



AMPLIFON S.P.A.: THE BOARD OF DIRECTORS APPROVES THE INTERIM MANAGEMENT REPORT AS AT JUNE 30TH, 2014

THE GROUP CLOSSES THE FIRST SIX MONTHS OF THE YEAR WITH SALES ON THE RISE, DESPITE THE PERSISTENTLY NEGATIVE EXCHANGE EFFECT. PERFORMANCE ACCELERATION REAFFIRMED IN THE SECOND QUARTER.

ALL THE PROFITABILITY RATIOS IMPROVED IN THE SEMESTER – EVEN TAKING INTO ACCOUNT THE EXCHANGE EFFECT AND THE NON-RECURRING COSTS POSTED IN THE COMPARISON PERIOD – GROWING IN BOTH ABSOLUTE TERMS AND MARGINS.

STRONG SIGNS OF RECOVERY WERE CONFIRMED IN EUROPE. THE REST OF EMEA AND ASIA-PACIFIC CONTINUED TO POST ROBUST GROWTH WHILE SALES FELL SLIGHTLY IN THE UNITED STATES.

The main results:

- **Consolidated REVENUE** as at June 30th, 2014 amounted to Euro 416.5 million, up 4.4% at constant exchange rates and 1.9% at current exchange rates. Strong signs of recovery in Europe were confirmed (sales rose by +5.9% at constant exchange rates) in the quarter while the rest of EMEA – thanks also to the consolidation of Israel – posted growth of +242.1% at constant exchange rates. Growth continued at a robust pace in ASIA-PACIFIC (+10.2% in AUD). A slight drop in sales was posted in AMERICAS (-1.3% in USD).
- **The Group's EBITDA** in the first semester amounted to Euro 57.5 million, an increase of 4.3% with respect to the same period of the prior year. Net of the exchange effect and non-recurring costs incurred in the comparison period, growth reached 7.9%. A positive contribution came from EMEA (+8.5% net of the exchange effect and non-recurring costs), as well as ASIA-PACIFIC where the EBITDA margin rose 302 basis points. The contribution of AMERICAS fell by 9.1% in USD.
- **EBIT** amounted to Euro 35.4 million, an increase of 10.6% against the same period last year. **NET PROFIT** reached Euro 22.6 million, a sharp increase with respect to the Euro 4.3 million reported in the same period of the prior year.
- **NET FINANCIAL DEBT** amounted to Euro 297.3 million, up with respect to the Euro 275.4 million reported as at December 31st, 2013, as a result of the acquisitions made in the period and the payment of dividends. Nonetheless it improved with respect to the Euro 313.2 million recorded at June 30th, 2013.

Milan, July 23rd, 2014: Today the Board of Directors of Amplifon S.p.A., worldwide leader in the distribution and fitting of personalized hearing solutions, approved the Interim Management Report as at June 30th, 2014 in a meeting chaired by Susan Carol Holland.

MAIN ECONOMICAL AND FINANCIAL FIGURES							
Euro (millions)	HY 2014		HY 2013 Revised*		HY 23013 Reported		% Var. on Revised*
Net revenues	416.5	100.0%	408.6	100.0%	409.2	100.0%	1.9%
EBITDA	57.5	13.8%	55.1	13.5%	55.3	13.5%	4.3%
EBITA	42.7	10.2%	39.9	9.8%	40.0	9.8%	6.8%
EBIT	35.4	8.5%	32.0	7.8%	32.1	7.8%	10.6%
Net income - Group	22.6	5.4%	4.3	1.0%	4.3	1.0%	426.6%
Free cash flow	19.6		0.9		0.7		
Euro (millions)	06/30/2014		12/31/2013 Revised		12/31/2013 Reported		% Var. on Revised
Net financial position	297.3		275.4		275.3		7.9%

* Figures restated after IFRS11 took effect which calls for retroactive application impacting the Dutch subsidiary Comfoor B.V..

OVERVIEW

In a global economic environment which continues to be unstable and in which the signs of recovery are still weak, the Amplifon Group closed the first six months of 2014 with an increase in sales, benefitting from the accelerated growth posted in the second quarter and confirming the recovery begun in the first quarter. **Consolidated revenue** at June 30th, 2014 amounted to Euro 416.5 million, an increase of 4.4% at constant exchange rates (+1.9% at current exchange rates) against the same period of the prior year.

