	(19,868)	-3.9%	105	0.5%
Total	**142,610**	**27.8%**	**126,352**	**24.9%**	**16,258**	**12.9%**

(*) Centralized costs are shown as a percentage of the Group's total sales.

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

(€ thousands)	FY 2020	EBITDA Margin	FY 2019	EBITDA Margin	Change	Change %
EMEA	305,540	27.2%	322,235	25.7%	(16,695)	-5.2%
Americas	57,546	23.1%	64,642	22.7%	(7,096)	-11.0%
Asia Pacific	62,803	34.4%	54,989	29.3%	7,814	14.2%
Corporate (*)	(54,922)	-3.5%	(49,083)	-2.8%	(5,839)	-11.9%
Total	**370,967**	**23.8%**	**392,783**	**22.7%**	**(21,816)**	**-5.6%**

(€ thousands)	Fourth quarter 2020	EBITDA Margin	Fourth quarter 2019	EBITDA Margin	Change	Change %
EMEA	125,863	32.9%	116,841	31.1%	9,022	7.7%
Americas	18,839	25.0%	19,865	24.2%	(1,026)	-5.2%
Asia Pacific	17,671	32.1%	13,335	28.0%	4,336	32.5%
Corporate (*)	(19,763)	-3.8%	(19,868)	-3.9%	105	0.5%
Total	**142,610**	**27.8%**	**130,173**	**25.7%**	**12,437**	**9.6%**

(*) Centralized costs are shown as a percentage of the Group's total sales.

Europe, Middle-East and Africa

Gross operating profit (EBITDA) amounted to €305,540 thousand in 2020, an increase of €5,401 thousand (+1.8%) with respect to the comparison period and includes foreign exchange gains of €598 thousand. The EBITDA margin came to 27.2%, higher (+3.3 p.p.) than in 2019.
Non-recurring expenses relating to the GAES integration of €22,096 thousand were incurred in the comparison period. Net of this item, EBITDA would have been down by €16,695 thousand (-5.2%) in the year, with the EBITDA margin up 1.5 p.p. against the comparison period.

The performance, while strongly impacted by the drop in revenues caused by Covid-19, shows an improvement in recurring profitability thanks to the timely actions on cost implemented in the second quarter and the strong recovery in the business posted in the second half of the year despite the new lockdown measures implemented in the fourth quarter in the main European markets due to the second wave of the pandemic.

The aid and contributions made available by the different governmental authorities and other public entities relative to the cost of labor and business partial relief, which amounted to €24,545 thousand, partially offset the drop in revenues caused by the lockdown measures, while the income recognized as a result of lease renegotiations came to €7,944 thousand. On the other hand, the Group incurred a series of costs totaling around €6,840 thousand related directly to the Covid-19 outbreak.

In the fourth quarter alone, gross operating profit (EBITDA) amounted to €125,863 thousand, an increase against the comparison period of €12,771 thousand (+11.3%) The EBITDA margin reached 32.9%, a marked increase of 2.8 p.p. against the comparison quarter, which includes the marginal effect of €155 thousand in foreign exchange gains.
The fourth quarter of 2019 was impacted negatively for €3,749 thousand by the non-recurring expenses relating to the GAES integration. Net of this item, EBITDA would have been up by €9,022 thousand (+7.7%), with an EBITDA margin that was 1.8 p.p. higher than in the comparison period.

Americas

Gross operating profit (EBITDA) amounted to €57,546 thousand in 2020, a decrease of €6,999 thousand (-10.8%) with respect to the comparison period including positive foreign exchange differences of €2,036 thousand. The EBITDA margin came to 23.1%, 0.5 p.p. higher than in 2019.
The results posted in the comparison period were impacted marginally by the non-recurring expenses of €96 thousand incurred stemming from the GAES integration in South America.
Net of this item, EBITDA would have been €7,096 thousand (-11.0%), while the margin would have been 0.4 p.p. higher than in the comparison period.

Profitability in 2020, while impacted by the decrease in sales, was largely protected by the actions taken by the Group to contain and optimize costs as the pandemic worsened and restrictive measures were implemented by the local authorities.

The aid and contributions made available by the different governmental authorities and other public entities relative to the cost of labor and business partial relief, which amounted to €3,176 thousand, partially offset the drop in revenues caused by the lockdown measures, while the income recognized as a result of lease renegotiations came to €432 thousand. On the other hand, the Group incurred a series of costs totaling around €312 thousand related directly to the Covid-19 outbreak.

In the fourth quarter alone, gross operating profit (EBITDA) amounted to €18,839 thousand, a decrease against the comparison period of €954 thousand (-4.8%), attributable entirely to the negative foreign exchange effect of €1,399 thousand partially offset by the actions taken to contain and optimize costs. The EBITDA margin reached 25.0%, an increase of 0.9 p.p. against the comparison period (+0.8 p.p. on a recurring basis).

Asia Pacific

Gross operating profit (EBITDA) amounted to €62,803 thousand in 2020, an increase of a €7,814 thousand (+14.2%) with respect to the comparison period. The result also reflects negative exchange differences of €1,456 thousand. The EBITDA margin came to 34.4%, an impressive 5.5 p. p higher than in 2019.

Thanks to the measures implemented to mitigate the impact of the pandemic, above all in the second quarter, profitability rose considerably against 2019 with a significant increase in the second part of the year fueled by extraordinary operating leverage.

The aid and contributions made available by the different governmental authorities and other public entities relative to the cost of labor and business partial relief, which amounted to €14,568 thousand, partially offset the drop in revenues caused by the lockdown measures, while the income recognized as a result of lease renegotiations came to €1,308 thousand. On the other hand, the Group incurred a series of costs totaling around €2,538 thousand related directly to the Covid-19 outbreak.

In the fourth quarter alone, gross operating profit (EBITDA) amounted to €17,671 thousand, an increase against the prior year of €4,336 thousand (+32.5%), including the marginal impact of €92 thousand in negative foreign exchange differences.
The EBITDA margin reached 32.1%, an increase of 4.1 p.p. against the prior year. The result reflects the stronger operating leverage stemming from the efficiencies and increased productivity achieved in the area which boosted the positive effect of the excellent performance of revenues recorded in the fourth quarter.

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 €54,922 thousand in 2020 (3.5% of the revenues generated by the Group's sales and services), an increase of €5,839 thousand with respect to the prior year. This also reflects the restart of important corporate projects which had been suspended initially, in the first part of the year, in the wake of the pandemic, but which are key to the Group's future growth and call for the role of corporate functions to be gradually increased in order to enhance the efficiency of certain processes like procurement, for example.

In the fourth quarter alone the net cost of centralized Corporate functions amounted to €19,763 thousand (3.8% of the revenues generated by the Group's sales and services), down slightly against the comparison period by €105 thousand.

OPERATING PROFIT (EBIT)

(€ thousands)	FY 2020			FY 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Margine operativo (EBIT)	168,500	-	168,500	201,305	(24,214)	177,091

(€ thousands)	FOURTH QUARTER 2020			FOURTH QUARTER 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Margine operativo (EBIT)	88,835	-	88,835	76,596	(5,478)	71,118

Operating profit (EBIT) amounted to €168,500 thousand in 2020, a decrease of €8,591 thousand (-4.9%) with respect to the comparison period, including the negative foreign exchange differences of €1,012 thousand.
The EBIT margin came to 10.8%, an increase of 0.6 p.p. against the comparison period.
No non-recurring expenses were incurred in the reporting period while in 2019 EBIT was impacted by non-recurring costs of €24,214 thousand relative to the integration of GAES. Net of this item EBIT would have come to €32,805 thousand (-16.3%), with an EBIT margin that was 0.8 p.p. lower than in 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 incremental investments made in 2019, the opening of new stores, investments in IT systems, as well as higher amortization for right-of-use assets.

In the fourth quarter alone, operating profit (EBIT) amounted to €88,835 thousand (17.3% of sales and services), an increase against the comparison period of €17,717 thousand (+24.9%) including negative exchange differences of €488 thousand.
The EBIT margin came to 17.3%, an increase of 3.3 p.p. against 2019.
In the comparison period EBIT was impacted by non-recurring costs of €5,478 thousand relative to the integration of GAES. Net of this item EBIT would have come to €12,239 thousand (+16.0%), with an EBIT margin that was 2.2 p.p. higher than in the prior year.

The following table shows the breakdown of EBIT by segment:

(€ thousands)	FY 2020	EBIT Margin	FY 2019	EBIT Margin	Change	Change %
EMEA	156,989	14.0%	152,439	12.2%	4,550	3.0%
Americas	44,561	17.9%	52,549	18.4%	(7,988)	-15.2%
Asia Pacific	33,062	18.1%	30,486	16.2%	2,576	8.4%
Corporate (*)	(66,112)	-4.3%	(58,383)	-3.4%	(7,729)	-13.2%
Total	**168,500**	**10.8%**	**177,091**	**10.2%**	**(8,591)**	**-4.9%**

(€ thousands)	Fourth quarter 2020	EBIT Margin	Fourth quarter 2019	EBIT Margin	Change	Change %
EMEA	87,602	22.9%	71,440	19.0%	16,162	22.6%
Americas	14,686	19.5%	15,512	18.9%	(826)	-5.3%
Asia Pacific	10,207	18.5%	6,694	14.1%	3,513	52.5%
Corporate (*)	(23,660)	-4.6%	(22,528)	-4.4%	(1,132)	-5.0%
Total	**88,835**	**17.3%**	**71,118**	**14.0%**	**17,717**	**24.9%**

(*) Centralized costs are shown as a percentage of the Group's total sales.

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

(€ thousands)	FY 2020	EBIT Margin	FY 2019	EBIT Margin	Change	Change %
EMEA	156,989	14.0%	176,557	14.1%	(19,568)	-11.1%
Americas	44,561	17.9%	52,645	18.4%	(8,084)	-15.4%
Asia Pacific	33,062	18.1%	30,486	16.2%	2,576	8.4%
Corporate (*)	(66,112)	-4.3%	(58,383)	-3.4%	(7,729)	-13.2%
Total	**168,500**	**10.8%**	**201,305**	**11.6%**	**(32,805)**	**-16.3%**

(€ thousands)	Fourth quarter 2020	EBIT Margin	Fourth quarter 2019	EBIT Margin	Change	Change %
EMEA	87,602	22.9%	76,847	20.4%	10,755	14.0%
Americas	14,686	19.5%	15,583	19.0%	(897)	-5.8%
Asia Pacific	10,207	18.5%	6,694	14.1%	3,513	52.5%
Corporate (*)	(23,660)	-4.6%	(22,528)	-4.4%	(1,132)	-5.0%
Total	**88,835**	**17.3%**	**76,596**	**15.1%**	**12,239**	**16.0%**

(*) Centralized costs are shown as a percentage of the Group's total sales.

Europe, Middle-East and Africa

Operating profit (EBIT) amounted to €156,989 thousand In 2020, an increase of €4,550 thousand (+3.0%), including the positive foreign exchange differences of €548 thousand. The EBIT margin came to 14.0% (+1.8 p.p. against 2019).

In the comparison period EBIT was impacted by non-recurring costs of €24,118 thousand relative the GAES integration. Net of this item EBIT would have been €19.568 thousand lower (-11.1%), with an EBIT margin that was 0.1 p.p. lower than in the comparison period.

In the fourth quarter alone, operating profit (EBIT) amounted to €87,602 thousand, an increase against the comparison period of €16,162 thousand (+22.6%) including positive exchange differences which had a marginal impact of €263 thousand. The EBIT margin rose by 3.9 p.p. with respect to the comparison period, coming in at 22.9%.
The result for the period was impacted by non-recurring costs of €5,407 thousand relative to the integration of GAES. Net of this item EBIT would have reached €10,755 thousand (+14.0%), with an EBIT margin that was 2.5 p.p. higher than in the comparison period.

Americas

In 2020 operating profit (EBIT) was €7,988 thousand lower (-15.2%) than in the comparison period, coming in at €44,561 thousand, including positive foreign exchange differences of €1,082 thousand. The EBIT margin came to 17.9%, down 0.5 p.p. against 2019.
The results in the comparison period were impacted marginally (€96 thousand) by the non-recurring expenses incurred for the GAES integration in South America.

In the fourth quarter alone, operating profit (EBIT) amounted to €14,686 thousand, a decrease against the comparison period of €826 thousand (-5.3%), including the negative foreign exchange differences of €933 thousand.
The EBIT margin rose by 0.6 p.p. against the comparison period, coming in at 19.5%.

Asia Pacific

In 2020 operating profit (EBIT) rose €2,576 thousand (+8.4%) against the comparison period to €33,062 thousand, including the negative foreign exchange differences €484 thousand. The EBIT margin came to 18.1%, an increase of 1.9 p.p. compared to 2019.

In the fourth quarter alone, operating profit (EBIT) amounted to €10,207 thousand, an increase against the comparison period of €3,513 thousand (+52.5%), including the positive foreign exchange differences of €181 thousand.
The EBIT margin was 4.4 p.p. higher than in the comparison period, coming in at 18.5%.

Corporate

The net costs of centralized Corporate functions at the EBIT level amounted to €66,112 thousand in 2020 (4.3% of the revenues generated by the Group's sales and services), an increase of €7,729 thousand with respect to the comparison period.

In the fourth quarter alone, the net costs totaled €23,660 thousand (4.6% of the revenues generated by the Group's sales and services), an increase of €1,132 thousand against the comparison period.

PROFIT BEFORE TAX

(€ thousands)	FY 2020			FY 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit (loss) before tax	139,325	-	139,325	174,353	(24,214)	150,139

(€ thousands)	IV TRIMESTRE 2020			IV TRIMESTRE 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit (loss) before tax	81,622	-	81,622	69,359	(5,478)	63,881

Profit before tax amounted to €139,325 thousand in 2020, a drop of €10,814 thousand (-7.2%) with respect to the comparison period which reflects the decrease in EBIT described above and the increase in financial expenses stemming from the increase in gross debt in the wake of an important refinancing program aimed at safeguarding the Group by ensuring significant headroom which made it possible not only to face the difficult economic situation, particularly in the second quarter, but also to provide a safety net in the event of further lockdown measures should the pandemic worsen again. Please refer to the section on net financial debt and the relative explanatory notes for more information about the Group's new financial structure. The 2020 profit before tax was also impacted by the same effects of the Covid-19 pandemic described in greater detail in the section on EBITDA.

The 2019 result was impacted by the same non-recurring costs of €24,414 thousand commented on above. Net of this item, profit before tax would have been €35,028 thousand lower (-20.1%), while the gross profit margin would have reached 9.0%, an increase of 0.3 p.p. against the comparison period and 1.1 p.p. lower on a recurring basis.

In the fourth quarter alone profit before tax amounted to €81,622 thousand, an increase against the comparison period of €17,741 thousand (+27.8%). The gross profit margin came to 15.9% (+3.3 p.p. against the comparison period).
The result for fourth quarter 2019 was impacted by the same non-recurring costs of €5,478 thousand commented on above. Net of this item profit before tax would have been €12,263 thousand higher (+17.7%), with the gross profit margin up 2.2 p.p. against the prior period.

NET PROFIT ATTRIBUTABLE TO THE GROUP

(€ thousands)	FY 2020			FY 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Group net profit (loss)	101,004	-	101,004	127,062	(18,396)	108,666

(€ thousands)	FOURTH QUARTER 2020			FOURTH QUARTER 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Group net profit (loss)	59,897	-	59,897	51,379	(4,377)	47,002

The Group's net profit came to €101,004 thousand in 2020, down €7,662 thousand (-7.1%) against the comparison period, with a profit margin of 6.5% (+0.2 p.p. compared to the prior year).
This decrease is consistent with the profit before tax commented on above. The period tax rate was 27.5% compared to 27.7% in the comparison period.
The result posted in the prior year was impacted for €18,396 thousand by the same non-recurring costs commented on above, net of the tax effect. The decrease for recurring operations alone would have come to €26,058 thousand (-20.5%), with a profit margin that was 0.8 p.p. lower than in the prior year.

In the fourth quarter alone, the Group's net profit came to €59,897 thousand (11.7% of revenues from sales and services), an increase of €12,894 thousand (+27.4%) against the comparison period with the profit margin up by 2.4 p.p. Net of non-recurring expenses, net profit would have been €8,517 thousand higher (+16.6%) with the profit margin up 1.6 p.p. against the prior period.

BALANCE SHEET REVIEW

CONSOLIDATED BALANCE SHEET

BY GEOGRAPHICAL AREA (*)

(€ thousands)	12/31/2020				
	EMEA	Americas	Asia Pacific	Eliminations	Total
Goodwill	856,130	147,527	277,952	-	1,281,609
Non-competition agreements, trademarks, customer lists and lease rights	204,674	19,261	35,692	-	259,627
Software, licenses, other intangible fixed assets, fixed assets in progress and advances	70,030	22,381	9,148	-	101,559
Tangible assets	139,426	10,286	27,904	-	177,616
Right-of-use assets	350,449	20,586	38,303	-	409,338
Financial fixed assets	4,075	34,050	-	-	38,125
Other non-current financial assets	29,493	1,144	932	-	31,569
Non-current assets	**1,654,277**	**255,235**	**389,931**	-	**2,299,443**
Inventories	46,209	8,003	3,219	-	57,431
Trade receivables	132,556	32,883	16,921	(13,300)	169,060
Other receivables	91,990	4,855	2,404	(38,716)	60,533
Current assets (A)	**270,755**	**45,741**	**22,544**	**(52,016)**	**287,024**
Operating assets	**1,925,032**	**300,976**	**412,475**	**(52,016)**	**2,586,467**
Trade payables	(132,707)	(39,462)	(22,167)	13,300	(181,036)
Other payables	(258,705)	(64,861)	(34,118)	38,716	(318,968)
Provisions for risks and charges (current portion)	(3,075)	(485)	-	-	(3,560)
Current liabilities (B)	**(394,487)**	**(104,808)**	**(56,285)**	**52,016**	**(503,564)**
Net working capital (A) - (B)	**(123,732)**	**(59,067)**	**(33,741)**	**-**	**(216,540)**
Derivative instruments	(5,908)	-	-	-	(5,908)
Deferred tax assets	70,451	6,262	6,958	-	83,671
Deferred tax liabilities	(65,876)	(18,783)	(10,491)	-	(95,150)
Provisions for risks and charges (non-current portion)	(20,175)	(28,734)	(856)	-	(49,765)
Liabilities for employees' benefits (non-current portion)	(23,185)	(135)	(699)	-	(24,019)
Loan fees	7,941	-	-	-	7,941
Other non-current liabilities	(128,363)	(10,562)	(2,436)	-	(141,361)
NET INVESTED CAPITAL	**1,365,430**	**144,216**	**348,666**	**-**	**1,858,312**
Group net equity					800,883
Minority interests					985
Total net equity					**801,868**
Net medium and long-term financial indebtedness					1,103,265
Net short-term financial indebtedness					(469,600)
Total net financial indebtedness					**633,665**
Lease liabilities	359,143	22,885	40,751	-	422,779
Total lease liabilities & net financial indebtedness					**1,056,444**
NET EQUITY, LEASE LIABILITIES AND NET FINANCIAL INDEBTEDNESS					**1,858,312**

(*) 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)	12/31/2019				
	EMEA	Americas	Asia Pacific	Eliminations	Total
Goodwill	839,802	126,418	249,291	-	1,215,511
Non-competition agreements, trademarks, customer lists and lease rights	224,288	10,189	35,830	-	270,307
Software, licenses, other intangible fixed assets, fixed assets in progress and advances	67,386	20,068	9,747	-	97,201
Tangible assets	158,390	10,450	27,739	-	196,579
Right-of-use assets	361,739	18,300	38,390	-	418,429
Financial fixed assets	3,797	41,090		-	44,887
Other non-current financial assets	30,833	389	1,060	-	32,282
Non-current assets	**1,686,235**	**226,904**	**362,057**	**-**	**2,275,196**
Inventories	55,834	4,433	4,325	-	64,592
Trade receivables	156,933	44,125	19,179	(15,018)	205,219
Other receivables	64,690	6,811	7,631	(3,134)	75,998
Current assets (A)	**277,457**	**55,369**	**31,135**	**(18,152)**	**345,809**
Operating assets	**1,963,692**	**282,273**	**393,192**	**(18,152)**	**2,621,005**
Trade payables	(127,909)	(40,928)	(23,571)	15,018	(177,390)
Other payables	(247,315)	(18,056)	(22,590)	3,134	(284,827)
Provisions for risks and charges (current portion)	(3,650)	(592)		-	(4,242)
Current liabilities (B)	**(378,874)**	**(59,576)**	**(46,161)**	**18,152**	**(466,459)**
Net working capital (A) - (B)	**(101,417)**	**(4,207)**	**(15,026)**	**-**	**(120,650)**
Derivative instruments	(8,763)	-	-	-	(8,763)
Deferred tax assets	73,434	3,400	4,593	-	81,427
Deferred tax liabilities	(70,398)	(21,265)	(10,448)	-	(102,111)
Provisions for risks and charges (non-current portion)	(17,620)	(32,406)	(264)	-	(50,290)
Liabilities for employees' benefits (non-current portion)	(24,143)	(130)	(1,008)	-	(25,281)
Loan fees	1,611	-	-	-	1,611
Other non-current liabilities	(133,005)	(8,714)	(1,982)	-	(143,701)
NET INVESTED CAPITAL	**1,405,934**	**163,582**	**337,922**	**-**	**1,907,438**
Group net equity					695,031
Minority interests					1,084
Total net equity					**696,115**
Net medium and long-term financial indebtedness					752,648
Net short-term financial indebtedness					34,050
Total net financial indebtedness					**786,698**
Lease liabilities	365,526	19,732	39,367	-	424,625
Total lease liabilities & net financial indebtedness					**1,211,323**
NET EQUITY, LEASE LIABILITIES AND NET FINANCIAL INDEBTEDNESS					**1,907,438**

INVESTMENTS

While initially all non-essential investments were suspended in the wake of the Covid-19 outbreak, which peaked in the period March-June 2020, in the third quarter Amplifon began to reinvest in the business again as soon as external conditions allowed. The investments continued in the fourth quarter despite the surge in a second wave of infections and the restrictive measures implemented in the various markets.
Consistent with its network growth strategy, Amplifon continued with the development of its distribution network, by opening new stores, as well as renewing and relocating existing ones for a total investment of almost €20.5 million.
Significant investments were also made in information technology where increased customer focus and the desire to increase control of operations fueled the significant work done on both technological infrastructures and in-store systems to support the Amplifon Product Experience (which has redefined Amplifon's entire customer journey) and the operating and back office processes with the implementation of a new ERP system based on the new cloud technology, which will gradually be used by the whole Group (to the benefit of HR, Procurement and Administration and Finance functions and activities), as well as the use of advanced business intelligence technologies.

NON-CURRENT ASSETS

Non-current assets amounted to €2,299,443 thousand at 31 December 2020, an increase of €24,247 thousand against the €2,275,196 thousand recorded at 31 December 2019.

The changes in the period are explained (i) for €60,835 by capital expenditure (ii) for €70,266 thousand by the recognition of right-of-use assets acquired in the period; (iii) for €122,072 thousand by acquisitions; (iv) for €202,456 thousand by depreciation, amortization and impairment which includes the amortization of the above right-of-use assets; (v) for €26,470 thousand by other net decreases relating primarily to negative exchange differences.

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

(€ thousands)		12/31/2020	12/31/2019	Change
EMEA	Goodwill	856,130	839,802	16,328
	Non-competition agreements, trademarks, customer lists and lease rights	204,674	224,288	(19,614)
	Software, licenses, other intangible fixed assets, fixed assets in progress and advances	70,030	67,386	2,644
	Tangible assets	139,426	158,390	(18,964)
	Right-of-use assets	350,449	361,739	(11,290)
	Financial fixed assets	4,075	3,797	278
	Other non-current financial assets	29,493	30,833	(1,340)
	Non-current assets	**1,654,277**	**1,686,235**	**(31,958)**
Americas	Goodwill	147,527	126,418	21,109
	Non-competition agreements, trademarks, customer lists and lease rights	19,261	10,189	9,072
	Software, licenses, other intangible fixed assets, fixed assets in progress and advances	22,381	20,068	2,313
	Tangible assets	10,286	10,450	(164)
	Right-of-use assets	20,586	18,300	2,286
	Financial fixed assets	34,050	41,090	(7,040)
	Other non-current financial assets	1,144	389	755
	Non-current assets	**255,235**	**226,904**	**28,331**
Asia Pacific	Goodwill	277,952	249,291	28,661
	Non-competition agreements, trademarks, customer lists and lease rights	35,692	35,830	(138)
	Software, licenses, other intangible fixed assets, fixed assets in progress and advances	9,148	9,747	(599)
	Tangible assets	27,904	27,739	165
	Right-of-use assets	38,303	38,390	(87)
	Financial fixed assets	-	-	-
	Other non-current financial assets	932	1,060	(128)
	Non-current assets	**389,931**	**362,057**	**27,874**

Europe, Middle-East and Africa

Non-current assets amounted to €1,654,277 thousand at 31 December 2020, a decrease of €31,958 thousand against the €1,686,235 thousand recorded at 31 December 2019.

The change is explained:

- for €21,378 thousand, by investments in plant, property and equipment, relating primarily to the opening of new and renewal of existing stores;
- for €21,347 thousand, by investments in intangible assets, relating primarily to the new business transformation ERP cloud system for back office functions (Human Resources, Procurement, Administration and Finance) and upgrades of the front office and customer experience systems;
- for €60,387 thousand, by right-of-use assets;
- for €28,905 thousand, by acquisitions made in the period;
- for €159,730 thousand, by amortization, depreciation and impairment which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €4,245 thousand, by other net decreases relating mainly to negative exchange differences.

Americas

Non-current assets amounted to €255,235 thousand at 31 December 2020, an increase of €28,331 thousand against the €226,904 thousand recorded at 31 December 2019.
The change is explained:

- for €1,461 thousand, by investments in plant, property and equipment;
- for €7,032 thousand, by investments in intangible assets;
- for €2,475 thousand, by right-of-use assets;
- for €12,985 thousand, by amortization and depreciation which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €53,200 thousand, by acquisitions made in the period;
- for €22,852 thousand, by other net decreases relating mainly to negative exchange differences.

Asia Pacific

Non-current assets amounted to €389,931 thousand at 31 December 2020, an increase of €27,874 thousand against the €362,057 thousand recorded at 31 December 2019.
The increase is explained:

- for €7,269 thousand, by investments in plant, property and equipment;
- for €2,348 thousand, by investments in intangible assets;
- for €7,404 thousand, by right-of-use assets;
- for €29,741 thousand, by amortization and depreciation which includes the amortization and depreciation of the right-of-use assets referred to above;
- for €39,967 thousand by acquisitions;
- for €627 thousand, by other net decreases relating mainly to negative exchange differences.

NET INVESTED CAPITAL

Net invested capital came to €1,858,312 thousand at 31 December 2020, a decrease of €49,126 thousand against the €1,907,438 thousand recorded at 31 December 2019.

This decline is attributable to a decrease in working capital, partially offset by the rise in non-current assets described above.

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

(€ thousands)	12/31/2020	12/31/2019	Change
EMEA	1,365,430	1,405,934	(40,504)
Americas	144,216	163,582	(19,366)
Asia Pacific	348,666	337,922	10,744
Total	**1,858,312**	**1,907,438**	**(49,126)**

Europe, Middle-East and Africa

Net invested capital came to €1,365,430 thousand at 31 December 2021, a decrease of €40,504 thousand against the €1,405,934 thousand recorded at 31 December 2019.
This decline is attributable to the change in non-current assets described above, along with a decrease in working capital.

Factoring without recourse in the period involved trade receivables with a face value of €58,716 thousand (€75,222 thousand in the same period of the prior year) and tax credits (VAT and IRES) with a face value of €9,500 thousand (€31,402 thousand in the prior year).

Americas

Net invested capital came to €144,216 thousand at 31 December 2020, a decrease of €19,366 thousand against the €163,582 thousand recorded at 31 December 2019.

This decline is attributable entirely to a decrease in working capital mainly due to payables for dividends that the American entity has to pay to the holding during 2021, partially offset by the increase in non-current assets described above.

Asia Pacific

Net invested capital came to €348,666 thousand at 31 December 2020, an increase of €10,744 thousand against the €337,922 thousand recorded at 31 December 2019.

This increase stems from the change in non-current assets described above, partially offset by a decrease in working capital.

NET FINANCIAL POSITION

(€ thousands)	12/31/2020	12/31/2019	Change
Net medium and long-term financial indebtedness	1,103,265	752,648	350,617
Net short-term financial indebtedness	75,427	172,421	(96,994)
Cash and cash equivalents	(545,027)	(138,371)	(406,656)
Net financial indebtedness	**633,665**	**786,698**	**(153,033)**
Lease liabilities – current portion	85,429	81,585	3,844
Lease liabilities – non-current portion	337,350	343,040	(5,690)
Lease liabilities	**422,799**	**424,625**	**(1,846)**
Total lease liabilities & net financial indebtedness	**1,056,444**	**1,211,323**	**(154,879)**
Group net equity	800,883	695,031	105,852
Minority interests	985	1,084	(99)
Net Equity	**801,868**	**696,115**	**105,753**
Financial indebtedness/Group net equity	**0.80**	**1.13**	
Financial indebtedness/Net equity	**0.80**	**1.13**	
Financial indebtedness/EBITDA	**1.63**	**1.90**	

Net financial indebtedness, excluding lease liabilities, amounted to €633,665 thousand at 31 December 2020, a decrease of €153,033 thousand with respect to 31 December 2019.

In a period, which was profoundly affected by the Covid-19 pandemic Amplifon implemented a series of initiatives and actions which made it possible for the Group to better manage its financial position, further strengthening its structure and solidity. More in detail:

- the company resolved not to proceed with the payment of a dividend to shareholders, allocating the entire profit for 2019 as retained earnings;
- a series of measures were adopted which focused on cost containment, reducing and redefining investments, quickly accessing all the tools made available by the governmental authorities, along with other operational initiatives and the management of working capital which made it possible for free cash flow to reach €256,880 thousand (€149,871 thousand in the prior year);
- the Group's financial structure and liquidity position were further strengthened by finalizing debt refinancing, extending maturities and gathering new financing for a total of more than €1 billion. More in detail:
  - at the beginning of February, a €350 million 7-year Eurobond was issued in order to refinance the next maturities well in advance;
  - €180 million in existing bilateral loans were renegotiated, the maturities were extended from 2021-2022 to 2024-2025 and the amount was increased by €80 million;
  - an additional €203 million in long-term loans were stipulated, expiring between 2023 and 2025;
  - government Covid-19 loans were requested and granted for €35.5 million, of which €30.5 million utilized (€30 million in France and €0.5 million is Switzerland) and €5 million available (entirely in Switzerland);
  - €65 million in new long-term irrevocable credit facilities (expiring in 2024 and 2025) were granted and the expiration of €90 million in credit lines was extended from 2021 to 2025.

At 31 December the Group had available liquidity of €545,027 versus total net financial indebtedness €633,665 thousand, net of lease liabilities.

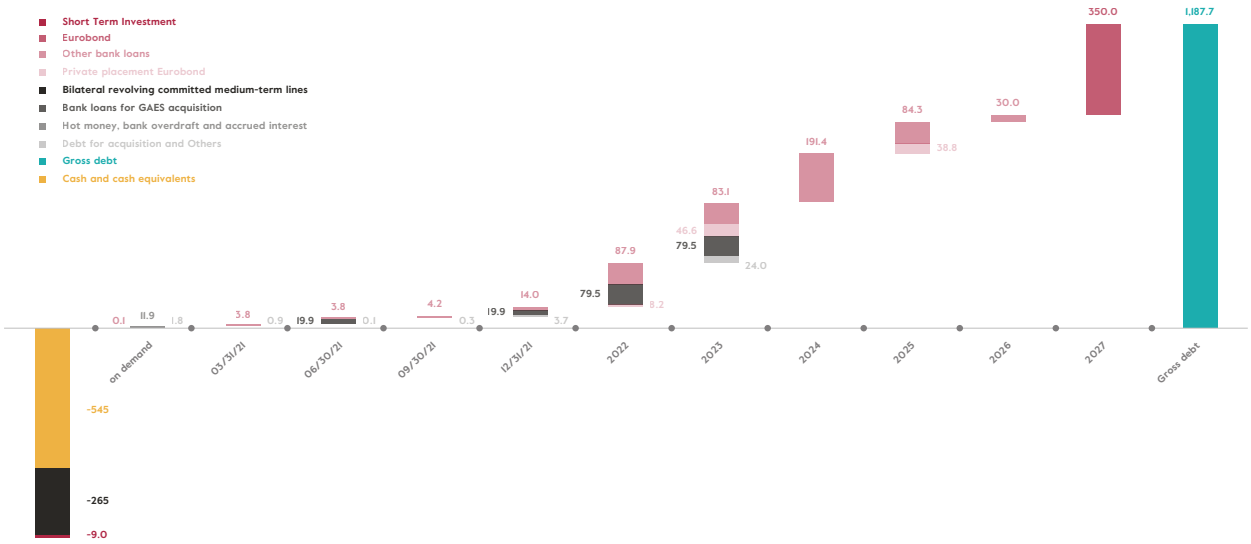
Long-term debt amounts to €1,103,265 thousand, €32,262 thousand of which reflects the long- term portion of deferred payments for acquisitions. The increase in the period of €350,617 thousand is attributable to the transactions carried out to strengthen the financial structure described above, net the repayment of a portion of the syndicated loan used for the GAES acquisition (approximately €305,000 thousand).

The short-term portion of debt amounts to €75,427 thousand and is €96,994 thousand lower due mainly to the repayment of hot money drawn at 31.12.2019 using part of the new liquidity derived from the transactions described above, and includes: the short-term portion of the syndicated loan used to finance the GAES acquisition (€39,750 thousand), the short-term portion of other long-term bank loans (€25,846 thousand), interest payable on bank loans, the Eurobond (€3,478 thousand) and the private placement (€1,702 thousand) and the best estimate of the deferred payments for acquisitions (€6,693 thousand).

The chart below shows the debt maturities compared to the €545 million in available liquidity and the unutilized portions of irrevocable credit lines which amount to €265 million, as well as the €225 million in other available credit lines.

DEBT MATURITY & CASH EQUIVALENTS AT 12.31.2020

(€ million)



Interest payable on financial indebtedness amounted to €18,042 thousand at 31 December 2020, versus €14,589 thousand at 31 December 2019.

Interest payable on leases recognized in accordance with IFRS 16 amounted to €10,428 thousand versus €11,357 thousand at 31 December 2019.

Interest receivable on bank deposits came to €182 thousand at 31 December 2020 versus €201 thousand at 31 December 2019.

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

RECLASSIFIED CASH FLOW STATEMENT

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 consolidated 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)	FY 2020	FY 2019
OPERATING ACTIVITIES		
Net profit (loss) attributable to the Group	101,004	108,666
Minority interests	58	(142)
Amortization, depreciation and impairment:		
• *Intangible fixed assets*	*63,399*	*60,927*
• *Tangible fixed assets*	*49,183*	*44,525*
• *Right-of-use assets*	*89,885*	*88,047*
Total amortization, depreciation and impairment	202,467	193,499
Provisions, other non-monetary items and gain/losses from disposals	24,799	26,770
Group's share of the result of associated companies	311	(370)
Financial income and charges	28,863	27,322
Current and deferred income taxes	38,264	41,615
Change in assets and liabilities:		
• *Utilization of provisions*	*(9,177)*	*(7,822)*
• *(Increase) decrease in inventories*	*942*	*(2,960)*
• *Decrease (increase) in trade receivables*	*32,872*	*(33,251)*
• *Increase (decrease) in trade payables*	*5,648*	*3,244*
• *Changes in other receivables and other payables*	*21,109*	*34,101*
Total change in assets and liabilities	51,394	(6,688)
Dividends received	2	188
Net interest charges	(25,825)	(24,122)
Taxes paid	(34,461)	(46,983)
Cash flow provided by (used in) operating activities before repayment of lease liabilities	**386,876**	**319,755**
Repayment of lease liabilities	(72,802)	(81,006)
Cash flow generated from (absorbed) by operating activities	**314,074**	**238,749**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(30,728)	(40,600)
Purchase of tangible fixed assets	(30,108)	(50,513)
Consideration from sale of tangible fixed assets and businesses	3,642	2,235
Cash flow generated from (absorbed) by investing activities	**(57,194)**	**(88,878)**
Cash flow generated from operating and investing activities (Free cash flow)	**256,880**	**149,871**
Business combinations (*)	(89,199)	(66,860)
(Purchase) sale of other investments and securities	-	378
Net cash flow generated from acquisitions	**(89,199)**	**(66,482)**
Cash flow generated from (absorbed) by investing activities	**(146,393)**	**(155,360)**

(€ thousands)	FY 2020	FY 2019
FINANCING ACTIVITIES:		
Fees paid on medium/long-term financing	(7,709)	-
Other non-current assets and derivatives	287	2,678
Dividends	-	(30,939)
Capital increases (reduction), third parties' contributions in subsidiaries and dividends paid to third parties by the subsidiaries	(306)	(134)
Cash flow generated from (absorbed) by financing activities	**(7,728)**	**(28,395)**
Changes in net financial indebtedness	**159,953**	**54,994**
Net financial indebtedness at the beginning of the period	(786,698)	(840,856)
Effect of activities dismissal on net financial indebtedness	-	(42)
Effect of exchange rate fluctuations on net financial indebtedness	(6,920)	(794)
Changes in net indebtedness	159,953	54,994
Net financial indebtedness at the end of the period	**(633,665)**	**(786,698)**

(*) The item refers to the net cash flows used in the acquisition of businesses and equity investments.

