LET'S MOVE FOR A BETTER WORLD

Annual Report
2020

TECHNOGYM®

ANNUAL REPORT
AS OF 31 DECEMBER 2020

CONTENTS

1

Board of directors' report as of 31.12.2020

73 Second Section

2

Consolidated Financial Statements as of 31.12.2020

3

Separate financial statements as of 31.12.2020

BOARD OF DIRECTORS' REPORT

FIRST SECTION

Letter to the shareholders

Dear Shareholders,

2020 was an unexpected year with significant changes that rapidly and radically altered our lifestyle, with major impacts on diabetes, obesity and mental illness.

Indeed, the year ended with a greater than 70% growth in home fitness. Not only did this scenario accelerate the growth of home fitness, but it also triggered new health and prevention needs, driving growth for us in the sports, health and rehabilitation market.

The "Wellness on the go" strategy launched in 2012 - i.e. offering consumers the opportunity to access a personalised training programme anytime, anywhere: at home, in the gym, at work, on holiday, at the doctor's and outdoors – which we have been following for years - is increasingly relevant today. The future of fitness will be characterised by a hybrid model, with people training both at home and in the gym. This model will bring significant opportunities for Technogym. From 2021, as well as the continuing growth of home fitness, we expect a strong recovery in B2B thanks to the much-anticipated reopening of wellness clubs, hotels, offices and sports centres.

Following on from the success of products launched in 2020, such as Technogym Bench and MyRun, innovation will continue in 2021 with the launch of the new Technogym App in the first half of the year. The new app will be an extension of the Technogym Ecosystem and above all the central element for offering people an unrivalled variety of training experiences and giving operators the chance to benefit from the large Technogym community and offer their end customers innovative services. Furthermore, the second half of 2021 will also see the launch of new products in the line with the prestige positioning in B2C and premium positioning in B2B.

In 2021, which will see double-digit growth, we will be the Official Supplier for the Tokyo 2020 Olympic Games, an extraordinary event not just for the promotion of Technogym, but for the spread of the culture of wellness and sport. Starting from the involvement of tens of millions of people who train with Technogym every day around the world, we are constantly working towards building a better world where health and environmental protection are central, as evidenced by our social commitment to sustainability, in complete alignment between our business objectives and ESG goals.

Let's Move for a Better World.

Nerio Alessandri

Corporate bodies

Board of Directors	
President and Chief Executive Officer	Nerio Alessandri
Deputy Chairman	Pierluigi Alessandri
Directors	Erica Alessandri Francesca Bellettini (1) Carlo Capelli (2) Maurizio Cereda (3) Chiara Dorigotti (1) (3) (5) Vincenzo Giannelli(1) (4) Maria Cecilia La Manna(1) (3) (5) (6) Riccardo Pinza (4) Andrea Giuseppe Zocchi(1) (4) (5)

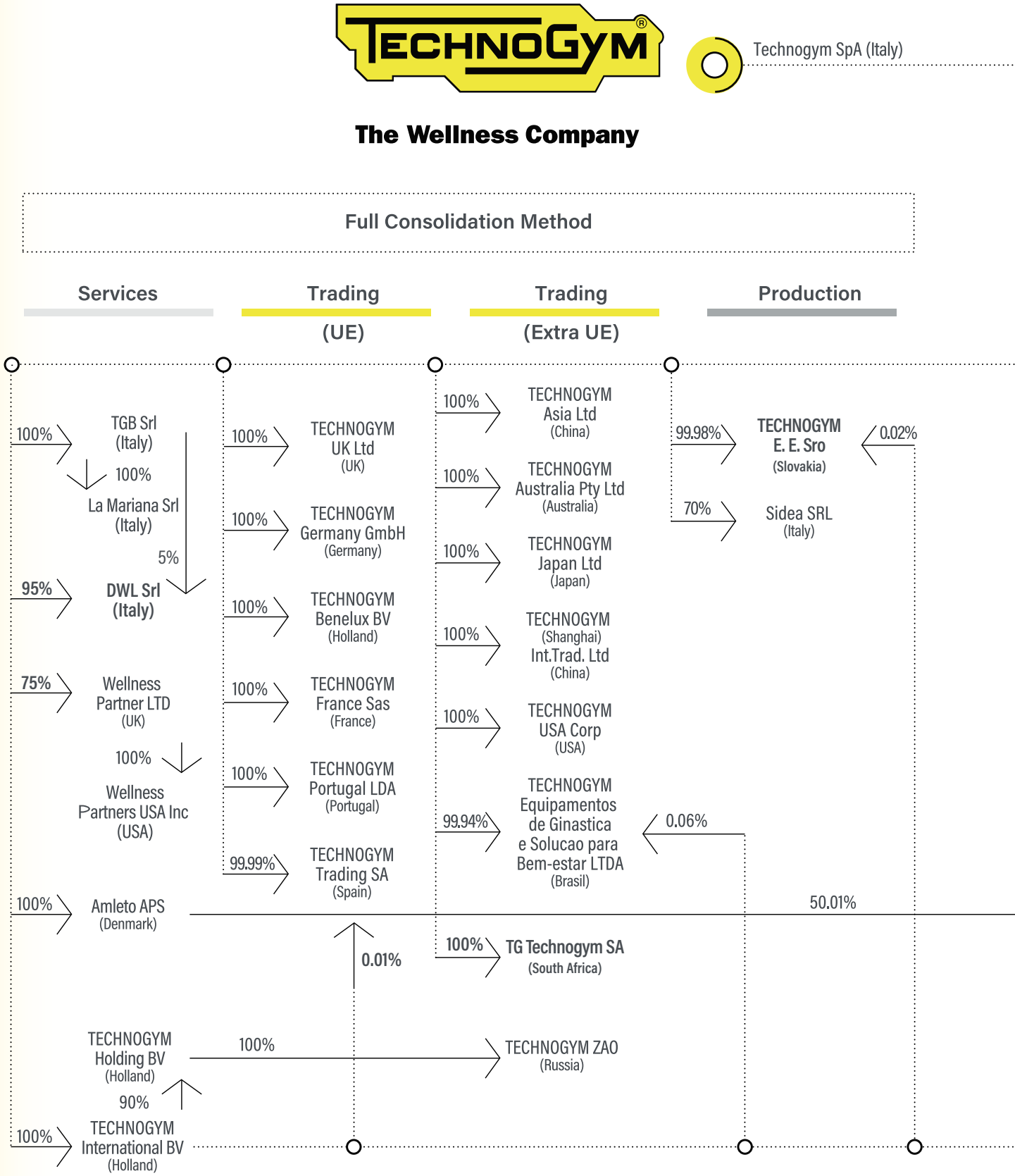
Board of Statutory Auditors	
Chairman	Francesca Di Donato
Standing Auditors	Claudia Costanza Ciro Piero Cornelli
Alternate Auditors	Laura Acquadro Stefano Sarubbi

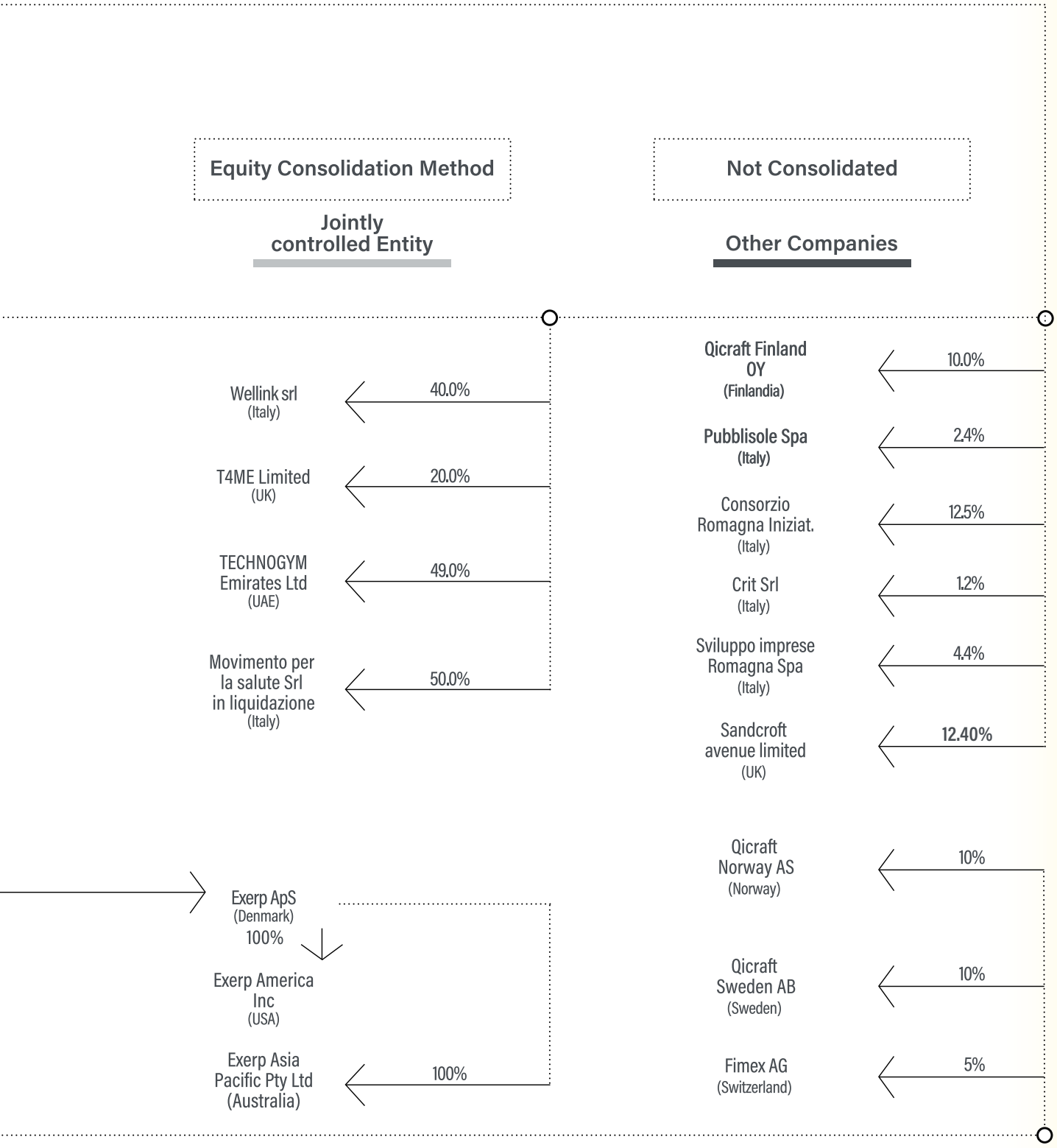
Supervisory Body	
Chairman	Andrea Ciani
Members	Giuliano Boccanegra Emanuele Scorsonetto

Financial Reporting Officer	Massimiliano Moi
Independent Auditors	PricewaterhouseCoopers S.p.A.

(1) Independent Director.
(2) Director Responsible for the Internal Audit and Risk Management System.
(3) Member of the Control and Risks Committee.
(4) Member of the Appointments and Remuneration Committee.
(5) Member of the Related Party Transactions Committee.
(6) Lead Independent Director.

Group organisational chart as of 31.12.2020




Equity Consolidation Method
Not Consolidated
Jointly controlled Entity
Other Companies
Wellink srl (Italy)
40.0%
T4ME Limited (UK)
20.0%
TECHNOGYM Emirates Ltd (UAE)
49.0%
Movimento per la salute Srl in liquidazione (Italy)
50.0%
Exerp ApS (Denmark)
100%
Exerp America Inc (USA)
Exerp Asia Pacific Pty Ltd (Australia)
100%
Qicraft Finland OY (Finlandia)
10.0%
Pubblisole Spa (Italy)
2.4%
Consorzio Romagna Iniziat. (Italy)
12.5%
Crit Srl (Italy)
1.2%
Sviluppo imprese Romagna Spa (Italy)
4.4%
Sandcroft avenue limited (UK)
12.40%
Qicraft Norway AS (Norway)
10%
Qicraft Sweden AB (Sweden)
10%
Fimex AG (Switzerland)
5%

SHAREHOLDINGS

As of 31 December 2020, 39.73% of the Issuer's share capital was held by TGH S.r.l. – a legal entity incorporated under Italian law, whose share capital is 75%-owned by Oiren S.r.l. and 25%-owned by Path S.r.l. - the remaining 60.27% was free float on Borsa Italiana's MTA (screen-based stock exchange).

The Issuer is not subject to the management and coordination of TGH S.r.l., nor of the direct and indirect parent companies of that latter nor third parties. Refer to the "Corporate Governance Report" for more details; the report is based on the model prepared by Borsa Italiana for corporate governance reports and is available in the "Corporate Governance" section of the website www.technogym.com, in the section "Governance/Shareholders' meetings".

1 Technogym

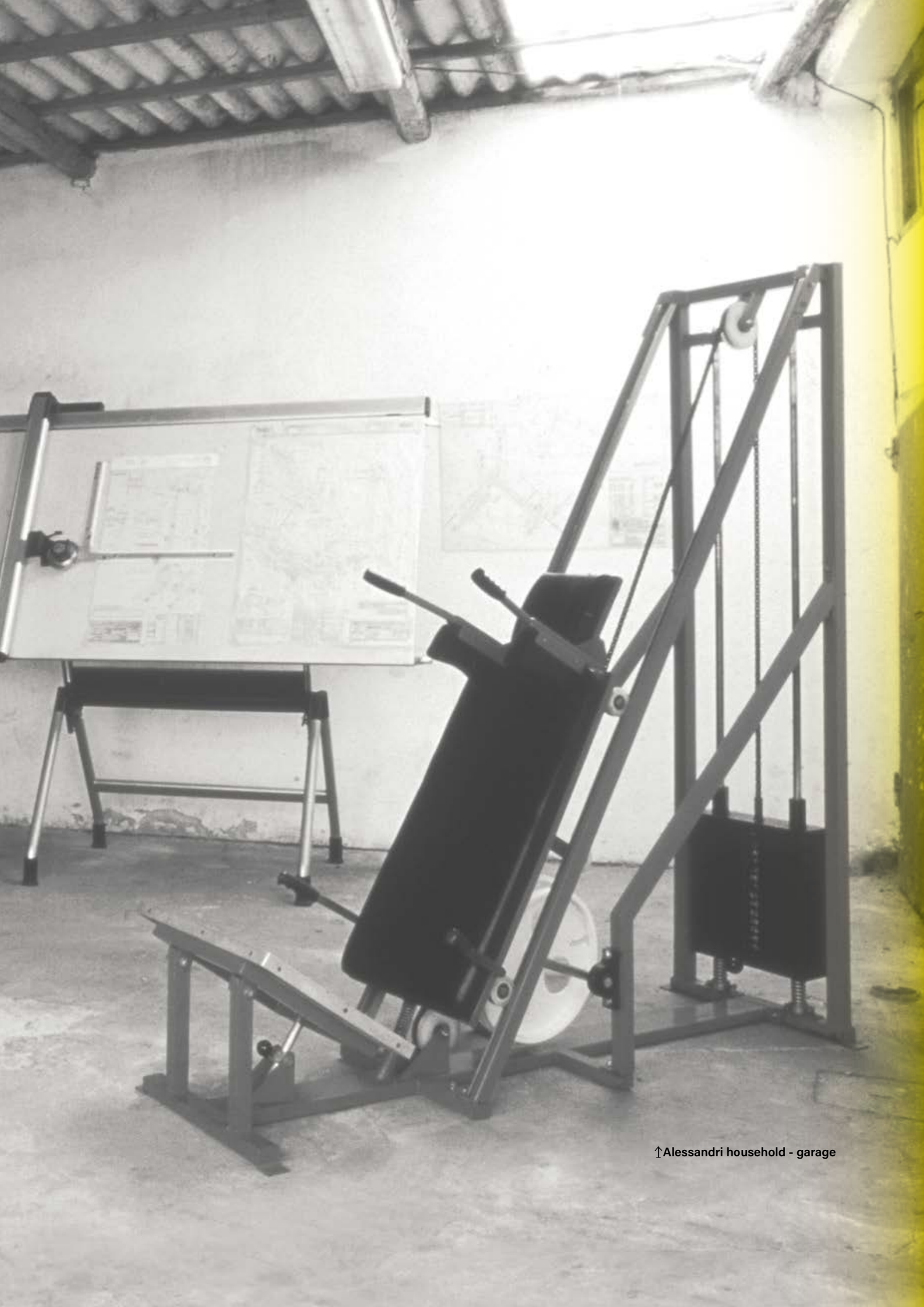
1.1 THE TECHNOGYM BRAND

The Technogym brand was created in 1983 when Nerio Alessandri, a young industrial designer and sports enthusiast, designed and built his first piece of fitness equipment in his garage in Cesena, aged just 22. It was a hack squat machine, designed to enable squat exercises to be performed in a guided and safer way. Since then, Technogym has become known for its strong focus on safety and accident prevention, and for its easy-to-use, well-designed products. The brand name Technogym combines Alessandri's two passions: technology (Techno) and sports (Gym).

We're in the early 1980s, when Europe's fitness industry was still considered a small niche market. Gyms, often equipped with very rudimentary machines, were mainly the preserve of body-builders. Nerio Alessandri sensed that there was a growing need for technologically and functionally superior physical exercise equipment that respected consumers' health. He also saw that the fitness industry could potentially appeal to a wider, more diversified public, as society gradually realised the importance of physical exercise in mental and physical health and wellness. Today, 30 years on, Technogym is recognised worldwide as a leader in technologies, services and design products for the Fitness and Wellness sector, thanks to its complete range of cardio, strength and functional training equipment, services (after sales, training and consultancy, interior design, marketing support and finance), plus a digital cloud platform that allows users to connect with their Wellness experience anywhere, using Technogym products or mobile devices.

The offer of Technogym branded products has broadened over the years, and now ranges from Fitness Clubs to the Hospitality & Residential, HCP (Health, Corporate & Performance) and Home segments. Worldwide, Technogym products are now used in 80,000 Wellness centres and more than 500,000 homes.

Technogym has been an official supplier at the last seven editions of the Olympic Games: Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012, Rio 2016 and PyeongChang 2018, and was also recently chosen as the Official Supplier for the upcoming Tokyo Games, the company's eighth Olympic experience.



↑Alessandri household - garage

Milestones in Technogym's history

1983

Nerio Alessandri founds Technogym, combining his passion for technology (Techno) and sport (Gym).
Aged 22, he designs and builds his first machine in his garage.

1984

Just one year after being founded, Technogym develops and launches the **Isotonic Line**, the first comprehensive strength training line.

1986

Launch of **Unica**, the first machine designed for domestic use. A complete gym in the space of just one square metre, it soon becomes a status symbol and an icon of Italian design worldwide.

End of the '80s

Technogym launches a partnership campaign in the world of football and Formula 1, becoming an official equipment supplier for the athletic training of some of the biggest football clubs (including A.C. Milan), globally renowned sports persons (such as Formula 1 drivers Ayrton Senna and Michael Schumacher), and major international sporting events (1990 World Cup Italy).

1990

Technogym invents the **CPR (Constant Pulse Rate) system**.
For the first time, training intensity is automatically regulated by the user's heart rate.

1992

Technogym introduces the first rehabilitation equipment in its product range, opening a new market segment.

1993

Nerio Alessandri introduces the concept of wellness, a lifestyle that develops the concept of fitness and comprises regular physical activity, a healthy diet, and a positive mental approach.

1996

Launch of the **Wellness System**, the world's first training management software. Users can now automatically activate Technogym machines using the portable **TGS Key** , and keep track of their training programme and data.
The TGS Key can be considered the world's first wearable device, well before the mobile revolution.

2000

For the first time, Technogym is chosen as **Official Supplier of the Olympics**.
In Sydney, more than 10,000 athletes train on Technogym equipment.

Milestones in Technogym's history

2002

Technogym launches **Wellness TV**: the first TV screen integrated in fitness equipment.

Nerio Alessandri creates the **Wellness Foundation**, a non-profit organisation that researches and promotes Wellness as a social opportunity. One of the Foundation's main projects is Wellness Valley in Emilia-Romagna, intended to be the world's first Wellness district designed to enhance people's quality of life and wellbeing.

DISTRIBUTION Segments

2007

Visioweb is created, the first piece of fitness equipment connected to the internet.

2010

Technogym opens its **first stores** in Milan, New York and Moscow.

2012

Launch of **mywellness® cloud** – the first cloud platform in the Fitness and Wellness sector. Users can now access their personal programme anywhere, at any time, while fitness and wellness professionals can connect with their clients inside and outside the gym, using a web and mobile system.

On September 29, in the presence of the President of the Italian Republic, Giorgio Napolitano, and former President of the USA, Bill Clinton, **Technogym Village** in Cesena is unveiled, the first Wellness campus in the world, which is home to Technogym's headquarters, research centre, factory and Wellness Centre, and is open to clients, partners and influencers from all over the world.

2014

Technogym launches the first edition of **Let's Move for a Better World**, a social campaign aimed at reducing obesity and sedentary lifestyles. Thanks to the **Technogym Ecosystem**, fitness and Wellness Club customers around the world can donate their movement to a good cause.

2015

Technogym is a major partner at Expo Milano 2015 with the "**Let's Move & Donate Food**" campaign which, thanks to equipment connected to the Technogym app, allows visitors to turn movement into meals donated to countries affected by malnutrition.

2016

Technogym is listed on the **Milan Stock Exchange** on 3 May.

For the sixth time, Technogym is chosen as **Official Supplier of the Rio Olympics**.

2017

Technogym opens its first flagship experience in Milan and launches the **SKILL** line for athletic performance training.

2018

Technogym is **appointed official supplier to the 2018 Winter Olympics in PyeongChang**, the company's seventh appointment as an official supplier to the Games. In the same year, Technogym launched **SkillAthletic**, a new training method inspired by the training programmes of sporting champions.

2019

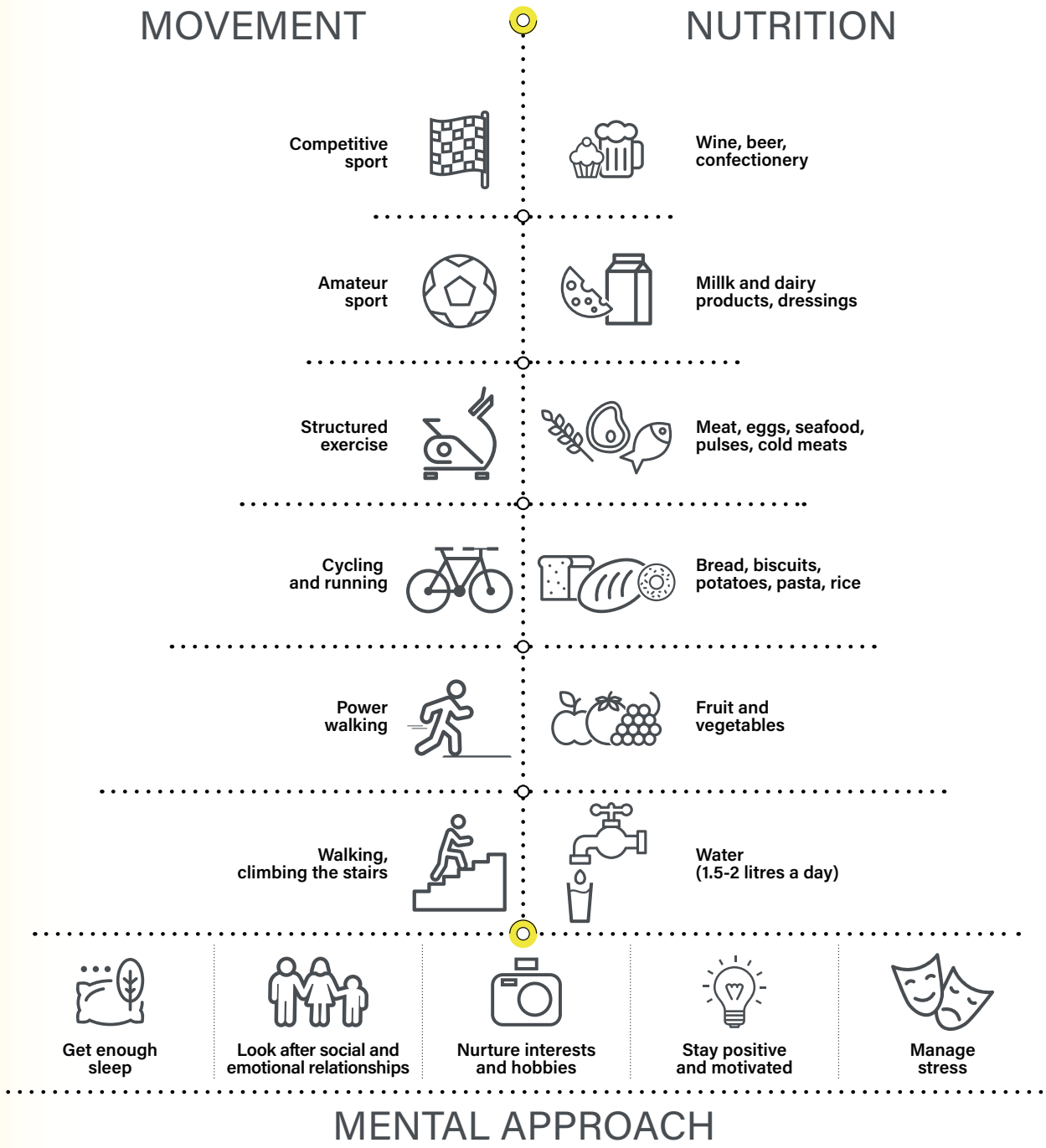
Starting with the "Wellness on the Go" strategy, that has developed a seamless and integrated digital ecosystem consisting of smart equipment, the mywellness® cloud and apps, for a custom training experience, in 2019, Technogym presented the **Technogym Live** platform during the year, offering users a bespoke training experience of group classes and favourite trainers, to enjoy at home, in the gym, in hotels and at the office.

Technogym Bike is the first product integrated with the Live platform, to access the best indoor cycling classes of fitness studios around the world live or on demand.

2020

Technogym introduces the new **Excite line: the revolutionary range of connected cardio training equipment with the innovative Technogym Live interface**, offering users a completely new training experience fully customised to their passions and targets.

The Technogym Wellness Lifestyle® Pyramid



1.2 WELLNESS®

Wellness® is a lifestyle, promoted by Technogym, aimed at improving quality of life through education and regular physical activity, a balanced diet, and a positive mental attitude. During the early 90s, while the stereotypical muscle-bound image of fitness personified by Jane Fonda and Sylvester Stallone was all the rage in the USA, in Emilia Romagna Nerio Alessandri was launching a new vision: Wellness®, an all-Italian lifestyle whose roots lie in the Roman concept of "mens sana in corpore sano" (healthy mind, healthy body). It was nothing short of a revolution, which transformed a business based on hedonism into a social one, from looking good to feeling good, from attracting only a small number of super-fit gym enthusiasts to the possibility of embracing the whole population.

Wellness® was a social opportunity for all: for governments to cut their healthcare bills, for companies to benefit from employing more creative, more productive workers, and for ordinary people, to improve their lifestyles and health. This was the idea behind the Wellness Foundation, the non-profit organisation created more than 10 years ago by Nerio Alessandri, with the goal of sharing his twenty years' experience in the fitness, Wellness and health sector to create a more sustainable society by promoting wellness and a healthy lifestyle.

Internationally, thanks to the commitment of Nerio Alessandri and the Wellness Foundation, Wellness® has become a key theme of the World Economic Forum in Davos, and was also the subject of a United Nations event in New York.

In 2020, for the eleventh consecutive event, Nerio Alessandri was a speaker at the World Economic Forum.

Within the Romagna region, where the Wellness Foundation is located, it launched the Wellness Valley project, which aims to create the first Wellness district in the world, capitalising on the natural DNA of the Romagna region and on Wellness as an economic (tourism, food, technology) and social (health and prevention) opportunity for the area.

Mission and Vision

Technogym's Mission: To spread the Wellness Lifestyle. Wellness as a lifestyle can bring important benefits to society by improving people's quality of life, reducing government expenditure on healthcare, boosting corporate productivity, and respecting the environment. The belief in Wellness as a social responsibility guides and unites our company.

Technogym's Vision: To be the world's leading Wellness Solution Provider. Technogym strives to be recognised as a landmark in its industry, promoting an authentic lifestyle by creating customised solutions for private customers and fitness professionals. It is more than just equipment, it is also about services, content, devices and networking solutions.

1.3 STRATEGY

Technogym's objective is to help people live a Wellness lifestyle any time, anywhere, by implementing a three-pillar strategy:

- Wellness on the go: the Technogym Ecosystem is a platform that helps everyone enjoy a personalised Wellness experience by accessing content and training programmes on any Technogym machine and on any personal device, at any time, anywhere in the world. The Technogym Ecosystem integrates equipment, dedicated mobile apps, the mywellness® cloud digital platform and specific content, programmes and services, offering fitness professionals the opportunity to connect with their clients wherever they may be.
- Brand Development: in recent years, the Technogym brand has followed a positioning strategy based on two principal objectives: being a Premium brand in the Club, H&R and HCP segments, and being a Luxury brand in the Home and Consumer segments. Through marketing and communication, the Technogym brand establishes its values with a clear, coherent strategy that has helped Technogym to position itself as an internationally-recognised name.
- Global presence in the different market segments: Technogym is expanding globally in various market segments, thanks to an omni-channel distribution strategy which includes Retail, Field Sales, Wholesale and Inside Sales.

1.4 THE BUSINESS MODEL

Over the years, Technogym has become well-known for interpreting and anticipating its customers' needs, creating a global community of over 50 million people who train every day on its machines in 80,000 fitness centres and in more than 500,000 private homes in 100 countries worldwide. Today, Technogym is an international benchmark in the wellness sector, and as such is able to offer complete solutions for fitness, sport and health.

Innovation, design and product development

Since its foundation in 1983, Technogym's guiding principle has been all-round innovation in products, processes, its digital ecosystem, sales, marketing and in every other area of the company.

Products are at the core of Technogym's innovation strategy. Our Research and Development area employs more than 200 professionals including engineers, sports doctors, designers and software developers. It also collaborates with external medical practitioners, physiotherapists, architects, athletes and sports trainers.

To date, Technogym has an intellectual property portfolio of more than 295 patents, 201 designs and 399 national and international trademarks, which include 19 patents, 53 designs and 5 trademarks registered in 2020 alone.

Product innovation has always been the Technogym Group's driver of growth. The capacity to innovate is based primarily on the expertise acquired over time by the division dedicated to product research and development, activities traditionally considered an essential tool for reaching and consolidating a leading position in the international fitness equipment market owing to the quality, innovation and design of its products.

The first half of 2020 saw the continuation of the circulation of Technogym Ecosystem on the market, the first and only cloud-based platform in the wellness sector; it allows individual users to access their personal data and training programs and provides a complete range of (consumer and professional) apps to access their individual wellness programs, including via mobile devices. The platform makes it possible to connect final users, professional operators

and Technogym products ("Wellness on the Go") in real time and in any environment, by aiming to offer, on the one hand, greater personalisation and general improvement in the wellness experience for users and, on the other, new opportunities for professional operators to widen their customer base and retain customers.

In 2020, Technogym introduced the new **Mywellness Professional Suite**, a platform for fitness and wellness operators that offers their customers an innovative experience inside and outside the gym, anywhere in the world. The new features of **mywellness® 5.0** allow industry operators to bring together and organise their professional touchpoints to manage their business: from management to profiling and the customised assessment of each customer, to the planning and management of remote coaching and training, and from the creation of feedback and monitoring to the achievement of results.

During lockdown, fitness clubs have been able to keep in touch with customers using the Technogym mywellness® platform, involving them with remote training experiences as well as support and coaching services at home.

For the reopening phase, Technogym developed a comprehensive scheme to support operators, introducing new digital booking features for various club services: admission to the gym, classes or swimming. Through the mywellness® app, customers can easily book from home or on their way to the club. This has simplified reception activities, avoiding waiting times and above all contributing significantly to customer confidence and trust.

For the booking of classes, the mywellness® platform has played a key role in group training in a safe environment: by booking a place, each user can work out in complete safety in a specific, marked area of the fitness centre. In addition, thanks to Teambeats, the Technogym platform for class management and heart rate monitoring, trainers can safely guide and motivate participants using a large screen that will show each user their training data at a distance.

On 28 July 2020, as part of the Technogym Innovation Outlook event, the company launched the new Excite line: the revolutionary range of fully-connected cardio training equipment with the innovative Technogym Live interface, offering users a completely new training experience customised to their interests and goals. With its innovative design and innovative digital training content, Excite combines fun, performance and results, adapting perfectly to the needs of each user.

The new Excite is based on 4 key concepts - variety of training content, connectivity, compact design and eco-sustainability - to give users an engaging and customised training experience, and to guarantee sector operators added value and the possibility to innovate the business model.

With a diverse range of products, the new Excite line includes: the Excite Run treadmill, the Excite Synchro elliptical machine, the Excite Bike, Excite Vario, the Excite Recline recumbent bike, the Excite Climb stairclimber, and Excite Top for the upper body.

In the consumer segment, Technogym continued 2020 with its launch of the Technogym Bike in many European countries, following the significant success in Italy and the UK at the end of 2019.

Technogym Bike offers the chance to train at home, at the gym, in hotels and at work, with indoor cycling classes from the most engaging trainers, live or on-demand, from fitness studios located in various cities around the world. You can choose your favourite channel from the Technogym Bike console based on trainer, music and class length and attend live classes or select classes from a large on-demand library.

Technogym Bike offers users scientific tracking of power output in watts plus unrivalled ease of use thanks to on-the-fly settings that provide the ideal saddle and handlebar position with just one touch. The flywheel resistance system is fitted with the strongest of permanent magnets, made of neodymium, for a smooth and regular ride. Intuitive graphics and knob with tactile feedback every 45° enable easy adjustment of the 20 resistance levels.


SITVS TERRÆ CANAAN SIVE TERRÆ PROMISSIONIS HODIE PALÆSTINÆ SS. BIBLIORVM

In October 2020, Technogym launched Technogym Bench, the new all-in-one solution for functional training. It is a station containing all the tools for a complete workout. Designed to offer maximum comfort and an infinite number of exercises in the smallest space possible, Technogym Bench fits anywhere, transforming even the smallest of spaces into a complete, functional gym. Technogym Bench includes: resistance bands, hexagon dumbbells, weighted knuckles and a training mat to make your training sessions even more varied and stimulating with over 200 basic exercises. Technogym Bench also includes access to training programme videos to guide users during their workouts.

Medical-Scientific Research

A scientific approach is an integral part of Technogym's product development, and the company works with many experts in the field as well as with numerous Italian and international universities. These partnerships focus on the biomechanical and physiological analysis of products being developed, in order to certify their security and effectiveness and study the benefits for sport and health.

Recently, Technogym has a set up a new lab, called a "motion room" within the Technogym Lab, dedicated to analysing movement. The motion room is equipped with the latest technologies and is used both to test elite athletes and analyse Technogym products in the development process.

It is worth mentioning the relationship with the University of Loughborough (UK), with which the company is conducting validation tests on products and solutions, as well as the relationship with Edith Cowas University in Perth (Aus), which is using Technogym products for a study on patients with prostate cancer. In Italy, there are ongoing structured partnerships with the Universities of Padua, Udine and IUSM in Rome, and with the Hospital S. Raffaele Pisana, Rome. Scientific research in the area continues, with publications of scientific studies in indexed journals and the participation of Scientific Department managers at national and international conferences as speakers, both in person and online.

Digital innovation

Digital innovation is a fundamental part of Technogym's activities. Back in 1996, Technogym launched Wellness System, the world's first training management software. Today, Technogym's offer incorporates the Technogym Ecosystem, the only system of its kind in the world of fitness and Wellness. It connects equipment based on an 'Internet of Things' approach, and incorporates a cloud platform that stores personalised data and training programmes for individual users, and a complete range of Wellness apps for consumers and professionals.

Radical changes have also been made to the user experience: The Technogym Ecosystem is an open application that integrates Technogym products and services with the leading tracking apps and wearable devices, giving users a "Wellness on the Go" experience anytime, anywhere: in the gym, at home, at work, outdoors, at the doctor's or while travelling. Each user has a personal account containing their personal data and training programmes. Exercise data can be accessed from various touchpoints: apps, websites or directly on Technogym equipment, thanks to the Live interface.

Technogym's mywellness® is the only platform in the sector to allow users to have a completely personalised experience (training programmes, data and content) throughout their whole training path, both on the gym floor and during classes (cycling, rowing, based on heart rate, and much more) as well as during outdoor training.

Since its launch in 2012, the mywellness® platform has become a point of reference in the market in the field of Connected Wellness. Today, more than 15,000 wellness and fitness

centres around the world connect to the Technogym mywellness® digital platform, with over 15 million registered users.

Starting from the "Wellness on the go" strategy, involving the development of a seamless and integrated digital ecosystem consisting of smart equipment, the mywellness® cloud and apps, and able to offer a customised training experience, Technogym launched **Technogym Live**, the new platform that offers a completely new and engaging training experience and allows users to access a variety of live and on-demand training videos from all consoles of Technogym products and from the new mywellness® app. Technogym Live is an open platform that combines content developed by Technogym with training content created by fitness clubs to offer end users an unprecedented variety and level of customisation.

Through Technogym Live, users can choose their preferred workout from a wide range of multimedia content – one-to-one training sessions guided by a trainer, virtual outdoor training sessions, to more traditional training exercises or routines and various entertainment options – based on their interests, goals and aspirations: from general fitness programmes to group workouts, from athletic training programmes to programmes aimed at health and prevention.

Technogym Live is available on all Technogym products, on the new mywellness® 5.0 app, on screens for virtual gym classes or on personal digital devices.

The new Technogym Live console includes an extensive library of **"Technogym Sessions", the new on-demand digital training sessions**, available on all cardio products. The library includes workout videos - of varying lengths and focus – guided by popular trainers from London, New York, Milan and Los Angeles. The content is currently available in English, Italian and Spanish; new languages and trainers will be added shortly, and the library will be continuously updated with new content to offer variety and motivation to users.

The **Technogym Sessions** are organised into a series of six collections, each of which has a specific objective: weight loss, resistance training, etc. Furthermore, users can try out the new **Routines**, a series of easy-to-follow exercises guided by practical on-screen videos, with specific goals and workloads. For users who love setting themselves specific targets, the **Exercises** section is perfect: training based on distance, calories or time. **Outdoor Virtual Training** offers users the chance to immerse themselves in the most iconic and exotic destinations in the world. Finally, the Technogym Live console offers an infinite number of **entertainment options** such as TV channels, social networks, Netflix, and a wide range of apps: from games to news.

As part of these options and content, the brand-new Technogym Coach – the first application of artificial intelligence to fitness – guarantees each user a fully customised experience. Technogym Coach manages the details and preferences of users and guides them, day by day, suggesting different training options depending on their interests, needs and personal tastes.

Furthermore, Technogym Live offers operators the chance to create their own digital content – live or on-demand – and to stream it to its customers at home (wherever they are) through the new mywellness® 5.0 app. This allows fitness clubs to involve their community outside the facility, as well as to generate new business opportunities by attracting new customers to the gym or even outside the physical structure.

Design and Innovation awards

Italian style and design have always been distinctive characteristics of Technogym worldwide. For over 10 years, the company has participated in the Salone del Mobile in Milan, the most important design event in the world. It collaborates with Antonio Citterio, one of Italy's most renowned architects, and boasts a top Design Department within its Research and Development Centre.

Again in 2020, the company's commitment to design delivered significant results: Skillbike was given an Italian ADI award, presented by the Italian Association for Industrial Design.

These new awards are in addition to the list of Technogym prizes, which include 3 Compasso d'Oro, 12 ADI awards, 12 Red Dot Design Awards, 3 International Design Excellence Awards and 4 iF awards, among others.

1.5 PRODUCTION

The products offered by Technogym are designed, produced and distributed according to an operating model characterised by direct control of all the production phases.

The purchase of raw materials represents one of the main areas of the value chain. Technogym attaches great importance to the materials used in its products, which must meet the highest industry standards. The company uses a global sourcing system that includes more than 800 suppliers from around the world.

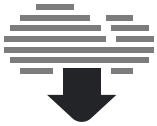
Assembly is performed at Technogym's two production facilities: in Cesena, in the Technogym Village, and in Malý Krtíš (Slovakia).

The Cesena facility, designed to guarantee both maximum production efficiency and a work environment inspired by the principles of Wellness, covers an area of around 40,000 square metres. The production facility only includes product assembly lines designed according to lean production and total quality criteria. The Slovakian facility covers a total area of roughly 30,000 square meters (including an office area) and includes vertical production lines with integrated carpentry, painting and product assembly processes.

The offer: Total Wellness Solution

Technogym's unique offer is the Total Wellness Solution, a bespoke Wellness solution for professionals and end users alike. It includes:

Fitness, Wellness and sports equipment



Cloud platform and digital products

Services
Aftersales, Training, Interior Design, Marketing Support and Finance

Content
Digital training video available on product displays

Equipment

Technogym boasts a complete range of cutting-edge equipment for cardio, strength, functional and group training. All machines are specially designed to meet the needs of the different market segments. We are constantly committed to developing new products and technologies to offer safe, effective and engaging training.

1.6 NEW PRODUCTS LAUNCHED IN 2020

Excite Live Line

In 2020, Technogym introduced the new Excite line: the revolutionary range of fully-connected cardio training equipment with the innovative Technogym Live interface, offering users a completely new training experience customised to their interests and goals. With its innovative design and innovative digital training content, Excite combines fun, performance and results, adapting perfectly to the needs of each user.

The new Excite is based on 4 key concepts - variety of training content, connectivity, compact design and eco-sustainability - to give users an engaging and customised training experience, and to guarantee sector operators added value and the possibility to innovate the business model.

- **Personalisation and variety of training content** – Thanks to the significant variety of content and the infinite possibilities of available exercises, Excite helps any type of user to reach their goals.
- **Connectivity** – Users can connect to each machine with a smartphone or digital device. The product will immediately configure itself, offering a fully personalised experience. Through the Technogym Live console, users can choose their workout from a wide range of multimedia content: trainer-guided workout sessions, virtual outdoor sessions, training


EXERCISES
TV
00:06
STOP
TECHNOGYM

routines, exercises or a variety of entertainment options. In a few words, users can always have their world at their fingertips.

- **Compact Design** – The new Excite products offer the best balance between the footprint – reduced to a minimum – and the space needed to perform the exercise, allowing users to move freely and in complete safety.
- **Eco-sustainability** – The Excite line is the new frontier in environmental sustainability. The Excite Human Powered version is the first generation of smart equipment – fully connected with interactive content – that doesn't require electricity or batteries to work.

The new Excite line includes: the Excite Run treadmill, the Excite Synchro elliptical machine, the Excite Bike, Excite Vario, the Excite Recline recumbent bike, the Excite Climb stairclimber, and Excite Top for the upper body.

Technogym Personal Line with Live interface

The important technological innovations of the Live interface have also been integrated into the Personal Line, the premium collection of Technogym Home Fitness equipment, which brings together the style of the renowned designer Antonio Citterio and the experience of Technogym in the world of fitness and sport. As well as offering the best in terms of state-of-the-art biomechanics and digital technology, the Personal Line products are made using high-quality materials and craftsmanship of the highest standard, designed to be arranged like beautiful pieces of furniture in the most attractive areas of the home. The line includes the most iconic examples of fitness equipment – treadmill, bike, recumbent bike, elliptical machine, Kinesis and Power Station – to create a complete home gym.

Now, Personal Line products come integrated with the new Technogym Live console, which allows users to choose a completely personalised training experience from a wide range of on-demand training content, including trainer-guided workout sessions, training routines, outdoor sessions, and infinite entertainment options.

Technogym Bench

In 2020, the company launched Technogym Bench – the new station for functional training – designed to combine the maximum variety of training exercises with the minimum footprint, enabling users to perform the widest range of exercises in a limited space, thanks to its innovative design and to the tools it contains.

All the accessories fit into specific spaces within the Technogym Bench. Exercise options include the possibility to combine workouts with weights, resistance bands, hexagon dumbbells, weighted knuckles and a training mat, allowing a wide range of exercises to be performed, ensuring effective and varied total body workouts.

In detail, Technogym Bench includes:

- 5 pairs of hexagon dumbbells, stored in a practical support, designed to make it safe and easy to grab the weights.
- 3 weighted knuckles in different shapes and weights for core training.
- 3 resistance bands, with different degrees of resistance and various attachment points, to mix up the types of exercises. To prevent them from becoming tangled, simply return them to their dedicated storage compartment.
- 1 training mat for maximum comfort and stability during exercises, on the floor or on the bench.

The new Technogym Bench, completely integrated with the Technogym Ecosystem, includes access to a large library of 20 to 30-minute training videos for strength, resistance and core training, guiding the user through the infinite number of exercises for this innovative all-in-one functional station.

Thanks to its integrated wheels, Technogym Bench is easy to move around to the best position for any type of training. Because of its versatility and reduced footprint, Technogym Bench is the ideal home fitness solution, but also for hotels and fitness clubs, for both functional training and classes (e.g. for bootcamps).

PURE plate-loaded line: Range extension

5 new products added to the 15 existing products

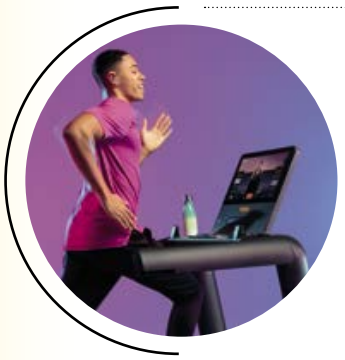
In the first half of the year, the company expanded its range of Pure products – the most innovative plate-loaded line in the fitness sector, developed from Technogym's long-established experience in training – which now has an additional 5 new products to the 15 existing ones, and with the introduction of a brand-new circuit aimed at glute training: Glute Builder Training.

The large number of products that make up the Pure line allows industry operators to select the equipment they need for different training plans, as well as create targeted circuits for specific programmes and new customers with different needs. The new Glute Builder Training is an excellent example: an innovative way to attract new clusters of customers who want to improve the appearance of their bodies.

The 5 new products are: Hip Thrust, Standing Abductor, Hack Squat, Pull Over and Seated Calf. Pure is also fully integrated within the Technogym digital ecosystem: by downloading the mywellness® app, users can watch videos of the exercises, check their training programme and manually add exercises, keeping track of all their activities. Each piece of equipment of the PURE line comes with a QR code which users can scan for an instant guide.

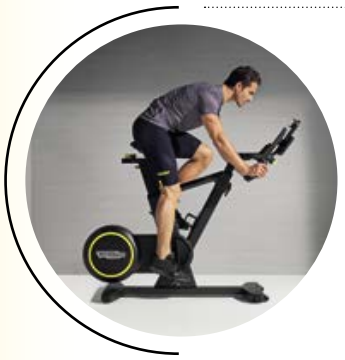

TECHNOGYM

THE TECHNOGYM PRODUCT RANGE



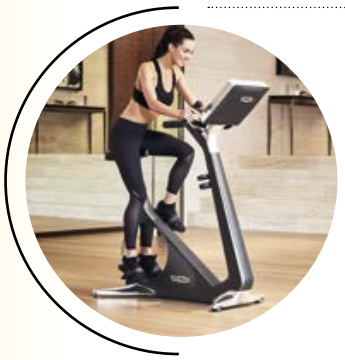
Excite Live Line

The new **Excite** line is the revolutionary range of fully-connected cardio training equipment with the innovative Technogym Live interface, offering users a completely new training experience customised to their passions and targets. The new Excite is based on 4 key concepts – variety of training content, connectivity, compact design and eco-sustainability – to give users an engaging and customised training experience, and to guarantee sector operators added value and the possibility to innovate the business model. The new Excite line includes:
the Excite Run treadmill, the Excite Synchro elliptical machine, the Excite Bike, Excite Vario, the Excite Recline recumbent bike, the Excite Climb stairclimber, and Excite Top for the upper body.



Skill Line

Skilline is a collection of products designed for Skillathletic Training, a method developed by Technogym and Olympic champions for anyone wanting to improve their athletic performance. The line includes **Skillmill**, the unique motorised product which combines strength, speed, resistance and agility training, **Skillrow**, the first indoor rowing product able to improve anaerobic power, aerobic capacity, and neuromuscular functions in a single solution, **Skillrun**, the first running product that brings together cardio and strength training into a single solution, enabling users to do both running sessions to improve cardiovascular performance and resistance training to increase strength, and the new **Skillbike**, the first indoor bike equipped with a real gear shift.

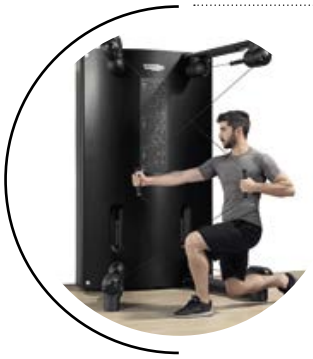


Personal Line

Technogym's **Personal** Line is a collection of iconic products dedicated to Wellness at home, which combines innovation, technology and design. The result of collaboration between Technogym, with its thirty years of experience in developing fitness and Wellness products, and the design concept of Antonio Citterio, the Personal line products are inspired by nature and science. The result is a line of interior design products, created using sophisticated materials and the best craftsmanship techniques. The **Personal** Line includes: the innovative **Kinesis Personal** for gentle gymnastics, which, thanks to the FullGravity patent, allows free and natural movement, offering 360° resistance; the new **Power Personal** for strength training, the **Run Personal** treadmill, the Elliptical **Cross** Trainer and the **Recline** exercise bike, equipped with Unity, the most advanced multimedia interface on the market.

Artis Line

Artis embodies the state of the art of the fitness and Wellness sector, and is the result of thirty years of scientific and technological research applied to the design and production of fitness products. It includes a complete collection of over 30 products, integrated and coordinated in terms of design and style, as well as connected and sustainable, for cardio, strength and functional training, allowing users to enjoy a unique experience. The line also includes OMNIA, the product for training in small groups, with training programmes for different levels of ability.



Kinesis Line

Kinesis is not merely a product, but an actual training discipline. Kinesis line products for functional training are designed to help users recover the functionality of free and natural movement, offering effective and adjustable training based on the level of experience and specific targets to be achieved.
The "Full Gravity" patent allows natural 360-degree movements, which fully activates the kinetic chains. The "Kinesis Class" configuration allows personal trainers to easily manage an entire class. Kinesis innovation and technology are also available in one single unit. Developed as a single free-standing unit with a reduced footprint, Kinesis One provides a complete training solution. Kinesis Stations are also part of the line.

Group Cycle Connect

Group Cycle Connect is a comprehensive solution for Group Cycling, fully integrated with the Technogym Ecosystem. It offers a completely innovative training experience, thanks to the development of a new bike, the option for users to measure their workout results and compare them with those of other users, and record their results on the mywellness® platform, which is accessible directly through the integrated display on the bike and through mobile devices. The concept also includes a full range of immersive video content for group classes, to provide users with an absorbing and motivating experience.

Pure Strength Line

The comprehensive line of **Pure Strength** equipment is the result of many years' experience in helping Olympic athletes get stronger and faster. The most innovative solutions in terms of biomechanics, ergonomics and product durability ensure that **Pure Strength** offers the maxi- mum results to everyone looking for the best form of strength training and the highest level of sports performance.

Med Line

Products for cardiovascular exercise from the **Excite Med** line are sophisticated pieces of equipment dedicated to stress testing, patient assessment and rehabilitation. In terms of strength, **Selection Med** is characterised by the completeness of the range, its application versatility and the innovative Multiple Resistance System (patent pending) on **Leg Press Med**, a device which combines the benefits of elastic resistance with those of traditional weight stack training, to meet both rehabilitation and muscle strengthening needs. All medical lines are TÜV and 93/42/EEC certified.

Home Line

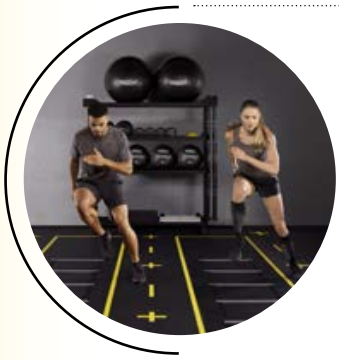
Ideal for Wellness at home, the Technogym line includes the **Myrun Technogym** treadmill, which is the new iconic Technogym product for the home, boasting an elegant and minimalist design, silent operation and compact dimensions, the **Wellness Ball Active Sitting**, the dual intensity ball that can be used as both an alternative to a chair at home or in the office and as a tool for doing a full programme of exercises, as well as **Unica**, designed by Nerio Alessandri in 1985 and today an design icon in the world of fitness. **Unica** was in fact the first training product to also be an item of furniture. Thanks to the compact design and revolutionary ergonomics of **Unica**, for the first time it was possible to concentrate an entire gym in 1.5 square metres.