Despite the weak performance posted in Italy (due to the difficult comparison with an exceptional second quarter 2013 when growth reached 12%), the signs of a decided recovery recorded in the first quarter of the year were confirmed in Europe where sales rose by 5.9% at constant exchange rates (+6.2% at current exchange rates). High growth rates were confirmed in the rest of EMEA which, thanks also to the consolidation of Israel, rose 242.1% in the second quarter at constant exchange rates. Sales continued to grow at a good pace in ASIA-PACIFIC (+10.2% in AUD), while a slight drop was posted in AMERICAS (-1.3% in USD) where an upturn was reported in the latter part of the period.

Profitability also showed further improvement in the semester: **EBITDA** amounted to Euro 57.5 million, an increase of 4.3% with respect to the same period of the prior year. Net of the exchange effect and the non-recurring costs incurred in the comparison period, EBITDA rose 7.9%. **Net profit** also increased reaching Euro 22.6 million, versus Euro 4.3 million in the same period last year. In addition to the increase in operating profit, the result also reflects the non-recurring financial charges (equal to Euro 6.8 million before tax) incurred in the comparison period as a result of the advance repayment of the syndicated loan, as well as the tax income (equal to Euro 10.6 million) recorded following the Australian tax authority's recognition of the deductibility for tax purposes of part of the assets acquired in 2010.

In the half-year the Group accelerated its international expansion program: in April both the entry into the Israeli market – following the acquisition of 60% of *Medtechnica Orthophone Ltd.* – and the purchase of the Italian sales network (55 stores) of Audika were announced. The growth also affected Germany (where 6 stores were acquired), France (7 stores opened and 5 acquired), the Iberian Peninsula (5 openings in Spain and 5 in Portugal), Poland (7 openings), Hungary (2 openings), Turkey (2 stores acquired) and ASIA-PACIFIC (4 openings in Australia and 2 in India).

The Group's financial structure remains solid, always ready to support investments and growth projects. **Net financial debt** amounted to Euro 297.3 million, an increase with respect to the Euro 275.4 million reported at December 31st, 2013, as a result of the acquisitions completed during the semester (totaling Euro 26.3 million) and the payment of dividends (Euro 9.4 million). The **free cash flow** generated in the period reached Euro 19.6 million, after net CAPEX of Euro 16.5 million.

“The results for the first half of the year are positive and encouraging and confirm our expectations in terms of growth”, Franco Moscetti, the Amplifon Group’s Chief Executive Officer stressed. “All the main financial indicators improved markedly and demonstrate that the strategic choices made by management are beginning to bear fruit. If we then look at the signals we have already received for the first weeks of July”, Moscetti added, “we are confident that even the two areas that got off to a slow start, namely Italy and the United States, will be able to recover in the remaining part of the year ”.

THE RESULTS

PERFORMANCE BY GEOGRAPHIC AREA

EMEA: reinforced recovery in Europe and organic growth accelerates in the rest of the region.

As expected, **Italy** posted a weak performance (-5% in the semester), due above all to the difficult comparison with an exceptional second quarter 2013 when growth reached 12%. The forecasts for the full year, however, continue to be positive in light of the recovery expected from the third quarter, as well as the consolidation of the 55 Audika Italia stores. **France** performed well – thanks also to external growth – posting a +4% in the semester. Remarkable improvement was recorded in the **Netherlands** where a significant increase in volumes led to +33% growth in the second quarter resulting in a positive semester (+9.2% against the comparison period). **Germany** (+33.7%), the **Iberian Peninsula** (+15.1%), and **Hungary** (+111.7%) also reported particularly strong performances in the first half-year. Growth was also posted in **Belgium-Luxembourg** (+5.1%), while the **United Kingdom** recovered in the second quarter (+4.7%) and closed the half-year with a minor downturn (-1.8%). Positive contributions also came from **Poland** and **Israel** (consolidated for the first time in the semester contributing with Euro 2.4 million), **Turkey** (+62.5%) and **Egypt** (+3.9% despite a strong exchange effect). **EBITDA** improved decidedly in the semester, rising 8.5% net of the exchange effect and the non-recurring costs, thanks, in particular, to Germany’s brilliant performance and the recovery recorded in the Netherlands.

AMERICAS: year off to a slow start but expected to recover in the second half.

The semester performance in **AMERICAS** was impacted by the bad weather conditions recorded in the first four months of the year, as well as a change in the mix of suppliers providing products to the *Elite* network. Sales in the region were, however, basically unchanged (-1% in USD), influenced negatively solely by a strong adverse exchange effect (-4.4%). The expectations for the second half of the year continue to be positive, sustained by the pickup recorded in the last part of the quarter and the general recovery of the private sector. Profitability in the period fell 9.1% due to a decline in sales, the *Elite* channel’s less favorable product mix and higher investments in marketing.