The change in net financial debt of €153,033 thousand is attributable to:

(i) Investing activities:

- capital expenditure on property, plant and equipment and intangible assets of €60,836 thousand relating primarily to the new business transformation system for back office functions (Human Resources, Procurement, Administration and Finance), investments in front office and customer experience systems, as well as the opening, renewal and repositioning of stores consistent with Amplifon's new brand image. The decrease in investments with respect to the prior year reflects the suspension of all non-essential capex during the most severe phase of Covid-19, namely in the period March-August;
- acquisitions amounting to €89,199 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 €3,642 thousand.

(ii) Operating activities:

- cash flow generated by operations of €447,162 thousand.
  While cash flow generation was inevitably impacted by the drop in sales, it did benefit from the Group's actions on cash flow maximization, as well as €63,686 thousand in governmental assistance with the cost of labor, delayed tax payments and pension contributions, as well as lower rents. These benefits were, however, partially offset by higher outflows linked to the pandemic of around €9,584 thousand (including the personal protective equipment, sanitization and the cost of personnel at closed stores not covered by social plans);
- interest payable on financial indebtedness and other net financial expenses of €25,825 thousand;
- payment of taxes amounting to €34,461 thousand, which was less than the prior year thanks also to the deferred payments granted by the different governmental authorities in light of the Covid-19 outbreak;
- payment of principle on lease obligations of €72,802 thousand, after concessions and deferments obtained as a result of Covid-19 lease negotiations of around €11,836 thousand.

(iii) financing activities, which were negative for some €7,728 thousand, due largely to the payment of fees for the bond issue (Eurobond 2020-2027), the new credit lines (€7,709 thousand) and the early termination of a derivative (€704 thousand) connected to the refinancing described above, and the dividends paid to minorities by the subsidiaries (€306 thousand). These outflows are partially offset by the other non-current assets positive inflow equal to €991 thousand.

Net debt was also impacted by exchange losses of €6,920 thousand.

Non-recurring transactions of €1,101 thousand, attributable to the costs incurred for the GAES integration activities carried out in 2019, had a negative impact on cash flow in 2020.

ACQUISITION OF COMPANIES AND BUSINESSES

In order to protect cash flow from the financial impact of the Covid-19 outbreak, M&A activity was temporarily suspended as of March and subsequently resumed in the fourth quarter of 2020. In the year the Group continued with external growth and acquired 212 points of sale for a total cash-out of €89,199 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 during the FY 2020:

- 5 points of sale were acquired in France;
- 17 points of sale were acquired in Germany;
- 6 points of sale, that were previously part of the indirect channel, were acquired in Belgium;
- 14 points of sale and 1 customer list were acquired in Spain;
- 110 points of sale that were previously part of the indirect channel were acquired in the United States following the acquisition of one of Miracle-Ear's biggest franchisees;
- 54 new points of sale were added to the Group as a result of the acquisition of Attune Hearing Pty Ltd in Australia;
- 6 points of sale were acquired in China.

STATEMENT OF CHANGES BETWEEN THE NET EQUITY AND THE RESULTS OF THE PARENT COMPANY AMPLIFON S.P.A. AND THE NET EQUITY AND THE RESULTS OF THE GROUP FOR THE PERIOD AS AT DECEMBER 31ST, 2020

(€ thousands)	Net equity	Net result
Net equity and year-end result as reported in the Parent company's financial statements	**639,052**	**67,131**
Elimination of carrying amount of consolidated investments:		
• difference between carrying amount and the pro-quota value of net equity	35,164	-
• pro-quota results reported by the subsidiaries	126,929	126,929
• pro-quota results reported by investments valued at equity	1,776	(311)
Elimination of the effects of intercompany transactions:		
• *elimination of impairment net of reversals of investments and intercompany receivables*	-	4,428
• intercompany dividends	-	(97,399)
• intercompany profits included in the year-end value of inventories net of fiscal effect	(704)	263
• exchange differences and other changes	(349)	21
Net equity and year-end result as stated in the consolidated financial statements	**801,868**	**101,062**
Minority equity and result for the year	985	58
Group net equity and result for the year	**800,883**	**101,004**

RISK MANAGEMENT

Correct risk management allows for better informed business decisions, reduces the gaps between actual results and targets, and creates a competitive advantage. We, therefore, pay the **utmost** attention to risk management: for this reason, we have implemented the most advanced systems that are in line with the best practices for internal control and risk management systems, as well as with the recommendations in the Corporate Governance Code for listed companies.
The risk management system does not consist solely in the identification and assessment of the main events, occurrences and circumstances that could negatively impact the ability to reach targets, but also in the determination of how to respond to the main risks in order to mitigate the effects and create opportunities, if possible. It is, therefore, a complex and ongoing activity.
Risk management is carried out, coordinated and supported by the Group Internal Audit and Risk Management Officer who works throughout the year with all of the Group's management, provides updates and carries out reviews every six months as to the Group's main risks. The Group Risk and Compliance Officer works constantly and directly with the Country General Managers, their leadership teams and the Corporate divisions.
As of 2019 environmental, social and governance risks are subject to the same process.
In 2020 special attention was paid to the potential impact of the pandemic, including on company processes. After a very positive beginning of the year, the Group's performance was severely impacted by the pandemic, the adoption of severe restrictive measures in the period March-June. In order to

offset the pandemic's impact on financial and economic results, beginning in March we immediately adopted a timely plan of action in order to reduce costs, maximize cash generation and safeguard our net financial position, further strengthening the financial structure by refinancing credit lines. These actions, along with investments in marketing, facilitated a decided recovery in the sales in the third and fourth quarters, a significant improvement in profitability and the maximization of cash flow generation, testimony to the effectiveness of the actions taken at the inception of the crisis.

GLOBAL ECONOMIC ENVIRONMENT AND RISKS CONNECTED TO THE PERFORMANCE OF THE COMPANY'S BUSINESS AND THE UNCERTAINTY STEMMING FROM THE IMPACT OF COVID-19

Beginning in March 2020, following the spread worldwide of the respiratory syndrome referred to as SARS-CoV-2 and the relative Covid-19 pathology, the authorities in a majority of the Countries, including the Italian government, adopted restrictive measures aiming to contain the spread of the pandemic. The most significant include limited and controlled mobility and the closure of manufacturing facilities, offices and stores. Even though hearing care services were categorized as essential services by the governments in a majority of the countries in which Amplifon operates and the stores were, therefore, allowed to operate, the adoption of the lockdown measures caused a generalized drop in Amplifon's store traffic and, consequently, in revenues in the period March-June.

The Group, therefore, immediately defined and implemented, beginning already in March, a decisive plan of action aiming to protect the health and safety of its people and customers, as well as limit the economic-financial impact.

More in detail, in order to safeguard the health and safety of its people and customers and guarantee continuous customer support and services, the Group adopted a rigorous operating protocol in order to guarantee maximum safety inside its stores, as well as remote working procedures for back-office personnel.

To offset the impact on the economic and financial results, as well as on profitability, the Company also implemented, again beginning in March and above all in the second quarter, actions on costs which included:

- optimization of labor costs thanks to the use of government safety networks and other forms of public employment support tools which were already in place or implemented specifically in the Countries in which the Group operates, proportional reduction in variable compensation, voluntary pay cuts by management and other measures;
- reduction of marketing costs;
- suspension of discretional costs and renegotiation of a number of supply agreements and leases.

In order to maximize cash generation and safeguard its net financial position, the Company also temporarily suspended, particularly in the second quarter, all non-essential capex and M&A activity, in addition to allocating the entire profit for the year as retained earnings as approved by shareholders during the Shareholders' Meeting held on 24 April 2020. Lastly, Amplifon finalized a series of transactions in order to strengthen the Group's financial structure and liquidity position by refinancing debt, extending maturities and gathering new financing for a total of more than €1 billion which allowed the Company to close 2020 with a strong liquidity position of over €800 million, including cash on balance sheet and undrawn committed revolving facilities.

In light of the above, the Company recorded consolidated revenues of €1,555.5 million in the

year, down 9.3% at constant exchange rates compared to 2019 due to the impact of the health crisis, but with a performance above the reference market and showing strong improvement in the second half of the year, testimony to the resilience of the business. EBITDA amounted to €371 million, with the margin about 110 basis points higher than in 2019, coming in at 23.8%. Net profit came to €101 million compared to the recurring net profit of €127.1 million and as reported net profit of €108.7 million recorded in 2019. Net financial debt amounted to €633.8 million at 31 December 2020, showing strong improvement against the €786.7 million reported at 31 December 2019.
Therefore in 2020, in the face of revenues that dropped as a result of the pandemic, mainly in the second quarter, but returned to growth beginning in the third quarter and outpaced the reference market, the Company reported a significant increase in profitability and lowered net financial debt which demonstrates the effectiveness of the measures undertaken since the inception of the crisis.
Currently it is still not possible to estimate the duration of the pandemic and the restrictive measures implemented to limit further infections. The timing and the effectiveness of the vaccination plans being implemented in the different countries is also not clear and, therefore, it is not possible to predict the effect that the continuation of the pandemic will have on global and domestic economic activities, as well as on the Group's business. More specifically, in the event of subsequent waves of Covid-19 and other infectious diseases, the national authorities could reinstate all or part of the restrictive measures which could have further negative repercussions for global and domestic trade, as well as the Group's business. We also cannot exclude that if the global market conditions should deteriorate, resulting in, for example, a prolonged recession in Europe and the United States, or worldwide, due to COVID-19, the economic and financial situation of the Company and Group could be compromised, even though Amplifon operates in a market segment that is generally less sensitive than others to fluctuations in the general economic cycle, even at times of crisis or economic uncertainty.

STRATEGIC RISKS

Strategic risks are those that are typical of any given business. If managed correctly they can be the source of a competitive advantage or, conversely, they can compromise the ability to reach targets.

Increased competition

The retail hearing care market is expected to grow over the medium/long-term, consistent with the aging of the population and the increased penetration of hearing solutions thanks to increased knowledge and the consumer's greater healthcare awareness. This market is also still particularly fragmented, but there has been some consolidation due to vertical integration of hearing aid manufacturers, expansion of market players (including Amplifon). It is possible, therefore, that competition could increase in the next few years.

The Amplifon Group's main competitors are the specialty retailers, which include the manufacturers of downstream integrated hearing aids, and non-specialty retailers (like optical chains, pharmacies and big box stores) which are generally low-cost providers currently found mainly in Australia, the Netherlands, USA, France and New Zealand.

It's likely, therefore, that these players will continue to pursue a strategy focused on expansion which could potentially erode market share and margins, as well as increase competition in the recruiting and retention of hearing aid specialists. With regard to the steps taken to mitigate the competition of low-cost providers in the recruiting and retention of hearing aid specialists please refer to the section "Human resources and the Group's medium/long-term sustainable growth".

Lastly, competition could also increase as a result of the arrival of new players due to, for example,

regulatory changes which result in less stringent qualifications for hearing aid specialists or greater access to qualified store personnel.

To address this risk the Amplifon Group is focusing its strategy on strong brand recognition and providing high quality service through a very unique and innovative customer experience. Toward this end, the Group uses sales protocols focused on excellence in customer service (Amplifon 360) and an increasingly customer-centric approach which enhances the Amplifon Product Experience (APE). APE consists in Amplifon brand products and a multichannel ecosystem based on which the first point of contact is through the app.

Technological changes in products and/or the operating model

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

Amplifon stands out for the quality of the customer assistance provided during the sales process and the personalization of its hearing solutions, combining technology with a human touch in order to provide customers with the best service possible and, at the same time, build strong brand differentiation.
In order to monitor and increase customer service and satisfaction, the Company has not only developed a new store protocol, but is also investing significant resources in the development of its own product line and technologies, as well as tools, in order to remain in constant contact with its customers. For this reason, the Company pays great attention to changes in the features and capabilities of hearing aids in order to provide an even better "customer experience".

Investments in Marketing

Amplifon's strategy calls for significant investment in marketing. These investments focus mainly on advertising on all media channels, including digital, with a view to further strengthening its brand, on advanced Customer Relationship Management (CRM) systems and campaigns to ensure unique and personalized experiences for its customers, as well as on the technological innovation program which leverages on Amplifon brand products and the multi-channel eco-system (together referred to as the "Amplifon Product Experience") to provide a complete value proposition, comprising product, service and experience.

Increased sector competition could result in a generalized increase in marketing investments which would be less effective and more costly.
The company could, therefore, find itself in a situation which calls for greater investments in marketing in order to reach the targets for organic growth.

In order to address this possible change in competition, in addition to counting on its market leadership position, the Amplifon Group has also set targets for the efficiency and effectiveness of its global marketing investments. These investments and the relative returns are monitored carefully.

OPERATIONAL RISKS

Operational risks are those inherent in the business's organization and processes.

Human resources and the Group's sustainable medium/long-term growth[1]

In order to achieve its medium/long-term goal for growth, the Group must be able to attract, develop and retain the best talent in, above all, the key managerial positions and qualified store personnel, including internationally.

Toward this end Amplifon is striving to be the "employer of choice" and is investing heavily in both the development of a unique and innovative Employer Branding, as well as in talents through specific recruiting initiatives and professional development programs designed to ensure the access to rapidly changing core competencies.

Similarly, the company has developed and renewed the Global Career Website and the local career sites in order to facilitate the recruiting of talents versed in the latest areas of expertise (for example, data scientists, digital economy, artificial intelligence). With regard specifically to the recruiting and retention of qualified store personnel, partnerships with universities are maintained, and great attention is paid to continuous, high quality training and professional development. Lastly, "ad hoc" compensation mechanisms and incentives are used when examining performance.

In order to guarantee success in the medium/long-term, global, local and divisional talent mapping and succession planning are carried out regularly. Amplifon is also committed to analyzing and anticipating future needs for key roles, including with a view to the growth of the business and changes in the core market.

The level of efficiency achieved by the Company in relation to these elements is monitored constantly by evaluating KPIs like the readiness of the succession plans for upper management, the average time it takes to fill a vacant position, the turnover of positions and talents that Amplifon considers important and strategic.

Implementation of the new ERP system

Consistent with the Group's evolution, at the beginning of 2019 the implementation of a cutting-edge cloud technology project was launched. The technology strives to simplify, optimize and integrate the back-end operating processes relating, in particular, to finance, human resources and purchasing. The Group's roll-out plan was kicked off in January 2020.

Typically, these projects are very invasive for organizations, characterized by complexity and uncertainty. More in detail, the main critical areas identified include: (i) technological problems during the roll-out phase; (ii) management of local characteristics; (iii) change management.

To address these critical areas, Amplifon equipped itself with the internal and external resources needed for the project to succeed.
More in detail, before the system roll-out, specific Hypercare Teams were created in order to assist and monitor the users in the correct execution of all the in-scope processes; back up activities were identified for each process and Rescue Teams for key processes, if needed, were identified.
A robust training program was also developed in order to train system users and assist with change management.

1 - This risk was identified as material also for the purposes of the Company's Non-Financial Disclosure Statement.

Cyber Security and data protection[2]

The growing use of global networks to also manage enterprise's technological infrastructures (including the social networks), increases the Company's exposure to different types of internal and external IT risks. The most significant of these is the risk of cyber-attacks which can be targeted or generic and which constitute a constant threat.

Amplfion monitors potential threats every day and works to prevent, as well as minimize, the impact that these attacks could have.
Activities are carried out and updated constantly which strive to:

- guarantee business continuity;
- prevent the loss of data and information;
- protect the reputation;
- prevent financial losses;
- ensure compliance with the laws protecting personal data (including the GDPR – General Data Protection Regulation – in the European Union, as well as local regulations, and the highest data protection standards in all the countries in which the Group operates).

These activities include (i) implementing procedures, processes and systems which strengthen the IT infrastructure (Multi-factor authentication systems, anti- phishing systems, blocked access to suspect websites, network protection); (ii) continuous updating of the Business Continuity and Disaster Recovery plans; (iii) cyber security training for Company personnel; (iv) stipulation of specific insurance policies; (v) data encryption.

REGULATORY RISK

Regulatory risk stems from changes in the laws and regulations within the different markets in which the Company operates.

Changes in the regulatory environment

The Amplifon Group operates in the "medical" sector which is regulated differently in different countries. The areas which are the most relevant for Amplifon relate to: i) coverage by national health agencies or insurance companies; ii) the sale and distribution of hearing aids and, more specifically, the requisites and qualifications of the professionals who may select, apply and sell hearing solutions; iii) technical aspects of the hearing aids, which are considered medical devices in all of the countries where the Group operates. A change in regulations (for example, in reimbursement conditions, in the scope of and access to insurance coverage, in the role of the ENT doctors and hearing aid specialists, in the qualifications needed to sell hearing aids and related services) does and will continue to have a direct, and potentially significant, negative or positive impact on performances depending on the type of change.
In the past these changes have affected Switzerland, the Netherlands, New Zealand, Australia Germany, and also France. in 2019.

With regard to the changes in the qualifications needed to sell hearing aids, in 2017 a law, the "Over the Counter Hearing Aid Act", was passed in the United States which creates a separate category of hearing aids that may be sold over-the-counter (OTC) to adults over the age of 18 with mild hearing loss without first consulting a hearing aid specialist. The Food and Drug Administration (FDA) is currently in the process of finalizing the regulation governing implementation. This regulation was originally supposed to be introduced in August 2020 but there was a delay attributable to the pandemic. It is probable that the regulation will not be actually implemented until mid-2022. While to date the most plausible scenario is that the introduction of the OTC

2 - This risk was identified as material also for the purposes of the Company's Non-Financial Disclosure Statement.

devices will have a limited impact on our business, an increase in competition and new players cannot be excluded.

Amplifon adopted a series of measures which ensure the ability to react to any regulatory changes in a timely manner by instituting a Regulatory Affairs division. This division is responsible for: (i) developing and ensuring constant monitoring of the regulatory changes and their status in all the countries in which the Group operates; (ii) defining who is charge (locally or on a corporate level) of managing current or potential problems; (iii) developing, including with the support of external experts, plans for addressing the main issues and assist in the preparation of local plans, while also monitoring the progress made; (iv) developing and coordinating the Group's external communication strategy and participating actively in discussions, associations and organizations in order to make the sector voice heard.

The Regulatory Affairs division is a Corporate division (with Corporate guidelines and priorities), but works with Country and regional professionals in order to directly monitor the local realities and implement plans of action.

FINANCIAL RISKS

With a view to structured management of treasury activities and financial risks, in 2012 the Group had already adopted a Treasury Policy which contains guidelines for the management of:

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

This policy is updated periodically in order to guarantee proactive risk management.

Currency risk

This includes the following types of risk:

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

The Amplifon Group's foreign exchange transaction risk relates to:

- transactions in which the costs or sales revenues are denominated in currency other than the local currency: this is the case in a few, less material countries (Israel, Canada and the GAES Group subsidiaries, acquired in 2018, in South and Central America) where purchases are made in euros or US dollars. The currency risk stemming from the reorganization and centralization of purchasing is gradually becoming more substantial as the Parent Company is assuming the role of "purchasing center" for the whole Group, managing the purchases of goods directly which are then resold to the subsidiaries. The purchases from suppliers are, however, made in the same currency used in the subsidiaries' invoices. This activity began in the latter part of 2020 and, to date, has only involved three subsidiaries;
- other intercompany transactions (medium/long-term and short-term loans, charge backs for intercompany service agreements, chargebacks for marketing costs incurred to support the markets, intercompany dividends) which result in currency risk for the companies operating in currencies other than that of the intercompany transaction

Foreign exchange translation risk arises from transactions in the United States and Canada, the United Kingdom, Switzerland, Hungary, Poland, Israel, Australia, New Zealand, India, China, Egypt and, as a result of the GAES acquisition at the end of 2018, in Chile, Argentina, Ecuador, Colombia, Panama and Mexico.

Group strategy:

Foreign Exchange transaction risk

The Group's strategy aims to minimize the impact of currency volatility on the income statement and calls for significant positions in foreign currency to be hedged against foreign exchange risk through specific derivative instruments. These include: (i) bonds issued in US dollars by Amplifon S.p.A. and subscribed by Amplifon USA Inc, (ii) dividends approved, but not yet paid by the Australian subsidiary denominated in Australian dollars and the American subsidiary denominated in US dollars.

With regard to operating procedures, when possible, Amplifon Group covers the risk using a natural hedge developed by maintaining currency deposits in the banks account of the subsidiary exposed to this risk for an amount commensurate with the exposure to the suppliers.

Natural hedges are also preferred by the Parent Company which, as a result of Global Procurement, supply of intercompany services, and dividends has receivables and payables in different currencies.

The development of Global Procurement and the Group-wide roll-out will increase the exposure to currency risk. This is monitored closely and any risk exposure linked to differences in assets and liabilities will be adequately hedged using instruments that have already been identified.

The loans between the Australian and New Zealand companies and between the American and Canadian companies are considered equity investments insofar as the loans are non-interest-bearing and not expected to be repaid. The impact of exchange differences is recognized directly in the translation reserve at equity without passing through the income statement.

The risks arising from other intercompany transactions worth less than €1 million (or the equivalent if denominated in another currency) are not hedged as the amounts are not material.

Foreign Exchange translation risk

The foreign exchange translation risk, in accordance with the Group Treasury Policy, is not hedged. Overall, the impact of the foreign exchange translation risk can be seen in the Group's Euro denominated EBITDA which was around €3 million lower than the Group's total EBITDA. The Argentinian subsidiary operates in a high-inflation country but, as the size of the subsidiary is immaterial, the impact on the Group is not significant.

Interest rate risk

Interest rate risk includes the following situations:

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

In the Amplifon Group fair value risk arises on the issue of fixed rate bonds (private placement and Eurobonds). The cash flow risk derives from floating rate bank loans.
The Group's strategy is to minimize cash flow risk, especially with respect to long-term exposures, through a balanced mix of fixed- and floating-rate loans and assessing whether to switch floating-

rate borrowings to fixed-rate when each loan is taken out, as well as over the life of the loans including in light of the current market rates. In any event, at least 50% of the debt must be hedged against interest rate risk. At 31 December 2020, the Group's medium/long- term debt stems for €701 million from floating rate bank loans, €528 million of which had been swapped to fixed rate debt at the date of this report.
The fixed-rate capital market issues (US private placements and Eurobonds) have yet to be converted to floating-rate debt as currently interest rates are low and the possibility that they will increase is limited.

The Benchmarks Regulation (BMR) which also affects Euribor and could have an impact on hedges will become effective in 2022. The Amplifon Group does not believe that the impact of the reform will be significant.

Credit risk

Credit risk is the risk that the issuer of a financial instrument defaults on its obligations resulting in a financial loss for the holder/investor.

In the Amplifon Group credit risk arises from:
(i) sales made as part of ordinary business operations;
(ii) the use of financial instruments that require settlement of positions with other counterparties;
(iii) the loans granted to members of the indirect channel and commercial partners in the United States for investments and business development.

With regard to the risk under (i) above, the only positions with a high unit value are amounts due from Italian public-sector entities for which the risk of insolvency - while existing - is remote and further mitigated by the fact that they are factored without recourse, on a quarterly basis, by specialized factoring companies. Conversely, the credit risk arising from sales to private individuals based on instalment payment plans is increasing, as is the credit risk arising from sales to US indirect channel operators (wholesalers and franchisees). This credit risk, however, is spread out over a number of partners and the amount owed by any single partner does not exceed a few million US dollars. Due to typical business risks, some may not be able to honor their debts. This would result in higher working capital and credit losses. While each subsidiary is responsible for collection of receivables, the Group has set up a centralized system of monthly reporting relative to trade receivables in order to monitor the composition and due dates for each country, and shares credit recovery initiatives and commercial policies with local management. With regard to private customers, the majority of which do, however, use cash, payment options like installment plans or loans (with terms limited to a few months) are offered. These are managed by external finance companies which advance the whole amount of the sale to Amplifon, while the situation of the indirect channel in the US is closely monitored by local management.

The risk referred to in (ii) above, notwithstanding the inevitable uncertainties linked to sudden and unforeseeable counterparty default, is managed by making diversified investments with the main national and international investment grade financial institutions and through the use of specific counterparty limits with regard to both liquidity invested and/or deposited and to the notional amount of the derivatives. The counterparty limits are determined based on the short-term ratings of each counterparty or, if a public rating is not available, on capital ratios (Tier 1). Transactions with non-investment grade counterparties are not allowed unless specifically authorized by the Group's CEO and CFO.

With regard to the risk referred to in (iii) above, in the event payments fail to be made on the stores sold, ownership will revert back to Amplifon, while the receivables referred to above, are generally

personally guaranteed by the beneficiaries and repayments are typically made when the invoices for the purchases of hearing aids are paid.

Price risk

This arises from the possibility that the value of a financial asset or liability may change due to changes in market prices (other than those caused by currency or interest-rate fluctuations) due to both characteristics specific to the financial asset or liability or the issuer, as well as market factors. This risk is typical of financial assets not listed on an active market, which may not be easy to liquidate quickly or at a level close to their fair value. The Amplifon Group does not have investments in these kinds of instruments and, therefore, this risk currently does not exist.

Liquidity risk

This risk typically arises when an entity is experiencing difficulty finding sufficient funds to meet its obligations and includes the risk that the counterparties that have granted loans and/or lines of credit may request repayment. This risk became particularly significant in 2020 in the wake of the Covid pandemic.

Toward this end, Amplifon implemented a series of measures and actions which made it possible for the Group to better manage its financial position, further strengthening its structure and solidity. More in detail:

- the company resolved not to proceed with the payment of a dividend to shareholders, allocating the entire profit for 2019 as retained earnings;
- a series of measures were adopted which focused on cost containment, reducing and redefining investments, quickly accessing all the tools made available by the governmental authorities, along with other operational initiatives and the management of working capital;
- the Group's financial structure and liquidity position were further strengthened by refinancing debt, extending maturities and gathering new financing for a total of more than €1 billion.

In this way the Amplifon Group was able to provide ample headroom and ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

At the end of the year available short-term credit lines amounted to €201 million and had not been utilized. Irrevocable credit lines amounted to €195 million and were unutilized at year-end. The debt is primarily long-term with the first significant maturity, which cannot be extended, in 2025.

The measures described above, the increase in recurring margins posted despite the drop in revenues caused by the Covid-19 outbreak, and the strong recovery of the business in the second part of the year achieved despite the new lockdown measures implemented in the fourth quarter in the main European markets following the second wave of the pandemic, indicate that there is no significant liquidity risk, at least in the short-term.

Hedging instruments

Hedging instruments are used by the Group exclusively to mitigate, in line with company strategy, interest rate and currency risk and comprise exclusively financial derivatives. In order to maximize the effectiveness of these hedges the Group's strategy calls for:

- large counterparties with excellent credit standing and transactions which fall within the limits determined in the treasury policy in order to minimize counterparty risk;
- the use of instruments which match, to the extent possible, the characteristics of the risk hedged;
- monitoring of the adequacy of the instruments used in order to check and, possibly, optimize the structure of the instruments used to achieve the purposes of the hedge.

The Group'sTreasury Policy also defines the rigorous criteria to be used when selecting counterparties.

The derivatives used by the Group are generally plain vanilla financial instruments. More in detail, the types of derivatives used include:

- cross currency swaps;
- foreign exchange forwards.

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

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

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

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

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

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

Derivatives are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. These balances are shown under current assets or liabilities if related to derivatives which do not qualify for hedge accounting, conversely, they are classified consistently with the hedged item.
In detail, if the hedged item is classified as a current asset or liability, the positive or negative fair value of the hedging instrument is included under current assets or liabilities; if the hedged item is classified as a non-current asset or liability, the positive or negative fair value of the hedging instrument is included under non-current assets or liabilities.

The Group does not have any net investment hedges.

TREASURY SHARES

No treasury shares were purchased during the year.

As at 31 December 2020 the treasury shares held amounted to 1,602,646 or 0,708% of the Company's share capital.

The details related to treasury shares are provided in the following table:

	N. of shares	Average purchase price (Euro) FV of transferred rights (Euro)	Total amount (€ thousand)
Held at 12/31/2019	**3,269,087**	**8.911**	**29,131**
Purchases	-	-	-
Transfers due to exercise of Performance Stock grants	1,666,441	8.911	(14,850)
Total at 12/31/2020	**1,602,646**	**8.911**	**14,281**

RESEARCH AND DEVELOPMENT

While the Group does not carry out any typical research and development in relation to hearing aids (insofar as this is carried out by the manufacturers), it does invest important resources in both innovation and technology through the" Amplifon Product Experience", as well as other innovative digital marketing solutions and front-office systems and processes, in order to provide its customers with an excellent "Customer Experience".

TRANSACTIONS WITHIN THE GROUP AND WITH RELATED PARTIES

Pursuant to and in accordance with the Consob Regulation n. 17221 issued on 12 March 2010 and after having received a favourable opinion from the Independent Directors' Committee, on 26 July 2016 Amplifon S.p.A.'s Board of Directors adopted a new version of the regulations for related party transactions in order to change references to certain laws and comply with current norms and regulations.

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 managed at arm's-length, given the nature of the goods and of the services provided.

Information on transactions with related parties is provided in Note 38 of the consolidated financial statements and in Note 39 of the separate financial statements.

CONTINGENT LIABILITIES

Currently the Group is not exposed to any particular risks or uncertainties with the exception of what was discussed above relative to the Covid-19 crisis and the usual periodic tax audits. With regard to the latter, non particular findings have emerged and the Group is confident in the correctness of its actions.

ATYPICAL/UNUSUAL TRANSACTIONS

Please note that in 2020 the Group carried out no atypical and/or unusual transactions as defined in the Consob Bulletin of 28 July 2006.

OUTLOOK

The current developments in the Covid-19 pandemic and the spread of new variants, as well as the uncertainty as to the timing of vaccinations in many countries worldwide, limit the visibility for the next few months and call for, as in the past, a certain amount of caution.
In the first few months of 2021, despite the ongoing restrictive measures across different countries and the hearing care retail market still negatively impacted by Covid-19 outbreak, the Company estimates a performance above market, with revenues at constant foreign exchange in line with those reported in January-February 2020 which posted a strong growth versus the same period of 2019.
In 2021 the Company expects to see a gradual normalization of the hearing care market, with the continuous roll-out of vaccination programs and the subsequent easing of the restrictive measures. Assuming the gradual normalization of the market mentioned above materializes during 2021, the Company also expects that revenue growth will outpace the reference market showing a strong recovery with respect to 2020 and solid growth compared to the 2019 levels. Profitability should continue to benefit from the actions taken in 2020, posting significant expansion in the EBITDA margin compared to 2019 (the year prior to the pandemic).
Lastly, the Company remains positive about the medium-term prospects for both sales and profitability, thanks to the proven resiliency of its business linked to the non-discretionary nature of the products and services offered, the soundness of the sector fundamentals and the unchanged behavior of consumers, as well as the ever stronger competitive positioning, the solid strategy and the strong execution capabilities seen in both growth and challenging environments like the current one.

YEARLY REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE AS AT DECEMBER 31ST 2020 (PURSUANT TO ART. 123-BIS TUF)

The report on Corporate Governance and Ownership Structure is available on the company's website at https://corporate.amplifon.com/en/governance/governance-system/corporate-governance-reports.

NON-FINANCIAL DISCLOSURE AS AT DECEMBER 31ST 2020

The Non-Financial Disclosure is available on the company's website at https://corporate.amplifon.com/en/sustainability/sustainability-reporting.

COMMENTS ON THE FINANCIAL RESULTS OF AMPLIFON S.P.A.

RECLASSIFIED INCOME STATEMENT

(€ thousands)	FY 2020				FY 2019			
	Recurring	Non-recurring	Total	% on recurring	Recurring	Non-recurring	Total	% on recurring
Revenues from sales and services	282,306	-	282,306	100.0%	335,847	-	335,847	100.0%
Operating cost	(284,271)	-	(284,271)	-100.7%	(310,745)	(7,359)	(318,104)	-92.5%
Other income and revenues	70,034	-	70,034	24.8%	77,100	-	77,100	23.0%
Other expenses	(161)	-	(161)	-0.1%	(570)	-	(570)	-0.2%
Gross operating profit (EBITDA)	**67,908**	**-**	**67,908**	**24.1%**	**101,632**	**(7,359)**	**94,273**	**30.3%**
Depreciation, amortization and impairment of non-current assets	(20,086)	-	(20,086)	-7.1%	(21,545)	-	(21,545)	-6.4%
Right-of-use depreciation	(16,782)		(16,782)	-5.9%	(16,239)	-	(16,239)	-4.8%
Operating profit (EBIT)	**31,040**	**-**	**31,040**	**11.0%**	**63,848**	**(7,359)**	**56,489**	**19.0%**
Income, expenses, valuation and adjustments of financial assets	58,278	-	58,278	20.6%	65,603	-	65,603	19.5%
Net financial expenses	(19,669)	-	(19,669)	-7.0%	(16,052)	-	(16,052)	-4.8%
Exchange differences and non- hedge accounting instruments	794	-	794	0.3%	(247)	-	(247)	-0.1%
Income (loss) before taxes	**70,443**	**-**	**70,443**	**25.0%**	**113,152**	**(7,359)**	**105,793**	**33.7%**
Tax	(3,312)		(3,312)	-1.2%	(13,953)	2,176	(11,777)	-4.2%
Net profit (loss)	**67,131**	**-**	**67,131**	**23.8%**	**99,199**	**(5,183)**	**94,016**	**29.5%**

(*) See table at page 121 for details of non-recurring transactions.

EBITDA is the operating result before charging amortization, depreciation and impairment of both tangible and intangible fixed assets and the right of use depreciation.

EBIT is the operating result before financial income and charges and taxes.
The following table shows the details of the non-recurring transactions included in the previous statement.

(€ thousands)	FY 2020	FY 2019
Costs related to GAES integration	-	(7,359)
Impact of the non-recurring items on EBITDA	**-**	**(7,359)**
Impact of the non-recurring items on EBIT	**-**	**(7,359)**
Impact of the non-recurring items on profit before tax	**-**	**(7,359)**
Impact of the above items on the tax burden of the period	-	2,176
Impact of the non-recurring items on net profit	**-**	**(5,138)**

RECLASSIFIED BALANCE SHEET

The reclassified consolidated balance sheet aggregates the assets and liabilities of the compulsory format included in the annual report based on how the business management operates, usually split into the three main functions: investment, operations and financing.

(€ thousands)	12/31/2020	12/31/2019	Change
Goodwill	540	540	-
Other intangible assets	53,383	47,909	5,474
Tangible assets	28,129	29,330	(1,201)
Right of use assets	91,449	95,507	(4,058)
Financial fixed assets	1,245,354	1,232,074	13,280
Other non-current financial assets	15,483	16,959	(1,476)
Non-current assets	**1,434,338**	**1,422,319**	**12,019**
Inventories	8,780	10,651	(1,871)
Trade receivables [1]	165,433	115,260	50,173
Other receivables [2]	31,396	32,940	(1,544)
Current assets (A)	**205,609**	**158,851**	**46,758**
Operating assets	**1,639,947**	**1,581,170**	**58,777**
Trade payables [3]	(75,523)	(74,270)	(1,253)
Other payables [4]	(85,860)	(80,155)	(5,705)
Current liabilities (B)	**(161,383)**	**(154,425)**	**(6,958)**
Net working capital (A)+(B)	**44,226**	**4,426**	**41,515**
Derivative instruments [5]	(5,908)	(8,763)	2,855
Deferred tax assets	27,060	22,932	4,128
Provisions for contingency and obligations (non-current portion)	(17,434)	(17,609)	175
Liabilities for employees' benefits (non-current portion)	(3,465)	(3,359)	(106)
Deferred tax liabilities	(769)	(999)	230
Loan fees [6]	7,941	1,611	6,330
Other non-current liabilities	(28,133)	(29,552)	1,419
NET INVESTED CAPITAL	**1,457,856**	**1,391,006**	**66,850**
Net Equity	**639,052**	**553,538**	**85,514**
Net short-term financial indebtedness	(261,824)	88,149	(349,973)
Net medium and long-term financial indebtedness	987,784	653,633	334,151
Total net financial indebtedness	**725,960**	**741,782**	**(15,823)**
Lease liabilities	92,843	95,685	(2,842)
Total lease liabilities & net financial indebtedness	818,804	837,468	(18,664)
NET EQUITY, LEASE LIABILITIES AND NET FINANCIAL INDEBTEDNESS	**1,457,855**	**1,391,006**	**66,849**

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

CONDENSED RECLASSIFIED CASH FLOW STATEMENT

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

(€ thousands)	FY 2020	FY 2019
Operating profit (EBIT)	**31,040**	**56,488**
Amortization, depreciation and impairment	36,868	37,784
Provisions, other non-monetary items and gain/losses from disposals	12,667	11,317
Net financial expenses	(16,055)	(13,650)
Dividends received	23,747	63,087
Taxes paid	(11,732)	(12,636)
Change in net working capital	5,575	10,864
Cash flow provided by (used in) operating activities before repayment of lease liabilities	**82,110**	**153,254**
Repayment of lease liabilities	(13,545)	(15,228)
Cash flow provided by (used in) operating activities (A)	**68,565**	**138,026**
Cash flow provided by (used in) operating investing activities (B)	(24,266)	(32,119)
Free Cash Flow (A+B)	**44,299**	**105,907**
Cash flow provided by (used in) acquisitions (C)	(37,390)	(74,412)
(Purchase) sale of other investment and securities (D)	17,347	377
Cash flow generated from (absorbed by) investing activities (B+C+D)	**(44,309)**	**(106,154)**
Other non-current assets	(19)	117
Fees paid on medium/long-term financing	(705)	-
Dividends distributed	(7,709)	-
Treasury shares	-	(30,939)
Capital increases	-	148
Net cash flow from the period	**15,823**	**1,198**
Net financial indebtedness as of period opening date	**(741,783)**	**(746,730)**
Change in net financial position	15,823	1,198
Merger Hearing Supplies S.r.l.	-	3,749
Net financial indebtedness as of period closing date	**(725,960)**	**(741,783)**

REVENUES FROM SALES AND SERVICES

(€ thousands)	FY 2020	FY 2019	Change	Change %
Revenues from sales and services	**282,306**	**335,847**	**(53,541)**	**(15.9%)**

Revenue from sales and services amounted to €282,306 thousand, including €5,246 thousand relating to centralized procurement of goods from manufacturers and the subsequent resale to Group companies. At 31 December 2020, English, Dutch and Australian companies were included in this process, in place for only a few months and relative to only a few products.