Biocircuit

Biocircuit is the new circuit-based method able to offer clients bespoke training to meet their goals in a short time. The guided programme guarantees an engaging experience without the need for adjustments or waiting times, as the exercises, workloads, exercise/rest ratio and speed are predefined and integrated into customised programmes. Through the **Biodrive** patent, **Biocircuit** is able to offer a safe, guided and effective personalised workout suitable for any type of user. Based on revolutionary aerospace technology, **Biodrive** includes a motor controller which offers personalised training to help users achieve the best results in a short space of time.

Skillathletic

Skillathletic Training is the new training format created thanks to Technogym's experience as Official Supplier of the last 7 editions of the Olympic Games and its partnership with the best teams and sports champions the world over. The format - developed by Technogym's research centre partnered by numerous coaches and trainers - targets the improvement of athletic performance and offers an extensive range of training programmes based on the **Skillathletic Training** four key skills – **Power, Agility**, **Speed**, and **Stamina** – which can be used at varying levels of difficulty, to manage people with different fitness levels in the same class.



Skilltools

Skilltools is a complete **Kit** of tools to allow any type of movement to be performed and perfected with maximum benefit: from the mobility and warm-up stages to the actual workout, followed by the cool-down phase, maximising athletic performance and improving neuromuscular control.
Each element of the **Skilltools Kit** was developed to offer maximum workout variety to work on mobility, stability, strength, agility and reactivity.

Service

Technogym's Total Wellness Solution offers a series of services designed to offer an enhanced, personalised Wellness experience for end users, while giving fitness professionals a range of diversified options to expand their client base and gain their loyalty.

Interior Design

Thanks to the Wellness Design service, Technogym can offer the full design of Wellness areas in hotels, businesses, medical centres or private homes. The objective is to create peaceful and stimulating spaces and environments and enable customers to stand out thanks to a unique and personalised style.

Financial Services

Technogym provides its customers with safe, fast and transparent financing, together building a personalised and reliable plan in collaboration with a number of leading international banks and insurance companies.

After Sales

Technogym's aftersales service is designed to ensure that our equipment stays reliable and performs well over time, thanks to tailor-made contracts designed to ensure the best operation and constant quality of the equipment. We have a global network of Authorised Technical Assistance Centres, able to provide a fast, competent response.

Marketing Support

The promotion of Wellness, sporting partnerships and our global community give the Technogym brand a distinctive appeal, and make a positive contribution to our customers' business. Educational and promotional tools are used to raise awareness about Technogym equipment and its benefits, and allow customers to exploit our brand and communications as an asset for their business.

Networking Apps, Devices & Content

Thanks to the mywellness® cloud, an open platform integrated with equipment, apps and portable devices, fitness professionals and users can stay in touch wherever they are. It offers complete lifestyle management that builds customer loyalty and business opportunities. Professionals can take advantage of a vast range of professional applications that grow their potential, while users can engage with the Unity digital console, the most advanced cardio interface on the market, designed to make every workout experience unique.

Technogym University

The Technogym University encourages the exchange and sharing of ideas and projects through the use of multimedia resources, thus placing the Technogym Village at the heart of a network that is capable of reaching millions of individuals. Technogym Village facilities host numerous conferences, seminars, and workshops organised by the Technogym University and the Wellness Institute, Technogym's dedicated training school. The Wellness Institute is where fitness centre operators, doctors, and researchers can come together to share their ideas, projects and new scientific discoveries; this encourages a multi-disciplinary approach, and contributes to the development of the Wellness culture. Continuous training of industry professionals is also ensured by on-line and on-site courses, as well as specialist technical seminars given by highly experienced university professors.

1.7 DISTRIBUTION

Segments

Technogym targets specific distribution segments:
- Fitness and Wellness Clubs
- Hospitality & Residential
- HCP (Health, Corporate & Performance)
- Home & Consumer

Fitness and Wellness Clubs

Fitness and Wellness Clubs continue to be one of the most significant market segments. Technogym is the trusted supplier for the most important chains of clubs in the world, such as Virgin Active in Europe, Asia and South Africa and Life Time Fitness in the United States.

The Fitness and Wellness Clubs segment was hard hit by the escalation of the pandemic starting from the early part of the year, with several months of lockdown in the vast majority of markets leading to a stop in our clients' operations, forcing them to freeze memberships and wiping out their revenues in the worst cases.

During lockdown, operators adopted protocols and measures aimed at ensuring safety and compliance with the rules. In some countries, local legislation allowed clubs to continue taking monthly payments in return for an extension of the membership period.

Confidence in the sector remains intact and larger clients are confirming plans for opening in new locations while remaining more cautious for renewals to avoid having to close centres again, even for short periods.

The growing use of digital instruments has been a significant market trend, enabling operators to remain connected with their customer base, even remotely, with the aim of keeping customer loyalty levels high, and in some cases of monetising these solutions with pay-for-training sessions. This scenario was boosted considerably during lockdown, but is still growing, with the increasing use of apps featuring live and on-demand content. In this area, Technogym has been at the forefront in giving operators practical support with dedicated apps and digital solutions.

In 2020, Technogym signed an important agreement with the Fitness Time chain, the largest fitness club chain in Saudi Arabia. The agreement involves the exclusive supply of Technogym products and digital solutions for a value of more than $ 50 million in five years for their 138 existing clubs and 70 new clubs opening in the Middle East.

In addition, negotiations continued for the supply of smart equipment with various leading chains on the European, US and Middle Eastern markets.

Hospitality & Residential

In the Hospitality & Residential channel, Technogym is a partner of the most prestigious global groups, including Mandarin Oriental, Four Seasons, Marriott / Starwood, Hilton, Accor Hyatt and many more.

Technogym supplied numerous hotels worldwide during the year, including Il Cheval Blanc La Samaritaine, Paris, managed by LVMH, Nobu Portman Square, London, W Hotel, Philadelphia and W Hotel Algarve, as well as the Hilton – Hotel Curio in Coronado San Diego.

Among the most iconic references of the year is the Congressional Country Club in Maryland, the exclusive historic club of American high society, counting many US Presidents among its members.

Some of the most prestigious residential projects inaugurated in 2020 include St. James White City and Newfoundland, Canary Wharf, London, Six Senses, New York City and the Millennium Tower project in San Francisco, which partnered with Technogym to create Wellness areas for their residents.

The most prestigious cruise ships chose Technogym as partner for their on-board gyms; in the first few months of 2020, Technogym was awarded the contract as Supplier for the Costa Firenze, Viking Venus and MSC Virtuosa.

HCP (Health, Corporate & Performance)

As regards the HCP segment, more and more companies all over the world are launching their own internal corporate Wellness programmes. Worldwide, over 10,000 companies have already chosen Technogym as their partner for the creation of projects aimed at improving the health of their employees. The outbreak of the pandemic has increased the importance of health and prevention for end users, as evidenced by the activities in 2020.

In the corporate wellness sector, Technogym is a partner of prestigious companies including Facebook, Google and Apple in the Silicon Valley, with a facility recently renovated at the Culver City campus. During 2020, the company set up numerous company wellness centres including at the new Allianz headquarters in Milan and main headquarters in Trieste, as well as 4 Honda sites in America and at the Disney offices in Florida.

Also in 2020, Technogym created corporate wellness projects for Mercedes Benz - Daimler at numerous locations in the German market, for the Cisco offices in Benelux, America and the UK, as well as for the headquarters of Banco Santander in Spain and Coca Cola in France. In the UK, the new Microsoft and BSKYB offices are important references. In China, Technogym has created corporate wellness projects for 2 Huawei locations, in Shanghai and Songshang Lake.

In the Education sector, the best universities and business schools relied on Technogym for the promotion of the right lifestyles to young talent. In 2020, projects were set up at Oxford High School in the UK, the Universities of Lancaster and St. Andrews, also in the UK, at Wisconsin University, Oklahoma State University and New Mexico University in the USA, and at Deakin University in Australia. In Brazil, the well-known training institute "Servico Social Do Comercio – Sesc Sao Paulo" chose Technogym for its educational youth sports programme in over 200 centres in the country.

In the Sport Performance sector, Technogym was chosen as supplier in 2020 for the prestigious Real Tennis Club in Barcelona, the Australian Institute of Sports, INSEP – the acclaimed French National Institute for sport, performance and physical exercise, the

Toulonnais Rugby Club and Lagardere Paris Racing in France, the Formula E Mahindra Racing Team training centre, and the North Bondi Surf Club in Australia.

In the medical sector, Technogym was chosen as partner by the Maastricht University Medical Center, the Take Physical conditioning facility in Kitayama, Japan, the Holy Name Hospital in New Jersey and the Lawrence J. Ellison Institute for Transformative Medicine of South California University.

Home & Consumer

In 2020, there was strong growth in the consumer segment due in part to lockdown, which forced people to stay at home, and in part to the launch by Technogym of innovative home fitness products, solutions and services.

In the consumer segment, Technogym continued 2020 with its launch of the Technogym Bike in many European countries, following the significant success in Italy and the UK at the end of 2019.

Technogym Bike offers the chance to train at home with indoor cycling classes from the most engaging trainers, live or on-demand, from fitness studios located in various cities around the world. You can choose your favourite channel from the Technogym Bike console based on trainer, music and class length and attend live classes or select classes from a large on-demand library.

In October 2020, Technogym launched Technogym Bench, the new all-in-one solution for functional training. It is a station containing all the tools for a complete workout. Designed to offer maximum comfort and an infinite number of exercises in the smallest space possible, Technogym Bench fits anywhere, transforming even the smallest of spaces into a complete, functional gym. Technogym Bench includes: resistance bands, hexagon dumbbells, weighted knuckles and a training mat to make your training sessions even more varied and stimulating with over 200 basic exercises. Technogym Bench also includes access to training programme videos to guide users during their workouts.

In November 2020, Technogym announced the opening of its new store in Los Angeles, California. Two floors entirely dedicated to Home Wellness in the heart of the West Hollywood Design District, 131 North Robertson Boulevard – over 300 square metres designed to offer a true Wellness Experience and allow visitors and customers to discover the best products and the most innovative home fitness technologies.

Today, Technogym is present in more than 500,000 private homes. On a European level, Technogym is seeing particular success in the British, German, French and Spanish markets in the home segment. In the rest of the world, China, the United States and Japan recorded growth compared with the previous year.

Channels

The distribution of Technogym products follows the omni-channel approach, through 4 sales channels:

- field sales, represented by Technogym sales personnel and sales agents;
- inside sales, which includes telemarketing and online sales;
- retail, through the seven stores directly managed by the company;
- wholesale.

Field sales, Inside Sales and Retail are direct channels used by Technogym to reach end users and professionals directly, while the Wholesale channel is an indirect channel, through which end users and professionals are reached by exclusive distributors who can cover markets in which we have no direct outlet.

Geographical areas

Technogym is present in all the major global markets. In 2020, around 90% of company sales occurred outside Italy and roughly 40% outside Europe.

In Europe, in a scenario where all areas continue to feel the impact of the pandemic on B2B activities, the performance in Italy is worth noting.

Marketing and communications

Marketing and communications at every stage of the Technogym operating model are the pillars of our strategy to develop and consolidate our position in the fitness market and in the Wellness industry as a whole. Over time, this has contributed significantly to making Technogym a distinctive brand, which is recognised worldwide for its quality, innovation and Italian design. A cornerstone of Technogym's marketing and communication strategy is its participation in the sports industry. Technogym is the official supplier to a large number of top teams and athletes, and has been the Exclusive Official Supplier of athletic training at seven Olympic Games.


TECHNOGYM
TECHNOGYM

1.8 EVENTS, REFERENCES AND PARTNERSHIPS

A central element of Technogym's marketing strategy consists of taking part in numerous reference events in sectors of interest for the company business: fitness, Wellness, sports, rehabilitation, design and technology. Events are chosen based on consistency with corporate values and on both business and brand positioning opportunities.

Key events in the year

In the 2020 financial year, Technogym organised over 300 digital events to keep in contact with its customers and stakeholders, including during the health emergency caused by Covid-19 in the absence of traditional, annual industry trade shows.

Events covered the most important topics of the fitness and wellness sector, in 4 macro-categories:

- Education: events dedicated to training for Technogym products;
- Digital Solutions: training on digital solutions for the sector;
- Technogym Experts: a selection of speeches by international experts on health, fitness and sports;
- Virtual products presentations: sessions dedicated to the launch and further development of new Technogym solutions.

Partnerships

For many years now, the world's most prestigious sports clubs have worked with Technogym on the physical training of their athletes. In Italy, Technogym continues its football partnerships with Juventus, Inter, Milan and the Italian National Team. With the goal of expanding its partnerships abroad, especially in key markets, in 2020 the company confirmed its partnerships with top international clubs such as Paris Saint Germain in France, and the Russian and Brazilian national teams.

In basketball, Technogym also continued its collaboration with Olimpia Milano and Virtus Segafredo Bologna in 2020.

Thanks to its wide range of products, which are perfect for athletic training in all sports disciplines, top sports persons collaborating with Technogym include Rafael Nadal and the rising star of tennis Jannik Sinner, the Real Madrid striker Karim Benzema, and highly successful teams such as Ferrari and McLaren in Formula 1. In sailing, Technogym was chosen by Luna Rossa and Ineos Team UK in view of the upcoming America's Cup, while in golf it is an Official Partner of the PGA (Professional Golfers Association), the organisation that manages the main professional golf tours in the United States, and prestigious Italian golf clubs including the Marco Simone Club in Rome, host to the 2023 Ryder Cup. In the world of tennis in 2020, Technogym was present at the most important tournaments, including the ATP Finals in London as well as for other major tournaments such as The French Open at Rolland Garros, the Davis Cup Final in Madrid, and the Italian Open in Rome.

In 2020, Technogym was also announced as the Official Global Fitness Equipment Partner for Ironman.

Olympics

Technogym has been the Official Supplier for seven Olympic Games: Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012, Rio de Janeiro 2016 and PyeongChang 2018. For each edition of the Olympics, the company was involved in the design and installation of athletic training centres within the Olympic facilities, providing training products and digital ecosystem to track and store training data in the personal profiles of each athlete.

In addition, the company provided a team of international professional trainers to manage the athletic training centres, support athletes and offer all related services (gym layout, installation and technical assistance).

On 27 January 2020, the Tokyo Olympic Organising Committee announced that Technogym has been chosen as the official and exclusive supplier for the Olympic and Paralympic Games postponed to 2021 due to the global pandemic.

1.9 TECHNOGYM VILLAGE

On 29 September 2012 in Cesena, in the presence of the Italian President of the Republic, Giorgio Napolitano, and former President of the USA, Bill Clinton, the Technogym Village was inaugurated, the first Wellness campus in the world; a cultural centre, an innovation laboratory and a production centre, where partners, clients, suppliers and guests from around the world can enjoy a real experience inspired by Wellness.

Technogym Village reflects the vision of Nerio Alessandri, who, together with architect Antonio Citterio, conceptualised a place where lifestyle, quality, design and productivity are all combined. The design, which houses Technogym's corporate headquarters, research centre, factory and a large Wellness Centre, is based on the concepts of eco-sustainability and bio-architecture applied to create a place of work and inspiration devoted to excellence.

1.10 HUMAN RESOURCES AND ORGANISATION

Technogym recognises the fundamental importance of human resources, their health, training, motivation and incentives. Development of their attributes and skills is considered essential for the implementation of the corporate strategy.

In 2019, Technogym employed on average 2,135 staff (2,048 for the year ended 31 December 2018), which comprised 695 blue-collar workers, 1,380 white-collar workers and 60 managers.

(in numbers)	Year ended 31 December			
	2020		2019	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	61	60	60	60
White-collar	1353	1325	1380	1382
Blue-collar	664	635	695	680
Total number of employees	**2077**	**2020**	**2135**	**2122**

Training is an important way to develop and consolidate personal skills, while diffusing the Group's values and strategy. This is why the company organises training programmes through the Technogym University, with its internal trainers on main company processes, as well as cross-cutting training programmes based on developing soft skills or new expertise and information sessions on the Technogym culture, open to all staff.

Training is delivered in various forms: on-the-job training, so that employees can learn through projects and new, challenging activities; continuous feedback, coaching and mentoring to support staff through the growth process, and e-learning to ensure regular updating in self-training mode. Training is also provided at classes and seminars.

Training is categorised as follows:

- Technical and Managerial Training: aimed at developing expertise for specific roles, including positions with a high managerial content and/or supervisory roles in order to develop relational, communicative and behavioural capabilities at all levels in the organisation;
- Commercial Training: for Sales and Marketing roles;
- Health and Safety Training: mandatory health and safety training for the company's health and safety officers.

In 2020, the company worked on improving a unique programme called "Working for Wellness" (W4W), which is able to guarantee the quality of the work environment and corporate climate, offering the chance to live a Wellness lifestyle in all its aspects. Working for Wellness is the only corporate wellness programme that is aimed at all aspects of mental and physical wellbeing, offering services dedicated to movement, nutrition and mental approach according to the Wellness Lifestyle Pyramid developed by the Technogym Wellness Science Center.

The "W4W" programme also involves: special agreements with stores, services and associations in the local area for staff and their families; tax advice; a supplementary health policy for HQ staff with more than 10 years' service with the company, which provides cover extending to their families.

The T-Welfare (Technogym-Welfare) project has also been in existence since 2017, offering, through a dedicated online platform, a number of services, including prevention, welfare, the reimbursement of healthcare costs and school fees for children, as well as opportunities including shopping vouchers, travel, leisure, relaxation and wellbeing initiatives.

Corporate Wellness

As part of the company's mission, which promotes the Wellness lifestyle all over the world, the Corporate Wellness project plays a key role, aimed at offering employees an all-round programme for health, physical exercise and sport. All employees can follow specific exercise or sports programmes, both individual and group, within the large Technogym Village Wellness Centre or outdoors.

The Wellness Centre provides employees with over 200 pieces of training equipment, which combine the best in technology, biomechanics, innovation and design. The space, which extends over a floor area of more than 3,500 square metres, can be used free of charge by all employees, who can choose whether to train in the morning, at lunchtime, or after work. In 2020, due to the restrictions related to the pandemic, access to the wellness centre was capped and, on occasion, suspended, in line with requirements of the authorities. As a result, Technogym produced a series of training on-demand videos and programmes available to staff on its app for home or outdoor use.

As part of the Corporate Wellness project, online educational activities are also scheduled on topics related to wellness such as: positive mental attitude, healthy eating and team building, to provide people with the tools and experience they need to improve their own lifestyle.

The Wellness Restaurant offers a menu created by the Scientific Department, with recipes prepared using quality, local seasonal ingredients with a low salt content and free from polyunsaturated fats.

Three menus are on offer every day, with very fresh and natural ingredients, following a balanced nutritional regime according to the "Wellness pyramid".

Since 2019, the new T-Take Home service has been available, so all Technogym SpA staff can book dinner directly from an app, pick it up, take it home, and enjoy a meal with their families.

Aimed at encouraging monitoring and prevention, every year Technogym organises a free Wellness check-up for those employees that want to take part, in conjunction with leading medical centres.

From the analysis of the data, analysed by independent universities, it can clearly be seen that Technogym employees involved in the Corporate Wellness programme are on average healthier compared to the standard values of the population, and that their health parameters improve year on year or stay stable over time.

1.11 TECHNOGYM AND SUSTAINABILITY

Technogym is known throughout the world as 'The Wellness Company' and in parallel with its business model, based on technology, software and services in support of physical activity, sports, health and prevention of illness, the company has a strong sense of corporate social responsibility, centred on the idea of exercise as medicine and promotion of the Wellness lifestyle as an important concept, and social opportunity for governments, businesses and individual citizens. The company also implemented a number of corporate social responsibility initiatives in 2020, developed locally, nationally and internationally.

↦ For more information, refer to the 2020 Non-Financial Statement which provides details of the activities implemented by Technogym in 2020.

Sustainability objectives and commitments

Technogym's approach to sustainability has strong synergies with its **corporate mission**. Our aim is to **disseminate the Wellness Lifestyle** globally, to promote regular physical exercise, healthy lifestyles and to improve people's quality of life. *Wellness*, the corporate philosophy of Technogym, is key to defining our strategic objectives. It reflects our commitment to building shared value with all stakeholders.

The close correlation between business strategy and sustainability is what guides the Group in its decisions and in its actions, which are designed to meet the health needs and demands of ordinary people. The wellbeing of end users and, therefore, of the community as a whole, is central to our corporate objectives, and it starts at the product design phase. We maintain this focus throughout the production process, through to the after sales and marketing stages.

This combination of factors makes our business model unique, and fosters our strategic alignment with the United Nations Sustainable Development Goals (SDGs). Technogym unquestionably contributes to achieving **Goal 3 "Health and Wellbeing"**, with specific reference to Target 3.4. "By 2030, reduce by one-third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and wellbeing".

On the strength of the Group's commitment to ESG (Environment, Social, and Governance) issues and with a view to strengthening the alignment between the SGDs and its corporate strategy, Technogym undertakes to outline clear sustainability objectives and commitments.

Specifically, in 2020, Technogym defined its **Sustainability Policy**, setting out its main sustainability priorities and laying the foundations for a path of continuous improvement in ESG performance[1].

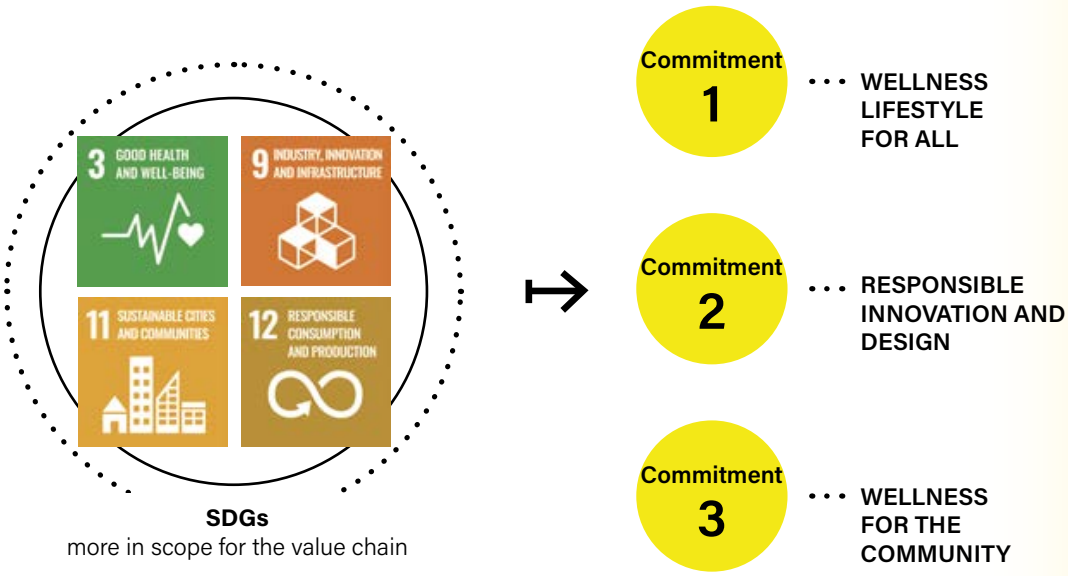
Technogym's Sustainability Policy is based on three key Commitments,by 2025, which include:

- **Wellness Lifestyle for All** (Commitment no. 1), which underlines the opportunity to create value starting from the Group's core business
- **Responsible Innovation and Design** (Commitment no. 2), with a strong focus on sustainable innovation to increasingly guide choices towards the responsible management of climate change risks[2];
- **Wellness for the Community** (Commitment no. 3), focused on the wellbeing of the community in which it operates and of the stakeholders that Technogym works and communicates with.

1. Due to the Covid-19 pandemic, the approval process has been postponed until the start of 2021. At the time of publication of this document, the Policy had been approved by the Board of Directors.

2. A point of reference is the European guidelines linked to the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD)

Technogym ESG commitments by 2025



WELLNESS LIFESTYLE FOR ALL

Technogym has been promoting wellness as a social opportunity for all stakeholders for over 20 years, including: Citizens, Companies and Governments. Using this history of culture and innovation, and in compliance with the United Nations' "Good Health and Well-being" goal, the company is determined to keep helping its stakeholders to achieve wellness by promoting sustainable lifestyles and behaviours for the wellbeing of the community through a range of products and services that use the latest technology, meet the needs of private and professional users, and reach an ever larger number of people

RESPONSIBLE INNOVATION AND DESIGN

Our mission to contribute to building a better world, based on the health of people, cannot be separated from a strong focus on and awareness of the environment in which they live. For this reason, in pursuit of the United Nations "Responsible consumption and production" and "Industry, innovation and infrastructure" goals, our aim is to work towards creating products and environments in which functionality meets aesthetics and where, right from the design

stage, the focus on research into new green solutions allows us to act responsibly without neglecting quality design

WELLNESS FOR THE COMMUNITY

Starting from numerous practical projects, such as the Wellness Valley established in 2003 and the Let's Move for a Better World campaign, now in its seventh edition, we want to promote the full expression and implementation of the Wellness concept, leveraging our technologies and our communication initiatives to help improve the quality of life and wellbeing of the community and of the planet. For us, these elements are crucial for realising the "Sustainable cities and communities" envisaged by the United Nations.

Starting from 2017, Technogym has prepared a Non-Financial Statement (NFS) in accordance with the legal requirements set out in Italian Legislative Decree 254/2016. For details on its non-financial performance, refer to the Non-Financial Statement prepared in line with the Global Reporting Initiative Standards (GRI Standards). This was subjected to a limited examination by PricewaterhouseCoopers S.p.A., and is available on the Group's corporate website.

Exercise is medicine

For the tenth year running, Technogym was a global partner of 'Exercise is Medicine', an initiative set up in the United States from a collaboration between ACSM (American College of Sports Medicine) and AMA (American Medical Association), now developed on an international level, whose objective is to promote the prescription by doctors of physical activity as a form of medicine for a number of disorders, and to train industry operators and trainers in providing therapies in the form of physical exercise programmes.

As part of this initiative, Technogym produced new publications and since 2019 has strengthened training activities carried out in collaboration with ACSM, organising online training webinars.

Workplace Wellness Alliance

Initially promoted by the World Economic Forum, which Technogym has been a member of since 2009, the objective of the Workplace Wellness Alliance is to promote the concept of Wellness in the workplace as a social and business opportunity. Since 2013, the World Economic Forum has entrusted the management of the project to the Institute for Health and Productivity Management (IHPM), a non-profit organisation. Technogym continues to play an active role in the project, and in October 2014 hosted the organisation's European Forum at the Technogym Village, involving representatives from businesses, research centres and other organisations involved in the project.

Let’s move for a better world

Each year, Technogym is the highly successful organiser of the social campaign “Let’s Move for a Better World”, which uses Technogym Ecosystem, Technogym’s digital offering, to attract people at fitness and wellness clubs where they can donate their physical movement to a good cause.

Considering the emergency situation in the first 6 months of the year, the 2020 social campaign was replaced by a global virtual event dedicated to the entire fitness community in over 100 countries: Let’s Move for a Better World Day, which took place on 16 May.

The event brought together thousands of people around the world, committed to staying motivated and active during the crisis, at home, outdoors and in the gym, where possible.

Traditionally, the Let’s Move for a Better World campaign is a unique way for gym operators to forge stronger customer ties, and boost the motivation and participation of members, thanks to the appeal of the event. Focusing on the community of each centre, the social campaign helps to create a strong team spirit by encouraging the achievement of a common goal.

Even with this different approach, the Let's Move for a Better World Day was a great opportunity for fitness clubs and facilities the world over to bring their communities together remotely, to connect with members and motivate them in an event focused on fitness, while waiting for the clubs and facilities to reopen.

In the second part of the year, Technogym organised a second campaign event in digital format called Let’s Move Week, held from 9 to 15 November.

During Let’s Move Week 2020, by joining the global campaign, fitness clubs could involve their members with customised on-site events, create live and on-demand training thanks to the new streaming opportunities offered by mywellness® 5.0, promote the event with activities and challenges on social media, and take advantage of the Technogym training sessions available on mywellness®.

At the same time, with the aim of maximising the message of Let’s Move Week and supporting World Diabetes Day, Technogym promoted the “Technogym Bike Challenge”, an initiative involving sports celebrities and media partners for a social cause with a dual purpose, both charitable and scientific: the donation of a Technogym-equipped gym to an Italian centre of excellence for diabetes care and research.

The initiative received the support of “Diabete Italia”, a not-for-profit organization. At the same time, considering the scientific value of the project, the Italian Diabetes Association worked with the Wellness Foundation to identify potential beneficiaries of the donation.

The gym, worth Euro 50,000, equipped with the most innovative products and digital solutions for physical exercise, was donated by Technogym to the “Foro Italico” University Foundation in Rome.

Wellness Valley

The “Wellness Valley” project is promoted by the Wellness Foundation and supported by Technogym; the aim of the project is to transform the Romagna region into a centre for wellness and healthy living and improve the quality of life of its citizens, building on the economic, intellectual and cultural capital already present in Romagna, an area well known for its love of living well. In support of the initiative, Technogym has granted access to its expertise and structures and organized practical activities as well as meetings and themed discussions to facilitate networking among all the stakeholders in the area. Wellness Valley is intended to show how it is possible to build a social, cultural and economic ecosystem that encourages people to adopt a healthy lifestyle to prevent chronic illness, improve quality of life and socio-economic conditions.

Thanks to its multi-stakeholder approach, the Wellness Foundation currently coordinates the work of over 250 local public and private organisations actively involved in the project: public institutions, doctors, schools, universities, businesses, hospitals, gyms, sports clubs, hotels, spas and event organisers.

In 2020, as a consequence of the health emergency, activities took place in 3 different stages. In January and February, numerous training activities were held for the development of new expertise related to the Wellness sector; in March and May, initiatives for the entire population were planned to combat the side effects of lockdown, while in May and June activities were dedicated to promoting the reopening of the Romagna region.

During stage 2, when physical activity outdoors resumed, the Wellness Valley app was created. This official app of the Wellness Valley project lists all the exercise and sports courses held in the parks of towns in the Romagna area. For the population with chronic illnesses, in particular people with type-2 diabetes, specific training programmes were created and put on the Wellness Valley app.

During Stage 3, with the reopening of economic activities related to tourism in the summer period, the "Wellness Waterfront Rimini" social project was promoted, fostering a Wellness lifestyle culture and its individual and collective benefits through the new facilities of the Mare di Rimini Park.

Wellness Week 2020 – one of the key events for the Wellness Valley, hosting initiatives targeting wellness, health and sport – was rescheduled to take place at the end of September 2020, with a "Special edition" aimed at emphasising the wellness opportunities and services for quality of life in the local area, and enabling events to take place safely.

Thanks to its active commitment to the Wellness Valley project, Technogym was invited as a full member of the "Healthy Cities & Communities" working group promoted by the World Economic Forum in 2019, with the aim of creating a sustainability model for large cities and states, focused on the culture of healthy lifestyles and their individual and collective benefits. Back in January 2016, the World Economic Forum presented "The Future of Healthy" study during the annual forum in Davos, which identified Wellness Valley as an international benchmark in a wellness ecosystem which promotes long-term sustainability, placing people and their quality of life centre stage.

Since 2009, Technogym has actively participated in the global promotion of prescribing physical exercise to prevent and treat common chronic diseases. This commitment led the Emilia-Romagna regional government to add this prescription to its health care system from 2014, thus establishing the first truly working model in Italy, and among the first in Europe.

Since 2016, through an agreement signed with the Medical Association of Forlì-Cesena, later extended to the entire region, Technogym has hosted a "Training course on exercise therapy" at its own Wellness Campus for graduates in medicine and surgery who are specialising in general medicine.

Environment and safety

Wellness for Technogym goes far beyond full compliance with applicable laws in the fields of environmental protection, social protection, and occupational safety and hygiene. It means contributing in a practical and active way to the improvement of society in all its forms.

Our primary values are respect for the individual, the protection of employment, diversity and equal opportunities, the health, safety and wellbeing of employees, and social development in the context we operate in. Technogym also considers the integration of its vision of sustainable responsibility within the value chain as essential, including through the promotion of the complete lifecycle system and continuous improvement of energy efficiency.

Total Quality Management, as a state of mind, is the path chosen by the company to guarantee reliability and transparency in relation to customers within the context of

continuous improvement. The Technogym Group is committed to promoting and supporting a culture of Total Quality Management through its structured management system to ensure:

- Involvement, Motivation and Empowerment of People;
- Development and Innovation through its Products/Services;
- Active involvement of Suppliers;
- Process Optimisation and Control;
- Customer satisfaction and the satisfaction of all stakeholders.

In line with its mission and integrated corporate policy, Technogym has for many years based its production and management processes on internationally-recognised standards, shared with its employees and suppliers, including ISO 9001 and ISO 13485, for its Quality Management System; ISO 14001, for its Environmental Management System; ISO 50001, for its Energy Management System, and ISO 45001 for the health and safety of its employees and work environments.

1.12 TECHNOGYM AND THE STOCK MARKETS

Financial markets

2020 will be remembered as the year when the whole world had to deal with the social and economic consequences of the first pandemic in the modern era, Covid-19. Certainly, it is not the first health emergency in history, but globalisation and the deep interconnection between different countries and economies led to an unprecedented impact on global economies, to which almost all governments responded by implementing exceptional budgetary, fiscal and monetary policies in order to enable millions of economic activities to survive and protect millions of jobs. As an example, we can consider the peak in unemployment in the USA in April (14.7% in May, over 20 million people), which had then dropped back below 7% by November, but still almost double the level reached in previous years.

The broadening of expansionary monetary policies further exacerbated their disruptive effect on equity and bond financial markets, already established for several years. Expectations of low interest rates for a prolonged period of time increased the interest of both institutional and retail investors in riskier asset classes such as equities in order to secure a higher return on their portfolios.

After the +29% of 2019, the S&P 500 index started 2020 up +5% until mid-February. Then, the growing fear related to the spread of the virus in China and the subsequent outbreak in Europe and the USA led to a contraction in the S&P 500 index by more than 35% at the low point of 23 March, thus bringing to an end the second longest running bull market in history, which started in March 2009. This sharp contraction was accompanied by the highest level of volatility ever recorded, with the VIX index (which estimates the expected volatility of the S&P 500 index) reaching 82.69 (up 20% compared to the previous peak recorded in 2009). Subsequently, the rapid implementation of expansive monetary and budgetary policies – starting from the USA – led to an unprecedented recovery: +66% for the main index from the low in March and +15% from the start of the year, thus setting another record: the shortest bear market in history.

Also in Europe, the equities asset class was the hardest hit by the pandemic but, unlike what was seen in the USA, despite the expansive monetary policies adopted by the ECB and the significant recovery from the lows in March, the Eurostoxx 50 index, representative of the main eurozone stocks, closed with a 6% contraction. In Italy, the two main indexes, the FTSE MIB and FTSE Mid Cap, both saw a drop in performance of around 7%. Finally, looking at emerging markets, following the growth in 2019 and despite the significant correction in March, these showed a substantial upturn in the subsequent months, closing the year with a 16% growth (MSCI Emerging Market Index).

The performance of the bond market was particularly influenced by monetary policy decisions taken to counter the socio-economic consequences of the pandemic. In Europe, the effects of the pandemic on economic activities and on prices are expected to last longer than initially anticipated, prompting the European Central Bank to adopt, at a meeting on 10 December, additional measures aimed at maintaining favourable financing conditions, supporting banking credit to consumers and businesses, offsetting the long-term effects of the pandemic on the economic context, and allowing a gradual return of inflation. These measures include the Euro 500 billion expansion of funding to the Pandemic Emergency Purchase Programme (PEPP) extending to March 2022, the extension of the current terms for Targeted Longer-Term Refinancing Operations (TLTRO 3) until June 2022, and the future definition of four Pandemic Emergency Longer-Term Refinancing Operations, to be implemented in 2021. In this scenario, where the aim of the ECB is now, among other things, to bring the level of inflation back to values consistent with price stability and economic growth, restrictive monetary policies can be ruled out in the short and medium term. This, as expected, led to a further contraction in bond yields in the eurozone.

For example, the 10-year Bund saw a further increase in its now familiar negative performance, reaching -0.57% in December from -0.22% at the start of the year and after the low of -0.86% reached at the peak of the March correction triggered by the pandemic. In the same period, the 10-year Treasury registered a reduced contraction in yield from 0.98% at the start of the year to 0.92% in December, while the 10-year BTP benefited from a larger drop in yield, from 0.92% to 0.52% in December.

Financial market trends

Market Index	QTD	YTD
Eonia	**3.09%**	**-11.66%**
Bonds		
Government Italy	2.69%	7.93%
Government EMU	1.30%	5.15%
Government Global (in LC)	0.10%	5.52%
Shares		
S&P 500 TR (USD)	10.97%	16.26%
MSCI Europe TR LC	10.83%	-5.37%
MSCI World TR LC	13.47%	14.06%
Nikkei TR LC	18.37%	18.27%
MSCI Emerging Markets TR (USD)	19.13%	15.86%
Currencies (vs Euro)		
USD	4.92%	9.68%
JPY	2.64%	4.22%
GBP	-0.50%	6.70%
Commodity		
Bloomberg Commodity Index TR (in USD)	9.51%	-4.07%
Gold ($/OZ)	0.45%	24.85%
Crude Oil, WTI (future)	**16.95%**	**-12.33%**

Source: Bloomberg, data as of 30 December 2020.

Information on shares

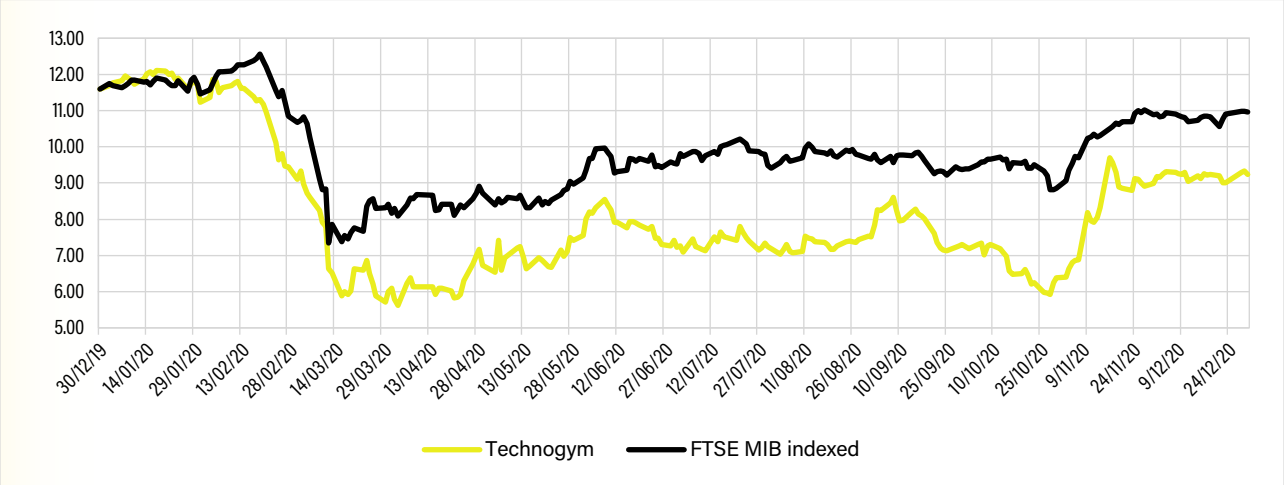
Within this context, the Technogym share price registered a 21% contraction in performance, greater than the contraction registered by the FTSE Mid and FTSE MIB (-7% for both). Since listing on 3 May 2016 at Euro 3.25/share, share growth has been +183%.

The company does not own and did not own during the period, either through third parties or trust companies, treasury shares or shares or holdings in parent companies.

Share performance

The diagram below summarizes the performance of the Technogym share:

Main stock market indicators (Euro)	
Shares listing	
Official price as of 2 January 2020	11.70
Official price as of 31 December 2020	9.24
Minimum closing price (January-December)	5.62
Minimum price in absolute terms	5.41
Maximum closing price (January-December)	12.11
Maximum price in absolute terms	12.19
Stock market capitalisation	
Stock market capitalisation as of 2 January 2020	2,355,531,750
Stock market capitalisation as of 31 December 2020	1,860,266,100
Ordinary shares	
No. outstanding shares	201,327,500



From the start of 2020, the Technogym share price recorded a change of -21% in absolute terms, outperformed by the FTSE Mid Cap by 14%.

The minimum closing price over the year was Euro 5.62, recorded on 3 April 2020 in the midst of the correction triggered by the Covid-19 pandemic, while the maximum closing price in the reference period was Euro 12.11, registered on 17 January 2020. The minimum price in absolute terms for the year was Euro 5.41, registered on 18 March 2020.

Shareholding structure

Shown below are the shareholders who, pursuant to art. 120 of the Italian Consolidated Law on Finance (T.U.F.), hold a significant shareholding as of 31 December 2020:

Main shareholders	Number of shares	Share	Voting rights
TGH S.r.l.*	80,000,000	39.73%	56.87%

* company set up following the demerger of Wellness Holding S.r.l., which became effective on 14 May 2020.

The share capital of the Issuer as of 31 December 2020 amounted to Euro 10,066,375, divided into 201,327,500 ordinary shares with no par value. On 17 June 2020, the Board of Directors of the Issuer approved an increase in capital for a total of Euro 16,125.00 to service the "2017-2019 Performance Shares Plan" for the management of the Company and its subsidiaries.

On 6 February 2020, an Accelerated Bookbuilding procedure was completed by Wellness Holding S.r.l. (the company holding the investment in the Issuer up to 14 May 2020), for the sale of 10,000,000 shares of the Issuer.

On 14 May 2020, Wellness Holding S.r.l. carried out the demerger, with the newco Wellness Holding S.r.l. being set up, (VAT registration number 04508790401), renamed TGH S.r.l. on 29 May 2020, which became the holder of the entire investment in the Issuer's share capital, as a result of the demerger.

Therefore, at the date of publication of this Financial Report, TGH S.r.l. held 39.73% of the Issuer's share capital (representing 56.87% of total voting rights), while the remaining 60.27% of the Issuer's share capital is free float on the MTA market managed by Borsa Italiana S.p.A.

The Issuer is not subject to the management and coordination of TGH S.r.l., nor of the direct and indirect parent companies of that latter nor third parties. Refer to the "Corporate Governance Report" for more details; the report is based on the model prepared by Borsa Italiana for corporate governance reports and is available in the "Corporate Governance" section of the website at http://corporate.technogym.com, in the section "Governance/ Shareholders' meetings".

2021 Financial Calendar

Date	Corporate events
24 March 2021	Board of Directors' meeting for approval of the 2020 Draft Financial Statements (*)
05 May 2021	Shareholders' meeting for approval of the 2020 Financial Statements
12 May 2021	Board of Directors' meeting for disclosure not subject to auditing on the performance of consolidated revenues in the first quarter of the 2021 financial year*
08 September 2021	Board of Directors' meeting for approval of the half-yearly financial report as of 30 June 2021
27 October 2021	Board of Directors' meeting for disclosure not subject to auditing on the performance of consolidated **revenues** in the third quarter and in the first nine months of the 2021 financial year*

* following the Board of Directors' meeting, a conference call is planned with the financial community.

Possibility to not disclose information in the case of non-material transactions

Pursuant to Article 70, paragraph 8, and Article 71, paragraph 1-bis of the Issuers Regulation, the Issuer opted to defer the obligation to disclose information in cases indicated in Articles 70, paragraph 6, and 71, paragraph 1 of the Issuers Regulation.

2020 Financial Calendar

Event Date	Corporate Events
17 March 2020	Board of Directors' meeting for approval of the 2019 Draft Financial Statements
23 April 2020	Shareholders' meeting for approval of the 2019 Financial Statements
13 May 2020	Board of Directors' meeting for disclosure not subject to auditing on the performance of consolidated revenues in the first quarter of the 2020 financial year
09 September 2020	Board of Directors' meeting for approval of the half-yearly financial report as of 30 June 2020
28 October 2020	Board of Directors' meeting for disclosure not subject to auditing on the performance of consolidated revenues in the third quarter and in the first nine months of the 2020 financial year

SECOND SECTION

FOREWORD

In accordance with art. 40 of Italian Legislative Decree 127/1991, as modified by art. 2 letter d) of Italian Legislative Decree 32/2007, this report covers both the consolidated financial statements of the Technogym Group and the financial statements of the Parent Company Technogym S.p.A., both of which were prepared in accordance with international accounting standards (IAS/IFRS).

1 Operating performance and comments on the economic and financial results

1.1 COVID-19 UPDATE

In view of the global economic scenario attributable to Covid-19, the Group has adopted a number of actions to limit the negative effects of the pandemic, in addition to measures taken by various governments worldwide to mitigate the negative economic and financial effects. The main actions taken are summarised below.

- **Digitalisation**. The Group upped the pace of its internal and market-focussed digital transformation, targeting important development and growth objectives. As regards the health emergency, the mywellness® cloud platform was key for all operators to stay in contact with their customers and continue to develop activities. Having a digital ecosystem on hand enabled Technogym to acquire new customers and propose solutions in an innovative dimension. Growth recorded in 2020 is comparable to that of the last few years. At the same time, Technogym employees were able to benefit from the investments made by the Group in recent years in order to improve processes and an increasingly digital work strategy.
- **Home-Consumers**. In 2020, demand from end consumers went up considerably for training solutions that could also be used in their homes. This trend was particularly significant during lockdown, affecting various areas worldwide to different extents, but it also continued at considerable levels after a return to normal activities. These results stem from the company's unwavering focus on the complementary nature of training in different places, with wellness-on-the-go and technological solutions developed over the years to achieve this objective.
- **Sales network**. The sales network kept its focus on maintaining relations with all professional operators and, above all, on supporting growth, which was particularly significant in the Home & Consumer segment, through an extensive management of CRM and remote sales which enabled it to operate safely.
- **Production and distribution**. Due to production at the Italian factory stopping for several weeks, some products dedicated to the consumer market were out of stock, however the logistics centres continued to operate with some limitations, and did not register any significant discontinuities. At present, all backlogs have been processed and the factory is in line with the delivery schedule.
- **Personnel**. After lockdown, a strict health protocol was adopted to protect the health and safety of all employees, if required by local legal requirements. These protocols made it possible for personnel to gradually return to the workplace at different sites, which are now partly operative. The only exception is the Americas, where the current situation means that the offices cannot be fully operative.

- **Operating costs**. As regards the management of operating costs, Technogym intensified the streamlining of activities already underway and carefully selected strategic activities to focus on. This process made it possible to reduce main expenditure items, thanks also to renegotiation with suppliers, which produced encouraging results.
- **Investments**. Investments in technology, product innovation and digital solutions are strategic. During the year, investments necessary to guarantee the continual development of solutions enabling the company to meet the market's needs for increasingly innovative, top-quality solutions, were carefully selected.
- **Cash management**. Considerable focus was placed on cash management, maximising credit collection activities, keeping stock levels in check and undersigning new committed credit lines, the majority of which are still undrawn.

1.2 MACROECONOMIC SCENARIO

"After a greater than expected recovery in the summer months, global economic activity slowed down in the fourth quarter as a result of the new wave of the pandemic, above all in advanced countries. The launch of vaccination programmes has had a positive effect on longer term prospects, but recovery times remain uncertain. The resurgence of the pandemic between October and December, particularly intense in the European Union and the USA, and the resulting strengthening of containment measures in many countries, led to a new slowdown in the global economy in the last quarter of 2020." This comes from the latest Economic Bulletin published by the Bank of Italy, immediately focusing on the unprecedented nature of 2020 and its strong dependence on an unexpected event outside the normal economic and financial dynamics, the Covid-19 pandemic. Vaccination programmes, initiated in many countries around the world in the final weeks of 2020, have led to improved medium-term prospects, even if their effectiveness in enabling an upturn in the economic cycle from the start of 2021 is still limited by the uncertain timescales involved in the widespread distribution and administration of vaccines.

During the year, the PMI values of the main advanced global economies suffered a very sharp and unprecedented contraction, leading the Manufacturing and Services PMIs to reach levels of just over 30 points and 10 points, respectively, a significant reduction compared with previous expansive levels of more than 50 points. Despite the recovery and strong economic upturn in the third quarter, the resurgence of the pandemic in the final months of 2020 put the brakes on recovery in the main advanced economies. In December, the Manufacturing PMI stayed above the expansion threshold in the USA, the UK (despite the tensions prior to the conclusion of Brexit), and in the eurozone. The situation in the services sector is somewhat different, and was the hardest hit by the lockdown measures implemented to contain the pandemic. The index saw a return to the area below 50 points, mainly affected by the negative prospects for sectors such as tourism and leisure. Only in China, where infections had virtually stopped by spring, all the indicators show signs of expansion.

In this scenario disrupted by the pandemic, world trade saw a significant contraction in the second quarter – following two contractions already seen at the end of 2019 and the start of 2020 – followed by a substantial recovery in the third quarter. Nevertheless, including in light of the resurgence of the pandemic in the last quarter of 2020, the fourth quarter should show renewed signs of a slowdown and various studies indicate an expected 9% contraction on a global level compared to 2019.

Inflation remains significantly lower than pre-pandemic levels in the main advanced economies, mainly reflecting the weakness in aggregate demand. Expectations for inflation increased at the end of 2020 in view of the positive news about the effectiveness of the vaccines and the resulting rise in oil prices, which once again led investors to predict growth

in the medium term. However, specific observations continue to show an inflation scenario well below the targets of central banks and, in Japan (-0.9%) and the eurozone (-0.3%), a significant degree of deflation. This will lead central banks to continue pursuing expansive policies in the medium term, until this parameter has also stabilised. In this respect, it is worth mentioning the decision of the FED in August to amend its inflation target from 2% to 2% on average, thus indicating the US central bank's intention to tolerate inflation levels even above 2% if these follow a period of prolonged contained inflation below 2%, such as those we have seen in recent quarters. Finally, it should also be noted that the inflation level in the UK was just above that of the eurozone, with an inflation rate of 0.3%, thus continuing the realignment in relation to the 3% level achieved in 2017.

2020 should have been the year marked by the US presidential elections and, according to many, by the risk of a further escalation of the USA-China trade war. The year was, however, dominated by the Covid-19 pandemic and by the central banks who were, once again, the main protagonist of the situation. In its December meeting, the FED announced that bond purchases will continue until substantial progress is made in achieving the objectives of maximum employment and price stability. The Bank of Japan kept its course unchanged, while the Bank of England increased the target stock of purchased government bonds by GBP 150 billion (7% of GDP). In China, the central bank left reference rates unchanged but limited interventions in cases of the insolvency of companies controlled by local authorities that had generated pressure on interbank rates, signalling the gradual phasing out of implicit central government guarantees to contain the risks of financial instability. These policies led to a further lowering of overnight rates, currently slightly positive in the USA, while the rates are negative in the UK and the eurozone.

In the USA, the growth in GDP saw a 33% increase in the third quarter, recovering part of the contraction (31.4%) registered in the second quarter as the virus spread throughout the country. A further recovery is expected in the fourth quarter, following the resumption of many activities despite the ongoing pandemic, forecasting a contraction in GDP, according to recent OECD estimates, limited to 3.7% for 2020. A continuing modest inflation level of 1.4% should allow the FED to maintain its expansive monetary policies for some time, thus enabling the USA to see a multi-year recovery from the pandemic (+3.2% expected by the OECD in 2021), although the growing level of public borrowing (131% of GDP expected in 2020 according to the latest estimates from the International Monetary Fund) may have a destabilising impact in the long term. Finally, despite the election of President Biden, the Democratic administration is unlikely to finalise major initiatives to support a marked improvement in relations with China, while a limited impact on taxation is also expected in order to allow for a faster economic recovery.

In the eurozone, it is expected that 2020 will show a significantly higher contraction than in the USA (-7.5% according to the latest OECD estimates), in part due to a weakening of economic activities in the last part of the year with the resurgence of infections and the intensification of containment measures. In the third quarter, GDP in the eurozone increased more than expected (+12.5%), following a cumulative contraction of 15% in the first half of the year. Added value increased in all sectors, although a long way from the levels seen at the end of 2019, especially for those services most dependent on social interaction and therefore hardest hit by social distancing measures. Inflation in the eurozone is expected to be -0.3% over 12 months, affected by weak prices, in particular for activities related to tourism. Two-year inflation expectations implicit in inflation swap contracts rose again at the start of January to 1.1%, while 5- and 10-year forecasts stand at 1.3%, levels which should allow the ECB to maintain its accommodative monetary policies to support economic recovery for longer. The launch of the recovery fund in 2021 is expected to further boost recovery. The aggregate public debt level in the eurozone is one of the lowest in the world (101% of GDP expected in 2020 according to International Monetary Fund estimates), therefore making additional expansive budgetary policies possible. This scenario should support a 3.6% growth in GDP in the eurozone in 2021.

In Italy, growth in the summer of 2020 was higher than expected, indicating a significant capacity of our economy to recover. In the fourth quarter, however, activities decreased once again following the resurgence of the pandemic, as seen by the 1.4% decrease in industrial production in November compared to October. The expectations for 2020 are a marked contraction in Italian GDP of -9.2%, accompanied by a further increase in public debt, expected to reach a value of more than 150% of GDP in 2020. The recovery in domestic and international demand as well as the ECB's expansive monetary policies mean that this level of debt should not present a risk to the recovery of the country, which in any case is expected to be moderate in the coming years (+3.5% in 2021 and +3.8% in 2022).