ASIA-PACIFIC: sharp margins expansion supported by solid organic growth.

In the first half of 2014 revenue in **ASIA-PACIFIC** amounted to Euro 60.7 million, up 10.9% in Australian dollars. **Australia** (+10.2% in AUD) and **India** (+34.7% in INR) both made a positive contribution thanks to strong organic growth and the continuous expansion of the store networks in both markets. Sales in **New Zealand** fell 2.7% in NZD due to market weakness (while waiting for a change in regulations that calls for increased subsidies from July) and the decrease in the number of stores (after the decision of having all stores operating under the Bay Audiology brand). The exchange rate had a strong negative impact of 11.3%. Profitability for the region improved noticeably: EBITDA grew 302 basis points in AUD thanks to the growth in volumes recorded in Australia, the rationalization undertaken last year in New Zealand and improved operating efficiency in India.

PROFITABILITY

Overall profitability showed decided further improvement in the first semester: EBITDA rose to Euro 57.5 million, an increase of 4.3% with respect to the same period of the prior year. Net of the negative exchange effect (Euro 2.8 million) and the non-recurring costs incurred in the comparison period (Euro 0.7 million), EBITDA rose 7.9%. This result reflects the contribution of EMEA, which rose 8.5% net of the exchange effect and non-recurring costs, and ASIA-PACIFIC where the EBITDA margin rose 302 basis points. The EBITDA margin in AMERICAS fell 161 basis points. Strong growth was also posted in **EBIT** which rose 10.6% against the same period of the prior year (+14.7% net of the exchange effect and non-recurring costs). **Net profit** improved, reaching Euro 22.6 million versus Euro 4.3 million in the same

period of the prior year. In addition to the general improvement in margins, the result also reflects the non-recurring financial charges incurred last year (equal to Euro 6.8 million before tax) due to the advance repayment of the syndicated loan, as well as the tax income (equal to Euro 10.6 million) recorded following the Australian tax authority's recognition of the deductibility for tax purposes of part of the assets acquired in 2010.

BALANCE SHEET FIGURES

Net equity amounted to Euro 413.8 million at June 30th, 2014, an increase with respect to the Euro 381.1 million posted at year-end 2013. **Net financial debt** amounted to Euro 297.3 million, a slight increase with respect to the Euro 275.4 million reported at December 31st, 2013, as a result of the acquisitions completed in the first semester (totaling Euro 26.3 million) and the payment of dividends (Euro 9.4 million). Nonetheless, it represents an improvement with respect to the Euro 313.2 million recorded at June 30th, 2013. **Free cash flow** at June 30th, 2014 amounted to Euro 19.6 million, up with respect to the Euro 0.9 million recorded at June 30th, 2013 after net CAPEX of Euro 16.5 million (Euro 13.7 million in the previous year).

OUTLOOK

In the second half of 2014, the Group expects profitability in Europe to improve gradually: the first, reassuring signs recorded in July indicate that the performance in Italy will likely recover as the result was, in part, penalized by a difficult comparison with the same period of the prior year. Organic growth should continue in the remaining regions. AMERICAS, in particular, is expected to post a sharp recovery, facilitated also by the general improvement of the private sector. The Group will continue with its strategy to reinforce its market share, including through external growth, in countries where it is already active and to seek out new investment opportunities in markets where it is not yet present.

The results for first half 2014 will be presented to the financial community on July 23rd at 15:00 (CET) during a conference call. To participate in the conference call dial one of the following numbers: +44 (0)207 1620 077 (UK), +1 334 323 6201 (USA) or +39 02 303 509 003 (Italy). Prior to the beginning of the conference call, the slides to be used during the presentation will be made available on the website www.amplifon.com in the Investors section (Events and Presentations). For those who are unable to participate, a recording of the call will be available through 24:00 (CET) on July 25th, 2014 by dialing +44 (0)207 031 4064 (UK), +1 954 334 0342 (USA) or +39 02 303 509 364 (Italy), access code: 945700.

Amplifon, listed on the STAR segment and the FTSE Italia Mid Cap Index of the Milan Stock Exchange, is the worldwide leader in the distribution, fitting and personalization of hearing aids and related services. Through a network of 3,200 points of sale, more than 2,500 service centres and over 1,800 affiliates, Amplifon is active in Italy, France, the Netherlands, Germany, the UK, Ireland, Spain, Portugal, Switzerland, Belgium, Luxembourg, Hungary, Egypt, Turkey, Poland, Israel, U.S.A., Canada, Australia, New Zealand, and India.