Revenue for the sale of hearing solutions amounted to €217,961 thousand, a decrease of 19.6% against 2019. Revenue for the sale of other products (basically accessories, batteries and cochlear products) and services came to €59,098 thousand, 8.9% lower than in the prior year.

The performance of revenues in the year and the drop against 2019 are attributable entirely to the impact of the COVID-19 19 pandemic. All three regions of Italy's sales network were impacted by the spread of the pandemic. The areas in Italy that were hit the hardest by the pandemic reported the biggest decreases in revenues. The negative effects of the outbreak were spread equally across the Italian business's three markets (Libero, Riconducibile and Sociale). The first months of the year, particularly March and April, were particularly difficult but subsequently the resilience of our business, as well as Amplifon's ability to address the crisis effectively and throughout the country, fueled a gradual recovery which exceeded expectations.
In the first quarter revenues amounted to € 54,654 thousand, 28.7% lower than in the same period 2019, while revenues dropped 47.3% to €47,821 thousand in the second quarter. The recovery gained momentum in the second half when the company's revenues were 3.7% higher than in the prior year, coming in at €174,585 thousand. The results for the third quarter were particularly brilliant, with revenues rising 17.8% on the same period 2019 to €76,046 thousand. In the fourth quarter the recovery slowed due to the second wave of the pandemic that materialized toward the end of the year and revenues fell 5.0% against the fourth quarter of 2019 to €98,539 thousand.
The performance of the business in 2020 demonstrated that the negative impact of the pandemic should be considered temporary and corresponds to the most severe phases of the crisis. The resilience of the business bodes well for an immediate and effective recovery, just as soon as the situation becomes less critical.

Despite the difficult context, the reach of the store network grew further in the year, with 694 points of sale (shops, minishops, addresses) versus 668 in 2019. In Italy the other touch points (store-in stores, corners, pop-ups) amounted to 3,241 units at year-end 2020 versus 3,123 in the prior year. Even in a difficult year, the company did not fail to further strengthen its leadership in the hearing solutions market.
With the "go live "of 1 January 2020, use began in Amplifon S.p.A. of the new ERP (Oracle Fusion Cloud platform), part of the Group's "One Amplifon Transformation" program. Fusion places the Group at the forefront in the use of modern cloud technology.

GROSS OPERATING PROFIT (EBITDA)

(€ thousands)	FY 2020			FY 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Gross operating profit (EBITDA)	67,908	-	67,908	101,632	(7,359)	94,273

Gross operating profit (EBITDA) amounted to €67,908 thousand in 2020.

The EBITDA margin went from 30.3% in 2019 to 24.1% in 2020; this decrease is attributable to the impact of the COVID-19 pandemic.

OPERATING PROFIT (EBIT)

(€ thousands)	FY 2020			FY 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Operating Profit (EBIT)	31,040	-	31,040	63,848	(7,359)	56,489

The operating profit (EBIT) amounted to €31,040 thousand (with an EBIT margin of 11.0%).

PROFIT BEFORE TAX

(€ thousands)	FY 2020			FY 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Profit before tax	70,443	-	70,443	113,152	(7,359)	105,793

Recurring profit before tax amounted to €70,443 thousand in 2020, €42,709 thousand lower than in 2019.

NET PROFIT

(€ thousands)	FY 2020			FY 2019		
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Net profit	67,131	-	67,131	99,199	(5,183)	94,016

Recurring net profit reached €67,131 thousand in 2020, a decrease of €32,068 thousand compared to the €99,199 thousand posted in 2019.

NON-CURRENT ASSETS

(€ thousands)	12/31/2020	12/31/2019	Change
Goodwill	540	540	-
Other intangible assets	53,383	47,909	5,474
Tangible assets	28,129	29,330	(1,201)
Right of use assets	91,449	95,507	(4,058)
Financial fixed assets	1,245,354	1,232,074	13,280
Other non-current financial assets	15,483	16,959	(1,476)
Non-current assets	**1,434,338**	**1,422,319**	**12,019**

Non-current assets amounted to €1,434,338 thousand at 31 December 2020 versus €1,422,319 thousand at 31 December 2019, an increase of €12,019 thousand attributable to:

- an increase in intangible assets as a result of the development of software to support both the sales network and head office;
- an increase in the value of equity investments following the purchase of the Australian company Attune Hearing Pty Ltd for €34,571 thousand;
- an increase in the value of equity investments as a result of the periodic valuation of stock option and stock grant plans held by employees of subsidiaries for €7,603 thousand;
- a decrease in the value of equity investments as a result of the fair value measurement of stock options which matured and were exercised in the period for €10,942 thousand;
- a decrease of €17,347 thousand stemming from the intercompany sale of the equity investment in GAES Argentina for €17,347 thousand.

NET INVESTED CAPITAL

Net invested capital came to €1,458,856 thousand at 31 December 2020, an increase of €66,850 thousand against the €1,391,006 thousand recorded at 31 December 2019.

The change is attributable primarily to:

- the increase in non-current assets described above;
- an increase in trade receivables of €50,173 thousand explained primarily by amounts owed by group companies for services rendered and dividends to be received;
- higher trade and other payables of €5,243 thousand, as a result of careful management of payment terms;
- an increase in deferred tax assets, in derivatives, fees on loans paid in advance and an increase in medium/long-term debt relating to IFRS 15 application for a total of €14,732 thousand.

NET FINANCIAL POSITION

(€ thousands)	12/31/2020	12/31/2019	Change
Net medium and long-term financial indebtedness	987,784	653,633	334,151
Short-term net financial indebtedness	176,751	149,261	27,490
Cash and equivalents	(438,575)	(61,111)	(377,464)
Net financial indebtedness	**725,960**	**741,783**	**(15,823)**
Lease liabilities	**92,843**	**95,685**	**(2,842)**
Total lease liabilities and net financial indebtedness	**818,804**	**837,468**	**(18,664)**

Excluding lease liabilities net financial debt amounted to €725,960 thousand at 31 December 2020, net of €438,575 thousand in cash and cash equivalents for a decrease of €15,823 thousand against 31 December 2019.

In a period, which was profoundly affected by the Covid-19 pandemic Amplifon implemented a series of initiatives and actions which made it possible for the Group to better manage its financial position, further strengthening its structure and solidity. More in detail:

- the company resolved not to proceed with the payment of a dividend to shareholders, allocating the entire profit for 2019 as retained earnings;
- a series of measures were adopted which focused on cost containment, reducing and redefining investments, quickly accessing all the tools made available by the governmental authorities, along with other operational initiatives and the management of working capital which made it possible for free cash flow to reach €44,299 thousand (€105,907 thousand in the prior year);
- the Group's financial structure and liquidity position were further strengthened by finalizing debt refinancing, extending maturities and gathering new financing for a total of more than €1 billion. More in detail:
  - at the beginning of February, a €350 million 7-year Eurobond was issued in order to refinance the next maturities well in advance;
  - €180 million in existing bilateral loans were renegotiated, the maturities were extended from 2021-2022 to 2024-2025 and the amount was increased by €80 million;
  - an additional €203 million in long-term loans were stipulated, expiring between 2023 and 2025;
  - €65 million in new long-term irrevocable credit facilities (expiring in 2024 and 2025) were granted and the expiration of €90 million in credit lines was extended from 2021 to 2025.

At 31 December the Group had available liquidity of €438,575 versus total net financial indebtedness €725,960 thousand, net of lease liabilities.

Long-term debt amounts to €987.784 thousand. The increase in the period of €334,151 thousand is attributable to the transactions carried out to strengthen the financial structure described above, net the repayment of a portion of the syndicated loan used for the GAES acquisition (approximately €305,000 thousand).

The short-term portion of debt amounts to €176,751 thousand and is €27,490 thousand higher due mainly to cash pooling with American and Australian subsidiaries and includes the short-term portion of the syndicated loan used to finance the GAES acquisition (€39,750 thousand), the short-term portion of other long-term bank loans (€25,846 thousand), interest payable on the Eurobond (€3,478 thousand) and other bank loans.

NET EQUITY

(€ thousands)	12/31/2020	12/31/2019	Change
Net Equity	**639,052**	**553,538**	**85,514**

Net equity amounted to €639,052 thousand at 31 December 2020 versus €553,538 thousand at 31 December 2019, an increase of €85,514 thousand, explained by:

- a decrease in treasury shares following the exercise of 1,666,441 stock grants;
- a change in the cash flow hedge reserve;
- the net profit posted in 2020.

RECLASSIFIED CASH FLOW STATEMENT

The reclassified cash flow statement shows the change in net financial position between the beginning and the end of the reported period.
Pursuant to IAS 7 the notes of the financial statements include also a cash flow statement based on cash holdings, showing the change between the opening and the closing cash position of the reported period.

(€ thousands)	FY 2020	FY 2019
OPERATING ACTIVITIES		
Net income (loss)	67,131	94,016
Amortization, depreciation and impairment:		
• *other intangible fixed assets*	*12,426*	*13,973*
• *tangible fixed assets*	*7,659*	*7,572*
• *right of use assets*	*16,782*	*16,239.00*
Total amortization, depreciation and impairment	36,868	37,784
Provisions and other non-monetary items	14,642	11,317
(Gains) losses from sale of fixed assets	(1,975)	91
Financial income and charges	(39,404)	(48,983)
Current and deferred income taxes	3,312	11,776
Change in assets and liabilities:		
• *Utilization of provisions*	*(2,499)*	*(2,162)*
• *(Increase) decrease in inventories*	*694*	*(407)*
• *Decrease (increase) in trade receivables*	*(4,554)*	*(15,786)*
• *Increase (decrease) in trade payables*	*1,017*	*23,683*
• *Increase (decrease) in other receivables/payables non-financial net of tax receivables/payables*	*10,917*	*5,941*
Total change in current assets and liabilities	5,575	11,269
Dividends received	23,747	62,592
Interest received/paid	(16,055)	(13,972)
Taxes paid	(11,732)	(12,636)
Cash flow provided by (used in) operating activities before repayment of lease liabilities	**82,109**	**153,254**
Repayment of lease liabilities	(13,545)	15,228
Cash flow provided by (used in) operating activities	**68,564**	**138,026**
INVESTING ACTIVITIES:		
Purchase of intangible fixed assets	(17,747)	(24,562)
Purchase of tangible fixed assets	(6,535)	(7,562)
Consideration from sale of tangible fixed assets and businesses	16	5
Cash flow generated from (absorbed by) investing activities	**(24,266)**	**(32,119)**
Cash flow generated from operating and investing activities (Free cash flow)	**44,298**	**105,907**
Cash flow generated from acquisitions (*)	**(20,043)**	**(74,035)**
Cash flow generated from (absorbed by) investing activities	**(44,309)**	**(106,154)**

(€ thousands)	FY 2020	FY 2019
FINANCING ACTIVITIES:		
Hedging instruments	(705)	-
Commissions paid for medium/long-term financing	(7,709)	-
Other non-current assets	(19)	117
Dividends distributions	-	(30,939)
Capital increases	-	148
Cash flow generated from (absorbed by) financing activities	**(8,433)**	**(30,674)**
Change in net financial position	**15,822**	**1,198**
Net financial indebtedness as of period opening date	(741,783)	(746,730)
Merger Hearing Supplies S.r.l.		3,749
Change in net financial position	15,822	1,198
Net financial indebtedness as of period closing date	**(725,960)**	**(741,783)**

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

The decrease in net financial debt of €15,822 thousand is attributable mainly to:

a) Investing activities:
- net increase in property, plant and equipment and intangible assets of €24,266 thousand relating largely to investments in information technology, particularly the development of the new ERP system, hardware and updating of the headquarters;
- an increase in the value of equity investments of €34,571 thousand due mainly to the acquisition of Attune Hearting Pty Ltd.

b) Operating activities:
- interest payable on financial indebtedness and other net financial expenses of €16,055
- thousand, €1,656 thousand of which for imputed interest on operating leases;
- payment of taxes which amounted to €11,732 thousand;
- dividends received from subsidiaries amounting to €23,747 thousand;
- cash flow generated by current operations of €78,869 thousand.

c) financing activities:
- payments for hedging instruments and fees on medium/long-term loan amounting to €8,414 thousand;
- increase in other non-current assets of €19 thousand.

DATA CONTROLLER

The Board of Directors held on March 2nd, 2016 appointed the Italian General Manager representative of "Data Controller" for the data related to the Italian business while the Group's Chief Executive Officer as representative of "Data Controller" for the data related to the management and coordination of the Group Amplifon entities.

SUBSIDIARIES

Amplifon S.p.A. set up a branch office, Amplifon Succursale de Paris, with offices in Arcueil, 22 avenue Aristide Briand, France.

MANAGEMENT OUTLOOK

The current developments in the Covid-19 pandemic and the spread of new variants, as well as the uncertainty as to the timing of vaccinations in Italy, limit the visibility for the next few months and call for, as in the recent past, a certain level of caution.
In 2021 the Company expects to see a gradual normalization of the hearing care market, with the continuous roll-out of vaccination programs and the subsequent easing of the restrictive measures. Assuming the gradual normalization of the market mentioned above materializes during 2021, the Company also expects that revenue growth will outpace the reference market showing a strong recovery with respect to 2020 and solid growth compared to the 2019 levels thanks also to the excellent strategic positioning as market leader, while the Company expects profitability to continue to benefit from the actions taken in 2020, posting significant expansion in the EBITDA margin compared to 2019 (the year prior to the pandemic).
Lastly, the Company remains positive about the medium-term prospects for both sales and profitability, thanks to the proven resiliency of its business linked to the non-discretionary nature of the products and services offered, the soundness of the sector fundamentals and the unchanged behavior of consumers, as well as the ever-stronger competitive positioning, the solid strategy and the strong execution capabilities seen in both growth and challenging environments like the current one.

Milan, March 03th, 2021

CEO
Enrico Vita

Disclaimer
This report contains forward looking statements ("Outlook") regarding 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 several factors, the majority of which are out of the Group's control.

SECTION II

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31ST, 2020

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION(*)

(€ thousands)		12/31/2020	12/31/2019	Change
Assets				
Non-current assets				
Goodwill	**Note 3**	1,281,609	1,215,511	66,098
Intangible fixed assets with finite useful life	**Note 4**	361,185	367,508	(6,323)
Tangible fixed assets	**Note 5**	177,616	196,579	(18,963)
Right-of-use assets	**Note 6**	409,338	418,429	(9,091)
Equity-accounted investments	**Note 36**	2,002	2,314	(312)
Hedging instruments	**Note 8**	4,327	8,153	(3,826)
Deferred tax assets	**Note 28**	83,671	81,427	2,244
Contract costs	**Note 11**	7,777	7,339	438
Other assets	**Note 7**	59,916	67,516	(7,600)
Total non-current assets		**2,387,441**	**2,364,776**	**22,665**
Current assets				
Inventories	**Note 9**	57,432	64,592	(7,160)
Trade receivables	**Note 10**	169,060	205,219	(36,159)
Contract costs	**Note 11**	5,051	4,386	665
Other receivables	**Note 12**	55,464	71,553	(16,089)
Hedging instruments	**Note 8**	-	2,201	(2,201)
Other financial assets	**Note 13**	8,997	240	8,757
Cash and cash equivalents	**Note 14**	545,027	138,371	406,656
Total current assets		**841,031**	**486,562**	**354,469**
Total assets		**3,228,472**	**2,851,338**	**377,134**

(€ thousands)		12/31/2020	12/31/2019	Change
Liabilities				
Net Equity				
Share capital	**Note 15**	4,528	4,528	-
Share premium reserve		202,712	202,712	-
Treasury shares		(14,281)	(29,131)	14,850
Other reserves		(40,562)	(24,669)	(15,893)
Retained earnings		547,482	432,925	114,557
Profit (loss) for the period		101,004	108,666	(7,662)
Group net equity		**800,883**	**695,031**	**105,852**
Minority interests		**985**	**1,084**	**(99)**
Total net equity		**801,868**	**696,115**	**105,753**
Non-current liabilities				
Medium/long-term financial liabilities	**Note 17**	1,069,321	750,719	318,602
Lease liabilities	**Note 18**	337,350	343,040	(5,690)
Provisions for risks and charges	**Note 19**	49,765	50,290	(525)
Liabilities for employees' benefits	**Note 20**	24,019	25,281	(1,262)
Hedging instruments	**Note 8**	5,963	4,290	1,673
Deferred tax liabilities	**Note 28**	95,150	102,111	(6,961)
Payables for business acquisitions	**Note 21**	32,262	13,527	18,735
Contract liabilities	**Note 23**	130,016	135,052	(5,036)
Other long-term liabilities	**Note 24**	11,344	8,649	2,695
Total non-current liabilities		**1,755,190**	**1,432,959**	**322,231**
Current liabilities				
Trade payables	**Note 22**	181,036	177,390	3,646
Payables for business acquisitions	**Note 24**	6,693	10,245	(3,552)
Contract liabilities	**Note 23**	102,999	97,725	5,274
Tax liabilities	**Note 24**	62,089	40,334	21,755
Other payables	**Note 24**	150,741	146,223	4,518
Hedging instruments	**Note 8**	112	28	84
Provisions for risks and charges	**Note 25**	3,560	4,242	(682)
Liabilities for employees' benefits	**Note 26**	3,139	545	2,594
Short-term financial liabilities	**Note 27**	75,615	163,947	(88,332)
Lease liabilities	**Note 18**	85,430	81,585	3,845
Total current liabilities		**671,414**	**722,264**	**(50,850)**
Total liabilities		**3,228,472**	**2,851,338**	**377,134**

(*) Transactions with related parties have not been reported separately because not material both at single entity and at consolidated level. Please refer to note 38 for more details.

CONSOLIDATED INCOME STATEMENT(*)

(€ thousands)		FY 2020			FY 2019			
		Recurring	Non-recurring	Totale	Recurring	Non-recurring	Total	Change
Revenues from sales and services	**Note 29**	1,555,543	-	1,555,543	1,732,063	-	1,732,063	(176,520)
Operating costs	**Note 30**	(1,198,257)	-	(1,198,257)	(1,340,654)	(22,193)	(1,362,847)	164,590
Other income and costs	**Note 31**	13,681	-	13,681	1,374	-	1,374	12,307
Gross operating profit (EBITDA)		**370,967**	**-**	**370,967**	**392,783**	**(22,193)**	**370,590**	**377**
Amortization, depreciation and impairment	**Note 32**							
Amortization of intangible fixed assets		(61,485)	-	(61,485)	(60,534)	-	(60,534)	(951)
Depreciation of tangible fixed assets		(47,722)	-	(47,722)	(41,948)	-	(41,948)	(5,774)
Right-of-use depreciation		(89,769)	-	(89,769)	(87,942)	(105)	(88,047)	(1,722)
Impairment losses and reversals of non-current assets		(3,491)	-	(3,491)	(1,054)	(1,916)	(2,970)	(521)
		(202,467)	**-**	**(202,467)**	**(191,478)**	**(2,021)**	**(193,499)**	**(8,968)**
Operating result		**168,500**	**-**	**168,500**	**201,305**	**(24,214)**	**177,091**	**(8,591)**
Financial income, expenses and value adjustments to financial assets	**Note 33**							
Group's share of the result of associated companies valued at equity and gains/losses on disposals of equity investments		(346)	-	(346)	188	-	188	(534)
Other income and expenses, impairment and revaluations of financial assets		2	-	2	3	-	3	(1)
Interest income and expenses		(17,860)	-	(17,860)	(14,387)	-	(14,387)	(3,473)
Interest expenses on lease liabilities		(10,428)	-	(10,428)	(11,357)	-	(11,357)	929
Other financial income and expenses		(1,198)	-	(1,198)	(581)	-	(581)	(617)
Exchange gains and losses		761	-	761	(445)	-	(445)	1,206
Gain (loss) on assets accounted at fair value		(106)	-	(106)	(373)	-	(373)	267
		(29,175)	**-**	**(29,175)**	**(26,952)**	**-**	**(26,952)**	**(2,223)**
Profit (loss) before tax		**139,325**	**-**	**139,325**	**174,353**	**(24,214)**	**150,139**	**(10,814)**
Current and deferred income tax	**Note 34**							
Current tax		(47,385)	-	(47,385)	(53,149)	5,818	(47,331)	(54)
Deferred tax		9,122	-	9,122	5,716	-	5,716	3,406
		(38,263)	-	(38,263)	(47,433)	5,818	(41,615)	3,352
Total net profit (loss)		**101,062**	**-**	**101,062**	**126,920**	**(18,396)**	**108,524**	**(7,462)**
Net profit (loss) attributable to Minority interests		58	-	58	(142)	-	(142)	200
Net profit (loss) attributable to the Group		**101,004**	**-**	**101,004**	**127,062**	**(18,396)**	**108,666**	**(7,662)**

(*) Transactions with related parties have not been reported separately because not material both at single entity and at consolidated level. Please refer to note 38 for more details.

Earnings and dividend per share (€ per share)	Note 37	FY 2020 (*)	FY 2019
Earnings per share			
• Basic		0.45132	0.48979
• Diluted		0.44556	0.48135
Dividend per share		0.22 (*)	-

(*) Dividend proposed by the Board of Directors at the Shareholders General Meeting convened on April 23th, 2021.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(€ thousands)		FY 2020	FY 2019
Net income (loss) for the period		**101,062**	**108,524**
Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	**Note 20**	1,557	(4,467)
Tax effect on components of other comprehensive income that will not be reclassified subsequently to profit or loss		(292)	542
Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss after the tax effect (A)		**1,265**	**(3,925)**
Other comprehensive income (loss) that will be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedging instruments	**Note 8**	3,380	2,449
Gains/(losses) from Foreign Currency Basis Spread on hedging instruments	**Note 8**	(492)	(78)
Gains/(losses) on exchange differences from translation of financial statements of foreign entities		(19,281)	1,354
Tax effect on components of other comprehensive income that will be reclassified subsequently to profit or loss		518	(569)
Total other comprehensive income (loss) that will be reclassified subsequently to profit or loss after the tax effect (B)		**(15,875)**	**3,156**
Total other comprehensive income (loss) (A)+(B)		**(14,610)**	**(769)**
Comprehensive income (loss) for the period		**86,452**	**107,755**
Attributable to the Group		86,505	107,789
Attributable to Minority interests		(53)	(34)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(€ thousands)		Share capital	Share premium reserve	Legal reserve	Other reserves	Treasury shares reserve	Stock option and stock grant reserve
Balance at 01/01/2019		**4,527**	**202,565**	**934**	**3,636**	**(50,933)**	**34,569**
Allocation of profit (loss) for 2018							
Share capital increase		1	147				
Treasury shares							
Dividend distribution							
Notional cost of stock options and stock grants	**Note 35**						16,495
Other changes						21,802	(16,101)
• *Stock Grant*						*21,802*	*(16,101)*
• *Inflation accounting*							
• *Other changes*							
Total comprehensive income (loss) for the period							
• *Hedge accounting*	**Note 8**						
• *Actuarial gains (losses)*							
• *-ranslation differences*							
• *Result for FY 2019*							
Balance at 12/31/2019		**4,528**	**202,712**	**934**	**3,636**	**(29,131)**	**34,963**

(€ thousands)		Share capital	Share premium reserve	Legal reserve	Other reserves	Treasury shares reserve	Stock option and stock grant reserve
Balance at 01/01/2020		**4,528**	**202,712**	**934**	**3,636**	**(29,131)**	**34,963**
Allocation of profit (loss) for 2019							
Share capital increase							
Treasury shares							
Dividend distribution							
Notional cost of stock options and stock grants	**Note 35**						16,378
Other changes						14,850	(16,561)
• *Stock Grant*						*14,850*	*(16,561)*
• *Inflation accounting*							
• *Other changes*							
Total comprehensive income (loss) for the period							
• *Hedge accounting*	**Note 8**						
• *Actuarial gains (losses)*							
• *Deferred taxes recognized in net equity*							
• *Translation differences*							
• *Result for FY 2020*							
Balance at 12/31/2020		**4,528**	**202,712**	**934**	**3,636**	**(14,281)**	**34,780**

Cash flow hedge reserve	*Foreign Curr. Basis Spread Reserve*	Actuarial gains and losses	Retained earnings	Translation differences	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)	-		-
						148		**148**
						-		-
			(30,939)			**(30,939)**		**(30,939)**
						16,495		**16,495**
689	(689)		918			**6,619**	90	**6,709**
			(5,701)			-		-
			6,545			***6,545***		***6,545***
689	*(689)*		*74*			***74***		***74***
1,861	(59)	(3,925)		1,246	108,666	**107,789**	(34)	**107,755**
1,861	*(59)*					***1,802***		***1,802***
		(3,925)				***(3,925)***		***(3,925)***
				1,246		***1,246***	*108*	***1,354***
					108,666	***108,666***	*(142)*	***108,524***
(5,462)	**(748)**	**(11,048)**	**432,925**	**(46,944)**	**108,666**	**695,031**	**1,084**	**696,115**

Cash flow hedge reserve	Foreign Curr. Basis Spread Reserve	Actuarial gains and losses	Retained earnings	Translation differences	Profit (loss) for the period	Total Shareholders' equity	Minority interests	Total net equity
(5,462)	**(748)**	**(11,048)**	**432,925**	**(46,944)**	**108,666**	**695,031**	**1,084**	**696,115**
			108,666		(108,666)	-		-
						-		-
						-		-
						-		-
						16,378		**16,378**
			4,679			**2,968**	(46)	**2,922**
			1,712			***1***		***1***
			4,240			***4,240***		***4,240***
			(1,272)			***(1,272)***	(46)	***(1,318)***
2,569	(374)	1,265	1,211	(19,170)	101,004	**86,505**	(53)	**86,452**
2,569	*(374)*					***2,195***		***2,195***
		1,265				***1,265***		***1,265***
			1,211			***1,211***		***1,211***
				(19,170)		***(19,170)***	*(111)*	***(19,281)***
					101,004	***101,004***	*58*	***101,062***
(2,893)	**(1,122)**	**(9,783)**	**547,482**	**(66,114)**	**101,004**	**800,883**	**985**	**801,868**

STATEMENT OF CONSOLIDATED CASH FLOWS(*)

(€ thousands)	FY 2020	FY 2019
Operating activities		
Net profit (loss)	101,062	108,524
Amortization, depreciation and impairment:		
• intangible fixed assets	63,400	60,927
• tangible fixed assets	49,183	44,525
• right-of-use assets	89,885	88,047
• goodwill	-	-
Provisions, other non-monetary items and gain/losses from disposals	24,799	26,771
Group's share of the result of associated companies	311	(370)
Financial income and expenses	28,863	27,322
Current and deferred taxes	38,263	41,615
Cash flow from operating activities before change in working capital	***395,765***	***397,361***
Utilization of provisions	(9,179)	(7,822)
(Increase) decrease in inventories	942	(2,960)
Decrease (increase) in trade receivables	32,873	(33,251)
Increase (decrease) in trade payables	5,648	3,244
Changes in other receivables and other payables	21,110	34,101
Total change in assets and liabilities	***51,395***	***(6,688)***
Dividends received	2	188
Interest received (paid)	(21,234)	(24,511)
Taxes paid	(34,462)	(46,983)
Cash flow generated from (absorbed by) operating activities (A)	**391,466**	**319,367**
Investing activities:		
Purchase of intangible fixed assets	(30,727)	(40,600)
Purchase of tangible fixed assets	(30,108)	(50,513)
Consideration from sale of non-current assets	3,641	2,235
Cash flow generated from (absorbed by) operating investing activities (B)	**(57,194)**	**(88,878)**
Purchase of subsidiaries and business units net of cash and cash equivalents acquired or dismissed	(89,199)	(66,910)
Increase (decrease) in payables for business acquisitions	12,110	(4,623)
(Purchase) sale of other investments and securities	-	378
Cash flow generated from (absorbed by) acquisition activities (C)	**(77,089)**	**(71,155)**
Cash flow generated from (absorbed by) investing activities (B+C)	**(134,283)**	**(160,033)**
Financing activities:		
Increase (decrease) in financial payables	232,054	(1,756)
(Increase) decrease in financial receivables	-	(164)
Derivative instruments and other non-current assets	(705)	-
Commissions paid for medium/long-term financing	(7,709)	-
Principal portion of lease payments	(72,803)	(81,006)
Other non-current assets and liabilities	992	2,677
Treasury shares purchase	-	-
Dividends distributed	-	(30,939)
Capital increases and minority shareholders' contributions and dividends paid to third parties by subsidiaries	(306)	(134)
Cash flow generated from (absorbed by) financing activities (D)	**151,523**	**(111,322)**
Net increase in cash and cash equivalents (A+B+C+D)	**408,706**	**48,012**

(€ thousands)	FY 2020	FY 2019
Cash and cash equivalents at beginning of period	**138,371**	**89,915**
Effect of exchange rate fluctuations on cash & cash equivalents	(2,050)	444
Flows of cash and cash equivalents	408,706	48,012
Cash and cash equivalents at end of period	**545,027**	**138,371**

(*) Transactions with related parties have not been reported separately because not material both at single entity and at consolidated level. Please refer to note 38 for more details.

Related-party transactions relate to lease 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. Such loans are detailed in Note 38.

SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CONSOLIDATED CASH FLOWS

The fair values of the assets and liabilities acquired, which are described in the following section 3, are summarized in the table below:

(€ thousands)	FY 2020	FY 2019
• Goodwill	74,915	49,946
• Customer lists	18,529	23,145
• Trademarks and non-competition agreements	7,341	-
• Other intangible fixed assets	3,181	2,336
• Tangible fixed assets	3,575	2,891
• Right-of-use assets	13,768	3,605
• Current assets	7,565	5,793
• Provisions for risks and charges	(789)	(32)
• Current liabilities	(18,062)	(5,063)
• Other non-current assets and liabilities	(17,077)	(15,392)
Total investments	**92,946**	**67,229**
Net financial debt acquired	179	1,338
Total business combinations	**93,125**	**68,567**
(Increase) decrease in payables through business acquisition	(12,110)	4,623
Purchase (sale) of other investments and securities	-	(378)
Cash flow absorbed by (generated from) acquisitions	**81,015**	**72,812**
(Cash and cash equivalents acquired)	(3,926)	(1,707)
Net cash flow absorbed by (generated from) acquisitions	**77,089**	**71,105**

In addition to the acquisitions of small/medium-sized businesses, the GAES acquisition was also finalized in 2018. No significant, single acquisitions were made in 2019.

NOTES

1. GENERAL INFORMATION

The Amplifon Group is a global leader in the distribution of hearing solutions and the fitting of customized products.

The parent company, Amplifon S.p.A. (thereafter "the Parent Company") is based in Via Ripamonti 133, Milan, Italy. The Group is controlled directly by Ampliter S.r.l. (42.2% of the share capital and 59.4% of the voting rights), held 100% by Amplifin S.p.A. which is fully controlled by Susan Carol Holland.

The consolidated financial statements at 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the regulations implementing article 9 of Legislative Decree No. 38 of 28 February 2005. These standards include the IAS and IFRS issued by the International Accounting Standard Board, as well as the SIC and IFRIC interpretations issued by the International Financial Reporting Interpretations Committee, which were endorsed in accordance with the procedure set out in article 6 of Regulation (EC) no. 1606 of 19 July 2002 by 31 December 2020. International Financial Reporting Standards endorsed after that date and before the preparation of these financial statements are adopted in the preparation of the consolidated financial statements only if early adoption is allowed by the endorsing regulation and the reporting standard itself and the Group has elected to do so.

The publication of the consolidated financial statements of the Amplifon Group for the year closed on 31 December 2020 was authorized by the Board of Directors on 3 March 2021. These financial statements are subject to the approval of the Annual Shareholders' Meeting of Amplifon S.p.A. convened on 23 April 2021.

The accounting policies adopted in the preparation of the annual report and a summary of the accounting principles and interpretations to be applied in the future are detailed in section 44.

2. IMPACTS OF COVID-19 EMERGENCY ON THE GROUP'S PERFORMANCE AND FINANCIAL POSITION, MEASURES ADOPTED, RISKS AND AREAS OF UNCERTAINTY

The Covid-19 health crisis and the various restrictive measures adopted by the different authorities had a significant impact on the Group's results, with total revenues falling 10.2% overall in the year, reaching a low of 43.1% in the second quarter. April was impacted the most by the lockdown, reporting a 65% drop in sales compared to the same period 2019, while in the months of May and June, as the lockdown measures were eased, there was a gradual recovery. In the second half of the year revenues were, in fact, higher than in the same period of the prior year (+6.2% at constant exchange rates), thanks to a stronger third quarter (+10.4% at constant exchange rates), driven by strong organic growth that was 8.2% higher than in the comparison period and a fourth quarter that showed improvement (+2.9% at constant exchange rates, organic growth was up +1.7%), but that was affected not only by the second wave of infections and the restrictive measures implemented

in the various markets, but also by the challenging comparison with the organic growth of 8.2%, excluding GAES.

Europe, where lockdown measures were implemented in all the main markets with the partial exception of Germany, was affected the most, but then showed quick recovery beginning at the end of April as the restrictive measures were eased with growth YoY already in July. In the United States, which was also profoundly impacted by the various restrictive measures implemented in the different states beginning at the end of March, the recovery was quick as of the end of May. In Canada and South America, where the pandemic struck later during the second quarter, the recovery is still slow and the Latin American countries continue to be penalized by the negative effects of the pandemic, though strong organic growth was posted in the last quarter. Lastly, APAC was the Group's region that suffered less thanks to the lack of store closures in Australia, despite the lockdown in the state of Victoria. The post lockdown recovery in New Zealand was very speedy after the commercial network was reopened mid-May and despite the Auckland area closures in August. In China, where the impact of the closures was felt in February, the performance was back in line with the prior year already in May. China then posted significant growth in the second half of the year, as did all the countries in this region, with the exception of India.

In response to the Covid-19 outbreak, the Group quickly prepared and implemented an effective plan of action aiming to:

- ensure the health and safety of its people and its customers;
- reduce and optimize the main operating costs, laying the foundation for greater Group productivity and structural efficiency;
- maximize cash generation;
- strengthen the financial structure through an important refinancing program in order to provide enough headroom including in the event of further lockdown periods.

More in detail:

Measures adopted to protect stakeholders during the Covid-19 pandemic

Since the start of the Covid-19 outbreak, the Group's priority has been to safeguard the health of its people, while, at the same time, serving customers in total safety. Amplifon, therefore, rapidly created a task force at both a Group and country level in order to coordinate and implement immediately all the preventive measures needed to ensure the health of its employees, customers and other stakeholders, in line with the safety measures indicated by the authorities in the different countries. These measures included, among other things, the development and adoption of a new Group-wide store protocol (which comprises the use of personal protective equipment by hearing care professionals and client advisers, visits on an appointment-only basis following an in-depth telephone check-up in order to assess the customers' state of health, strict social distancing and sanitization procedures, etc.), smart working practices for back-office personnel, as well as protocols for returning to work, developed with the support of experts, consistent with the ordinances issued in the different countries and other safety measures.

Measures to mitigate the impact on profitability and cash flow generation

During the period between March and June when the impact of the Covid-19 pandemic was the most severe, and in light of the negative impact that the restrictive or even general lockdown measures adopted by the governmental authorities in the various countries as a result of the Covid-19 crisis had on hearing care market demand, the Group moved very quickly and decisively to implement a series of measures to limit the financial-economic impact. As a result of these actions the foundation was laid for structural efficiencies and improved productivity which accelerated the strong recovery in sales margins recorded in the third quarter, that continued in the fourth quarter albeit at a slower pace, due not only to the second wave of infections and the restrictive

measures implemented in the various markets, but to a challenging comparison period. More in detail, Amplifon adopted the following cost containment and optimization measures during the pandemic's most severe period:

- labor costs: activation of the government social schemes available in the Group's different countries of operation, proportional reduction in variable compensation, voluntary pay cuts by management and a hiring freeze;
- marketing costs: cancellation of most activities and programmed investments;
- other costs: suspension of all discretionary costs and renegotiation of several supplier contracts and leases;
- strict working capital management;
- suspension of all non-essential capex and M&A transactions;
- quick use of all forms of subsidies made available by the different governmental authorities to support business;
- allocation of the entire profit for 2019 as retained earnings without paying any dividends to shareholders.

In the third quarter, as soon as external conditions allowed, the Group began to reinvest in the business by increasing investments in marketing, which were around 10% higher than in the same period of the previous year, and reactivating important corporate growth programs. The Group continued to reinvest in marketing in the fourth quarter, spending more than in fourth quarter 2019, as well as in key corporate projects despite the second wave of infections and the restrictive measures.