In Japan, 2020 should be characterised by a 5.3% decrease in GDP, the result of a strong recovery in the third quarter (+22.9%) compared to the collapse registered in the previous quarter (-29.2%) at the height of the Covid-19 pandemic. The central bank did not change its accommodative approach - even in light of an inflation rate of -0.9% in 2020 - and the country continues to benefit from rates around 0% (in terms of yield on 10-year government bonds), such that the large public debt of 266% of GDP remains sustainable (which has increased compared to the 238% in 2019). A gradual recovery in economic activities is expected in 2021, with GDP expected to rise by 2.3%.

With the exception of China, the only one of the leading global economies where growth is expected in 2020 (+1.8%), all other emerging countries are expected to see contractions in GDP due to the downturn in economic activities as a result of the pandemic. According to OECD estimates, the most marked contraction should be seen in India (-9.9% in 2020), followed by a strong recovery in 2021 (+7.9%). Brazil is expected to see a decrease of 6.0% in 2020, followed by a moderate recovery in 2021 (+2.6%), including consideration of the still significant spread of the virus in the country. Finally, in Russia, GDP is expected to decrease by 4.3% in 2020 and then recover in 2021 by +2.8%, supported by the expected recovery of the energy sector following the general upturn in economic activities in Europe.

Bond Market

The Covid-19 pandemic, which has forced all governments to adopt unprecedented measures, has allowed central banks to continue the expansive monetary policies that have been in place for a number of years. This has further compressed the yields offered by bonds, from government bonds of core countries to peripheral and investment grade corporate bonds, keeping volatility very low at the same time. For example, the 10-year Bund saw a further increase in its now familiar negative performance, reaching -0.57% in December from -0.22% at the start of the year and after the low of -0.86% reached at the peak of the March correction triggered by the pandemic. In the same period, the 10-year Treasury registered a reduced contraction in yield from 0.98% at the start of the year to 0.92% in December, while the 10-year BTP benefited from a larger drop in yield, from 0.92% to 0.52% in December.

Corporate bond yields have also shown a marked reduction from 0.33% to 0.20% for European investment grade bonds.

Yields on emerging market hard currency bonds (EMHC) have also seen a net fall due to sales resulting from the spread of the pandemic. However, spreads have stayed above previous lows, partly due to falling yields on the underlying US government bonds.

Currency Market

2020 was characterised by significant volatility of the main currencies – above all the US dollar – as a direct consequence of the Covid-19 pandemic and its direct and indirect impacts on the economy, in view of the damage to the economic fabric caused by widespread lockdowns and by expansive monetary policies implemented by governments and central banks to contain the duration of the crisis.

In 2019, the US dollar depreciated by 9% against the Euro, reversing a trend that began in 2018, while there was a drop-off, albeit gradual, in the expansive monetary policies of the FED and a 75-basis point increase in rates in 2018. After a phase of strong volatility in the initial months of the pandemic, and the introduction of special measures by the federal government to support the US economy, such as the helicopter money policy, the FED made a significant change to its long-term policy in the third quarter, aiming for an average inflation target that could make levels above the 2% threshold tolerable. This contributed to the steady and ongoing weakening of the US currency as evidenced by the trend in the USD Index, which went from around 100 in April to 89.9 in December. According to several investment banks, this weakness could continue for the whole of 2021, with recovery only in the second half of 2022. In this regard, it should be noted that several economists are currently discussing the weakness of the US dollar and its cyclical or structural nature. As central banks and governments have run out of tools at their disposal to support economic recovery – except for decisions aimed at increasing the scale of initiatives such as Quantitative Easing – some believe it is possible that countries such as the USA want to use the leverage of a steadily weakening US dollar to support economic recovery, even though this would have a not insignificant impact on the eurozone economy.

The Japanese Yen was also characterised by significant volatility in the first few months of the pandemic and gradually appreciated by 5% against the USD to reach a rate of 103 at the end of the year. This shift is largely linked to the renewed consideration of the Japanese currency as a safe haven in the context of the ultra-expansive policies adopted by the FED. Finally, in the same period, an appreciation of around 3.5% was registered compared to the Euro.

Special mention should be made of the pound sterling, for which the predictable high volatility linked to Brexit was compounded by the consequences of the pandemic, which hit the UK harder than other countries. Over the year, the sterling depreciated by 5.6% compared to the Euro, reaching 0.89, gradually reabsorbing the 0.94 peak recorded in March.

Industry scenario

As has happened in other industries, the Covid-19 pandemic has accelerated technological developments and the adoption of new ways of exercising to cope with the changing conditions of our daily lives. The topic of connectivity between devices and machines for physical exercise, aimed at giving the end user a unique and integrated fitness experience, which has been at the heart of developments in the industry for some time, has become of primary importance for end users and B2B operators (i.e. clubs), together with the availability of engaging training content.

The industry has therefore accelerated its development towards a hybrid training approach, where the end user can train anywhere, including at home, further validating the so-called Wellness on the Go strategy launched by Technogym in 2012. This context has seen significant growth not only in the importance of companies focused on the supply of home fitness products and content, but has also accelerated the interest of traditional operators in solutions able to guarantee a point of contact with members during periods of closure (i.e. training content available via streaming).

The pandemic has also further increased the important of health on the consumer value scale, thus supporting the subject of prevention and physical exercise as an essential element of a healthy lifestyle and the ability to live better and longer, while also increasing the awareness of governments, institutions and companies.

With specific reference to fitness equipment manufacturers, it should be noted how the strong growth in at-home training has supported the significant growth experienced by companies focused on the B2C segment (business to client) with different price and product positioning, while only a few operators remain that are able to provide training solutions that adapt perfectly to both B2C and B2B (business to business) locations.

1.3 COMMENTS ON THE GROUP'S ECONOMIC AND FINANCIAL RESULTS

The economic and financial results in this section are discussed including the effects of IFRS 16.

The Group's key financial data for 2020 is summarised below compared to the figures for the previous year:

(In thousands of Euro, with ratios)	Year ended 31 December		Changes	
	2020	**2019**	**2020 vs 2019**	**%**
Revenues	509,679	668,931	(159,252)	(23.8%)
Adjusted EBITDA [1]	96,884	147,827	(50,943)	(34.5%)
Adjusted EBITDA margin [1]	19.0%	22.1%	(3.1%)	
Adjusted net operating income [2]	58,913	112,593	(53,680)	(47.7%)
Adjusted profit for the period [3]	43,437	85,207	(41,770)	(49.0%)

(1) The Group defines:
- the *adjusted* EBITDA as the net operating income, adjusted by the following income statement items: (i) net provisions; (ii) depreciation, amortisation and impairment losses; (iii) non-recurring income/(expenses) and;
- the *adjusted* EBITDA margin as the ratio between *adjusted* EBITDA and total revenues.

(2) The Group defines *adjusted* net operating income as the net operating income adjusted for non-recurring income/(expenses).

(3) The Group defines *adjusted* group profit as Group profit adjusted for non-recurring income/(expenses) and non-recurring taxes.

The following table summarises the main economic indicators used by the Group:

(In ratios)	Year ended 31 December	
	2020	**2019**
ROS	11%	16%
Adjusted ROS	12%	17%
Adjusted EBITDA/financial expenses ratio [3]	103.69	173.81

Total revenues came to Euro 509,679 thousand, down by Euro 159,252 thousand (-23.8%) compared to Euro 668,931 thousand in 2019. This decrease was due to the Covid-19 pandemic and the strict measures put in place by governments worldwide, to limit the spread of the virus, which led to lower sales volumes, partially offset by the increase in home consumer sales and services, related above all to the digital segment. With constant exchange rates, Total revenues would be Euro 517,816 thousand (-22.6%).

Adjusted *EBITDA* is Euro 96,884 thousand, a decrease of Euro 50,943 thousand (-34.5%) compared to Euro 147,827 thousand in the 2019 financial year due to the significant impact of reduced turnover despite the considerable reduction in operating costs implemented without impacting the development projects that are strategic to the business.

Overall, the **Adjusted EBITDA Margin** is expected to decrease compared to the previous year. The adjusted EBITDA margin as of 31 December 2020 was equal to 19.0%, (22.1% as of 31 December 2019), thanks to the considerable reduction in operating costs.

***Adjusted* net operating income** came to Euro 58,913 thousand, down by Euro 53,680 thousand (-47.7%) compared to Euro 112,593 thousand in the 2019 financial year, negatively affected by the decrease in sales volumes, which was partially offset by activities put in place to keep costs down. Net operating income is affected by the increase in depreciation and amortisation, standing at Euro 3,995 thousand in 2020 due to significant investments in IT systems and product digitalisation made by the company in recent years.

***Adjusted* ROS**, equal to 12% for the financial year ended 31 December 2020 and down compared to the 17% of the financial year ended 31 December 2019, is affected by the spread of Covid-19 and the strict measures adopted by local authorities to contain it. At the same time, higher depreciation and amortisation were recorded compared to the previous year, following greater investments made to boost the digitalisation process and due to new technologies used to develop content.

***Adjusted* profit for the period** came to Euro 43,437 thousand, down by Euro 41,770 thousand (-49.0%) compared to Euro 85,207 thousand in 2019. This decrease relates mainly to the decrease in the abovementioned net operating income. The *adjusted* profit for the period represents 8.6% of Group revenues.

In the financial year ended 31 December 2020, non-recurring expenses equal to Euro 7,433 thousand were recorded, an increase compared to 31 December 2019, when non-recurring expenses were Euro 2,002 thousand. This increase can be attributed mainly to the write-down of investments of Euro 2,569 thousand, to the Euro 1,000 thousand donated to the intensive care units of hospitals in the Romagna region for the Covid-19 emergency, and to Euro 1,047 in costs related to staff turnover, and the remaining part is mainly due to the costs for extraordinary services and related to previous financial years for consultancy and other professional fees.

The table below shows the consolidated statement of financial position in condensed and reclassified form, which reports the structure of invested capital and sources of financing as of 31 December 2020 and as of 31 December 2019:

(In thousands of Euro)	At 31 December		
	2020	**2019**	**% Variations**
Loans			
Net Fixed Capital [4]	248,859	243,845	2.1%
Net Operating Capital [5]	(17,798)	12,578	(241.5%)
Net Invested Capital	**231,061**	**256,423**	**(9.9%)**
Sources			
Equity	290,546	260,089	11.7%
Net financial position [6]	(59,485)	(3,666)	1,522.6%
Total sources of financing	**231,061**	**256,423**	**(9.9%)**

(4) Net fixed capital is composed of: (i) Property, plant and equipment; (ii) Intangible assets; (iii) Investments in joint ventures and associates; (iv) Deferred tax assets, (v) Non-current financial assets, (vi) Other non-current assets, (vii) Deferred tax liabilities, (viii) Employee benefit obligations, (ix) Non-current provisions for risks and charges and (x) Other non-current liabilities.
(5) Net operating capital is composed of: (i) Inventory; (ii) Trade Receivables; (iii) Other current assets; (iv) Trade payables; (v) Current tax liabilities; (vi) Current provisions for risks and charges and (vii) Other current liabilities.
(6) Net financial indebtedness is made up of: (i) Current financial assets, (ii) Assets for derivative financial instruments, (iii) Cash and cash equivalents, (iv) Non-current financial liabilities, (v) Current financial liabilities and (vi) Liabilities for derivative financial instruments.

The following table summarises the main financial indicators used by the Group:

(In ratios)	For the year ended 31 December	
	2020	**2019**
ROE	12.4%	32.0%
ROI	23.5%	42.3%
ROI Adjusted	25.5%	44.0%
Net Indebtedness /*adjusted* EBITDA ratio	n.m.	n.m.

Net fixed capital came to Euro 248,859 thousand, up by Euro 5,014 thousand compared to Euro 243,845 thousand for the year ended 31 December 2019. This increase primarily relates to the normal activities of investment in new product development.

Net operating capital came to Euro -17,798 thousand, down by Euro 30,376 thousand compared to the balance of Euro 12,578 thousand as of 31 December 2019. The change is mainly the result of the trend in net operating working capital, and is influenced in particular by (i) a decrease in the balance of the "Trade receivables" item of Euro 46,412 thousand, due to a decrease in turnover, as well as the debt collection activities undertaken by the Group and careful monitoring of credit risk; (ii) a decrease in the "Trade payables" item of Euro 13,530 thousand; and (iii) an increase in the "Inventories" item of Euro 5,783 thousand, mainly affected by the COVID-19 pandemic, following which the company concentrated its production more on Home Fitness products, thus increasing stocks. It should be noted that: (i) the average number of days in inventory went from 60 for the year ended 31 December 2019 to 89 for the year ended 31 December 2020 (the inventory turnover ratio went from 6.1 to 4.1); (ii) the average days of collection of trade receivables went from 59 for the year ended 31 December 2019 to 46 for the year ended 31 December 2020 (the trade receivables turnover ratio went from 6.3 to 7.9); and (iii) the DPO went from 112 for the year ended 31 December 2019 to 130 for the year ended 31 December 2020 (the trade payables turnover ratio went from 3.3 to 2.8).

The **Net financial position** is equal to net cash of Euro 59,485 thousand, up by Euro 55,819 thousand compared to the balance of Euro 3,666 thousand for the year ended 31 December 2019. This improvement is due to the Group's ability to generate cash flows despite the pandemic, despite strategic investments being confirmed for the medium-long term development of the company.

Moreover, the Group undersigned some committed credit lines, to support investments and cover any cash needs. At the moment, these credit lines are mainly undrawn, as detailed below:

(In thousands of Euro)	Cash credit lines	Self-liquidating credit lines	Financial credit lines	Total
As of 31 December 2020				
Credit lines	7,382	17,641	267,911	292,934
Utilisations	—	—	(87,500)	(87,500)
Credit lines available as of 31 December 2020	**7,382**	**17,641**	**180,411**	**205,434**

Moreover, the Group did not benefit from any loans which were part of the measures to support businesses approved by the Italian government or provided by the banking system with state guarantees, in the reporting period.

Equity totalled Euro 290,546 thousand, up by Euro 30,457 thousand (11.7%) compared to Euro 260,089 thousand in the year ended 31 December 2019. This increase is primarily due to the recognition of profit for the period of Euro 36,004 thousand and to the recognition of the currency translation reserve.

Segment information

The operating segment information was prepared in accordance with IFRS 8 "Operating Segments", which requires the information to be reported consistently with the method adopted by the management when making operational decisions.

The Group's approach to the market follows a unique business model that offers an integrated range of 'Wellness solutions' and also pursues higher levels of operational efficiency through cross-production.

However, for the purposes of operational and sales analysis, Company management considers the customer base, geographical areas and distribution channels to be important aspects.

The type of organisation described above reflects the way Company management monitors and strategically directs the activities of the Group.

A breakdown of the Group's revenues by customer segment, geographical area and distribution channel is provided below:

(In thousands of Euro and percentage of total revenues)	Year ended 31 December		Changes	
	2020	**2019**	**2020 vs 2019**	**%**
B2C	154,129	90,400	63,729	70.5%
B2B	355,550	578,531	(222,981)	(38.5%)
Total revenues	**509,679**	**668,931**	**(159,252)**	**(23.8%)**

Revenues as of 31 December confirm the strong growth of the Private customer segment compared to the previous financial year (+71% Y/Y) due to the broad range of Technogym products and services in line with the increasing demand for at-home training. At the same time, a contraction is seen in the Commercial business, with differing trends between the various segments and geographical areas, and with general signs of improvement in areas where the pandemic had decreased. It is worth noting the performance of the Health segment, which was the best of the B2B segment, taking advantage of the increasing requests for training solutions related to health and rehabilitation.

(In thousands of Euro and percentage of total revenues)	**Year ended 31 December**		**Changes**	
	2020	**2019**	**2020 vs 2019**	**%**
Europe (without Italy)	247,875	330,333	(82,458)	(25.0%)
MEIA	42,866	49,885	(7,019)	(14.1%)
APAC	88,343	118,319	(29,976)	(25.3%)
Italy	59,789	58,692	1,097	1.9%
North America	57,304	87,716	(30,412)	(34.7%)
LATAM	13,502	23,986	(10,484)	(43.7%)
Total revenues	**509,679**	**668,931**	**(159,252)**	**(23.8%)**

In a scenario where all areas continue to feel the impact of the pandemic on B2B activities, the performance in Italy and the APAC area is worth noting. In Italy, thanks to the significant contribution of home fitness, there has been an overall increase in turnover of 1.9%. In the APAC area, despite the negative performance in the period (-25%) an initial recovery has been noted as a result of the gradual return to normality in many countries in the region. North America was the hardest hit area by the pandemic (-35% Y/Y) considering the intensification of the pandemic in the last quarter of 2020, which led various Key Accounts in the Club sector and operators in the Hospitality segment to postpone some investments. In Europe, which continues to be the main geographical area of the Group, there was a 25% contraction due to a particularly marked decrease in revenues in some important countries for the Group, such as the UK. Looking at the emerging geographies, there was a moderate downturn in the MEIA region (-14.1%), supported by excellent performance for home fitness in the UAE, and a fall in the LATAM region (-43.7%).

(In thousands of Euro and percentage of total revenues)	**Year ended 31 December**		**Changes**	
	2020	**2019**	**2020 vs 2019**	**%**
Field sales	325,035	491,843	(166,808)	(33.9%)
Wholesale	102,358	129,312	(26,954)	(20.8%)
Inside sales	70,009	39,525	30,484	77.1%
Retail	12,277	8,252	4,025	48.8%
Total revenues	**509,679**	**668,931**	**(159,252)**	**(23.8%)**

With respect to revenues performance by sales channel, the excellent performance generated by the channels most relevant to home fitness are worth noting. Retail, or in other words the Group's 10 flagship stores, registered a 48.8% growth in revenues, while

Inside Sales, which includes the teleselling and e-commerce channels, recorded a +77.1% growth. Field Sales is the channel most affected by the lockdown, with a downturn of 33.9% over the period, while the Wholesale channel registered a 20.8% drop in performance with a slight improvement towards the end of the year due to the improved performance in certain countries relatively unaffected by the pandemic. Finally, it should be noted that the overlap between different channels is a distinctive feature of the direct distribution model.

In accordance with IFRS 8, paragraph 34, for the years ended 31 December 2020 and 31 December 2019, the Group did not have any clients generating more than 10% of total revenues of the Group.

1.4 COMMENTS ON THE ECONOMIC AND FINANCIAL RESULTS OF THE PARENT COMPANY TECHNOGYM S.P.A. (TG S.P.A.)

Total revenues of TG S.p.A. came to Euro 358,069 thousand, down by Euro 92,039 thousand (-20.4%) compared to Euro 450,108 thousand in 2019. This decrease is mainly due to a fall in the volume of sales resulting from the spread of the pandemic and to the restrictive measures put in place by local governments.

Adjusted profit for the period of Technogym S.p.A. came to Euro 50,894 thousand, down by Euro 27,746 thousand compared to Euro 78,639 thousand in 2019. This decrease is in large part due to the reduction in revenues, in part offset by the cost containment measures put in place by the Parent Company.

The table below shows the statement of financial position of TG S.p.A. in condensed and reclassified form, which reports the structure of invested capital and sources of financing as of 31 December 2020 and as of 31 December 2019:

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Loans		
Net Fixed Capital[1]	350,546	351,135
Net Operating Capital[2]	(3,326)	(10,522)
Net Invested Capital	**347,220**	**340,614**
Sources		
Equity	330,214	284,253
Net financial indebtedness[3]	17,006	56,361
Total sources of financing	**347,220**	**340,614**

(1) Net fixed capital is composed of: (i) Property, plant and equipment; (ii) Intangible assets; (iii) Investments; (iv) Deferred tax assets, (v) Non-current financial assets, (vi) Other non-current assets, (vii) Deferred tax liabilities, (viii) Employee benefit obligations, (ix) Non-current provisions for risks and charges, and (x) Other non-current liabilities.
(2) Net operating capital is composed of: (i) Inventory; (ii) Trade Receivables; (iii) Other current assets; (iv) Trade payables; (v) Current tax liabilities; (vi) Current provisions for risks and charges and (vii) Other current liabilities.
(3) Net financial indebtedness is made up of: (i) Current financial assets, (ii) Assets for derivative financial instruments, (iii) Cash and cash equivalents, (iv) Non-current financial liabilities, (v) Current financial liabilities and (vi) Liabilities for derivative financial instruments.

Net fixed capital of TG S.p.A. came to Euro 350,546 thousand, down by Euro 589 thousand compared to Euro 351,135 thousand for the year ended 31 December 2019.

Net operating capital of TG S.p.A. had a negative value of Euro 3,326 thousand, an improvement of Euro 7,196 thousand compared to the negative balance of Euro 10,522 thousand as of 31 December 2019. The change is mainly the result of the trend in net operating working capital, and is influenced in particular by the joint effect of: The change is mainly the result of the trend in net operating working capital, and is influenced in particular by the joint effect of: (i) a decrease in the "Trade receivables" item of Euro 7,631 thousand, due thanks to the debt collection activities undertaken by the company and credit risk monitoring; (ii) a

decrease in the "Trade payables" item of Euro 12,245 thousand; and (iii) an increase in the "Inventories" item of Euro 1,528 thousand, due in large part to the choice of the company to concentrate more on its production of Home Fitness products, thus increasing warehouse stocks. It should also be noted that: (i) the average days of collection of trade receivables went from 55 for the year ended 31 December 2019 to 51 for the year ended 31 December 2020 (the trade receivables turnover ratio went from 6.7 to 7.2); (ii) the DPO went from 122 for the year ended 31 December 2019 to 133 for the year ended 31 December 2020 (the trade payables turnover ratio went from 3 to 2.7); and (iii) the average number of days in inventory went from 41 for the year ended 31 December 2019 to 56 for the year ended 31 December 2020 (the inventory turnover ratio went from 8.9 to 6.5).

Net financial indebtedness of TG S.p.A. came to Euro 17,006 thousand, down by Euro 39,355 thousand compared to Euro 56,361 thousand in the year ended 31 December 2019. This decrease is mainly due to the Parent Company's ability to generate cash flows despite the global health emergency.

Equity of TG S.p.A. came to Euro 330,214 thousand, up by Euro 45,961 thousand (16%) compared to Euro 284,253 thousand for the year ended 31 December 2019. This increase is primarily due to the recognition of profit for the period of Euro 46,339 thousand.

Segment information of TG S.P.A.

The operating segment information was prepared in accordance with IFRS 8 'Operating Segments', which requires the information to be reported consistently with the method adopted by management when making operational decisions.

The approach to the market follows a unique business model that offers an integrated range of "Wellness solutions" and also pursues higher levels of operational efficiency through cross-production.

A breakdown of revenues by geographical area is provided below:

(In thousands of Euro and percentage of total revenues)	**Year ended 31 December**		**Changes**	
	2020	**2019**	**2020 vs 2019**	**%**
Europe (without Italy)	155,817	212,252	(56,435)	(26.6%)
MEIA	45,655	53,977	(8,322)	(15.4%)
APAC	60,910	68,244	(7,335)	(10.7%)
Italy	59,789	58,692	1,097	1.9%
North America	27,551	41,357	(13,807)	(33.4%)
LATAM	8,347	15,585	(7,238)	(46.4%)
Total revenues	**358,069**	**450,108**	**(92,039)**	**(20.4%)**

1.8 RISK FACTORS

Risks related to the Covid-19 pandemic

In the initial months of this year, we saw the spread of Covid-19 (so-called coronavirus) with significant global impacts on a health, social, political, economic and geopolitical level. The Group implemented a series of actions aimed at containing the negative effects of the pandemic in addition to the measures adopted by various governments, and Technogym initiated all practical measures to minimise the health risks to its employees and economic and financial risks. Technogym confirmed its commitment to product innovation with a specific focus on improving the equipment user experience through digital services supported by the open mywellness® platform and thanks to the launch of Technogym Live on the machines installed with smart equipment. This will allow end users to access new training content wherever they are, thus achieving another step in the Wellness on the Go strategy that has always been endorsed by company. This is a central strategy for Technogym and for all its stakeholders given the current situation. The duration and scope of the pandemic is still uncertain and therefore it is not possible to make forward-looking estimates of the possible negative impacts that this health emergency may have on future financial years.

Financial risks

Financial markets continued to be volatile in 2020. In this scenario, the Group implemented policies to monitor and mitigate potential risks, while avoiding the adoption of speculative financial positions.

Credit risk

The Group has an international customer base and a network of known and trusted distributors. The Group makes use of an internally developed Risk Score Rating system integrated with data from known external data banks and these help the Group to manage requests for non-standard payment terms and take out credit insurance policies as necessary. Tight credit control allowed the Group to record contained levels of past due amounts.

Interest rate risks

Interest rate risk is related to the use of short and medium/long-term credit lines. Variable rate loans expose the Group to the risk of fluctuations of cash flows due to interest. The Company does not use derivative instruments to hedge interest rate risks.

Exchange rate risk

The Group operates internationally and is therefore exposed to exchange rate risk with regard to business and financial transactions entered into in USD, GBP, AUD, BRL, RBL and Yen.

The Group puts in place exchange rate risk hedges based on the ongoing assessment of market conditions and the level of net exposure to the risk, combining the use of:

- "Natural hedging", i.e. a risk management strategy that pursues the objective of combining both economic-financial flows (revenues-costs, collections-payments) and balance sheet assets and liabilities that are denominated in the same foreign currency and that have a consistent time frame so to realize net exposures to exchange rate risk which may be hedged more effectively and efficiently;
- Derivative financial instruments, to hedge net exposures of assets and liabilities denominated in foreign currencies;
- Derivative financial instruments used as cash flow hedges relating to highly probable future transactions (Cash Flow Hedge Highly Probable Transaction).

Liquidity risk and change in cash flows

The Group's liquidity risk is closely monitored by the Parent Company. In order to minimise the risk, the Group has implemented centralised treasury management with specific procedures that aim to optimise the management of financial resources and the needs of the Group companies.

Price risk

The Group purchases materials in international markets and is therefore exposed to the risk of prices fluctuations. Such risk is partially hedged by foreign currency forward purchase agreements with settlement dates consistent with the purchase obligations.

Risks related to supplier relations

The Group has always been committed to developing innovative, high-performance quality solutions. To continue this commitment, a close collaboration needs to be maintained with suppliers, particularly those who produce materials and technologies suitable for use in the fitness industry, even if they primarily operate in other sectors.

Technogym's supply chain is divided into suppliers who provide "bill of materials" supplies, some of which are particularly strategic to Technogym's success, including those that contribute directly to product creation, and "indirect" suppliers who provide other services or materials, as well as the equipment used in production.

The Group works closely with those suppliers considered key to the success of its products, establishing long-term relationships in order to minimise the risks related to the potential unavailability of raw materials within the required timescales.

Periodic performance checks are made, and controls carried out regarding compliance with current environmental and social regulations aimed at guaranteeing a stable supply chain.

Furthermore, Technogym has adopted a structured supply chain assessment process involving on-site audits and checks that ensure continuous monitoring and requires its suppliers to comply with the REACH and RoHS directives.

Non-financial risks

Internal risks - effectiveness of processes

The processes that characterise the different areas of the Group business are carefully positioned in a well-structured system of responsibilities and procedures.

The application of these procedures ensures the correct and homogeneous development of processes over time, irrespective of personal interpretations, also making provision for mechanisms of gradual improvement.

The set of procedures for the regulation of company processes is incorporated in the Quality Assurance System and subject to certification by third parties (ISO 9001).

Within the system of processes, the procedures for the management of insider information and for human resources selection and management are regulated.

External risks - markets, country risk

Market risk is mitigated by the Group's geographically diverse operations and product diversification across market segments.

As the Group operates on an international level, it is exposed to local economic and political conditions, potential restrictions on imports and/or exports and controls over cash flows and exchange rates.

Risks related to cyber attacks

The technological acceleration of digital transformation internally and in relation to the market, driven by the health emergency, exposes the Group to the potential risk of cyber attacks (cyber risks). In this regard, the Group has adopted a governance structure and cyber risk management model based on international standards in order to put in place the best technological solutions and choose the best partners to defend corporate assets as well as take out appropriate insurance cover.

1.9 INVESTMENTS AND ACQUISITIONS

In the 2020 financial year, the Group made investments in property, plant and equipment and intangible assets totalling Euro 24,399 thousand, down on the figure for 2019, thanks to a careful selection of strategic investments designed to develop the business, deferring investments not considered as urgent.

These investments are aimed primarily at: (i) constantly updating and extending the Group's range of products and services; (ii) adapting production infrastructure; (iii) optimising the Group's main production processes; and (iv) creating new showrooms and updating existing showrooms, both in Italy and overseas.

The data in this section do not include the recognition of the right of use arising from the adoption of IFRS 16.

Management believes that such investments positively contributed to the safeguarding of margins in 2020, and at the same time strengthened the Group's market position both in Italy and abroad.

The investments made by the Group in the year ended 31 December 2020 and in the year ended 31 December 2019 are shown below, broken down by type:

(In thousands of Euro)	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Property, plant and equipment	9,111	21,333
Intangible assets	15,289	16,761
Total investments	**24,399**	**38,094**

The table below shows the investments made by the Group in the year ended 31 December 2020 and in the year ended 31 December 2019, relating to the 'Property, plant and equipment' item, broken down by category:

(In thousands of Euro)	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Land	—	15
Buildings and leasehold improvements	978	3,215
Plant and machinery	775	1,105
Production and commercial equipment	5,242	11,989
Other assets	1,516	3,198
Assets under construction and advances	600	1,812
Total investments in property, plant and equipment	**9,111**	**21,333**

Investments in the "Production and commercial equipment" category relate mainly to the purchase of moulds for the continuous expansion and updating of production lines.

The table below shows the investments made by the Group in the year ended 31 December 2020 and in the year ended 31 December 2019, relating to the 'Intangible assets' item, broken down by category:

(In thousands of Euro)	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Development costs	6,530	4,725
Patents and intellectual property rights	4,844	6,835
Concessions, licenses, trademarks and similar rights	259	192
Intangibles under development and advances	3,443	4,974
Other intangible assets	212	35
Total investments in intangible assets	**15,289**	**16,761**

Investments in intangible fixed assets include long-term costs for the development of new projects and restyling of existing projects, as well as purchases of software.

In the 2020 financial year, the Group did not make any significant purchases of stocks or shares in companies.

1.10 RELATED PARTY TRANSACTIONS

Pursuant to art. 5, paragraph 8, of Consob Regulation no. 17221/2010 concerning "Related Party Transactions' and subsequent Consob Resolution no. 17389/2010, in 2020 there are no Related Party Transactions that significantly influenced the Group's financial position or results as of and for the financial year ended 31 December 2020.

Related party transactions were regulated under market conditions, and were performed, where applicable, in respect of the appropriate internal procedure (which can be consulted on the website http://corporate.technogym.com/it, Governance section), which defines their terms and methods of verification and monitoring.

Information on relationships with related parties required by Consob Communication no. DEM/6064293 of 28 July 2006 are presented in the financial statements and in the "Related party transactions" note of the consolidated financial statements as of 31 December 2020.

1.11 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Following on from the strong growth in the Home Fitness segment in 2020, Technogym has continued to develop this segment in the initial part of 2021, registering significant demand from consumers. In January, the company launched the new MyRun machine on a global level, the low-noise, compact treadmill for the home, suitable for the needs of all members of the family, from beginners to very sporty. MyRun connects to a tablet and offers a comprehensive library of on-demand training content: one-on-one classes guided by trainers, targeted training routines, virtual training on outdoor routes, etc. For lovers of indoor cycling, in February Technogym launched the new Technogym Bike, which as well as the indoor cycling classes of various fitness studios in different cities around the world, also offers a wide range of training and entertainment content: training sessions, virtual training, entertainment apps and mirroring with personal devices.

In the world of sport, in the first few months of the year Technogym has been involved in an exciting calendar of events: the America's Cup, where athletes from the Prada Luna Rossa team have an athletic training centre available equipped with the most innovative Technogym digital products and services to the 2021 Alpine World Ski Championships in Cortina, where Technogym has, for the first time in the history of the event, equipped high-altitude warm-up areas for athletes to use before the start of the races.

In relation to the scope of consolidation, it should be noted that in March 2021, Technogym International BV acquired the remaining 10% of TG Holding BV for Euro 600 thousand through an arm's length transaction with the minority shareholder. This transaction is part of the plan to strengthen and expand the group in Russia. On the date of this document, the Group therefore holds 100% of TG Holding BV and thus of the subsidiary Technogym ZAO. No risks or impairment of intangible assets have been identified, given that, as of today's date, Technogym ZAO has equity greater than the value of the investments in TG Holding BV.

Continuing on the subject of investments, as of 31 March 2021, the first call/put option window relating to the investee EXERP expires. As of today's date, Technogym has exercised the call option in order to buy the majority of the shares in EXERP which, to date, are not in its possession. On the other hand, a percentage of shareholders, below 2%, has requested the postponement of the put/call option to the second window. The acquisition will be completed between the end of April 2021 and the start of May 2021 for a value that will be determined by including the latest net financial position, which is not yet available. The projected enterprise value falls within that estimated and analysed by Technogym during the impairment testing carried out for the purposes of the financial statement assessment.

It is therefore confirmed that even after the completion of the acquisition of over 98% of EXERP, by applying the predefined formula in the call/put option, no impairment is required.

1.12 OUTLOOK

In 2021, alongside the growth in home fitness, a clear recovery in the B2B segments is expected. In fact, multiple studies show that since the pandemic, health has risen to the top of people's list of priorities. Furthermore, significant proportions of the population have experienced weight gain, increased anxiety and stress due to lockdown. As a result of this, in 2021, strong demand for wellness is expected from consumers, only a small proportion of whom were already members of a fitness club before the pandemic. These signs, added to the gradual mass vaccination programme, leaves considerable scope for recovery in the professional sector, as demonstrated by the agreement signed in the second part of 2020 with Fitness Time, the leading fitness chain in Saudi Arabia that has chosen Technogym for its 140 clubs.

The recovery will also extend to the Hotel segment, called on to adapt its spaces to the changing demands of guests, and to the Corporate segment, where the proximity to a fitness club or in-house spaces dedicated to fitness are increasingly important factors.

Despite the ongoing uncertainties related to the timescale of coming out of the pandemic, Technogym is confident it can continue on the path of strong growth in its Home Fitness business, with a projected turnover of Euro 300 million in 2022 thanks to the expansion of the product range and new initiatives, including in communications, aimed at best supporting sales. There are also excellent prospects for the Health segment, which encompasses the growing need for health prevention, and which has seen excellent order performance in the first few months of 2021.

International growth, with a specific focus on Europe, North America and the APAC region, will continue to be the main driver for development for the Group, not just in 2021.

For the current year, despite the limited visibility, there will be the continuing pursuit of sustainable and profitable growth which has always characterised the Group, targeting a double-digit growth in overall turnover, without in any way compromising on the commitment to product innovation, a key feature of the Technogym offer.

2

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

Technogym Group Consolidated Financial Statements

Consolidated statement of financial position

(In thousands of Euro)	**Notes**	**At 31 December**			
		2020	***of which from related parties***	**2019**	***of which from related parties***
Assets					
Non-current assets					
Property, plant and equipment	6.1	159,243	*9,982*	167,919	*7,135*
Intangible assets	6.2	47,365		43,445	
Deferred tax assets	6.3	18,532		15,543	
Investments in joint ventures and associates	6.4	18,736		18,063	
Non-current financial assets		2,992		2,930	
Other non-current assets	6.5	52,616		49,590	
Total non-current assets		**299,484**		**297,490**	
Current assets					
Inventories	6.6	82,614		76,831	
Trade receivables	6.7	81,060	*1,174*	127,472	*525*
Current financial assets	6.8	39		84	
Assets for derivative financial instruments	6.9	1,525		—	
Other current assets	6.10	17,202	*466*	22,295	*1,597*
Cash and cash equivalents	6.11	202,065		114,413	
Total current assets		**384,505**		**341,096**	

(In thousands of Euro)	Notes	At 31 December			
		2020	***of which from related parties***	**2019**	***of which from related parties***
Total assets		**683,989**		**638,587**	
Equity and liabilities					
Equity					
Share capital		10,066		10,050	
Share premium reserve		4,990		4,990	
Other reserves		25,541		26,923	
Retained earnings		211,567		132,827	
Group profit (loss)		36,004		83,204	
Equity attributable to owners of the parent	**6.12**	**288,167**		**257,995**	
Capital and reserves attributable to non-controlling interests		1,934		1,553	
Profit (loss) attributable to non-controlling interests		444		541	
Equity attributable to non-controlling interests		**2,379**		**2,094**	
Total equity		**290,546**		**260,089**	
Non-current liabilities					
Non-current financial liabilities	6.13	97,677	*9,411*	55,996	*6,420*
Deferred tax liabilities	6.14	343		304	
Employee benefit obligations	6.15	2,955		3,066	
Non-current provisions for risks and charges	6.16	9,662		15,218	
Other non-current liabilities	6.17	37,665		35,058	
Total non-current liabilities		**148,303**		**109,641**	
Current liabilities					
Trade payables	6.18	114,006	*316*	127,536	*636*
Current tax liabilities	6.19	2,465		5,078	
Current financial liabilities	6.13	46,409	*2,061*	54,823	*1,439*
Liabilities for derivative financial instruments	6.20	58		13	
Current provisions for risks and charges	6.16	8,621		12,718	
Other current liabilities	6.21	73,582		68,688	
Total current liabilities		**245,141**		**268,857**	
Total equity and liabilities		**683,989**		**638,587**	

Consolidated income statement

(In thousands of Euro)	Notes	Year ended 31 December			
		2020	*of which from related parties*	2019	*of which from related parties*
Revenues					
Revenues	7.1	508,342	*10,361*	666,418	*11,813*
Other revenues and income	7.2	1,337	*171*	2,513	*178*
Total revenues		**509,679**		**668,931**	
Operating costs					
Purchases and use of raw materials, work in progress and finished goods	7.3	(166,366)	*(100)*	(219,270)	*(82)*
Of which non-recurring expenses:		*(708)*		*(143)*	
Cost of services	7.4	(128,500)	*(592)*	(163,585)	*(2,077)*
Of which non-recurring expenses:		*(1,217)*		*(1,283)*	
Personnel expenses	7.5	(112,640)	*6*	(136,157)	*(43)*
Of which non-recurring expenses:		*(1,047)*		*(2,403)*	
Other operating costs	7.6	(10,260)	*(22)*	(7,332)	*(19)*
Of which non-recurring expenses:		*(1,115)*		*(411)*	
Share of net result from joint ventures	7.7	883		999	
Depreciation, amortisation and impairment / (write-backs)	7.8	(35,109)	*(1,541)*	(31,114)	*(1,485)*
Net provisions	7.9	(3,312)		(4,120)	
Of which non-recurring expenses:		*(450)*		—	
Net operating income		**54,375**		**108,352**	
Financial income	7.10	12,981	*5*	8,739	—
Financial expenses	7.11	(17,184)	*(293)*	(11,091)	*(134)*
Of which non-recurring expenses:		*(205)*		—	
Net financial expenses		**(4,203)**		**(2,351)**	
Income/(expenses) from investments	7.12	(2,131)		402	
Of which non-recurring expenses:		(2,395)		—	
Profit before tax		**48,041**		**106,404**	
Income taxes	7.13	(11,593)		(22,659)	
Of which non-recurrent income taxes		*(295)*		*2,238*	
Profit/(loss) for the period		**36,448**		**83,745**	
(Profit)/loss attributable to non-controlling interests		(444)		(541)	
Group profit (loss)		**36,004**		**83,205**	
Earnings per share (in Euro)	7.14	**0.18**		**0.41**	

Consolidated statement of comprehensive income

(In thousands of Euro)	Notes	Year ended 31 December	
		2020	**2019**
Profit (loss) for the period (A)		**36,448**	**83,745**
Actuarial gains/(losses) on post-employment benefit obligations and Non-Compete Agreements	6.16	(158)	(247)
Tax effect on actuarial gains/(losses) on post-employment benefit obligations and Non-Compete Agreements		38	59
Total items that will not be reclassified to profit or loss (B1)		**(120)**	**(188)**
Exchange rate differences on the translation of foreign operations		(5,400)	1,373
Exchange rate differences for valuation of entities accounted for using the equity method	6.4	(210)	16
Gains (losses) on cash flow hedging instruments (IRS)	6.20	—	10
Tax effect - Gains (losses) on cash flow hedging instruments (IRS)		—	(2)
Total items that will be reclassified to profit or loss (B2)		(5,611)	1,396
Total Other comprehensive income, net of tax (B)=(B1)+(B2)		(5,731)	1,209
Total comprehensive income for the period (A)+(B)		**30,717**	**84,954**
of which attributable to owners of the parent		*30,433*	*84,351*
of which attributable to non-controlling interests		*285*	*603*

Consolidated cash flow statement

(In thousands of Euro)	Notes	Year ended 31 December	
		2020	**2019**
Cash flows from operating activities			
Consolidated Profit (loss) for the period	6.12	36,448	83,745
Adjustments for:		—	—
Income taxes	7.13	11,593	22,659
Income/(expenses) from investments	7.12	2,131	(402)
Financial income/(expenses)	7.10-7.11	4,203	2,351
Depreciation, amortisation and impairment	7.8	35,109	31,114
Net provisions	7.9	3,312	4,120
Share of net result from *joint ventures*	7.7	(883)	(999)
Cash flows from operations before changes in working capital		*91,913*	*142,587*
Change in inventories	6.6	(7,996)	11,949
Change in trade receivables	6.7	49,711	18,119
Change in trade payables	6.18	(13,199)	(16,902)
Change in other assets and liabilities	6.10 6.15 6.16 6.17 6.21	(2,041)	6,685
Income taxes paid	6.3 6.14 6.18-7.13	(15,980)	(26,685)
Net cash inflow/(outflow) from operations (A)		**102,408**	**135,753**
of which from related parties		*9,663*	*10,293*
Cash flows from investing activities			
Investments in property, plant and equipment	6.1	(9,111)	(21,333)
Disposals of property, plant and equipment	6.1	1,332	1,585
Investments in intangible assets	6.2	(15,289)	(16,761)
Disposals of intangible assets	6.2	67	75
Dividends received from other entities	7.12	—	—
Dividends from investments in Joint Ventures	6.4	952	1,004
Investments in subsidiaries, associates and other entities	6.4-6.5	(0)	(583)
Disposal of subsidiaries, associates and other entities		—	—
Net cash inflow/(outflow) from investing activities (B)		**(22,050)**	**(36,013)**
of which from related parties		—	—

(In thousands of Euro)	Notes	Year ended 31 December	
		2020	**2019**
Cash flows from financing activities			
Reimbursement of leasing costs (IFRS 16)		(6,892)	(6,290)
Non-current financial liabilities (including current portion)	6.13	50,000	25,000
Repayment of borrowings (including the current portion)	6.13	(24,579)	(43,871)
Net increase (decrease) in current financial liabilities	6.8-6.13	(413)	(3,610)
Dividends paid to shareholders		—	(36,181)
Payments of net financial expenses	6.9-6.20-7.10-7.11	(5,755)	(471)
Net cash inflow/(outflow) from financing activities (C)		**12,362**	**(65,423)**
of which from related parties		*(1,834)*	*(1,619)*
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)		**92,721**	**34,318**
		—	**—**
Cash and cash equivalents at the beginning of the year		**114,413**	**78,503**
Increase/(decrease) in cash and cash equivalents from 1 January to 31 December		92,721	34,318
Effects of exchange rate differences on cash and cash equivalents		(5,069)	1,592
Cash and cash equivalents at the end of the period		**202,065**	**114,413**

Statement of changes in consolidated shareholders' equity

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves					Retained earnings	Profit (loss) attributable to owners of the parent	Equity attributable to owners of the parent	Capital and reserves attributable to non-controlling interests	Profit (loss) attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
			Translation reserve	Reserve for the adoption of IAS/ IFRS	IAS 19 reserve	Stock grant plan reserve	Other							
As of 1 January 2019	**10,050**	**4,990**	**1,822**	**993**	**111**	**1,981**	**14,291**	**80,519**	**93,030**	**207,786**	**1,054**	**436**	**1,491**	**209,277**
Profit for the previous year	—	—	—	(15)	—	—	4,556	88,489	(93,030)	(0)	438	(438)	—	(0)
Total comprehensive income for the year	—	—	1,326	—	(188)	—	7	—	83,204	84,351	62	541	603	84,954
Dividends paid	—	—	—	—	—	—	—	(36,181)	—	(36,181)	—	—	—	(36,181)
Other movements	—	—	—	—	—	—	1,604	(0)	0	1,604	(0)	—	(0)	1,604
Incentive plan (LTIP)	—	—	—	—	—	436	—	—	—	436	—	—	—	436
As of 31 December 2019	**10,050**	**4,990**	**3,149**	**978**	**(77)**	**2,416**	**20,458**	**132,827**	**83,203**	**257,995**	**1,554**	**540**	**2,093**	**260,089**
Profit for the previous year	—	—	—	(12)	—	—	4,475	78,741	(83,204)	(0)	541	(541)	—	(0)
Total comprehensive income for the year	—	—	(5,451)	—	(120)	—	—	—	36,004	30,433	(160)	444	285	30,717
Increase in capital	16	—	—	—	—	—	(0)	—	—	16	—	—	—	16
Other movements	—	—	—	—	—	—	(0)	(2)	(0)	(2)	—	—	—	(2)
Incentive plan (LTIP)	—	—	—	—	—	(274)	—	—	—	(274)	—	—	—	(274)
As of 31 December 2020	**10,066**	**4,990**	**(2,302)**	**966**	**(197)**	**2,142**	**24,933**	**211,566**	**36,002**	**288,167**	**1,935**	**444**	**2,378**	**290,546**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Technogym S.p.A. (hereinafter "Technogym", the "Company" or the "Parent Company") and its subsidiaries (collectively the "Group" or the "Technogym Group") is a leader in the international fitness equipment market in terms of sales volumes and market shares. Management believes that the Technogym Group may be considered the key total wellness solution provider in the industry, owing to the quality and completeness of the offer of integrated solutions for personal wellness (composed mainly of equipment, services, digital content and solutions).

The Technogym Group offers a wide range of wellness, physical exercise and rehabilitation solutions to the major segments of the fitness equipment market and to the wellness industry in general. Its products are technologically innovative with meticulous design and finishes. These solutions can be personalised and adapted to the specific needs of end users and professional operators. The Technogym Group's offer includes equipment that has been highly regarded by end users and professional operators and has contributed, over time, to the positioning of the Technogym brand in the high-end bracket of the international market.

Technogym is a legal entity established in Italy, headquartered at Via Calcinaro 2861, Cesena (Forlì-Cesena), and it is governed by Italian law.

On 6 February 2020, an Accelerated Bookbuilding procedure was completed by Wellness Holding S.r.l. (the company holding the investment in the Issuer up to 14 May 2020), for the sale of 10,000,000 shares of the Issuer.

On 14 May 2020, Wellness Holding S.r.l. carried out the demerger, with the newco Wellness Holding S.r.l. being set up, (VAT registration number 04508790401). It was renamed TGH S.r.l. on 29 May 2020, and became the holder of the entire investment in the Issuer's share capital as a result of the demerger.

Therefore, at the date of publication of this Financial Report, TGH S.r.l. held 39.73% of the Issuer's share capital (representing 56.87% of total voting rights), while the remaining 60.27% of the Issuer's share capital is free float on the MTA market managed by Borsa Italiana S.p.A.

Technogym is not subject to direction and coordination by TGH S.r.l., within the meaning of Art. 2497 of the civil code. Please refer to Paragraph 2, letter j) of the "Corporate Governance Report" for more details, drafted by taking into consideration the format prepared by Borsa Italiana for corporate governance reports. The corporate governance report is available in the "Corporate Governance" section of the website www.technogym.com.

These Consolidated Financial Statements were approved by the Company's Board of Directors on 24 March 2021 and audited by PricewaterhouseCoopers S.p.A.

2 Summary of accounting standards

This section describes the accounting standards adopted for the preparation of these Consolidated Financial Statements for the year ended 31 December 2020 (hereinafter the "Consolidated Financial Statements"). These standards have been adopted for all the financial years presented, unless otherwise indicated.

2.1 BASIS OF PREPARATION

(i) Compliance with EU-IFRS

The Consolidated Financial Statements have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and endorsed by the European Union ("EU-IFRS"). EU-IFRs means all the "International Financial Reporting Standards, International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC"), which, at the reporting date of the Consolidated Financial Statements, had been endorsed by the European Union in accordance with the procedure in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The Consolidated Financial Statements have also been prepared:

- based on the best knowledge of EU-IFRS and considering relative legal theory. Any future guidance and updates to interpretations will be reflected in subsequent years, according to procedures established as and when necessary by relative accounting standards;
- on a going concern basis, as the Company Directors have verified that there are no financial, operational or other types of indicators that could signal criticalities regarding the Group's ability to meet its obligations in the foreseeable future and, in particular, in the next 12 months, also taking into consideration the effects of COVID-19 on the year 2021.

(ii) Historical cost approach

The Consolidated Financial Statements have been prepared based on the historical cost approach, with the exception of certain financial assets and liabilities (including financial derivatives) which are measured at fair value.

2.2 FORM AND CONTENT

The Consolidated Financial Statements are presented in Euro, which is the currency of the primary economic environment in which Group companies operate. The amounts reported in the current document are presented in thousands of Euro, unless otherwise stated.

The Consolidated Financial Statements comprise the mandatory statements contemplated in IAS 1, namely the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and related Notes.

The financial statements formats are consistent with those indicated in IAS 1 – Presentation of Financial Statements.

- the *consolidated statement of financial position* was prepared by classifying the assets and liabilities according to the "current and non-current" criterion;
- the *consolidated statement of comprehensive income* – whose format is based on a classification of costs and revenues according to their nature - indicates the economic result, supplemented by items which, as provided for by EU-IFRS, are directly recognised as equity, other than those items regarding transactions undertaken by owners of the Company;
- the *consolidated statement of cash flows* has been prepared by presenting cash flows from operating activities according to the "indirect method".

The formats used best represent the financial position, performance and cash flows of the Group.

Some items on the statement of financial position at 31 December 2019 and the income statement for the same year have been reclassified by amounts that are not significant, in order to better present these items.

Technogym Germany GmbH will adopt the exemption provided for in Article 264 (3) of the German Civil Code (HGB), which provides for an exemption from the requirement to prepare financial statements for the year ended 31 December 2020.

Distinction between current and non-current assets and liabilities

The Group classifies an asset as current when:

- it holds the asset for sale or use, or expects to realise the asset in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent, unless the asset is restricted or limited in such a way as to prevent its use for at least twelve months after the reporting period.

All other assets are classified as non-current. The Group classifies a liability as current when:

- it expects to settle the liability during its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- the asset must be settled within twelve months after the reporting period; or
- the Group does not have an unconditional right to defer settlement of the asset beyond twelve months.

All other liabilities are classified as non-current.

2.3 CONSOLIDATION CRITERIA AND METHODOLOGIES

The Consolidated Financial Statements include the financial position, performance and cash flows of the Parent company and its subsidiaries, prepared based on the relative accounts and, where applicable, suitably adjusted to bring them in line with EU-IFRS.

The following table lists the companies included in the scope of consolidation, including information about the method of consolidation applied, for the years ended 31 December 2020 and 2019.