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Attachments: Net revenues by geographic area, the HY and Q2 Amplifon Group's Consolidated Income Statements, Consolidated Balance Sheet and Reclassified Cash Flow Statement.

In compliance with paragraph 2 of Article 154 bis of the "Uniform Financial Services Act" (Legislative Decree 58/1998), the Financial Reporting Officer Ugo Giorcelli declares that the accounting information reported in the present press release corresponds to the underlying documentary reports, books of account and accounting entries.

NET REVENUES BY GEOGRAPHIC AREA - AMPLIFON GROUP

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

* Figures restated after IFRS11 took effect which calls for retroactive application impacting the Dutch subsidiary Comfoor B.V..

CONSOLIDATED INCOME STATEMENT - AMPLIFON GROUP

Euro (thousands)	HY 2014	%	HY 2013 Revised*	%	HY 2013 Reported	%
Net revenues	416,450	100.0%	408,599	100.0%	409,209	100.0%
COGS	(99,028)	-23.8%	(94,729)	-23.2%	(94,367)	-23.1%
Labour costs	(129,061)	-31.0%	(128,678)	-31.5%	(129,235)	-31.6%
Cost of services	(130,539)	-31.3%	(130,575)	-32.0%	(130,788)	-32.0%
Other costs and revenues	(321)	-0.1%	511	0.1%	511	0.1%
EBITDA	57,501	13.8%	55,128	13.5%	55,330	13.5%
Operating depreciation and write-offs	(14,850)	-3.6%	(15,205)	-3.7%	(15,291)	-3.7%
EBITA	42,651	10.2%	39,923	9.8%	40,039	9.8%
Cust.lists, trademarks, non comp.agr., goodwill & loc.rights amort. and write- offs	(7,293)	-1.8%	(7,953)	-1.9%	(7,963)	-1.9%
EBIT	35,358	8.5%	31,970	7.8%	32,076	7.8%
Income, revaluation. & write down of fin. activities	513	0.1%	123	0.0%	43	0.0%
Net financial expenses	(11,617)	-2.8%	(18,204)	-4.5%	(18,204)	-4.4%
Exchange differences and derivatives not designated as hedging instruments	(839)	-0.2%	(535)	-0.1%	(535)	-0.1%
Net income before taxes	23,415	5.6%	13,354	3.3%	13,380	3.3%
Current tax	(1,985)	-0.5%	(7,671)	-1.9%	(7,698)	-1.9%
Deferred tax	1,050	0.3%	(1,374)	-0.3%	(1,373)	-0.3%
Net income Group and Minorities	22,480	5.4%	4,309	1.1%	4,309	1.1%
Minority interests	(83)	0.0%	24	0.0%	24	0.0%
Net income Group	22,563	5.4%	4,285	1.0%	4,285	1.0%

* Figures restated after IFRS11 took effect which calls for retroactive application impacting the Dutch subsidiary Comfoor B.V..

CONSOLIDATED INCOME STATEMENT - AMPLIFON GROUP

Euro (thousands)	Q2 2014	%	Q2 2013 Revised*	%	Q2 2013 Reported	%
Net revenues	228,101	100.0%	219,231	100.0%	219,540	100.0%
COGS	(52,835)	-23.2%	(48,833)	-22.3%	(48,651)	-22.2%
Labour costs	(66,710)	-29.2%	(64,317)	-29.3%	(64,599)	-29.4%
Cost of services	(69,221)	-30.3%	(68,816)	-31.4%	(68,921)	-31.4%
Other costs and revenues	(481)	-0.2%	97	0.0%	98	0.0%
EBITDA	38,854	17.0%	37,362	17.0%	37,467	17.1%
Operating depreciation and write-offs	(7,659)	-3.4%	(7,631)	-3.5%	(7,673)	-3.5%
EBITA	31,195	13.7%	29,731	13.6%	29,794	13.6%
Cust.lists, trademarks, non comp.agr., goodwill & loc.rights amort. and write-offs	(3,750)	-1.6%	(3,915)	-1.8%	(3,919)	-1.8%
EBIT	27,445	12.0%	25,816	11.8%	25,875	11.8%
Income, revaluation. & write down of fin. activities	145	0.1%	14	0.0%	(25)	0.0%
Net financial expenses	(5,882)	-2.6%	(12,356)	-5.6%	(12,356)	-5.6%
Exchange differences and derivatives not designated as hedging instruments	(527)	-0.2%	(463)	-0.2%	(464)	-0.2%
Net income before taxes	21,181	9.3%	13,011	5.9%	13,030	5.9%
Current tax	(6,291)	-2.8%	(4,236)	-1.9%	(4,255)	-1.9%
Deferred tax	(2,395)	-1.1%	(2,437)	-1.1%	(2,437)	-1.1%
Net income Group and Minorities	12,495	5.5%	6,338	2.9%	6,338	2.9%
Minority interests	(57)	0.0%	(8)	0.0%	(8)	0.0%
Net income Group	12,552	5.5%	6,346	2.9%	6,346	2.9%

* Figures restated after IFRS11 took effect which calls for retroactive application impacting the Dutch subsidiary Comfoor B.V..