Measures to strengthen the Group's financial structure

Amplifon, which had already begun refinancing the next debt maturities well in advance by issuing a €350 million 7-year Eurobond at the beginning of February, finalized a series of transactions, mainly in the second quarter, aiming to strengthen the Group's financial structure. More in detail:

- €180 million in existing bilateral loans were renegotiated, the maturities were extended from 2021-2022 to 2024-2025 and the amount was increased by €80 million;
- an additional €203 million in long-term loans were stipulated, expiring between 2023 and 2025;
- government Covid-19 loans were requested and granted for €35.5 million, of which €30.5 million utilized (€30 million in France and €0.5 million is Switzerland) and €5 million available (entirely in Switzerland);
- €65 million in new long-term irrevocable credit facilities (expiring in 2024 and 2025) were granted and the expiration of €90 million in credit lines was extended from 2021 to 2025.

At 31 December 2020 the Group had available liquidity of around €545 million, undrawn irrevocable credit lines of €265 million and uncommitted lines of €225 million versus total gross debt which, excluding lease liabilities, amounts to €1,187.7 million without significant short-term maturities as the average maturity is about 4.5 years.

In the wake of the strong initial impact of the pandemic described above and the potential effect on the ability to achieve plan targets, as well as the uncertainty of the current market environment, in March 2020 the Company deemed it opportune to withdraw the guidance issued in 2018 and updated subsequently in March 2019 to reflect the GAES acquisition.

At the date of this Annual Report, it is still not possible to estimate the duration of the pandemic and the restrictive measures implemented to limit further infections. The timing and the effectiveness of the vaccination plans being implemented in the different countries is also not clear and, therefore, it is not possible to predict the effect that the continuation of the pandemic will have on global and domestic economic activities, as well as on the Group's business. More specifically, in the event of subsequent waves of Covid-19 infections and new variants, the national authorities could reinstate all or part of the restrictive measures which could have further negative repercussions for global and domestic trade, as well as the Group's business. We also cannot exclude that if the global market

conditions should deteriorate, resulting in, for example, a prolonged recession in Europe and the United States, or worldwide, due to COVID-19, the economic and financial situation of the Company and Group could be compromised.
The Company, however, remains confident about the future in the medium/long-term, thanks to the resilience of its business, the steadfast fundamentals of the sector and the unchanged consumer behavior, as well as the strength of its competitive positioning and execution capabilities in both growth and challenging environments, like the current one.

Accounting impact

During the Covid-19 crisis the Group benefitted from the subsidies and relief made available by the different governmental authorities which aimed to compensate, at least partially, for the drop in revenues caused by the lockdown measures, and the concessions on leases recognized as income thanks to the application of the IFRS 16 amendment approved by the International Accounting Standards Board (IASB) at the end of May 2020. This amendment introduces a practical expedient based on which any concessions obtained as a result of Covid-19 related renegotiations such as a reduction in the rent owed for the period through 30 June 2021, are not viewed as lease modifications, but as variable lease payments which positively impacts the income statement. The application of this practical expedient had a positive impact of €9,409 thousand recognized as other income and costs with lower lease liabilities.

The Group also incurred a series of expenses attributable directly to the crisis. The impact on the income statement and cash flow by type of benefit/expense is shown below.

(€ thousands)	Covid-19 Impact FY 2020	
	Profit & Loss	Cash Flows
Contributions received/costs incurred		
Subsidies received from the governmental authorities and other public entities	**42,289**	**51,850**
For the cost of labor	36,201	38,647
- of which relative to contributions received	*29,937*	*32,963*
- of which relative to the decrease in costs in the event the public entity paid subsidies directly to the employee	*6,264*	*5,684*
Other business assistance	4,729	6,221
Tax credits, other exemptions and delays in tax payments and pension contributions	1,359	6,982
Lease concessions received from landlords	**9,683**	**11,836**
Costs tied directly to the crisis	**(6,301)**	**(6,401)**
Costs of personal protective equipment	(4,311)	(4,722)
Costs incurred to sanitize offices and stores	(99)	(94)
Costs incurred for consultancies (virologists and other experts, smart working, social plans)	(619)	(436)
Costs for advertising and communication targeting customers	(450)	(336)
Logistics	(292)	(294)
Costs for cancelling events, advertising and other contracts	(530)	(519)
Cost of labor for personnel of closed stores not covered by social plans	**(3,388)**	**(3,183)**

3. ACQUISITIONS AND GOODWILL

In order to protect cash flow from the financial impact of the Covid-19 outbreak, M&A activity was temporarily suspended as of March and subsequently resumed in the fourth quarter of 2020. In the year the Group continued with external growth and acquired 212 points of sale for a total cash-out of €89,199 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 during the FY 2020:

- 5 points of sale were acquired in France;
- 17 points of sale were acquired in Germany;
- 6 points of sale, that were previously part of the indirect channel, were acquired in Belgium;
- 14 points of sale and 1 customer list were acquired in Spain;
- 110 points of sale that were previously part of the indirect channel were acquired in the United States following the acquisition of the operating companies of one of Miracle-Ear's biggest franchisees;
- 54 new points of sale were added to the Group as a result of the acquisition of Attune Hearing Pty Ltd in Australia;
- 6 points of sale were acquired in China.

SHARE DEALS[(*)]

Company Name	Date	Location
T.S.P SAS	01/01/2020	France
OA1 Sarl	01/01/2020	France
OA2 Eurl	01/01/2020	France
OA3 Eurl	01/01/2020	Francia
Entzumena SLU	11/04/2020	Spain
579 BVBA	02/05/2020	Belgium
Attune Hearing Pty Ltd	02/05/2020	Australia
Attune Workplace Hearing Ltd	02/05/2020	Australia
Ear Deals Pty Ltd	02/05/2020	Australia
METX LLC	12/30/2020	USA
MEFL LLC	12/30/2020	USA
METAMPA LLC	12/30/2020	USA
MENM LLC	12/30/2020	USA

[(*)]The companies were acquired at 100% and were consolidated starting from the acquisition date.

ASSET DEALS

Company Name	Date	Location
Ouest Audition	01/01/2020	France
Hörakustik Scheppan	02/18/2020	Germany
Froschgassen Hörgeräte Akustik	10/14/2020	Germany
Köster Hörsysteme	01/01/2020	Germany
Hörgeräte Kehrel OHG	01/01/2020	Germany
Baumann Hörakustik GmbH	01/01/2020	Germany
Hörgeräte Nöth + Weisensee	03/01/2020	Germany
Mathias Lieber	04/01/2020	Germany
Hörzentrum Röttig (Inso)	10/01/2020	Germany
Ohr-Concept-Hörakustiker Meinersen (Jäger)	12/01/2020	Germany
Hör Riese Hörsysteme	12/15/2020	Germany
Beijing Cohesion hearing tech Co, Ltd,	08/31/2020	China

(€ thousands)	Total Purchase Price	Cash acquired	Financial debts acquired	Total Cost	Expected annual turnover (*)	Contribution to turnover from the purchase date
Total share deals	83,971	(3,926)	179	80,224	60,259	15,703
Total asset deals	8,975	-	-	8,975	7,433	4,753
Total	**92,946**	**(3,926)**	**179**	**89,199**	**67,692**	**20,456**

(*) Annual turnover is the best available estimate of the turnover of the firm or business acquired.

Changes in goodwill and the amounts recognized during the year following acquisitions completed in the reporting period, broken down by Groups of Cash Generating Units, are detailed in the table below.

(€ thousands)	Net carrying value at 12/31/2019	Business combinations	Disposals	Impairment	Other net changes	Net carrying value at 12/31/2020
EMEA	839,802	17,191	-	-	(863)	856,130
Americas	126,418	30,871	-	-	(9,761)	147,528
Asia Pacific	249,291	26,853	-	-	1,807	277,951
Total non-current assets	**1,215,511**	**74,915**	**-**	**-**	**(8,817)**	**1,281,609**

"Business combinations" refers to the temporary allocation to goodwill of the portion of the purchase price paid, comprehensive of the deferred portion and the contingent consideration (earn-out) of which in note 21 e 24, which is not directly attributable to the fair value of assets and liabilities but, rather, based on the assumption that the positive contribution to cash flow will last for an indefinite period of time.

"Other net changes" is almost entirely attributable to foreign exchange differences.

A summary of the carrying amount and fair value of assets and liabilities, deriving from the provisional allocation of the purchase price due to business combinations excluding the purchase of non-controlling interests in subsidiaries, is provided in the following table.

(€ thousands)	EMEA	Americas	Asia Pacific	Total
Cost of acquisitions of the period	**19,930**	**39,143**	**33,873**	**92,946**
Assets and liabilities acquired – Book value				
Current assets	249	1,348	2,042	**3,639**
Current liabilities	(2,595)	(6,742)	(3,873)	**(13,210)**
Net working capital	**(2,346)**	**(5,394)**	**(1,831)**	**(9,571)**
Other intangible, tangible and right-of-use assets	4,939	8,951	6,634	**20,524**
Provisions for risks and charges	(46)	-	(743)	**(789)**
Other non-current assets and liabilities	(4,180)	(1,831)	(3,708)	**(9,719)**
Non-current assets and liabilities	**713**	**7,120**	**2,183**	**10,016**
Net invested capital	**(1,633)**	**1,726**	**352**	**445**
Net financial position	**958**	**112**	**2,678**	**3,748**
Net equity acquired - book value	**(675)**	**1,838**	**3,030**	**4,193**
Difference to be allocated	**20,605**	**37,305**	**30,843**	**88,753**
Allocations				
Trademarks	-	-	5,110	**5,110**
Non-competition agreements	-	2,231	-	**2,231**
Customer lists	6,764	10,543	1,222	**18,529**
Contract liabilities - Short and long-term	(2,260)	(5,873)	(1,284)	**(9,417)**
Deferred tax assets	1,370	2,063	841	**4,274**
Deferred tax liabilities	(2,460)	(2,530)	(1,899)	**(6,889)**
Total allocations	**3,414**	**6,434**	**3,990**	**13,838**
Goodwill	**17,191**	**30,871**	**26,853**	**74,915**

Identification of the Groups of Cash Generating Units

For the purposes of impairment testing the total goodwill stemming from the cost incurred for a business combination was allocated to Groups of Cash Generating Units; these Groups of Cash Generating Units were identified by region and benefit from synergies, as well as shared policies, and are autonomous in the management and use of resources.

The assets allocation to Groups of Cash Generating Units and the identification criteria of these groups are the same with respect to the financial Statements as at 31 December 2019.
The groups of cash generating units identified for the purpose of impairment testing in 2020 are:

- EMEA (Italy, France, the Netherlands, Germany, Belgium and Luxembourg, Switzerland, Spain, Portugal, the UK, Ireland, Hungary, Poland, Israel and Egypt);
- Americas (USA, Canada, Argentina, Chile, Mexico, Panama, Ecuador and Colombia);
- Asia Pacific (Australia, New Zealand, India and China).

Goodwill is evaluated at the higher of fair value and value in use. As at 31 December 2020 the management run his evaluations taking into consideration the value in use.

All the groups of cash generating units were subject to the IAS 36 compliant impairment tests, based on the value in use calculated using the discounted cash flow (DCF) method net of tax consistent with the post-tax discount rates used.

The value in use of the groups of cash generating units was determined by discounting the estimated future cash flows forecast in the three-year business plan (2021-2023) approved by the subsidiaries as well as from the Amplifon Group business plan approved by the Board of Directors on 16 December 2020.

The impairment test was approved by the Board of Directors of the Parent Company prior the approval of the Group Financial Statements.

The discount rate (WACC), the growth rate (g), the expected changes in revenues and costs during the period assumed for the calculation were the main assumptions the management took for the estimate of the value in use.
The rate adopted to discount the expected cash flows is the weighted average cost of capital (WACC) post tax, it reflects the current market evaluations and has been determined using the following drivers: the free risk interest rate on CGU level represented by the yield of the ten-years government bonds, the Beta, the equity risk premium and the cost of debt.

Beta and equity risk premium have been determined using a world known data bank (Damodaran) that for the Equity risk premium takes into consideration market and macroeconomic risks, including the COVID-19 risks, and for the Beta, that measures the systematic risk of a financial assets, the risks of the market in which the Group operates. The Beta has been calculated through the arithmetic average of Healthcare Products, Healthcare Support Services and Retail special lines Beta.

The perpetual growth rate for each country was adjusted to reflect the International Monetary Fund's forecast for inflation in 2024.

	EMEA	Americas	Asia Pacific
Growth rate	1.48%	2.32%	2.25%
WACC (*) 2020	5.03%	6.38%	5.90%
Cash flow time horizon (explicit assumption)	3Y	3Y	3Y
WACC (*) 2019	5.24%	8.40%	6.67%

(*) The WACC of the Groups of CGUs was determined by weighting the WACCs of each individual CGU found in the region based on the respective EBITDA recorded in the last year of the business plan.

No loss in value was identified as a result of impairment testing.

For all the Groups of Cash Generating Units, as suggested by ESMA, a sensitivity analysis was also carried out to determine the change in underlying assumptions which, in light of the impact of this change on other variables, would result in the Groups of Cash Generating Units' recoverable value being equal to its book value. This analysis, shown in the table below, showed that only significant deviations from the business targets, in interest rates and perpetual growth rates, would reduce the recoverable value to a level close to the book value of all the Groups of Cash Generating Units.

	Negative changes (percentage points) in growth rate expected on the basis of each business plan which would make the CGU's recoverable value equal to its book value	Negative % changes in cash flow expected on the basis of each business plan which would make the CGU's recoverable value equal to its book value	Changes (percentage points) in the discount rates which would make the CGU's recoverable value equal to its book value
EMEA	23%	80%	15%
Americas	73%	87%	28%
Asia Pacific	5%	57%	4.90%

4. INTANGIBLE FIXED ASSETS WITH FINITE USEFUL LIFE

The following table shows the changes in intangible assets.

(€ thousands)	Historical cost at 12/31/2019	Accumulated amortization and write-downs at 12/31/2019	Net book value at 12/31/2019	Historical cost at 12/31/2020	Accumulated amortization and write-downs at 12/31/2020	Net book value at 12/31/2020
Software	151,863	(100,820)	51,043	180,253	(118,676)	61,577
Licenses	21,836	(14,762)	7,074	22,638	(18,172)	4,466
Non-competition agreements	7,342	(6,693)	649	10,451	(7,376)	3,075
Customer lists	378,407	(167,075)	211,332	391,110	(191,905)	199,205
Trademarks and concessions	82,052	(24,599)	57,453	86,668	(29,755)	56,913
Other	28,423	(12,022)	16,401	27,343	(12,025)	15,318
Fixed assets in progress and advances	23,556	-	23,556	20,631	-	20,631
Total	**693,479**	**(325,971)**	**367,508**	**739,094**	**(377,909)**	**361,185**

(€ thousands)	Net book value at 12/31/2019	Investments	Disposals	Amortization	Business combinations	Impairment	Other net changes	Net book value at 12/31/2020
Software	51,043	13,553	(230)	(20,875)	23	(4)	18,067	61,577
Licenses	7,074	323	(1)	(3,583)	-	(30)	683	4,466
Non-competition agreements	649	833	-	(974)	2,231	-	336	3,075
Customer lists	211,332	-	(224)	(28,149)	18,529	(1,728)	(555)	199,205
Trademarks and concessions	57,453	88	-	(5,771)	5,110	-	33	56,913
Other	16,401	67	(939)	(2,134)	2,811	(152)	(737)	15,318
Fixed assets in progress and advances	23,556	15,863	-	-	347	-	(19,135)	20,631
Total	**367,508**	**30,727**	**(1,394)**	**(61,485)**	**29,051**	**(1,914)**	**(1,308)**	**361,185**

The change in "Business combinations" comprises:

- for €6,764 thousand, the temporary allocation of the price paid for acquisitions made in EMEA during the period;
- for €13,208 thousand, the temporary allocation of the price paid for acquisitions made in the Americas during the period;
- for €6,702 thousand, the temporary allocation of the price paid for acquisitions made in the APAC during the period.

The increase in intangible fixed assets recorded in the period is mainly attributable to investments in information technology where increased customer focus and the desire to increase control of operations fueled the significant work done on both technological infrastructures and in-store systems to support the Amplifon Product Experience (which has redefined Amplifon's entire customer journey) and the operating and back office processes with the launch of a new ERP system based on the new cloud technology, which will gradually be used by the whole Group (to the benefit of HR, Procurement and Administration and Finance functions), as well as the use of advanced business intelligence technologies.
The item "Other net changes" is explained almost entirely by foreign exchange differences and the reclassification of work in progress completed in the period.

5. TANGIBLE FIXED ASSETS

The following table shows the changes in tangible fixed assets.

(€ thousands)	Historical cost at 12/31/2019	Accumulated amortization and write-downs at 12/31/2019	Net book value at 12/31/2019	Historical cost at 12/31/2020	Accumulated amortization and write-downs at 12/31/2020	Net book value at 12/31/2020
Land	209	-	209	205	-	205
Buildings, constructions and leasehold improvements	239,688	(150,402)	89,286	267,451	(180,675)	86,776
Plant and machines	59,788	(42,305)	17,483	58,805	(42,985)	15,820
Industrial and commercial equipment	50,506	(36,523)	13,983	51,429	(40,054)	11,375
Motor vehicles	3,127	(2,185)	942	2,439	(2,108)	331
Computers and office machinery	62,500	(46,956)	15,544	65,385	(52,248)	13,137
Furniture and fittings	125,814	(79,300)	46,514	109,800	(77,178)	32,622
Other tangible fixed assets	3,364	(889)	2,475	3,213	(1,086)	2,127
Fixed assets in progress and advances	10,143	-	10,143	15,223	-	15,223
Total	**555,139**	**(358,560)**	**196,579**	**573,950**	**(396,334)**	**177,616**

(€ thousands)	Net book value at 12/31/2019	Investments	Disposals	Amortization	Business combinations	Impairment	Other net changes	Net book value at 12/31/2020
Land	209	-	-	-	-	-	(4)	205
Buildings, constructions and leasehold improvements	89,286	9,082	(251)	(21,704)	760	(881)	10,484	86,776
Plant and machines	17,483	1,732	(146)	(4,044)	477	(164)	482	15,820
Industrial and commercial equipment	13,983	693	(75)	(3,209)	250	(52)	(215)	11,375
Motor vehicles	942	19	(150)	(206)	62	-	(336)	331
Computers and office machinery	15,544	3,407	(27)	(7,489)	815	22	865	13,137
Furniture and fittings	46,514	4,158	29	(10,742)	886	(369)	(7,854)	32,622
Other tangible fixed assets	2,475	36	(26)	(328)	-	(17)	(13)	2,127
Fixed assets in progress and advances	10,143	10,981	(75)	-	325	-	(6,151)	15,223
Total	**196,579**	**30,108**	**(721)**	**(47,722)**	**3,575**	**(1,461)**	**(2,742)**	**177,616**

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 change in "Business combinations" comprises:

- for €768 thousand, the temporary allocation of the price paid for acquisitions made in EMEA during the period;
- for €1,009 thousand, the temporary allocation of the price paid for acquisitions made in
- the Americas during the period;
- for €1,798 thousand, the temporary allocation of the price paid for acquisitions made in APAC during the period.

The item "Other net changes" is explained almost entirely by foreign exchange differences and the reclassification of work in progress completed in the period.

6. RIGHT-OF-USE ASSETS

Right-of-use assets are reported here below:

(€ thousands)	Historical cost at 12/31/2019	Accumulated amortization and write-downs at 12/31/2019	Net book value at 12/31/2019	Historical cost at 12/31/2020	Accumulated amortization and write-downs at 12/31/2020	Net book value at 12/31/2020
Shops and offices	490,070	(82,424)	407,646	559,664	(160,341)	399,323
Motor vehicles	16,875	(6,625)	10,250	19,142	(9,511)	9,631
Electronic machinery	694	(161)	533	687	(303)	384
Total	**507,639**	**(89,210)**	**418,429**	**579,493**	**(170,155)**	**409,338**

(€ thousands)	Net book value at 12/31/2019	Investments	Disposals	Amortization	Business combinations	Impairment	Other net changes	Net book value at 12/31/2020
Shops and offices	407,646	77,345	(11,897)	(84,484)	13,768	(116)	(2,939)	399,323
Motor vehicles	10,250	5,024	(452)	(5,137)	-	-	(54)	9,631
Electronic machinery	533	13	(3)	(148)	-	-	(11)	384
Total	**418,429**	**82,382**	**(12,352)**	**(89,769)**	**13,768**	**(116)**	**(3,004)**	**409,338**

7. OTHER NON-CURRENT ASSETS

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Long-term financial receivables	5,893	7,866	(1,973)
Asset Plans and other restricted amounts	30,371	33,516	(3,145)
Other non-current assets	23,652	26,134	(2,482)
Total	**59,916**	**67,516**	**(7,600)**

More in detail:

- long-term financial receivables refer largely to the loans granted by American subsidiaries to franchisees and partners of the Elite network in order to support investment and development in the United States, held as part of a business model based on which contractual cash flows are collected at maturity;
- asset plans and other restricted amounts refer to contributions made to the deferred compensation plans of commercial partners in the United States against which a liability is recognized as described in note 19.

Other non-current assets include:

- €9,213 thousand in security deposits for rents payable;
- €13,385 thousand related to suspended costs, commissions and other compensation payable for post-sales services to be rendered in the future relating mainly to the agents in Italy.

The cash flow stemming from the contracts relating to both long-term financial receivables and other non-current assets are discounted when the interest rate applied differs from the market rate.

The following tables show the non-current assets in accordance with the accounting treatment applied.

(€ thousands)	DECEMBER 31ST, 2020		
Consolidated statement of financial position	Amortized cost	Fair Value through OCI	Fair Value through P&L
Non-current assets			
Financial assets measured at FV through P&L			
Financial long-term receivables	5,893		
Asset plans and other restricted amounts			30,371
Other non-current assets	23,652		

(€ thousands)	DECEMBER 31ST, 2019		
Consolidated statement of financial position	Amortized cost	Fair Value through OCI	Fair Value through P&L
Non-current assets			
Financial assets measured at FV through P&L			
Financial long-term receivables	7,866		
Asset plans and other restricted amounts			33,516
Other non-current assets	26,134		

8. DERIVATIVES AND HEDGE ACCOUNTING

These are instruments not listed on official markets; entered into for the purpose of hedging interest rate and/or currency risk. The fair value of these instruments is determined using valuation models based on market-derived inputs (source: Bloomberg) such as forward rates, exchange rates, etc. The valuation is performed using the DCF method. Own risk and counterparty risk (credit/debit value adjustments) were taken into account. These credit/debit value adjustments were determined based on market information such as the value of CDS (Credit Default Swaps) and used to determine counterparty risk, also taking into account the mutual break clause if present.

The following table shows the fair values of the derivatives outstanding at the end of the comparative period and at the reporting date showing the fair value of those derivatives that qualify as fair value hedges and cash flow hedges and those that do not qualify for hedge accounting separately.

(€ thousands)	FAIR VALUE AL 31/12/2020		FAIR VALUE AL 31/12/2019	
Type	Assets	(Liabilities)	Assets	(Liabilities)
Fair value hedge	-	-	-	-
Cash flow hedge	4,327	(5,963)	10,354	(4,290)
Total hedge accounting	**4,327**	**(5,963)**	**10,354**	**(4,290)**
Non-hedge accounting	-	(112)	-	(28)
Total	**4,327**	**(6,075)**	**10,354**	**(4,318)**

Cash Flow Hedges

In 2020, cash flow hedges were made against the currency and interest rate risk relating to the 2013-2025 private placement amounting to USD 110 million after the repayment of two tranches that fell due on 31 July 2020 for a total of USD 20 million and the interest rate risk relating to the first tranche (Facility A) of the medium/long-term syndicated loan used for the GAES acquisition that had a residual balance of €198,750 thousand at 31 December 2020, as well as other outstanding medium/long-term loans totaling €329.6 million at 31 December 2020.

(€ thousands)		FAIR VALUE AT 12/31/2020		FAIR VALUE AT 12/31/2019	
Hedging purpose	Hedged risk	Assets	(Liabilities)	Assets	(Liabilities)
Private placement 2013-2025	Exchange rate and interest rate	4,327	-	10,354	-
Medium/long-term loans	Interest rate	-	(3,475)	-	(2,017)
Syndicated loan for GAES acquisition	Interest rate	-	(2,488)	-	(2,273)
	Total	**4,327**	**(5,963)**	**10,354**	**(4,290)**

The following table details the gains or losses from the derivatives currently in place and the impact on the statement of financial position of the cash flow hedge reserve. Amounts are shown before the tax effect.

(€ thousands)	Recognized in net equity (Debit)/Credit	Reclassified to the income statement - Effective portion (Loss) Gain	Reclassified to the income statement - Ineffective portion (Loss) Gain
1/1/2019 - 12/31/2019	2,371	2,183	(257)
1/1/2020 - 12/31/2020	2,888	10,556	33

The maturity of the hedges is in line with the duration of the item hedged. Please refer to Note 17 for details.

Non-hedge accounting derivatives

Non-hedge accounting derivatives comprise forwards hedging the exchange risk on dividends that Amplifon USA will pay Amplifon S.p.A. which expire in February and May 2021.

The following tables show the derivative instruments in accordance with the accounting treatment applied:

(€ thousands)	DECEMBER 31ST, 2020	
Consolidated statement of financial position	**Fair value Net Equity**	**Fair Value through P&L**
Asset Derivative Instruments – Cash flow hedge	4,327	
Liability Derivative Instruments – Cash flow hedge	(5,963)	
Asset Derivative Instruments - Non-hedge accounting		
Liability Derivative Instruments - Non-hedge accounting		(112)

(€ thousands)	DECEMBER 31ST, 2019	
Consolidated statement of financial position	**Fair value Net Equity**	**Fair Value through P&L**
Asset Derivative Instruments – Cash flow hedge	10,354	
Liability Derivative Instruments – Cash flow hedge	(4,290)	
Asset Derivative Instruments - Non-hedge accounting		
Liability Derivative Instruments - Non-hedge accounting		(28)

The following table shows the fair value measurement on the basis of a hierarchy reflecting the level of significance of the data used for the valuation.
This hierarchy consists of the following levels:
1. listed (unadjusted) prices in active markets for identical assets and liabilities;
2. input data other than the above listed prices, but which can be observed directly or indirectly in the market;
3. input data on assets or liabilities not based on observable market data.

(€ thousands)	2020				2019			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Hedging instruments								
• Long-term		4,327		4,327		8,153		8,153
• Short-term						2,201		2,201
Liabilities								
Hedging instruments								
• Long-term		(5,963)		(5,963)		(4,290)		(4,290)
• Short-term		(112)		(112)		(28)		(28)

There were no transfers among the levels during the period.

9. INVENTORIES

(€ thousands)	BALANCE AT 12/31/2020			BALANCE AT 12/31/2019		
	Cost	Obsolescence provision	Net	Cost	Obsolescence provision	Net
Goods	69,832	(12,399)	57,432	71,107	(6,515)	64,592
Total	**69,832**	**(12,399)**	**57,432**	**71,107**	**(6,515)**	**64,592**

Movements in the provision for obsolescence for inventories in the year were as follows:

(€ thousands)	
Balance at 12/31/2019	**(6,515)**
Provision	(6,426)
Utilization	629
Business combination	(38)
Translation differences and other movements	(49)
Balance at 12/31/2020	**(12,399)**

10. TRADE RECEIVABLES

Trade receivables are detailed in the following table:

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Trade receivables	169,021	205,107	(36,086)
Trade receivables - Subsidiaries	21	(9)	30
Trade receivables - Parent company	14	117	(103)
Trade receivables - Associated companies and *joint ventures*	4	4	-
Total trade receivables	**169,060**	**205,219**	**(36,159)**

The breakdown of trade receivables is shown in the table below:

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Trade receivables	185,933	222,910	(36,977)
Sales returns liabilities	(4,051)	(5,266)	1,215
Allowance for doubtful accounts	(12,861)	(12,537)	(324)
Total	**169,021**	**205,107**	**(36,086)**

The average collection time was around 30 days in 2020 and there is no significant concentration of credit risk.

€177,629 thousand of the trade receivables are held as part of a "held to collect" business model based on which contractual cash flows are collected at maturity and €8,343 thousand are held as part of a "hold to collect and sell" business model based on which contractual cash flows are collected at maturity or through a sale.
The face value of the factoring without recourse transactions carried out in the year amounted to €58,716 thousand (versus €75,222 thousand in the prior year) and relate to receivables generated in the year and, therefore, did not have a significant impact on the comparison with the prior year.

Movements in the allowance for doubtful accounts in the year were as follows:

(€ thousands)	
Balance at 12/31/2019	**(12,537)**
Provisions	(6,865)
Reversals	1,716
Utilization for charges	4,689
Business combinations	(81)
Translation differences and other net changes	217
Balance at 12/31/2020	**(12,861)**

In compliance with the mandatory disclosure requirements in Italy as per Law n. 124 of 4/8/17 n. 124, please note that in 2020 Amplifon S.p.A. received a total of €40,524 thousand (as shown in 39,594 invoices) from public entities, of which €35,395 thousand (as shown in 34,583 invoices) through financial operators, and €5,129 thousand (as shown in 5,011 invoices) through direct deposits.

11. CONTRACT COSTS

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Contract costs – Short-term	5,051	4,386	665
Contract costs – Long-term	7,777	7,339	438
Total	**12,828**	**11,725**	**1,103**

The contract costs, of €12,828 thousand, refer to the costs incurred to obtain or fulfil contracts capitalized in accordance with IFRS 15. These typically include commissions and bonuses paid to employees and agents for each sale made. These are deferred and recognized in the income statement based on the level to which the different contractual performance obligations have been satisfied.

The significant changes in the contract cost balances are shown below:

(€ thousands)	
Net value at 12/31/2019	**11,725**
Increase linked to customer contracts and reversals	510
Business combinations	672
Translation differences and other net changes	(79)
Net value at 12/31/2020	**12,828**

The impact of the contract costs on the income statement for the next five years is shown below:

(€ thousands)	2021	2022	2023	2024	2025 and beyond
Contract costs	5,053	4,012	2,238	1,087	438

12. OTHER RECEIVABLES

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Tax receivables	15,890	26,785	(10,895)
Other receivables	18,663	21,569	(2,906)
Non-financial prepayments and accrued income	20,911	23,199	(2,288)
Total	**55,464**	**71,553**	**(16,089)**

Tax receivables
Tax receivables comprise mainly tax advances of €9,515 thousand to be used to offset tax payables, as well as €4,659 thousand in VAT and other indirect tax credits, of which €4,616 thousand held based on a held to collect business model (cash flows collected at maturity).

Factoring without recourse of VAT credits amounted to €9,500 thousand in the reporting period with net proceeds reaching €9,400 thousand (€29,845 thousand and €29,600 thousand, respectively, at 31 December 2019);

Other receivables
Other receivables are held with a view to collecting the contractual cash flows at maturity.

Non-financial accrued income and prepaid expenses
More in detail, this item refers:
- for €10,734 thousand, to services to be rendered in the future and for which revenue recognition is deferred (mainly post sales services) relating primarily to agents in Italy;
- for €2,524 thousand, to other services;
- for €490 thousand, to advertising;
- for €464 thousand, to insurance.

13. OTHER FINANCIAL ASSETS

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Other financial assets	8,997	60	8,937
Financial prepayments and accrued income	-	180	(180)
Total	**8,997**	**240**	**8,757**

"Other financial assets" amounted to € 8,997 thousand at 31 December and include short-term time deposits with a maturity of more than three months in accounts opened by the US subsidiary.

14. CASH AND CASH EQUIVALENTS

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Bank current accounts	511,644	133,011	378,633
Short-term bank deposits	30,218	-	30,218
Funds	1,417	3,642	- (2,225)
Cash on hand	1,748	1,718	30
Total	**545,027**	**138,371**	**406,656**

Cash and cash equivalents, which amounted to €545,027 thousand at 31 December 2020 and €138,371 thousand at 31 December 2019, are €406,656 thousand higher. This change is attributable mainly to debt refinancing and the new loans obtained as part of a series of initiatives and actions which made it possible to refinance the next debt maturities well in advance as well as, since the beginning of the pandemic, better manage the Group's liquidity position and financial structure, as well as further strengthen financial solidity.

Cash and cash equivalents are deposited with top rated banks and earn interest at market rates.

The S&P rating of financial assets (short-term for current items and long-term for the corresponding items) is detailed below:

(€ thousands)			Rating S&P short-term					
	Balance at 12/31/2020		A-1+	A-1	A-2	A-3	B	Other(*)
Non-current assets								
Hedging instruments – long-term	4,327	**Note 8**			4,327			
Current assets								
Hedging instruments – short-term								
Bank current accounts, short-term bank deposits and funds	543,279	**Note 14**	20,441	223,178	186,169	17,223	43,782	52,486
Cash on hand								

(*) Other financial assets are primarily representative of investments in time deposits with unrated counterparties but that amply meet the minimum capital requirements set by ECB, and investments in money market liquidity funds mainly targeted towards bank deposits, usually with credit institutions having their registered office in an EU member state, that are repayable on demand and money market instruments and government of European Union bonds.

15. SHARE CAPITAL

At 31 December 2020 the share capital comprised 226,388,620 ordinary shares with a par value of €0.02 fully paid in and subscribed, unchanged with respect to 31 December 2019.

A total of 1,666,441 of the performance stock grant rights were exercised in the period, as a result of which the Group transferred the same number of treasury shares to the beneficiaries.

In the period there were no purchases of treasury shares.

A total of 1,602,646 treasury shares, or 0.708% of the parent's share capital, were held at 31 December 2020.

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 12/31/2019	**3,269,087**	**8.911**	**29,131**
Purchases	-	-	-
Transfers due to exercise of performance stock grants	(1,666,441)	8.911	(14,850)
Held at 12/31/2020	**1,602,646**	**8.911**	**14,281**

16. NET FINANCIAL POSITION

In accordance with the requirements of the Consob communication dated 28 July 2006 and in compliance with the CESR (now ESMA) recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Group's net financial position at 31 December 2020 was as follows:

(€ thousands)	12/31/2020	12/31/2019	Change
Cash and cash equivalents	(545,027)	(138,371)	(406,656)
Short term investments	(8,980)	-	(8,980)
Private placement 2013-2025	-	17,803	(17,803)
Payables for business acquisitions	6,693	10,245	(3,552)
Bank overdraft and other short-term loans from third parties (including current portion of medium/long-term debt)	71,370	141,032	(69,662)
Other net financial payables	6,232	5,594	638
Hedging derivatives	112	(2,253)	2,365
Short-term financial position	**(469,600)**	**34,050**	**(503,650)**
Private placement 2013-2025	89,642	97,917	(8,275)
Eurobond 2020-2027	350,000	-	350,000
Other medium/long-term debt	635,633	653,751	(18,118)
Hedging derivatives	(4,272)	(12,547)	8,275
Medium/long-term acquisition payables	32,262	13,527	18,735
Net medium and long-term financial position	**1,103,265**	**752,648**	**350,617**
Net financial position	**633,665**	**786,698**	**(153,033)**
Lease liabilities – current portion	85,430	81,585	3,845
Lease liabilities – non-current portion	337,350	343,040	(5,690)
Lease liabilities	**422,780**	**424,625**	**(1,845)**
Total lease liabilities & net financial debt	**1,056,445**	**1,211,323**	**(154,878)**

The net financial position, including lease liabilities, amounted to €1,056,445 thousand at 31 December 2020.

In 2020 Amplifon refinanced debt, extended maturities and obtained new loans for a total of more than €1 billion: at the beginning of February, a €350 million 7-year Eurobond was issued in order to refinance the next debt maturities well in advance and, at the first signs of the pandemic, a series of initiatives and actions were completed which made it possible to better manage the Group's liquidity position and financial structure, as well as further strengthen its financial solidity. More in detail:

- €180 million in existing bilateral loans were renegotiated, the maturities were extended from 2021-2022 to 2024-2025 and the amount was increased by €80 million;
- an additional €203 million in long-term loans were stipulated, expiring between 2023 and 2025;
- government Covid-19 loans were requested and granted for €35.5 million, of which €30.5 million disbursed (€30 million in France and €0.5 million is Switzerland) and €5 million available (entirely in Switzerland);
- €65 million in new long-term irrevocable credit facilities (expiring in 2024 and 2025) were granted and the expiration of €90 million in credit lines was extended from 2021 to 2025.

The **medium/long-term portion of the net financial position**, excluding lease liabilities, reached €1,103,265 thousand at 31 December 2020 versus €752,648 thousand at 31 December 2019, a difference of €350,617 thousand. The increase recorded in the period is attributable to the transactions carried out to strengthen the financial structure described above, net the repayment of tranches of the syndicated loan used for the GAES acquisition (approximately €305 million).

The **short-term portion of the net financial position**, excluding the lease liabilities, improved by €503,650 thousand, going from a negative €34,050 thousand at 31 December 2019 to a positive €469,600 thousand at 31 December 2020. The change is attributable mainly to the liquidity generated by debt refinancing and the new loans described above and includes the short-term portion of the syndicated loan used for the GAES acquisition (€39,750 thousand), the short term portion of other long-term bank loans (€25,964 thousand), the interest payable on private placement (€1,702 thousand), the Eurobond (€3,478 thousand), the interest payable on other bank loans and finally the best estimate of the deferred payments for acquisitions (€6,693 thousand), short term investments (€8,980) as well as cash and cash equivalents (€545,027 thousand).