Entity name	Year ended 31 December 2019				
	Registered office	% of control 2020	% of control 2019	Currency	2019 share capital
Subsidiaries – consolidated using the line-by-line method					
TECHNOGYM S.p.A.	Italy	Parent company	Parent company	EUR	10,066,375
Technogym E.E. Sro	Slovakia	100%	100%	EUR	15,033,195
Technogym International Bv	Netherlands	100%	100%	EUR	113,445
Technogym Germany Gmbh	Germany	100%	100%	EUR	1,559,440
Technogym France Sas	France	100%	100%	EUR	500,000
Technogym Uk Ltd	United Kingdom	100%	100%	GBP	100,000
Technogym Trading Sa	Spain	100%	100%	EUR	2,499,130
Technogym Usa Corp.	United States	100%	100%	USD	3,500,000
Technogym Benelux Bv	Netherlands	100%	100%	EUR	2,455,512
Technogym Japan Ltd	Japan	100%	100%	JPY	320,000,000
Technogym Shanghai Int. Trading Co. Ltd	China	100%	100%	CNY	132,107,600
Technogym Asia Ltd	China	100%	100%	HKD	16,701,750
Technogym Australia Pty Ltd	Australia	100%	100%	AUD	11,350,000
Technogym Portugual Unipessoal Lda	Portugal	100%	100%	EUR	5,000
Fkb Equipamentos Ltda	Brazil	100%	100%	BRL	156,035,309
Sidea S.r.l	Italy	70%	70%	EUR	150,000
Technogym Zao	Russia	90%	90%	RUB	10,800,000
Tg Holding Bv	Netherlands	90%	90%	EUR	300,000
Wellness Partners Ltd	United Kingdom	75%	75%	GBP	386,667
Wellness Partners Usa Inc	United States	75%	75%	USD	1,000
Tgb Srl	Italy	100%	100%	EUR	96,900
La Mariana Srl	Italy	100%	100%	EUR	76,500
Amleto Aps	Denmark	100%	100%	DKK	60,000
Dwl Srl	**Italy**	**100%**	**0%**	**EUR**	**10,000**
Tg Technogym Sa	**South Africa**	**100%**	**0%**	**ZAR**	**-**
Associates - Jointly controlled entities, consolidated using the equity method					
Wellink Srl	Italy	40%	40%	EUR	60,000

Entity name	Year ended 31 December 2019				
	Registered office	% of control 2020	% of control 2019	Currency	2019 share capital
Movimento Per La Salute Srl	Italy	50%	50%	EUR	10,000
Technogym Emirates Llc	United Arab Emirates	49%	49%	AED	300,000
T4me Limited	United Kingdom	20%	20%	GBP	-
Exerp Aps	Denmark	50%	50%	DKK	186,966
Exerp America Inc	USA	50%	50%	USD	1,000
Exerp Asia Pacific Pty Ltd	Australia	50%	50%	AUD	100

During the year ending 31 December 2020, the following changes occurred within the perimeter: (i) formation of the Italian company DWL S.r.l.; it is 100%-owned and consolidated on a line-by-line basis; (ii) formation of the South African company TG Technogym SA, also 100%-owned and consolidated on a line-by-line basis; (iii) Fitstadium S.r.l., an Italian company, left the corporate perimeter and was removed from the Companies Register.

The policies adopted by the Group to determine the scope of consolidation and related principles of consolidation are described below.

(i) Subsidiaries

An investor controls an entity when i) it is exposed or has rights to the relative variable returns and ii) it has the ability to use its decision-making power over significant activities so as to affect such returns. The existence of control is verified when facts and/or circumstances indicate a change in one of the elements of control described above.

Subsidiaries are consolidated on a line-by-line basis from the date control is acquired and are no longer consolidated from the date on which control is transferred to third parties. The financial statements of all subsidiaries have the same reporting period as that of the Parent company.

The basis for line-by-line consolidation is as follows:

- the assets and liabilities, expenses and income of subsidiaries are accounted for line by line, assigning, where applicable, the relative portion of equity and net profit for the period to non-controlling interests; these portions are indicated separately in equity and in the statement of comprehensive income;
- gains and losses, including relative fiscal effects, arising from transactions between companies consolidated on a line-by-line basis and not yet realised with third parties, are eliminated, except for losses that are not eliminated if the transaction provides evidence of impairment of the transferred asset. Moreover, reciprocal receivables and payables, costs and revenues, as well as financial income and expenses are eliminated;
- in the case of investments acquired after control has been obtained (third-party acquisitions of interests), any difference between the purchase cost and corresponding portion of equity acquired is recognised in equity attributable to owners of the parent. Similarly, effects arising from the sale of non-controlling interests without loss of control are recognised in equity.
- in the case of the sale of investments resulting in loss of control, the Group:
  - eliminates the assets (including goodwill) and liabilities of the subsidiary at their carrying amount at the date of loss of control;

- eliminates the carrying amount of non-controlling interests at the date of loss of control (including the aggregate value of other comprehensive income attributable to them);
- recognises the fair value of the income of the transaction that resulted in loss of control;
- recognises any remaining interest maintained at fair value at the date of loss of control. The value of any investment maintained, aligned with the relative fair value at the date of loss of control, represents the new value at which the investment is recognised; this is also the benchmark for its subsequent measurement according to the applicable measurement criteria;
- reclassifies any values identified in other comprehensive income relative to the investee in which control was lost in consolidated profit or loss, with reversal to profit or loss. If reversal to profit or loss is not required, these values are transferred to the equity item "Reserves for retained earnings".
- recognises the resulting difference in consolidated profit or loss as a loss or gain of the Parent Company.

(ii) Business combinations

Business combinations, in which the control of a business is acquired, are recognised in accordance with IFRS 3 using the acquisition method. In particular, identifiable assets, liabilities and potential liabilities are recognised at fair value at the date when control is acquired (the acquisition date), except for deferred tax assets and liabilities, assets and liabilities relative to employee benefits and assets held for sale, which are recognised based on the relative accounting standards. The difference between the acquisition cost and the fair value of assets and liabilities, if positive, is recognised under intangible assets as goodwill, or, if negative, after checking the correct measurement of the fair values of assets and liabilities and of the acquisition cost, it is directly recognised in consolidated profit or loss, as income. When the values of the assets and liabilities of the acquired business are determined on a provisional basis, the measurement must be completed within twelve months from the acquisition date, considering only the information relative to the circumstances existing at the Acquisition Date. In the year when the measurement is completed, temporary values are adjusted retrospectively. Transaction costs that may arise from the transaction are recognised in consolidated profit or loss as incurred.

The acquisition cost is represented by the fair value at the Acquisition Date of the transferred assets, assumed liabilities and equity instruments issued for the purposes of the acquisition, and also includes the potential consideration, or the part of the consideration the amount and payment of which depend on future events. The potential consideration is identified based on the relative fair value at the Acquisition Date and subsequent changes in fair value are recognised in consolidated profit or loss if the potential consideration is a financial asset or liability, while potential considerations classified as equity are not restated and subsequent elimination is directly recognised in equity.

If control is acquired in stages, the acquisition cost is determined by adding the fair value of the investment previously held in the investee and the amount paid for the additional portion. Any difference in the fair value of the investment previously held and the relative carrying amount is recognised in consolidated profit or loss. When control is acquired, any amounts previously recognised in other comprehensive income are recognised in profit of loss, or in another item of equity, if restatement in profit or loss is not envisaged.

Business combinations in which the companies involved are controlled by the same entity or entities both before and after the transaction, for which control is not temporary, qualify as business combinations "under common control". These transactions are not governed by IFRS 3, nor by other EU-IFRS. In the absence of a relative accounting standard,

the choice of method to represent the transaction must guarantee compliance with IAS 8, i.e. the reliable and faithful representation of the transaction must be ensured. Moreover, the accounting standard selected to represent transactions under common control must reflect the economic substance of the transactions, regardless of their legal form. Therefore the existence of economic substance is key to the methodology to adopt to recognise the transactions in question. The economic substance must refer to the generation of added value which is reflected in significant changes in the cash flows of net transferred assets. When recognising the transaction, current interpretations and guidance must also be considered. In particular, reference is made to OPI 1 (Revised) (Assirevi Preliminary Guidance on IFRS), relative to the "accounting of business combinations of entities under common control in separate and consolidated financial statements". Net transferred assets must therefore be recognised at the carrying amounts they had in the acquired company or, if available, at the amounts resulting from the consolidated financial statements of the common parent company.

(iii) Associates

Associates are companies in which the Group exercises significant control, which is assumed to exist when the investment refers to between 20% and 50% of voting rights.

Associates are initially recognised at cost and subsequently measured with the equity method.

The procedure for adopting the equity method is described below:

- the carrying amount of investments measured with the equity method is aligned to the equity of the relative company, adjusted, where necessary, to reflect the adoption of EU-IFRS and includes the recognition of greater values attributed to assets and liabilities and any goodwill, identified at the time of acquisition, following a similar process to that described previously for business combinations;
- gains or losses attributable to the Group are recognised at the date when significant influence starts and until it ends. If, due to losses, a company measured using the equity method posts negative equity, the carrying amount of the investment is annulled and any excess attributable to the Group, if it has committed to meeting the legal or implied obligations of the investee, or in any case to covering the losses, is recognised in a specific provision for risks; changes in equity of companies measured with the equity method, not represented by profit or loss, are directly recognised in comprehensive income;
- unrealised gains and losses, generated from transactions between the Company/its subsidiaries and the investee measured with the equity method are eliminated based on the value of the Group investment in the investee, except for losses that represent the impairment of the underlying asset and dividends that are wholly eliminated.

If there is objective evidence of impairment, recoverability is tested by comparing the carrying amount with the relative recoverable value. When the reasons for impairment no longer apply, the value of the investments is reinstated within the limits of impairments made, recognising the effect in profit or loss.

If the sale of investments results in loss of joint control or significant influence over the investee, the difference between:

- the fair value of any outstanding investment kept and income arising from the sale of the investments, and
- the carrying amount of the investment on the date when the net equity method was no longer used, will be recognised in consolidated profit or loss.

(iv) Joint arrangements

In accordance with IFRS 11 – Joint arrangements, investments in joint arrangements may be classified as either a joint operation or a joint venture. This classification depends on the contractual rights and obligations of each investor, rather than on the legal structure of the joint arrangement.

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. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to its net assets.

A joint operator must recognise, with reference to its own interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint venturer recognises its interest in a joint venture as an investment, initially recognised at cost. Subsequently, the investment is accounted for using the equity method.

(v) Translation of the financial statements of foreign operations

The financial statements of subsidiaries are prepared in the currency of the primary economic environment in which they operate. The criteria for translating the financial statements of companies expressed in a currency other than the Euro are as follows:

- assets and liabilities are translated using the closing exchange rates at the year-end reporting date;
- costs and revenues are translated using the average exchange rate for the reporting period;
- the "currency translation reserve", in the comprehensive income statement, reports the differences arising in the income statement's translation at an average rate as opposed to a closing rate, as well as the differences arising in the translation of opening equity at a different rate applied to closing equity;
- goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

The exchange rates in Euro used in the translation of the financial statements of entities with a currency other than the Euro are as follows:

Currency	**At 31 December**	
	2020	**2019**
USD	1.227	1.123
GBP	0.899	0.851
JPY	126.490	121.940
CHF	1.080	1.085
AUD	1.590	1.600
AED	4.507	4.126
CNY	8.023	7.821
RUB	91.467	69.956
HKD	9.514	8.747
BRL	6.374	4.516
ZAR	18.022	15.777
SGD	1.622	1.511
DKK	7.441	7.472

Currency	**Average for the year ended 31 December**	
	2020	**2019**
USD	1.142	1.120
GBP	0.890	0.878
JPY	121.846	122.006
CHF	1.071	1.112
AUD	1.655	1.611
AED	4.195	4.111
CNY	7.875	7.736
RUB	82.725	72.455
HKD	8.859	8.772
BRL	5.894	4.413
ZAR	18.766	16.176
SGD	1.574	1.527
DKK	7.454	7.466

2.4 VALUATION CRITERIA

The main accounting standards and accounting policies adopted in the preparation of the Consolidated Financial Statements are summarised below.

Consolidated statement of financial position

Property, plant and equipment

Property, plant and equipment are recognised according to the cost criterion at the cost of purchase or production, including directly related costs necessary for preparing the assets for their intended use, net of any impairment. Revaluations of property, plant and equipment are not permitted, even if in application of specific laws.

Costs for improvements, modernisation and transformation which increase the value of third-party assets are recognised as assets when it is likely that they increase the future economic benefits expected from use or sale of the asset. They are depreciated in the lesser time between the useful life of improvements made and the duration of the relative lease agreement.

In valuing the lease duration, the possibility of renewal must be considered, if this is substantially certain and therefore depends on the will of the lessee.

Property, plant and equipment are depreciated systematically on a straight-line basis over their useful technical economic life, considered to be the estimate of the period in which the asset will be used by the Company. The period which starts from the month when use of the asset starts or could have started. When the tangible asset comprises several significant components with different useful lives, depreciation is carried out for each component. The value to depreciate is represented by the carrying amount minus the presumed net sale price at the end of the asset's useful life. Land is not depreciated even if purchased together with a building, nor are property, plant and equipment held for sale. Any changes to the depreciation schedule, resulting from a revision of the useful life of the tangible asset, the residual value or procedure for obtaining the economic benefits of the asset, are recognised on a forward-looking basis.

Amortisation methods and periods

Depreciation starts when the asset becomes available for use and is distributed systematically in relation to the residual possible use of the asset, i.e. based on its estimated useful life.

The estimated useful life of main tangible assets is as follows:

Tangible assets	Estimated useful life (in years)
Buildings	34
Plant and machinery	8-11
Production and commercial equipment	5-6
Other assets	5-11

Intangible assets

Intangible assets are identifiable assets without physical substance, controlled by the Company that can generate future economic benefits, as well as goodwill when acquired for a consideration. An intangible asset is identifiable as such if separable from goodwill. This requirement is normally met when:

- the intangible asset rises from a legal or contractual right; or
- the asset is separable, i.e. it may be sold, transferred, rented or exchanged independently or as a part of other assets.

Intangible assets are recognised at purchase or production cost including directly related costs necessary for preparing the assets for their intended use. Revaluations are not permitted, even if in application of specific laws.

Intangible assets are amortised systematically on a straight-line basis over their useful life, considered to be the estimate of the period in which the asset will be used by the Company. Development costs are amortised over five years except for costs in which a future benefit is not expected, which are recognised in profit or loss in the year they are incurred.

Development costs

Development costs for the realisation of new products and processes or improving existing products and processes, are capitalised according to IAS 38 if the innovations introduced lead to technically feasible processes and/or commercially viable products, as long as the intention to complete the project can be demonstrated, and the costs and benefits of such innovations can be reliably measured. Capitalised development costs include internal and external costs, comprehensive of personnel expenses and costs for services and consumables, that are reasonably allocated to the projects. Development costs are intangible assets with a finite life, amortised over the period the expected economic benefits will arise, generally five years (three years for software due to its high rate of obsolescence) and are subject to impairment losses that may arise after initial recognition. Amortisation starts from the moment the products are available to be used. Useful lives are reviewed and adjusted accordingly if there are changes in the expected future use.

Amortisation methods and periods

Amortisation starts when the asset becomes available for use and is distributed systematically in relation to the residual possible use of the asset, i.e. based on its estimated useful life.

The estimated useful life of main intangible assets is as follows:

Intangible assets	Estimated useful life (in years)
Development costs	3-5
Software, licences and similar rights	3
Trademarks	10

Impairment losses on property, plant and equipment and intangible assets

Intangible and tangible assets with a finite useful life

Testing is carried out at the end of each reporting period to establish whether tangible and intangible assets have been impaired. For this purpose, both internal and external sources of information are considered. As regards internal sources, the obsolescence or physical deterioration of the asset are considered, as well as any significant changes in use and the asset's economic performance compared to its expected performance. As regards external sources, the trend of market prices of assets are considered, as well as any technological, market or regulatory nonconformities, the trend of market interest rates or cost of capital used to measure investments.

If these indicators are identified, the recoverable value of the assets is estimated, with any impairment recognised in separate profit or loss. The recoverable value of an asset is represented by the greater of the fair value, minus additional selling costs, and relative value in use, the latter meaning the present value of expected future cash flows of the asset. When determining the value in use, expected future cash flows are discounted using a discount rate including taxes that reflects current market valuations of the cost of money, referred to the investment period and specific risks of the asset. In the case of an asset that does not generate cash flows that are largely independent, the recoverable value is determined in relation to the cash generating unit the asset belongs to.

An impairment loss is recognised in profit or loss if the carrying amount of the asset, or its relative CGU, is greater than its recoverable value. Impairment of CGUs is first recognised as a reduction of the carrying amount of goodwill attributed to the unit, and therefore, as a reduction of other assets, in proportion to their accounting value and within the limits of the relative recoverable value. If the conditions for a previous impairment no longer apply, the carrying amount of the asset is reinstated with recognition in separate profit or loss, within the limits of the net carrying amount of the asset if it had not been impaired and if relative amortisation/depreciation had been carried out.

Leased assets

Following the entry into force of the new accounting standard IFRS 16 from 1 January 2019, leasing contracts are recognised on the basis of a single accounting model similar to the provisions of IAS 17 on the recognition of financial leases. When entering into each contract, the Group:

- determines whether the contract is a lease or contains one; this arises when the contract grants the right to control the use of a specific asset for a period of time in exchange for a price. This assessment is repeated if there are subsequent changes to the contractual terms and conditions.
- separates the components of the contract, by distributing the contract price between each leasing or non-leasing component.
- determines the duration of the lease as the non-cancellable period of the lease, to which may be added to any period covered by an extension option, or termination of the lease.

On the effective date of each contract for which the Group is the lessee of an asset, the assets consisting of the right of use (valued at cost) and the financial liabilities for the lease are recognised on the financial statements; they are equal to the current value of the remaining future payments, which are discounted according to the implicit interest rate or alternatively, the Group's marginal finance rate. Subsequently, the asset consisting of the right of use is valued by applying the cost model, net of the depreciation and any reductions in accumulated value, adjusted to take into account any new valuations or modifications to the lease. Leasing charges are valued by increasing the book value to take into account the

interest, reducing the book value to take into account payments made, and re-determining the book values to take into account any new valuations or modifications to the lease.

The assets are depreciated according to a period represented by the term of the lease contract, unless its duration is less than the useful life of the asset based on the rates applied to tangible assets, and there is the reasonable certainty of the ownership of the leased asset being transferred on the natural contractual expiry date. In such a case the depreciation period will be calculated on the basis of the criteria and rates indicated for tangible assets.

For lease contracts whose duration ends within 12 months from the date of initial application and for which there are no renewal options, and for contracts with low-value underlying assets, the lease charges are recognised on the income statement on a straight line basis throughout the duration of the respective contracts.

Financial assets

On initial recognition, financial assets must be classified in one of the three categories below, based on the following:

› the entity's business model for managing financial assets; and
› the characteristics relative to the contractual cash flows of the financial asset.

Financial assets are then derecognised only if the sale has resulted in the substantial transfer of all risks and rewards connected with the assets. On the other hand, if a substantial part of the risks and rewards relative to the sold financial assets have been retained, the assets will still be recognised in the financial statements, even if in legal terms ownership of the assets has been transferred.

Financial assets measured at amortised cost

This category includes financial assets that meet both of the following conditions:

› the financial asset is held within a business model whose objective is achieved by collecting the contractual cash flows ("hold to collect" business model); and
› the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test").

On initial recognition, these assets are entered at fair value, including costs or income arising from the transaction directly attributable to the instrument. After initial recognition, the financial assets in question are measured at amortised cost, using the effective interest method. The amortised cost method is not used for assets - recognised at historical cost - of a short duration that render the effect of discounting negligible, nor for assets with no expiry or revocable credit.

Financial assets measured at fair value and recognised in comprehensive income

This category includes financial assets that meet both of the following conditions:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell" business model); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test").

This category includes share interests, that cannot qualify as control, and joint control, that are not held for trading, for which the fair value designation option has been exercised and recognised in comprehensive income.

On initial recognition, assets are recognised at fair value including costs or income arising from the transaction directly attributable to the instrument. Subsequently after initial recognition, the non-controlling, connecting and joint control interests are measured at fair value, and amounts identified as a contra-item in equity (other comprehensive income), must not be subsequently transferred to profit or loss, even in the case of disposal. The only component referable to equity instruments recognised in profit or loss is the relative dividends.

For equity instruments included in this category, not listed on an active market, the cost criterion is used as the fair value estimate only on a residual basis and regarding limited circumstances, i.e. when the most recent information to measure the fair value is insufficient, or there is a wide range of possible fair value measurements and the cost represents the best estimate of the fair value in this range.

Financial assets measured at fair value and recognised in profit or loss

This category includes financial assets other than assets classified as "Financial assets measured at amortised cost" and "Financial assets measured at fair value recognised in comprehensive income".

This category includes financial assets held for trading and derivative contracts not classifiable as hedging (which are represented as an asset if the fair value is positive, and as a liability if the fair value is negative).

On initial recognition, the financial assets measured at fair value and recognised in profit or loss are recognised at fair value, without considering the costs or income arising from the transaction directly attributable to the instrument. At subsequent reporting dates, the assets are recognised at fair value and the effects are recognised in profit or loss.

Impairment of financial assets

In accordance with IFRS 9, the Group adopts a simplified approach to estimate expected credit losses over the lifetime of the instrument and considers the historical experience accrued concerning credit losses, adjusted based on specific forward-looking factors of the nature of the Group receivables and economic context.

In brief, the Group measures expected losses of financial assets in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes;
- the time value of money; and

› reasonable and supportable information available without excessive costs or effort at the end of the reporting period about past events, current conditions and reasonable and supportable forecasts of future economic conditions.

A financial asset is deteriorated when one or more assets occur that have a negative effect on the expected future cash flows of the financial asset. Observable data relative to the following events provide proof that the financial asset has deteriorated (it is possible that a single event cannot be identified; the deterioration of the financial assets may be due to the combined effect of a number of events):

a) significant financial difficulty of the issuer or debtor;
b) a breach of contract, such as a default or past-due event;
c) the lenders, for economic or contractual reasons relating to the borrower's financial difficulties, granted the borrower a concession that would not otherwise be considered;
d) it becomes probable that the borrower will enter a bankruptcy or other financial restructuring arrangement;
e) the disappearance of an active market for the financial asset because of financial difficulties; or
f) the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

When an impairment loss is identified for financial assets recognised using the amortised cost method, the value is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted based on the original effective interest rate. This value is recognised in profit or loss.

Derecognition of financial assets and liabilities

Financial assets are derecognised when they satisfy one of the following conditions:

› the contractual right to receive cash flows from the financial asset has expired;
› the Group has substantially transferred all risks and rewards connected with the asset;
› the Group has transferred the control of the financial asset but has neither transferred nor retained the risks and rewards associated with the financial asset.

Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is discharged, cancelled or expires. Where there has been an exchange of debt instruments with substantially different terms, the transaction is accounted for as a discharge of the original financial liability and the recognition of a new financial liability. Similarly, where there has been a substantial modification of the contractual terms of an existing financial liability, this transaction is accounted for as a discharge of the original financial liability and the recognition of a new financial liability.

Offsetting of financial assets and liabilities

The Group offsets financial assets and liabilities if and only if:

› there is an enforceable legal right to offset the recognised amounts in the financial statements;
› there is the intention to offset on a net basis or realise the asset and settle the liability simultaneously.

Inventories

Inventories are recognised at the lower of the cost of purchase and the net realisable value, represented by the amount the Group expects to obtain from their sale during the normal course of activities, net of selling costs. The cost is determined using the weighted average cost method.

The cost of finished goods and works in progress includes the costs of design, raw materials, direct labour and other production costs (determined based on normal operating capacity).

Inventories of raw materials and works in progress no longer used in the production cycle and inventories of unsaleable finished goods are written down in relation to the market trend and presumed non-use related to obsolescence and slow turnover.

Public grants

Public grants, including non-monetary grants measured at fair value, are recognised when there is reasonable certainty that they will be received and that the Group will meet all the conditions required for their disbursement.

Cash and cash equivalents

Cash and cash equivalents include cash, call deposits, as well as financial assets with original expiry of 3 months or less, readily convertible into cash and with a negligible risk of a change in value. Cash and cash equivalents are measured at fair value. Cash and cash equivalents do not include time deposits which do not meet the requirements of IFRS.

Short-term bank deposits with an original expiry of 3 months or more that do not meet the requirements of IAS 7 are included in a specific item of current assets.

Cash transactions are recorded by bank transaction date, while payment transactions also consider the order date.

Financial liabilities and trade payables

Financial liabilities and trade payables are recognised when the Group contracts obligations and are measured initially at fair value, net of directly attributable transaction costs.

Subsequently, they are measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the contractual rights to the cash flows expire or when the financial liability is disposed of with the substantial transfer of all risks and rewards incident to ownership.

Provisions for risks and charges

Provisions for risks and charges refer to costs and expenses of a specific nature of certain or probable existence, but whose timing or amount are uncertain at the end of the reporting period. Provisions are recognised when:

- a present legal or constructive obligation is likely to exist as a result of a past event;
- it is likely that fulfilment of the obligation will be onerous;
- the amount of the obligation can be estimated reliably.

The amount recognised as a provision is the best estimate of the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. When the effect of the time value of money is material and the obligation settlement date can be estimated reliably, the amount of the provision is determined by discounting the expected cash outflows to present value taking account of the risks specific to the obligation; any increase in the amount of a provision due to the effect of the time value of money is recognised in profit or loss under "Financial expenses".

The costs the Group expects to incur for restructuring programmes are recognised in the year when the programme is formally defined, and entities concerned have valid expectations that the restructuring will take place.

The amounts are periodically reviewed to identify changes in estimated costs, the obligation settlement date, and the discounting rate. Any changes in estimates are recognised in profit or loss within the same account previously used to record the provision. Provisions for risks and charges are discounted if it is possible to reasonably estimate the time of the cash outflows. When the liability refers to tangible assets, changes in the estimate of provisions are recognised as a contra-item under the assets referred to within the limits of carrying amounts; any excess is recognised in profit or loss.

If all expenses (or a part) required to settle an obligation are to be repaid by third parties, the repayment, when virtually certain, is recognised as a separate entity.

Employee benefits

Short-term benefits refer to salaries, wages, relative social security contributions, pay in lieu of holidays accrued and incentives payable as bonuses in the twelve months from the end of the reporting period. These benefits are recognised as personnel costs in the period when the service is provided.

In defined-benefit plans, which include the post-employment benefit for employees pursuant to Article 2120 of the Italian Civil Code ("TFR"), the amount of the benefit to pay to the employee can only be quantified post-employment, and is related to one or more factors such as age, length of service and salary; therefore the relative expense is recognised in profit or loss on an accrual basis, according to an actuarial calculation. The liability recognised in the financial statements for defined benefit plans corresponds to the present value of the obligation at the end of the reporting period. Obligations for defined benefit plans are determined annually by an independent actuary, using the Project Unit Credit method. The current value of defined benefit plans is determined discounting future cash flows to a given interest rate. Actuarial gains and losses arising from the above adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

As from 1 January 2007, the 2007 Budget and relative implementing decrees have introduced significant amendments to regulations governing the TFR, including employees right to choose where their accrued TFR is allocated. In particular, new portions of TFR may be allocated to supplementary pension schemes or kept within the company. If the TFR is allocated to external pension schemes, the Company only has to pay the defined benefit to the selected scheme, and as from this date, newly accrued portions owing will be defined benefit plans not subject to actuarial valuation.

Liabilities for obligations relative to other medium/long-term employee benefits, such as management incentive plans, are determined using actuarial assumptions. The effects arising from changes to actuarial assumptions or adjustments based on past experience are recognised in full in profit or loss.

Share-based payments

The cost of services rendered by directors and employees, remunerated according to share-based payments and settled with the assignment of securities is determined based on the fair value of the related rights, measured at the date of assignment. The calculation method to determine the fair value considers, at the date of assignment, all characteristics of the rights and security of the relative plan (accrual period, the price and conditions of exercise, etc.). The cost of these plans is recognised in profit or loss under "personnel costs", with a contra-item in equity, over the time when the granted rights accrue, based on the best estimate of rights that will become exercisable.

Measurement of fair value

The measurement of fair value and the relative disclosure complies with IFRS 13 - Fair value measurement. The fair value represents the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in an ordinary transaction between market participants on the measurement date.

The fair value measurement is based on the assumption that the sale of the asset or transfer of the liability takes place on the principal market, i.e. the market with the greatest volume and level of transactions for the asset or liability. In the absence of a main market, it is assumed that the transaction has taken place on the most advantageous market the Company has access to, i.e. the market that maximises the results of the transaction to sell the asset or minimises the amount to pay to transfer the liability.

The fair value of an asset or liability is determined considering the assumptions that market participants would use to define the price of the asset or liability, assuming that they would act in their best economic interests. Market participants are informed, independent buyers and sellers, that can enter into a transaction for the asset or liability, that wish to but are not obliged nor induced to carry out the transaction.

Measurement of the fair value of financial instruments

The fair value of listed financial instruments is determined observing market prices, while for unlisted financial instruments, specific valuation methods are used, referring to the highest number possible of observable market input. When it is not possible, the inputs are estimated by management, taking into account the characteristics of the instrument being measured. Changes in the assumptions made when estimating the inputs may have an impact on the fair value recorded in the financial statements for those instruments.

Below are the levels of financial instruments classified according to a hierarchy that reflects the significance of the inputs used in determining the fair value (IFRS 13 - Fair value measurement).

- **Level 1**: Quoted prices (active market): the data used in measurements are represented by quoted prices on markets where assets or liabilities identical to those being measured are exchanged;

- **Level 2**: The use of parameters observable on the market (for example derivatives, exchange rates identified by the Bank of Italy, market rate curves, volatility provided by Bloomberg, credit spreads calculated based on credit default swaps, etc.) other than level 1 quoted prices;
- **Level 3**: The use of parameters that are not observable on the market (internal assumptions, for example, cash flows, spreads adjusted for risk, etc.).

Financial derivative instruments

Financial derivative instruments are recognised in accordance with IFRS 9.

At the date of contract stipulation, financial derivative instruments are initially recognised at fair value, as financial assets measured at fair value and recognised in profit or loss when the fair value is positive, or as financial liabilities measured at fair value and recognised in profit or loss when the fair value is negative.

If the financial instruments are not recognised as hedging instruments, the changes in fair value identified after initial recognition are treated as components of profit for the year. If instead the derivative instruments meet requirements to be classified as hedging instruments, subsequent changes in fair value are recognised according to the criteria explained below.

A financial derivative instrument is classified as hedging if the relationship between the hedging instrument and hedged item is formally documented, including risk management objectives, the strategy to carry out hedging and the methods that will be used to check effectiveness on a forward-looking and retrospective basis. The effectiveness of each hedging instrument is verified when each instrument is initially started, and during its lifetime, in particular at the end of each reporting period. Generally, hedging is considered as "highly" effective if, at the start and during its lifetime, the changes in the fair value of the hedged item, in the case of a fair value hedge, or in its expected future cash flows, in the case of a cash flow hedge, are substantially offset by the changes in the fair value of the hedging instrument.

IFRS 9 allows for the possibility to designate the following three types of hedging relationships:

a) fair value hedge: when the hedge concerns the changes in the fair value of the assets and liabilities recognised in the financial statements, both the changes in the fair value of the hedging instrument and the changes in the hedged item are recognised in profit or loss;
b) cash flow hedge: in the case of hedges intended to neutralise the risk of changes in cash flows originating from future obligations contractually defined on the reporting date, the changes in the fair value of the derivative recorded after initial recognition are recognised, only as regards the effective portion, in other comprehensive income and therefore in an equity reserve "Cash flow hedge reserve". When the economic effects arising from the hedging occur, the portion recognised in other comprehensive income is reversed to profit or loss. If the hedging is not fully effective, the change in the fair value of the hedging instrument referable to the ineffective portion is immediately recognised in profit or loss;
c) net investment hedge.

If the effectiveness of hedging is not confirmed by testing, the recognition of hedging is stopped and the hedging derivative is reclassified under financial assets measured at fair value and recognised in profit or loss, or under financial liabilities measured at fair value and recognised in profit or loss. The hedging relationship also ceases when:

- the derivative expires, is sold, withdrawn or exercised;
- the hedged item is sold, expires or is repaid;
- it is no longer highly probable that the future hedged operation will take place.

Consolidated income statement

Recognition of revenues

Revenues from contracts with customers are recognised when the following conditions occur:

- a contract with the customer has been identified;
- performance obligations have been identified in the contract;
- the price has been determined;
- the price has been allocated to individual contractual obligations;
- the contractual obligation has been met.

The Group identifies revenues from contracts with customers when (or as) the contractual obligation is met, transferring the promised good or service (or asset) to the customer. The asset is transferred when (or as) the customer acquires control.

The Group transfers control of the asset or service over time, and therefore meets the contractual obligation and records revenues over time, if one of the following criteria are met:

- the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
- the Group's performance creates or enhances an asset (for example works in progress) that the customer controls as the asset is created or enhanced;
- the Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right to payment for performance completed to date.

If the Group does not satisfy its performance obligation over time, it satisfies it at a point in time. In this case, the Group recognises the revenue when the customer acquires control of the promised asset.

In particular, in the case of the supply of transport and installation and the sale of equipment, the Group considers that the customer acquires control on installation.

The contractual consideration included in the contract with the customer may include fixed amounts, variable amounts or both. If the contractual consideration includes a variable amount (e.g. discounts, concessions on the price, incentives, penalties or other similar elements), the Group estimates the amount of the consideration it will be entitled to in exchange for the transfer of the promised goods or services to the customer. The Group includes the amount of the estimated variable consideration in the transaction price only if it is highly probable that when the uncertainty associated with the variable consideration no longer applies, there is no significant downwards adjustment to the amount of aggregate revenues identified.

The Group distributes the contractual price among individual contractual obligations based on stand-alone selling prices (SSP) of individual contractual obligations (supply of equipment, maintenance service, product warranties after legal terms, etc.). When an SSP does not exist, the Group estimates the SSP using an adjusted market approach.

The Group exercises judgement in determining the contractual obligation, the variable prices and the allocation of the transaction price.

For contracts in which goods are provided to customers with buyback clauses, exercised at fair value on the purchase of a new machine, the Group adjusts the sales revenues based on the historic probability of the buyback clause being utilised, and makes a contra-entry under Assets, to reflect the buyback obligation.

Recognition of costs

Costs are recognised when related to goods and services purchased or consumed in the year or are systematically allocated when it is not possible to identify their future usefulness.

Income and financial expenses are recognised in profit or loss as they accrue.

Transactions in currency

Revenues and costs relative to transactions in a currency other than the functional currency are recognised at the exchange rate in effect on the day when the transaction is recorded.

Monetary assets and liabilities in a currency other than the functional currency are converted into the functional currency adopting the exchange rate in effect at the end of the reporting period with the effect recognised in profit or loss. Non-monetary assets and liabilities in a currency other than the functional currency measured at cost are recognised at the exchange rate of initial recognition; when the measurement is at fair value or at recoverable or realisable value, the exchange rate in effect at the date when the value was determined is adopted.

Dividends

Dividends are recognised at the date of the resolution passed by the Shareholders' Meeting that establishes the right to receive payment, unless there is reasonable certainty that shares will be sold before coupon detachment.

The dividends resolved by the Shareholders' Meeting are represented as a movement of equity in the year in which they are approved.

Income taxes

Current income taxes, recognised under the item "Current tax payables" net of advances paid, or under "Current tax receivables" when the net balance is positive, or where the amount of the tax due is less than the tax paid and/or the future amount payable, are determined based on an estimate of taxable income and in compliance with applicable tax legislation. Taxable income differs from net profit in profit or loss as it excludes income and cost components that are taxable or deductible in other years, or are not taxable or non-deductible. In particular, these receivables and payables are determined applying the tax rates in force at the reporting date.

Current taxes are recognised in profit or loss, apart from those relative to items identified outside the income statement that are directly recognised in equity.

Deferred tax assets and liabilities are calculated on the temporary differences between values in the financial statements and corresponding values recognised for tax purposes, applying the tax rate in effect at the date when the temporary difference will be transferred, determined based on tax rates in force at the reporting date.

Deferred tax assets for all temporary taxable differences, tax losses or tax receivables not used are identified when their recovery is probable, i.e. when taxable income sufficient to recover the asset is expected in the future. The possible recovery of deferred tax assets is reviewed at the end of each reporting period. Deferred tax assets not recognised in the financial statements are reviewed at the end of each reporting period and are identified to the extent that a future taxable income that allows for the deferred tax asset to be recovered is probable.

Deferred tax assets and liabilities are recognised in profit or loss, apart from those relative to items identified outside the income statement that are directly recognised in equity.

Taxes on deferred assets and liabilities, arising from the adoption of regulations referable to the same tax authority, are offset if there is a legal right to offset current tax assets against current tax liabilities generated at the time of transfer.

Deferred tax assets are classified as non-current assets and are offset at the level of the individual tax jurisdiction, if referred to taxes that may be offset. The positive balance from offsetting is recognised under "Deferred tax assets".

Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

Diluted earnings per share

Diluted earnings per share are calculated by dividing profit or loss attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the assumed conversion of all dilutive potential ordinary shares into ordinary shares, while profit attributable to the Group is adjusted to take account of any after-tax effect of such conversion.

Related parties

Related parties means parties that have the same controlling entity as the Company, companies that directly or indirectly control it, are controlled or are under the joint control of the Company and companies in which the Company holds an investment giving it significant influence. The definition of related parties also includes members of the Board of Directors of the Company and key managers. Key managers are persons with the direct or indirect power and responsibility for planning, managing and controlling the Company's activities.

2.5 RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting standards, amendments and EU-approved interpretations which are not yet applicable and not adopted in advance by the Group to 31 December 2020.

In view of the reforms to interbank interest rates such as the IBOR, on 27 August 2020, the IASB published the "Interest Rate Benchmark Reform—Phase 2" document, which contains amendments to the following standards:
IFRS 9 Financial Instruments;

- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts;
- IFRS 16 Leases.

The directors do not currently expect to see any significant impact on the Group's consolidated financial statements, as a result of these amendments.

The Group does not expect significant impacts on the financial position and performance arising from the adoption of these standards. Despite the change made to leasing contracts during 2020, the Group has decided not to recognise those changes using the accounting rule provided for in the amended IFRS16 – Covid-19 related rent concessions, but will apply the existing provisions of the IFRS 16.

Accounting standards, amendments and interpretations not endorsed by the EU and not adopted in advance by the Group

At the end of the reporting period, the competent bodies of the European Union had not yet completed the approval process necessary to adopt the following accounting standards and amendments:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	On 23 January 2020, the IASB published an amendment named "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The purpose of the document is to clarify how to classify short- or long-term payables and other liabilities. The amendments will come into force from 1 January 2023, but early application is permitted. The directors do not currently expect to see any significant impact on the Group's consolidated financial statements, as a result of these amendments.

On 14 May 2020, the IASB published the following amendments:

Amendments to IFRS 3 Business Combinations	The purpose of the changes is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without making any changes to the provisions of IFRS 3.
Amendments to IAS 16 Property, Plant and Equipment	The purpose of the changes is to prevent the deduction of the amount received from the sale of goods produced during the asset test phase, from the cost of tangible assets. These sales revenues and related costs will thus be recorded on the income statement.
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	The amendment clarifies that the evaluation of a contract's onerousness must take into account all the costs which are directly attributable to the contract. Consequently, any evaluation of the onerousness of a contract will include not only the incremental costs (such as the cost of the direct materials used in processing), but also any costs that the business cannot avoid, due to having entered into the contract (such as the share of personnel cost, and the depreciation of machines used to fulfil the contract).
Annual Improvements 2018-2020	The changes were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All the changes will come into force from 1 January 2022. The directors do not currently expect to see any significant impact on the Group's consolidated financial statements, as a result of these amendments.

3 Estimates and assumptions

The preparation of the Consolidated Financial Statements according to IFRS requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities in the statement of financial position, and the accompanying disclosures regarding potential assets and liability at the date of publication of the financial statements, as well as revenues and costs for the period.

The estimates are based on experience and other factors considered relevant. The actual results could differ from estimates. Estimates are reviewed periodically and the effects of each change are reflected in consolidated profit or loss, in the period when the estimate is reviewed.

Below is a list of cases that require greater subjectivity by management, in producing the estimates:

- **Measurement of receivables**: the provision for bad debts reflects the estimates of the expected losses for the Group's receivables. Provisions for expected losses on receivables have been made, estimated based on past experience with reference to receivables with a similar credit risk, current and past amounts unpaid, as well as careful monitoring of the quality of receivables and current and estimated conditions of the economy and the reference markets. The estimates and assumptions are reviewed periodically and the effects of each change are recognised in profit or loss as they occur.
- In 2020, due to the continuation of the pandemic, the Company conducted a sensitivity test on the recoverability of the value of receivables on which there is a buyback obligation. 4 different sensitivity scenarios were represented, leading to an increase in the amount set aside during 2020, which has resulted in an increase in the provision on these amounts recognised on the financial statements. To date, there is evidence of risk in the order of 2-3X (where "X" is the risk of default, historically equivalent to EUR 1.2/1.3 million annually, against a portfolio of approximately EUR 170 million), deriving from past-due customer accounts with leasing companies that would indicate that this scenario is highly probable. In view of the available evidence and forecasts for the next few months, the Company has decided on the 5X scenario, which resulted in a provision of approximately Euro 3.2 million. If the actual risk is greater than 5X, a further write-down will be necessary. In this context, the Company has prepared a worst-case 10X scenario. If this materialises, a provision of a further EUR 4 million will be required. This has not been represented on the financial statements as it is considered improbable.
- **Measurement of inventories:** inventories that are obsolescent are periodically measured and written down if the net realisable value is lower than the carrying amount. Write-downs are calculated based on management's assumptions and estimates, arising from management's experience and past results achieved.
- **Measurement of deferred taxes:** deferred taxes are measured based on expectations of taxable income expected in future years. The measurement of expected taxable income depends on factors that could vary in time and have significant effects on the measurement of deferred tax assets.
- **Income taxes:** different laws on income tax in numerous jurisdictions apply to the Group. The determination of the Group's tax liabilities requires management to use measurements with reference to transactions with tax implications that are not certain at the end of the

reporting period. The Group recognises liabilities that could arise from future audits by tax authorities based on the estimate of taxes due. If the outcome of the above audits differs from that estimated by management, significant effects on current and deferred taxes could be possible.

- **Development costs:** the Group capitalises costs for the development of new products and processing procedures. Costs are capitalised based on management's judgement, which confirms the technical, financial and commercial feasibility of development projects. In determining amounts to capitalise, management makes some assumptions as to the generation of the project's expected future cash flows, consequent discount rates to apply and the expected useful life of capitalised costs. At 31 December 2020, the net carrying amount of capitalised development costs was equal to Euro 19,337 thousand (Euro 14,336 thousand at 31 December 2019).
- **Impairment of assets**: assets are impaired when events or changes in circumstances lead to the assumption that the carrying amount in the financial statements can no longer be recovered. Events that may cause an impairment of an asset include changes in industrial plans, changes in market prices or a reduced use of plants. The decision to write-down an asset and quantify the write-down depends on management's evaluations of complex and highly uncertain factors, including the future trend of prices, the impact of inflation and technological progress on production costs, production profiles and conditions of demand and supply. The write-down is determined by comparing the carrying amount with the relative recoverable value, represented by the higher of the fair value, net of disposal costs, and value in use determined by discounting expected cash flows arising from use of the asset. Expected cash flows are quantified in the light of information available at the time of the estimate based on subjective judgements of the trend of future variables, such as prices, costs, rates of growth in demand, production profiles, and are discounted using a rate that takes into account the implied risk of the asset concerned.
- **Business combinations:** the recognition of business combinations implies attributing the difference between the purchase cost and net carrying amount to the assets and liabilities of the acquired company. For most assets and liabilities, the difference is attributed by recognising assets and liabilities at their fair value. The part which is not attributed, if positive, is recognised as goodwill, or if negative, recognised in profit or loss. In this process, the Group uses the available information and, for more significant business combinations, external valuations.
- **Useful life of tangible and intangible assets with a finite useful life**: the depreciation is calculated based on the useful life of the asset. Useful life is determined when the asset is recognised in the financial statements. Valuations of the duration of useful life are based on past experience, market conditions and expectations of future events that could have an effect on the useful life, including technological changes. Consequently, the actual useful life may differ from the estimated useful life.
- **Employee benefits:** defined benefit plans are measured based on uncertain events and actuarial assumptions that include, among others, discount rates, expected returns on assets serving plans (if existing), the level of future remuneration, mortality rates, retirement age and future trends of covered health expenses. The main assumptions used to quantify defined benefit plans are determined as follows: (i) the discount and inflation rates that represent the rates based on which obligations to employees could actually be carried out, are based on the rates that accrue on high-quality bonds and inflation expectations; (ii) the level of future remuneration is determined based on elements such as inflation expectations, productivity, career progress and seniority; (iii) the future cost of healthcare is determined based on elements such as the present and pass trend of healthcare costs, including assumptions concerning the inflation trend of costs, and changes in the health conditions of entitled parties; (iv) demographic assumptions the reflect the best estimate of the trend in variables, such as mortality, turnover and disability, and other variables relative to the entitled population. The differences in the value of net liabilities (assets) of

employee benefit plans arising from changes in the actuarial assumptions used and the difference between actuarial assumptions previously adopted and those actually used occur normally and are defined as actuarial gains or losses. Actuarial gains and losses relative to defined benefit plans are recognised in other comprehensive income. The actuarial assumptions as also adopted to determine obligations relative to other long-term benefits; for this purpose, the effects arising from changes to actuarial assumptions or characteristics of the benefit are recognised in full in profit or loss.

- **Measurement of provisions for risks**: the Group recognises a liability for disputes and lawsuits in progress when it is considered probable that there will be a financial outflow and when the amount of the resulting loss can be reasonably estimated. In the event a financial outflow is possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements. The causes may relate to complex legal and tax issues that are subject to different level of uncertainty, against which it is possible that the value of the funds may vary as a result of future developments in the ongoing proceedings. The Group monitors the status of pending litigation and consults with its own legal advisors and experts. Moreover, when selling the product, the Group makes provisions relating to estimated costs for product warranties. The estimate of this fund is calculated on the basis of historical information on the nature, frequency and average cost of warranty claims.
- Fair value of financial instruments: the fair value of unlisted financial instruments is determined according to commonly used financial valuation techniques that require basic assumptions and estimates. These assumptions might not occur according to expected times and procedures. Therefore Group estimates could deviate from final data.
- Share-based payments: the fair value of share-based payments is estimated by determining the most appropriate measurement model, which depends on the terms and conditions of the plan. This estimate also requires the determination of the most appropriate input for the measurement model, including the expected duration of the option or granted right, the volatility and return on dividends, and the related assumptions.
- **Estimate of variable considerations relative to returns and discounts on volumes:** the Group estimates variable considerations to include in the transaction price for the sale of products with the right to return them. The Group has developed a statistical model for expected returns on sales. This model is based on historical data relative to each product, to obtain the percentages of expected returns. The percentages obtained are applied to determine the expected value of the variable consideration. Any future change compared to past experience will affect the expected return percentages estimated by the Group.

4 Segment reporting

IFRS 8 defines an operating segment as a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker and (iii) for which discrete financial information is available.

The Group's approach to the market follows a unique business model that offers an integrated range of 'Wellness solutions' and also pursues higher levels of operational efficiency through cross-production.

However, for the purposes of operational and sales analysis, Company management considers the customer base, geographical areas and distribution channels to be important aspects.

The type of organisation described above reflects the way Company management monitors and strategically directs the activities of the Group.

The following tables show the amounts of revenues by distribution channel and geographical area for the years ended 31 December 2019 and 2018.

(In thousands of Euro and percentage of total revenues)	**Year ended 31 December**		**Changes**	
	2020	**2019**	**2020 vs 2019**	**%**
BtoC	154,129	90,400	63,729	70.5%
BtoB	355,550	578,531	(222,981)	(38.5%)
Total revenues	**509,679**	**668,930**	**(159,252)**	**(23.8%)**

(In thousands of Euro and percentage of total revenues)	**Year ended 31 December**		**Changes**	
	2020	**2019**	**2020 vs 2019**	**%**
Europe (without Italy)	247,875	330,333	(82,458)	(25.0%)
MEIA	42,866	49,885	(7,019)	(14.1%)
APAC	88,343	118,319	(29,976)	(25.3%)
Italy	59,789	58,692	1,097	1.9%
North America	57,304	87,716	(30,412)	(34.7%)
LATAM	13,502	23,986	(10,484)	(43.7%)
Total revenues	**509,679**	**668,931**	**(159,252)**	**(23.8%)**

(In thousands of Euro and percentage of total revenues)	Year ended 31 December		Changes	
	2020	**2019**	**2020 vs 2019**	**%**
Field sales	325,035	491,843	(166,808)	(33.9%)
Wholesale	102,358	129,312	(26,954)	(20.8%)
Inside sales	70,009	39,525	30,484	77.1%
Retail	12,277	8,252	4,025	48.8%
Total revenues	**509,679**	**668,931**	**(159,252)**	**(23.8%)**

The following table gives a breakdown of non-current assets, excluding deferred tax assets, by geographical area for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Europe (excluding Italy)		MEIA		APAC		Italy		North America		LATAM	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment	28,810	29,426	0	0	1,490	1,396	125,377	131,869	2,908	3,926	658	1,302
Intangible assets	1,104	1,432	0	0	26	19	46,215	41,961	0	0	19	34
Investments in joint ventures and associates	16,543	16,018	0	0	0	0	2,193	2,045	0	0	0	0
Other non-current assets	19,389	16,859	0	0	1,672	1,333	27,900	27,657	3,178	3,303	477	438
Non-current financial assets	2,792	2,730	0	0	0	0	200	200	0	0	0	0
Total	**68,638**	**66,465**	**0**	**0**	**3,188**	**2,748**	**201,885**	**203,732**	**6,086**	**7,229**	**1,154**	**1,774**

In accordance with IFRS 8, paragraph 34, for the years ended 31 December 2020 and 31 December 2019, the Group did not have any clients generating more than 10% of total revenues of the Group.

5 Impacts of Covid-19 and business continuity

The first half of 2020 was affected by the spread of Covid-19, at varying levels of severity, across all the areas where the group operates. This led to restrictions and social distancing measures being adopted, and gyms were widely impacted. In this context, Technogym's industry saw a considerable drop in demand from professional customers, which was partially offset by an unexpected increase in demand from end users.

In such a dramatic context, despite the significant reduction compared to the previous year, the annual financial results have allowed the Technogym Group to maintain significant profitability and thus to generate cash flow. Despite the uncertainties surrounding the duration and intensity of the Covid-19 pandemic, no critical issues have emerged in terms of recovering the value of Net Invested Capital, also considering the absence of intangible assets with indefinite life.

However, due to the effects on the business of the Covid-19 "trigger event", the Group conducted a preliminary qualitative analysis of all financial statement items (also bearing in mind that intangible assets with an indefinite useful life are not recognised in the financial statements), in order to identify any impairment losses.

Where considered necessary, based on this preliminary quantitative analysis, an impairment test was conducted. This analysis led to the recognition in the financial statements of a write-down in an investment in the unconsolidated entity Sandcroft Avenue Ltd, as well as a prudential increase in the provision for stock obsolescence and the provision for transferred receivables. Refer to paragraphs 6.3 and 6.4 for further details.

During the first half of the year, the Group benefited from employment support measures, where permitted by local legislation, which often resulted in economic and/or financial benefits. At the same time, Technogym selected strategic investments to develop the business, postponing any non-urgent investments.

Considering the Group's net financial position as of 31 December 2020, which was positive by 59.5 million and includes cash and cash equivalents of 202.1 million, as well as undrawn credit lines of approximately 205 million, and considering the Group's future prospects in relation to both products and markets, the directors believe there is no uncertainty as to the Group being a going concern. Technogym is ready to seize new opportunities to continue to meet its customers' expectations and achieve its mission of fostering a wellness culture worldwide.

6 Notes to the statement of financial position

6.1 PROPERTY, PLANT AND EQUIPMENT

The item "Property, plant and equipment" amounted to Euro 159,243 thousand at 31 December 2020 (Euro 167,919 thousand at 31 December 2019).

The following table shows the amounts and movements of "Property, plant and equipment for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Land	Buildings and leasehold improvements	Plant and machinery	Production and commercial equipment	Other assets	Intangibles under development and advances	Total
Historical cost as of 1 January 2019	**12,374**	**132,161**	**25,986**	**64,358**	**23,461**	**5,721**	**264,061**
First-time adoption IFRS 16	—	21,307	—	—	6,070	—	27,377
Investments	15	3,215	1,105	11,989	3,198	1,812	21,333
Disposals	—	(140)	(1,004)	(148)	(1,060)	(445)	(2,797)
Impairment losses	—	—	—	—	(58)	—	(58)
Reclassifications	688	2,155	302	1,093	—	(4,220)	18
Exchange rate differences	—	133	—	46	258	—	437
Change in scope of consolidation	—	—	—	(0)	(0)	—	(0)
Historical cost at 31 December 2019	**13,077**	**158,832**	**26,389**	**77,338**	**31,870**	**2,867**	**310,372**
Accumulated amortisation as of 1 January 2019	**—**	**(36,613)**	**(15,775)**	**(52,608)**	**(16,473)**	**—**	**(121,469)**
First-time adoption IFRS 16	**—**	**(4,127)**	**—**	**—**	**(1,782)**	**—**	**(5,909)**
Depreciation/amortisation	—	(5,320)	(1,829)	(6,273)	(2,587)	—	(16,009)
Disposals	—	152	398	99	563	—	1,212
Reclassifications	—	—	—	—	—	—	—
Impairment losses	—	—	—	—	—	—	—
Exchange rate differences	—	(36)	—	(28)	(214)	—	(278)
Change in scope of consolidation	—	—	(0)	(0)	0	—	0
Accumulated depreciation at 31 December 2019	**—**	**(45,944)**	**(17,207)**	**(58,810)**	**(20,494)**	**—**	**(142,453)**
Net values at 31 December 2019	**13,077**	**112,888**	**9,182**	**18,528**	**11,376**	**2,867**	**167,919**
Historical cost as of 1 January 2020	**13,077**	**158,832**	**26,389**	**77,338**	**31,870**	**2,867**	**310,372**
IFRS16 investments	—	7,241	—	—	2,484	—	9,725
Investments	—	978	775	5,242	1,516	600	9,111

(In thousands of Euro)	Land	Buildings and leasehold improvements	Plant and machinery	Production and commercial equipment	Other assets	Intangibles under development and advances	Total
IFRS16 disposals	—	(977)	—	—	(236)	—	(1,213)
Disposals	—	(110)	(43)	(481)	(1,820)	(265)	(2,718)
Impairment losses	—	—	—	—	—	(91)	(91)
Reclassifications	—	—	1,067	76	(368)	(1,303)	(529)
Exchange rate differences	—	(1,632)	—	(87)	(506)	—	(2,225)
Change in scope of consolidation	—	—	—	—	—	(0)	(0)
Historical cost at 31 December 2020	**13,077**	**164,332**	**28,188**	**82,087**	**32,939**	**1,809**	**322,432**
Accumulated amortisation at 1 January 2020	**—**	**(45,944)**	**(17,207)**	**(58,810)**	**(20,494)**	**—**	**(142,453)**
IFRS16 depreciation/amortisation	—	(4,406)	—	—	(2,176)	—	(6,582)
Depreciation/amortisation	—	(5,644)	(1,809)	(7,277)	(2,402)	—	(17,132)
IFRS16 disposals	—	—	—	—	165	—	165
Disposals	—	47	31	369	939	—	1,386
Reclassifications	—	—	—	123	406	—	529
Impairment losses	—	—	—	—	—	—	—
Exchange rate differences	—	543	—	61	295	—	899
Accumulated depreciation at 31 December 2020	**—**	**(55,404)**	**(18,985)**	**(65,534)**	**(23,266)**	**—**	**(163,189)**
Net values at 31 December 2020	**13,077**	**108,928**	**9,203**	**16,553**	**9,673**	**1,809**	**159,243**

The category "Buildings and leasehold improvements" mainly includes buildings used for production and commercial activities and the associated installations also at the complex called "Technogym Village", used as corporate headquarters.