CONSOLIDATED BALANCE SHEET - AMPLIFON GROUP

Euro (thousands)	06/30/2014	12/31/2013 Revised*	12/31/2013 Reported	Change on Revised*
Goodwill	525,294	500,680	500,680	24,614
Customer lists, non compete agreements, trademarks and location rights	103,302	92,875	92,875	10,427
Software charges, licenses, other int.ass., wip and advances	28,732	27,228	27,425	1,505
Tangible assets	94,811	87,690	88,119	7,121
Fixed financial assets	44,388	41,490	40,295	2,898
Other non-current financial assets	3,551	2,744	2,744	806
Total fixed assets	800,078	752,707	752,138	47,371
Inventories	32,517	29,832	30,147	2,685
Trade receivables	101,555	103,687	104,018	(2,132)
Other receivables	34,697	28,822	28,940	5,875
Current assets	168,769	162,341	163,105	6,429
Total assets	968,847	915,048	915,243	53,800
Trade payables	(100,194)	(96,241)	(96,297)	(3,953)
Other payables	(103,265)	(117,111)	(115,690)	13,846
Provisions for risks (current portion)	(1,034)	(411)	(411)	(623)
Short term liabilities	(204,493)	(213,763)	(212,398)	9,270
Working capital	(35,724)	(51,422)	(49,293)	15,698
Derivative instruments	(6,401)	(3,376)	(3,376)	(3,026)
Deferred tax assets	47,873	46,088	46,088	1,785
Deferred tax liabilities and tax payables	(49,686)	(46,671)	(46,671)	(3,014)
Provisions for risks (non current portion)	(34,861)	(33,076)	(33,101)	(1,786)
Employee benefits (non current portion)	(13,605)	(11,651)	(11,651)	(1,953)
Loan fees	3,636	4,089	4,089	(452)
Other long term payables	(213)	(245)	(245)	32
NET INVESTED CAPITAL	711,097	656,443	657,978	54,654
Shareholders' equity	413,417	380,616	382,175	32,801
Third parties' equity	422	460	460	104
Net equity	413,839	381,076	382,635	32,763
Long term net financial debt	439,832	435,426	435,426	4,407
Short term net financial debt	(142,574)	(160,059)	(160,083)	17,484
Total net financial debt	297,258	275,367	275,343	21,891
FINANCIAL DEBT AND NET EQUITY	711,097	656,443	657,978	54,654

* Figures restated after IFRS11 took effect which calls for retroactive application impacting the Dutch subsidiary Comfoor B.V..

RECLASSIFIED CASH FLOW STATEMENT - AMPLIFON GROUP

Euro (thousands)	HY 2014	HY 2013 Revised*	HY 2013 Reported
EBIT	35,358	31,970	32,076
Cash flow provided by (used in) operating activities	36,124	14,592	14,567
Cash flow provided by (used in) operating investing activities	(16,516)	(13,678)	(13,834)
Free Cash Flow	19,608	914	733
Cash flow provided by (used in) acquisitions	(26,317)	(1,622)	(1,622)
Cash flow provided by (used in) securities	(167)	(307)	(308)
Cash flow provided by (used in) investing activities	(43,000)	(15,607)	(15,764)
Cash flow provided by (used in) operating activities and investing activities	(6,876)	(1,015)	(1,197)
Dividends	(9,350)	(9,330)	(9,330)
Commissions paid on LT financial debt	-	(701)	(701)
Capital increases, third parties contributions and dividends paid by subsidiaries to third parties	1,165	1,315	1,315
Hedging instruments and other changes in non current assets	(4,640)	(2,087)	(2,087)
Net cash flow from the period	(19,701)	(11,818)	(12,000)
Net financial indebtedness as of period opening date	(275,367)	(305,977)	(305,835)
Effect of activity disposal and exchange rate fluctuations on financial position	(2,190)	4,601	4,601
Change in net financial position	(19,701)	(11,818)	(12,000)
Net financial indebtedness as of period closing date	(297,258)	(313,194)	(313,234)

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