In order to reconcile the above items with the statement of financial position, a breakdown of certain items is provided below.

Bank loans, the Eurobond 2020-2027 and the private placement 2013-2025 are shown in the primary statement of financial position:

a. under the item "medium/long-term financial liabilities" described in the section 17 of the explanatory notes for the long-term portion.

(€ thousands)	Balance at 12/31/2020
Private placement 2013-2025	89,642
Eurobond 2020-2027	350,000
Syndicated loan for GAES acquisition	159,000
Other medium/long-term debt	476,633
Fees for Eurobond 2020-2027, fees for bank loans, private placement 2013-2025 and Syndicated loan for GAES acquisition	(5,954)
Medium/long-term financial liabilities	**1,069,321**

b. under the item "financial payables (current)", described in the section 27 of the explanatory notes for the current portion.

(€ thousands)	Balance at 12/31/2020
Bank overdraft and other short-term debt (including current portion of other long-term debt)	71,370
Other financial payables	6,232
Fees for Eurobond 2020-2027, fees for bank loans, private placement 2013-2025 and Syndicated loan for GAES acquisition	(1,987)
Short-term financial liabilities	**75,615**

All the other items in the net financial position table can be easily referred to in the financial consolidated statements.

17. FINANCIAL LIABILITIES

Financial liabilities breakdown is as follows:

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Private placement 2013-2025	89,642	97,917	(8,275)
Eurobond 2020-2027	350,000	-	350,000
Syndicated loan for GAES acquisition	159,000	463,750	(304,750)
Other medium long-term bank loans	476,633	190,001	286,632
Fees for bank loans, private placement 2013-2025 and syndicated loan for GAES acquisition	(5,954)	(949)	(5,005)
Total medium/long-term financial liabilities	**1,069,321**	**750,719**	**318,602**
Short term debt	75,615	163,947	(88,332)
• *of which current portion for the financing for GAES acquisition*	*39,750*	*39,750*	-
• of which current portion for the private placement 2013-2025	-	*17,803*	*(17,803)*
• *of which current portion of other short-term bank loans*	*25,964*	*6,666*	*19,298*
• *of which fees for bank loans, private placement 2013-2025 and syndicated loan for GAES acquisition*	*(1,987)*	*(663)*	*(1,324)*
Total short-term financial liabilities	**75,615**	**163,947**	**(88,332)**
Total financial liabilities	**1,144,936**	**914,666**	**230,270**

At the beginning of February Amplifon began refinancing the next debt maturities well in advance by issuing a €350 million 7-year Eurobond. In order, furthermore, to protect the Group, at the first signs of the pandemic new long-term financing was obtained at market rates (term loan and revolving credit lines) for €383.5 million expiring between 2023 and 2025, €180 million in existing bilateral loans were renegotiated, with the maturities extended to 2024-2025, and the expiration of €90 million in revolving credit lines was also extended through 2025. The transactions completed and renegotiated, therefore, totaled more than €1 billion.

The main financial liabilities are detailed below.

- **Eurobond 2020-2027**

This is a €350,000 thousand 7-year nonconvertible bond with a fixed annual coupon of 1.125% that is listed on the Luxembourg Stock Exchange's unregulated market.

Issue Date	Debtor	Maturity	Face Value (€/000)	Fair Value (€/000)	Nominal interest rate (*)	Interest rate after the hedging
02/13/2020	Amplifon S.p.A.	02/13/2027	350,000	350,339	1.125%	N/A
	Total in Euro		**350,000**	**350,339**		

(*) The nominal interest rate is equal to the mid swap plus a spread.

- **Syndicated loan for the GAES acquisition**

An unsecured syndicated bank loan negotiated with five top-tier banks for the acquisition of GAES originally comprised of two tranches:

- a five-year amortizing loan of €265 million (Facility A);
- a €265 million 18 month bullet loan (Facility B) with an option to extend it to five years which may be exercised at Amplifon's discretion before the expiration date. This tranche was paid back in February 2020 thanks to the proceeds of the Eurobond issue above mentioned.

Issue Date	Debtor	Maturity	Nominal value (€/000)	Outstanding debt (€/000)	Fair Value (€/000)	Nominal interest rate (*)	Euro interest rate after hedging (**)
12/18/2018	Amplifon S.p.A.	09/28/2023	265,000	198,750	203,685	0.727%	1.382%
	Total in Euro		**265,000**	**198,750**	**203,685**		

(*) The nominal interest rate is equal to Euribor plus a spread.
(**) The floating Euribor rate has been converted into a fixed rate of 0.132%.
The applicable rates depend on the ratio of net financial position over Group EBITDA.

The following table shows the applicable rates (Facility A):

Ratio between net financial position excluding lease liabilities and Group EBITDA	
Higher than 2.85x	1.65%
Less or equal than 2.84x but higher than 2.44x	1.45%
Less or equal than 2.44x but higher than 2.04x	1.25%
Less or equal than 2.04x but higher than 1.63x	1.10%
Less or equal than 1.63x	0.95%

The rate, calculated based on the Group net debt/EBITDA ratio, is applicable starting from the interest period following the one when the rate was determined and is revisited each year at 30 June and 30 December.
A rate of 1.25% was applied to *Facility A* at 31 December 2020.

- **Private placement 2013-2025**

It is a USD 130 million private placement made in the US by Amplifon USA.

Issue Date	Issuer	Maturity	Currency	Face Value (USD/000)	Outstanding debt (USD/000)	Fair value (USD/000)	Nominal interest rate USD (*)	Euro interest rate after hedging (**)
30/05/2013	Amplifon USA	31/07/2023	USD	8,000	8,000	9,026	4.46%	3.90%
31/07/2013	Amplifon USA	31/07/2023	USD	52,000	52,000	58,747	4.51%	3.90% - 3.94%
31/07/2013	Amplifon USA	31/07/2025	USD	50,000	50,000	60,446	4.66%	4.00% - 4.05%
	Total			**110,000**	**110,000**	**128,219**		

(*) The rate shown is the nominal rate in USD at the issue date.
(**) 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 €85,371 thousand.

In July 2020 two tranches maturing on 31 July were repaid for a total of USD 20 million.

- **Bank loans**

These are the main bilateral and pooled loans which are detailed below:

Issue Date	Issuer	Type	Maturity	Face Value (€/000)	Outstanding debt (€/000)	Fair value (€/000)	Effective interest rate (*)	Notional amount hedged through IRS	Interest rate after hedging (**)
01/11/2018	Amplifon S.p.A.	Amortizing	01/11/2022	20,000	10,001	10,057	0.176%	10,001	1.040%
04/30/2020	Amplifon S.p.A.	Amortizing	04/30/2023	30,000	30,000	30,436	0.588%		
04/07/2020	Amplifon S.p.A.	Bullet	03/22/2024	60,000	60,000	61,161	1.031%	30,000	1.559%
04/06/2020	Amplifon S.p.A.	Amortizing	04/06/2025	50,000	50,000	51,820	0.704%	50,000	1.012%
04/07/2020	Amplifon S.p.A.	Amortizing	04/07/2025	150,000	150,000	156,176	0.762%	100,000	1.17%
04/28/2020	Amplifon S.p.A.	Amortizing	04/28/2025	50,000	50,000	51,706	0.535%	50,000	1.530%
04/29/2020	Amplifon S.p.A.	Amortizing	04/29/2025	78,000	78,000	81,555	1.143%	54,600	1.540%
04/23/2020	Amplifon S.p.A.	Amortizing	06/30/2025	35,000	35,000	36,375	0.577%	35,000	0.990%
05/13/2020	Amplifon France SAS	Bullet	05/13/2021 (***)	30,000	30,000	30,000	0.500%		
08/03/2020	Amplifon S.p.A.	Amortizing	06/30/2025	10,000	9,023	9,175	1.050%		
	Total			**513,000**	**502,024**	**518,461**		**329,601**	

(*) The nominal interest rate is equal to Euribor plus a spread.
(**) An Interest Rate Swap was used to hedge these loans against interest rate risk at the IRS rate plus a spread.
(***) This loan may be extended by Amplifon through 13 May 2026 if the option provided is exercised between 15 January and 15 March 2021.

The loan renegotiations were recognized in accordance with the IFRS 9's "10% test", the quantitative test used to determine the impact of the amendment. The test confirmed that the changes were not substantial.

The current loans, broken down by maturity, are show below.

Debtor Refunds	Maturity (thousands)	Average Exch. rate 2020/360	Balance as at 12/31/2019 (€/000)	Exchange rate effect (€/000)	Repayments as at 12/31/2020 (€/000)	New loans (€/000)	Busines combin ation (€/000)	Balance as at 12/31/2020 (€/000)	Short term portion (€/000)	Medium/ Long term portion (€/000)
Private placement 2013-2025 Amplifon USA (*)	**USD 7,000**	3.85%	**6,231**	(798)	(5,433)			**-**	**-**	-
Installments at 01/31 and 7/31 from 1/31/2014	31/07/2020									
Private placement 2013-2025 Amplifon USA (*)	**USD 8,000**	4.46%	**7,121**	(602)				**6,519**	-	6,519
Installments at 01/31 and 07/31 from 01/31/2014	31/07/2023									
Private placement 2013-2025 Amplifon USA (*)	**USD 13,000**	3.90%	**11,572**	(1,483)	(10,089)			**-**	-	-
Installments at 01/31 and 07/31 from 01/31/2014	31/07/2020									
Private placement 2013-2025 Amplifon USA (*)	**USD 52,000**	4.51%	**46,288**	(3,912)				**42,376**	-	**42,376**
Installments at 01/31 and 07/31 from 01/31/2014	31/07/2023									
Private placement 2013-2025 Amplifon USA (*)	**USD 50,000**	4.66%	**44,508**	(3,762)				**40,746**	-	**40,746**
Installments at 01/31 and 07/31 from 01/31/2014	31/07/2025									
Eurobond 2020-2027 2020-2027	**EUR 350,000**	1.125%	**-**			350,000		**350,000**		350,000
Amplifon SpA from 02/13/2020	13/02/2027									
Unicredit Facility A amortizing expiring 09/28/2023 Amplifon SpA	**EUR 265,000**	0.95%	**238,500**		(39,750)			**198,750**	39,750	159,000
Euribor 6m + margin grid Installments every 6 months from 06/18/2019	28/09/2023									
Unicredit Facility B bullet expiring 03/28/2020 extendable to 09/28/2023	**EUR 265,000**	0.37%	**265,000**		(265,000)			**-**		-
Euribor 6m + margin grid Installments every 6 months from 06/18/2019	28/09/2023									
HSBC amortizing expiring 01/11/2022 Amplifon SpA	**EUR 20,000**	0.71%	**16,667**		(6,666)			**10,001**	6,666	**3,335**
Euribor 6m + 0.70% Installments every 6 months from 07/11/2019	11/01/2022									
UBI amortizing expiring 04/30/2023 Amplifon SpA	**EUR 30,000**	0.71%	**-**			30,000		**30,000**	7,461	**22,539**
Euribor 3m + 1.10% Installments every 3 months from 07/31/2020	30/04/2023									
Mediobanca bullet expiring 03/22/2024 Amplifon SpA	**EUR 60,000**	1.27%	**30,000**			30,000		**60,000**	-	**60,000**
Euribor 6m +1.55%	22/03/2022									
BNL amortizing expiring 04/06/2025 Amplifon SpA	**EUR 50,000**	0.90%	**-**			50,000		**50,000**		**50,000**
Euribor 6m +1.25% Installments every 3 months from 07/06/2020	06/04/2025									
Unicredit Amortizing expiring 04/07/2025 Amplifon SpA	**EUR 150,000**	1.00%	**100,000**			50,000		**150,000**	-	**150,000**
Euribor 6m + margin grid Installments every 6 months from 04/09/2020	07/04/2025									
BPM amortizing expiring 04/28/2025 Amplifon SpA	**EUR 50,000**	0.66%	**50,000**					**50,000**	-	50,000
Euribor 6m +1.05% Installments every 6 months from 04/30/2021	31/10/2022									
CDP/MPS amortizing expiring 04/29/2025 Amplifon SpA	**EUR 78,000**	1.41%	**-**			78,000		**78,000**	9,750	68,250
Euribor 6m +1.65% Installments every 6 months from 10/29/2020	29/04/2025									
Credit Agricole amortizing expiring 06/30/2025 Amplifon SpA	**EUR 35,000**	0.85%	**-**			35,000		**35,000**		35,000
Euribor 6m +1.10% Installments every 6 months from 06/30/2020	30/06/2025									
France Bullet expiring 05/13/2021 (**) Amplifon France SAS	**EUR 30,000**	0.00%	**-**			30,000		**30,000**		30,000
Sparkasse amortizing expiring 06/30/2025 Amplifon SpA	**EUR 10,000**	1.05%	**-**		(977)	10,000		**9,023**	1,969	7,054
Euribor 3m (floor a 0) +1.05% Installments every 3 months from 09/30/2020	29/04/2025									
Total long term loans			**815,887**	**(10,557)**	**(327,915)**	**663,000**	**-**	**1,140,415**	**65,596**	**1,074,819**
Others			**-**				**167**	**167**		**167**
Total			**815,887**	**(10,557)**	**(327,915)**	**663,000**	**167**	**1,140,582**	**65,596**	**1,074,986**

(*) Considering the effect of the interest rate and currency hedges, the total Euro equivalent of interest payable on the private placement 2013-2025 is €85,371 thousand.
(**) This loan grants Amplifon's the option, to be exercised between 15 January 2021 and 15 March 2021, to extend the expiration of the loan through 13 May 2026.

The maturities of financial debt at 31 December 2020 based on contractual obligations are shown below:

(€ thousands)	Private placement 2013-2025 (*)	Eurobond 2020-2027	Syndicated loan for the GAES acquisition	Bank loans	Total
2021			39,750	25,964	65,714
2022			79,500	87,890	167,390
2023	46,566		79,500	83,059	209,125
2024				191,378	191,378
2025	38,805			84,305	123,110
2026				30,000	30,000
2027		350,000			350,000
Total	**85,371**	**350,000**	**198,750**	**502,596**	**1,136,717**

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

The following loans:
- the USD 110 million private placement 2013-2025 (equal to €85.4 million including the fair value of the currency hedges which set the Euro/USD exchange rate at 1.2885);
- the EUR 309 million in medium/long-term bilateral loans with top-tier banking institutions;
- the EUR 230 million in irrevocable credit lines with top-tier banking institutions;

are subject to the covenants listed below:
- the ratio of Group net financial indebtedness excluding lease liabilities to Group shareholders' equity must not exceed 1.65;
- the ratio of net financial indebtedness excluding lease liabilities to EBITDA recorded in the last four quarters (determined based solely 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, twice over the life of the respective loans.

The outstanding amount of the syndicated loan granted for the GAES acquisition, which originally amounted to €530 million, came to €198,750 thousand at 31 December 2020, along with a €50 million bank loan expiring in 2025 and a €15 million irrevocable revolving credit facility are subject to the following covenants:
- the ratio of net financial indebtedness excluding lease liabilities to EBITDA recorded in the last four quarters (determined excluding the fair value of the share-based payments and based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 2.85;
- the ratio of EBITDA recorded in the last four quarters (determined excluding the fair value of the share-based payments and based solely on 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 was granted in favor of the lender, it is also applied to the private placement.

Bank loans amounting to €113 million expiring in 2025 and a revolving credit facility of €15 million are subject to the following covenants:
- the net indebtedness excluding lease liabilities/equity ratio must not exceed 1.65;
- the net indebtedness excluding lease liabilities/EBITDA ratio recorded in the last four quarters (determined excluding the fair value of the share-based payments and based solely on recurring business and restated if the Group's structure should change significantly) must not exceed 2.85;

- the ratio of EBITDA/interest paid recorded in the last four quarters (determined excluding the fair value of the share-based payments and based solely on recurring business and restated if the Group's structure should change significantly) must be higher than 4.9.

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.

As at 31 December 2020 these ratios were as follows:

	Value as at 12/31/2020
Net financial indebtedness excluding lease liabilities/Group net equity	0.80
Net financial position excluding lease liabilities/EBITDA for the last 4 quarters	1.63
EBITDA for the last 4 quarters/Net financial expenses	22.79

The above-mentioned ratios were determined based on an EBITDA which was restated, in order to reflect the main changes in the Group structure.

(€ thousands)	Value as at 12/31/2020
Group EBITDA FY 2020	370,967
Fair value of stock grant assignment	16,378
EBITDA normalized (from acquisitions and disposals)	7,297
Acquisitions and non-recurring costs	831
EBITDA for the covenant calculation	395,473

The net indebtedness has been calculated as follows:

(€ thousands)	Value as at 12/31/2020
Net financial indebtedness excluding lease liabilities as from Balance Sheet	633,665
Time deposits with a maturity of more than three months	8,980
Net financial indebtedness for the covenant calculation	642,645

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

Based on management's expectations (2021-2023 3-year Group's plan submitted to the Board of Directors of the Parent Company on 16 December 2020) at 31 December 2020 there are no foreseeable circumstances which could cause the covenants to be breached over the life of the plan.

The financial liabilities broken down by the accounting method used are shown below:

(€ thousands)	12/31/2020		
	Amortized cost	Fair value Net Equity	Fair Value through P&L
Total non-current financial liabilities	1,069,321		
Total current financial liabilities	75,615		

(€ thousands)	12/31/2019		
	Amortized cost	Fair value Net Equity	Fair Value through P&L
Total non-current financial liabilities	750,719		
Total current financial liabilities	163,947		

18. LEASE LIABILITIES

The lease liabilities stem from long-term leases and rental agreements. These liabilities are equal to the present value of future installments payable over the lease term.

The liabilities for finance leases are shown in the statement of financial position as follows:

(€ thousands)	12/31/2020	12/31/2019	Change
Short term lease liabilities	85,430	81,585	3,845
Long term lease liabilities	337,350	343,040	(5,690)
Total lease liabilities	**422,780**	**424,625**	**(1,845)**

The following charges were recognized in the income statement during the reporting period:

(€ thousands)	12/31/2020
Interest charges on leased assets	(10,428)
Right-of-use depreciation	(89,769)
Costs for short-term leases and leases for low value assets	(9,743)

As a result of the Covid-19 pandemic the Group benefitted from concessions obtained by renegotiating leases, directly recorded in the income statement accordingly with the IFRS16 exemption described in note 44.14. These concessions resulted in lower rents which had a positive impact on the income statement of €9,683 thousand, recognized in "other income and costs", and savings of €11,836 thousand.

The maturities of the Group's lease liabilities based on undiscounted contractual payments are summarized below:

Description	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years
Undiscounted lease liabilities	91,550	78,250	66,286	54,183	43,887	125,993

The maturities of the Group's lease liabilities based on discounted contractual payments are summarized below:

Description	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years
Lease liabilities	85,549	69,842	60,566	49,736	40,519	116,568

19. PROVISIONS FOR RISKS AND CHARGES (MEDIUM/LONG-TERM)

(€ thousands)	12/31/2020	12/31/2019	Change
Product warranty provision	1,337	2,334	(997)
Contractual risk provision	4,766	2,827	1,939
Agents' leaving indemnity	41,638	44,786	(3,148)
Other risk provisions	2,024	343	1,681
Total	**49,765**	**50,290**	**(525)**

(€ thousands)	Net value as at 12/31/2019	Provision	Reversals	Utilization	Other net changes	Translation differences	Change in the consolidation area	Net value at 12/31/2020
Product warranty provision	2,334	368	(689)	-	(672)	(4)	-	1,337
Contractual risk provision	2,827	2,358	(351)	(62)	(6)	-	-	4,766
Agents' leaving indemnity	44,786	1,947	(1,377)	-	(1,054)	(2,664)	-	41,638
Other risk provisions	343	-	(77)	-	1,175	21	562	2,024
Total	**50,290**	**4,673**	**(2,494)**	**(62)**	**(557)**	**(2,647)**	**562**	**49,765**

The "Agents' leaving indemnity" comprises the agents' leaving indemnity provision recognized in Amplifon S.p.A.'s financial statements amounting to €12,751 thousand and equivalent provisions recognized by the US and Belgian subsidiaries amounting to €28,697 thousand and €191 thousand, respectively, as well as the pension plans for commercial partners in the United Sates for which provisions are made in the asset plans referred to in note 7 above.

The main assumptions used in the actuarial calculation of the agents' leaving indemnity of Amplifon S.p.A. were:

	FY 2020
Economic assumptions	
Annual discount rate	-0.02%
Demographic assumptions	
Probability of agency contract termination by the company	2.70%
Probability of agent's voluntary termination	8.25%
Mortality rate	RG48
Disability percentage	INPS tables divided by age and sex

20. LIABILITIES FOR EMPLOYEES' BENEFITS (MEDIUM/LONG-TERM)

(€ thousands)	Balance at 12/31/2020	Balance at 12/31/2019	Change
Defined-benefit plans	22,784	23,804	(1,020)
Other defined-benefit plans	766	1,008	(242)
Other provisions for personnel	469	469	-
Total	**24,019**	**25,281**	**(1,262)**

Provisions for defined-benefit plans mainly include the severance pay potentially owed by the Italian companies, as well as severance owed by the Swiss, French and Israel subsidiaries.
The way in which these benefits are guaranteed varies based on the legal, tax and economic conditions of each country in which the Group operates.

The change in the provision for defined-benefit plans is detailed below:

(€ thousands)	FY 2020
Net present value of the liability at the beginning of the year	**23,804**
Current service cost	815
Financial charges	257
Business combinations	52
Actuarial losses (gains)	(1,577)
Amounts paid	(614)
Translation differences	27
Net present value of the liability at the end of the year	**22,784**

The current cost of severance indemnity is recognized under personnel expenses in the consolidated financial statements, while actuarial gains and losses are recognized in the statement of comprehensive income statement.

The main assumptions used in the actuarial estimate of the liability for employee benefits were as follows:

FY 2020

	Italy	France	Switzerland	Israel
Economic assumptions				
Annual discount rate	-0.02%	0.50%	0.15%	2.28%
Expected annual inflation rate	0.80%	0.50%	1.00%	1.46%
Annual rate of increase of severance indemnity	2.10%	1.5%	2.00%	2.79%
Demographic assumptions				
Mortality rate	RG48 mortality tables published by the General Accounting Office of the State	INSEE TD-TV 14-16 tables	BVG 2015 GT tables	circular letter 2019-1-10
Disability percentage	INPS tables divided by age and sex	N/A	BVG 2015 GT tables	circular letter 2019-1-10
Retirement age	100% on meeting the requirements for compulsory national social insurance	62 years	100% on meeting the age requirements (65m/64f)	Men – 67 Women -62

FY 2019

	Italy	France	Switzerland	Israel
Economic assumptions				
Annual discount rate	0.37%	1.00%	0.15%	3.76%
Expected annual inflation rate	1.20%	0.50%	1.00%	1.38%
Annual rate of increase of severance indemnity	2.40%	2.00%	2.00%	2.75%
Demographic assumptions				
Mortality rate	RG48 mortality tables published by the General Accounting Office of the State	INSEE TD-TV 13-15 tables	BVG 2015 GT tables	circular letter 2019-1-10
Disability percentage	INPS tables divided by age and sex	N/A	BVG 2015 GT tables	circular letter 2019-1-10
Retirement age	100% on meeting the requirements for compulsory national social insurance	62 years	100% on meeting the age requirements (65m/64f)	Men – 67 Women -62

Provisions for other benefits are explained primarily by the Australian subsidiaries (€699 thousand) which have an obligation for those benefits that are recognized when a given job seniority is reached.

21. OTHER LONG-TERM LIABILITIES

(€ thousands)	12/31/2020	12/31/2019	Change
Payables for business acquisitions	32,262	13,527	18,735
Other long-term debt	11,344	8,649	2,695
Total	**43,606**	**22,176**	**21,430**

Acquisition liabilities include the estimate of the contingent consideration (earn-out), performed starting from the economic information available at the date of the financial statement ,to be paid long-term on acquisitions of companies and business units made mainly in Canada, France, Spain, Germany, Belgium and the United States, if certain sales and/or profit targets are reached, as well as the fair value of the put and call options on the remaining minority interests in Cohesion Hearing Science & Technology Co (China) and Medtechnica Ortophone Ltd (Israel). The options are classified Level 3 on the fair value hierarchy scale.

Other long-term debt includes primarily the liabilities of reinsurance companies on lost & damage policies.

The following tables show the long-term liabilities according to the accounting treatment applied:

12/31/2020

(€ thousands)	Amortized cost	Fair value Net Equity	Fair Value through P&L
Payable for business acquisition		21,548	10,714
Other long-term debt	11,344		

12/31/2019

(€ thousands)	Amortized cost	Fair value Net Equity	Fair Value through P&L
Payable for business acquisition		12,287	1,240
Other long-term debt	8,649		

22. TRADE PAYABLES

(€ thousands)	12/31/2020	12/31/2019	Change
Trade payables – Associated companies	-	4	(4)
Trade payables – Joint ventures	139	724	(585)
Trade payables – Related parties	304	497	(193)
Trade payables – Third parties	180,593	176,165	4,428
Total	**181,036**	**177,390**	**3,646**

Trade payables do not bear interest and are paid within 60 to 120 days.

The Group adheres to a credit agreement (reverse factoring or indirect factoring) based on which suppliers can transfer their credits with the Group to a bank and receive early payment of their invoices. The Group did not eliminate the original liabilities to which the agreement applies from its accounts insofar as no legal release has been obtained nor have any substantive changes been made to the original liability as a result of the agreement. The agreement does not result in a significant lengthening of the Group's payment terms beyond the normal expirations agreed upon with the suppliers who do not adhere to the agreement. The Group, furthermore, does not have to pay additional interest to the bank on the amounts owed the suppliers. The amounts transferred by the suppliers are classified as trade payable as the nature and purpose of the financial liabilities are not any different from that of the other trade payables. These trade payables amounted to €12,466 thousand at 31 December 2020.

23. CONTRACT LIABILITIES

(€ thousands)	12/31/2020	12/31/2019	Change
Contract liabilities – Short-term	102,999	97,725	5,274
Contract liabilities – Long-term	130,016	135,052	(5,036)
Total	**233,015**	**232,777**	**238**

The contract liabilities refer to deferred income for goods and services provided to customers over time (after sales services, extended warranties, material rights, batteries). These are recognized in the income statement based on the level to which the different contractual performance obligations have been satisfied.

The changes in contract liabilities in the year are shown below:

(€ thousands)	
Net value at 12/31/2019	**232,777**
Increase linked to customer contracts	65,400
Revenues included in the opening balance	(72,962)
Business combinations	9,417
Business divestitures	-
Currency translation differences and other net changes	(1,617)
Net value at 12/31/2020	**233,015**

The revenue recognized in 2020 stemming from fulfilled contractual obligations, included in the opening balance of contract liabilities at January 1st, 2020, amounted to €72,962 thousand.

More in detail, the contract liabilities that should be extinguished, resulting in the recognition of the revenue allocated, over the next 5 years are shown below:

(€ thousands)	2021	2022	2023	2024	2025 and beyond
Contract liabilities	102,936	67,302	36,745	18,724	7,308

For a description of the performance obligations relating to goods and services provided over time please refer to note 29.

24. OTHER PAYABLES

(€ thousands)	12/31/2020	12/31/2019	Change
Other payables	134,658	134,791	(133)
Accrued expenses and deferred income	12,299	7,816	4,483
Sales returns - liability	3,784	3,616	168
Total other payables	**150,741**	**146,223**	**4,518**
Tax payables	62,089	40,334	21,755
Payables for business acquisitions	6,693	10,245	(3,552)
Total	**219,523**	**196,802**	**22,721**

The other payables mainly comprise: (i) €6,748 thousand relating to customer down-payments; (ii) €25,198 thousand relating to social security liabilities; (iii) €59,729 thousand relating to amounts owed personnel; and (iv) €19,204 thousand relating to commissions and bonuses payable to agents.

Acquisition liabilities include the short-term portion of the contingent consideration (earn-out) to be paid long-term on acquisitions of companies and business units made mainly in Canada, France, Spain, Germany, Belgium and the United States, if certain sales and/or profit targets are reached.

Tax payables include mainly: (i) €41.307 thousand in direct taxes; (ii) €9,461 thousand in withholding taxes; (iii) €11,216 thousand in VAT and other indirect taxes.

The provision for sales returns is calculated based on the best estimate of the liabilities for returns made through the direct channel.

The following table show other payables according to the accounting treatment applied:

	12/31/2020		
(€ thousands)	Amortized cost	Fair value Net Equity	Fair Value through P&L
Other debts	212,830		
Payables for business acquisitions			6,693

	12/31/2019		
(€ thousands)	Amortized cost	Fair value Net Equity	Fair Value through P&L
Other debts	186,557		
Payables for business acquisitions		4,223	6,022

25. PROVISIONS FOR RISKS AND CHARGES (CURRENT PORTION)

(€ thousands)	12/31/2020	12/31/2019	Change
Other provisions for risks	3,560	4,242	(682)
Total	**3,560**	**4,242**	**(682)**

The other provisions for risks include mainly the liabilities of reinsurance companies on lost & damage policies and the costs allocated for restoring premises to the original condition when leases expire.

26. LIABILITIES FOR EMPLOYEES' BENEFITS (CURRENT PORTION)

(€ thousands)	12/31/2020	12/31/2019	Change
Other provisions for risks – current portion	3,139	545	2,594
Total	**3,139**	**545**	**2,594**

The amount refers to the current portion of liabilities for the employee benefits described in note 20.

27. SHORT-TERM FINANCIAL DEBT

(€ thousands)	12/31/2020	12/31/2019	Change
Bank current accounts	*1,819*	*2,847*	*(1,028)*
Short-term bank borrowings	*3,785*	*91,714*	*(87,929)*
Current portion of long-term debts	*65,714*	*64,218*	*1,496*
Current portion of debts vs. other institutions	*-*	*3,385*	*(3,385)*
Payables to banks and other financing	71,318	162,164	(90,846)
Current portion of fees on loans	(1,987)	(663)	(1,324)
Short-term financial debt	52	56	(4)
Financial accrued expenses and deferred income	6,232	2,390	3,842
Total	**75,615**	**163,947**	**(88,332)**

For the current portion of medium and long-term loans refer to the note 17.

Financial accruals and deferred income of €6,232 thousand relate primarily to the interest owed on the 2013-2025 private placement (€1,702 thousand), on the Eurobond 2020-2027 (€ 3,478 thousand) and other medium/long-term loans.

28. DEFERRED TAX ASSETS AND LIABILITIES

The net balance of deferred tax assets and liabilities at 31 December 2020 can be broken down as follows:

(€ thousands)	12/31/2020	12/31/2019	Change
Deferred tax assets	83,671	81,427	2,244
Deferred tax liabilities	(95,150)	(102,111)	6,961
Net position	**(11,479)**	**(20,684)**	**9,205**

The net change in deferred tax assets and liabilities is provided below:

(€ thousands)	Balance as at 12/31/2019	Recognized in P&L	Recognized in net equity	Businesses combinations and changes in consolidation area	Exchange differences and other changes	Balance as at 12/31/2020
Deferred tax on severance indemnity and pension funds	4,532	1,251	(292)	-	(391)	**5,100**
Deferred tax on tax losses carried forward	11,013	(857)	-	-	1,076	**11,232**
Deferred tax on inventory	559	(49)	-	-	(21)	**489**
Deferred tax on tangibles, intangibles and goodwill	(22,576)	(922)	-	3,346	3,007	**(17,145)**
Deferred tax on trademarks and concessions	(57,979)	8,300	-	(6,277)	(39)	**(55,995)**
Deferred tax on other provisions	8,919	2,765	-	-	(102)	**11,582**
Deferred tax on contract liabilities and contract costs	20,750	(6,558)	-	327	(2,325)	**12,194**
Deferred tax on leasing	1,584	2,572	-	-	(77)	**4,079**
Other deferred tax	12,514	2,620	518	(11)	1,344	**16,985**
Total	**(20,684)**	**9,122**	**226**	**(2,615)**	**2,472**	**(11,479)**

Deferred tax assets on prior year tax losses carried forward are as follows:

(€ thousands)	12/31/2020	12/31/2019	Change
Germany	8,554	7,288	1,266
Israel	52	87	(35)
Spain	2,626	3,638	(1,013)
Total	**11,232**	**11,013**	**219**

As at December 31st, 2020 the following prior year fiscal losses did not originate deferred tax assets because the requirements of reasonable certainty for recoverability do not currently exist:

(€ thousands)	Prior year tax losses	Rate	Deferred tax assets not recognized in the consolidated financial statements	Due date
Canada	14,100	26.50%	3,736	12-20 years
China	86	25.00%	21	5 years
Colombia	3,095	33.00%	1,029	9-12 years
India	11,233	25.17%	2,827	1-8 years
Ireland	1,014	12.50%	127	None
Italy	1,132	24.00%	272	None
Mexico	1,891	30.00%	567	8-10 years
Panama	126	20.00%	25	1-5 years
Poland	3,229	19.00%	614	1-5 years
Portugal	9,532	21.00%	2,002	4-10 years
UK	75,379	21.00%	15,830	None
Hungary	1,238	9.00%	111	5 years
Total	**122,055**		**27,161**	

29. REVENUES FROM SALES AND SERVICES

The following table shows the Group revenues details.

(€ thousands)	FY 2020	FY 2019	Change
Revenues from sale of products	1,347,151	1,536,153	(189,002)
Revenues from services	208,392	195,910	12,482
Total revenues from sales and services	**1,555,543**	**1,732,063**	**(176,520)**
Goods and services provided at a point in time	1,347,151	1,536,153	(189,002)
Goods and services provided over time	208,392	195,910	12,482
Total revenues from sales and services	**1,555,543**	**1,732,063**	**(176,520)**

Consolidated revenues from sales and services amounted to €1,555,543 thousand in 2020, a decrease of €176,520 thousand (-10.2%) against the comparison period attributable entirely to the Covid-19 outbreak. Acquisitions had a positive impact for €29,387 thousand (+1.7%) while the foreign exchange differences had a negative impact of €15,239 thousand (-0.9%).

The revenue performance in 2020 was characterized by very different trends depending on the timing of the outbreak in the different markets, as well as the duration and intensity of the restrictive measures adopted by the governmental authorities in each Country. After a very positive beginning of the year, the Group's performance was severely impacted by the adoption of stringent restrictive measures in the period March-June, but began to show signs of a turnaround already in April, with a trend that was better than expected and which allowed the Group to record growth against the comparison period in the second half of the year.

Revenues for services rendered were €12,482 thousand higher and refer mainly to the deferred revenues for post-sales services which are recognized over time based on the extent to which the performance obligations have been satisfied. As a result of the drop in sales recorded in 2020 due to the impact of Covid-19, the deferred revenue carry forward from previous years, in which record sales were recorded, was higher than the deferral of revenues typically recognized in a context characterized by sales growth.

For the revenues by geographical segment breakdown refer to the note 43 Segment Information.

The main goods and services provided by the Amplifon Group during the FY 2020, as well as the nature and terms for fulfillment of the performance obligations, are described below.

Goods and services	Nature and fulfillment terms
Hearing aid and fitting	Part of a single and inseparable performance obligation, comprised of the hearing aid, fitting and personalization of the solution using computerized systems to satisfy each person's needs. The Group recognized the relative revenue when the fitting has been completed or at the end of the trial period, when provided.
Other goods	Batteries, cleaning kits, and other accessories. The Group recognizes the revenue relative to other goods when the goods are transferred, which can happen at the time of sale (ex. batteries, cleaning kits and other accessories) or over time.
After sales services	After sales services include: - Cleaning, regulation and revision of the hearing aid; - Periodic hearing tests; - Post – sales assistance; The Group recognizes the revenue generated by after sales services over the life of the contract, generally 4-5 years. The amount of the revenue recognized based on the input method.
Extended warranties	Extended warranties are provided in addition to mandatory warranties that the supplier must provide. The Group recognizes the revenue from extended warranties in equal amounts over the duration of the extension.
Material rights	*Material rights include, for example, discounts of future purchases or loyalty points.* The Group recognizes the revenue from material rights when the rights are exercised by the customer or when the probability that the customer exercises the remaining rights is remote.

The following table shows the deferred revenues of goods and services transferred during time which will be realized in the following years and are included in the short and long-term contract costs liabilities as at December 31st, 2020.

(€ thousands)	2021	2022	2023	2024	2025 and beyond
Revenues for goods and services provided over time	102,936	67,302	36,745	18,724	7,308

The services rendered over time refer mainly to after sales services, extended warranties, material rights and batteries (if delivered over time).

30. OPERATING COSTS

(€ thousands)	FY 2020	FY 2019	Change
Cost of raw materials, consumables and supplies and change in inventories of raw materials, consumables and supplies	(306,526)	(354,725)	48,199
Personnel expenses – Points of sale	(290,657)	(334,188)	43,531
Commissions – Points of sale	(88,473)	(106,117)	17,644
Rental costs – Points of sale	(6,729)	(5,977)	(752)
Total	**(692,385)**	**(801,007)**	**108,622**
Other personnel expenses	(202,834)	(227,493)	24,659
Other rental costs	(1,959)	(3,526)	1,567
Other costs for services	(301,079)	(330,821)	29,742
Total other operating costs	**(505,872)**	**(561,840)**	**55,968**
Total operating costs	**(1,198,257)**	**(1,362,847)**	**164,590**

The operating costs for 2019 include non-recurring costs linked to the GAES acquisition of €22,193 thousand, while the balance for 2020 reflects the impact of the Covid-19 pandemic and the relative actions taken by the Group, as of the inception of the crisis, in order to contain and optimize the company's costs. More in detail, the Group moved rapidly to access all the aid and contributions made available by the different governmental authorities and other public entities relative mainly to the cost of labor which came to €36,201 thousand. This figure reflects both the aid received directly and the lower costs incurred as a result of the government benefits paid directly to the employees. On the other hand, the Group incurred a series of costs totaling around €9,689 thousand related directly to the Covid-19 outbreak which included personal protective equipment, sanitization and the cost of personnel at closed stores not covered by social plans. Please refer to Note 2 of the explanatory notes for further details.