During 2020, an updated valuation report for Technogym Village was provided by a leading international property valuation firm, who confirmed that the Village's investment value was higher than the book value. There are, therefore, no trigger events that could lead to write-downs.

"Plant and machinery" mainly includes production line assembly plants. "Production and commercial equipment" mainly refers to the moulds used for production and equipment used for machine assembly operations. "Assets under construction" mainly relate to investments in production lines at the Group's sites, which had yet been placed in service at year-end, and to moulds not yet available for use.

Investments for the year ended 31 December 2020 amounted to Euro 9,111 thousand, excluding the effects of IFRS 16, which refer to property leases, vehicle and forklift truck leasing contracts.

Investments in assets under construction (Euro 600 thousand), mainly refer to the renovation of production lines; investments in industrial and commercial equipment (Euro 5,242 thousand) mainly refer to the purchase of moulds for the continual expansion and renovation of production lines; investments in plant and machinery (Euro 775 thousand) chiefly concern the implementation of new production lines.

Net disposals of property, plant and equipment for the year ended 31 December 2020 amount to Euro 1,332 thousand, compared to Euro 1,585 as at 31 December 2019. At 31 December 2020 and 2019, there were no real estate or instrumental assets that were subject to any kind of guarantee for third parties, nor fixed assets managed under financial leases.

Some detailed information relative to IFRS 16 is provided below for a greater clarity and understanding of the financial statements.

The table below shows the impact of IFRS 16 on the consolidated financial position to 31 December 2020 and for the year ended 31 December 2019.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Rights of use		
Buildings	18,254	17,180
Equipment	1,287	1,204
Cars	3,213	3,084
Others	—	—
Total rights of use	**22,754**	**21,468**
Lease liabilities		
IFRS 16 Financial liabilities - Current	5,965	6,501
IFRS 16 Non-current financial liabilities	17,763	15,163
Total lease liabilities	**23,727**	**21,664**

The table below shows the impact of IFRS 16 on the consolidated income statement to 31 December 2020 and 31 December 2019:

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Payment reversals		
Buildings	5,011	4,753
Equipment	241	102
Cars	1,640	1,435
Others	—	—
Total payment reversals	**6,892**	**6,290**
Depreciation of rights of use		
Buildings	(4,406)	(4,113)
Equipment	(330)	(290)
Cars	(1,846)	(1,489)
Others	—	—
Total depreciation	**(6,582)**	**(5,892)**
Interest		
Interest expense	**(681)**	**(609)**
Total interest	**(681)**	**(609)**

6.2 INTANGIBLE ASSETS

The item "Intangible assets" amounted to Euro 47,365 thousand at 31 December 2020 (Euro 43,445 thousand at 31 December 2019). The following table shows the amounts and movements of intangible assets for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Intangibles under development and advances	Other intangible assets	Total
Net values at 1 January 2019	**11,405**	**16,119**	**506**	**7,684**	**170**	**35,884**
Historical cost at 1 January 2019	**23,986**	**23,855**	**1,426**	**7,684**	**897**	**57,848**
Investments	4,725	6,835	192	4,974	35	16,761
Disposals	(1,194)	(2,037)	(73)	—	(41)	(3,344)
Impairment losses	—	—	—	(11)	—	(11)
Reclassifications	3,330	1,115	—	(4,464)	—	(18)
Exchange rate differences	—	163	—	—	0	164
Historical cost at 31 December 2019	**30,847**	**29,931**	**1,546**	**8,183**	**891**	**71,398**
Accumulated amortisation at 1 January 2019	**(12,581)**	**(7,735)**	**(921)**	**—**	**(727)**	**(21,964)**
Depreciation/amortisation	(5,095)	(3,780)	(177)	—	(74)	(9,126)
Disposals	1,166	1,989	73	—	41	3,269
Reclassifications	—	—	—	—	—	—
Exchange rate differences	—	(122)	—	—	(10)	(132)
Impairment losses	—	—	—	—	—	—
Accumulated depreciation at 31 December 2019	**(16,510)**	**(9,647)**	**(1,025)**	**—**	**(771)**	**(27,953)**
Net values at 31 December 2019	**14,337**	**20,284**	**521**	**8,183**	**121**	**43,445**
Historical cost at 1 January 2020	30,847	29,931	1,546	8,183	891	71,398
Investments	6,530	4,844	259	3,443	212	15,289
Disposals	(5,736)	(1,109)	(262)	(10)	(47)	(7,165)
Impairment losses	—	—	—	(350)	—	(350)
Reclassifications	4,261	80	—	(4,391)	17	(33)
Exchange rate differences	**—**	**(4)**	**—**	**—**	**0**	**(4)**
Historical cost at 31 December 2020	**35,903**	**33,742**	**1,542**	**6,875**	**1,073**	**79,135**
Accumulated amortisation at 1 January 2020	(16,510)	(9,647)	(1,025)	—	(771)	(27,953)
Depreciation/amortisation	(5,763)	(4,947)	(172)	—	(69)	(10,952)
Disposals	5,704	1,095	262	—	36	7,098
Reclassifications	—	17	—	—	16	33
Exchange rate differences	4	0	—	—	(1)	3
Accumulated depreciation at 31 December 2020	**(16,565)**	**(13,481)**	**(935)**	**—**	**(789)**	**(31,770)**
Net values at 31 December 2020	**19,337**	**20,261**	**607**	**6,875**	**285**	**47,365**

"Development costs" refer to the costs arising from the innovation activity performed by the Group as part of its core business. "Patents and intellectual property rights" include expenditures related to the acquisition and registration of patents, models and designs. The category "Concessions, licences, trademarks and similar rights" includes trademarks and the associated costs of registration, as well as the costs for software rights and user licences. "Intangibles under development and advances" mainly refers to expenses incurred by the Group relative to projects for the development of new products, product lines, software and supporting applications not yet in use at year-end. "Other intangible assets" concern the costs incurred relating to the recognition of intangible assets that meet the requirements of IAS 38 for recognition in the financial statements.

Investments for the year ended 31 December 2020 amounted to Euro 15,289 thousand. Investments in intangible assets under development and advances (Euro 3,443 thousand) mainly relate to the development of new products and product lines, as well as to software and software applications; investments in patents and intellectual property rights (Euro 4,844 thousand) mainly refer to the upgrade and implementation of the new ERP SAP system, and upgrades to software used by the Group; investments in development costs (Euro 6,530 thousand) mainly refer to the costs incurred in updating and extending the range of products and services.

Net disposals of intangible assets for the years ended 31 December 2020 and 2019 are not significant.

6.3 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

"Deferred tax assets" amounted to Euro 18,532 thousand at 31 December 2020 (Euro 15,543 thousand at 31 December 2019), while the item "Deferred tax liabilities" amounted to Euro 343 at 31 December 2020 (Euro 304 thousand at 31 December 2019).

The following table shows the amounts and movements of deferred tax assets and liabilities for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Values at 1 January 2019	Provisions	Utilisations	Re-classifications	Values at 1 January 2020	Provisions	Utilisations	Re-classifications	Values at 31 December 2020
Deferred tax assets									
Inventory write-down provision	3,328	—	(254)	—	3,075	1,304	(40)	—	4,339
Warranties provision	2,088	1,634	(1,563)	—	2,159	844	(1,016)	—	1,988
Accumulated amortisation of trademarks	0	174	(31)	—	143	118	(14)	—	247
Other provisions for risks	2,589	32	(135)	—	2,485	884	(2,317)	—	1,052
Bad debt provision	441	353	(128)	—	666	880	(31)	—	1,516
Accruals provision	9	—	(9)	—	0	—	—	—	0
Unrealised exchange losses	107	—	(17)	—	90	419	0	(134)	376
Post-employment benefits	176	93	—	—	269	6	(46)	—	229
Other	777	—	(629)	—	148	202	(329)	—	22
PNC provision	317	83	(14)	—	386	102	(45)	—	444
Provision for consolidated adjustments	—	—	—		—	984	(35)		949
Intercompany stock profit provision	**6,976**	**—**	**(855)**	**—**	**6,122**	**1,406**	**(157)**	**—**	**7,371**
Total deferred tax assets	**16,808**	**2,370**	**(3,635)**	**—**	**15,543**	**7,150**	**(4,028)**	**(134)**	**18,532**
Deferred tax liabilities									
Provision for consolidated adjustments	—	—	—	—	—	192	(128)	—	64
Unrealised exchange gains	5	36	—	—	41	—	—	134	175
Others	415	38	(191)	—	262	0	(158)	—	104
Total deferred tax liabilities	**420**	**74**	**(191)**	**—**	**304**	**192**	**(287)**	**134**	**343**
Total	**17,229**	**2,443**	**(3,826)**	**—**	**15,847**	**7,343**	**(4,315)**	**—**	**18,875**

Where permitted by the IFRS, "Deferred tax assets" are shown net of the "Deferred tax liabilities", which can be offset in order to show a correct representation.

Deferred tax assets on tax losses were recognised taking into account that there is a reasonable certainty that in future years positive results will be achieved that are likely to absorb such losses.

In addition, the Group had tax losses carried forward of Euro 12,780 thousand, not recognised in deferred tax assets at 31 December 2020.

6.4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The item "Investments in joint ventures and associates" amounted to Euro 18,736 thousand at 31 December 2020 (Euro 18,063 thousand at 31 December 2019).

The following table shows the amounts and movements of investments in joint ventures and associates for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Joint ventures**	**Associates**	**Non-consolidated subsidiaries**	**Total**
Values at 31 December 2018	**17,880**	**167**	**-**	**18,047**
Investments	—	—	—	**—**
Impairment losses	—	—	—	**—**
Dividends	(1,004)	—	—	**(1,004)**
Net result	971	33	—	**1,004**
Exchange rate differences	16	(0)	—	**16**
Values at 31 December 2019	**17,863**	**199**	**—**	**18,063**
Investments	—	—	—	**—**
Impairment losses	—	—	—	**—**
Dividends	—	—	—	**—**
Net result	874	9	—	**884**
Exchange rate differences	(210)	0	—	**(210)**
Values at 31 December 2020	**18,527**	**209**	**—**	**18,736**

Details of movements relating to joint ventures are provided below.

(In thousands of Euro)	**Values as at 31 December 2019**	**Exchange rate differences**	**Investments**	**Dividends**	**Net result**	**Values as at 31 December 2020**
Exerp Aps	15,975	66	—	—	375	16,417
Exerp America LLC	31	0	—	—	48	79
Exerp Asia Pacific Pty	12	0	—	—	36	47
Technogym Emirates LLC	1,845	(277)	—	—	416	1,984
Total	**17,863**	**(210)**	**—**	**—**	**874**	**18,527**

At 31 December 2020 and 2019, the category "Joint ventures" referred to the stakes held in Technogym Emirates LLC (49%), which was set up by the Group with a company in the United Arab Emirates in order to facilitate the distribution and sale of the products and services in that area, and in Exerp Aps (50.01%), which specialises in the development and marketing of operating software for fitness clubs.

At 31 December 2020, the category "Associates" mainly referred to the 40% shareholding in Wellink S.r.l., an Italian company operating in the development and implementation of personalised projects for wellness centres.

The financial highlights of joint ventures are reported below from a stand alone perspective, i.e. before the consolidation process.

(In thousands of Euro)	Technogym Emirates LLC		Exerp Aps		Exerp America LLC		Exerp Asia Pacific Pty	
	At 31 December		At 31 December		At 31 December		At 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
Equity	6,357	5,646	4,133	1,584	**176**	**136**	**97**	**23**
Total revenues	18,939	21,642	13,208	12,342	**3,627**	**3,339**	**1,226**	**857**
Profit/(loss) for the period	1,276	2,463	2,417	1,314	**95**	**61**	**71**	**11**

On 31 December 2020 an impairment test was conducted on the jointly-controlled entity Exerp, held by the vehicle company Amleto.

In line with IAS 36, impairment testing was carried out by comparing the recoverable value, net of the net financial position (NFP) at 31 December 2020 ("Economic Value") with the relative carrying amounts of the investments at 31 December 2020.

For the purposes of estimating the recoverable value, the economic value of the investments was determined, using the "Discounted Cash Flow – asset side" method, which considers the operating cash flows expected by the company based on the plans approved by the management and subtracting the net financial position at the reporting date.

The calculation method is reported below:

Equity Value = V-PFN

where:

$$V = \sum_{i-1}^{n} FCF_i / (1 + WACC)_i + TV$$

NFP = net financial position;
FCF = free cash flow, or cash flow generated by operations; WACC = weighted average cost of capital;
n = explicit forecast period;
TV = present terminal value, i.e. value deriving from cash flows generated outside the explicit forecast time horizon.

The cash flows for periods after the fifth year were calculated using the following formula (Gordon formula):

where:

$$TV = FCF_n \times (1 + g) / WACC - G$$

FCFn = cash flow sustainable beyond the explicit forecast time horizon;
g = growth rate of the business beyond the hypothesised plan period;
WACC = weighted average cost of capital.

The discount rate used is the Weighted Average Cost of Capital (WACC) relating to the investment. The method applied is the Capital Asset Pricing Model, based on which the rate is determined on a mathematical model given by the sum of the return of a risk-free asset plus a risk premium (market premium risk). The market premium risk, in turn, is given by the product of the average market risk for the specific beta of the sector.

In applying this method, the main assumptions used are the estimate of future increases in sales, the gross margin, operating costs, the growth rate in terminal values, investments, changes in the operating capital and the weighted average cost of capital (discount rate).

The growth rate g used was prudentially equal to zero.

If the Company had carried out impairment testing on analysed flow forecasts by adopting a higher discounting rate than the one used by Management in its estimate, the results of the test would not have been significantly different compared to the recognised results.

The impairment testing on Exerp did not highlight the need for any write-downs. For Exerp, the WACC used was 9.20%, with a **g** value of 0.

6.5 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" amounts to Euro 52,616 thousand at 31 December 2020 (Euro 49,590 thousand on 31 December 2019).

The following table provides details of "Other non-current assets" on 31 December 2020 and 2019.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Other non-current assets		
Transferred trade receivables due after 12 months	17,414	16,152
Provisions for transferred receivables - due after 12 months	(1,669)	(1,046)
Income tax receivables due after 12 months	1,106	433
Security deposits	2,048	1,837
Other receivables	952	1,252
Investments in other entities	785	3,264
Receivables for buy backs - due after 12 months	31,980	27,698
Total other non-current assets	**52,616**	**49,590**

"Transferred trade receivables due after 12 months" net of the relative bad debt provision, equal to Euro 15,745 thousand and Euro 15,106 thousand at 31 December 2020 and 2019 respectively, include the non-current portion of receivables arising from the sale of goods which, although transferred to third party financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for their derecognition from assets. The financial liabilities include the amounts received from financial institutions in the form of advances for these transfers.

"Income tax receivables due after 12 months" relate to the "patent box" taxation rules, while the remainder relates to a tax credit for investments in new business assets.

"Security deposits" of Euro 2,048 thousand as at 31 December 2020 are recognised in respect of property leases, lease agreements for vehicles, and utilities.

"Receivables for buy backs due after 12 months" which have been recognised in accordance with IFRS 15, relate to non-current assets for sales with the right of return, which may be exercised when new machinery is bought.

The following table shows the details of "investments in other entities" for the years ended 31 December 2020 and 31 December 2019.

(In thousands of Euro)	Registered office	% of control	Currency	At 31 December	
				2020	2019
Entity name					
Sandcroft Avenue Ltd	United Kingdom	12%	GBP	—	2,395
Qicraft Sweden AB	Sweden	10%	SEK	55	173
Pubblisole Spa	Italy	2%	EUR	100	100
Qicraft Norway AS	Norway	10%	NOK	228	205
Qicraft Finland OY	Finland	10%	EUR	78	105
Crit S.r.l.	Italy	1%	EUR	26	26
Fimex	Switzerland	5%	CHF	266	229
Other investments	n.a.	n.a.	n.a.	34	31
Total investments in other entities				**786**	**3,264**

In accordance with IFRS 9, these equity instruments are classified as financial assets at fair value and recognised in profit or loss.

On the basis of the development plan (which revealed issues with the continuity of the business mainly due to the cashflow forecasts prepared by the management of the unconsolidated entity Sandcroft Avenue Ltd which has been adversely affected by the Covid-19 pandemic), and as there is no up to date estimate of the fair value to 31 December 2020, the Company fully depreciated this investment to the value of EUR 2,395 thousand, with a write-down of the financial receivable of EUR 174 thousand classified under "Non-current financial assets".

6.6 INVENTORIES

The item "Inventories" amounts to Euro 82,614 thousand as of 31 December 2020 (Euro 76,831 thousand as of 31 December 2019). The following table gives a breakdown of this item of 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	2019
Inventories		
Raw materials (gross value)	15,946	14,818
Write-down provision	(2,048)	(1,482)
Total raw materials	**13,898**	**13,336**
Work in progress (gross value)	1,229	1,180
Write-down provision	(151)	(143)
Total work in progress	**1,078**	**1,036**
Finished goods (gross value)	85,390	76,086
Write-down provision	(17,752)	(13,627)
Total finished goods	**67,638**	**62,459**
Total inventories	**82,614**	**76,831**

The reduction in the balance of inventories on 31 December 2020 compared to 31 December 2019 is mainly attributable to the Covid-19 pandemic. Since then, the company has mainly focused on its "Home" products, increasing product stock to meet demand while maintaining steady output on its professional products. The average stock turnover time has increased from 60 days for the year ending 31 December 2019, to 89 days for the year ending 31 December 2020.

The following table shows the amounts and movements of the inventory write-down provision for the years ended 31 December 2020 and 31 December 2019.

(In thousands of Euro)	**Raw materials**	**Work in progress**	**Finished goods**	**Total inventory write-down provision**
Values at 01 January 2019	**1,306**	**221**	**12,047**	**13,574**
Net provisions	7		2,012	2,019
Utilisations	(433)	(78)	112	(399)
Reclassifications	602	—	(602)	—
Exchange rate differences	—	—	57	57
Values at 31 December 2019	**1,482**	**143**	**13,627**	**15,252**
Net provisions	582	12	6,863	7,457
Utilisations	(15)	(4)	(2,379)	(2,398)
Reclassifications	—	—	—	—
Exchange rate differences	—	—	(360)	(360)
Values at 31 December 2020	**2,048**	**151**	**17,752**	**19,951**

6.7 TRADE RECEIVABLES

The item "Trade receivables" amounted to Euro 81,060 thousand on 31 December 2020 (Euro 127,472 thousand on 31 December 2019) net of the bad debt provision.
The following table contains a breakdown of the trade receivables as of 31 December 2020 and 2019:

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Trade receivables		
Trade receivables (gross value)	72,902	120,775
Bad debt provision	(4,110)	(3,106)
Transferred trade receivables	15,035	9,966
Bad debt provision	(2,767)	(163)
Total trade receivables	**81,060**	**127,472**

The reduction in the "Trade receivables" item during the reporting period is mainly due to a generic decline in B2B sales; this was partially offset by the increase in B2C sales, for which the receipts are realised upon delivery of the product. The Group has also undertaken major debt recovery actions and carefully monitors its credit risk.

Transferred trade receivables net of the relative provision, equal to Euro 12,268 thousand at 31 December 2020 and Euro 9,803 thousand at 31 December 2019, refer to the current portion of receivables arising from the sale of goods which, although they are transferred to financial institutions, are retained in the financial statements as they do not meet all the conditions required by IAS 9 for derecognition from assets.

The financial liabilities include the amounts received from financial institutions in the form of advances for these transfers.

The following table contains a breakdown of trade receivables by maturity, as of 31 December 2020 and 2019.

(In thousands of Euro)	**Not overdue**	**Up to 30 days past due**	**Between 31 and 90 days past due**	**Between 91 and 180 days past due**	**Between 181 and 360 days past due**	**More than 360 days past due**	**Total**
As of 1 January 2019	**109,813**	**15,245**	**13,326**	**8,991**	**3,757**	**337**	**151,469**
Trade receivables (gross value)	98,915	10,902	5,070	1,723	1,809	2,356	120,775
Bad debt provision	—	(71)	(211)	(265)	(1,228)	(1,330)	(3,105)
Transferred trade receivables	9,966	—	—	—	—	—	9,966
Bad debt provision	(163)	—	—	—	—	—	(163)
As of 31 December 2019	**108,717**	**10,831**	**4,859**	**1,458**	**581**	**1,026**	**127,472**
Trade receivables (gross value)	59,103	4,764	3,462	1,315	2,205	2,052	72,902
Bad debt provision	—	(332)	(38)	(207)	(1,828)	(1,705)	(4,110)
Transferred trade receivables	15,035	—	—	—	—	—	15,035
Bad debt provision	(2,766)	—	—	—	—	—	(2,766)
As of 31 December 2020	**71,372**	**4,432**	**3,424**	**1,109**	**377**	**347**	**81,061**

Specific bad debt provisions have been established for doubtful receivables for which legal proceedings have been started to collect sums due, and for some receivables due from customers with a lower likelihood of collection.

The following table reports the amounts and changes in the bad debt provision for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Bad debt provision**
Values at 01 January 2019	**2,694**
Provisions	1,164
Utilisations	(613)
Exchange rate differences	24
Values at 31 December 2019	**3,269**
Net provisions	1,788
Utilisations	(419)
Exchange rate differences	(248)
Values at 31 December 2020	**4,390**

The utilisations of the bad debt provision arise when the Group has determined the existence of conditions for the dismissal of the credit position.

Main customers

In accordance with IFRS 8, paragraph 34, for the years ended 31 December 2020 and 2019, the Company did not have any clients generating more than 10% of total revenues.

6.8 CURRENT FINANCIAL ASSETS

The item "Current financial assets" amounted to Euro 39 thousand at 31 December 2020 (Euro 84 thousand at 31 December 2019). This item mainly includes a non-interest-bearing loan to a non-consolidated company.

6.9 ASSETS FOR DERIVATIVE FINANCIAL INSTRUMENTS

This item had been reduced to zero at 31 December 2019 (Euro 148 thousand at 31 December 2018).

The following table shows assets for derivative financial instruments broken down by currency at 31 December 2019 and 2018.

(In thousands of Euro)	At 31 December	
	2020	**2019**
USD	1,456	—
CNY	69	—
Total	**1,525**	—

Assets for derivative financial instruments are related to positive differences resulting from the fair value of "forward" contracts in place as of 31 December 2020 and 2019. They are listed in the table below:

(In thousands of Euro)	As of 31 December 2020			
	Currency	**Currency inflow**	**Currency**	**Currency outflow**
Forward	EUR	1,349	JPY	171,000
Forward	EUR	2,467	AUD	4,000
Forward	EUR	55,669	USD	66,500
Forward	EUR	3,544	CNY	28,000

(In thousands of Euro)	As of 31 December 2019			
	Currency	**Currency inflow**	**Currency**	**Currency outflow**
Forward	EUR	612	AUD	1,000

The exposure to exchange rate risk is mainly managed using contracts for the forward sale of currency denominated in the sale currency of some markets in which the Group operates. However, at 31 December 2020, these contracts were not recorded on a hedge accounting basis.

At 31 December 2020, no hedge accounting transactions for currency risk were in place.

6.10 OTHER CURRENT ASSETS

The item "Other current assets" amounts to Euro 17,202 thousand as of 31 December 2020 (Euro 22,295 thousand as of 31 December 2019). The following table contains a breakdown of the other current assets as of 31 December 2020 and 2019:

(In thousands of Euro)	At 31 December	
	2020	**2019**
Other current assets		
VAT receivables	3,533	7,308
Prepaid expenses	4,324	6,033
Advances to suppliers	2,413	1,290
Tax receivables	4,824	6,000
Accrued income	276	362
Receivables from employees	143	198
Other receivables	1,690	1,105
Total other current assets	**17,202**	**22,295**

"VAT receivables" were offset with the related debt for each company in order to give the net amount for a single entity.

"Prepaid expenses" mainly relate to insurance premiums, assistance and maintenance fees, marketing expenses, utilities and rent.

"Advances to suppliers" relate to advances and deposits paid for supplies yet to be received.

Tax receivables mainly include a credit for the ACE recalculation for the years 2016-19, which will be partially due in the 2021 financial year. The reduction compared to the previous year essentially relates to the set-off of the tax credit for the patent box incentive for the 2018 financial year.

The balance of the item "Other receivables" mainly refers to receivables for dividends from joint ventures.

6.11 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" amounted to Euro 202,065 thousand at 31 December 2020 (Euro 114,413 thousand at 31 December 2019).

The following table shows the amounts of cash and cash equivalents at 31 December 2020 and 2019.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Cash and cash equivalents		
Bank deposits	149,472	110,229
Cheques	280	400
Cash and cash equivalents	79	17
Term bank deposits <3 months	52,234	3,768
Total cash and cash equivalents	**202,065**	**114,413**

"Bank deposits" represent temporary cash surpluses on Group current accounts at year-end.

"Term bank deposits within 3 months" at 31 December 2020 represent temporary uses of surplus cash.

The following table shows the breakdown by currency of the item "Cash and cash equivalents" at 31 December 2020 and 2019.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
AUD	4,600	2,327
BRL	723	270
CHF	15	—
CNY	11,065	7,917
DKK	860	—
EUR	93,693	60,080
GBP	11,872	9,426
HKD	1,259	—
JPY	7,031	8,520
MXN	14	—
RUB	4,317	—
SGD	61	—
USD	66,555	20,065
OTH	—	5,808
Total	**202,065**	**114,413**

At 31 December 2020 and 2019 there were no restrictions or limitations on the use of the Group's bank deposits, cheques and cash and cash equivalents on hand.

6.12 EQUITY

The item "Equity" amounted to Euro 290,546 thousand at 31 December 2020 (Euro 260,089 thousand at 31 December 2019). The following table reports the details of equity at 31 December 2020 and 2019:

(In thousands of Euro)	At 31 December	
	2020	**2019**
Equity		
Share capital	10,066	10,050
Share premium reserve	4,990	4,990
Other reserves	25,541	26,923
Retained earnings	211,567	132,827
Profit (loss) attributable to owners of the parent	36,004	83,204
Equity attributable to owners of the parent	**288,167**	**257,995**
Capital and reserves attributable to non-controlling interests	1,934	1,553
Profit (loss) attributable to non-controlling interests	444	541
Equity attributable to non-controlling interests	**2,379**	**2,094**
Total equity	**290,546**	**260,089**

The following table shows the amounts and movements of equity for the years ended 31 December 2019 and 2018:

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves					Retained earnings	Group profit (loss)	Equity attributable to owners of the parent	Capital and reserves attributable to non-controlling interests	Profit (loss) attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
			Translation reserve	Reserve for the adoption of IAS/ IFRS	IAS 19 reserve	Stock grant plan reserve	Other							
As of 1 January 2019	**10,050**	**4,990**	**1,822**	**993**	**111**	**1,981**	**14,291**	**80,519**	**93,030**	**207,786**	**1,054**	**436**	**1,491**	**209,277**
Profit for the previous year	—	—	—	(15)	—	—	4,556	88,489	(93,030)	(0)	438	(438)	—	(0)
Total comprehensive income for the year	—	—	1,326	—	(188)	—	7	—	83,204	84,351	62	541	603	84,954
Dividends paid	—	—	—	—	—	—	—	(36,181)	—	(36,181)	—	—	—	(36,181)
Other movements	—	—	—	—	—	—	1,604	(0)	0	1,604	(0)	—	(0)	1,604
Incentive plan (LTIP)	—	—	—	—	—	436	—	—	—	436	—	—	—	436
As of 31 December 2019	10,050	4,990	3,149	978	(77)	2,416	20,458	132,827	83,203	257,995	1,554	540	2,093	260,089
Profit for the previous year	—	—	—	(12)	—	—	4,475	78,741	(83,204)	(0)	541	(541)	—	(0)
Total comprehensive income for the year	**—**	**—**	**(5,451)**	**—**	**(120)**	**—**	**—**	**—**	**36,004**	**30,433**	**(160)**	**444**	**285**	**30,717**
Increase in capital	**16**	**—**	**—**	**—**	**—**	**—**	**(0)**	**—**	**—**	**16**	**—**	**—**	**—**	**16**
Other movements	—	—	—	—	—	—	(0)	(2)	(0)	(2)	—	—	—	(2)
Incentive plan (LTIP)	—	—	—	—	—	(274)	—	—	—	(274)	—	—	—	(274)
As of 31 December 2020	**10,066**	**4,990**	**(2,302)**	**966**	**(197)**	**2,142**	**24,933**	**211,566**	**36,002**	**288,167**	**1,935**	**444**	**2,378**	**290,546**

At 31 December 2020, the "Share capital" of Euro 10,066 thousand, fully subscribed and paid in cash, amounted to 201,327,500 ordinary shares with no nominal value.

On 17 June 2020, an increase in capital without consideration for Euro 16,125 was approved, through the issue of ordinary shares released by the allocation and transition to capital of the item recognised in the financial statements under the "Stock grant plan" and assigned to employees that are beneficiaries of the "2017--2019 Performance Shares Plan".

The "Currency translation reserve" is generated from the translation of financial statements of foreign subsidiaries with a functional currency other than Euro. During 2020, there were sharp fluctuations in the dollar, the Brazilian real and the rouble, leading to a reduction in the translation reserve.

The "Reserve for the adoption of IAS/IFRS" was generated at the time of the transition of the Group's separate and consolidated financial statements to IFRS, which took place on 31 December 2013. This reserve, originally a negative Euro 432,083 thousand, was partially covered over the years using the "Share premium reserve" and the profits generated.

The "IAS 19 reserve" refers to the effects arising from the re-measurement of defined benefit plans, as represented in the statement of comprehensive income.

Stock grant plan reserve

At 31 December 2020, two incentive plans were in place for Technogym management, (i) the 2018-2020 Performance Shares Plan and the 2019-2021 Performance Shares Plan, approved by the Board of Directors on 28 March 2018 and 27 March 2019 respectively.

In compliance with Consob resolution 11971 of 14 May 1999 as amended and Consob communication 11508 of 15 February 2000, information on the relative stock grant plans is given below.

The purpose of the Incentive Plans is to consolidate Technogym's ability to retain key resources and attract staff with the best skills, and align interest in company performance of the Company's key resources with that of shareholders to create sustainable value over time. Incentive plans are based on a three-year horizon, considered as the most suitable timeframe to achieve the plans' objectives. The Incentive Plans are for Technogym Group managers, who are nominated individually by the Board of Directors, based on proposals made by the Chairman of the Board of and after consulting with the Appointments and Remuneration Committee, from among the employees and/or staff of the Company or its subsidiaries who have strategic roles or can make significant contributions to the Company's and/or Group's strategic objectives, including the Company's Key Managers. Pursuant to article 114-bis, paragraph 3 of the TUF and article 84-bis, paragraph 2 of the Consob Regulation on Issuers, incentive plans are considered as "plans of particular significance", as the beneficiaries identified by the Board of Directors may include Key Managers. Incentive plans regulations do not envisage loans or other benefits for subscribing to shares, pursuant to article 2358, paragraph 3 of the Italian Civil Code.

The incentive plans refer to 2018-2020 and 2019-2021, and are based on assigning the right to receive free shares if certain Company performance objectives are met. These incentive plans have:

- performance objectives established in advance and identified in the Company's economic/financial performance;
- adequate periods to accrue rights to obtain assigned shares (three-year vesting period),
- constraints on the transfer of shares, equal to 6 months from the date when they are assigned.

The shares will be assigned to the beneficiaries, subject to the conditions in the Incentive Plans being met, no later than 60 days following approval of the Group's Consolidated Financial Statements for 31 December 2020 and 31 December 2021.

The beneficiaries will have the right to receive the shares if, on the vesting date:

- they still have a contract of employment and/or collaboration with Technogym and/or its subsidiaries;
- there is no pending termination of their contract of employment with the Company or its subsidiaries.

It has been decided that the plans have no financial impact for the year in question and there is no need for any reserve, as the targets are not achievable at the moment.

The reconciliation between the Parent company's equity and net result for the year and the consolidated equity and consolidated net result for the year is shown in the following table:

(In thousands of Euro)	2020		2019	
	Equity	**Profit**	**Equity**	**Profit**
Equity and result as reported in the Parent company's financial statements	**330,214**	**46,339**	**284,253**	**72,332**
Effect of consolidation of subsidiaries	124,173	5,126	126,667	21,763
Alignment of accounting policies of consolidated companies	28,662	(7,531)	39,408	6,346
Effect of elimination of values of investments	(187,594)	5,334	(185,329)	(6,639)
Elimination of intercompany dividends	(4,909)	(12,821)	(4,909)	(10,058)
Equity pertaining to minority interests	**(2,379)**	**(444)**	**(2,094)**	**(541)**
Group equity and results	**288,167**	**36,004**	**257,995**	**83,204**

6.13 FINANCIAL LIABILITIES

The items "Non-current financial liabilities" and "Current financial liabilities amounted to Euro 97,677 thousand and Euro 46,409 thousand at 31 December 2020 (respectively Euro 55,996 thousand and Euro 54,823 thousand at 31 December 2019 respectively). The following table shows the amounts of financial liabilities, current and non-current, at 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Non-current financial liabilities		
Bank loans due after 12 months – non-current portion	62,500	24,680
Non-current liabilities due to other lenders	—	—
Other non-current financial liabilities	17,414	16,152
IFRS 16 Non-current financial liabilities	17,763	15,163
Total non-current financial liabilities	**97,677**	**55,996**

(In thousands of Euro)	At 31 December	
	2020	**2019**
Current financial liabilities		
Bank loans due after 12 months – current portion	25,167	12,486
Other short-term borrowings	19	25,633
Current liabilities due to other lenders	15,035	9,966
Financial payables to subsidiaries	224	237
IFRS 16 Financial liabilities - Current	5,965	6,501
Total current financial liabilities	**46,409**	**54,823**

At 31 December 2020 the Group's financial debt was entirely with variable interest rates.

Medium/long-term bank loans

The following table shows the movements of bank loans for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Bank loans due after 12 months – non-current portion	Bank loans due after 12 months – current portion	Total loans
Values at 31 December 2018	**37,617**	**18,420**	**56,037**
Obtainment of loans	16,666	8,334	25,000
Repayments	(25,454)	(18,417)	(43,871)
Reclassification from long-term to short-term	(4,149)	4,149	—
Values at 31 December 2019	**24,680**	**12,486**	**37,166**
Obtainment of loans	41,667	8,333	50,000
Repayments	(16,337)	(8,242)	(24,579)
Reclassification from long-term to short-term	(4,179)	4,179	—
Conversion of hot money to loans	16,669	8,411	25,080
Values at 31 December 2020	**62,500**	**25,167**	**87,667**

The following shows the details of bank loans at 31 December 2020 and 2019.

(In thousands of Euro)	Due date	Interest rate	At 31 December			
			2020	**of which current**	**2019**	**of which current**
Bank loans						
Unicredit S.p.A.	2020-2022	Variable	41,781	8,448	25,067	8,399
Crédit Agricole Italia S.p.A.	2020-2023	Variable	25,032	8,366	—	—
Banca Popolare dell'Emilia Romagna S.p.A. *	2022	Variable	12	12	12,099	4,087
Banca Nazionale del Lavoro S.p.A	2020-2023	Variable	20,841	8,341	—	—
Total bank loans			**87,667**	**25,167**	**37,166**	**12,486**

* Includes the loan from Sidea of Euro 12 thousand

The following table shows the details of medium/long-term bank loans at 31 December 2020 by maturity date.

(In thousands of Euro)	**Residual debt**	**Current portion**	**2021**	**2022**	**2023**
Unicredit S.p.A.	41,781	8,448	8,448	33,333	—
Crédit Agricole Italia S.p.A.	25,032	8,366	8,366	8,333	8,333
Banca Popolare dell'Emilia-Romagna S.p.A. *	12	12	12	—	—
Banca Nazionale del Lavoro S.p.A	20,841	8,341	8,341	8,333	4,167
Total	**87,667**	**25,167**	**25,167**	**50,000**	**12,500**

* Includes the loan from Sidea of Euro 12 thousand

The medium-long term loan granted by Unicredit S.p.A. on 9 August 2019 for a total of Euro 25,000 thousand is repayable in six equal six-monthly instalments of Euro 4,166 thousand each, expiring on 29 July 2022. The contract contains the following financial covenant: consolidated "Net financial position/EBITDA" must remain at a ratio of no higher than 3.8, this is verified annually;

For the year ended 31 December 2020, the covenant was met.

The medium-long term loan granted by Banca Popolare dell'Emilia Romagna S.p.A. on 16 May 2019 for a total of Euro 25,000 thousand, with maturity on April 16 May 2023, is repayable in six equal six-monthly instalments of Euro 4,166 thousand each. The contract contains a financial covenant: consolidated "Net financial position/EBITDA" ratio at consolidated level must be no higher than 3.8, this is verified annually;

For the year ended 31 December 2020, the covenant was met.

During 2020, the Group further strengthened its funding structure by entering into the following finance agreements:

- Unicredit S.p.A. 2022 the medium-long term loan granted on 15 July 2020 for a total of Euro 25,000 thousand is to be repaid in a single amount on 30 June 2022. The loan agreement requires the Company to comply with the following financial covenant: consolidated "Net financial position/EBITDA" ratio of no higher than 3.8, verified annually.
  For the year ended 31 December 2020, the covenant was met.
- Crédit Agricole Italia Spa 2023: the loan granted on 29 September 2020 for a total of Euro 25,000 thousand, is repayable in six deferred half-yearly instalments expiring on 29 September 2023. The loan agreement requires the Company to comply with the following financial covenant: consolidated "Net financial position/EBITDA" ratio of no higher than 3.8, verified annually.
  For the year ended 31 December 2020, the covenant was met.

Other short-term borrowings

The following table shows the details of other short-term borrowings at 31 December 2020 and 2019.

(In thousands of Euro)	Currency	At 31 December	
		2020	2019
Other short-term borrowings			
Banca Nazionale del Lavoro	EUR	—	25,023
Banco ITAU	BRL	—	508
BPER Luxembourg	EUR	—	66
Other short-term borrowings	EUR	19	36
Total other short-term borrowings		**19**	**25,633**

Other short-term borrowings mainly include stand-by credit lines, short-term loans (generally "hot money") and bank overdrafts. In particular, the Group recurs to short-term committed and uncommitted credit lines granted by leading banks, which accrues interests at variable rate, Euribor plus a spread.

Liabilities due to other lenders

Current and non-current liabilities from other lenders refers to financing transactions guaranteed by the transfer of receivables arising from the sale of goods that, although they are transferred to third financial institutions, they are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for their derecognition from assets. See also note 6.5 "Other non-current assets" and note 6.7 "Trade receivables".

6.14 DEFERRED TAX LIABILITIES

For comments relating to the item "Deferred tax liabilities" please see paragraph 6.3.

6.15 EMPLOYEE BENEFIT OBLIGATIONS

The item "Employee benefit obligations" amounts to Euro 2,956 thousand at 31 December 2020 (Euro 3,066 thousand at 31 December 2019).

The following table shows the amounts and movements of employee benefit obligations for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Employee benefit obligations**
Values at 1 January 2019	**3,001**
Provisions	70
Financial expenses	43
Actuarial (gains)/losses	181
Utilisations	(228)
Values at 31 December 2019	**3,066**
Provisions	159
Financial expenses	20
Actuarial (gains)/losses	27
Utilisations	(315)
Values at 31 December 2020	**2,956**

Information about the actuarial valuation of provisions for employee benefit obligations are presented in note 6.16.

6.16 PROVISIONS FOR RISKS AND CHARGES

The item "Provisions" at 31 December 2020 amounts to Euro 9,662 thousand for non-current financial liabilities and Euro 8,621 thousand for current financial liabilities (respectively, Euro 15,218 thousand and Euro 12,718 thousand at 31 December 2019). The following table shows the details of provisions for risks and charges, current and non-current, at 31 December 2020 and 2019.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Non-current provisions for risks and charges		
Warranties provision	4,500	5,217
Agents provision	1,030	990
Non-Competition Agreement provision	1,997	1,784
Rebates provision	221	5,210
Other provisions for risks and charges	1,346	2,016
Ongoing lawsuits provision	568	—
Total non-current provisions for risks and charges	**9,662**	**15,218**
Current provisions for risks and charges		
Warranties provision	4,961	6,187
Free Product Fund provision	133	772
Other provisions for risks and charges	3,527	5,759
Total current provisions for risks and charges	**8,621**	**12,718**

The following table shows the amounts and movements of provisions for risks and charges, current and non-current, for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Warranties provision	Agents provision	Non-Competition Agreement provision	Rebates provision	Other provisions for risks and charges	Ongoing lawsuits provision	Non-current provisions for risks and charges	Warranties provision	Free Product Fund provision	Other provisions for risks and charges	Current provisions for risks and charges
Values at 01 January 2019	**4,917**	**839**	**1,523**	**5,030**	**1,233**	**50**	**13,593**	**5,854**	**2,361**	**5,843**	**14,059**
Net provisions	3,288	151	261	388	2,912	—	6,999	4,243	695	4,778	9,716
Reclassifications	—	—	—	—	—	—	—	—	—	—	—
Exchange rate differences	34	—	—	244	6	—	285	61	9	—	70
Financial expenses	—	—	—	—	—	—	—	—	—	—	—
Utilisations/Releases	(3,022)	—	—	(452)	(2,134)	(50)	(5,658)	(3,971)	(2,293)	(4,863)	(11,127)
Values at 31 December 2019	5,217	990	1,784	5,210	2,016	—	15,218	6,187	772	5,759	12,718
Net provisions	**1,409**	**116**	**175**	**221**	**424**	**568**	**2,911**	**1,974**	**33**	**2,016**	**4,023**
Reclassifications	—	—	—	—	—	—	—	—	—	—	—
Exchange rate differences	(57)	—	—	(211)	(211)	—	(479)	(83)	(6)	(349)	(438)
Financial expenses	—	—	12	—	—	—	12	—	—	—	—
Utilisations/Releases	(2,068)	(76)	(106)	(4,999)	(881)	—	(8,130)	(3,116)	(667)	(3,900)	(7,683)
Values at 31 December 2020	**4,500**	**1,030**	**1,997**	**220**	**1,347**	**568**	**9,662**	**4,961**	**133**	**3,527**	**8,621**

Current and non-current warranties provisions are reasonably estimated by the Group on the basis of the contractual guarantees issued to customers and past experience; they cover the cost of parts and labour that the Group will incur in future years for repairing products under warranty, for which the sales revenues have already been recognised in the income statement of the year or of previous years.

The "Agents' provision" and "Non-Compete Agreement provision" represent a reasonable estimate of the expenses that the Company would incur in the event of interruption of agency contracts. Those provisions were calculated by independent actuaries and were measured using the actuarial valuation of the projected unit of the credit, in accordance with IAS 37 and IAS 19.

The "Rebates provision" represents the estimated monetary bonuses that the Group will recognize to customers for achieving specific purchasing volumes.

The "Free Product Fund provision" represents the estimated non-monetary bonuses that the Group will recognize to customers for achieving specific purchasing volumes.

Other current provisions for risks and charges mainly refer to employee bonuses, of which the amount has not yet been defined.

The decrease in provisions compared to 31 December 2019 is mainly due to the decrease in the provision for staff bonuses for Euro 2,950 thousand, the decrease in the rebates provision due to fewer purchases by customers for Euro 4,990 thousand and the reduction in the warranties provision of Euro 1,943 thousand related to the decrease in turnover.

Actuarial valuation of employee benefit obligations and Non-Competition Agreement provision according to IAS 19 and agents' provision according to IAS 37

The methodology used for the discounting is recognised by the name "method of the years of management on an individual basis and by drawing lots" (MAGIS). This method is based on a stochastic Montecarlo type simulation.

The main demographic assumptions used by the actuary to analyse the employee benefits provisions and the no-competition provision for the years ended December 31 December 2020 and 2019 are as follows: (i) the probability of death is obtained by using tables determined by ISTAT in 2000 and reduced by 25%; (ii) the probability of disability/ invalidity as those adopted in the INPS model; (iii) the retirement age for the general working population is assumed at achieving the first retirement requirement applicable for the Mandatory General Insurance; (iv) the probability of leaving employment for reasons other than death was determined from the probability of turnover in line with the historical evolution of the phenomenon and, in particular, the annual rate of 3.50% was considered for the year 2020, unchanged with respect to 2019 (5%); (v) for the probability of early retirement it is applied an annual rate of 3% based on the history of the phenomenon and a percentage equal to 80% of the provision accumulated at the date of the request.

As regards the discounting of the Agents provision according to IAS 37, the hypothesis of "closed group" was considered during the time framework.

The valuations were conducted by quantifying future payments through the projection of the agents' provision accrued at the valuation date of the agents working for the Company until the estimated time (unpredictable) of termination of the contract with the company; once again the method used is the MAGIS. Regarding the demographic assumptions, the ISTAT 2011 mortality rates were considered; for disability, the INPS tables by age and gender were used, whereas for the retirement age, the requirement established by ENASARCO was used. The possibility of agents being released due to the termination of their relationship with the Company or for other causes was determined using estimates of annual frequency based on company data. The financial assumptions essentially refer to the discount rate which, at 31 December 2020, was chosen to be the yield obtainable from the Iboxx Corporate AA index with duration of 5-7 years, which is consistent with the duration of the collective agreement in question, as its value on 31.12.2020 was -0.08%. In addition, for the Italian companies the following economic-financial assumptions were taken into account.

	At 31 December	
	2020	**2019**
Annual technical discount rate	0.35%	0.70%
Annual inflation rate	1.00%	1.50%
Annual rate of TFR increase	2.25%	2.62%
Annual rate of commissions increase (for the evaluation of N.C.A.)	3.00%	3.00%

As for the annual technical discount rate of 0.35%, the Iboxx Corporate AA was selected as the benchmark for the Eurozone, with duration consistent with the average duration of the collective agreement.

(In thousands of Euro)	At 31 December					
	2020			2019		
	-0.50% change	Carrying amount	0.50% change	-0.50% change	Carrying amount	0.50% change
Employee benefit obligations	150	2,956	(141)	142	3,066	(133)
Non-Competition Agreement provision	169	1,997	(109)	102	1,784	(93)
Total	**320**	**4,953**	**(249)**	**244**	**4,850**	**(226)**

6.17 OTHER NON-CURRENT LIABILITIES

The item "Other non-current liabilities" amounted to Euro 37,665 thousand on 31 December 2020 (Euro 35,058 thousand as of 31 December 2019).
Other non-current liabilities mainly include:

- deferred income, amounting to Euro 5,078 thousand, related to revenues associated to long-term contracts for technical assistance. This item was recognised as contractual liabilities in accordance with IFRS 15;
- liabilities for sales with return rights, equal to Euro 31,980 thousand, identified pursuant to IFRS 15, in order to represent suspended costs associated with these sales;
- the long-term portion of the obligation to buy-back leased products, of Euro 492 thousand.

6.18 TRADE PAYABLES

The item "Trade payables" amounted to Euro 114,996 thousand at 31 December 2020 (Euro 127,537 thousand at 31 December 2019). Trade payables are mainly related to transactions for the purchase of raw materials, components and shipping services, manufacturing and technical assistance. These transactions are part of ordinary procurement management.

6.19 CURRENT TAX LIABILITIES

The item "Current tax liabilities" amounted to Euro 2,465 thousand at 31 December 2020 (Euro 5,078 thousand at 31 December 2019). The item income tax receivables amounted to Euro 4,824 thousand at 31 December 2020 (Euro 6,000 thousand at 31 December 2019) (see note 6.10).

6.20 LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

The item "Liabilities for derivative financial instruments" amounted to Euro 58 thousand at 31 December 2020 (Euro 13 thousand at 31 December 2019).

The following table shows the liabilities for derivative financial instruments by currency at 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Forward		
AUD	56	13
JPY	2	—
Total	**58**	**13**

Liabilities for derivative financial instruments refer to the differences arising from the fair value of "forward" contracts used to hedge exposure to currency risk.

The exposure to exchange rate risk is mainly managed using contracts for the forward sale of currency denominated in the sale currency of some markets in which the Group operates.

For details of the types of "forward" contracts, see the table in paragraph *6.9. Assets for financial derivative instruments*.

On 31 December 2020 the Group did not hold any derivatives treated according to hedge accounting rules.

6.21 OTHER CURRENT LIABILITIES

The item "Other current liabilities" amounted to Euro 73,582 at 31 December 2020 (Euro 68,687 thousand at 31 December 2019). The following table shows the amounts of other current liabilities at 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Other current liabilities		
Deferred income	24,867	22,033
Advances from clients	17,720	15,861
Payables to employees	9,277	11,427
VAT payables	11,293	9,661
Social security payables	5,104	4,998
Other liabilities	3,576	3,557
Accrued expenses	1,569	1,151
Obligation to buyback from operational leases	175	—
Total other current liabilities	**73,582**	**68,688**

"Deferred income" mainly refers to scheduled maintenance contracts. "Advances from customers" concerns advances and deposits received for supplies yet to be delivered. These items were recognised as contractual liabilities in accordance with IFRS 15.

"Payables to employees" mainly refer to salaries for the month of December paid in January, untaken holiday entitlements and staff bonuses.

"Social security payables" are related to Social security contributions of various nature to be paid in the following year with reference to the salary for the month of December, Christmas bonuses and untaken holiday entitlements.

"Other liabilities" at 31 December 2020 and 2019 mainly relate to income taxes withheld on income from employment and self-employment to be paid in the following year.

"Accrued expenses" mainly include accruals relating to utilities, sponsorships and insurance.

The item "obligation to buy-back leased products" includes the short-term portion of the obligation to buy back products granted under operational leases, of Euro 175 thousand.

7 Notes to the income statement

7.1 REVENUES

The item "Revenues" amounts to Euro 508,342 thousand for the year ended 31 December 2020 (Euro 666,418 thousand for the year ended 31 December 2019). This decrease is mainly due to a fall in the volume of sales resulting from the spread of the pandemic and to the restrictive measures put in place by local governments.

The following table contains a breakdown of the revenues for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Revenues		
Revenues from the sale of products, spare parts, hardware and software	421,251	560,982
Revenues from transport and installation, after-sale and rental assistance	87,092	105,436
Total revenues	**508,342**	**666,418**

The breakdown of revenues by customer, distribution channel and geographical area is shown in note 4, "Segment Reporting".

7.2 OTHER REVENUES AND INCOME

The item "Other revenues and income" amounted to Euro 1,337 thousand for the year ended 31 December 2020 (Euro 2,513 thousand for the year ended 31 December 2019). Other income and revenues consist mainly of rental income, and income from suppliers for compensation.

7.3 PURCHASES AND USE OF RAW MATERIALS, WORK IN PROGRESS AND FINISHED GOODS

This item amounted to Euro 166,366 thousand for the year ended 31 December 2020 (Euro 219,270 thousand for the year ended 31 December 2019).