The lease and rental costs refer to leases not subject to IFRS 16 application (leases for low value assets, short-term leases, leases with variable payment terms).

The breakdown of "Personnel expenses – Points of sale" and "Other personnel expenses" is as follows:

(€ thousands)	FY 2020	FY 2019	Change
Wages and salaries	(373,431)	(416,125)	42,694
Stock options and performance stock grant	(16,378)	(16,495)	117
Social contributions	(85,521)	(93,989)	8,468
Other personnel costs	(18,161)	(35,072)	16,911
Total	**(493,491)**	**(561,681)**	**68,190**

Staff headcount by geographic area:

	12/31/2020		12/31/2019	
	Number	Average	Number	Average
Italy	600	581	561	533
France	1,336	1,326	1,315	1,282
Switzerland	290	292	293	291
Hungary	187	188	189	186
Germany	1,820	1,852	1,883	1,786
Spain	1,948	1,861	1,773	1,873
Portugal	218	226	234	247
Belgium and Luxemburg	185	179	173	171
The Netherlands	723	729	735	745
Poland	156	157	157	146
United Kingdom and Ireland	378	415	451	443
Israel	205	199	193	193
Egypt	184	183	182	178
Total EMEA	**8,230**	**8,188**	**8,139**	**8,074**
USA and Canada	529	521	512	489
Argentina	89	92	95	91
Chile	102	109	116	114
Ecuador	52	53	53	51
Panama	5	5	5	5
Colombia	32	31	30	28
Mexico	31	32	32	32
Total Americas	**840**	**843**	**843**	**810**
Australia	1,133	1,075	1,016	991
New Zealand	485	475	464	452
India	413	412	410	406
Singapore	4	5	5	4
China	160	143	126	112
Total Asia Pacific	**2,195**	**2,110**	**2,021**	**1,965**
Total Group	**11,265**	**11,141**	**11,003**	**10,849**

31. OTHER INCOME AND COSTS

(€ thousands)	FY 2020	FY 2019	Change
Other income and costs	13,681	1,374	12,307
Total	**13,681**	**1,374**	**12,307**

Other income and costs amounted to €13,681 thousand in 2020, versus €1,374 thousand in the prior year.

During this period of crisis, the Group recorded a benefit of €9,683 stemming from the lease renegotiations allowed under the amendment to IFRS 16, approved by the International Accounting Standards Board (IASB) at the end of May 2020, recognized as income. The amendment to IFRS 16 introduces a practical expedient based on which any concessions obtained as a result of Covid-19 related renegotiations such as a reduction in the rent owed for the period 1st January 2020 - 30 June 2021, are not viewed as lease modifications, but as variable lease payments, which has a positive impact on the income statement.

32. AMORTIZATION, DEPRECIATION AND IMPAIRMENT

(€ thousands)	FY 2020	FY 2019	Change
Amortization of intangible fixed assets	(61,485)	(60,534)	(951)
Depreciation of tangible fixed assets	(47,722)	(41,948)	(5,774)
Depreciation of right-of-use assets	(89,769)	(88,047)	(1,722)
Amortization and depreciation	(198,976)	(190,529)	(8,447)
Impairment	(3,491)	(2,970)	(521)
Total	**(202,468)**	**(193,499)**	**(8,968)**

Amortization, depreciation and impairment amounted to €198,976 thousand in 2020, an increase of €8,447 thousand against the comparison period. The increase in the period is attributable mainly to depreciation stemming from network expansion and renewal of existing stores based on the Group's brand image.

33. FINANCIAL INCOME, EXPENSES AND VALUE ADJUSTMENTS TO FINANCIAL ASSETS

(€ thousands)	FY 2020	FY 2019	Change
Proportionate share of the result of associated companies valued at equity	**(346)**	**188**	**(534)**
Other income, charges, revaluation and write-downs of financial assets	**2**	**3**	**(1)**
Interest income on bank accounts	182	201	(19)
Interest expenses on short and long-term bank loans	(18,042)	(14,588)	(3,454)
Interest income and expenses	**(17,860)**	**(14,387)**	**(3,473)**
Interest expenses on lease liabilities	**(10,428)**	**(11,357)**	**928**
Other financial income and charges	**(1,198)**	**(581)**	**(617)**
Exchange rate gains	9,838	2,983	6,855
Exchange rate losses	(9,077)	(3,428)	(5,649)
Gains/(losses) on financial assets at fair value – Non-hedge accounting derivatives	(106)	(373)	267
Exchange rate differences and non-hedge accounting derivatives	**655**	**(818)**	**1,473**
Total	**(29,175)**	**(26,952)**	**(2,223)**

Interest payable on financial indebtedness amounted to €18,042 thousand at 31 December 2020, versus €14,588 thousand at 31 December 2019.The increase is the direct consequence of the increase in gross debt explained by the refinancing carried out to safeguard the Group by ensuring ample headroom which made it possible not only to face the difficult economic situation seen primarily in the second quarter, but also to prepare for future lockdowns if the pandemic worsens. Please refer to Note 17 for more details on the Group's new financial structure.

Interest receivable on bank deposits came to €182 thousand at 31 December 2020, versus €201 thousand at 31 December 2019.

"Other financial income and charges" includes €571 thousand (€928 thousand in 2019) relating to the cost of factoring without recourse of receivables in Italy, the Netherlands and Belgium.

During the FY 2020 the gains and losses on financial assets measured at fair value refer primarily to forwards hedging currency risk and, more specifically, to the forwards covering the currency risk on the dividends paid by Amplifon Australia in February 2020 to Amplifon S.p.A. and Amplifon Nederland, as well as the dividends that Amplifon USA will pay Amplifon S.p.A. in February and May 2021.

INTEREST RATE RISK - SENSITIVITY ANALYSIS:

The Amplifon Group's exposure to changes in interest rates is mitigated significantly by the fact that a large part of the medium/long-term debt is fixed rate as a result of interest rate hedges or because the debt is fixed rate.

More in detail:

- as a result of swaps, the Euro interest rate on the different tranches of the 2013-2025 private placement (remaining outstanding of USD 110 million) is 3.952% (average rate);
- as a result of hedges, the average rate on the loans granted by UniCredit (€100 million), Banco BPM (€50 million), HSBC (€20 million), BNL (€50 million), CDP/MPS (€54.6 million), Credit Agricole (€35 million) and Mediobanca (€30) is 1.197%;
- as a result of an IRS, completed on 4 January 2019 and effective 18 June 2019, the €265 million Facility A of the GAES loan is subject to a fixed rate of 0.132%. The all-in rate at 31 December 2020 was 1.382%;
- the bond issued in February has a fixed rate of 1.125%.

The impact on the income statement of plausible changes in interest rates, applied to the consolidated figures at 31 December 2020, is shown below.

The current market conditions are such that the Group believes it is unlikely that rates will be reduced any further, taking into account that several loans have zero percent floors on Euribor or the all-in rates. For this reason, the sensitivity analysis for 2020 assumes an increase in rates of only up to 1%.

(€ thousands)

FY 2020	Note	Balance at 12/31/2020	Increase/decrease in interest rates (in %)	Impact on profit before tax
Current assets				
Bank current accounts and short-term bank deposits	14	543,279	1%	5,521
Current liabilities				
Bank current accounts	27	(1,819)	1%	(18)
Short-term bank borrowings	27	(3,785)	1%	(38)
Total impact on profit before tax				**5,465**

CURRENCY RISK - SENSITIVITY ANALYSIS:

The 2013-2025 private placement denominated in USD, with a remaining outstanding of USD 110 million, is hedged against currency risk. More specifically, as a result of hedges the Group set the Euro/Dollar exchange rate for the duration of the loan. Therefore, it is reasonable to assume that any change in exchange rates will not have a significant impact on the income statement as the currency positions and the hedges will automatically show changes of equal amounts, but of the opposite sign.

The intercompany loans between the Australian and New Zealand companies, and between American and Canadian companies, are considered equity investments insofar as they are not interest bearing and are not expected to be repaid. Any changes in exchange rates are, therefore, charged directly to the translation reserve without passing through the income statement.

Given the management of foreign exchange risk described in note 41, the residual currency risk on receivables, payables and future revenue streams which have not been hedged is not significant.

34. INCOME TAXES

(€ thousands)	FY 2020	FY 2019	Change
Current income tax	(47,385)	(47,332)	(54)
Deferred income tax	9,122	5,716	3,406
Total	**(38,263)**	**(41,615)**	**3,352**

(€ thousands)	FY 2020	FY 2019	Change
Profit (loss) before tax	139,325	150,139	(10,814)
Tax for the year	(38,263)	(41,615)	3,352
Tax rate	**-27.5%**	**-27.7%**	**0.2%**

The following table reconciles tax recognized in the consolidated financial statements to theoretical tax charge calculated on the basis of Italy's current tax rates.

(€ thousands)	December 2020 Tax effect	%	December 2019 Tax effect	%
Reconciliation with the effective tax rate:				
Effective tax/effective tax rate	**38,263**	**27.5%**	**41,615**	**27.7%**
Non-recognition of deferred taxes on the year's losses and earnings which were not taxed due to carried forward tax losses	(1,694)	-1.2%	(877)	-0.6%
Recognition of tax assets from prior years and write-down of previously recorded tax assets	-	0.0%	2,755	1.8%
Patent Box incentive	719	0.5%	852	0.6%
Effect of companies taxed in countries other than Italy	(2,107)	-1.5%	(815)	-0.5%
Deferred tax: change in rates and correction of errors	297	0.2%	(603)	-0.4%
Non-deductible expense net of non-taxable income	1,805	1.3%	(1,020)	-0.7%
Effective tax rate net of IRAP and CVAE	**37,283**	**26.8%**	**41,907**	**27.9%**
IRAP, CVAE and other taxes not tied to income tax	(3,845)	-2.8%	(5,873)	-3.9%
Effective tax/theoretical tax rate	**33,438**	**24.0%**	**36,034**	**24.0%**

The tax rate came to 27.5% compared to 27.7% at 31 December 2019.

35. PERFORMANCE STOCK GRANTS

GENERAL CHARACTERISTICS OF THE NEW PERFORMANCE STOCK GRANT PLAN 2014-2021

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

- the plan provides for the grant of rights, each of which gives the right to a Company share to be granted at the end of the vesting period (3,5 years) to beneficiaries falling within one of the following clusters:
  1. Executives & Senior Managers;
  2. International Key Managers and Group & Country Talents;
  3. High Performing Audiologists & Sales Managers.

- the vesting of the rights and, therefore, the grant of the related shares is subject to the following main condition that as of the date of grant of the shares the beneficiary is an employee of one of the companies of the Group and no notice period subsequent to resignation and/or withdrawal is under way. Furthermore for the Cluster 1 and Cluster 2 the plan foresee further conditions to attribute the financial instruments:
  - Cluster 1: achievement of Group 3 Yr business targets;
  - Cluster 2: level of the individual performance of the beneficiary are not lower, in all the reference periods, to fully meets expectations.

- the exercise of the vested rights should be performed within the deadline of the exercise period (2.5 years from the date of vesting of the rights) and is subject to a minimum threshold value of the Amplifon Spa share defined by the Board of Directors of the Parent Company for each assignment cycle.

For each cycle of assignment, the Board of Directors of the Parent Company is empowered, with sub-delegation, to identify the beneficiaries and to set the number of rights to be granted to each beneficiary.
The Board of Directors may at any time make changes to the Regulations as may be necessary and/or appropriate in connection with, in particular, the case of changes to the applicable law.

On 21 April 2015, following the proposal of the Board of Directors of 3 March 2015 and heard the opinion of the Remuneration and Appointment Committee, the Shareholders' Meeting of the Parent Company discussed and approved the modifications to the stock plan for the period 2014-2021 (the "New Plan of Performance Stock Grant").

In particular, the modification approved by the ordinary Shareholders' Meeting concerns the extension of the plan also to collaborators not related to the Company by employment contracts and the subsequent variation in the identification of the beneficiaries who are currently defined as employees and collaborators of a Group entity, belonging to the following categories:
- Cluster 1: Executives & Senior Managers;
- Cluster 2: International Key Managers; Group & Country Talents;
- Cluster 3: High Performing Audiologists & Sales Managers.

This extension will allow to include also the agents currently working in Italy, Spain and Belgium with the aim to adequately sustain, also in terms of retention, the different business models through which the Amplifon Group operates.

On 29 April 2015 the Board of Directors of the Parent Company, approved the modification to the operative regulation of the plan, in line with the changes approved by the ordinary Shareholders' Meeting.

On 18 April 2016, following the proposal of the Board of Directors of the Parent Company and heard the opinion of the Remuneration and Appointment Committee, the ordinary Shareholders' Meeting discussed and approved the modifications to the share plan for the period 2014-2021. The purpose of the modification is to align the plan to a new provision introduced in France as the result of Law n. 2015-990 dated August 6th, 2015 (the "Macron Law"). The amendment allows the beneficiaries and the Company to take advantage of a more favorable fiscal and social contribution regime.

The provisions that, in line with the Macron Law, have been amended, regard in particular:
a) the elimination of an exercise period of 2.5 years;
b) the introduction of specific "closed periods" during which the employees cannot sell the shares obtained in relation to the incentive plan.

All the key characteristics of the plan, among which the number of available rights, the timing and conditions for the rights' maturation remain unchanged.

The amendment affects only French beneficiaries and does not have any retroactive effects on previous awards to French beneficiaries.

Below are reported the details of the cycles of assignment of the *New Performance Stock Grant* plan 2014-2021 currently in place:

A) Stock grant 29 April 2015

STOCK GRANT 29 APRIL 2015

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**211,020**	**25.64**	**729,033**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	199.020	24.05 (*)	493,780	19.47 (*)
(Rights cancelled in the period)	12,000	-	24,233	-
Option rights at 31 December	**-**	**-**	**211,020**	**25.64**

(*) Average weighted market price at the exercises.

B) Stock grant 22 October 2015

STOCK GRANT 22 OCTOBER 2015

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**26,000**	**25.64**	**88,00**	**14.05**
Rights granted in the pediod	-	-	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	25,000	23.84 (*)	62,000	21.03 (*)
(Rights cancelled in the period)	1,000	-	-	-
Option rights at 31 December	**-**	**-**	**26,000**	**25.64**

(*) Average weighted market price at the exercises.

C) Stock grant 27 April 2016

STOCK GRANT 27 APRIL 2016 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**466,224**	**25.64**	**1,579,967**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	56,550	-
(Rights converted in the period)	321,074	27.50 (*)	1,117,726	20.49 (*)
(Rights cancelled in the period)	-	-	52,567	-
Option rights at 31 December	**145,150**	**34.04**	**466,224**	**25,64**

(*) Average weighted market price at the exercises.

STOCK GRANT 27 APRIL 2016 – FRENCH RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**2,000**	**25.64**	**63,000**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	59,000	20.31 (*)
(Rights cancelled in the period)	-	-	2,000	-
Option rights at 31 December	**2,000**	**34.04**	**2,000**	**25.64**

(*) Average weighted market price at the exercises.

D) Stock grant 26 October 2016

STOCK GRANT 26 OCTOBER 2016 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**31,500**	**25.64**	**228,000**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	3,900	-
(Rights converted in the period)	9.850	21,19 (*)	181,900	20.74 (*)
(Rights cancelled in the period)	-	-	18,500	-
Option rights at 31 December	**21,650**	**34.04**	**31,500**	**25.64**

(*) Average weighted market price at the exercises.

E) Stock grant 27 April 2017

STOCK GRANT 27 APRIL 2017 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**1,506,700**	**25.64**	**1,638,900**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	65,975	-	-	-
(Rights transferred in the period)	10,000	-	10,000	-
(Rights converted in the period)	978,167	25.57 (*)	-	-
(Rights cancelled in the period)	16,700	-	122,200	-
Option rights at 31 December	**587,808**	**34.04**	**1,506,700**	**25.64**

(*) Average weighted market price at the exercises.

STOCK GRANT 27 APRIL 2017 – FRENCH RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**64,000**	**25.64**	**62,000**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	-	-
Rights transferred in the period	-	-	10,000	-
(Rights transferred in the period)	10,000	-	-	-
(Rights converted in the period)	50,600	- (*)	-	-
(Rights cancelled in the period)	2,400	-	8,000	-
Option rights at 31 December	**1,000**	**34.04**	**64,000**	**25.64**

(*) Rights exercise through "Classic" method.

F) Stock grant 25 October 2017

STOCK GRANT 25 OCTOBER 2017 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**105,000**	**25.64**	**105,000**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	5,720	-	-	-
(Rights converted in the period)	79,730	28.17 (*)	-	-
(Rights cancelled in the period)	19,820	-	-	-
Option rights at 31 December	**11,170**	**34.04**	**105,000**	**25.64**

(*) Average weighted market price at the exercises.

STOCK GRANT 25 OCTOBER 2017 – FRENCH RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**3,000**	**25.64**	**3,000**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	3,000	- (*)	-	-
(Rights cancelled in the period)	-	-	-	-
Option rights at 31 December	**-**	**-**	**3,000**	**25.64**

(*) Rights exercise through "Classic" method.

G) Stock grant 2 May 2018

STOCK GRANT 2 MAY 2018 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**1,147,032**	**25.64**	**1,244,800**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	85,350	-	97,768	-
Option rights at 31 December	**1,061,682**	**34.04**	**1,147,032**	**25.64**

STOCK GRANT 2 MAY 2018 – FRENCH RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**23,990**	**25.64**	**27,300**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	3,380	-	3,310	-
Option rights at 31 December	**20,610**	**34.04**	**23,990**	**25.64**

H) Stock grant 30 October 2018

STOCK GRANT 30 OCTOBER 2018 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**94,100**	**25.64**	**95,100**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	6,744	-	1,000	-
Option rights at 31 December	**87,356**	**34.04**	**94,100**	**25.64**

STOCK GRANT 30 OCTOBER 2018 – FRENCH RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**7,700**	**25.64**	**7,700**	**14.05**
Rights granted in the period	-	-	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	-	-	-	-
Option rights at 31 December	**7,700**	**34.04**	**7,700**	**25.64**

GENERAL CHARACTERISTICS OF THE STOCK GRANT PLAN 2019-2025

On May 7th 2019 the Board of Directors of the Parent Company– as resolved by the ordinary Shareholders' Meeting held on 17th April 2019 and heard the opinion of the Remuneration and Appointment Committee – has approved the 2019 stock grant assignment in relation to the Stock Grant Plan 2019 – 2025 with the following general characteristics:

- The Stock Grant Plan 2019-2025 provides for different guidelines according to the category the beficiaries belong to:
  - Long-Term Incentive Plan (LTI) Beneficiaries: the employees and the self-employees, of a Group Company – identified by virtue of the band to which the organizational position of the same employee and/or associate belongs to, in the context of the Company's banding system, subject to possible review on an annual basis;
  - Amplifon Extraordinary Award Plan (AEA) Beneficiaries: the employees and the self-employees of a Group Company, identified on the basis of retention, promotability and extraordinary recognition criteria.

- With reference to all beneficiaries of the plan, unless otherwise provided elsewhere in these rules, the assigned rights attributed will vest (the "vested rights") provided that as of the date falling on the last day of the aggregate reference period, the beneficiary is an employee or a self-employee of a Group Company and no notice period is under way.
  With regard to the Long-Term Incentive Plan (LTI) beneficiaries, the vesting of the assigned rights is also subject to the achievement of the business objectives indicated in the Letter of Assignment of the Rights;
- The shares corresponding to the vested rights shall be assigned to the beneficiary within 90 business days from the date of the notice of vesting of the assigned rights, subject to the implementation (also by the beneficiary) of all the fulfilments (including those of accounting and/or administrative nature) relating thereto.

Below are reported the details of the 2019 cycle of assignment of the Stock Grant plan 2019-2025, including new assignments that have taken place in the year 2020:

A) Stock grant 7 May 2019

STOCK GRANT 7 MAY 2019 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**590,900**	**25.64**	-	-
Rights granted in the period	-	-	619,900	16.79
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	87,020	-	29,000	-
Option rights at 31 December	**503,880**	**34.04**	**590,900**	**25.64**

B) Stock grant 30 October 2019

STOCK GRANT 30 OCTOBE 2019 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	**54,400**	**25.64**	-	-
Rights granted in the period	-	-	54,400	21.34
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	1,200	-	-	-
Option rights at 31 December	**53,200**	**34.04**	**54,400**	**25.64**

C) Stock grant 30 July 2020

The assumptions adopted in the calculation of the fair value are the following:

	ASSIGNMENT – GENERAL RULE	ASSIGNMENT – FRENCH RULE
Model used	**Binomial (Cox-Ross-Rubinstein method)**	
Price at grant date	26.32€	
Threshold	0 €	
Exercise Price	0.00	
Volatility	33.13 %	
Risk free interest rate	0.0%	
Maturity (in years)	3	
Vesting Date	the date of approval from the Board of the project of Consolidated Financial Statement as of 12.31.22 (i.e. March 2023)	
Expected Dividend Yield	0.75%	
Fair Value	25.72	

STOCK GRANT 30 JULY 2020 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	-	-	-	-
Rights granted in the period	446,900	27.76	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	16,300	-	-	-
Option rights at 31 December	**430,600**	**34.04**	**-**	**-**

D) Stock grant 30 October 2020

The assumptions adopted in the calculation of the fair value are the following:

	ASSIGNMENT – GENERAL RULE	ASSIGNMENT – FRENCH RULE
Model used	**Binomial (Cox-Ross-Rubinstein method)**	
Price at grant date	32 €	
Threshold	0 €	
Exercise Price	0.00	
Volatility	33.50%	
Risk free interest rate	0.0%	
Maturity (in years)	3	
Vesting Date	the date of approval from the Board of the project of Consolidated Financial Statement as of 12.31.22 (i.e. March 2023)	
Expected Dividend Yield	0.66%	
Fair Value	31.44	

STOCK GRANT 30 OCTOBER 2020 – GENERAL RULES

(€ thousands)	FY 2020		FY 2019	
	N. rights granted	Market Price (€)	N. rights granted	Market Price (€)
Option rights at 1 January	-	-	-	-
Rights granted in the period	99,800	31.21	-	-
Upside rights	-	-	-	-
(Rights converted in the period)	-	-	-	-
(Rights cancelled in the period)	1,000	-	-	-
Option rights at 31 December	**98,800**	**34.04**	**-**	**-**

RESIDUAL LIFE OF AWARDED STOCK GRANTS

RIGHTS ASSIGNED UP TO 12/31/2020

(€ thousands)		VESTING				EXERCISE	
Plans	**Assignment date**	**< 1 year**	**1-5 years**	**5-10 years**	**Total**	**N. of rights**	**Average expiring date**
New Performance Stock Grant 2014 – 2021	04/27/2016					147,150	1 year
	of which General Rules					*145,150*	*1 year*
	of which French Rules					*2,000*	*1 year*
	10/26/2016					21,650	1 year
	of which General Rules					*21,650*	*1 year*
	of which French Rules					-	-
	04/27/2017					588,808	2 years
	of which General Rules					*587,808*	*2 years*
	of which French Rules					*1,000*	*2 years*
	10/25/2017					11,170	2 years
	of which General Rules					*11,170*	*2 years*
	of which French Rules					-	-
	05/02/2018	1,082,292			1,082,292		
	of which General Rules	*1,061,682*			*1,061,682*		
	of which French Rules	*20,610*			*20,610*		
	10/30/2018	95,056			95,056		
	of which General Rules	*87,356*			*87,356*		
	of which French Rules	*7,700*			*7,700*		
Stock Grant Plan 2019 - 2015	05/07/2019		503,880		503,880		
	10/30/2019		53,200		53,200		
	07/30/2020		430,600		430,600		
	10/30/2020		98,800		98,800		
	Total	**1,177,348**	**1,086,480**		**2,263,828**	**768,778**	

The figurative cost of the stock grants for the period is Euro 16,378 thousand.

36. SUBSIDIARIES WITH RELEVANT NON-CONTROLLING INTERESTS, JOINT VENTURES AND ASSOCIATED COMPANIES

The following table shows the main income statement and statement of financial position figures of the subsidiaries with relevant minority interests (as a reference please consider the annex regarding the consolidation area). The figures are shown before intragroup eliminations.

(€ thousands)	12/31/2020	12/31/2019
Non-current assets	1,791	2,619
Current assets	3,286	3,122
Non-current liabilities	327	314
Current liabilities	2,281	2,736
Revenues	4,678	7,338
Net profit (loss) for the year	167	(438)
Dividends paid to minorities	306	226
Net financial positions	585	91
Cash flows	512	229

The following table shows the main income statement and statement of financial position highlights of the Dutch joint venture Comfoor BV, accounted for using the equity method. The company is active in the hearing protection sector.

(€ thousands)	12/31/2020	12/31/2019
Non-current assets	1,792	2,033
Current assets	3,598	5,848
Non-current liabilities	17	208
Current liabilities	1,199	3,080
Revenues	6,429	7,193
Amortization, depreciation and impairment	(550)	(255)
Interest income and expenses	(9)	(30)
Net profit (loss)	(622)	(740)
Net financial position	1,384	1,949
Cash flows	(616)	(251)

The reconciliation of the economic-financial figures provided with the carrying amount of the interest in the joint venture recognized in the consolidated financial statements is shown in the following table (matching values):

(€ thousands)	12/31/2020	12/31/2019
Net equity of joint ventures	3,972	4,593
% held	50%	50%
Book value	1,986	2,296

37. EARNINGS (LOSS) PER SHARE

BASIC EPS

Basic earnings per share is obtained by dividing the net profit for the year attributable to the ordinary shareholders of the parent company by the weighted average number of shares outstanding in the year, considering purchases and disposals of treasury shares as cancellations and issues of shares respectively.

Earnings per share is determined as follows:

Earnings per share	FY 2020	FY 2019
Net profit (loss) attributable to ordinary shareholders (€ thousand)	101,004	108.666
Average number of shares outstanding in the year	223,797,671	221.863.663
Average earnings per share (€ per share)	0.45132	0.48979

DILUTED EPS

Diluted earnings per share is obtained by dividing the net income for the year attributable 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 cancellations and issues of shares respectively.

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

Weighted average diluted number of shares outstanding	FY 2020	FY 2019
Average number of shares outstanding in the year	223,797,671	221.863.663
Weighted average of potential and diluting ordinary shares	2,893,225	3.889.104
Weighted average of shares potentially subject to options in the period	226,690,896	225,752,767

The diluted earnings per share was determined as follows:

Diluted earnings per share	FY 2020	FY 2019
Net profit attributable to ordinary shareholders (€ thousands)	101,004	108.666
Average diluted number of outstanding shares	226,690,896	225.752.767
Average diluted earnings per share (€)	0.44556	0.48135

38. TRANSACTIONS WITH PARENT COMPANIES AND RELATED PARTIES

The parent company, Amplifon S.p.A. is based in Via Ripamonti 133, Milan, Italy. The Group is controlled directly by Ampliter S.r.l. (42.2% of the share capital and 59.4% of the voting rights), held 100% by Amplifin S.p.A. which is fully controlled by Susan Carol Holland.

In accordance with CONSOB Regulation n. 17221 of 12 March 2010, on 3 November 2010, Amplifon S.p.A.'s Board of Directors, after receiving a favorable opinion from the Committee of Independent Directors, adopted the procedures for related party transactions. These procedures have been in effect since 1 December 2012 and no changes were made during the year.

Other 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.

PARENT COMPANY AND OTHER RELATED PARTIES

(€ thousands)	12/31/2020				FY 2020		
	Trade receivables	Trade payables	Other receivables	Other assets	Revenues for sales and services	Operating costs	Interest income and expenses
Amplifin S.p.A.	18	-	1,360	-	-	(8)	33
Total – Parent Company	**18**	**-**	**1,360**	**-**	**-**	**(8)**	**33**
Comfoor BV (The Netherlands)	4	139	-	-	112	(2,588)	-
Comfoor GmbH (Germany)	-	-	-	-	-	(1)	-
Ruti Levinson Institute Ltd (Israel)	155	-	-	-	288	(4)	-
Afik -Test Diagnosis & Hearing Aids Ltd (Israel)	-	36	-	22	421	-	1
Total – Associated companies	**159**	**175**	**-**	**22**	**821**	**(2,593)**	**1**
Total related parties	**177**	**175**	**1,360**	**22**	**821**	**(2,601)**	**34**
Total as per financial statement	**169,060**	**181,036**	**55,464**	**59,916**	**1,555,543**	**(1,198,257)**	**(17,860)**
% of financial statement total	**0.10%**	**0.10%**	**2.45%**	**0.04%**	**0.05%**	**0.22%**	**-0.19%**

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

- amounts payable by Amplifin S.p.A. for the recovery of maintenance costs and condominium fees;
- amounts payable by Amplifin S.p.A. for the relative portion of costs pertaining to the restructuring of the headquarters calculated based on modern and efficient usage fees for the working spaces;
- trade receivables payable by associated companies (primarily in Israel) acting as resellers to which the Group supplies hearing aids.

The trade payables and operating costs refer mainly to commercial transactions with Comfoor BV and Comfoor GmbH, a joint venture from which hearing protection devices are purchased and then distributed in Group stores.

Following the application of IFRS 16, the lease for the Milan headquarters (leased to Amplifon S.p.A by the parent company Amplifin S.p.A) is no longer recognized as operating cost or trade payables, but is recognized under right-of-use depreciation for €1,817 thousand, interest payable on leases for €379 thousand and lease liabilities for €16,794 thousand.

OTHER RELATED PARTIES

The total remuneration of Group Directors, members of Board of Auditors and Key Managers for the period amounted to €13,147 thousand and is made up as follows:

Remuneration of Group Directors, statutory auditors and Key Managers (including of Subsidiaries):

(€ thousands)

First Name and Surname	Office Held	Period in which the office has been held	Term of office ends upon	Fixed compens.	Committee attendance fees
Susan Carol Holland	Chairman	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	300	-
Enrico Vita	CEO	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	400	-
	Managing Director	Permanent		736	-
Andrea Casalini	Independent Director	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	55	30
Alessandro Cortesi	Independent Director	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	55	25
Maurizio Costa	Independent Director	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	55	30
Laura Donnini	Independent Director	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	55	35
Maria Patrizia Grieco	Independent Director	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	55	20
Lorenzo Pozza	Independent Director	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	55	45
Giovanni Tamburi	Independent Director	01/01/2020 - 12/31/2020	Approval 2021 financ. stat	55	-
Raffaella Pagani	Chairman of the Board of Auditors	01/01/2020 - 12/31/2020	Approval 2020 financ. stat	60	-
Emilio Fano	Standing Auditor	01/01/2020 - 12/31/2020	Approval 2020 financ. stat	40	-
Maria Stella Brena	Standing Auditor	01/01/2020 - 12/31/2020	Approval 2020 financ. stat	40	-
	Total			**1,961**	**185**
Other Key Managers of the Group **A, Bonacina** **R, Cattaneo** **A, Ciccolini** [1] **G, Chiesa** [2] **F, Dal Poz** **C, Finotti** **G, Galli** **M, Lundeberg** [3] **A, Muir** [4] **F, Morichini** **I, Pazzi** **G, Pizzini** **G, Vironda** [5]		Permanent		3,101	,
	Totale			**5,062**	**185**

[1] Employment started on 1 July 2020.
[2] Employment ended on 14 July 2020.
[3] Employment ended on 30 October 2020.
[4] Employment started on 3 February 2020.
[5] Employment started on 23 March 2020.

	NON EQUITY VARIABLE COMPENSATION							
	Bonuses and other incentives	Profit Sharing	Fringe Benefit	Tot.	*FV* equity compen.	Termination allowance	Non compete agreement	Total
	-		8	308	-	-		308
	-	-	-	400	-	-	-	3,619
	840	-	33	1,609	1,610	-	-	
	-	-	-	85	-	-	-	85
	-	-	-	80	-	-	-	80
	-	-	-	85	-	-	-	85
	-	-	-	90	-	-	-	90
	-	-	-	75	-	-	-	75
	-	-	-	100	-	-	-	100
	-	-	-	55	-	-	-	55
	-	-	-	60	-	-	-	60
	-	-	-	40	-	-	-	40
	-	-	-	40	-	-	-	40
	840	**-**	**41**	**3,027**	**1,610**	**-**	**-**	**4,637**
	2,234	-	328	5,663	2,615	232	-	8,510
	3,074	**-**	**369**	**8,690**	**4,225**	**232**	**-**	**13,147**

Below are detailed stock grants awarded to the members of Board of Directors, General Managers and Key Managers.

(€ thousands)			FINANCIAL INSTRUMENTS GRANTED IN PREVIOUS YEARS AND NOT VESTED DURING THE PERIOD		FINANCIAL INSTRUMENTS GRANTED IN THE PERIOD				
First Name and Surname	Office held	Programme (when approved)	Num. of financial instruments	Vesting period	Num.and type of financial instruments	FV at grant date	Vesting period	Grant date	Market price on grant date
Enrico Vita	CEO & Managing Director	New Performance Stock Grant 27 April 2016							
		New Performance Stock Grant 27 April 2017	-	-	-	-	-	-	-
		New Performance Stock Grant 2 May 2018	140,000	June 2021	-	-	-	-	-
		Stock Grant Plan 7 May 2019	140,000	March 2022	-	-	-	-	-
		Stock Grant Plan 30 July 2020	-	-	90,000	25.72	March 2023	07/30/20	27.76
Total			**280,000**		**90,000**				
Other Key Managers of the Group: A, Bonacina R, Cattaneo A, Ciccolini G, Chiesa F, Dal Poz C, Finotti G, Galli M, Lundeberg A, Muir F, Morichini I, Pazzi G, Pizzini G, Vironda		New Performance Stock Grant 27 April 2016	-	-	-	-	-	-	-
		New Performance Stock Grant 27 April 2017	-	-	-	-	-	-	-
		New Performance Stock Grant 25 October 2017	-	-	-	-	-	-	-
		New Performance Stock Grant 5 May 2018	208,000	June 2021	-	-	-	-	-
		Stock Grant Plan 7 May 2019	184,000	March 2022	-	-	-	-	-
		Stock Grant Plan 30 October 2019	8,500	March 2022	-	-	-	-	-
		Stock Grant Plan 30 July 2020	-	-	152,000	25.72	March 2023	07/30/20	27.76
		Stock Grant Plan 30 October 2020	-	-	24,000	31.44	March 2023	10/30/20	31.21
Total Key Managers of the Group			**400,500**		**176,000**				**-**
Grand Total			**680,500**		**266,000**				

(*) Average weighted market price of the shares at the exercise date.

	FINANCIAL INSTRUMENTS CANCELLED OR EXPIRED DURING THE PERIOD	FINANCIAL INSTRUMENTS VESTED DURING THE PERIOD		FINANCIAL INSTRUMENTS EXERCISED DURING THE PERIOD		EXISTING FINANCIAL INSTRUMENTS AT THE END OF PERIOD	
	Financial instruments cancelled or expired during the period	Financial instruments vested during the period and not attributable	Financial instruments vested during the period and attributable	Num. of financial instruments	Market Price at exercise date	Existing financial instruments at the end of period	Fair Value FY 2020 (€/000)
				123,600	28.74		
	-		135,600	-	-	135,600	311
	-	-	-	-	-	140,000	505
	-	-	-	-	-	140,000	569
	-	-	-	-	-	90,000	225
			135,600	**123,600**		**505,600**	**1,610**
	-			40,815	32.88 [1]	-	-
	-		248,600	145,345	29.67 [1]	103,255	532
	-		33,900	23,730	28.51 [1]	10,170	88
	12,000	-	-	-	-	196,000	762
	22,820	-	-	-	-	161,180	759
	-	-	-	-	-	8,500	54
	-	-	-	-	-	152,000	380
	-	-	-	-	-	24,000	40
	34,820	**-**	**282,500**	**209,890**		**655,105**	**2,615**
	34,820	**-**	**418,100**	**333,490**		**1,160,705**	**4,225**

39. GUARANTEES PROVIDED, COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES PROVIDED TO THIRD PARTIES

As at December 31st, 2020 the item included the following:

(€ thousands)	12/31/2020	12/31/2019
Guarantees provided to third parties	51,238	104.347
Total	**51,238**	**104.347**

With regard to the guarantees relating to financial liabilities recognized in the consolidated financial statements, only the amount of the guarantee in excess of the liability recognized in the financial statements is shown, in addition to the interest not yet paid (if applicable).

The guarantees provided refer mainly to:

- the guarantee issued to the subscribers of the 2013-2025 private placements issued by Amplifon USA of €18,492 thousand;
- sureties issued in favor of third parties for leases amounting to €9,537 thousand;
- surety bonds issued by Amplifon S.p.A. in favor of the Revenue Office for VAT credits amounting to €16,435 thousand;
- miscellaneous guarantees, totaling €6,773 thousand, which include letters of patronage issued on behalf of subsidiaries to third parties.

COMMITMENTS

As at 31 December 2020 no commitments are recognized in the consolidated financial statements.

CONTINGENT LIABILITIES

Currently the Group is not exposed to any particular risks or uncertainties with the exception of what was discussed above relative to the Covid-19 crisis and the usual periodic tax audits. With regard to the latter, non-particular findings have emerged and the Group is confident in the correctness of its actions.

40. TRANSACTIONS ARISING FROM ATYPICAL/UNUSUAL TRANSACTIONS

Pursuant to Consob Communication of 28 July 2006, it should be noted that during 2020 the Group carried out no atypical and/or unusual transactions, as defined by the Communication.

41. FINANCIAL RISKS

With a view to structured management of treasury activities and financial risks, in 2012 the Group had already adopted a Treasury Policy which contains guidelines for the management of:

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

This policy is updated periodically in order to guarantee proactive risk management.

CURRENCY RISK

This includes the following types of risk:

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

The Amplifon Group's foreign exchange transaction risk relates to:

- transactions in which the costs or sales revenues are denominated in currency other than the local currency: this is the case in a few, less material countries (Israel, Canada and the GAES Group subsidiaries, acquired in 2018, in South and Central America) where purchases are made in euros or US dollars. The currency risk stemming from the reorganization and centralization of purchasing is gradually becoming more substantial as the Parent Company is assuming the role of "purchasing center" for the whole Group, managing the purchases of goods directly which are then resold to the subsidiaries. The purchases from suppliers are, however, made in the same currency used in the subsidiaries' invoices. This activity began in the latter part of 2020 and, to date, has only involved three subsidiaries.
- other intercompany transactions (medium/long-term and short-term loans, charge backs for intercompany service agreements, chargebacks for marketing costs incurred to support the markets, intercompany dividends) which result in currency risk for the companies operating in currencies other than that of the intercompany transaction.

Foreign exchange translation risk arises from transactions in the United States and Canada, the United Kingdom, Switzerland, Hungary, Poland, Israel, Australia, New Zealand, India, China, Egypt and, as a result of the GAES acquisition at the end of 2018, in Chile, Argentina, Ecuador, Colombia, Panama and Mexico.

GROUP STRATEGY:

Foreign Exchange transaction risk

The Group's strategy aims to minimize the impact of currency volatility on the income statement and calls for significant positions in foreign currency to be hedged against foreign exchange risk through specific derivative instruments. These include: (i) bonds issued in US dollars by Amplifon S.p.A. and subscribed by Amplifon USA Inc, (ii) dividends approved, but not yet paid by the Australian subsidiary denominated in Australian dollars and the American subsidiary denominated in US dollars.

With regard to operating procedures, when possible, Amplifon Group covers the risk using a natural hedge developed by maintaining currency deposits in the banks account of the subsidiary exposed to this risk for an amount commensurate with the exposure to the suppliers.

Natural hedges are also preferred by the Parent Company which, as a result of Global Procurement, supply of intercompany services, and dividends has receivables and payables in different currencies.

The development of Global Procurement and the Group-wide roll-out will increase the exposure to currency risk. This is monitored closely and any risk exposure linked to differences in assets and liabilities will be adequately hedged using instruments that have already been identified.

The loans between the Australian and New Zealand companies and between the American and Canadian companies are considered equity investments insofar as the loans are non-interest-bearing and not expected to be repaid. The impact of exchange differences is recognized directly in the translation reserve at equity without passing through the income statement.

The risks arising from other intercompany transactions worth less than €1 million (or the equivalent if denominated in another currency) are not hedged as the amounts are not material.

Foreign Exchange translation risk

The foreign exchange translation risk, in accordance with the Group Treasury Policy, is not hedged. Overall, the impact of the foreign exchange translation risk can be seen in the Group's Euro denominated EBITDA which was around €3 million lower than the Group's total EBITDA. The Argentinian subsidiary operates in a high-inflation country but, as the size of the subsidiary is immaterial, the impact on the Group is not significant.

INTEREST RATE RISK

Interest rate risk includes the following situations:

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

In the Amplifon Group fair value risk arises on the issue of fixed rate bonds (private placement and Eurobonds). The cash flow risk derives from floating rate bank loans.
The Group's strategy is to minimize cash flow risk, especially with respect to long-term exposures, through a balanced mix of fixed- and floating-rate loans and assessing whether to switch floating-rate borrowings to fixed-rate when each loan is taken out, as well as over the life of the loans including in light of the current market rates. In any event, at least 50% of the debt must be hedged against interest rate risk. At 31 December 2020, the Group's medium/long- term debt stems for €701 million from floating rate bank loans, €528 million of which had been swapped to fixed rate debt at the date of this report.
The fixed-rate capital market issues (US private placements and Eurobonds) have yet to be converted to floating-rate debt as currently interest rates are low and the possibility that they will increase is limited.

The Benchmarks Regulation (BMR) which also affects Euribor and could have an impact on hedges will become effective in 2022. The Amplifon Group does not believe that the impact of the reform will be significant.

CREDIT RISK

Credit risk is the risk that the issuer of a financial instrument defaults on its obligations resulting in a financial loss for the holder/investor.

In the Amplifon Group credit risk arises from:
(i) sales made as part of ordinary business operations;
(ii) the use of financial instruments that require settlement of positions with other counterparties;
(iii) the loans granted to members of the indirect channel and commercial partners in the United States for investments and business development.

With regard to the risk under (i) above, the only positions with a high unit value are amounts due from Italian public-sector entities for which the risk of insolvency - while existing - is remote and further mitigated by the fact that they are factored without recourse, on a quarterly basis, by specialized factoring companies. Conversely, the credit risk arising from sales to private individuals based on instalment payment plans is increasing, as is the credit risk arising from sales to US indirect channel operators (wholesalers and franchisees). This credit risk, however, is spread out over a number of partners and the amount owed by any single partner does not exceed a few million US dollars. Due to typical business risks, some may not be able to honor their debts. This would result in higher working capital and credit losses. While each subsidiary is responsible for collection of receivables, the Group has set up a centralized system of monthly reporting relative to trade receivables in order to monitor the composition and due dates for each country, and shares credit recovery initiatives and commercial policies with local management. With regard to private customers, the majority of which do, however, use cash, payment options like installment plans or loans (with terms limited to a few months) are offered. These are managed by external finance companies which advance the whole amount of the sale to Amplifon, while the situation of the indirect channel in the US is closely monitored by local management.

The risk referred to in (ii) above, notwithstanding the inevitable uncertainties linked to sudden and unforeseeable counterparty default, is managed by making diversified investments with the main national and international investment grade financial institutions and through the use of specific counterparty limits with regard to both liquidity invested and/or deposited and to the notional amount of the derivatives. The counterparty limits are determined based on the short-term ratings of each counterparty or, if a public rating is not available, on capital ratios (Tier 1). Transactions with non-investment grade counterparties are not allowed unless specifically authorized by the Group's CEO and CFO.

With regard to the risk referred to in (iii) above, in the event payments fail to be made on the stores sold, ownership will revert back to Amplifon, while the receivables referred to above, are generally personally guaranteed by the beneficiaries and repayments are typically made when the invoices for the purchases of hearing aids are paid.

PRICE RISK

This arises from the possibility that the value of a financial asset or liability may change due to changes in market prices (other than those caused by currency or interest-rate fluctuations) due to both characteristics specific to the financial asset or liability or the issuer, as well as market factors. This risk is typical of financial assets not listed on an active market, which may not be easy to liquidate quickly or at a level close to their fair value. The Amplifon Group does not have investments in these kinds of instruments and, therefore, this risk currently does not exist.

LIQUIDITY RISK

This risk typically arises when an entity is experiencing difficulty finding sufficient funds to meet its obligations and includes the risk that the counterparties that have granted loans and/or lines of credit may request repayment. This risk became particularly significant in 2020 in the wake of the Covid pandemic.

Toward this end, Amplifon implemented a series of measures and actions which made it possible for the Group to better manage its financial position, further strengthening its structure and solidity. More in detail:

- the company resolved not to proceed with the payment of a dividend to shareholders, allocating the entire profit for 2019 as retained earnings;
- a series of measures were adopted which focused on cost containment, reducing and redefining investments, quickly accessing all the tools made available by the governmental authorities, along with other operational initiatives and the management of working capital;
- the Group's financial structure and liquidity position were further strengthened by refinancing debt, extending maturities and gathering new financing for a total of more than €1 billion.

In this way the Amplifon Group was able to provide ample headroom and ensure the flexibility needed to take advantage of any opportunities to consolidate and develop business that might materialize.

At the end of the year available short-term credit lines amounted to €202 million and had not been utilized. Irrevocable credit lines amounted to €195 million and were unutilized at year-end. The debt is primarily long-term with the first significant maturity, which cannot be extended, in 2025.

The measures described above, the increase in recurring margins posted despite the drop in revenues caused by the Covid-19 outbreak, and the strong recovery of the business in the second part of the year achieved despite the new lockdown measures implemented in the fourth quarter in the main European markets following the second wave of the pandemic, indicate that there is no significant liquidity risk, at least in the short-term.

HEDGING INSTRUMENTS

Hedging instruments are used by the Group exclusively to mitigate, in line with company strategy, interest rate and currency risk and comprise exclusively financial derivatives. In order to maximize the effectiveness of these hedges the Group's strategy calls for:

- large counterparties with excellent credit standing and transactions which fall within the limits determined in the treasury policy in order to minimize counterparty risk;
- the use of instruments which match, to the extent possible, the characteristics of the risk hedged;
- monitoring of the adequacy of the instruments used in order to check and, possibly, optimize the structure of the instruments used to achieve the purposes of the hedge.

The Group'sTreasury Policy also defines the rigorous criteria to be used when selecting counterparties.

The derivatives used by the Group are generally plain vanilla financial instruments. More in detail, the types of derivatives used include:

- cross currency swaps;
- foreign exchange forwards.

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

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

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

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

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

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

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

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

The Group does not have any net investment hedges.

42. TRANSLATION OF FOREIGN COMPANIES' FINANCIAL STATEMENTS

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

	12/31/2020		12/31/2019	
	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
Panamanian balboa	1.1422	1.2271	1.1195	1.1234
Australian dollar	1.6549	1.5896	1.6109	1.5995
Canadian dollar	1.53	1.5633	1.4855	1.4598
New Zealand dollar	1.7561	1.6984	1.6998	1.6653
Singapore dollar	1.5742	1.6218	1.5273	1.5111
US dollar	1.1422	1.2271	1.1195	1.1234
Hungarian florin	351.2494	363.89	325.2967	330.53
Swiss franc	1.0705	1.0802	1.1124	1.0854
Egyptian lira	18.0654	19.3168	18.8383	18.0192
New Israeli shekel	3.9258	3.9447	3.9901	3.8845
Argentinian peso	103.2494	103.2494	53.8229	67.2749
Chilean peso	903.14	872.52	786.89	844.86
Colombian peso	4,217.06	4,202.34	3,674.52	3,688.66
Mexican peso	24.5194	24.416	21.5565	21.2202
Brazilian real	5.8943	6.3735	4.4134	4.5157
Chinese renminbi	7.8747	8.0225	7.7355	7.8205
Indian rupee	84.6392	89.6605	78.8361	80.187
British pound	0.8897	0.89903	0.87777	0.8508
Polish zloty	4.443	4.5597	4.2976	4.2568

43. 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 segments 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, 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 segments (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 segment, 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 segment 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.

INCOME STATEMENT – FY 2020(*)

	EMEA	AMERICAS	APAC	CORPORATE	ELIM.	CONSOLIDATED
Revenues from sales and services	1,123,534	249,583	182,426	-	-	1,555,543
Operating costs	(827,940)	(193,949)	(120,724)	(55,644)	-	(1,198,257)
Other income and costs	9,946	1,912	1,101	722	-	13,681
Gross operating profit by segment (EBITDA)	**305,540**	**57,546**	**62,803**	**(54,922)**	**-**	**370,967**
Amortization, depreciation and impairment						
Intangible assets amortization	(37,453)	(5,162)	(10,093)	(8,777)	-	(61,485)
Tangible asset depreciation	(35,330)	(2,247)	(8,183)	(1,962)	-	(47,722)
Right-of-use depreciation	(74,057)	(3,848)	(11,413)	(451)	-	(89,769)
Impairment losses and reversals of non-current assets	(1,711)	(1,728)	(52)	-	-	(3,491)
	(148,551)	**(12,985)**	**(29,741)**	**(11,190)**	**-**	**(202,467)**
Operating result by segment	**156,989**	**44,561**	**33,062**	**(66,112)**	**-**	**168,500**
Financial income, expenses and value adjustments to financial assets						
Group's share of the result of associated companies valued at equity and gains/ losses on disposals of equity investments	(346)	-	-	-	-	(346)
Other income and expenses, impairment and revaluations of financial assets						2
Interest income and expenses						(17,860)
Interest expenses on lease liabilities						(10,428)
Other financial income and expenses						(1,198)
Exchange gains and losses						761
Gain (loss) on assets accounted at fair value						(106)
						(29,175)
Net profit (loss) before tax						**139,325**
Current and deferred income tax						
Current income tax						(47,385)
Deferred tax						9,122
						(38,263)
Total net profit (loss)						**101,062**
Minority interests						58
Net profit (loss) attributable to the Group						**101,004**

(*)The figures of the operating segments are net of the intercompany eliminations.

INCOME STATEMENT – FY 2019

	EMEA	AMERICAS	APAC	CORPORATE	ELIM.	CONSOLIDATED
Revenues from sales and services	1,253,880	285,346	187,791	5,046	-	1,732,063
Operating costs	(954,771)	(221,645)	(132,523)	(53,908)	-	(1,362,847)
Other income and costs	1,030	844	(279)	(221)	-	1,374
Gross operating profit by segment (EBITDA)	**300,139**	**64,545**	**54,989**	**(49,083)**	**-**	**370,590**
Amortization, depreciation and impairment						
Intangible assets amortization	(38,012)	(5,582)	(9,228)	(7,712)	-	(60,534)
Tangible asset depreciation	(32,654)	(2,575)	(5,131)	(1,588)	-	(41,948)
Right-of-use depreciation	(74,242)	(3,769)	(10,035)	-	-	(88,047)
Impairment losses and reversals of non-current assets	(2,792)	(70)	(109)	-	-	(2,970)
	(147,700)	**(11,996)**	**(24,503)**	**(9,300)**	**-**	**(193,499)**
Operating result by segment	**152,439**	**52,549**	**30,486**	**(58,383)**	**-**	**177,091**
Financial income, expenses and value adjustments to financial assets						
Group's share of the result of associated companies valued at equity	188	-	-	-	-	188
Other income and expenses, impairment and revaluations of financial assets						3
Interest income and expenses						(14,387)
Interest expenses on lease liabilities						(11,357)
Other financial income and expenses						(581)
Exchange gains and losses						(445)
Gain (loss) on assets accounted at fair value						(373)
						(26,952)
Net profit (loss) before tax						**150,139**
Current and deferred income tax						
Current income tax						(47,331)
Deferred tax						5,716
						(41,615)
Total net profit (loss)						**108,524**
Minority interests						(142)
Net profit (loss) attributable to the Group						**108,666**

(*) The figures of the operating segments are net of the intercompany eliminations.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31ST, 2020(*)

(€ thousands)	EMEA	AMERICAS	APAC	ELIM.	CONSOLIDATED
Assets					
Non-current assets					
Goodwill	856,130	147,528	277,951	-	1,281,609
Intangible fixed assets with finite useful life	274,704	41,641	44,840	-	361,185
Tangible fixed assets	139,426	10,286	27,904	-	177,616
Right-of-use assets	350,450	20,585	38,303	-	409,338
Equity-accounted investments	2,002	-	-	-	2,002
Hedging instruments	4,327	-	-	-	4,327
Deferred tax assets	70,451	6,262	6,958	-	83,671
Deferred contract costs	7,047	677	53	-	7,777
Other assets	24,519	34,518	879	-	59,916
Total non-current assets					**2,387,441**
Current assets					
Inventories	46,210	8,003	3,219	-	57,432
Receivables	219,976	37,304	19,260	(52,016)	224,524
Deferred contract costs	4,553	433	65	-	5,051
Hedging instruments	-	-	-	-	-
Other financial assets					8,997
Cash and cash equivalents					545,027
Total current assets					**841,031**
Total assets					**3,228,472**
Liabilities					
Net Equity					**801,868**
Non-current liabilities					
Medium/long-term financial liabilities					1,069,321
Lease liabilities	290,960	17,075	29,315	-	337,350
Provisions for risks and charges	20,175	28,734	856	-	49,765
Liabilities for employees' benefits	23,185	135	699	-	24,019
Hedging instruments	5,963	-	-	-	5,963
Deferred tax liabilities	65,875	18,783	10,492	-	95,150
Payables for business acquisitions	22,253	10,009	-	-	32,262
Contract liabilities	117,351	10,229	2,436	-	130,016
Other long-term liabilities	11,011	333	-	-	11,344
Total non-current liabilities					**1,755,190**
Current assets					
Trade payables	132,707	39,462	22,167	(13,300)	181,036
Payables for business acquisitions	2,536	4,157	-	-	6,693
Contract liabilities	83,802	10,046	9,151	-	102,999
Other payables and tax payables	174,043	54,709	22,794	(38,716)	212,830
Hedging instruments	112	-	-	-	112
Provisions for risks and charges	3,075	485	-	-	3,560
Liabilities for employees' benefits	860	106	2,173	-	3,139
Short-term financial liabilities					75,615
Lease liabilities	68,183	5,810	11,437	-	85,430
Total current liabilities					**671,414**
Total liabilities					**3,228,472**

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

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31ST, 2019(*)

(€ thousands)	EMEA	AMERICAS	APAC	ELIM.	CONSOLIDATED
Assets					
Non-current assets					
Goodwill	839,802	126,418	249,291	-	1,215,511
Intangible fixed assets with finite useful life	291,674	30,257	45,577	-	367,508
Tangible fixed assets	158,390	10,450	27,739	-	196,579
Right-of-use assets	361,739	18,300	38,390	-	418,429
Equity-accounted investments	2,314	-	-	-	2,314
Hedging instruments	8,153	-	-	-	8,153
Deferred tax assets	73,434	3,400	4,593	-	81,427
Deferred contract costs	7,046	222	71	-	7,339
Other assets	25,270	41,256	990	-	67,516
Total non-current assets					**2,364,776**
Current assets					
Inventories	55,834	4,433	4,325	-	64,592
Receivables	217,387	50,814	26,722	(18,151)	276,772
Deferred contract costs	4,176	122	88	-	4,386
Hedging instruments	2,201	-	-	-	2,201
Other financial assets					240
Cash and cash equivalents					138,371
Total current assets					**486,562**
Total assets					**2,851,338**
Liabilities					
Net Equity					**696,115**
Non-current liabilities					
Medium/long-term financial liabilities					750,719
Lease liabilities					343,040
Provisions for risks and charges	17,620	32,406	264	-	50,290
Liabilities for employees' benefits	24,143	130	1,008	-	25,281
Hedging instruments	4,290	-	-	-	4,290
Deferred taxes	70,398	21,265	10,448	-	102,111
Payables for business acquisitions	12,876	651	-	-	13,527
Contract liabilities	124,540	8,530	1,982	-	135,052
Other long-term liabilities	8,466	183	-	-	8,649
Total non-current liabilities					**1,432,959**
Current assets					
Trade payables	127,909	40,928	23,571	(15,018)	177,390
Payables for business acquisitions	9,257	988	-	-	10,245
Contract liabilities	81,557	8,332	7,836	-	97,725
Other payables and tax payables	165,279	9,657	14,754	(3,133)	186,557
Hedging instruments	28	-	-	-	28
Provisions for risks and charges	3,650	592	-	-	4,242
Liabilities for employees' benefits	478	67	-	-	545
Short-term financial liabilities					163,947
Lease liabilities					81,585
Total current liabilities					**722,264**
Total liabilities					**2,851,338**

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

44. ACCOUNTING POLICIES

44.1. PRESENTATION OF THE FINANCIAL STATEMENTS

The condensed interim consolidated financial statements at 31 December 2020 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 for the period, the statement of comprehensive income also shows the impact of exchange rate gains and losses, changes in cash flow hedger reserve, changes in foreign currency basis spread reserve on derivative instruments and actuarial gains and losses that are recognized directly in 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 those 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.

44.2. 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:

- revenues for services rendered over time recognized based on the effort or the input expended to satisfy the performance obligation;
- allowances 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 inventories in order to align the carrying value of inventories with the estimated realizable value;
- provisions for employee benefits, calculated based on actuarial valuations;
- amortization and depreciation of intangible assets 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;
- discount rate of leases falling within the scope of IFRS 16 (incremental borrowing rate) determined with reference to the IRS (reference interbank rate used as indexation parameter for fixed-rate mortgage loans) relating to the individual countries in which the companies of the Amplifon Group, with maturities commensurate with the duration of the specific rental contract, increased by the

specific credit spread of the parent company and any costs for additional guarantees. In the rare cases where the IRS rate is not available (Egypt, Ecuador, Mexico and Panama), the risk-free rate was determined with reference to the Government Bond, always with maturities commensurate with the duration of the specific rental contract.

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 or when there are indicators of impairment. The impairment test is carried out based on the groups of cash generating units to which the goodwill is allocated and based on which the Group assesses, directly or indirectly, the return on investment which includes this goodwill.

44.3. IFRS STANDARDS/ 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
Amendments to IFRS 16 "Leases Covid 19-Related Rent Concessions" (issued on 28 May 2020)	9 Oct '20	12 Oct '20	1 Jun '20	1 Jan '20
Amendments to IFRS 3: "Business Combinations" (issued on 22 October 2018)	21 Apr '20	22 Apr '20	1 Jan '20	1 Jan '20
Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform" (issued on 26 September 2019)	15 Jan '20	16 Jan '20	1 Jan '20	1 Jan '20
Revised version of the IFRS Conceptual Framework (issued on 29 March 2018)	29 Nov '19	6 Dec '19	1 Jan '20	1 Jan '20
Amendments to IAS 1 and IAS 8: "Definition of Materiality" (issued on 31 October 2018)	29 Nov '19	10 Dec '19	1 Jan '20	1 Jan '20

The amendment to IFRS 16 "Leases Covid 19-Related Rent Concessions" introduced a practical expedient in the chapter "Lease amendments" which allows for lessees to treat any Covid-19 lease concessions granted as of 1 January 2020 as variable lease payments and not as modifications of the original lease. As a consequence, those concessions are recognized as variable lease payment, without going though a contractual amendment.

In order to apply this exemption, the following conditions must be satisfied:

- the rent concession is a direct consequence of Covid-19 and any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- there are no substantive changes to other terms and conditions of the lease.

The amendments to IFRS 3 "Business Combinations" issued on October 22, 2018, support the entities in determining whether they have acquired a business or a group of assets.

The amendment named "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform" modifies some of the requirements for the hedge accounting application, providing temporary exemptions, in order to mitigate the impact caused by uncertainty of IBOR's reform on future cash flows in the period preceding its completion. The amendment also requires to the companies to

provide in the financial statements additional information about their hedging relationship which are directly affected by uncertainties generated by the reform and to which the aforementioned exceptions apply, where applicable.

On March 29, 2019, IASB published an amendment to "References to the Conceptual Framework in IFRS Standards". The Conceptual Framework defines the fundamental concepts for financial information. The document helps ensuring that the Standard are conceptually coherent and that similar transactions are treated in the same way, in order to provide useful information to investors, lenders and other creditors.

The "Amendments to IAS 1 and IAS 8: Definition of Materiality" has the objective to clarify the definition of "materiality" in order to help societies to evaluate if an information is relevant and therefore needs to be included in the financial statements.
In particular, it is specified that an information is relevant if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Application of the practical expedient relating to concessions granted (discounts or exemptions from payments) on leases as a result of Covid-19 (Amendments to IFRS 16 "Leases Covid 19-Related Rent Concessions" issued on May 22, 2020) had a positive impact on the income statement of Euro 9,683 thousand, as described in paragraph 2.

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

44.4. FUTURE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

IFRS Standards/ interpretations approved by the IASB and endorsed in Europe

The following table shows the IFRS Standards/ interpretations approved by the IASB and endorsed in Europe whose mandatory effective date is after December 31, 2020.

Description	Endorsement date	Pubblication	Effective date	Effective date for Amplifon
Amendments to IFRS 4 "Insurance Contracts – deferral of IFRS 9" (issued on June 25, 2020)	15 Dec '20	16 Dec '20	1 Jan '21	1 Jan '21
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (issued on August 27, 2020)	1 Jan '21	13 Jan '21	14 Jan '21	1 Jan '21

The amendment to "IFRS 4 "Insurance Contracts – deferral of IFRS 9" supports the companies implementing the new standard IFRS 17, and it makes it easier to show their financial performance.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" integrate those issued in 2019. The amendments referred in phase 2, address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate (i.e. replacement issue) and assist companies in the application of IFRS when changes are made to contractual cash or hedging relationship due to the interest rates reform and in providing useful information to users of the financial statements.

International Financial Reporting Standards and interpretations approved by the IASB but not yet endorsed in Europe

The International Financial Reporting Standards, interpretations and amendments to existing standards and interpretations, or specific provisions included in the standards and interpretations, approved by IASB, but not yet endorsed for adoption in Europe on 31 December 2020 are listed below:

Description	Effective date
IFRS 17 "Insurance Contracts" (issued on 18 May 2017)	Periods beginning on or after 1 Jan '23
Amendments to IAS 1: "Presentation of Financial Statements – Classification of liabilities as current or non-current" (issued on 23 January 2020)	Periods beginning on or after 1 Jan '23
Amendments to: • IFRS 3 Business Combinations • IAS 16 Property, Plant and Equipment • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020 (All issued on 14 May 2020)	Periods beginning on or after 1 Jan '22
Amendments to IAS 1: "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies" (issued on 12 February 2021)	Periods beginning on or after 1 Jan '23
Amendments to IAS 8: "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates" (issued on 12 February 2021)	Periods beginning on or after 1 Jan '23

The IFRS 17 Insurance Contracts, is a new complete standard relative to insurance contracts which covers detection and measurement, presentation and disclosure. Such principle will replace the IFRS 4 Insurance Contracts, issued in 2005. IFRS 17 applies to all kinds of insurance contracts regardless the type of entity issuing them, as well as certain guarantees and financial instruments with discretionary participation characteristics.

On January 23, 2020 IASB issued the amendments to the classification of liabilities as current or non-current, providing a more general approach of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

On May 14. 2020 IASB issued the following amendments:

- Amendments to IFRS 3 "Reference to the Conceptual Framework", in order to: (i) complete the updating of the references to the Conceptual Framework for Financial Reporting present in the accounting standard; (ii) provide clarification on the prerequisites for the recognition, on the acquisition date, of funds, contingent liabilities and tax liabilities (so-called levy) assumed as part of a business combination transaction; (iii) make it clear that potential assets cannot be recognized as part of a business combination;
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", aimed at defining that the revenues from the sale of goods produced by an asset before it is ready for its intended use are charged to the income statement together with the related production costs;
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" aimed at providing clarifications on how to determine the cost of an onerous contract;
- "Annual Improvements to IFRS Standards 2018- 2020 Cycle containing amendments, essentially of a technical and editorial nature, of the accounting principles.

The amendments to IAS 1 and IAS 8 are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.

The IASB also published in consultation the proposal to extend the application period of the amendment to IFRS 16 "Leases" issued in 2020 by one year to help lessees who, due to Covid-19, benefit from suspension of payments due for leasing.

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

44.5. SUBSIDIARIES

The consolidation area includes companies which are controlled by the Group. Control is defined as the power to influence the financial and operating policies of a company. The existence of control over a company is determined on the basis of: (i) voting rights, including potential ones, that the Group is entitled to and by virtue of which the Group may exercise a majority of the votes that can be cast at ordinary Shareholders' meetings; (ii) the content of possible agreements between shareholders or the existence of specific clauses in the entity's by-laws which grant the Group the power to manage the company; (iii) control by the Group of a sufficient number of votes to exercise de facto control at ordinary Shareholders' meetings of the company.
Income statement items are included in the consolidated financial statements starting from the date control is acquired and up to the date such control ceases. All payables and receivables, as well as the revenue and expense items deriving from transactions between companies included in the consolidation are eliminated entirely; capital gains and losses deriving from transfers of assets between consolidated companies are also eliminated, as are the profits and losses arising from transfers of assets between consolidated companies that come to form inventories of the acquiring company, write-downs and reversals of holdings in consolidated companies, and intragroup dividends. Assets, liabilities, costs and revenues of subsidiaries are recorded in full, allocating to minority shareholders their share of net equity and of the net result.
The financial statements of subsidiaries are adjusted in order to make the measurement criteria consistent with those adopted by the Group.

The closing dates of subsidiaries are aligned with that of the parent company; where this is not the case, the subsidiaries prepare appropriate financial statements for consolidation purposes.

44.6. JOINTLY CONTROLLED COMPANIES

A joint control arrangement is an agreement based on which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
There are two types of joint control arrangements: joint operations and joint ventures.
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are referred to as joint operators and each joint operator recognizes the proportionate share of the assets, liabilities, costs and revenue relative to the jointly operated activity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers. A joint venturer recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method.

44.7. ASSOCIATED COMPANIES

Investments in associates are accounted for using the equity method. A company is considered an associate if the Group participates in decisions relating to the company's operating and financial policies even if the latter is not a subsidiary nor subject to joint control. Under the equity method, on

initial recognition, an investment in an associate is recognized at cost in the statement of financial position and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The goodwill relating to the associate is included in the carrying amount and is not subject to amortization. The profits generated as a result of transactions carried out by the Group with associates are eliminated to the extent of the Group's interest in the associate. The financial statements of companies accounted for based on the equity method are adjusted to be in line with the Group's accounting policies.

44.8. BUSINESS COMBINATIONS

Business combinations are accounted for in the financial statements as follows:

- acquisition cost is determined on the basis of the fair value of assets transferred, liabilities assumed, or the shares transferred to the seller in order to obtain control;
- the determination of the values of the assets and liabilities of the acquiree is made provisionally until the activities of determining the fair value of the assets and liabilities are completed. The completion of these activities must in any case take place within 12 months of the acquisition, where the latter are counted from the date on which the acquisition took place and accounted for the first time. If, in the period in which the allocation is made provisionally, different values should emerge from those initially recorded following new information on facts and circumstances that in any case existed at the acquisition date, the recognized values are adjusted retrospectively;
- acquisition- costs related to business combinations are recognized in the income statement for the period in which the costs were incurred;
- the fair value of the shares transferred is determined according to the market price at the exchange date;
- where the agreement with the seller provides for a price adjustment linked to the profitability of the business acquired, over a defined timeframe or at a pre-established future date (earn-out), the adjustment is included in the acquisition price as of the acquisition date and is measured at fair value as at the date of acquisition;
- at the acquisition date, the assets and liabilities, including contingent ones, of the acquired company are recognized at their fair value at that date. When determining the value of these assets we also consider the potential tax benefits applicable to the jurisdiction of the acquired company;
- when the carrying amounts of assets, liabilities and contingent liabilities recorded differ from their corresponding tax base at the acquisition date, deferred tax assets and liabilities are recognized;
- any difference between the acquisition cost of the investment and the corresponding share of the net assets acquired is recorded as goodwill, if positive, or it is charged to the income statement, if negative;
- income items are included in the consolidated financial statements starting from the date control is acquired and up to the date control ceases.

44.9. FUNCTIONAL CURRENCY, PRESENTATION CURRENCY AND TRANSLATION CRITERIA APPLIED TO FOREIGN CURRENCY ITEMS

The consolidated financial statements of the Amplifon Group are presented in Euros, the functional currency of the parent company, Amplifon S.p.A.

The financial statements of subsidiaries and jointly-controlled companies are prepared in the functional currency of each company. When this currency differs from the reporting currency of the consolidated financial statements, the financial statements are translated using the current exchange rate method: income statement items are translated using the average exchange rates of the year, asset and liability items are translated using year-end rates and net equity items are translated at historical rates. Exchange differences are recorded under "translation difference" in the consolidated net equity; when the company is disposed of, the cumulative differences booked in net equity are taken to the income statement.

Foreign currency transactions are recorded at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currency and valued at cost are reported at the exchange rate used upon initial recognition. Non-monetary assets and liabilities denominated in foreign currency and recognized at fair value, at recoverable value, or realizable value, are translated using the exchange rate of the date when the value was determined.

Any exchange rate differences arising from the settlement of monetary assets and liabilities or from the translation at exchange rates that are different from those used upon initial recognition, during the year or in previous financial statements, are recognized in the income statement.

44.10. INTANGIBLE FIXED ASSETS

Intangible assets purchased separately and those acquired through business combinations carried out prior to the adoption of the IFRS are initially measured at cost, whilst those acquired through business combinations completed after the date of transition to IFRS, are initially measured at fair value. Expenditure incurred after the initial acquisition is recorded as an increase in the cost of the intangible asset to the extent that the expenditure can generate future economic benefits.

Intangible assets having a finite useful life are amortized systematically over their useful lives and written down for impairment (see section 44.13). Amortization begins when an asset is available for use and ceases at the time of termination of the useful life or when an asset is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortization criterion are periodically reviewed and, where significant changes have occurred compared to the previously adopted assumptions, the amortization charge for the current year and subsequent ones is adjusted.

The periods of amortization are shown in the following table:

Asset type	Years
Software	3-10
Licenses	1-15
Non-competition agreements	5
Customer lists	10-20
Trademarks and concessions	3-15
Other	5-9

44.11. GOODWILL

Goodwill is recognized in the financial statements following business combinations and is initially recorded at cost, which is the excess of the cost of acquisition over the Group's share in the fair values of the assets, liabilities and contingent liabilities acquired.

Goodwill is classified as an intangible asset. As of the acquisition date, the goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are allocated to those units or groups of units.

Subsequent to initial recognition, goodwill is not amortized but valued at cost less any cumulative impairment losses (see section 44.13).

44.12. TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded at purchase or production cost, inclusive of ancillary costs that are directly attributable to the assets.

The carrying amount upon initial recognition of tangible fixed assets, or their significant elements (except for land), net of their residual value, is depreciated on a straight-line basis over their useful life and is written down for impairments (see section 44.13). Depreciation starts when the asset becomes available for use and ceases at the time of termination of the useful life or when it is classified as held for sale (or included as part of a disposal group classified as held for sale). The useful life and the depreciation rate, as well as the residual value, are periodically reviewed and, where significant changes have occurred compared to the previously adopted assumptions, the depreciation charge for the current year and subsequent ones is adjusted.

Maintenance costs that do not add value to an asset are charged to the income statement in the year in which they are incurred. Maintenance costs that add value to an asset are recorded with the fixed asset item to which they relate and are depreciated on the basis of the future remaining useful life of the asset.

Leasehold improvements, such as to premises, shops and branches held under operating leases, are capitalized and depreciated over the shorter of the term of the lease and the useful life of the tangible asset installed.

The periods of depreciation are shown in the following table:

Asset type	Years
Buildings, constructions and leasehold improvements	5-25
Plant and machinery	5-16
Industrial and commercial equipment	4-10
Motor vehicles	3-9
Computers and office machinery	3-7
Furniture and fittings	3-10
Other tangible fixed assets	4-8

44.13. IMPAIRMENT OF INTANGIBLE FIXED ASSETS, TANGIBLE FIXED ASSETS, INVESTMENTS IN ASSOCIATED COMPANIES AND GOODWILL

The Group checks the recoverable value of an asset whenever an impairment indicator exists and, for intangible fixed assets with an indefinite life, other tangible assets and goodwill, the assessment is carried out yearly. The recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value in use.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Value in use is determined with reference to the present value of the estimated future cash flows that are expected to be generated by the continued use of an asset and its disposal at the end of its useful life, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks associated with the asset. Where the value in use of a specific asset cannot be determined due to the fact that the asset does not generate independent cash flows, value in use is estimated with reference to the cash-generating unit to which the asset belongs.

With regard to goodwill, the impairment test is performed for the smallest cash-generating unit that the goodwill relates to and which is used by the Group to evaluate, either directly or indirectly, the return on the investment which includes the goodwill itself.

Impairment losses are recognized in the income statement when the carrying value of an asset is higher than its recoverable value. Except for goodwill, for which impairment losses cannot be reversed, when there is an indication that an impairment loss is no longer justified or may have decreased, the carrying value of the asset is adjusted to its recoverable value. The increased carrying value of an asset due to an impairment reversal cannot, however, exceed the carrying value that the asset would have had (net of the write-down or depreciation) if the impairment had not been recognized in previous years. The reversal is immediately recognized in the income statement.

44.14. LEASES

When a contract is signed the Group assesses whether a contract is or contains a lease, namely if the contract conveys the right to use an asset for a period of time in exchange for consideration.

Accounting policies applicable to the Group as a lessee

The Group uses a single model to recognize and measure all leases, with the exception of short-term leases and leases for low value assets. The Group recognizes the lease liabilities and the right-of-use asset, namely the right to use the lease's underlying asset.

Right-of-use assets

The Group recognizes the right-of-use assets as of the commencement date of the lease (namely the date on which use of the underlying asset is conveyed). The right-of-use assets are valued at cost, net of any accumulated depreciation and impairment losses, adjusted to reflect any restated lease liabilities. The costs for the right-of-use assets include the lease liabilities recognized, the initial direct costs incurred and the lease payments made as of the commencement date or before the commencement date net of any incentives received.

The right-of-use assets are amortized on a straight-line basis from the commencement date to the end of their useful life consistent with the right granted or, if before, the end of the lease term.