The following table reports the amounts of raw materials, semi-finished and finished goods for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Purchases and use of raw materials, work in progress and finished goods		
Purchase and change in inventory of raw material	114,459	127,125
Purchase and change in inventory of finished goods	50,611	90,031
Purchase of packaging and costs for custom duties	1,338	2,360
Change in inventory of work in progress	(42)	(247)
Total raw materials, semi-finished and finished goods	**166,366**	**219,270**

7.4 COST OF SERVICES

The item "Cost of services" amounted to Euro 128,500 thousand for the year ended 31 December 2020 (Euro 163,585 thousand for the year ended 31 December 2019).

The following table shows the amounts of cost of services for the years ended 31 December 2020 and 2019 restated.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Cost of services		
Transport of sales, customs duties and installation	42,914	50,895
Technical assistance	14,351	22,335
Advertising	13,184	17,985
Rentals	4,763	6,589
Agents	8,343	11,287
Consulting services	8,571	10,651
Transport of purchases	8,053	11,262
Travel and business expenses	934	1,071
Outsourcing costs	2,674	2,598
Utilities	3,152	3,104
Maintenance costs	4,707	5,456
Other services	16,852	20,353
Total cost of services	**128,500**	**163,585**

"Other services" mainly relate to costs for managing external deposits, insurance and remuneration of external directors, the board of statutory auditors and independent auditors. The following table shows the details of audit fees to the independent auditors for services provided to the Company for the years ended 31 December 2020 and 2019:

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Audit fees		
Auditing of the accounts	950	918
Other services	56	109
Total audit fees	**1,006**	**1,027**

7.5 PERSONNEL EXPENSES

The item "Personnel expenses" amounted to Euro 112,640 thousand for the year ended 31 December 2020 (Euro 136,157 thousand for the year ended 31 December 2019).

The following table shows the amounts of personnel expenses for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Personnel expenses		
Wages and salaries	80,877	93,112
Social security contributions	22,283	25,485
Provisions for employee benefit obligations	3,224	2,770
Other costs	6,256	14,789
Total personnel expenses	**112,640**	**136,157**

The decrease in Personnel expenses is mainly due to the contributions from support measures adopted by various governments, mainly in Europe, to the reduction in employee premiums, and to the decrease in business travel costs.

The following table shows the average number of employees and the exact number of employees at the year-end broken down by category for the years ended 31 December 2020 and 2019.

(In number)	Year ended 31 December			
	2020		**2019**	
Number of employees	**Average**	**Year-end**	**Average**	**Year-end**
Managers	61	60	60	60
White-collar	1,353	1,325	1,380	1,382
Blue-collar	664	635	695	680
Total number of employees	**2,078**	**2,020**	**2,135**	**2,122**

7.6 OTHER OPERATING COSTS

The item "Other operating costs" amounted to Euro 10,260 thousand for the year ended 31 December 2020 (Euro 7,332 thousand for the year ended 31 December 2019).

The following table reports the amounts of other operating costs for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Other operating costs		
Other taxes and indirect taxes	2,241	5,176
Provisions for risks on leasing receivables	3,227	(85)
Other expenses	4,791	2,241
Total other operating costs	**10,260**	**7,332**

"Other operating expenses" mainly relate to membership fees, donations, and giveaways of products distributed for promotional and communication activities.

7.7 SHARE OF NET RESULT FROM JOINT VENTURES

The item "Share of net result from joint ventures" amounted to Euro 883 thousand for the year ended 31 December 2020 (Euro 999 thousand for the year ended 31 December 2019). The share of net result from joint ventures is the share of net profit achieved by subsidiaries or joint ventures attributable to the Group (see note 5.4).

7.8 DEPRECIATION, AMORTISATION AND IMPAIRMENT / (WRITE-BACKS)

The item "Depreciation, amortisation and impairment losses/(revaluations)" amounted to Euro 35,109 thousand for the year ended 31 December 2020 (Euro 31,114 thousand for the year ended 31 December 2019).

The following table shows the amounts of depreciation, amortisation and impairment losses/(write-backs) for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Depreciation, amortisation and impairment losses / (revaluations)		
Depreciation of property, plant and equipment	23,715	21,919
Amortisation of intangible assets	10,953	9,126
Impairment losses of property, plant and equipment	91	58
Impairment losses of intangible assets	350	11
Total depreciation, amortisation and impairment losses (revaluations)	**35,109**	**31,114**

For the tables of details regarding the breakdown of and changes in "Property, plant and equipment" and "Intangible assets" for the years ended 31 December 2020 and 2019, see notes 6.1 and 6.2.

7.9 NET PROVISIONS

The item "Net provisions" amounted to Euro 3,312 thousand for the year ended 31 December 2020 (Euro 4,120 thousand for the year ended 31 December 2019).

The following table shows the amounts of net provisions for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Net provisions		
Inventory write-down net provisions	2,213	760
Bad debt net provisions	2,102	2,944
Warranties net provisions	(1,802)	535
Other net provisions for risks and charges	275	(69)
Ongoing lawsuits net provisions	525	(50)
Total net provisions	**3,312**	**4,120**

The item "Bad debt net provisions" includes non-trade receivables totalling Euro 175 thousand.

7.10 FINANCIAL INCOME

The item "Financial income" amounted to Euro 12,981 thousand for the year ended 31 December 2020 (Euro 8,739 thousand for the year ended 31 December 2019).

The following table shows the amounts of financial income for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Financial income		
Realised exchange gains	9,181	7,433
Unrealised exchange gains	2,882	656
Other financial income	304	174
Bank interest receivable	613	476
Total financial income	**12,981**	**8,739**

7.11 FINANCIAL INCOME

The item "Financial expenses" amounted to Euro 17,184 thousand for the year ended 31 December 2020 (Euro 11,091 thousand for the year ended 31 December 2019).

The following table shows the amounts of financial expenses for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Financial expenses		
Realised exchange losses	12,627	7,430
Unrealised exchange losses	2,587	1,712
Bank interest on financial loans	400	517
Provision for the write-down of financial receivables	174	—
Bank interest and fees	534	333
Other financial expenses	861	1,098
Total financial expenses	**17,184**	**11,091**

"Other financial expenses" mainly include expenses related to the discounting of employee benefit obligations and non-current provisions for risks and charges.

The item "Provision for the write-down of financial receivables" includes the write-down of a loan granted to the unconsolidated entity Sandcroft Avenue Ltd.

This write-down, and that of the equity investment of EUR 2,395 thousand, is based on the findings of the development plan, which highlighted business continuity issues mainly due to the cashflow forecasts prepared by the management of the unconsolidated entity, which has been adversely affected by the Covid-19 pandemic; it is also due to the fact that there is no up-to-date estimate of the fair value on the closing date, as described in paragraph 6.5.

7.12 INCOME/(EXPENSES) FROM INVESTMENTS

The item "Income/(expenses) from investments" amounted to Euro 2,131 thousand for the year ended 31 December 2020 (Euro 402 thousand for the year ended 31 December 2019).

On the basis of the development plan (which revealed issues with the continuity of the business mainly due to the cashflow forecasts prepared by the management of the unconsolidated entity Sandcroft Avenue Ltd which has been adversely affected by the Covid-19 pandemic), and as there is no up-to-date estimate of the fair value to 31 December 2020, the Company fully depreciated this investment to the value of EUR 2,395 thousand, with a write-down of the financial receivable of EUR 174 thousand classified under "Non-current financial assets" as described in paragraph 6.5.

7.13 INCOME TAXES

The item "Income taxes" amounts to Euro 11,593 thousand for the year ended 31 December 2020 (Euro 22,659 thousand for the year ended 31 December 2019).

The following table shows the amounts of income taxes for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Income taxes		
Current taxes	16,573	24,000
Deferred taxes	(3,005)	1,280
Total income taxes for the year	**13,569**	**25,281**
Taxes relating to prior years	(1,976)	(2,622)
Total income taxes	**11,593**	**22,659**

Taxes relating to prior years mainly relate to the recalculation of ACE recalculation for the years 2016-19, which will be partially due in the 2021 financial year, and to the tax credit for R&D.

The following table shows the reconciliation between the theoretical tax rate and the actual tax rate for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December			
	2020	**%**	**2019**	**%**
Profit before tax	**48,041**		**106,404**	
Income tax calculated with theoretical tax rate	**11,530**	**24.0%**	**25,537**	**24.0%**
Effect of difference between local tax rate and theoretical tax rate	524	1.1%	1,156	1.1%
Effect of non-deductible expenses	1,116	10.9%	1,388	1.3%
Tax losses carried forward that are not recognised in deferred tax assets.	(26)	(0.1%)	(41)	(0.0%)
Other income taxes (IRAP)	1,571	3.3%	2,347	2.2%
Fiscal effect of tax relief	(924)	(1.9%)	(7,439)	2.2%
Effect of deferred tax assets USA	(321)	(0.7%)	—	0.0%
Income taxes of previous years	(1,877)	(3.9%)	(289)	(0.3%)
Total	11,593	24.1%	22,659	21.3%

Non-recurring income taxes refer to the higher tax liability for 2019, for a subsidiary.

7.14 EARNINGS PER SHARE

The following table shows the calculation of basic earnings per share.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Earnings per share		
Profit for the period	36,004	83,204
Number of shares (in thousand of euro)	201,328	201,005
Total earnings per share	**0.18**	**0.41**

8 Net financial position

The following table shows the details of net indebtedness of the Group at 31 December 2020 and 2019, determined in accordance with Consob communication of 28 July 2006 and in conformity with the recommendations contained in document no. 319 drafted by ESMA in 2013.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Net financial position		
A. Cash	202,065	114,413
B. Other cash equivalents	—	—
C. Securities held for trading	—	—
D. Liquidity (A) + (B) + (C)	**202,065**	**114,413**
E. Current financial receivables	**1,564**	**84**
F. Current bank debt	(19)	(25,633)
G. Current portion of non-current debt	(25,167)	(12,486)
H. Other current financial debt	(21,281)	(16,717)
I. Current financial debt (F) + (G) + (H)	**(46,467)**	**(54,836)**
J. Net current financial indebtedness (I) + (E) + (D)	**157,162**	**59,662**
K. Non-current bank loans	(62,500)	(24,680)
L. Bonds issued	—	—
M. Other non-current financial liabilities	(35,177)	(31,316)
N. Non-current financial indebtedness (K) + (L) + (M)	**(97,677)**	**(55,996)**
O. Net financial indebtedness (J) + (N)	**59,485**	**3,666**

Net financial indebtedness includes is positive at Euro 59,884, and includes (i) Euro 202,065 thousand of cash assets, and (ii) other financial payables relative to financing transactions guaranteed by the transfer of receivables arising from the sale of goods which, although they are transferred to third-party financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for their derecognition from assets.

At 31 December 2020 there are no restrictions or limitations to the use of the cash of the Group, except for minor amounts relating to specific circumstances closely linked to commercial operations of certain Group entities.

9 Financial risk management

The main financial risks to which the Group is subject to are:
- credit risk, arising from commercial transactions or financing activities;
- liquidity risk, related to the availability of financial resources and access to the credit market;
- market risk, in particular:
  - currency risk, related to operations in areas using currencies other than the functional currency;
  - interest rate risk, related to the Group's exposure to financial instruments that accrue interests;
  - price risk, associated with changes in the prices of commodities.

9.1 CREDIT RISK

The operational management of the credit risk is assigned to the Credit Management, which operates on the basis of a credit policy that regulates: (i) customers' merit ratings, which are evaluated by the internally developed risk score rating system, used for the management of credit limits and requests for adequate bank or insurance guarantees to support the granting of extended payment terms; (ii) the involvement of institutionalised credit committees on any operation with terms other than those normally applied by the company; (iii) the adoption of credit insurance policies; (iv) the monitoring of the balance of receivables and their due dates so that the amount of outstanding positions is not significant; (iv) the monitoring of the related expected cash flows; (vi) the issuance of reminders; (vii) any recovery actions. The bad debt provision is calculated on percentages of past due, based on historical insolvency, with the exception of provision on specific credits in litigation. In relation to the breakdown of receivables by maturity, please see the Note "Trade receivables". For financing activities related to temporary excess of liquidity or for the stipulation of financial instruments (derivatives), the Group deals exclusively with counterparties with high credit standing. The amount of trade receivables represents the maximum theoretical exposure to credit risk of the Group at year-end.

Risks related to supplier relations

The Company and its Group have always been committed to developing innovative, high-performance, quality solutions. To continue this commitment, a close collaboration needs to be maintained with suppliers, particularly those who produce materials and technologies that may be used in the fitness industry, even if they primarily operate in other sectors.

Technogym's supply chain is divided into suppliers who provide "bill of materials" supplies, some of which are particularly strategic to Technogym's success, including those that contribute directly to product creation, and "indirect" suppliers who provide other services or materials, as well as the equipment used in production.

The company works closely with those suppliers considered key to the success of its products, establishing long-term relationships in order to minimise the risks related to the potential unavailability of raw materials within the required timescales.

Periodic performance checks are made, and controls carried out regarding compliance with current environmental and social regulations aimed at guaranteeing a stable supply chain.

Technogym has also adopted a structured supply chain assessment process involving on-site audits and checks, which ensures continuous monitoring, and requires its suppliers to comply with the REACH and RoHS directives.

9.2 LIQUIDITY RISK

The Group's liquidity risk is closely monitored by the parent company. In order to minimise the risk, the Group has implemented centralised treasury management with specific procedures that aim to optimise the management of financial resources and the needs of the Group companies. In particular, a set of policies and processes was adopted aimed at optimising the management of financial resources that reduce liquidity risk: (i) maintenance of an adequate level of available liquidity; (ii) obtaining adequate credit lines; (iii) monitoring future liquidity in relation to the business planning process. For this type of risk, in the net financial indebtedness, the Group tends to finance investments and current commitments with both cash flow generated by operation and short time credit lines.

The following table shows the amounts of credit lines available and used at 31 December 2020 and 2019.

(in thousands of Euro)	**Cash credit lines**	**Self-liquidating credit lines**	**Financial credit lines**	**Total**
As of 31 December 2020				
Credit lines	7,382	17,641	267,911	**292,934**
Utilisations	—	—	(87,500)	**(87,500)**
Credit lines available at 31 December 2020	**7,382**	**17,641**	**180,411**	**205,434**
As of 31 December 2019				
Credit lines	7,382	18,751	137,219	**163,352**
Utilisations	—	—	(62,000)	**(62,000)**
Credit lines available at 31 December 2019	**7,382**	**18,751**	**75,219**	**101,352**

The table below contains the breakdown and maturity dates of the liability items to 31 December 2020 and 2019.

(In thousands of Euro)	**Within 1 year**	**Between 1 and 5 years**	**Beyond 5 years**	**Total**
Values at 31 December 2020				
Non-current financial liabilities	—	97,677	—	**97,677**
Other non-current liabilities	—	37,665	—	**37,665**
Trade payables	114,006	—	—	**114,006**
Current tax liabilities	2,465	—	—	**2,465**
Current financial liabilities	46,409	—	—	**46,409**
Liabilities for derivative financial instruments	58	—	—	**58**
Other current liabilities	73,582	—	—	**73,582**
Total	**236,520**	**135,342**	**—**	**371,862**
Values at 31 December 2019				
Non-current financial liabilities	—	55,996	—	**55,996**
Other non-current liabilities	—	35,058	—	**35,058**
Trade payables	127,537	—	—	**127,537**
Current tax liabilities	5,078	—	—	**5,078**
Current financial liabilities	54,823	—	—	**54,823**
Liabilities for derivative financial instruments	13	—	—	**13**
Other current liabilities	68,687	—	—	**68,687**
Total	**256,138**	**91,053**	**—**	**347,572**

At 31 December 2020, the Technogym Group had approximately Euro 205.4 million of undrawn credit lines, liquidity amounting to Euro 202.1 million and trade receivables for 81.1 million, for a total of Euro 488.6 million, against payables and current commitments totalling Euro 236.5 million.

9.3 MARKET RISK

Exchange rate risk

The Group operates internationally and it is subject to currency risk in regards to commercial and financial transactions, especially in US dollars, GBP, JPY and AUD. To limit the exposure to exchange risk, the Group usually enters into forward contracts to cover between 70% and 80% of transactions in these currencies. In the year ending 31 December 2020, no exchange rate hedging derivative contract was recognised using the hedge accounting method.

Investments in foreign subsidiaries are not covered, as the currency positions are considered long-term.

The following table shows the trade receivables and payables, cash and cash equivalents and current financial liabilities broken down by currency at 31 December 2020 and 2019.

(In thousands of Euro)	EUR	GBP	USD	CNY	AUD	JPY	Other currencies	Total
Other non-current assets								
As of 31 December 2020	50,653	7,683	372	45	—	296	635	**59,684**
As of 31 December 2019	45,060	6,526	406	56	—	241	11,831	**64,121**
Non-current financial assets								
As of 31 December 2020	200	—	—	—	—	—	2,792	**2,992**
As of 31 December 2019	200	—	—	—	—	—	2,730	**2,930**
Trade receivables								
As of 31 December 2020	45,441	10,294	13,020	3,223	2,157	2,175	4,751	**81,060**
As of 31 December 2019	53,405	22,640	20,482	2,134	2,618	8,007	18,185	**127,472**
Cash and cash equivalents								
As of 31 December 2020	91,577	14,022	66,772	10,662	4,587	7,031	7,414	**202,065**
As of 31 December 2019	59,868	9,661	19,736	7,918	2,235	709	14,287	**114,413**
Current financial liabilities								
As of 31 December 2020	43,217	326	1,089	66	8	342	1,361	**46,410**
As of 31 December 2019	50,686	366	835	18	74	321	2,522	**54,822**
Trade payables								
As of 31 December 2020	94,078	6,146	8,892	337	1,228	1,195	2,130	**114,007**
As of 31 December 2019	102,714	8,666	9,191	394	1,103	—	5,469	**127,537**

For the purposes of the sensitivity analysis on the exchange rate, items in the financial position (assets and liabilities) denominated in foreign currency were identified. For the purposes of the analysis, two scenarios were considered that reflect an increase and a decrease respectively of 5% in the exchange rate between the currency of the balance sheet item and the Euro.

The following table shows the results of the analysis for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**2020 - Exchange risk**					
			+5%		**-5%**	
	Carrying amount	**of which subject to exchange risk**	**Gains / (losses)**	**Other movements in sales invoice ledger (RFV)**	**Gains / (losses)**	**Other movements in sales invoice ledger (RFV)**
Financial assets						
Cash and cash equivalents	202,065	110,488		(5,261)	—	5,815
Trade receivables	81,060	31,592		(1,504)	—	1,663
Non-current financial assets	2,992	2,892		(138)	—	152
Current financial assets	39	37		(2)	—	2
Assets for derivative financial instruments	1,525	—		—	—	—
Tax effect		**—**		**1,888**	**—**	**(2,087)**
				(5,017)	**—**	**5,545**

(In thousands of Euro)	2020 - Exchange risk					
			+5%		-5%	
	Carrying amount	**of which subject to exchange risk**	**Gains / (losses)**	**Other movements in sales invoice ledger (RFV)**	**Gains / (losses)**	**Other movements in sales invoice ledger (RFV)**
Financial liabilities						
Non-current financial liabilities	97,677	—		—	—	—
Current financial liabilities	46,409	420		20	—	(22)
Trade payables	114,006	541		26	—	(28)
Liabilities for derivative financial instruments	58	16,770		799	—	(883)
Tax effect				**—**	**—**	**—**
				844	**—**	**(933)**
Total increases (decreases) 2020				**(4,173)**		**4,612**

(In thousands of Euro)	2019 - Exchange risk					
			+5%		-5%	
	Carrying amount	**of which subject to exchange risk**	**Gains / (losses)**	**Other movements in sales invoice ledger (RFV)**	**Gains / (losses)**	**Other movements in sales invoice ledger (RFV)**
Financial assets						
Cash and cash equivalents	114,413	52,548		(2,502)	—	2,766
Trade receivables	127,472	60,144		(2,864)	—	3,165
Non-current financial assets	2,930	114		(5)	—	6
Current financial assets	84	83		(4)	—	4
Assets for derivative financial instruments	—	—		—	—	—
Tax effect		**—**		**1,498**	**—**	**(1,656)**
				(3,877)	**—**	**4,285**
Financial liabilities						
Non-current financial liabilities	55,996	—		—	—	—
Current financial liabilities	54,823	627		30	—	(33)
Trade payables	127,537	1,048		53	—	(55)
Liabilities for derivative financial instruments	13	21,903		1,043	—	(1,153)
Tax effect				**—**	**—**	**—**
				1,123	**—**	**(1,241)**
Total increases (decreases) 2019				**(2,755)**		**3,045**

Interest rate risk

Interest rate risk is related to the use of short and medium/long-term credit lines. Variable rate loans expose the Group to the risk of fluctuations of cash flows due to interest. The Company does not use derivative instruments to hedge interest rate risks.

For the purposes of the sensitivity analysis on changes in interest rate, items in the financial position (assets and liabilities) subject to fluctuations in interest rates were identified. For the purposes of the analysis, two scenarios were considered which reflect an increase and a decrease respectively of 20 basis points in the interest rate.

The following table shows the results of the analysis for the years ended 31 December 2020 and 2019.

(In thousands of Euro)			**2020 - Interest Rate Risk**			
				+ 20 bp		**-20 bp**
	Carrying amount	**of which subject to Interest Rate Risk**	**Gains / (losses)**	**Other movements in RFV**	**Gains / (losses)**	**Other movements in RFV**
Financial assets						
Cash and cash equivalents	202,065	127,900	256	—	(256)	—
Trade receivables	81,060	—	—	—	—	—
Tax effect			(80)	—	80	—
			176	**—**	**(176)**	**—**
Financial liabilities						
Non-current financial liabilities	97,677	113,520	(227)	—	227	—
Current financial liabilities	46,409	48,247	(147)	—	147	—
Trade payables	114,006	—	—	—	—	—
Tax effect			117	—	(117)	—
			(257)	**—**	**257**	**—**
Total increases (decreases) 2020			**(81)**	**—**	**81**	**—**

(In thousands of Euro)			**2019 - Interest Rate Risk**			
				+ 20 bp		**-20 bp**
	Carrying amount	**of which subject to Interest Rate Risk**	**Gains / (losses)**	**Other movements in sales invoice ledger (RFV)**	**Gains / (losses)**	**Other movements in sales invoice ledger (RFV)**
Financial assets						
Cash and cash equivalents	114,413	91,535	183	—	(183)	—
Trade receivables	127,472	—	—	—	—	—
Tax effect			(57)	—	57	—
			126	**—**	**(126)**	**—**
Financial liabilities						

(In thousands of Euro)			2019 - Interest Rate Risk			
				+ 20 bp		-20 bp
	Carrying amount	of which subject to Interest Rate Risk	Gains / (losses)	Other movements in sales invoice ledger (RFV)	Gains / (losses)	Other movements in sales invoice ledger (RFV)
Non-current financial liabilities	55,996	89,197	(178)	—	178	—
Current financial liabilities	54,823	48,247	(196)	—	196	—
Trade payables	127,537	—	—	—	—	—
Tax effect			117	—	(117)	—
			(257)	**—**	**257**	**—**
Total increases (decreases) 2019			**(131)**	**—**	**131**	**—**

The parameters applied were identified as reasonable possible changes in interest rate, with all other variables remaining the same.

Price risk

The Group supplies worldwide and is subject to the common risk of changes in commodity prices, though not to a significant extent.

Capital risk management

The Group manages its capital with the aim of supporting the core business and maximising the value to shareholders, by maintaining a proper capital structure and reducing the cost of capital. The following table shows the gearing ratio, calculated as the ratio of net indebtedness and equity:

(In thousands of Euro)	At 31 December	
	2020	2019
Net financial indebtedness (A)	(59,485)	(3,666)
Total equity (B)	290,546	260,089
Total capital (C)=(A)+(B)	**231,061**	**256,423**
Gearing ratio (A)/(C)	**-25.7%**	**-1.4%**

9.4 FINANCIAL RISK MANAGEMENT

At 31 December 2020 and 2019, the carrying amount of financial assets and liabilities is the same as their fair value. IFRS 7 outlines three levels of fair value for the measurement of financial instruments recognised in the statement of financial position: (i) Level 1: quoted prices in an active market; (ii) Level 2: inputs other than quoted prices included within

Level 1, that are observable directly (prices) or indirectly (derived from prices) in the market; (iii) Level 3: inputs not based on observable market data. During the year, there were no transfers between the three levels of fair value indicated in IFRS 7.

Financial instruments by category

The following tables show the financial assets and liabilities by category of financial instrument, in accordance with IFRS 9 and the fair value hierarchy level at 31 December 2020 and 2019.

2020 *(In thousands of Euro)*	**Financial assets**			**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Amortised cost	**FV vs OCI**	**FV vs P&L**					
Other non-current assets	51,830	—	786	52,616	—	—	786	786
Non-current financial assets	2,992	—	—	2,992	—	—	—	—
Non-current financial assets	**54,822**	**—**	**786**	**55,608**	**—**	**—**	**786**	**786**
Trade receivables	81,060	—	—	81,060	—	—	—	—
Cash and cash equivalents	202,065	—	—	202,065	—	—	—	—
Financial derivative assets	—	—	1,525	1,525	—	1,525	—	1,525
Current financial assets	39	—	—	39	—	—	—	—
Other current assets	17,202	—	—	17,202	—	—	—	—
Current financial assets	**300,366**	**—**	**1,525**	**301,891**	**—**	**1,525**	**—**	**1,525**

2019 *(In thousands of Euro)*	**Loans and receivables**	**Available for sale**	**Financial assets at fair value**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Amortised cost	**FV vs OCI**	**FV vs P&L**					
Other non-current assets	46,327	—	3,264	49,590	—	—	3,264	3,264
Non-current financial assets	2,930	—	—	2,930	—	—	—	—
Non-current financial assets	**49,256**	**—**	**3,264**	**52,520**	**—**	**—**	**3,264**	**3,264**
Trade receivables	127,472	—	—	127,472	—	—	—	—
Cash and cash equivalents	114,413	—	—	114,413	—	—	—	—
Assets for derivative financial instruments	—	—	—	—	—	—	—	—
Current financial assets	—	—	84	84	—	84	—	84
Other current assets	22,295	—	—	22,295	—	—	—	—
Current financial assets	**264,265**	**—**	**—**	**264,265**	**—**	**84**	**—**	**84**

2020 *(In thousands of Euro)*	**Financial liabilities**	**Financial liabilities carried at fair value**	**Financial assets at fair value**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Amortised cost	**FV vs OCI**	**FV vs P&L**					
Non-current financial liabilities	97,677			97,677	—	—	—	—
Other non-current liabilities	37,665			37,665	—	—	—	—
Non-current financial liabilities	**135,342**	**—**	**—**	**135,342**	**—**	**—**	**—**	**—**
Current financial liabilities	46,409	—	—	46,409	—	—	—	—
Trade payables	114,006	—	—	114,006	—	—	—	—
Liabilities for derivative financial instruments	—	—	58	58	—	58	—	58
Other current liabilities	73,582	—	—	73,582	—	—	—	—
Current financial liabilities	**233,997**	**—**	**58**	**234,055**	**—**	**58**	**—**	**58**

2020 (In thousands of Euro)	**Financial liabilities**	**Financial liabilities carried at fair value**	**Financial assets at fair value**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Amortised cost	**FV vs OCI**	**FV vs P&L**					
Non-current financial liabilities	55,996	—	—	55,996	—	—	—	—
Other non-current liabilities	35,058	—	—	35,058	—	—	—	—
Non-current financial liabilities	**91,054**	**—**	**—**	**91,054**	**—**	**—**	**—**	**—**
Current financial liabilities	54,823	—	—	54,823	—	—	—	—
Trade payables	127,537	—	—	127,537	—	—	—	—
Liabilities for derivative financial instruments	—	—	13	13	—	13	—	13
Other current liabilities	68,687	—	—	68,687	—	—	—	—
Current financial liabilities	**251,061**	**—**	**13**	**251,141**	**—**	**13**	**—**	**13**

10 Non-financial risks

RISKS RELATED TO CYBER ATTACKS

The pace of the digital transformation within the company was accelerated, within the Company itself and also on the market as a result of the public health emergency, and this exposes the Group to potential cyber attacks (cyber risks). The Group has adopted a governance structure and cyber risk management model based on international standards, in order to put in place the best technological solutions and choose the best partners to defend its corporate assets. It has also taken out appropriate insurance cover.

11 Related party transactions

The Group's transactions with related parties, identified based on criteria defined by IAS 24 – Related party disclosures – are carried out under normal market conditions.

The following table shows the amounts of related party transactions for the years ended 31 December 2020 and 2019 and the incidence on the related item in the financial statement.

	Property, plant and equipment		Other non-current assets		Trade receivables		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Technogym Emirates Llc	—	—	4	—	344	1,166	1,546	446	—	—	220	218	—	—
Pubblisole Spa	—	—	—	—	—	—	—	—	—	—	43	2	—	—
Crit S.r.l.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Consorzio Romagna Iniziative	—	—	5	8	—	—	51	20	—	—	16	—	—	—
Sviluppo Impresa Romagna	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Asso.milano Durini Design	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sandcroft Avenue Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	(5)
Fitkey South Africa Pty Ltd	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wellink Srl	—	—	—	—	—	—	—	—	—	—	87	53	—	—
Alfin Srl	—	—	—	—	114	2	—	—	—	—	145	79	—	—
Via Durini 1 Srl	5,140	5,827	—	—	—	—	—	—	4,420	5,170	(67)	(49)	780	768
Starpool Srl	—	—	—	—	—	1	—	—	—	—	4	5	—	—
One On One Srl	—	—	—	—	66	5	—	—	—	—	172	1	—	—
Enervit Spa	—	—	—	—	—	—	—	—	—	—	(0)	—	—	—
Alne Soc. Agr. S.r.l.	—	—	—	—	0	—	—	—	—	—	—	—	—	—
Aedes S.s.	—	—	—	—	—	—	—	—	—	—	15	8	—	—
Sobeat S.r.o.	1,995	4,155	—	—	—	—	—	—	2,001	4,241	—	—	659	1,298
Total	**7,135**	**9,982**	**2,529**	**159**	**525**	**1,174**	**1,597**	**466**	**6,420**	**9,411**	**636**	**316**	**1,439**	**2,061**
Total Financial Statements	**167,919**	**159,243**	**49,590**	**52,616**	**127,472**	**81,060**	**22,295**	**17,202**	**55,996**	**97,677**	**127,537**	**114,006**	**54,823**	**46,409**
% on financial statements item	**4.2%**	**6.3%**	**5.1%**	**0.3%**	**0.4%**	**1.4%**	**7.2%**	**2.7%**	**11.5%**	**9.6%**	**0.5%**	**0.3%**	**2.6%**	**4.4%**

(In thousands of Euro)	Revenues		Other revenues and income		Raw materials and work in progress		Cost of services		Personnel expenses		Other operating costs		Amortisation		Financial income		Financial expenses	
Values at 31 December	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Technogym Emirates Llc	11,738	10,340	178	168	(82)	(99)	(3)	(6)	(1)	6	—	—	—	—	—	—	—	(0)
Pubblisole Spa	—	—	—	—	—	—	(35)	(2)	—	—	—	—	—	—	—	—	—	—
Crit S.r.l.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Consorzio Romagna Iniziative	—	—	—	—	—	—	(29)	(16)	—	—	—	—	—	—	—	—	—	—
Sviluppo Impresa Romagna	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Asso.milano Durini Design	—	—	—	—	—	—	—	—	—	—	(3)	(2)	—	—	—	—	—	—
Sandcroft Avenue Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5	—	(174)
Fitkey South Africa Pty Ltd	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(0)	7
Wellink Srl	0	—	—	—	—	—	(379)	(170)	(23)	—	(0)	(0)	—	—	—	—	—	—
Alfin Srl	—	—	—	—	—	—	(250)	(190)	(15)	—	—	—	—	—	—	—	—	—
Via Durini 1 Srl	—	9	—	—	—	—	(63)	(145)	—	—	(9)	(9)	(820)	(822)	—	—	(134)	(126)
Starpool Srl	2	1	—	1	—	—	(5)	(1)	—	—	—	—	—	—	—	—	—	—
One On One Srl	55	12	—	2	—	(1)	(576)	(207)	(2)	—	(0)	(0)	—	—	—	—	—	—
Enervit Spa	16	—	—	—	—	—	(1)	—	—	—	—	—	—	—	—	—	—	—
Alne Soc. Agr. S.r.l.	—	—	—	—	—	—	—	—	(1)	—	(7)	(11)	—	—	—	—	—	—
Aedes S.s.	—	—	—	—	—	—	(66)	(30)	—	—	—	(1)	—	—	—	—	—	—
Sobeat S.r.o.	—	—	—	—	—	—	(670)	176	—	—	—	—	(665)	(719)	—	—	—	—
Total	**11,813**	**10,361**	**178**	**171**	**(82)**	**(100)**	**(2,077)**	**(592)**	**(43)**	**6**	**(19)**	**(22)**	**(1,485)**	**(1,541)**	**—**	**5**	**(134)**	**(293)**
Total Financial Statements	**666,418**	**508,342**	**2,513**	**1,337**	**(219,270)**	**(166,366)**	**(163,585)**	**(128,500)**	**(136,157)**	**(112,640)**	**(7,332)**	**(10,260)**	**(31,114)**	**(35,109)**	**8,739**	**12,981**	**(11,091)**	**(17,184)**
% on financial statements item	**1.8%**	**2.0%**	**7.1%**	**12.8%**	**0.0%**	**0.1%**	**1.3%**	**0.5%**	**0.0%**	**0.0%**	**0.3%**	**0.2%**	**4.8%**	**4.4%**	**0.0%**	**0.0%**	**1.2%**	**1.7%**

The relationship between the Group and related parties as of and for the years ended 31 December 2020 and 2019 are mainly commercial. Technogym Emirates LLC is a joint venture established by the Group with a company in the UAE, in order to facilitate the distribution and sale of the Group's products and services in that region. Specifically, relations with this company are regulated by a series of agreements under which Technogym Emirates LLC has been delegated exclusive rights to distribute the Company's products in the UAE. In addition, Technogym Emirates LLC is required to respect certain conditions relating to marketing, distribution and sales and after-sales policies established by the Group. The transactions are regulated by orders issued from time to time based on an agreed product list that is updated periodically by the parties.

The figures for the companies Via Durini S.r.l and Sobeat S.r.o mainly refer to the adoption of IFRS 16 concerning property leased in favour of the group.

The relationship with One on One S.r.l. is related to collaborations aimed to implement and manage corporate wellness areas. For instance, the Group occasionally receives the support of One on One S.r.l. in order to offer a complete service to the end customers.

Transactions between the Group and One on One S.r.l. are regulated by agreements arranged from time to time based on the requests and needs of the end customer.

Relations with Wellink S.r.l. refer mainly to collaborations aimed at implementing personalised projects for wellness centres.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

The total amount of compensation and the related costs of the Board of Directors of the Company amounted to Euro 2,369 thousand for the year ended 31 December 2020 (Euro 2,340 thousand for the year ended 31 December 2019).

The total amount of compensation paid to key management amounted to Euro 1,928 thousand for the year ended 31 December 2020 (Euro 2,014 thousand for the year ended 31 December 2019). The following table shows the amounts of revenues for the years ended 31 December 2020 and 2019.

(in thousands of Euro)	**Year ended 31 December**	
	2020	**2019**
Fees for office	1,407	1,651
Non-monetary benefits	23	46
Bonuses and other incentives	167	222
Other fees	331	95
Total	**1,928**	**2,014**

12 Contingent liabilities

At 31 December 2020 there were no ongoing legal or tax proceedings against any Group companies and therefore, no particular provisions for risks and charges have been recognised, with the exception of the following described.

It should be noted that an assessment notice for an amount of around Euro 10 million was received in the first half of 2017 relating to the company FBK Equipamentos ltda, for alleged formal irregularities in the import customs declarations relating to years prior to 2015, also in the name of Technogym Fabricação de Equipamento de Ginástica ltda, now incorporated in BK Equipamentos ltda.

The company, supported by its local tax advisors and lawyers, opposed the presumptions of the local administration and the first rulings against it, as it believes that it has always operated in full compliance with local tax and customs provisions. Consequently, it did not consider it appropriate to allocate any provision, as the risk of being the losing party is not deemed to be likely.

13 Commitments and guarantees

At 31 December 2020 the Group issued guarantees to credit institutions on behalf of subsidiaries for Euro 3,721 thousand (Euro 3,810 thousand at 31 December 2019) and on behalf of related parties for Euro 3,338 thousand (Euro 3,647 thousand at 31 December 2019). The guarantees issued by the Group in favour of public institutions and other third parties amounted to Euro 2,378 thousand (Euro 2,200 thousand at 31 December 2019).

There were no significant commitments at the end of the year, with the exception of the information reported in the table included in liquidity risks.

14 Non-recurring events and transactions

In the financial year ended 31 December 2020, non-recurring expenses equal to Euro 7,433 thousand were recorded, an increase compared to 31 December 2019, when non-recurring expenses were Euro 2,202 thousand. This increase can be attributed mainly to the write-down of investments of Euro 2,569 thousand, to the Euro 1,000 thousand donated to the intensive care units of hospitals in the Romagna region for the Covid-19 emergency, and to Euro 1,047 in costs related to staff turnover, and the remaining part is mainly due to the costs for extraordinary services and related to previous financial years for consultancy and other professional fees.

15 Significant events after 31 December 2020

Following on from the strong growth in the Home Fitness segment in 2020, Technogym has continued to develop this segment in the initial part of 2021, registering significant demand from consumers. In January, the company launched the new MyRun machine on a global level, the low-noise, compact treadmill for the home, suitable for the needs of all members of the family, from beginners to very sporty. MyRun connects to a tablet and offers a comprehensive library of on-demand training content: one-on-one classes guided by trainers, targeted training routines, virtual training on outdoor routes, etc. For lovers of indoor cycling, in February Technogym launched the new Technogym Bike, which as well as the indoor cycling classes of various fitness studios in different cities around the world, also offers a wide range of training and entertainment content: training sessions, virtual training, entertainment apps and mirroring with personal devices.

In the world of sport, in the first few months of the year Technogym has been involved in an exciting calendar of events: the America's Cup, where athletes from the Prada Luna Rossa team have an athletic training centre available equipped with the most innovative Technogym digital products and services to the 2021 Alpine World Ski Championships in Cortina, where Technogym has, for the first time in the history of the event, equipped high-altitude warm-up areas for athletes to use before the start of the races.

In relation to the scope of consolidation, it should be noted that in March 2021, Technogym International BV acquired the remaining 10% of TG Holding BV for Euro 600 thousand through an arm's length transaction with the minority shareholder. This transaction is part of the plan to strengthen and expand the group in Russia. On the date of this document, the Group therefore holds 100% of TG Holding BV and thus of the subsidiary Technogym ZAO. No risks or impairment of intangible assets have been identified, given that, as of today's date, Technogym ZAO has equity greater than the value of the investments in TG Holding BV.

Continuing on the subject of investments, as of 31 March 2021, the first call/put option window relating to the investee EXERP expires. As of today's date, Technogym has exercised the call option in order to buy the majority of the shares in EXERP which, to date, are not in its possession. On the other hand, a percentage of shareholders, below 2%, has requested the postponement of the put/call option to the second window. The acquisition will be completed between the end of April 2021 and the start of May 2021 for a value that will be determined by including the latest net financial position, which is not yet available. The projected enterprise value falls within that estimated and analysed by Technogym during the impairment testing carried out for the purposes of the financial statement assessment. It is therefore confirmed that even after the completion of the acquisition of over 98% of EXERP, by applying the predefined formula in the call/put option, no impairment is required.

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Technogym SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Technogym SpA (the "Company") and its subsidiaries (the "Group" or the "Technogym Group"), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Technogym Group as of 31 December 2020 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

www.pwc.com/it

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition *See notes to the consolidated financial statements, paragraph "Accounting policies" and note 6.1 – Revenues* Revenues of Technogym Group for the year ended as at 31 December 2020 amounted to Euro 508.3 million. Such financial statements item includes revenues from sales of wellness equipments, accessories, services and digital solutions made by Technogym Group in several segments, distribution channels and geographical areas. General terms of sale drawn up by the Technogym Group are negotiated with the counterparty and may be amended and/or supplemented by specific clauses based on the type of customer. Moreover, sales contracts, especially those with leading international customers, are often long-term. As part of our audit of the consolidated financial statements as of 31 December 2019, we focused our attention on this financial statements area not only because of the magnitude of the amount, but because it is particularly complex and requires an in-depth analysis to ascertain the correct application of the revenues cut-off principle. This is due to the fact that a single contract may include components of a different nature (for instance, the sale of a product and the provision of the maintenance service), with the consequent need to allocate to the single contractual obligations the total price inferable from the contract/sale order, and due to the existence, in contracts with specific international customers, of buy back clauses (i.e. sales with the obligation to buy back second-hand goods against the sale of a new machine), with the need to estimate, on a historical/statistic basis, the probability of their implementation by the customers.	With reference to the Revenue line item, our audit approach preliminarily provided for the update of our understanding and evaluation of the internal control system of the various companies of Technogym Group in relation to the sale process as well as, where deemed as efficient in the circumstances, the validation of its adequacy through tests on a sample basis on the effectiveness of the key controls implemented by the various companies of the Group. We also updated our understanding and analysed the general terms of sale and the main contractual clauses used and negotiated with customers, considering the related effects for the purpose of the appropriate revenue recognition through analysis of the documentation and discussion with management of the Group. In order to verify the existence of the sale revenues as well as the correct application of the cut-off principle and considering what emerged from the activities summarised above, we selected a sample of contracts/sale orders concluded during the year, we analysed the contractual clauses relevant in the circumstances and we verified the correct recognition and measurement of revenues from sales related to the selected transactions. Furthermore, we selected a sample of transactions recognised as revenues during the year and near the end of the reporting period, we obtained the supporting documentation (contracts/orders, transports documents, invoices) and we verified the correct revenue recognition and measurement. In particular, we focused our audit activity on the type of contracts that envisage, in addition to the sale of a product, also the provision of a service, in order to verify the appropriate method for the allocation of the total price under the contract to each performance obligation agreed with the customer.

We also performed the external confirmations procedures on a sample basis in order to acquire evidence supporting trade revenues and receivables recognised in the consolidated financial statements in relation to the sale of products or the provision of services.

In addition, we analysed the reasonableness of the estimate of the year-end monetary awards recognised to distributors as well as that of the non-monetary awards (i.e. free products) that the Group recognises to customers as a result of the achievement of specific sale volumes.

Furthermore, we verified on a sample basis the invoices to be issued and the credit notes to be issued allocated in the financial statements, as well as the credit notes issued at the beginning of 2021, in order to ascertain that the sums allocated as increases in and adjustments to the revenues earned by the Group at year-end were correctly recognised within the cut-off date.

Moreover, we reviewed the assumptions underlying the estimate prepared by the Group to determine the probability to implement the buy back clauses by customers, testing the correctness of the calculation and the accurate adjustment to the revenue from sale in order to consider the buy back obligation undertaken by the Group.

Finally, we verified the accuracy and completeness of the information reported in the notes to the consolidated financial statements as of 31 December 2020.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors of Technogym SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated 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, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's 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 auditor's 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 International Standards on Auditing (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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated 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.

- We obtained 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 on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated 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 determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 16 February 2016, the shareholders of Technogym SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Technogym SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Technogym Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis,

pwc

paragraph 4, of Legislative Decree No. 58/1998, with the consolidated financial statements of Technogym Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Technogym Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Technogym SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement. Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Bologna, 12 April 2021

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

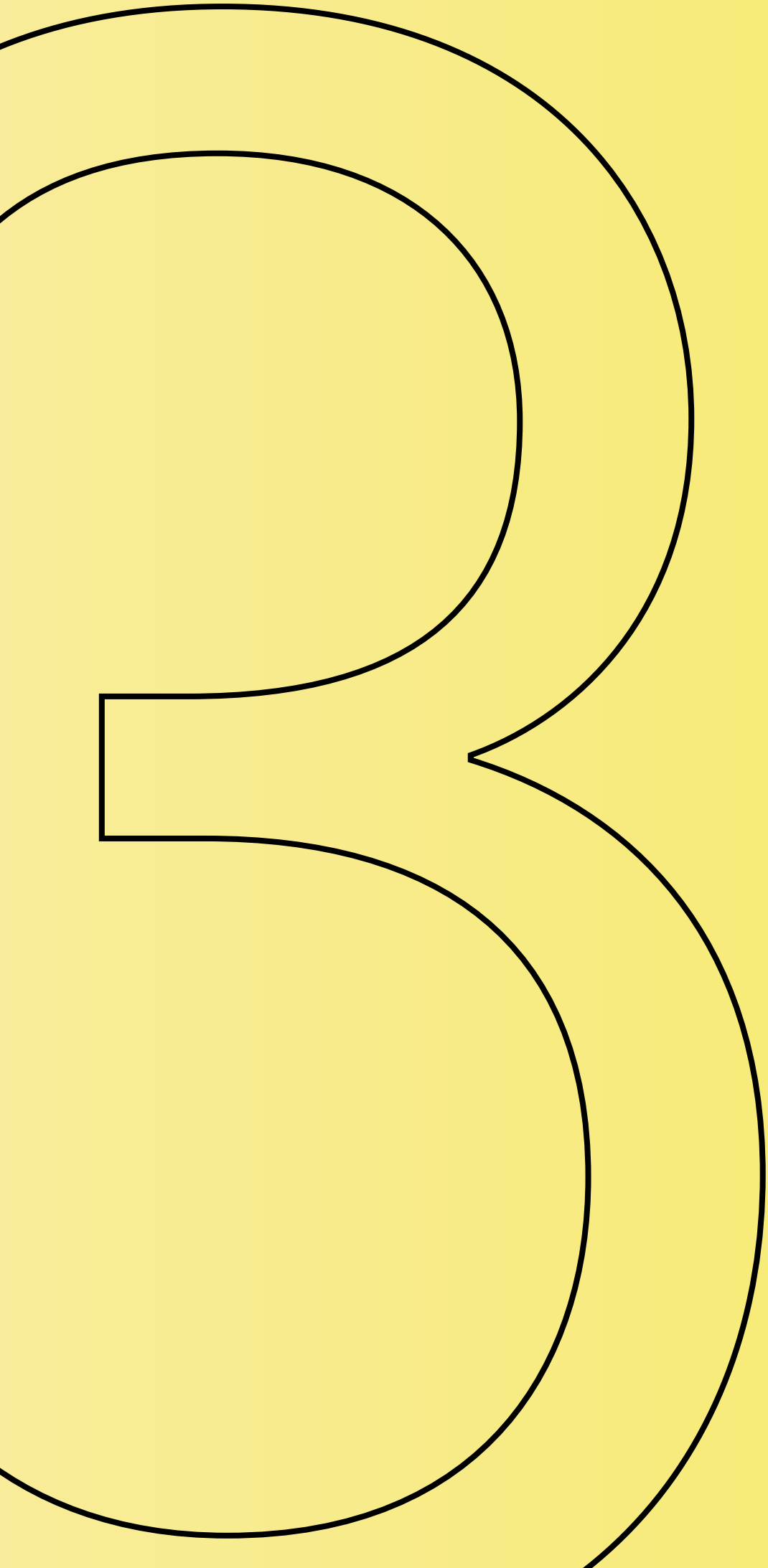
Certification of the financial statements of the Technogym Group pursuant to Article 81b of Consob Regulation 11971 of 14 May 1999 as amended

1. The undersigned, Nerio Alessandri, in his capacity as the Chief Executive Officer of Technogym S.p.A. and Andrea Alghisi as Financial Reporting Officer of Technogym S.p.A.'s financial statements, pursuant to Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of February 24, 1998, hereby certify that:
   - the financial statements are adequate, in relation to the characteristics of the company and
   - the administrative and accounting procedures have been effectively applied in the preparation of the consolidated financial statements from 1 January 2020 to 31 December 2020.

2. We also confirm that the Consolidated Financial Statements:
   a) has been drawn up in accordance with the international accounting standards recognised in the European Union under Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) are consistent with the entries in the accounting books and records;
   c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3. The Report on operations includes a reliable operating and financial review of the Company and of the Group, as well as a description of the main risks and uncertainties to which they are exposed.