The right-of-use assets are subject to impairment testing. Please refer to section 44.13. Loss of value of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes a lease liability equal to the payments that must be made in the future under the lease. The payments owed include fixed lease payments less any lease incentives, variable lease payments linked to an index or a rate, and the guaranteed residual amount due. The lease payments also include the exercise price of a purchase price if it is

reasonably certain that the option will be exercised by the Group and any penalties for terminating the lease contemplated in the lease if the duration of the lease takes into account the exercise by the Group of the option to terminate the lease itself.

Variable lease payments that are not linked to an index or a rate are recognized as a cost in the period in which the event or the condition triggering the payment occurred.

When calculating the present value of payments owed, the Group uses the marginal borrowing rate at the commencement date if the implied borrowing rate is not easily determined. After the commencement date the amount of the lease liabilities will be increased in order to reflect interest owed and decreased to reflect payments made. The book value of the lease liabilities will also be restated if any changes are made to the lease terms or payment terms; it will also be restated if the value of the purchase option on the underlying asset is changed or if any changes in the index or rate used to determine future payments occur.

Concessions deriving from the effects of Covid-19

The Group applies the practical expedient that allows the lessee to disregard any concessions on the payment of rents received from 1 January 2020 and resulting from the effects of Covid-19 as a modification of the original contract changes. Therefore, the aforementioned concessions are accounted for as positive variable fees without going through a contractual amendment.
This exemption applies when the following conditions are met:

- the granting of payments is a direct consequence of the Covid-19 pandemic and the reduction in payments refers only to those originally due until June 2021;
- the change in payments has left unchanged, with respect to the original conditions, the same amount to be paid, or has reduced the amount;
- there are no substantial changes to other contractual terms or conditions of the lease.

Short-term leases and low value assets

The Group applies the exemption relative to leases for low value assets like, for example PCs, printers, electronic equipment and short-term leases, namely leases with a term of less than 12 months without purchase options, with the exception of the assets classed as "stores". The rent payable under short-term leases and leases for low value assets are recognized as costs on a straight-line basis over the lease term.

The Group as lessor

Leases which leave all the risks and benefits associated with ownership of the asset are classified as operating leases. Lease income stemming for the operating lease must be recognized on a straight-line basis over the lease term and recognized as revenue in the income statement. The initial negotiation costs are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term. Unplanned leases are recognized as revenue in the period in which they mature.

Subleases

The Group, as an intermediate lessor in a subleasing contract, classifies a sublease as a finance or operating lease as follows:

a) If the head lease is accounted for as a short-term lease, for which the Group has made use of the practical expedient, the sublease is classified as an operating lease;
b) otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (for example, property unit, leased plants or machinery).

More in detail, if the sub-lease is classified as an operating lease, the head lessor continues to recognize the lease liabilities and the right-of-use assets in the head lease like any other lease.
If the net book value of the right-of-use asset in the head lease exceeds the income expected from the sub-lease, this might indicate that there has been a loss in the value of the right-to-use asset in the head lease. The loss in value of a right-of-use asset is measured in accordance with IAS 36.

If the sub-lease is classified as a finance lease, the head lessor eliminates the right-of-use asset from the head lease as of the commencement date of the sub-lease and continues to recognize the original lease liability as per the lessee's accounting model.

44.15. FINANCIAL ASSETS AND LIABILITIES

44.15.1 Financial assets (excluding derivatives)

The Group's financial assets are classified based on the business model used to manage them and the nature of the relative cash flows.

a) Financial assets valued at amortized cost

Financial assets that meet the following requirements are classified in this category:
(i) assets held as part of a business model where the objective of the entity's business model is collecting contractual cash flows; and
(ii) the cash flows contemplated under the contract refer solely to payments of principal and interest on the amount of principal to be repaid.

These are mainly trade receivables, loans and other receivables.

The trade receivables without a significant financing component are recognized at the price of the relative transaction (determined in accordance with IFRS 15 Revenue from contracts with customers).

The other receivables and loans are recognized in the financial statements at fair value plus any ancillary costs attributable directly to the transactions that generated them.

After initial recognition, the effective interest rate applied to financial assets measured at amortized cost, with the exception of receivables without a significant financing component, is used to determine interest income which is recognized in profit or loss. The effects of this measurement are recognized among the financial components of income.

With reference to the impairment model, the Group evaluates the receivables by adopting an expected loss logic.

The Group used a simplified approach to measure trade receivables which does not call for periodic adjustments of the credit risk nor of the expected credit loss ("ECL") calculated over the life of the receivable ("lifetime ECL").
More in detail, the policy implemented by the Group calls for the stratification of trade receivables broken down into similar risk categories. Different percentages of impairment are applied to these categories based on the expected level of recoverability which refer to historical percentages and any forward-looking elements that could affect recoverability. The trade receivables are written off entirely if there is not a reasonable expectation of recoverability (i.e. past due above a certain level, bankruptcy and/or legal proceedings).

The Group uses a general approach for the measurement of the long-term financial receivables relating to the loans granted by American subsidiaries to franchisees and members of the Elite network in order support investment and development in the United States which requires the checking of any increase in the credit risk at the end of each reporting period.

Impairment recognized pursuant to IFRS 9 is presented in the income statement, net of any positive effects stemming from releases or reversals, as operating costs.

b) Financial assets at fair value recognized through the comprehensive income statement ("FVOCI")

Financial assets that meet the following requirements are classified in this category:
(i) assets held as part of a business model where the objective of the entity's business model is collecting contractual cash flows and selling the assets; and
(ii) the cash flows contemplated under the contract refer solely to payments of principal and interest on the amount of principal to be repaid.

These include trade receivables that the Group sometimes used in factoring without recourse transactions.

These assets are initially recognized in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions generating them. After initial recognition, the measurement is updated and any changes in fair value are recognized in the comprehensive income statement.
The impairment model used is describe in a) above.

c) Financial assets at fair value recognized through the consolidated income statement ("FVPL")

Financial assets which are not classified in the other categories (i.e. residual category). These are mainly derivatives.

Assets belonging to this category are initially recognized at fair value.

The ancillary costs incurred when the asset is recognized are immediately recognized in the consolidated income statement. After initial recognition, the FVPL are measured at fair value.

The gains and losses stemming from changes in fair value are recognized in the consolidated income statement for the reporting period under "Gains (losses) from assets measured at fair value".

The purchases and disposals of financial assets are accounted for on the settlement date.

Financial assets are derecognized from the financial statements when the related contractual rights expire, or when the Group transfers all the risks and rewards of ownership associated with the financial asset.

44.15.2. Financial liabilities (excluding derivatives)

Financial liabilities include financial payables, lease obligations and trade payables. Amounts payable to banks and other lenders are initially recognized at fair value less any directly attributable transaction costs and subsequently valued at amortized cost based on the effective interest rate. If there is a change in the forecast cash flow the value of the liabilities is recalculated in order to reflect this change based on the present value of the new future cash flows and the internal rate of return initially determined.

Whenever legal rights to compensation arise, the Group decides whether or not to show cash and

cash equivalents net of bank overdrafts.

Trade payables are obligations to pay for goods and services acquired from suppliers as part of general business operations. The amounts owed suppliers are classified as current liabilities if the payment will be made within a year of the relative reporting period. Conversely, these payables are classified as non-current liabilities.

The trade and other payables are initially measured at fair value and subsequently using the amortized cost method.
When a financial liability is hedged against interest rate risk in a fair value hedge, any changes in fair value due to the hedged risk are not included in the amortized cost calculation. These changes are amortized starting from the moment fair value hedge accounting is discontinued.

With regard to lease liabilities, please refer to section 44.14. Leases.

Financial liabilities are derecognized when the underlying obligation is extinguished, cancelled or fulfilled.

Contractual amendments relating to financial liabilities are assessed from a qualitative and quantitative point of view (using the 10% test) to determine whether they are of a substantial nature and therefore require a derecognition of the original debt In the event of non-substantial amendments, the Group recognizes the impact of those changes in the income statement.

In the case of put and call granted to minority shareholders and which guarantee them the settlement in cash in exchange for available liquidity or other financial assets, the Group, in accordance with IAS 32, records a financial liability equal to the best estimate of the exercise price of the option. This liability is subsequently remeasured at each closing date. Based on the Group's accounting policy any change in the value of the liability is recognized in net equity.

44.15.3. Derivative financial instruments

As of 1 January 2019 the Amplifon Group opted to apply the provisions of IFRS 9 relating to hedge accounting, rather than the provisions of IAS 39 used in the past.

The Group enters into derivative financial instruments for the purpose of neutralizing the financial risks it is exposed to and which it decides to hedge in accordance with its adopted strategy (see section 41).

The documentation which formalizes the hedging relationship for the purpose of the application of hedge accounting includes the identification of:

- the hedging instrument;
- the hedged item or transaction;
- the nature of the risk;
- the methods that the company intends to adopt to assess the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged item or the cash flows associated with the risk that is hedged against.

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

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

the derivative are taken to profit and loss; at the same time, any fair value changes due to the hedged risk are recorded as an adjustment to the book value of the hedged item and the same amount is recorded in the income statement; any ineffectiveness of the hedge is recognized in profit and loss in an item separate from that in which changes in the fair value of the hedging instrument and the hedged item are recognized;

(iii) if these instruments qualify as cash flow hedges, starting from that date, any changes in the fair value of the derivative are recognized in net equity, but only to the extent of the effective amount of the hedge, with the amount of any hedge ineffectiveness being recognized in the income statement; changes in the fair value of the derivative that are recognized in net equity are subsequently transferred to the income statement in the period in which the transaction that is hedged against affects the income statement; when the hedged item is the purchase of a non-financial asset, changes to the fair value of the derivative taken to equity are reclassified and adjusted according to the purchase cost of the asset which is the hedged item (referred to as basis adjustment);

(iv) if these instruments qualify as hedges of net investment of a foreign operation, starting from that date any changes in the fair value of the derivative are adjusted as part of the "translation difference", to the extent of the effective amount of the hedge and the ineffective portion is charged to the income statement;

(v) hedging is carried out by the designated instrument, considered as a whole. In the case of options or forward contracts, however, only part of the derivative instrument is designated as the hedging instrument; the remainder is recognized in the income statement. More specifically, in the case of options, only the changes in fair value due to changes in the intrinsic value are designated as a hedging instrument; conversely, fair value changes of options due to changes in the time value are recognized in the income statement and are not considered in the assessment of the hedge effectiveness. In the case of forward contracts, only changes in fair value due to changes in the spot rate are designated as a hedging instrument; conversely fair value changes due to changes in the forward points are recognized in the income statement and are not considered in the assessment of the hedge effectiveness.

If the hedge becomes ineffective or the Group changes its hedging strategies, hedge accounting is discontinued. In particular, hedge accounting is discontinued prospectively when the hedge becomes ineffective or when there is a change in the hedging strategies.

If, in a fair value hedge, the hedged item is a financial instrument measured using the effective interest rate method, the adjustments made to the book value of the hedged item are amortized starting from the date when fair value hedge accounting is discontinued and the hedged item is no longer adjusted for fair value changes attributable to the hedged risk.

Financial instruments hedging exchange rate risk due to forecasted transactions and firm commitments are represented on the statement of financial position according to the cash-flow hedge accounting model.

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

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

44.16. INVENTORIES

Inventories are valued at the lower of purchase or production cost and their net realizable value, represented by their open market value. Inventories are valued using the weighted average cost method.

44.17. CASH AND CASH EQUIVALENTS AND FINANCIAL ASSETS

The item cash and cash equivalents comprise liquid funds and financial investments with a maturity, at the acquisition date, of less than three months and for which there is an insignificant risk of a change in value. These financial assets are recorded at their nominal value.

44.18. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a specific nature which are certain or probable and whose amount or timing is uncertain at the reporting date.

Provisions are recognized if the following conditions apply: (i) the Group has a present obligation (legal or constructive) that has arisen as a result of a past event; (ii) it is probable that the fulfilment of the obligation will require the use of resources which produce economic benefits; (iii) the amount can be estimated reliably.

The amount recognized as a provision in the financial statements represents the best estimate of the expenditure required by the company to settle the obligation at the reporting date or to transfer it to a third party.

The amount recognized as a provision in the financial statements represents the best estimate of the expenditure required by the company to settle the obligation at the reporting date or to transfer it to a third party.

Specifically:

- the agents' leaving indemnity includes the estimate of amounts due to agents, calculated using actuarial methods and having regard to the probability that such amounts will be paid, as well as the expectations as to the time of payment;
- the warranty and repair provision includes the estimate of costs for warranty services to be provided on products sold, calculated on the basis of historical/statistical data and the warranty period;
- the provision for risks arising from legal disputes includes the estimate of charges relating to legal disputes with employees or agents or associated with the provision of services.

44.19. EMPLOYEES' BENEFITS

Post-employment benefits are defined on the basis of pension plans, even if not formalized, which due to their characteristics can be classified as either defined-contribution or defined-benefit plans.

Under a defined-contribution plan the company's obligation is limited to the payment of the contributions agreed with the employees and it is determined on the basis of the contributions due at the end of the period, as reduced by any amounts already paid.

Under defined-benefit plans the liability recorded in the books is equal to: (a) the present value of the defined-benefit obligation at the reporting date; (b) plus any actuarial gains (minus any actuarial

losses); (c) less any past service costs that have not yet been recorded; (d) less the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Under defined-benefit plans, the cost charged to the income statement is equal to the algebraic sum of the following elements: (a) current service cost; (b) the financial charges arising from the increase in liability due to the passage of time; (c) the expected return on plan assets; (d) past service cost; (e) the effect of any curtailments or settlements under the plan.

Actuarial gains and losses are recognized in other comprehensive income.

Net financial charges on defined-benefit plans are recognized in profit or loss under financial income and charges.

44.20. STOCK GRANTS

The Group grants the right to participate in share capital plans (stock grants) to certain top executives and other beneficiaries who hold key positions within the Group. Stock grants are equity settled, and the beneficiary receives a free allotment of shares in Amplifon S.p.A. at the end of the vesting period.

The relative fair value is recognized in the income statement under personnel expenses over the period from the date they are granted to the vesting date and a corresponding amount is recorded in a net equity reserve. The fair value of stock grants is determined at the date they are granted, taking account of the market conditions at that date.

At each reporting date, the Group reviews the assumptions about the number of rights which are expected to be exercised and records the effect of any change in estimate in the income statement adjusting the corresponding net equity reserve.

In case of free stock allotment (i.e. "stock grant"), the corresponding increase in net equity is recognized at the end of the vesting period.

44.21. REVENUES

Revenues from contracts with clients

The revenues from contracts with customers are recognized in accordance with IFRS 15.

Based on the five-step model introduced in IFRS 15, the Group records revenue after having identified the contracts with its customer and the relative performance obligations (transfer of control of goods and/or services), determined the consideration to which it is entitled upon satisfaction of each of the obligations, as well as the way these obligations will be satisfied (at a point in time or over time).

The Group will recognize revenue once the criteria for the identification of the contract with the customer are satisfied, the parties are involved in fulfilling the respective obligations and it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods and services transferred to the customer.

The main performance obligations identified by the Amplifon Group involve: the hearing aid and fitting, which represent a single inseparable performance obligation, after sales care, extended warranties which are above and beyond normal supplier warranties, the material rights (discounts on future purchases and loyalty points) and accessories (batteries, cleaning kits) provided to the customer.

The goods and services may be sold separately or bundled.

The transaction price, which represents the amount the entity expects to receive from the customer for the goods and services provided, is allocated based on the stand-alone selling prices of the relative performance obligations.

The stand-alone selling price is determined based on observable prices when available, while for goods and services not sold separately (for example after sales services) and when observable market prices are not available the cost plus a margin method is used.

Any commercial discounts are allocated to the different performance obligations that make up the bundle sold to the customer, with the exception of after sales services in proportion to the weight of the relative stand-alone selling price.

Revenues are recognized when control of the goods and services has been transferred to the customer and performance obligations have been satisfied. This can happen at a point in time or over time.

Revenues realized over time, represented typically by after sales services, extended warranties, and accessories supplied over time, are recognized based on the level to which the different contractual performance obligations have been satisfied. More in detail, transfer over time is measured based on the input method, namely taking into account the work done (inputs) by the Group to fulfill each performance obligation.
The up-front fee paid by franchisees is considered a revenue stream generated over time and is recognized over the life of the franchising agreement.

Revenues realized at a point in time refer to the transfer of goods and services that the customer receives and consumes at the same time.
These are generally attributable to the sale of hearing aids and relative fitting, accessories and a few services that are sold separately. In these situations, revenue is recorded when control of the good of service is transferred to the customer.

The performance obligation to transfer control of the goods and services over time is recognized under "Contractual liabilities".
The Group incurs costs to acquire and fulfill contracts over time. These costs, which typically include commissions and bonuses paid to employees and agents for each sale made that will be recovered through the revenues generated by the contract, are capitalized as contract costs and amortized based on the progress made in transferring the goods and services to the customer over time.

The contract costs are recognized as assets in a specific line of the financial statement (Short-term and long-term deferred assets arising from contract costs).

Public contributions

Public contributions received are presented as a reduction of the reference cost item or are shown among other revenues/income when not directly attributable to a specific cost item, taking into account the nature of the contribution itself. They have acquired greater importance following the Covid-19 emergency, considering that the Group has enjoyed contributions and concessions from the various government authorities (as well as concessions relating to the lease contracts described in paragraph 44.14), such as contributions on the cost of work and contributions to support the business.

44.22. DIVIDENDS

The dividends are recognized as profit (loss) for the year only when:

a) the entity's right to receive a dividend arises;
b) it's likely that the economic benefits stemming from the dividend will flow to the entity; and
c) the amount of the dividend can be reliably measured.

44.23. CURRENT AND DEFERRED INCOME TAXES

Current income tax payables and receivables are recorded at the amount that is expected to be paid to/received from the tax authorities at the rates enacted or substantially enacted, and the laws in force at the reporting date.

Deferred tax assets and liabilities are recognized on temporary differences between the value of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred income taxes are not recognized: (i) when they derive from the initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and which, at the time of the transaction, does not affect either the accounting profit or the taxable profit /loss; (ii) when they relate to temporary differences related to investments in subsidiaries and joint ventures, where the reversal of temporary differences may be controlled and it is probable that it will not occur in the foreseeable future.

Deferred tax assets, including those arising from unused tax losses and tax credits, are recorded only to the extent their recovery is highly probable.

Deferred tax assets are not discounted to present value and are calculated using the tax rates that are expected to apply when the taxes are paid or settled in the respective countries where the Group operates.

Deferred tax assets and liabilities are debited or credited directly to net equity if they relate to elements which are recognized directly in net equity. Deferred tax assets and liabilities are recorded respectively under non-current assets and liabilities and are offset only when a legally enforceable right to offset current tax assets against current tax liabilities exists and this will result in a lower tax charge. Moreover, when there is a legally enforceable right of set-off, deferred tax assets and deferred tax liabilities are offset only if at the time of their reversal they will not generate any current tax asset or liability.
When an asset is revalued for tax purposes and the revaluation does not relate to an accounting revaluation of an earlier period, or to one that is expected to be carried out in a future period, deferred tax assets are recognized in the income statement on the temporary difference arising as a result of the revaluation.

The current and deferred tax assets and liabilities must be recognized and measured in accordance with IAS 12 namely based on the taxable income (losses), the amounts for tax purposes, unused tax losses, unused tax credits, and tax rates determined based on IFRIC 23.

In the presence of uncertainties in the application of tax legislation, in accordance with IFRS 23 interpretation, the Group:

(i) in cases where it deems probable that the tax authority will accept the uncertain tax treatment, it determines the income taxes (current and/or deferred) to be recognized in the financial statements according to the tax treatment applied or which it plans to apply at the time of tax declaration;

(ii) in cases where it deems unlikely that the tax authority will accept the uncertain tax treatment, it reflects such uncertainty in the determination of income taxes (current and/or deferred) to be recognized in the financial statements;
(iii) the uncertain tax asset/liability are to be represented in the items that include the assets and liabilities for income taxes and not in other balance sheet items.

44.24. VALUE ADDED TAX

Revenues, costs and assets are recognized net of valued added tax (VAT), except where VAT applied to the purchase of goods or services is non-deductible, in which case it is recognized as part of the purchase cost of the asset or as part of the expense recorded in the income statement.

The net amount of indirect tax on sales which may be recovered from/paid to the Tax Authorities is included in the financial statements under other receivables or payables, depending on whether it is a debit or a credit balance.

44.25. SHARE CAPITAL, TREASURY SHARES, DIVIDEND DISTRIBUTION AND OTHER NET EQUITY ITEMS

Ordinary shares issued by the parent company Amplifon S.p.A. are classified as part of net equity. Any costs incurred to issue new shares, are classified as a reduction of net equity.

Purchases and disposals of treasury shares, as well as any gains or losses on purchase/disposal, are recognized in the financial statements as changes in net equity. Dividends distributed to the shareholders are recorded as a reduction in net equity and as a liability of the period when the dividend payment is approved by the Shareholders' Meeting.

44.26. EARNINGS (LOSS) PER SHARE

Earnings per share is determined by comparing the Group's net profit to the weighted-average number of shares outstanding during the accounting period. For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming the conversion of all potential shares with a dilutive effect.

44.27. ACCOUNTING STANDARDS FOR HYPERINFLATIONARY COUNTRIES

The Group companies operating in hyperinflationary countries (Argentina) restate non-monetary assets and liabilities found in their original financial statements in order to eliminate any distortions due to the currency's loss of purchasing power. The inflation rate used in this instance corresponds with the consumer price index.
The companies operating in countries in which the cumulative three-year rate of inflation is close to or exceeds 100% use the hyperinflationary accounting measures and cease to do so when the cumulative three-year rate of inflation falls below 100%.
The gains or losses on the net monetary position are recorded in the income statement.
The financial statements drafted in currencies other than the euro by Group companies operating in hyperinflationary countries are converted into euros based on the exchange rate at the end of the reporting period both for balance sheet items and for economic ones.

45. SUBSEQUENT EVENTS

On 3 March 2021 the Board of Directors definitively approved the project to redefine Amplifon S.p.A.'s corporate structure consistent with the changes in the Group's organizational structure and multinational identity. This transaction will be done through the contribution in kind of the operations pertaining to the country Italy branch as consideration for the capital increase reserved for Amplifon, which will be resolved upon by Amplifon Italia S.r.l., a wholly-owned subsidiary of Amplifon S.p.A. Once the transaction is finalized, Amplifon S.p.A. will be responsible for the definition and development of the strategic direction and coordination of the entire group, while Amplifon Italia will be responsible for the operations of country Italy.
In order to implement the Transaction, (i) the shareholders of Amplifon Italia will resolve on a divisible share capital increase for cash, with a share premium, for a maximum of up to EUR 25 million, and (ii) at the same time, Amplifon and Amplifon Italia will sign a deed of transfer which will contain the exact definition of the goods to be transferred, as well as a list of all the assets and liabilities pertaining to the business being transferred. The same shareholders' meeting of Amplifon Italia will also resolve on the transformation into a joint stock company effective as of the day of the transfer, as well as the appointment of, effective as of the same date, the Board of Directors, the Board of Statutory Auditors and the external auditors.
Amplifon's Board of Directors has decided to not proceed, at the moment, with the contribution in kind of the business branch pertaining to the support, operational coordination and service activities currently carried out by Amplifon for the Group.
Currently these transactions are expected to be finalized in the first half of 2021.
With a view to providing comprehensive information about the Transaction, even though Amplifon exercised the right to waive the mandatory publication of a prospectus for acquisitions and disposals pursuant to Art. 71 of CONSOB Regulation no. 11971of May 14th, 1991 (as subsequently amended, the "Regulations for Issuers"), a Transaction prospectus, voluntarily prepared, will be made available to the public within the timeframe indicated in Art. 71 of the Regulations for Issuers.

The Group's external growth continued in the first months of 2021 with the acquisition of 98 stores in Italy, Germany, France and Israel.

The exercise of Performance Stock Grants continued in the year and a total of 50,950 treasury shares were transferred to the beneficiaries.
As at the date of this report, the Company has a total of 1,551,696 treasury shares or 0.685% of the share capital.

The current developments in the Covid-19 pandemic and the spread of new variants, as well as the uncertainty as to the timing of vaccination rollouts in the various countries, limit the visibility for the next few months and require that the Group continue to exercise a certain level of caution. Despite the restrictive measures in place in different countries and the retail hearing care market, which is still slightly negative, Amplifon's performance has been solid in the first part of 2021, compared to the same period of the prior year, which suggests that the first quarter will close higher than in the previous year, thanks also to a more favorable comparison base.

Milan, March 03rd, 2021

CEO
Enrico Vita

ANNEX I

CONSOLIDATION AREA

As required by articles § 38 and 39 of Law 127/91 and article § 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 December 2020.

PARENT COMPANY:

Company name	Head office	Currency	Share capital
Amplifon S.p.A.	Milan (Italy)	EUR	4,527,772

SUBSIDIARIES CONSOLIDATED USING THE LINE-BY-LINE METHOD:

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held as at 12/31/2020
Amplifon Rete	Milan (Italy)	D	EUR	13,750	4.35%
Otohub S.r.l.	Naples (Italy)	D	EUR	28,571	100.0%
Amplifon France SAS	Arcueil (France)	D	EUR	98,550,898	100.0%
SCI Eliot Leslie	Lyon (France)	I	EUR	610	100.0%
Conversons Paris 19 Sarl	Paris (France)	I	EUR	1,000	100.0%
Amplifon France Holding	Arcueil (France)	D	EUR	1	100.0%
Laboratoire d'Audiologie Eric Hans SAS	Belfort (France)	I	EUR	380,000	100.0%
Audition Paca SAS	Thionville (France)	I	EUR	5,000	100.0%
Acovoux SAS	Paris (France)	I	EUR	50,000	100.0%
Audition-Assas.com Sarl	Paris (France)	I	EUR	201,000	100.0%
N France SAS	Mulhouse (France)	I	EUR	30,000	100.0%
Audiness SAS	Mulhouse (France)	I	EUR	30,000	100.0%
T.S.P SAS	Nantes (France)	I	EUR	20,000	100.0%
OA1 Sarl	Nantes (France)	I	EUR	3,000	100.0%
OA2 Eurl	Carquefou (France)	I	EUR	3,000	100.0%
OA3 Eurl	Orvault (France)	I	EUR	3,000	100.0%
Amplifon Iberica SA	Zaragoza (Spain)	D	EUR	26,578,809	100.0%
Microson S.A.	Barcelona (Spain)	D	EUR	61,752	100.0%
Amplifon LATAM Holding S.L.	Barcelona (Spain)	I	EUR	3,000	100.0%
Entzumena SLU	Barcelona (Spain)	I	EUR	128,628	100.0%
Auditiva 2014 S.A.	Andorra la Vella (Andorra)	I	EUR	3,000	100.0%
Amplifon Portugal SA	Lisbon (Portugal)	I	EUR	15,520,187	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 Nedtherlands)	D	EUR	74,212,052	100.0%

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held as at 12/31/2020
Auditech BV	Doesburg (The Nedtherlands)	I	EUR	22,500	100.0%
Electro Medical Instruments BV	Doesburg (The Nedtherlands)	I	EUR	16,650	100.0%
Beter Horen BV	Doesburg (The Nedtherlands)	I	EUR	18,000	100.0%
Amplifon Customer Care Service BV	Elst (The Nedtherlands)	I	EUR	18,000	100.0%
Amplifon Belgium NV	Bruxelles (Belgium)	D	EUR	495,800	100.0%
Amplifon Luxemburg Sarl	Luxembourg (Luxembourg)	I	EUR	50,000	100.0%
Amplifon RE SA	Luxembourg (Luxembourg)	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%
Amplifon Poland Sp. z o.o.	Lodz (Poland)	D	PLN	3,345,460	100.0%
Amplifon UK Ltd	Manchester (United Kingdom)	D	GBP	130,951,168	100.0%
Amplifon Ltd	Manchester (United Kingdom)	I	GBP	1,800,000	100.0%
Ultra Finance Ltd	Manchester (United Kingdom)	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%
Medtechnica Ortophone Ltd (*)	Tel Aviv (Israel)	D	ILS	1,100	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	-	100.0%
ME Pivot Holdings LLC	Minneapolis (USA)	I	USD	2,000,000	100.0%
ME Flagship LLC	Wilmington (USA)	I	USD	-	100.0%
METX LLC	Waco (USA)	I	USD	28,044,180	100.0%
MEFL LLC	Waco (USA)	I	USD	13,538,570	100.0%
METAMPA LLC	Waco (USA)	I	USD	5,318,723	100.0%
MENM LLC	Waco (USA)	I	USD	1,450,561	100.0%
Miracle Ear Canada Ltd.	Vancouver (Canada)	I	CAD	67,801,200	100.0%
Amplifon South America Holding LTDA	São Paulo (Brasil)	D	BRL	3,636,348	100.0%
GAES S.A.	Santiago de Chile (Chile)	D	CLP	1,901,686,034	100.0%
GAES Servicios Corporativo de Latinoamerica Spa	Santiago de Chile (Chile)	I	CLP	10,000,000	100.0%
Audiosonic Chile S.A.	Santiago de Chile (Chile)	I	CLP	1,000,000	100.0%
GAES S.A.	Buenos Aires (Argentina)	I	ARS	120,542,331	100.0%
GAES Colombia SAS	Bogotà (Colombia)	I	COP	21,803,953,043	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	Ciudad de México (Mexico)	I	MXN	164,838,568	100.0%

Company name	Head office	Direct/Indirect ownership	Currency	Share Capital	% held as at 12/31/2020
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	510,000	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	-	100.0%
Attune Hearing Pty Ltd	Brisbane (Australia)	D	AUD	14,771,093	100.0%
Attune Workplace Hearing Pty Ltd	Brisbane (Australia)	I	AUD	1	100.0%
Ear Deals Pty Ltd	Brisbane (Australia)	I	AUD	300,000	100.0%
Otohub Unit Trust (in liquidation)	Brisbane (Australia)	D	AUD	-	100.0%
Otohub Australasia Pty Ltd	Brisbane (Australia)	D	AUD	10	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	-	100.0%
Dilworth Hearing Ltd	Auckland (New Zealand)	I	NZD	-	100.0%
Amplifon India Pvt Ltd	Gurgaon (India)	I	INR	1,400,000,000	100.0%
Beijing Amplifon Hearing Technology Center Co. Ltd (**)	Gurgaon (India)	D	CNY	2,143,685	100.0%
Tianjin Amplifon Hearing Technology Co. Ltd (**)	Běijīng (China)	I	CNY	3,500,000	100.0%
Shijiazhuang Amplifon Hearing Technology Co. Ltd (**)	Tianjin (China)	I	CNY	100,000	100.0%

(*) *Medtechnica Ortophone Ltd, despite being 80% owned by Amplifon, is consolidated at 100% without exposure of non-controlling interests due to the put-call option exercisable from 2019 and related to the purchase of the remaining 20%.*
(**) *Beijing Amplifon Hearing Technology Center Co. Ltd and its subsidiaries (Tianjin Amplifon Hearing Technology Co. Ltd and Shijiazhuang Amplifon Hearing Technology Co. Ltd), despite being 51% owned by Amplifon, are consolidated at 100% without exposure of non-controlling interests 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 as at 12/31/2020
Comfoor BV (*)	Doesburg (The Nedtherlands)	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	16.0%
Afik - Test Diagnosis & Hearing Aids Ltd (**)	Jerusalem (Israel)	I	ILS	100	16.0%
Lakeside Specialist Centre Ltd (**)	Mairangi Bay (New Zealand)	I	NZD	-	50.0%

(*) Joint Venture.
(**) Related companies.

ANNEX II

INFORMATION PURSUANT TO ARTICLE § 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following table, drawn up pursuant to Article 149-duodecies of the Consob Issuers' Regulations, highlights the fees pertaining to 2020 for auditing services and for those other than audits provided by the auditing firm itself and by entities belonging to its network.

Description	Subject that provided the service	Recipient	Audit fees 2020
Independent audit services	KPMG S.p.A.	Parent Company - Amplifon S.p.A.	340,000
Services other than audits	KPMG S.p.A.	Parent Company - Amplifon S.p.A.	165,000
Limited assurance on the Non-Financial Disclosure	KPMG S.p.A.	Parent Company - Amplifon S.p.A.	37,000
Other certification services	KPMG S.p.A.	Parent Company - Amplifon S.p.A.	6,000
Total – Parent Company			***548,000***
Independent audit services	KPMG Network	Subsidiaries	1,059,000
	KPMG S.p.A.	Subsidiaries	54,000
Services other than audits	KPMG Network	Subsidiaries	20,000
Total Subsidiaries			***1,133,000***
Grand Total			**1,681,000**

Services other than audits amount to Euro 185,000 and relate to the following items:

- Assignment for the issue of the comfort letter with reference to the Prospectus as part of the bond loan issued by Amplifon S.p.A. in February 2020 for Euro 140,000;
- Appointment for the signing of the VAT Model (relating to the 2019 financial year) of Amplifon S.p.A. for the purposes of the reimbursement request of the VAT credit for Euro 5,000;
- Audit assignment for the purpose of "certification" of the expenses incurred by Amplifon S.p.A. for R&D activities in 2019, to take advantage of the tax credit pursuant to art. 3 of the Law Decree n. 145 of 23 December 2013 and the Decree of 27 May 2015 issued by the MEF in concert with the MISE for Euro 15,000;
- Audit assignment for the purpose of "certification" of the expenses incurred by Amplifon S.p.A. for advertising costs incurred during the 2020 financial year for the purpose of obtaining the related tax credit for Euro 5,000;
- Assignment to issue an ISAE 3000 report with reference to the Non-financial information report of the subsidiary Amplifon Iberica, S.A. at 31 December 2020 for Euro 20,000.

DECLARATION IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98

We, the undersigned, Enrico Vita, Chief Executive Officer and Gabriele Galli, Executive Responsible for Corporate Accounting Information for Amplifon S.p.A., taking into account the provisions of article § 154-*bis*, paragraphs 3 and 4 of Law no. 58/98, certify:

- the adequacy, by reference to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2020.

We also certify that the consolidated financial statements at 31 December 2020:

- have been prepared in accordance with the international accounting standards recognized in the European Union under the EC regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the underlying accounting entries and records;
- provides a true and fair view of the performance and financial position of the issuer and of all of the companies included in the consolidation area.

The report on operations includes a reliable operating and financial review of the Company and all of the companies included in the consolidation area as well as a description of the main risks and uncertainties to which they are exposed.

Milan, March 03rd, 2021

CEO	**Executive Responsible for Corporate Accounting Information**
Enrico Vita	Gabriele Galli

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Amplifon S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Amplifon Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Amplifon Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Amplifon S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of goodwill

Notes to the consolidated financial statements: note 3 "Acquisitions and goodwill" and note 44 "Accounting policies"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 include goodwill of €1,281.6 million, mainly arising from the significant acquisitions carried out in previous years. Annually or more frequently, if necessary, the directors check the recoverable amount of the goodwill by comparing its carrying amount to its value in use, calculated using a method that discounts expected cash flows. The key assumptions used to calculate value in use relate to the operating cash flows' forecasts over the calculation period and the discount and growth rates of those flows. The directors have forecast the operating cash flows for the explicit projection period (2021-2023) used for impairment testing on the basis of the 2021-2023 three-year business plans approved by the subsidiaries' boards of directors and the group's business plan for the same period approved by the parent's board of directors on 16 December 2020. Considering the materiality of the caption and that impairment testing entails a high level of judgement by the directors, especially forecasting operating cash flows, the recoverability of goodwill was a key audit matter.	Our audit procedures, which also involved our own valuation specialists, included: — understanding the process adopted to prepare the impairment test approved by the parent's board of directors; — understanding the process adopted to prepare the 2021-2023 business plans from which the expected operating cash flows used for impairment testing have been derived; — checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; — analysing the reasonableness of the assumptions used by the directors to determine the recoverable amount of goodwill, including the operating cash flows of the 2021-2023 plans used by the parent; — analysing the reasonableness of the assumptions underlying the valuation model used by the parent to calculate the recoverable amount of goodwill; — checking the sensitivity analysis made by the directors in relation to the main assumptions used to test goodwill for impairment; — assessing the appropriateness of the disclosures provided in the notes.

Revenue recognition

Notes to the consolidated financial statements: note 29 "Revenue from sales and services" and note 44 "Accounting policies"

Key audit matter	Audit procedures addressing the key audit matter
The income statement includes revenue from sales and services of €1,555.5 million for 2020. The group recognises revenue from contracts with customers differently depending on when control over the goods or services is transferred to the customer and on the type of consideration to which it is entitled. Since sales, which generally cover a package of products and services at a stand-alone price, contain many contractual terms applied to customers, the group was required to identify and measure the various performance obligations and how they are satisfied. For the above reasons and considering the materiality of the caption, we believe that the recognition of revenue, and especially its accuracy and accruals-based accounting, are a key audit matter.	Our audit procedures included: — understanding the process for the recognition of revenue, the related IT environment and related accounting policies; — assessing the design, implementation and operating effectiveness of controls deemed material for the purposes of our audit; — comparing the main components of revenue to the budgeted and previous year figures and discussing the results with the relevant internal departments; — checking the documentation supporting a sample of sales, whether their performance obligations had been correctly identified, the transaction price allocated thereto and whether revenue has been recognised in profit or loss based on how the obligations were satisfied; — sending requests for written confirmation in order to obtain audit evidence supporting the trade receivables recognised in the consolidated financial statements; — assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 April 2018, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Amplifon S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Milan, 16 March 2021

KPMG S.p.A.

(signed on the original)

Claudio Mariani
Director of Audit

Editorial Project Coordination
AMPLIFON

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