Cesena, 24 March 2021



SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

Technogym S.p.A.
Financial statements

Statement of financial position

(in Euro)		At 31 December			
	Notes	**2020**	***of which from related parties***	**2019**	***of which from related parties***
Assets					
Non-current assets					
Property, plant and equipment	1	70,803,419	*29,044,628*	73,144,394	*26,422,667*
Intangible assets	2	45,968,162		41,540,206	
Deferred tax assets	3	8,358,483		7,674,617	
Equity investments	4	184,150,445		181,885,838	
Non-current financial assets	5	33,905,144	*33,705,144*	37,679,537	*37,479,537*
Other non-current assets	5	50,072,089	—	47,470,486	*58,936*
Total non-current assets		**393,257,743**		**389,395,077**	
Current assets					
Inventories	6	33,066,178		31,538,432	
Trade receivables	7	62,143,553	*30,028,545*	69,775,343	*32,897,017*
Current financial assets	8	2,393,091	*2,354,376*	12,271,301	*12,187,576*
Assets for derivative financial instruments	9	1,525,135		—	
Other current assets	10	14,584,795	*2,933,225*	15,502,896	*2,411,379*
Cash and cash equivalents	11	161,745,204		81,053,560	
Total current assets		**275,457,957**		**210,141,533**	
Total assets		**668,715,700**		**599,536,610**	

(in Euro)		At 31 December			
	Notes	**2020**	***of which from related parties***	**2019**	***of which from related parties***
Equity and liabilities					
Equity					
Share capital		10,066,375		10,050,250	
Share premium reserve		4,989,750		4,989,750	
Other reserves		77,553,450		73,485,047	
Retained earnings		191,265,140		123,395,242	
Profit/(loss) for the period		46,339,486		72,332,475	
Total equity	**12**	**330,214,201**		**284,252,764**	
Non-current liabilities					
Non-current financial liabilities	13	106,014,355	*25,062,803*	63,799,519	*21,909,133*
Employee benefit obligations	14	2,752,696		2,865,768	
Non-current provisions for risks and charges	15	7,105,881		6,495,018	
Other non-current liabilities	16	32,852,895		28,898,873	
Total non-current liabilities		**148,725,827**		**102,059,178**	**21,909,133**
Current liabilities					
Trade payables	17	91,176,014	*13,342,750*	103,420,536	*22,236,172*
Current tax liabilities	18	59,468		1,654	
Current financial liabilities	13	76,597,329	*35,808,984*	85,872,877	*37,851,351*
Liabilities for derivative financial instruments	19	57,749		13,310	
Current provisions for risks and charges	15	5,865,270	*20,795*	9,853,527	*123,551*
Other current liabilities	20	16,019,843	696,645	14,062,764	597,461
Total current liabilities		**189,775,672**		**213,224,668**	
Total equity and liabilities		**668,715,700**		*599,536,610*	

Income statement

(in Euro)		Year ended 31 December			
	Notes	**2020**	***of which from related parties***	**2019**	***of which from related parties***
Revenues					
Revenues	21	347,774,856	*187,649,000*	436,484,060	*246,298,151*
Other revenues and income	22	10,293,891	*9,578,360*	13,623,559	*12,607,839*
Total revenues		**358,068,747**		**450,107,619**	
Operating costs					
Purchases and use of raw materials, work in progress and finished goods	23	(179,097,511)	*(51,125,674)*	(222,252,442)	*(66,145,079)*
Of which non-recurring expenses:		*(39,569)*		*(5,055)*	
Cost of services	24	(50,684,601)	*(1,849,909)*	(61,869,040)	*(3,653,701)*
Of which non-recurring expenses:		*(161,727)*		*(53,083)*	
Personnel expenses	25	(45,157,320)	*(57,665)*	(56,291,439)	*(980,637)*
Of which non-recurring expenses:		*(229,980)*		*(896,610)*	
Other operating costs	26	(9,926,697)	*(2,501,837)*	(4,679,391)	*(3,204,630)*
Of which non-recurring expenses:		(1,104,166)		—	
Depreciation, amortisation and impairment losses / (write-backs)	27	(27,238,329)	*(4,646,161)*	(24,342,037)	*(4,742,824)*
Net provisions	28	6,690,168	*7,590,507*	(9,836,723)	*(7,590,507)*
Of which non-recurring income/ (expenses):		*7,140,507*	*7,590,507*	*(7,590,507)*	*(7,590,507)*
Net operating income		**52,654,456**		**70,836,548**	
Financial income	29	12,186,487	*693,822*	8,371,303	*721,705*
Financial expenses	30	(14,684,221)	*(861,957)*	(9,128,613)	*(750,079)*
Of which non-recurring expenses:		(173,520)		—	
Net financial expenses		**(2,497,735)**		**(757,310)**	
Income/(expenses) from investments	31	5,063,643	5,063,643	16,777,078	16,777,078
Of which non-recurring expenses:		(9,985,795)	(7,590,507)	—	
Profit before tax		**55,220,365**		**86,856,315**	
Income taxes	32	(8,880,879)		(14,523,841)	
Of which non-recurrent income taxes		—		2,238,233	
Profit/(loss) for the period		**46,339,486**		**72,332,475**	
Earnings per share	**33**	**0.23**		**0.36**	

Statement of comprehensive income

(in Euro)	Notes	Year ended 31 December	
		2020	**2019**
Profit/(loss) for the year (A)		**46,339,486**	**72,332,475**
Actuarial gains/(losses) on post-employment benefit obligations	14	(26,618)	(180,837)
Tax effect - Actuarial gains/(losses) on post-employment benefit obligations		6,388	43,401
Actuarial gains/(losses) for the PNC provision	15	(131,549)	(65,914)
Tax effect - Actuarial gains/(losses) for the PNC provision		31,572	15,819
Total items that will not be reclassified to profit or loss (B1)		**(120,207)**	**(187,530)**
Gains (losses) on cash flow hedges	9	—	—
Tax effect – Gains (losses) on cash flow hedges		—	—
Gains (losses) on cash flow hedging instruments (IRS)		—	9,866
Tax effects - Gains (losses) on cash flow hedging instruments (IRS)		—	(2,368)
Total items that will be reclassified to profit or loss (B2)		**—**	**7,498**
Total Other comprehensive income, net of tax (B)=(B1)+(B2)		**(180,032)**	**(50,300)**
Total comprehensive income for the year (A)+(B)		**46,219,279**	**72,152,442**

Cash flow statement

(In thousands of Euro)	Notes	Year ended 31 December	
		2020	**2019**
Cash flows from operating activities			
Profit/(loss) for the period	12	46,339,486	**72,332,475**
Adjustments for:			
Income taxes	32	8,880,879	**14,523,841**
(Income)/expenses from investments	31	(5,063,643)	**(16,777,078)**
Financial (income)/expenses	29-30	2,497,735	**757,310**
Depreciation, amortisation and impairment	27	27,238,329	**24,342,037**
Net provisions	28	(6,690,168)	**9,836,723**
Cash flows from operations before changes in working capital		**73,202,617**	**105,015,308**
Change in inventories	6	(2,034,247)	**10,693,348**
Change in trade receivables	7	20,491,125	**12,881,274**
Change in trade payables	17	(11,604,974)	**(22,707,842)**
Change in other assets and liabilities	10-15-16-17-20	(4,494,672)	**1,330,779**
Income taxes paid	3-14-18-32	(10,155,875)	**(21,508,597)**
Net cash inflow / (outflow) from operating activities (A)		**65,403,974**	**85,704,271**
Cash flows from investing activities			
Investments in property, plant and equipment	1	(6,349,038)	(12,834,435)
Disposals of property, plant and equipment	1	31,795	703,523
Investments in intangible assets	2	(15,187,307)	(16,650,014)
Disposals of intangible assets	2	58,348	84,576
Dividends from investments	31	12,820,248	10,057,583
Dividends from investments in Joint Ventures	31	951,554	—
Investments in subsidiaries, associates and other entities	4-5	(9,500)	(583,132)
Net cash inflow (outflow) from investing activities (B)		**(7,683,901)**	**(19,221,899)**

(In thousands of Euro)	Notes	Year ended 31 December	
		2020	**2019**
Cash flows from financing activities			
Reimbursement of leasing costs (IFRS 16)		(5,682,767)	(5,541,892)
Non-current financial liabilities (including the current portion)	13	50,000,000	25,000,000
Repayment of borrowings (including the current portion)	13	(24,500,000)	(43,754,245)
Net increase (decrease) in current financial liabilities	12	8,253,598	23,305,224
Dividends paid to shareholders	9-30-31	—	(36,180,900)
Payments of net financial expenses		(4,721,213)	100,277
Net cash inflow (outflow) from financing activities (C)		23,349,618	(37,071,536)
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)		81,069,692	29,410,837
Cash and cash equivalents at the beginning of the year		81,053,560	51,387,221
Net increase / (decrease) in cash and cash equivalents from 1 January to 31 December		81,069,692	29,410,837
Effects of exchange rate differences on cash and cash equivalents		(378,049)	255,502
Cash and cash equivalents at the end of the period		**161,745,204**	**81,053,560**

Statement of change in equity

(in thousands of Euro)	Share capital	Share premium reserve	Other reserves									Profit/(loss) for the period	Total equity
			Legal reserve	Extraordinary reserve	Reserve for the adoption of IAS/ IFRS	IAS 19 reserve	Stock grant plan reserve	IRS Hedge Account reserve	Unrealised exchange differences reserve	Other reserves	Retained earnings		
As of 1 January 2019	**10,050,250**	**4,989,750**	**2,010,050**	**14,276,028**	**51,360,285**	**(133,972)**	**1,980,994**	**(7,498)**	**22,567**	**(820,423)**	**71,476,075**	**92,641,582**	**247,845,688**
Profit for the previous year	—	—	—	3,619,056	(14,697)	—	—	—	116,733	820,423	88,100,067	(92,641,582)	—
Total comprehensive income for the year	—	—	—	—	—	(187,531)	—	7,498	—	—	—	72,332,475	72,152,442
Dividends paid	—	—	—	—	—	—	—	—	—	—	(36,180,900)	—	(36,180,900)
Incentive plan (LTIP)	—	—	—	—	—	—	435,534	—	—	—	—	—	435,534
As of 31 December 2019	**10,050,250**	**4,989,750**	**2,010,050**	**17,895,085**	**51,345,587**	**(321,503)**	**2,416,528**	**—**	**139,300**	**—**	**123,395,242**	**72,332,475**	**284,252,764**
Profit for the previous year	—	—	—	4,614,133	(12,257)	—	—	—	(139,300)	—	67,869,898	(72,332,475)	—
Total comprehensive income for the year	—	—	—	—	—	(120,207)	—	—	—	—	—	46,339,486	46,219,279
Increase in capital	16,125	—	—	—	—	—	—	—	—	—	—	—	16,125
Incentive plan (LTIP)	—	—	—	—	—	—	(273,967)	—	—	—	—	—	(273,967)
As of 31 December 2020	**10,066,375**	**4,989,750**	**2,010,050**	**22,509,218**	**51,333,331**	**(441,710)**	**2,142,561**	**—**	**—**	**—**	**191,265,140**	**46,339,486**	**330,214,200**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1 General information

Technogym S.p.A. (hereinafter "Technogym" or the "Company") is a legal entity established in Italy, with registered office located in Via Calcinaro 2861, Cesena (Forlì-Cesena); it is governed by Italian law.

The Company is among the world's top players in the fitness equipment industry, offering integrated solutions for the personal wellness (consisting mainly in equipment, services, and digital solutions) that can be personalised and adapted to specific needs of end users and professional operators. The Company offers a wide range of wellness, physical exercise and rehabilitation solutions to the major segments of fitness equipment market and to the overall wellness industry, and is characterised by technological innovations and attention to design and finishes. The Company's offer includes equipment that is highly regarded by end users and professional operators and has contributed, over time, to the positioning of the Technogym brand in the high-end bracket of the international market.

On 6 February 2020, an Accelerated Bookbuilding procedure was completed by Wellness Holding S.r.l. (the company holding the investment in the Issuer up to 14 May 2020), for the sale of 10,000,000 shares of the Issuer.

On 14 May 2020, Wellness Holding S.r.l. carried out the demerger, with the newco Wellness Holding S.r.l. being set up, (VAT registration number 04508790401), renamed TGH S.r.l. on 29 May 2020, which became the holder of the entire investment in the Issuer's share capital, as a result of the demerger.

Therefore, at the date of publication of this Financial Report, TGH S.r.l. held 39.73% of the Issuer's share capital (representing 56.87% of total voting rights), while the remaining 60.27% of the Issuer's share capital is free float on the MTA market managed by Borsa Italiana S.p.A.

Technogym is not subject to direction and coordination by TGH S.r.l., within the meaning of Art. 2497 of the civil code. Please refer to Paragraph 2, letter j) of the "Corporate Governance Report" for more details, drafted by taking into consideration the format prepared by Borsa Italiana for corporate governance reports. The corporate governance report is available in the "Corporate Governance" section of the website www.technogym.com.

These Financial Statements were approved by the Company's Board of Directors on 24 March 2021 and audited in full by PricewaterhouseCoopers S.p.A.

2 Summary of accounting standards

This section describes the accounting standards adopted for the preparation of these Financial Statements for the year ended 31 December 2020 (hereinafter the "Financial Statements"). These standards have been adopted for all the financial years presented, unless otherwise indicated.

2.1 BASIS OF PREPARATION

(i) Compliance with EU-IFRS

The Financial Statements have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and endorsed by the European Union ("EU-IFRS"). EU-IFRs means all the "International Financial Reporting Standards, International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC"), which, at the reporting date of the Consolidated Financial Statements, had been endorsed by the European Union in accordance with the procedure in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The Financial Statements have also been prepared:

- based on the best knowledge of the EU-IFRS and considering relative legal theory; any future guidance and updates to interpretations will be reflected in subsequent years, according to procedures established as and when necessary by the accounting standards;
- on a going-concern basis, as the Company Directors have verified that there are no financial, operational or other indicators that could signal criticalities regarding the Group's ability to meet its obligations in the foreseeable future and specifically over the next 12 months, also taking into consideration the effects of COVID-19 on the 2021 financial year.

2.2 HISTORICAL COST APPROACH

The Financial Statements have been prepared based on the historical cost approach, with the exception of certain financial assets and liabilities (including financial derivatives) which are measured at fair value.

Some items on the statement of financial position and the income statement have been reclassified by amounts that are not significant, in order to better present these items.

2.3 FORM AND CONTENT

The Financial Statements are presented in Euro, which is the currency of the primary economic environment in which the Group operates. The amounts reported in the current document are presented in thousands of Euro, unless otherwise stated.

The Financial Statements comprise the mandatory statements contemplated in IAS 1, namely the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and related Notes.

The formats adopted are consistent with those indicated in IAS 1 – Presentation of Financial Statements.

- the statement of financial position was prepared by classifying the assets and liabilities according to the "current and non-current" criterion;
- The statement of comprehensive income classifies costs and revenues according to their nature and indicates the profit or loss; it is supplemented by items which, as provided for by EU-IFRS, are directly recognised as equity, other than those relating to operations with the shareholders of the Company;
- the statement of cash flows has been prepared by presenting cash flows from operating activities according to the "indirect method".

The formats used best represent the financial position, performance and cash flows of the Company.

2.4 DISTINCTION BETWEEN CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The Company classifies an asset as current when:

- it holds the asset for sale or use, or expects to realise the asset in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent, unless the asset is restricted or limited in such a way as to prevent its use for at least twelve months after the reporting period.

All other assets are classified as non-current. The Company classifies a liability as current when:

- it expects to settle the liability during its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- the asset must be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the asset beyond twelve months.

All other liabilities are classified as non-current.

2.5 VALUATION CRITERIA

The accounting standards used in preparing the Financial Statements are the same as those used for preparing the Consolidated Financial Statements (paragraph 2.4) where applicable, except for the measurement of investments in subsidiaries and associates and dividends, as indicated below.

3 Statement of Financial Position

3.1 EQUITY INVESTMENTS

Investments in subsidiaries, joint ventures and associates are measured using the cost method, including charges directly attributable, net of any impairment losses.

Subsidiaries are entities in which the Company holds the control, whether directly or indirectly, as stated in IFRS 10 – "Consolidated Financial Statements". Thus, control exists when the company has all three of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

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, and therefore interests in the jointly controlled company.

Associates are those entities for which the Company holds at least 20% of the entity's voting power, or rather, it has significant influence over the entity but does not have control or joint control over its strategic financial and operating decisions.

At each reporting date, the Company reviews the carrying value of investments to determine if there are any indications of a loss of value and, in that case, performs an impairment test.

If there is objective evidence of loss of value, the recoverability is tested by comparing the carrying value of the asset with its recoverable value, represented by the higher value between the fair value (net of disposal costs) and the determined value in use.

The Company writes back the value of investments if the reasons for their write-down no longer apply.

Dividends are recognised at the date of resolution of the shareholder's meeting and are recorded in the income statement, even if they result from the distribution of retained earnings generated prior to the acquisition date. The distribution of retained earnings may represent a loss in value and, therefore, raise the need to verify the recoverability of the carrying amount of the investment.

4 Estimates and assumptions

The preparation of the Financial Statements according to IFRS requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities in the statement of financial position, and the accompanying disclosures regarding potential assets and liability at the date of publication of the financial statements, as well as revenues and costs for the period.

The estimates are based on experience and other factors considered relevant. The actual results could differ from estimates. Estimates are reviewed periodically and the effects of each change are reflected in profit or loss, in the period when the estimate is reviewed.

Below is a list of cases that require greater subjectivity by management, in producing the estimates:

- **Measurement of receivables**: the provision for bad debts reflects the estimates of the expected losses for the Company's receivables. Provisions for expected losses on receivables have been made, estimated based on past experience with reference to receivables with a similar credit risk, current and past amounts unpaid, as well as careful monitoring of the quality of receivables and current and estimated conditions of the economy and the reference markets. The estimates and assumptions are reviewed periodically and the effects of each change are recognised in profit or loss as they occur.
- In 2020, due to the continuation of the pandemic, the Company conducted a sensitivity test on the recoverability of the value of receivables on which there is a buyback obligation. 4 different sensitivity scenarios were represented, leading to an increase in the amount set aside during 2020, which has resulted in an increase in the provision on these amounts recognised on the financial statements. To date, there is evidence of risk in the order of 2-3X (where "X" is the risk of default, historically equivalent to EUR 1.2/1.3 million annually, against a portfolio of approximately EUR 170 million), deriving from past-due customer accounts with leasing companies that would indicate that this scenario is highly probable. In view of the available evidence and forecasts for the next few months, the Company has decided on the 5X scenario, which resulted in a provision of approximately Euro 3.2 million. If the actual risk is greater than 5X, a further write-down will be necessary. In this context, the Company has prepared a worst-case 10X scenario. If this materialises, a provision of a further EUR 4 million will be required. This has not been represented on the financial statements as it is considered improbable.
- **Measurement of inventories**: obsolete stocks are periodically measured and written down if the net realisable value is lower than the carrying amount. Write-downs are calculated based on management's assumptions and estimates, arising from management's experience and past results achieved.
- **Measurement of deferred taxes**: deferred taxes are measured based on expectations of taxable income expected in future years. The measurement of expected taxable income depends on factors that could vary in time and have significant effects on the measurement of deferred tax assets.
- **Income taxes**: The determination of the Group's tax liabilities requires Management to use measurements for transactions whose tax implications are uncertain on the reporting date. The Company recognises liabilities that could arise from future audits by tax authorities based on the estimate of taxes due. If the outcome of the above audits differs

from that estimated by management, significant effects on current and deferred taxes could be possible.

- **Development costs**: The Company capitalises the costs of developing new products and processes. Costs are capitalised based on management's judgement, which confirms the technical, financial and commercial feasibility of development projects. In determining amounts to capitalise, management makes some assumptions as to the generation of the project's expected future cash flows, consequent discount rates to apply and the expected useful life of capitalised costs. At 31 December 2020, the net carrying amount of capitalised development costs was equal to Euro 19,337 thousand (Euro 14,336 thousand at 31 December 2019).
- **Impairment of assets**: assets are impaired when events or changes in circumstances lead to the assumption that the carrying amount in the financial statements can no longer be recovered. Events that may cause an impairment of an asset include changes in industrial plans, changes in market prices or a reduced use of plants. The decision to write-down an asset and quantify the write-down depends on management's evaluations of complex and highly uncertain factors, including the future trend of prices, the impact of inflation and technological progress on production costs, production profiles and conditions of demand and supply. The write-down is determined by comparing the carrying amount with the relative recoverable value, represented by the higher of the fair value, net of disposal costs, and value in use determined by discounting expected cash flows arising from use of the asset. Expected cash flows are quantified in the light of information available at the time of the estimate based on subjective judgements of the trend of future variables, such as prices, costs, rates of growth in demand, production profiles, and are discounted using a rate that takes into account the implied risk of the asset concerned.
- **Useful life of tangible and intangible assets with a finite useful life**: depreciation is calculated based on the useful life of the asset. Useful life is determined when the asset is recognised in the financial statements. Valuations of the duration of useful life are based on past experience, market conditions and expectations of future events that could have an effect on the useful life, including technological changes. Consequently, the actual useful life may differ from the estimated useful life.
- **Employee benefits**: defined-benefit plans are measured based on uncertain events and actuarial assumptions that include discount rates, the expected returns on assets serving plans (if existing), the level of future remuneration, mortality rates, retirement ages and future trends in health expenses. The main assumptions used to quantify defined benefit plans are determined as follows: (i) the discount and inflation rates that represent the rates based on which obligations to employees could actually be carried out, are based on the rates that accrue on high-quality bonds and inflation expectations; (ii) the level of future remuneration is determined based on elements such as inflation expectations, productivity, career progress and seniority; (iii) the future cost of healthcare is determined based on elements such as the present and pass trend of healthcare costs, including assumptions concerning the inflation trend of costs, and changes in the health conditions of entitled parties; (iv) demographic assumptions the reflect the best estimate of the trend in variables, such as mortality, turnover and disability, and other variables relative to the entitled population. The differences in the value of net liabilities (assets) of employee benefit plans arising from changes in the actuarial assumptions used and the difference between actuarial assumptions previously adopted and those actually used occur normally and are defined as actuarial gains or losses. Actuarial gains and losses relative to defined benefit plans are recognised in other comprehensive income. The actuarial assumptions as also adopted to determine obligations relative to other long-term benefits; for this purpose, the effects arising from changes to actuarial assumptions or characteristics of the benefit are recognised in full in profit or loss.
- **Measurement of provisions for risks**: the Company recognises a liability for disputes and lawsuits in progress when it is considered probable that there will be a financial

outflow and when the amount of the resulting loss can be reasonably estimated. In the event a financial outflow is possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements. The causes may relate to complex legal and tax issues that are subject to different level of uncertainty, against which it is possible that the value of the funds may vary as a result of future developments in the ongoing proceedings. The Company monitors the status of pending litigation and consults with its own legal advisors and experts. Moreover, when selling a product, the Company makes provisions to cover the estimated costs of product warranties. The estimate of this fund is calculated on the basis of historical information on the nature, frequency and average cost of warranty claims.

- **Fair value of financial instruments**: the fair value of unlisted financial instruments is determined according to commonly used financial valuation techniques that require basic assumptions and estimates. These assumptions might not occur according to expected times and procedures. Therefore Company estimates could deviate from final data.
- **Share-based payments**: the fair value of share-based payments is estimated by determining the most appropriate measurement model, which depends on the terms and conditions of the plan. This estimate also requires the determination of the most appropriate input for the measurement model, including the expected duration of the option or granted right, the volatility and return on dividends, and the related assumptions.
- **Estimate of variable considerations relative to returns and discounts on volumes**: the Company estimates variable considerations to include in the transaction price for the sale of products with the right to return them. The Company has developed a statistical model for expected returns on sales. This model is based on historical data relative to each product, to obtain the percentages of expected returns. The percentages obtained are applied to determine the expected value of the variable consideration. Any future change compared to past experience will affect the expected return percentages estimated by the Company.
- **Leasing**: Following the entry into force of the new accounting standard IFRS 16, leasing contracts are recognised on the basis of a single accounting model similar to the provisions of IAS 17 on the recognition of financial leases. When entering into each contract, the company:
  - determines whether the contract is a lease or contains one; this arises when the contract grants the right to control the use of a specific asset for a period of time in exchange for a price. This assessment is repeated if there are subsequent changes to the contractual terms and conditions.
  - separates the components of the contract, by distributing the contract price between each leasing or non-leasing component.
  - determines the duration of the lease as the non-cancellable period of the lease, to which may be added to any period covered by an extension option, or termination of the lease.

On the effective date of each contract for which the Company is the lessee, the assets consisting of the right of use (valued at cost) and the financial liabilities for the lease are recognised on the financial statements; they are equal to the current value of the remaining future payments, discounted according to the implicit interest rate or alternatively, the Group's marginal finance rate. Subsequently, the asset consisting of the right of use is valued by applying the cost model, net of the depreciation and any reductions in accumulated value, adjusted to take into account any new valuations or modifications to the lease. Leasing charges are valued by increasing the book value to take into account the interest, reducing the book value to take into account payments made, and re-determining the book values to take into account any new valuations or modifications to the lease.

The assets are depreciated according to a period represented by the term of the lease contract, unless its duration is less than the useful life of the asset based on the rates applied to tangible assets, and there is the reasonable certainty of the ownership of the leased asset

being transferred on the natural contractual expiry date. In such a case the depreciation period will be calculated on the basis of the criteria and rates indicated for tangible assets.

For lease contracts whose duration ends within 12 months from the date of initial application and for which there are no renewal options, and for contracts with low-value underlying assets, the lease charges are recognised on the income statement on a straight line basis throughout the duration of the respective contracts.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 Property, plant and equipment

The item "Property, plant and equipment" amounted to Euro 70,803 thousand at 31 December 2020 (Euro 73,144 thousand at 31 December 2019).

The following table shows the amounts and movements of "Property, plant and equipment for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Land	Buildings and leasehold improvements	Plant and machinery	Production and commercial equipment	Other assets	Assets under construction and advances	Total
Historical cost at 1 January 2019	**3,105**	**33,045**	**18,746**	**54,955**	**15,258**	**764**	**125,873**
First-time adoption IFRS 16	**—**	**31,166**	**—**	**—**	**2,181**	**—**	**33,346**
Investments	—	237	831	9,596	740	1,413	12,817
Disposals	—	—	(1,004)	(141)	(278)	—	(1,423)
Reclassifications	—	—	302	111	—	(394)	18
Historical cost at 31 December 2019	**3,105**	**64,448**	**18,875**	**64,521**	**17,900**	**1,783**	**170,631**
Accumulated amortisation at 1 January 2019	**—**	**(16,073)**	**(9,299)**	**(45,568)**	**(11,482)**	**—**	**(82,423)**
First-time adoption IFRS 16	**—**	**(4,743)**	**—**	**—**	**(543)**	**—**	**(5,286)**
Amortisation	—	(2,416)	(1,531)	(5,267)	(1,283)	—	(10,497)
Disposals	—	—	398	98	223	—	719
Accumulated depreciation at 31 December 2019	**—**	**(23,232)**	**(10,433)**	**(50,736)**	**(13,086)**	**—**	**(97,487)**
Net values at 31 December 2019	**3,105**	**41,215**	**8,442**	**13,785**	**4,814**	**1,783**	**73,144**
Historical cost at 1 January 2020	**3,105**	**64,448**	**18,875**	**64,521**	**17,900**	**1,783**	**170,631**
IFRS 16 investments	—	8,245	—	—	682	—	8,927
Investments	—	—	733	4,767	590	236	6,326
IFRS 16 disposals	—	(977)	—	—	(236)	—	(1,213)
Disposals	—	—	(25)	(49)	(242)	—	(316)
Reclassifications	—	—	1,067	199	—	(1,242)	23
Historical cost at 31 December 2020	**3,105**	**71,716**	**20,650**	**69,438**	**18,694**	**777**	**184,378**
Accumulated amortisation at 1 January 2020	**—**	**(23,232)**	**(10,433)**	**(50,736)**	**(13,086)**	**—**	**(97,487)**
IFRS16 depreciation/amortisation	—	(4,646)	—	—	(658)	—	(5,305)
Amortisation	—	(2,422)	(1,548)	(6,051)	(1,212)	—	(11,233)
IFRS16 disposals	—	—	—	—	165	—	165
Disposals	—	—	14	49	221	—	284

(In thousands of Euro)	Land	Buildings and leasehold improvements	Plant and machinery	Production and commercial equipment	Other assets	Assets under construction and advances	Total
Accumulated depreciation at 31 December 2020	**—**	**(30,300)**	**(11,967)**	**(56,738)**	**(14,570)**	**—**	**(113,575)**
Net values at 31 December 2020	**3,105**	**41,415**	**8,683**	**12,700**	**4,124**	**777**	**70,803**

The category "Buildings and leasehold improvements" mainly includes buildings used for production and commercial activities and the associated installations also at the complex called "Technogym Village", used as corporate headquarters. "Plant and machinery" mainly includes production line assembly plants. "Production and commercial equipment" mainly refers to the moulds used for production and equipment used for machine assembly operations. "Assets under construction" mainly relate to investments in production lines at the Company's production sites that have not yet been placed in service at the end of the year and moulds not yet available for use.

Investments for the year ended 31 December 2020 amounted to Euro 15,253 thousand. Investments in assets under construction (Euro 236 thousand), mainly refer to the renovation of production lines; investments in industrial and commercial equipment (Euro 4,767 thousand) mainly refer to the purchase of moulds for the continual expansion and renovation of production lines; investments in plant and machinery (Euro 733 thousand) chiefly concern the implementation of new production lines.

Net disposals of plant, property and equipment at 31 December 2020 were equal to Euro 1,080 thousand (Euro 704 thousand at 31 December 2019).

At 31 December 2020 and 2019, there was no property or instrumental asset that was subject to any kind of guarantee provided to a third party.

The table below shows the impact of IFRS 16 on the financial position to 31 December 2020 and for the year ended 31 December 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Rights of use		
Buildings	29,045	26,423
Equipment	623	759
Cars	968	880
Total rights of use	**30,636**	**28,062**

The net IFRS 16 effect amounts to Euro 30,636 thousand (Euro 28,062 to 31 December 2019); this relates to property leases with subsidiaries, and to leases for vehicles and fork lift trucks.

The increase in "Buildings" relates to the change in the end-of-lease date for the leased and proprietary assets of the subsidiary TGB S.r.l. The date has been aligned with the principal lease ending on 19/02/2027.

The increase in "Vehicles" relates to the increase in leases of company cars.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Lease liabilities		
IFRS 16 Financial liabilities - Current	4,972	5,270
IFRS 16 Non-current financial liabilities	26,100	22,980
Total lease liabilities	**31,072**	**28,250**

The table below shows the impact of IFRS 16 on the consolidated income statement to 31 December 2020 and 31 December 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Payment reversals		
Buildings	4,995	4,983
Equipment	169	131
Cars	519	428
Total payment reversals	**5,683**	**5,542**

(In thousands of Euro)	At 31 December	
	2020	**2019**
Depreciation of rights of use		
Buildings	(4,646)	(4,743)
Equipment	(158)	(122)
Cars	(500)	(420)
Total depreciation	**(5,304)**	**(5,285)**

(In thousands of Euro)	At 31 December	
	2020	**2019**
Interest		
Interest expense	(625)	(446)
Total interest	**(625)**	**(446)**

2 Intangible assets

The item "Intangible assets" amounted to Euro 45,968 thousand at 31 December 2020 (Euro 41,540 thousand at 31 December 2019). The following table shows the amounts and movements of intangible assets for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Intangibles under development and advances	Other intangible assets	Total
Historical cost at 1 January 2019	**23,734**	**17,792**	**1,406**	**7,684**	**283**	**50,898**
Investments	4,725	6,754	189	4,965	35	16,668
Disposals	(1,194)	(2,031)	(73)	—	(41)	(3,338)
Impairment losses	—	—	—	(11)	—	(11)
Reclassifications	3,330	1,115	—	(4,464)	—	(18)
Historical cost at 31 December 2019	**30,595**	**23,631**	**1,522**	**8,174**	**276**	**64,198**
Accumulated amortisation at 1 January 2019	**(12,325)**	**(3,999)**	**(908)**	**—**	**(130)**	**(17,363)**
Amortisation	(5,091)	(3,211)	(173)	—	(74)	(8,548)
Disposals	1,156	1,984	73	—	41	3,254
Accumulated depreciation at 31 December 2019	**(16,259)**	**(5,226)**	**(1,008)**	**—**	**(165)**	**(22,658)**
Net values at 31 December 2019	**14,336**	**18,405**	**514**	**8,174**	**112**	**41,540**
Historical cost at 1 January 2020	**30,595**	**23,631**	**1,522**	**8,174**	**276**	**64,198**
Investments	6,530	4,794	207	3,442	236	15,209
Disposals	(5,736)	(1,108)	(262)	—	(47)	(7,153)
Impairment losses	—	—	—	(350)	—	(350)
Reclassifications	4,261	97	—	(4,391)	10	(23)
Historical cost at 31 December 2020	**35,650**	**27,414**	**1,467**	**6,875**	**475**	**71,881**
Accumulated amortisation at 1 January 2020	**(16,259)**	**(5,226)**	**(1,008)**	**—**	**(165)**	**(22,658)**
Amortisation	(5,758)	(4,362)	(161)	—	(69)	(10,350)
Disposals	5,704	1,094	262	—	35	7,095
Accumulated depreciation at 31 December 2020	**(16,313)**	**(8,494)**	**(907)**	**—**	**(199)**	**(25,913)**
Net values at 31 December 2020	**19,337**	**18,920**	**560**	**6,875**	**277**	**45,968**

"Development costs" refer to the costs arising from the innovation activity performed by the Company as part of its core business. "Patents and intellectual property rights" include expenditures related to the acquisition and registration of patents, models and designs. The category "Concessions, licences, trademarks and similar rights" includes trademarks and the associated costs of registration, as well as the costs for software rights and user licences. The item "Intangibles under development and advances" mainly refers to expenses incurred by the Group relative to projects for the development of new products, product lines, software and supporting applications not available for use at year-end. "Other intangible assets" concern the costs incurred relating to the recognition of intangible assets that meet the requirements of IAS 38 for recognition in the financial statements.

Investments for the year ended 31 December 2020 amounted to a total of Euro 15,209 thousand. Investments in intangible assets under development and advances (Euro 3,442 thousand) mainly relate to the development of new products and product lines, as well as to software and software applications; investments in patents and intellectual property rights (Euro 4,794 thousand) mainly refer to the upgrade and implementation of the new ERP SAP system, and upgrades to software used by the Group; investments in development costs (Euro 6,530 thousand) mainly refer to the costs incurred in updating and extending the range of products and services.

Net disposals of plant, property and equipment at 31 December 2020 were Euro 58 thousand (Euro 84 thousand at 31 December 2019).

3 Deferred tax assets

The item "Intangible assets" amounted to Euro 8,358 thousand at 31 December 2020 (Euro 7,675 thousand at 31 December 2019).

The following table shows the amounts and movements of intangible assets for the years ended 31 December 2020 and 2019.

Where permitted by the IFRS, "Deferred tax assets" are shown net of the "Deferred tax liabilities", which can be offset in order to show a correct representation.

(In thousands of Euro)	Values at 1 January 2019	Provisions	Utilisations	Values at 31 December 2019	Provisions	Utilisations	Reclassifications	Values at 31 December 2020
Inventory write-down provision	3,088	132	(147)	3,073	649	(40)	—	3,682
Warranties provision	2,084	1,584	(1,476)	2,192	817	(980)	—	2,029
Net unrealised exchange losses	—	—	—	—	412	—	(134)	278
PNC provision	307	83	(14)	376	102	(45)	—	433
Accumulated amortisation of trademarks	0	174	(31)	143	118	(14)	—	247
Other provisions for risks and charges	2,324	1,387	(1,730)	1,982	645	(1,840)	—	787
Provisions for Depreciation of other Receivables	444	353	(107)	690	858	(30)	—	1,518
Post-employment benefits	40	47	—	87	6	(3)	—	90
Total deferred tax assets	**8,288**	**3,761**	**(3,505)**	**8,544**	**3,607**	**(2,952)**	**(134)**	**9,065**

(In thousands of Euro)	Values at 1 January 2019	Provisions	Utilisations	Values at 31 December 2019	Provisions	Utilisations	Reclassifications	Values at 31 December 2020
Bad debt provision	—	(114)	—	(114)	—	114	—	—
Net unrealised exchange gains	(16)	(117)	—	(134)	—	—	134	(0)
Other liabilities	(620)	(2)	—	(622)	(87)	2	—	(707)
Total deferred tax liabilities	**(636)**	**(234)**	**—**	**(869)**	**(87)**	**116**	**134**	**(707)**
Total	**7,652**	**3,527**	**(3,505)**	**7,675**	**3,520**	**(2,835)**	**—**	**8,358**

4 Equity investments

The item "Equity" amounted to Euro 184,150 thousand at 31 December 2020 (Euro 181,886 thousand at 31 December 2019). The following table shows the amounts and movements of investments in joint ventures and associates for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Equity investments		
Investments in subsidiaries		
Investments in subsidiaries (gross value)	256,395	248,797
Provision for write-down of investments in subsidiaries	(72,303)	(66,969)
Total investments in subsidiaries	184,092	181,828
Investments in joint ventures and associates (gross value)	582	945
Provision for write-down of investments in joint ventures and associates	(524)	(887)
Total investments in *joint ventures* and subsidiaries	**58**	**58**
Total investments	**184,150**	**181,886**

The following table shows the amounts and movements of the gross value of investments for the years ended 31 December 2020 and 2019:

(In thousands of Euro)	Gross values at 1 January 2019	Investments	Disposals	Gross values at 31 December 2019	Investments	Disposals	Gross values at 31 December 2020
Subsidiaries							
Technogym UK Ltd	28,995	—	—	28,995	—	—	28,995
Technogym Germany Gmbh	16,843	—	—	16,843	—	—	16,843
Technogym E.E. SRO	15,024	—	—	15,024	—	—	15,024
Technogym Benelux BV	12,503	—	—	12,503	—	—	12,503
Technogym USA Corp.	38,159	—	—	38,159	—	—	38,159
Technogym Shanghai Int. Trading Co. Ltd.	15,800	—	—	15,800	—	—	15,800
Technogym Australia Pty Ltd	7,621	—	—	7,621	—	—	7,621
Technogym Japan Ltd.	3,069	—	—	3,069	—	—	3,069
Technogym International BV	3,000	—	—	3,000	—	—	3,000
Technogym Trading SA	2,869	—	—	2,869	—	—	2,869
FKB Equipamentos LTDA	35,666	—	—	35,666	7,589	—	43,255
Technogym France Sas	1,267	—	—	1,267	—	—	1,267
Technogym Asia Ltd	1,676	—	—	1,676	—	—	1,676
Sidea S.r.l	700	—	—	700	—	—	700
Technogym Portugual Unipessoal Lda	5	—	—	5	—	—	5
TGB Srl	42,354	—	—	42,354	—	—	42,354
Amleto Aps	22,442	—	—	22,442	—	—	22,442
Wellness Partner Ltd	804	—	—	804	—	—	804
DWL Srl	—	—	—	—	10	—	10
Total subsidiaries	**248,797**	**—**	**—**	**248,797**	**7,599**	**—**	**256,395**
Joint ventures and associates							
Technogym Emirates LLC	29	—	—	29	—	—	29
Fitstadium S.r.l	363	—	—	363	—	(363)	0
Wellink S.r.l.	30	—	—	30	—	—	30
MPS Movimento per la Salute	123	—	—	123	—	—	123
T4ME Limited	400	—	—	400	—	—	400
Quainted Consulting PTY Ltd	326	—	(326)	—	—	—	—
Total joint ventures and associates	**1,271**	**—**	**(326)**	**945**	**—**	**(363)**	**582**

The following table shows the amounts and movements in the investments write-down provision for the years ended 31 December 2020 and 2019:

(In thousands of Euro)	Write-down provision at 01 January 2018	Provisions	Releases	Write-down provision at 31 December 2018	Provisions	Releases	Write-down provision at 31 December 2019
Technogym USA Corp.	(23,935)	—	3,830	(20,105)	—	1,256	(18,850)
Technogym Shanghai Int. Trading Co. Ltd.	(9,179)	—	1,223	(7,956)	—	131	(7,825)
Technogym Australia Pty Ltd	(3,365)	—	1,290	(2,075)	—	859	(1,216)
FKB Equipamentos LTDA	(35,666)	—	—	(35,666)	(7,589)	—	(43,255)
Technogym Asia Ltd	(660)	—	297	(363)	—	9	(354)
Wellness Partner Ltd	(803)	—	—	(803)	—	—	(803)
Total subsidiaries	**(73,608)**	**—**	**6,639**	**(66,969)**	**(7,589)**	**2,255**	**(72,303)**
Joint ventures and associates							
Fitstadium S.r.l	(363)	—	—	(363)	—	363	(0)
MPS Movimento per la Salute	(123)	—	—	(123)	—	—	(123)
T4ME Limited	(400)	—	—	(400)	—	—	(400)
Quainted Consulting PTY Ltd	(326)	—	326	—	—	—	—
Total joint ventures and associates	**(1,212)**	**—**	**326**	**(887)**	**—**	**363**	**(524)**

Investments in "Subsidiaries" at 31 December 2020 were equal to Euro 7,599 thousand, mainly attributable to: (i) the waiver of the loan made by the parent company to FKB Equipamentos LTDA which resulted in an increase in the value of the equity investment, as explained in the relevant table; (ii) a new investment in the subsidiary DWL, of Euro 10 thousand. The only change in the "Joint ventures and associates" item relates to the closure of the investment in Fitstadium S.r.l.

The following table lists the investments at 31 December 2020, with detailed information:

Entity name	Registered office	Stake held	Currency	Share capital at 31 December 2020 (in local currency)	Equity at 31 December 2020 (in local currency)	Profit/(loss) for the year at 31 December 2020 (in local currency)	Equity pro-quota at 31 December 2020 (€)	Net value in the financial statements at 31 December 2020 (€)
Subsidiaries								
Technogym E.E. SRO	Slovakia	99.98%	EUR	15,033,195	17,331,094	1,541,008	17,327,628	15,024,000
Technogym Asia Ltd.	China	100.00%	HKD	16,701,750	12,585,381	1,103,446	1,322,800	1,322,800
Technogym Shanghai Int. Trading Co. Ltd.	China	100.00%	CNY	132,107,600	63,980,452	2,637,895	7,975,126	7,975,126
Technogym Australia Pty Ltd	Australia	100.00%	AUD	11,350,000	10,181,372	1,310,407	6,404,990	6,404,990
Technogym Portugual Unipessoal Lda	Portugal	100.00%	EUR	5,000	405,376	99,447	405,376	5,000
Technogym International B.V.	Netherlands	100.00%	EUR	113,445	3,407,063	103,361	3,407,063	3,000,000
FKB Equipamentos LTDA	Brazil	99.94%	BRL	156,035,309	18,340,723	(20,541,390)	2,875,927	—
Wellness Partner Ltd	United Kingdom	75.00%	GBP	386,667	55,559	(9,927)	46,349	—
Sidea S.r.l	Italy	70.00%	EUR	150,000	5,011,374	1,270,562	3,507,962	699,500
Technogym Germany Gmbh	Germany	100.00%	EUR	1,559,440	3,341,803	485,338	3,341,803	16,843,000
Technogym UK Ltd	United Kingdom	100.00%	GBP	100,000	4,205,079	1,317,637	4,677,351	28,995,000
Technogym France Sas	France	100.00%	EUR	500,000	3,054,084	1,082,413	3,054,084	1,267,424
Technogym Benelux BV	Netherlands	100.00%	EUR	2,455,512	3,971,768	789,053	3,971,768	12,503,000
Technogym USA Corp.	United States	100.00%	USD	3,500,000	17,822,974	1,541,175	14,524,467	19,309,891
Technogym Trading S.A.	Spain	99.99%	EUR	2,499,130	4,624,714	473,181	4,624,251	2,869,130
Technogym Japan Ltd.	Japan	100.00%	JPY	320,000,000	1,518,981,898	20,952,231	12,008,711	3,068,792
TGB Srl	Italy	100.00%	EUR	96,900	20,678,255	1,148,364	20,678,255	42,354,077
Amleto Aps	Denmark	100.00%	DKK	60,000	164,493,513	84,602	22,106,669	22,440,866
DWL Srl	Italy	95.00%	EUR	10,000	8,974	(1,026)	8,974	9,500
TG Technogym SA	South Africa	100.00%	ZAR	—	—	—	—	—
Total subsidiaries								**184,092,097**
***Joint ventures* and associates**								
MPS Movimento per la Salute	Italy	50.00%	EUR	10,000	—	—	—	—
Technogym Emirates LLC	United Arab Emirates	49.00%	AED	300,000	28,646,922	5,354,209	3,114,832	28,188
Wellink S.r.l.	Italy	40.00%	EUR	60,000	369,515	23,103	147,806	30,161
T4ME Limited	Italy	20.00%	GBP	400,100	—	—	—	—
Total joint ventures and associates								**58,349**

Equity investments are impairment-tested when there are indications of specific impairments, mainly where there is a significant loss for the year or when the performance is not in line with the provisions of the plan for those investees whose book value is higher than the share of net equity recognised on the accounts.

For investments with net carrying values exceeding the value of the relative share of equity, no indications of possible impairment were identified. In particular, for the subsidiaries Technogym Germany GmbH, Technogym UK Ltd and Technogym Beleux BV, the financial plan ending in 2020 was updated to include a projection for 2021-2025.

The updated test revealed that the company's equity value is higher than the value of the investment recognised on the financial statements, thus there is no need to write-down these investments because there are no indications of loss of value.

With regard to Technogym USA Corp., the difference only relates to the distribution of profits to the parent company; the total amount of dividends does not exceed the subsidiary's statement of comprehensive income.

During 2020, an updated valuation report for Technogym Village was provided by a leading international property valuation firm, who confirmed that the Village's investment value was higher than the book value. There are, therefore, no trigger events that could lead to write-downs.

In line with IAS 36, impairment testing was carried out by comparing the recoverable value, net of the net financial position (NFP) at 31 December 2020 ("Economic Value") with the relative carrying amounts of the investments at 31 December 2020.

For the purposes of estimating the recoverable value, the economic value of the investments was determined, using the "Discounted Cash Flow – asset side" method, which considers the operating cash flows expected by the company based on the plans approved by the management and subtracting the net financial position at the reporting date.

The calculation method is reported below:

Equity Value = V-PFN

where:

$$V = \sum_{i-1}^{n} FCF_i / (1 + WACC)_i + TV$$

NFP = net financial position;
FCF = free cash flow, or cash flow generated by operations;
WACC = weighted average cost of capital;
n = explicit forecast period;
TV = present terminal value, i.e. value deriving from cash flows generated outside the explicit forecast time horizon.

The cash flows for periods after the fifth year were calculated using the following formula (Gordon formula):

where:

$$TV = FCF_n \times (1 + g) / WACC - G$$

FCFn = cash flow sustainable beyond the explicit forecast time horizon;
g = growth rate of the business beyond the hypothesised plan period;
WACC = weighted average cost of capital.

The discount rate used is the Weighted Average Cost of Capital (WACC) relating to the investment. The method applied is the Capital Asset Pricing Model, based on which the rate is determined on a mathematical model given by the sum of the return of a risk-free asset plus a risk premium (market premium risk). The market premium risk, in turn, is given by the product of the average market risk for the specific beta of the sector.

In applying this method, the main assumptions used are the estimate of future increases in sales, the gross margin, operating costs, the growth rate in terminal values, investments, changes in the operating capital and the weighted average cost of capital (discount rate).

The growth rate g used was prudentially equal to zero.

If the Company had carried out impairment testing on analysed flow forecasts by adopting a higher discounting rate than the one used by Management in its estimate, the results of the test would not have been significantly different compared to the recognised results.

On 31 December 2020, an impairment test was conducted on the subsidiary FKB Equipamentos LTDA, although there were no trigger events, and this was purely to determine whether there was any possibility of restoring the value of the investment. The test did not indicate the need for any write-down. The WACC used was 10.8 %, with a **g** value of 0.

For the investments in Technogym USA Corp., Technogym Shanghai Int. Trading Co. Ltd and Technogym Australia Pty Ltd, a partial write-back was made, totalling Euro 2,255 thousand, as the reasons for their write-down no longer applied.

5 Non-current assets

The item "Non-current financial assets" amounted to Euro 33,905 thousand at 31 December 2020 (Euro 37,680 thousand at 31 December 2019). The item "Other non-current assets" amounted to Euro 50,072 thousand at 31 December 2020 (Euro 47,470 thousand at 31 December 2019).

The following table contains a breakdown of the "Non-current financial assets" and "Other non-current assets" as of 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Non-current financial assets		
Loans to subsidiaries due after 12 months	33,905	37,680
Total non-current financial assets	**33,905**	**37,680**
Other non-current assets		
Transferred trade receivables due after 12 months	17,414	16,152
Provision for transferred trade receivables due after 12 months	(1,669)	(1,046)
Income tax receivables due after 12 months	1,106	433
Other receivables	814	891
Investments in other entities	237	2,660
Security deposits	20	30
Receivables for buy backs - due after 12 months	32,150	28,350
Total other non-current assets	**50,072**	**47,470**

"Transferred trade receivables due after 12 months" net of the relative bad debt provision, equal to Euro 15,745 thousand and Euro 15,106 thousand at 31 December 2020 and 2019 respectively, include the non-current portion of receivables arising from the sale of goods which, although transferred to third-party financial institutions, are retained in the financial statements as they do not meet all the conditions required by IAS 9 for their derecognition from assets. The financial liabilities include the amounts received from financial institutions in the form of advances for these transfers.

"Income tax receivables due after 12 months" relate to the "patent box" taxation rules, while the remainder relates to a tax credit for investments in new business assets.

"Security deposits" are recognised in respect to property leases, lease agreements for vehicles and utilities.

"Receivables for buy backs due after 12 months" which have been recognised in accordance with IFRS 15, relate to non-current assets for sales with the right of return, which may be exercised when new machinery is bought.

The following table shows the details of investments in other entities for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Registered office**	**% of control**	**Currency**	**At 31 December**	
				2020	**2019**
Entity name					
Sandcroft Avenue Ltd	United Kingdom	11.8%	GBP	—	2,395
Pubblisole Spa	Italy	2.4%	EUR	100	100
Qicraft Finland OY	Finland	10.0%	EUR	78	105
Crit S.r.l.	Italy	1.2%	EUR	26	26
Other investments	n.a.	n.a.	n.a.	33	33
Total investments in other entities				**237**	**2,660**

In accordance with IFRS 9, these equity instruments are classified as financial assets at fair value and recognised in profit or loss.

On the basis of the development plan (which revealed issues with the continuity of the business mainly due to the cashflow forecasts prepared by the management of the unconsolidated entity Sandcroft Avenue Ltd which has been adversely affected by the Covid-19 pandemic), and as there is no up to date estimate of the fair value to 31 December 2020, the Company fully depreciated this investment to the value of EUR 2,395 thousand, with a write-down of the financial receivable of EUR 174 thousand classified under "Non-current financial assets".

6 Inventories

The item "Inventories" amounts to Euro 33,066 thousand as of 31 December 2020 (Euro 31,538 thousand as of 31 December 2019).

The following table gives a breakdown of this item of 31 December 2020 and 2019:

(In thousands of Euro)	At 31 December	
	2020	**2019**
Inventories		
Raw materials (gross value)	12,383	11,153
Write-down provision	(2,014)	(1,432)
Total raw materials	**10,369**	**9,721**
Work in progress (gross value)	345	317
Write-down provision	(151)	(140)
Total work in progress	**194**	**177**
Finished goods (gross value)	33,450	31,083
Write-down provision	(10,947)	(9,443)
Total finished goods	**22,503**	**21,640**
Total inventories	**33,066**	**31,538**

The increase in "Inventories" of Euro 1,528 thousand is mainly due to the COVID-19 pandemic, after which the company concentrated its production more on Home Fitness products, while maintaining the output of professional products.

The following table shows the amounts and movements of the inventory write-down provision for the years ended 31 December 2020 and 31 December 2019.

(In thousands of Euro)	**Raw materials**	**Work in progress**	**Finished goods**	**Total inventory write-down provision**
Values at 31 December 2018	**1,264**	**216**	**9,590**	**11,069**
Provisions	—	—	1,073	1,073
Utilisations	(433)	(76)	(619)	(1,127)
Reclassifications	602	—	(602)	—
Values at 31 December 2019	**1,432**	**140**	**9,443**	**11,015**
Provisions	582	11	1,647	2,240
Utilisations	—	—	(143)	(143)
Values at 31 December 2020	**2,014**	**151**	**10,947**	**13,112**

7 Trade receivables

The item "Trade receivables" amounted to Euro 62,144 thousand on 31 December 2020 (Euro 69,775 thousand on 31 December 2019) net of the bad debt provision.

The following table contains a breakdown of the trade receivables as of 31 December 2020 and 2019:

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Trade receivables		
Trade receivables (gross value)	50,586	68,237
Bad debt provision	(711)	(8,264)
Transferred trade receivables	15,035	9,966
Bad debt provision	(2,766)	(163)
Total trade receivables	**62,144**	**69,775**

The reduction in "Trade receivables" of Euro 7,632 thousand is mainly due to a decline in sales and a particular focus on collecting outstanding receivables, in order to anticipate any effects of the Covid-19 pandemic.

The decrease in the item "Bad debt provisions" is mainly linked to the waiver of a loan of Euro 7,591 thousand to a subsidiary. The remainder relates to provisions for uncertain accounts, in respect of which legal proceedings or other debt recovery proceedings have been started.

Transferred trade receivables net of the relative provision, equal to Euro 12,269 thousand at 31 December 2020 and Euro 9,803 thousand at 31 December 2019, refer to the current portion of receivables arising from the sale of goods which, although they are transferred to third-party financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for derecognition from assets.

The financial liabilities include the amounts received from financial institutions in the form of advances for these transfers.

The following table contains a breakdown of trade receivables broken down by maturity as of 31 December 2020 and 2019:

(In thousands of Euro)	**Not overdue**	**Up to 30 days past due**	**Between 31 and 90 days past due**	**Between 91 and 180 days past due**	**Between 181 and 360 days past due**	**More than 360 days past due**	**Total**
At 31 December 2018	**81,141**	**6,228**	**3,272**	**2,002**	**425**	**47**	**93,116**
Trade receivables (gross value)	53,389	4,343	2,477	3,616	3,306	1,106	68,237
Bad debt provision	(2,029)	(301)	(785)	(1,421)	(2,698)	(1,030)	(8,264)
Transferred trade receivables	9,966	—	—	—	—	—	9,966
Bad debt provision	(163)	—	—	—	—	—	(163)
As of 31 December 2019	**61,163**	**4,043**	**1,692**	**2,194**	**608**	**76**	**69,775**
Trade receivables (gross value)	42,863	2,948	1,290	2,255	647	583	50,586
Bad debt provision	—	(5)	(12)	(27)	(156)	(509)	(711)
Transferred trade receivables	15,035	—	—	—	—	—	15,035
Bad debt provision	(2,766)	—	—	—	—	—	(2,766)
As of 31 December 2020	**55,132**	**2,943**	**1,278**	**2,228**	**491**	**74**	**62,144**

The following table reports the amounts and changes in the bad debt provision for the years ended 31 December 2020 and 2019:

(In thousands of Euro)	**Bad debt provision**
Values at 31 December 2018	**523**
Provisions	8,738
Utilisations	(997)
Values at 31 December 2019	**8,264**
Provisions	1,012
Utilisations	(8,565)
Values at 31 December 2020	**711**

The amounts allocated to the bad debt provision relate to write-downs on doubtful accounts.

The utilisations of the bad debt provision arise when the Company has determined the existence of conditions for the dismissal of the credit position.

Main customers

In accordance with IFRS 8, paragraph 34, for the years ended 31 December 2020 and 2019, the Company did not have any clients generating more than 10% of total revenues.

8 Current financial assets

The item "Current financial assets" amounted to Euro 2,393 thousand at 31 December 2020 (Euro 12,271 thousand at 31 December 2019).

The following table shows the amounts of current financial liabilities at 31 December 2020 and 2019:

(In thousands of Euro)	At 31 December	
	2020	**2019**
Current financial assets		
Financial receivables from subsidiaries	2,354	12,188
Other financial receivables	39	83
Total current financial assets	**2,393**	**12,271**

The following table shows the details of financial receivables from subsidiaries at 31 December 2020 and 2019:

(In thousands of Euro)	At 31 December	
	2020	**2019**
Financial receivables from subsidiaries		
Cash pooling	1,670	9,888
Loans receivable	684	2,300
Total financial receivables from subsidiaries	**2,354**	**12,188**

The following table provides details of cash pooling arrangements at 31 December 2020 and 2019:

(In thousands of Euro)	Currency	At 31 December	
		2020	2019
Cash pooling			
Technogym Trading SA	EUR	1,670	8,381
Technogym Benelux BV	EUR	—	577
Technogym Germany GMBH	EUR	—	930
Total cash pooling		1,670	9,888

The following table shows the details of loans granted at 31 December 2020 and 2019:

(In thousands of Euro)	Currency	Interest rate	At 31 December	
			2020	2019
Loans receivable				
FKB Equipamentos LTDA	EUR	Variable	484	2,100
Sidea S.r.l	EUR	Variable	200	200
Total loans granted			**684**	**2,300**

9 Assets for derivative financial instruments

The item "Assets for derivative financial instruments" amounted to Euro 1,525 thousand at 31 December 2020 while the balance was zero on 31 December 2019.

The following table shows assets for derivative financial instruments broken down by currency at 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
USD	1,456	—
CNY	69	—
Total	**1,525**	**—**

Assets for derivative financial instruments are related to positive differences resulting from the fair value of forward contracts used to hedge exposure to currency risk. Forward contracts in place at 31 December 2020 and 2019 are summarised below.

(In thousands of Euro)	At 31 December 2020				At 31 December 2019			
	Currency	**Currency inflow**	**Currency**	**Currency outflow**	**Currency**	**Currency inflow**	**Currency**	**Currency outflow**
Forward 01	EUR	1,349	JPY	171,000	EUR	612	AUD	1,000
Forward 02	EUR	2,467	AUD	4,000				
Forward 03	EUR	55,669	USD	66,500				
Forward 04	EUR	3,544	CNY	28,000				

For full details of the currency breakdown of the liabilities for derivative financial instruments at 31 December 2020 and 2019, see para. 19 of this document.

10 Other current assets

The item "Other current assets" amounts to Euro 14,585 thousand as of 31 December 2020 (Euro 15,503 thousand as of 31 December 2019). The following table contains a breakdown of the other current assets as of 31 December 2020 and 2019:

(In thousands of Euro)	At 31 December	
	2020	**2019**
Other current assets		
VAT receivables	3,548	6,015
Prepaid expenses	2,822	3,143
Advances to suppliers	246	289
Tax receivables	3,876	4,245
Accrued income	188	129
Other receivables	3,905	1,682
Total other current assets	**14,585**	**15,503**

"VAT receivables" were offset with the related liabilities in order to present the net amount. "Prepaid expenses" mainly relate to insurance premiums, assistance and maintenance fees, marketing expenses, utilities and rent.

"Advances to suppliers" relate to advances and deposits paid for supplies yet to be received.

Tax receivables totalling Euro 3,876 thousand mainly relate to the ACE recalculation for the years 2016-19, which will be partially due in the 2021 financial year. The reduction compared to the previous year essentially relates to the set-off of the tax credit for the patent box incentive for the 2018 financial year.

The balance of the item "Other receivables" mainly refers to receivables for dividends from joint ventures.

11 Cash and cash equivalents

The item "Cash and cash equivalents" amounted to Euro 161,745 thousand at 31 December 2020 (Euro 81,054 thousand at 31 December 2019).

The following table shows the amounts of cash and cash equivalents at 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Cash and cash equivalents		
Bank deposits	113,644	81,048
Cheques	14	—
Cash and cash equivalents	6	6
Term bank deposits within 3 months	48,081	—
Total cash and cash equivalents	**161,745**	**81,054**

"Bank deposits" represent temporary cash surpluses on current accounts of the Company at year-end.

"Term bank deposits within 3 months" at 31 December 2020 represent temporary uses of surplus cash.

12 Equity

The item "Equity" amounted to Euro 330,214 thousand at 31 December 2020 (Euro 284,253 thousand at 31 December 2019). The following table reports the details of equity at 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Equity		
Share capital	10,066	10,050
Share premium reserve	4,990	4,990
Other reserves	77,554	73,485
Retained earnings	191,265	123,395
Profit/(loss) for the period	46,339	72,332
Total equity	**330,214**	**284,253**

The following table shows the amounts and movements of equity for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves								Retained earnings	Profit/(loss) for the period	Total equity
			Legal reserve	Extraordinary reserve	Reserve for the adoption of IAS/IFRS	IAS 19 reserve	Stock grant plan reserve	IRS Hedge Account reserve	Unrealised exchange differences reserve	Other reserves			
As of 1 January 2019	**10,050**	**4,990**	**2,010**	**14,276**	**51,360**	**(134)**	**1,981**	**(7)**	**23**	**(820)**	**71,476**	**92,642**	**247,846**
Profit for the previous year	—	—	—	3,619	(15)	—	—	—	117	820	88,100	(92,642)	—
Total comprehensive income for the year	—	—	—	—	—	(188)	—	7	—	—	—	72,332	72,152
Dividends paid	—	—	—	—	—	—	—	—	—	—	(36,181)	—	(36,181)
Incentive plan (LTIP)	—	—	—	—	—	—	436	—	—	—	—	—	436
As of 31 December 2019	**10,050**	**4,990**	**2,010**	**17,895**	**51,346**	**(322)**	**2,417**	**—**	**139**	**—**	**123,395**	**72,332**	**284,253**
Profit for the previous year	—	—	—	4,614	(12)	—	—	—	(139)	—	67,870	(72,332)	—
Total comprehensive income for the year	—	—	—	—	—	(120)	—	—	—	—	—	46,339	46,219
Increase in capital	16	—	—	—	—	—	—	—	—	—	—	—	16
Incentive plan (LTIP)	—	—	—	—	—	—	(274)	—	—	—	—	—	(274)
As of 31 December 2020	**10,066**	**4,990**	**2,010**	**22,509**	**51,333**	**(442)**	**2,143**	**—**	**—**	**—**	**191,265**	**46,339**	**330,214**

At 31 December 2020, the "Share capital" of Euro 10,066 thousand, fully subscribed and paid in cash, amounted to 201,327,500 ordinary shares with no nominal value.

On 17 June 2020, an increase in capital without consideration for Euro 16,125 was approved, through the issue of ordinary shares released by the allocation and transition to capital of the item recognised in the financial statements under the "Stock grant plan" and assigned to employees that are beneficiaries of the "2017-2019 Performance Shares Plan".

The "IAS 19 reserve" refers to the effects arising from the re-measurement of defined benefit plans, as represented in the statement of comprehensive income.

12.1 STOCK GRANT PLAN RESERVE

At 31 December 2020, two incentive plans were in place for Technogym management, (i) the 2018-2020 Performance Shares Plan and the 2019-2021 Performance Shares Plan, approved by the Board of Directors on 28 March 2018 and 27 March 2019 respectively.

In compliance with Consob resolution 11971 of 14 May 1999 as amended and Consob communication 11508 of 15 February 2000, information on the relative stock grant plans is given below.

The purpose of the Incentive Plans is to consolidate Technogym's ability to retain key resources and attract staff with the best skills, and align interest in company performance of the Company's key resources with that of shareholders to create sustainable value over time. Incentive plans are based on a three-year horizon, considered as the most suitable timeframe to achieve the plans' objectives. The Incentive Plans are for Technogym Group managers, who are nominated individually by the Board of Directors, based on proposals made by the Chairman of the Board of and after consulting with the Appointments and Remuneration Committee, from among the employees and/or staff of the Company or its subsidiaries who have strategic roles or can make significant contributions to the Company's and/or Group's strategic objectives, including the Company's Key Managers. Pursuant to Article 114-bis, paragraph 3 of the TUF and Article 84-bis, paragraph 2 of the Consob Regulation on Issuers, incentive plans are considered as "plans of particular significance", as the beneficiaries identified by the Board of Directors may include Key Managers. Incentive plans regulations do not envisage loans or other benefits for subscribing to shares, pursuant to article 2358, paragraph 3 of the Italian Civil Code.

The incentive plans refer to 2018-2020 and 2019-2021, and are based on assigning the right to receive free shares if certain Company performance objectives are met. These incentive plans have:

- performance objectives established in advance and identified in the Company's economic/financial performance;
- adequate periods to accrue rights to obtain assigned shares (three-year vesting period),
- constraints on the transfer of shares, equal to 6 months from the date when they are assigned.

The shares will be assigned to the beneficiaries, subject to the conditions in the Incentive Plans being met, no later than 60 days following approval of the Group's Consolidated Financial Statements for 31 December 2020 and 31 December 2021.

The beneficiaries will have the right to receive the shares if, on the vesting date:

- they still have a contract of employment and/or collaboration with Technogym and/or its subsidiaries;
- there is no pending termination of their contract of employment with the Company or its subsidiaries.

It has been decided that the plans have no financial impact for the year in question and there is no need for any reserve, as the targets are not achievable at the moment.

The following table represents the additional disclosure on equity as requested by article 2427 of the Italian Civil Code, paragraph 7 bis:

(In thousands of Euro)	**At 31 December 2020**	**Possible use**	**Quota available**
Share capital	**10,066**	**B**	**10,066**
Equity reserves:	**—**		
– Legal reserve	2,010	B	2,010
– Extraordinary reserve	22,509	B	22,509
– Share premium reserve	4,990	A-B-C	4,990
– Reserve for the adoption of IAS	51,333	B	51,333
IAS 19 reserve - TFR	(270)	B	—
IAS 19 reserve - PNC	(172)		—
– Stock option reserve	2,143	A-B-C	2,143
Retained earnings	191,265	A-B-C	191,265
Profit for the year	46,339	A-B-C	46,339
Total equity	**330,214**		
Of which non-distributable			**91,385**
Of which distributable			**238,829**

Legend:
A: for capital increase – B: for loss coverage – C: for dividend distribution

13 Financial liabilities

The items "Non-current financial liabilities" and "Current financial liabilities amounted to Euro 106,014 thousand and Euro 76,597 thousand at 31 December 2020 (respectively Euro 63,799 thousand and Euro 85,873 thousand at 31 December 2019 respectively). The following table shows the amounts of financial liabilities, current and non-current, at 31 December 2020 and 2019.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Non-current financial liabilities		
Bank loans due after 12 months – non-current portion	62,500	24,667
Other non-current financial liabilities	17,414	16,152
IFRS 16 Non-current financial liabilities	26,100	22,980
Total non-current financial liabilities	**106,014**	**63,799**
Current financial liabilities		
Bank loans due after 12 months – current portion	25,155	12,408
Other short-term borrowings	11	25,059
Current liabilities due to other lenders	15,035	9,966
Financial payables to subsidiaries	31,424	33,170
IFRS 16 Financial liabilities - Current	4,972	5,270
Total current financial liabilities	**76,597**	**85,873**

At 31 December 2020 the Company's financial debt was entirely with variable interest rates.

13.1 MEDIUM/LONG-TERM BANK LOANS

The following table shows the movements of bank loans for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Bank loans due after 12 months – non-current portion**	**Bank loans due after 12 months – current portion**	**Total loans**
Values at 1 January 2019	**37,530**	**18,343**	**55,873**
Obtainment of loans	16,666	8,334	25,000
Repayments	(25,455)	(18,343)	(43,798)
Reclassification from long-term to short-term	(4,074)	4,074	—
Values at 31 December 2019	**24,667**	**12,408**	**37,075**
Obtainment of loans	41,667	8,333	50,000
Repayments	(16,337)	(8,163)	(24,500)
Reclassification from long-term to short-term	(4,166)	4,166	—
Conversion of hot money to loans	16,669	8,411	25,080
Values at 31 December 2020	**62,500**	**25,155**	**87,655**

The following shows the details of bank loans at 31 December 2020 and 2019.

(In thousands of Euro)	**Due date**	**Interest rate**	**At 31 December**			
			2020	**of which current**	**2019**	**of which current**
Bank loans						
Unicredit S.p.A.	2020-2022	Variable	41,781	8,448	25,067	8,399
Crédit Agricole Italia S.p.A.	2020-2023	Variable	25,032	8,366	—	—
Banca Popolare dell'Emilia Romagna S.p.A.	2020	Variable	—	—	12,008	4,008
Banca Nazionale del Lavoro S.p.A	**2020-2023**	**Variable**	**20,841**	**8,341**	**—**	**—**
Total bank loans			**87,655**	**25,155**	**37,075**	**12,408**

The following table shows the details of medium/long-term bank loans at 31 December 2020 by maturity date.

(In thousands of Euro)	**Residual debt**	**Current portion**	**2022**	**2023**
Unicredit S.p.A.	41,781	8,448	33,333	—
Crédit Agricole Italia S.p.A.	25,032	8,366	8,333	8,333
Banca Nazionale del Lavoro S.p.A	20,841	8,341	8,333	4,167
Total	**87,655**	**25,155**	**50,000**	**12,500**

The medium-long term loan granted by Unicredit S.p.A. on 9 August 2019 for a total of Euro 25,000 thousand is repayable in six equal six-monthly instalments of Euro 4,166 thousand each, expiring on 29 July 2022. The contract contains the following financial covenant: consolidated "Net financial position/EBITDA" must remain at a ratio of no higher than 3.8, verified annually;

For the year ended 31 December 2020, the covenant was met.

The medium-long term loan granted by Banca Nazionale del Lavoro S.p.A. on 16 May 2019 for a total of Euro 25,000 thousand, with maturity on April 16 May 2023, is repayable in six equal six-monthly instalments of Euro 4,166 thousand each. The contract contains a financial covenant: consolidated "Net financial position/EBITDA" ratio at consolidated level must be no higher than 3.8, verified annually;

For the year ended 31 December 2020, the covenant was met.

During 2020, the Group further strengthened its funding structure by entering into the following finance agreements:

- Unicredit S.p.A. 2022: The medium-long term loan granted by Unicredit S.p.A. on 15 July 2020 for a total of Euro 25,000 thousand is repayable in a single instalment due on 30 June 2022. The contract contains the following financial covenant: consolidated "Net financial position/EBITDA" must remain at a ratio of no higher than 3.8, verified annually.
  For the year ended 31 December 2020, the covenant was met.
- Crédit Agricole Italia S.p.A. 2023: The loan granted by Crédit Agricole Italia S.p.A. on 29 September 2020 for a total of Euro 25,000 thousand, is repayable in six deferred half-yearly instalments with maturity on 29 September 2023. The loan agreement requires the Company to comply with the following financial covenant: consolidated "Net financial position/EBITDA" ratio of no higher than 3.8, verified annually.
  For the year ended 31 December 2020, the covenant was met.

13.2 OTHER SHORT-TERM BORROWINGS

The following table shows the details of other short-term borrowings at 31 December 2020 and 2019.

(In thousands of Euro)	Currency	At 31 December	
		2020	2019
Other short-term borrowings			
Banca Nazionale del Lavoro	EUR	—	25,023
Other short-term borrowings	EUR	11	36
Total other short-term borrowings		**11**	**25,059**

Other short-term borrowings mainly include stand-by credit lines, short-term loans (generally "hot money") and bank overdrafts.

13.3 FINANCIAL PAYABLES TO SUBSIDIARIES

The following table shows the details of financial payables to subsidiaries at 31 December 2020 and 2019:

(In thousands of Euro)	At 31 December	
	2020	2019
Financial payables to subsidiaries		
Cash pooling	29,924	31,670
Loans payable	1,500	1,500
Total financial payables to subsidiaries	**31,424**	**33,170**

The following table provides details of cash pooling arrangements at 31 December 2020 and 2019:

(In thousands of Euro)	Currency	At 31 December	
		2020	2019
Cash pooling			
Technogym UK Ltd	GBP	7,945	9,492
Technogym Germany Gmbh	EUR	4,917	—
Technogym Benelux BV	EUR	2,322	—
Technogym USA Corp.	USD	9,553	19,302
Technogym France	EUR	5,187	2,877
Total cash pooling		**29,924**	**31,670**

The following table shows the details of loans received at 31 December 2020 and 2019:

(In thousands of Euro)	**Currency**	**Rate**	**At 31 December**	
			2020	**2019**
Loans payable				
Technogym Benelux BV	EUR	Variable	1,500	1,500
Total loans received			**1,500**	**1,500**

13.4 LIABILITIES DUE TO OTHER LENDERS

Current and non-current liabilities to other lenders refers to financing transactions guaranteed by the transfer of receivables arising from the sale of goods that, although transferred to third-party financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for derecognition from assets. See also note 5 "Other non-current assets" and note 7 "Trade receivables".

14 Employee benefit obligations

The item "Employee benefit obligations" amounts to Euro 2,753 thousand at 31 December 2020 (Euro 2,866 thousand at 31 December 2019).

The following table shows the amounts and movements of employee benefit obligations for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Employee benefit obligations**
Values at 01 January 2019	**2,870**
Provisions	—
Financial expenses	43
Utilisations	(228)
Actuarial (gains)/losses	181
Values at 31 December 2019	**2,866**
Provisions	—
Financial expenses	19
Utilisations	(159)
Actuarial (gains)/losses	27
Values at 31 December 2020	**2,753**

Information about the actuarial valuation of provisions for employee benefit obligations is presented in note 15.

15 Provisions for risks and charges

The item "Provisions for non-current risks and charges" amounted respectively to Euro 7,106 thousand and Euro 5,865 thousand at 31 December 2020 (respectively, Euro 6,495 thousand and Euro 9,854 thousand at 31 December 2019). The following table shows the details of provisions for risks and charges, current and non-current, at 31 December 2020 and 2019.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Non-current provisions for risks and charges		
Warranties provision	3,525	3,929
Agents provision	838	782
Non-Competition Agreement provision	1,997	1,784
Rebates provision	221	—
Ongoing lawsuits provision	525	—
Total non-current provisions for risks and charges	**7,106**	**6,495**
Current provisions for risks and charges		
Warranties provision	3,525	3,929
Free Product Fund provision	—	566
Provision to cover losses in investments	87	87
Other provisions for risks and charges	2,253	5,272
Total current provisions for risks and charges	**5,865**	**9,854**

The following table shows the amounts and movements of provisions for risks and charges, current and non-current, for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Warranties provision	Agents provision	Non-Competition Agreement provision	Rebates provision	Ongoing lawsuits provision	Non-current provisions for risks and charges	Warranties provision	Free Product Fund provision	Provision to cover losses in investments	Other provisions for risks and charges	Current provisions for risks and charges
Values at 01 December 2019	**3,735**	**630**	**1,523**	**—**	**50**	**5,938**	**3,735**	**1,781**	**87**	**5,075**	**10,678**
Provisions	2,839	152	172	—	—	3,252	2,839	566	—	4,784	8,189
Financial expenses	—	—	24	—	—	—	—	—	—	—	—
Actuarial (gains)/losses	—	—	66	—	—	—	—	—	—	—	—
Utilisations	(2,645)	—	—	—	(50)	(2,695)	(2,645)	(1,781)	—	(4,587)	(9,013)
Values at 31 December 2019	**3,929**	**782**	**1,784**	**—**	**0**	**6,495**	**3,929**	**566**	**87**	**5,272**	**9,854**
Provisions	1,353	116	175	221	525	2,389	1,353	—	—	1,742	3,095
Financial expenses	—	—	12	—	—	12	—	—	—	—	—
Actuarial (gains)/losses	**—**	**—**	**132**	**—**	**—**	**132**	**—**	**—**	**—**	**—**	**—**
Utilisations	**(1,757)**	**(60)**	**(107)**	**—**	**—**	**(1,924)**	**(1,757)**	**(566)**	**—**	**(4,761)**	**(7,084)**
Values at 31 December 2020	**3,525**	**838**	**1,997**	**221**	**525**	**7,106**	**3,525**	**—**	**87**	**2,253**	**5,865**

The item "Product warranties provision" is reasonably estimated by the Company on the basis of the contractual guarantees issued to customers, and on past experience. It covers the cost of parts and labour that the Company will incur in future years for repairing products under warranty, for which the sales revenues have already been recognised in the income statement of the year or of previous years.

The "Agents' provision" and "Non-Compete Agreement provision" represent a reasonable estimate of the expenses that the Company would incur in the event of interruption of agency contracts. Those provisions were calculated by independent actuaries and were measured using the actuarial valuation of the projected unit of the credit, in accordance with IAS 37 and IAS 19.

The "Free Product Fund provision" represents the estimated non-monetary awards that the Company will recognize to customers for achieving specific purchasing volumes.

Other current provisions for risks and charges mainly include contingent liabilities relating to bonuses to employees.

The reduction in this item compared to 31 December 2019 is mainly due to the decrease in potential liabilities for staff premiums, of EUR 3,053 thousand, and to the reduction in the product warranties provision totalling EUR 808 thousand (this is due to the reduction in sales).

15.1 ACTUARIAL VALUATION OF EMPLOYEE BENEFIT OBLIGATIONS AND NON-COMPETITION AGREEMENT PROVISION ACCORDING TO IAS 19 AND AGENTS' PROVISION ACCORDING TO IAS 37

The methodology used for the discounting is recognised by the name "method of the years of management on an individual basis and by drawing lots" (MAGIS). This method is based on a stochastic Montecarlo type simulation.

The main demographic assumptions used by the actuary to analyse the employee benefits provisions and the no-competition provision for the years ended December 31 December 2020 and 2019 are as follows: (i) the probability of death is obtained by using tables determined by ISTAT in 2000 and reduced by 25%; (ii) the probability of disability/ invalidity as those adopted in the INPS model; (iii) the retirement age for the general working population is reached when the first requirement applicable for the Mandatory General Insurance is met; (iv) the probability of leaving employment for reasons other than death was determined from the probability of turnover in line with the historical trend, and, in particular, the annual rate of 3.50% was considered for the year 2020, unchanged with respect to 2019 (5%); (v) for the probability of early retirement, an annual rate of 3% is applied, based on the historical trend, for 80% of the provision accumulated at the date of the request.

As regards the discounting of the Agents' provision according to IAS 37, the "closed group" assumption was applied during the reporting period.

The valuations were carried out by quantifying future payments through the projection of the agents' provision accrued at the valuation date, for agents working for the Company until the estimated time (unpredictable) of termination of their contract; once again the method used is the MAGIS. Regarding the demographic assumptions, the ISTAT 2011 mortality rates were considered; for disability, the INPS tables by age and gender were used, whereas for the retirement age, the requirement established by ENASARCO was used. The possibility of agents being released due to the termination of their relationship with the Company or for other causes was determined using estimates of annual frequency based on company data. The financial assumptions essentially refer to the discount rate which, at 31 December 2020, was chosen to be the yield obtainable from the Iboxx Corporate AA index with duration of 5-7 years, which is consistent with the duration of the collective agreement in question, as its value on 31.12.2020 was -0.08%.

In addition, for the Italian companies the following economic-financial assumptions were taken into account.

	At 31 December	
	2020	**2019**
Annual technical discount rate	0.35%	0.70%
Annual inflation rate	1.00%	1.50%
Annual rate of TFR increase	2.25%	2.62%
Annual rate of commissions increase (for the evaluation of N.C.A.)	3.00%	3.00%

As for the annual technical discount rate of 0.35%, the Iboxx Corporate AA was selected as the benchmark for the Eurozone, with duration consistent with the average duration of the collective agreement.

A sensitivity analysis was also performed upon a change in the main actuarial assumptions included in the calculation model in relation to the variation of 0.5% of annual technical discount rate. The following results were obtained:

(In thousands of Euro)	At 31 December					
	2020			2019		
	-0.50% change	**Carrying amount**	**0.50% change**	**-0.50% change**	**Carrying amount**	**0.50% change**
Employee benefit obligations	150	2,753	(141)	142	2,866	(133)
Non-Competition Agreement provision	169	1,997	(109)	102	1,784	(93)
Total	**319**	**4,750**	**(250)**	**244**	**4,650**	**(226)**

16 Other non current liabilities

The item "Other non-current liabilities" amounted to Euro 32,853 thousand on 31 December 2020 (Euro 28,899 thousand as of 31 December 2019).

Other non-current liabilities mainly include:

- deferred income, amounting to Euro 188 thousand, related to revenues associated to long-term contracts for technical assistance. This item was recognised as contractual liabilities in accordance with IFRS 15;
- medium-long term customer deposits of Euro 22 thousand;
- liabilities for sales with return rights, equal to Euro 32,150 thousand, identified pursuant to IFRS 15, in order to represent suspended costs associated with these sales;
- the long-term portion of the obligation to buy-back leased products, of Euro 492 thousand.

17 Trade payables

The item "Trade payables" amounted to Euro 91,176 thousand at 31 December 2020 (Euro 103,421 thousand at 31 December 2019). Trade payables are mainly related to transactions for the purchase of raw materials, components and shipping services, manufacturing and technical assistance. These transactions are part of ordinary procurement management.

18 Current tax liabilities

The item “Current tax liabilities” amounted to Euro 59 thousand at 31 December 2020 (Euro 2 thousand at 31 December 2019). Income tax receivables amounted to Euro 3,876 thousand at 31 December 2020 (Euro 4,245 thousand at 31 December 2019). For more details see note 10.

19 Liabilities for derivative financial instruments

The item "Liabilities for derivative financial instruments" amounted to Euro 58 thousand at 31 December 2020 (Euro 13 thousand at 31 December 2019).

The following table shows the liabilities for derivative financial instruments by currency at 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Liabilities for derivative financial instruments		
Forward		
AUD	56	13
JPY	2	—
Total	**58**	**13**

Liabilities for derivative financial instruments refer to the differences arising from the fair value of "forward" contracts used to hedge exposure to currency risk.

The exposure to exchange rate risk is mainly managed using contracts for the forward sale of currency denominated in the sale currency of certain markets in which the Company operates. However, at 31 December 2020, these contracts were not recorded on a hedge accounting basis.

For details of the types of "forward" contracts, see the table in paragraph 9.

20 Other current liabilities

The item "Other current liabilities" amounted to Euro 16,020 at 31 December 2020 (Euro 14,063 thousand at 31 December 2019). The following table shows the amounts of other current liabilities at 31 December 2020 and 2019.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Other current liabilities		
Deferred income	5,246	2,066
Advances from clients	708	822
Payables to employees	2,913	3,737
Social security payables	2,928	3,291
Other liabilities	3,812	3,940
Accrued expenses	238	207
Obligation to buyback from operational leases	175	—
Total other current liabilities	**16,020**	**14,063**

"Deferred income" mainly refers to scheduled maintenance contracts. "Advances from customers" concerns advances and deposits received for supplies yet to be delivered. These items were recognised as contractual liabilities in accordance with IFRS 15.

"Payables to employees" mainly refer to salaries for the month of December paid in January, untaken holiday entitlements and staff bonuses.

"Social security payables" are related to Social security contributions of various nature to be paid in the following year with reference to the salary for the month of December, Christmas bonuses and untaken holiday entitlements.

"Other liabilities" at 31 December 2020 and 2019 mainly relate to income taxes withheld on income from employment and self-employment to be paid in the following year.

"Accrued expenses" mainly include accruals relating to utilities, sponsorships and insurance.

The buyback from operational leases is the company's commitment to buy back machines it supplies on lease.

NOTES TO THE INCOME STATEMENT

21 Revenues

The Total revenues of TG S.p.A. came to Euro 358,069 thousand, which is a reduction of Euro 92,039 thousand (20.5%) compared to Euro 450,108 thousand in 2019. This decrease is mainly due to a fall in the volume of sales resulting from the spread of the pandemic and to the restrictive measures put in place by local governments.

The following table contains a breakdown of the revenues for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Year ended 31 December**	
	2020	**2019**
Revenues		
Revenues from the sale of products, spare parts, hardware and software	347,775	436,484
Revenues from transport and installation, after-sale and rental assistance	10,294	13,624
Total revenues	**358,069**	**450,108**

The following table shows the breakdown of revenues by geographical area for the years ended 31 December 2020 and 2019:

(In thousands of Euro and percentage of total revenues)	**Year ended 31 December**		**Changes**	
	2020	**2019**	**2020 vs 2019**	**%**
Europe (without Italy)	155,817	212,252	(56,435)	(26.6%)
MEIA	45,655	53,977	(8,322)	(15.4%)
APAC	60,910	68,244	(7,335)	(10.7%)
Italy	59,789	58,692	1,097	1.9%
North America	27,551	41,357	(13,807)	(33.4%)
LATAM	8,347	15,585	(7,238)	(46.4%)
Total revenues	**358,069**	**450,108**	**(92,039)**	**(20.4%)**

22 Other revenues and income

The item "Other revenues and income" amounted to Euro 10,294 thousand for the year ended 31 December 2020 (Euro 13,624 thousand for the year ended 31 December 2019). Other income and revenues consist mainly of invoices to Group companies, rental income, and income from suppliers for compensation.

23 Purchases and use of raw materials, work in progress and finished goods

"Purchases and use of raw materials, work in progress and finished goods" amounted to Euro 179,098 thousand in the year ending 31 December 2020 (Euro 222,252 thousand for the year ended 31 December 2019).

The following table reports the amounts of raw materials, semi-finished and finished goods for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Year ended 31 December**	
	2020	**2019**
Purchases and use of raw materials, work in progress and finished goods		
Purchase and change in inventory of raw material	109,727	122,562
Purchase and change in inventory of finished goods	72,168	101,451
Purchase and use of packaging and costs for custom duties	(2,781)	(1,837)
Change in inventory of work in progress	(16)	76
Total raw materials, semi-finished and finished goods	**179,098**	**222,252**

24 Cost of services

The item "Cost of services" amounted to Euro 50,685 thousand for the year ended 31 December 2020 (Euro 61,869 thousand for the year ended 31 December 2019).

The following table contains a breakdown of the cost of services for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Cost of services		
Transport of sales, customs duties and installation	11,296	11,892
Technical assistance	2,107	3,342
Advertising	4,987	7,853
Rentals	4,000	4,028
Agents	4,073	4,664
Consulting services	4,055	5,045
Transport of purchases	3,440	5,226
Travel and business expenses	219	129
Outsourcing costs	2,705	3,235
Utilities	1,710	1,580
Maintenance costs	3,934	4,456
Other services	8,159	10,419
Total cost of services	**50,685**	**61,869**

"Other services" mainly relate to royalties paid, costs for managing external deposits, insurance and remuneration of external directors, the board of statutory auditors and independent auditors.

The following table shows the details of audit fees to the independent auditors for services provided to the Company for the years ended 31 December 2020 and 2019:

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Audit fees		
Auditing of the accounts	279	291
Other services	17	77
Total audit fees	**296**	**368**

25 Personnel expenses

The item "Personnel expenses" amounted to Euro 45,157 thousand for the year ended 31 December 2020 (Euro 56,292 thousand for the year ended 31 December 2019).

The following table shows the amounts of personnel expenses for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Personnel expenses		
Wages and salaries	30,134	37,793
Social security contributions	10,897	11,477
Provisions for employee benefit obligations	2,278	2,239
Other costs	1,848	4,783
Total personnel expenses	**45,157**	**56,292**

The decrease in Personnel expenses is mainly due to the contributions from support measures adopted by various governments, mainly in Europe, to the reduction in employee premiums, and to the decrease in business travel costs.

The following table shows the average number of employees and the exact number of employees at the year-end broken down by category for the years ended 31 December 2020 and 2019.

(In number)	Year ended 31 December			
	2020		2019	
	Average	**Year-end**	**Average**	**Year-end**
Number of employees				
Managers	49	48	47	47
White-collar	486	472	490	491
Blue-collar	270	268	276	273
Total number of employees	**804**	**788**	**813**	**811**

26 Other operating costs

The item "Other operating costs" amounted to Euro 9,927 thousand for the year ended 31 December 2020 (Euro 4,679 thousand for the year ended 31 December 2019).

The following table reports the amounts of other operating costs for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Other operating costs		
Other taxes and indirect taxes	432	358
Other expenses	6,268	4,406
Provisions for risks on leasing receivables	3,227	(85)
Total other operating costs	**9,927**	**4,679**

"Other operating expenses" mainly relate to membership fees, donations, and giveaways of products distributed for promotional and communication activities.

The "Provisions for risks on leasing receivables" of EUR 3.2 million were set aside following management's analysis of the trend in the receivables with leasing companies.

This amount covers the risk of receivables recognised on the financial statements for which there is a buyback obligation with the leasing company. In view of the continuation of the pandemic, the Company has elaborated various scenarios, which have been sensitivity-tested, and which have led to an increase in the provision made for the recognised receivables.

27 Depreciation, amortisation and impairment / (write-backs)

The item "Depreciation, amortisation and impairment losses/(revaluations)" amounted to Euro 27,238 thousand for the year ended 31 December 2020 (Euro 24,342 thousand for the year ended 31 December 2019).

The following table shows the amounts of depreciation, amortisation and impairment losses/(write-backs) for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	**Year ended 31 December**	
	2020	**2019**
Depreciation, amortisation and impairment losses / (revaluations)		
Depreciation of property, plant and equipment	16,537	15,782
Amortisation of intangible assets	10,351	8,548
Impairment losses of intangible assets	350	12
Total depreciation, amortisation and impairment losses (revaluations)	**27,238**	**24,342**

For details regarding the breakdown of and changes in "Property, plant and equipment" and "Intangible assets" for the years ended 31 December 2020 and 2019, see paragraphs 1 and 2 of this document.

28 Net provisions

The item "Net provisions" amounted to Euro 6,690 thousand for the year ended 31 December 2020 (Euro 9,837 thousand of the opposite sign for the year ended 31 December 2019).

The following table shows the amounts of net provisions for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	2019
Net provisions		
Net provisions for assets held by third parties	507	124
Bad debt net provisions	(7,150)	9,148
Warranties net provisions	(808)	389
Other net provisions for risks and charges	237	226
Ongoing lawsuits net provisions	524	(50)
Total net provisions	**(6,690)**	**9,837**

The item "Bad debt net provisions" includes the waiver of Euro 7,591 thousand on an intercompany loan written down as at 31 December 2019, plus provisions of Euro 441 thousand for doubtful payments.

For details of the breakdown and changes in these items, see paragraphs "7. Trade receivables" and "10. Other current assets" of this document.

29 Financial income

The item "Financial income" amounted to Euro 12,186 thousand for the year ended 31 December 2020 (Euro 8,371 thousand for the year ended 31 December 2019).

The following table shows the amounts of financial income for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
Financial income		
Realised exchange gains	8,545	7,020
Unrealised exchange gains	2,541	402
Other financial income	891	753
Bank interest receivable	209	196
Total financial income	**12,186**	**8,371**

30 Financial expenses

The item "Financial expenses" amounted to Euro 14,684 thousand for the year ended 31 December 2020 (Euro 9,129 thousand for the year ended 31 December 2019).

The following table shows the amounts of financial expenses for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Financial expenses		
Realised exchange losses	11,815	6,888
Unrealised exchange losses	1,262	732
Bank interest on financial loans	400	517
Bank interest and fees	249	87
Other financial expenses	784	905
Provisions for the write-down of other financial receivables	174	-
Total financial expenses	**14,684**	**9,129**

"Other financial expenses" mainly include expenses related to the discounting of employee benefit obligations and non-current provisions for risks and charges.

The item "Provision for the write-down of financial receivables" of EUR 174 thousand includes the write-down of a loan granted to the unconsolidated entity Sandcroft Avenue Ltd.

This write-down, and that of the equity investment of EUR 2,395 thousand, is based on the findings of the development plan, which highlighted business continuity issues mainly due to the cashflow forecasts prepared by the management of the unconsolidated entity, which has been adversely affected by the Covid-19 pandemic; it is also due to the fact that there is no up-to-date estimate of the fair value on the closing date.

31 Income/(expenses) from investments

The item "Income/(expenses) from investments" amounted to Euro 5,064 thousand for the year ended 31 December 2020 (Euro 16,777 thousand for the year ended 31 December 2019).

The following table shows the amounts of financial income / (expenses) for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Income/(expenses) from investments		
Other income/(expenses) from investments	12,820	10,058
Revaluations/(impairment losses) investments	(7,756)	6,719
Total income/(expenses) from investments	**5,064**	**16,777**

For details of the breakdown and changes in the item "Investments" for the years ended 31 December 2020 and 2019, see note 4.

The following table shows details of dividends from investments for the years ended 31 December 2020 and 2019:

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Dividends from investments		
Technogym UK Ltd	5,593	—
Amleto Aps	—	1,005
Technogym Germany Gmbh	1,250	4,200
Technogym Benelux BV	—	2,346
Technogym USA	3,386	—
Technogym Trading	—	378
Technogym E.E. Sro	2,591	1,779
Technogym France Sas	—	350
Total dividends from investments	**12,820**	**10,058**

32 Income taxes

The item "Income taxes" amounts to Euro 8,881 thousand for the year ended 31 December 2020 (Euro 14,524 thousand for the year ended 31 December 2019).

The following table shows the amounts of income taxes for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Income taxes		
Current taxes	11,438	16,989
Deferred taxes	(646)	34
Total income taxes for the year	**10,792**	**17,023**
Taxes relating to prior years	(1,911)	(2,499)
Total income taxes	**8,881**	**14,524**

Taxes relating to prior years are mainly comprised of the recalculation of ACE for the years 2016-19, part of which will be due in the 2021 financial year, and of the tax credit for R&D.

The following table shows the reconciliation between the theoretical tax rate and the actual tax rate for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Year ended 31 December			
	2020	**%**	**2019**	**%**
Profit before tax	**55,220**		**86,856**	
Income tax calculated with theoretical tax rate	**13,253**	**24.0%**	**20,846**	**24.0%**
Permanent decrease differences	(8,141)	(14.7%)	(11,194)	(12.9%)
Permanent increase differences	4,832	8.7%	4,971	5.7%
Other income taxes (IRAP)	1,945	3.5%	2,813	3.2%
Taxes relating to prior years	(1,911)	(3.5%)	(2,498)	(2.9%)
Other taxes	(1,097)	(2.0%)	(414)	(0.5%)
Total	**8,881**	**16.1%**	**14,524**	**16.7%**

33 Earnings per share

The following table shows the calculation of basic earnings per share.

(In thousands of Euro)	Year ended 31 December	
	2020	**2019**
Earnings per share		
Profit for the period	46,339	72,332
Number of shares	201,328	201,005
Total earnings per share	**0.23**	**0.36**

The basic earnings per share coincide with the diluted earnings per share.

34 Indebtedness

The following table shows the details of the Group's net indebtedness at 31 December 2020 and 2019, determined in accordance with the Consob communication of 28 July 2006 and with the recommendations in ESMA document no. 2013/319.

(In thousands of Euro)	At 31 December	
	2020	**2019**
Net indebtedness		
A. Cash	161,745	81,054
B. Other cash equivalents	—	—
C. Securities held for trading	—	—
D. Liquidity (A) + (B) + (C)	**161,745**	**81,054**
E. Current financial receivables	**3,918**	**12,271**
F. Current bank debt	(11)	(25,059)
G. Current portion of non-current debt	(25,155)	(12,408)
H. Other current financial debt	(51,489)	(48,418)
I. Current financial debt (F) + (G) + (H)	**(76,655)**	**(85,886)**
J. Net current financial indebtedness (I) + (E) + (D)	**89,008**	**7,439**
K. Non-current bank loans	(62,500)	(24,667)
L. Bonds issued	—	—
M. Other non-current financial liabilities	(43,514)	(39,132)
N. Non-current financial indebtedness (K) + (L) + (M)	**(106,014)**	**(63,799)**
O. Net financial indebtedness (J) + (N)	**(17,006)**	**(56,360)**

35 Financial risk management

The main financial risks to which the Company is exposed to are:
- credit risk, arising from commercial transactions or financing activities;
- liquidity risk, related to the availability of financial resources and access to the credit market;
- market risk, in particular:
  a) Currency risk, related to operations in areas using currencies other than the functional currency;
  b) Interest rate risk, related to the Company's exposure to financial instruments that accrue interest;
  c) Price risk, associated with changes in the prices of commodities.

35.1 CREDIT RISK

The operational management of the credit risk is assigned to the Credit Management, which operates on the basis of a credit policy that regulates: (i) customers' merit ratings, which are evaluated by the internally developed risk score rating system, used for the management of credit limits and requests for adequate bank or insurance guarantees to support the granting of extended payment terms; (ii) the involvement of institutionalised credit committees on any operation with terms other than those normally applied by the company; (iii) the adoption of credit insurance policies; (iv) the monitoring of the balance of receivables and their due dates so that the amount of outstanding positions is not significant; (iv) the monitoring of the related expected cash flows; (vi) the issuance of reminders; (vii) any recovery actions.

The bad debt provision is calculated on percentages of past due, based on historical insolvency, with the exception of provision on specific credits in litigation. In relation to the breakdown of receivables by maturity, please see the Note "Trade receivables". For financing activities related to temporary excess of liquidity or for the stipulation of financial instruments (derivatives), the Company deals exclusively with counterparties with high credit standing. The amount of trade receivables represents the Company's maximum theoretical exposure to credit risk at year-end.

Risks related to supplier relations

The Company and its Group have always been committed to developing innovative, high-performance quality solutions. To continue this commitment, a close collaboration needs to be maintained with suppliers, particularly those who produce materials and technologies that may be used in the fitness industry, even if they primarily operate in other sectors.

Technogym's supply chain includes suppliers who provide "bill of materials" supplies, some of which are key to Technogym's success, including those that contribute directly to product creation, and also "indirect" suppliers who provide other services or materials, as well as the equipment used in production.

The company works closely with those suppliers considered key to the success of its products, establishing long-term relationships in order to minimise the risks related to the potential unavailability of raw materials within the required timescales.

Periodic performance checks are made, and controls carried out regarding compliance with current environmental and social regulations aimed at guaranteeing a stable supply chain.

Technogym has also adopted a structured supply chain assessment process involving on-site audits and checks, which ensures continuous monitoring, and requires its suppliers to comply with the REACH and RoHS directives.

35.2 LIQUIDITY RISK

The Company's liquidity risk is closely monitored by a specific control activity which, in order to minimise the risk, has led to a centralised treasury management with specific procedures intended to optimise the management of financial resources and the needs of the Technogym companies. In particular, a set of policies and processes was adopted aimed at optimising the management of financial resources that reduce liquidity risk: (i) maintenance of an adequate level of available liquidity; (ii) obtaining adequate credit lines; (iii) monitoring future liquidity in relation to the business planning process. For this type of risk, in the net financial indebtedness, the Company tends to finance investments and current commitments with both cash flow generated by operation and short time credit lines.

The following table shows the amounts of credit lines available and used at 31 December 2020 and 2019.

Credit lines	Cash credit lines	Self-liquidating credit lines	Financial credit lines	Total
As of 31 December 2020				
Credit lines	7,382	17,641	267,911	292,934
Utilisations	—	—	(87,500)	(87,500)
Credit lines available as of 31 December 2020	**7,382**	**17,641**	**180,411**	**205,434**
As of 31 December 2019				
Credit lines	7,382	18,751	137,219	163,352
Utilisations	—	—	(62,000)	(62,000)
Credit lines available as of 31 December 2019	**7,382**	**18,751**	**75,219**	**101,352**

The table below contains the breakdown and maturity dates of the liability items to 31 December 2020 and 2019:

	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
Values at 31 December 2020				
Non-current financial liabilities	—	106,014	—	106,014
Other non-current liabilities	210	32,643	—	32,853
Trade payables	91,176	—	—	91,176
Current tax liabilities	59	—	—	59
Current financial liabilities	76,597	—	—	76,597
Liabilities for derivative financial instruments	58	—	—	58
Other current liabilities	16,020	—	—	16,020
Total	**184,121**	**138,657**	**—**	**322,777**
Values at 31 December 2019				
Non-current financial liabilities	—	63,799	—	63,799
Other non-current liabilities	549	28,350	—	28,899
Trade payables	103,421	—	—	103,421
Current tax liabilities	2	—	—	2
Current financial liabilities	85,873	—	—	85,873
Liabilities for derivative financial instruments	—	13	—	13
Other current liabilities	14,063	—	—	14,063
Total	**203,905**	**92,162**	**—**	**296,070**

On 31 December 2020, the Company can rely on approximately Euro 205.4 million of undrawn credit lines, liquidity of Euro 161.7 million and trade receivables of 62.1 million, giving a total of Euro 429.2 million.

As a result, there are no concerns about meeting the existing commitments.

35.3 MARKET RISK

Exchange rate risk

The Company operates internationally and is exposed to currency risk in regards to commercial and financial transactions, especially in USD, GBP, JPY and AUD. To limit its exposure to exchange risk, the Group usually enters into spot or volume forward contracts, covering on average 70% and 80% of its transactions in these currencies. In the year ending 31 December 2020, no exchange rate hedging derivative contract was recognised using the hedge accounting method.

Investments in foreign subsidiaries are not covered, as the currency positions are considered long-term.

The following table shows the amounts and movements of investments in joint ventures and associates for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	EUR	GBP	USD	CNY	AUD	JPY	Other currencies	Total
Other non-current assets								
As of 31 December 2020	46,520	3,338	204	—	—	—	10	50,072
As of 31 December 2019	43,897	3,338	223	—	—	—	13	47,470
Non-current financial assets								
As of 31 December 2020	33,855	—	—	—	—	—	50	33,905
As of 31 December 2019	37,622	—	—	—	—	—	57	37,680
Trade receivables								
As of 31 December 2020	36,251	5,112	10,325	6,800	2,651	517	489	62,144
As of 31 December 2019	37,884	3,943	11,892	3,662	302	4,504	7,589	69,775
Current financial assets								
As of 31 December 2020	2,356	7	21	—	0	—	9	2,393
As of 31 December 2019	12,189	20	62	—	0	—	—	12,271
Cash and cash equivalents								
As of 31 December 2020	81,492	11,598	63,481	1,860	1,984	1,253	76	161,745
As of 31 December 2019	50,752	9,171	17,434	1,166	1,807	709	15	81,054
Other current assets								
As of 31 December 2020	13,786	32	13	—	—	—	754	14,585
As of 31 December 2019	13,507	28	(13)	—	—	—	1,981	15,503
Non-current financial liabilities								
As of 31 December 2020	106,014	—	—	—	—	—	—	106,014
As of 31 December 2019	52,018	—	—	—	—	—	11,782	63,800
Current financial liabilities								
As of 31 December 2020	59,095	7,940	9,553	—	—	—	9	76,597
As of 31 December 2019	57,079	9,492	19,302	—	—	—	0	85,873
Trade payables								
As of 31 December 2020	82,102	480	6,487	1,473	199	54	380	91,176
As of 31 December 2019	93,948	626	7,073	1,045	77	110	541	103,421
Other current liabilities								
As of 31 December 2020	15,222	0	187	0	601	0	9	16,020
As of 31 December 2019	13,343	0	103	0	597	0	19	14,063

For the purposes of the sensitivity analysis on the exchange rate, items in the financial position (assets and liabilities) denominated in foreign currency were identified. For the purposes of the analysis, two scenarios were considered that reflect an increase and a decrease respectively of 5% in the exchange rate between the currency of the balance sheet item and the Euro.

The following table shows the results of the analysis for the years ended 31 December 2020 and 2019.

			2020 - Exchange risk	
			+ 5%	- 5%
Description	**Carrying amount**	**of which subject to exchange risk**	**Gains / (losses)**	**Gains / (losses)**
Financial assets				
Non-current financial assets	33,905	50	(2)	101
Cash and cash equivalents	161,745	80,253	(3,821)	4,483
Trade receivables	62,144	25,893	(1,233)	1,005
Current financial assets	2,393	37	(2)	2
Assets for derivative financial instruments	1,525	—	—	—
Tax effect			1,411	(1,560)
			(3,644)	**3,930**
Financial liabilities				
Non-current financial liabilities	106,014	—	—	—
Current financial liabilities	76,589	17,502	833	(921)
Trade payables	91,176	9,074	432	(477)
Liabilities for derivative financial instruments	58	—	—	—
Tax effect			(353)	390
			912	**(1,008)**
Total increases (decreases)	**—**	**—**	**(2,732)**	**2,922**

			2019 - Exchange risk	
			+ 5%	- 5%
Description	**Carrying amount**	**of which subject to exchange risk**	**Gains / (losses)**	**Gains / (losses)**
Financial assets				
Non-current financial assets	2,930	114	(5)	6
Cash and cash equivalents	114,413	52,548	(2,502)	2,766
Trade receivables	127,472	60,144	(2,864)	3,165
Current financial assets	84	83	(4)	4
Assets for derivative financial instruments	—	—	—	—
Tax effect			1,498	(1,656)
			(3,877)	**4,285**
Financial liabilities				
Non-current financial liabilities	55,996	—	—	—
Current financial liabilities	54,823	627	30	(33)
Trade payables	127,537	1,048	50	(55)
Liabilities for derivative financial instruments	13	21,903	1,043	(1,153)
Tax effect			—	—
			1,123	**(1,241)**
Total increases (decreases)			**(2,755)**	**3,045**

The parameters applied were identified as reasonable possible changes in foreign currency exchange, with all other variables remaining the same.

Interest rate risk

Interest rate risk is related to the use of short and medium/long-term credit lines. Loans at variable rates expose the Company to the risk of fluctuations of cash flows due to the interests. The Company does not use derivative instruments to hedge interest rate risk, except for the IRS described in note 19 "Liabilities for financial derivatives".

For the purposes of the sensitivity analysis on changes in interest rate, items in the financial position (assets and liabilities) subject to fluctuations in interest rates were identified. For the purposes of the analysis, two scenarios were considered which reflect an increase and a decrease respectively of 20 basis points in the interest rate.

The following table shows the results of the analysis for the years ended 31 December 2020 and 2019.

			2020 - Interest Rate Risk			
				+ 20 bp		- 20 bp
Description	**Carrying amount**	**of which subject to exchange risk**	**Gains / (losses)**	**Other movements in RFV**	**Gains / (losses)**	**Other movements in RFV**
Financial assets						
Cash and cash equivalents	161,745	113,664	227	—	(227)	—
Trade receivables	62,144	—	—	—	—	—
Current financial assets	2,393	2,393	5	—	(5)	—
Assets for derivative financial instruments	1,525	—	—	—	—	—
Tax effect	—	—	(65)	—	65	—
			167	**—**	**(167)**	**—**
Financial liabilities						
Non-current loans payable	106,014	79,914	(160)	—	160	—
Current loans payable	76,589	71,617	(143)	—	143	—
Trade payables	91,176	—	—	—	—	—
Other current liabilities	58	—	—	—	—	—
Tax effect	—	—	85	—	(85)	—
			(218)	**—**	**218**	**—**
Total increases (decreases)			**(51)**		**51**	

			2019 - Interest Rate Risk			
				+ 20 bp		- 20 bp
Description	**Carrying amount**	**of which subject to exchange risk**	**Gains / (losses)**	**Other movements in RFV**	**Gains / (losses)**	**Other movements in RFV**
Financial assets						
Cash and cash equivalents	81,054	81,054	162	—	(162)	—
Trade receivables	69,775	—	—	—	—	—
Current financial assets	12,271	12,271	25	—	(25)	—
Assets for derivative financial instruments	—	—	—	—	—	—
Tax effect	—	—	(52)	—	52	—
		—	**135**	**—**	**(135)**	**—**
Financial liabilities		**—**				
Non-current financial liabilities	63,799	63,799	(128)	—	128	—
Current financial liabilities	85,873	85,873	(172)	—	172	—
Trade payables	103,421	—	—	—	—	—
Liabilities for derivative financial instruments	13	13	—	—	—	—
Tax effect	—	—	(84)	—	84	—
			191	**—**	**(191)**	**—**
Total increases (decreases)			**262**		**(262)**	

The parameters applied were identified as reasonable possible changes in interest rate, with all other variables remaining the same.

Price risk

The Company supplies worldwide, and is therefore exposed to the normal risk of changes in commodity prices, though not to a significant extent.

Capital risk management

The Company manages its capital with the aim of supporting the core business and maximising the value to shareholders, by maintaining a proper capital structure and reducing the cost of capital. The following table shows the gearing ratio, calculated as the ratio of net indebtedness and equity.

(In thousands of Euro)	**At 31 December**	
	2020	**2019**
Net financial indebtedness (A)	17,006	56,360
Equity (B)	330,214	284,253
Total capital (C)=(A)+(B)	**347,220**	**340,613**
Gearing ratio (A)/(C)	**4.9%**	**16.5%**

36 Financial instruments by category

At 31 December 2020 and 2019, the carrying amount of financial assets and liabilities is the same as their fair value. IFRS 7 outlines three levels of fair value for the measurement of financial instruments recognised in the statement of financial position: (i) Level 1: quoted prices in an active market; (ii) Level 2: inputs other than quoted prices included within Level 1, that are observable directly (prices) or indirectly (derived from prices) in the market; (iii) Level 3: inputs not based on observable market data. During the year, there were no transfers between the three levels of fair value indicated in IFRS 7.

The following tables show the financial assets and liabilities by category of financial instrument, in accordance with IFRS 7 and the fair value hierarchy level at 31 December 2020 and 2019.

2020 *(In thousands of Euro)*	**Amortised cost**	**FV vs OCI**	**FV vs P&L**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Other non-current assets	49,835	—	237	50,072	—	—	237	237
Non-current financial assets	33,905	—	—	33,905	—	—	—	—
Non-current financial assets	**83,740**	**—**	**237**	**83,977**	**—**	**—**	**237**	**237**
Trade receivables	62,144	—	—	62,144	—	—	—	—
Cash and cash equivalents	161,745	—	—	161,745	—	—	—	—
Current financial assets	2,393	—	—	2,393	—	—	—	—
Assets for derivative financial instruments	—	—	1,525	1,525	—	1,525	—	1,525
Other current assets	14,585	—	—	14,585	—	—	—	
Current financial assets	**240,867**	**—**	**1,525**	**242,392**	**—**	**1,525**	**—**	**1,525**

2019 *(In thousands of Euro)*	**Amortised cost**	**FV vs OCI**	**FV vs P&L**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Other non-current assets	44,811	—	2,660	47,470	—	—	2,660	2,660
Non-current financial assets	37,680	—	—	37,680	—	—	—	—
Non-current financial assets	**82,490**	**—**	**2,660**	**85,150**	**—**	**—**	**2,660**	**2,660**
Trade receivables	69,775	—	—	69,775	—	—	—	—
Cash and cash equivalents	81,054	—	—	81,054	—	—	—	—
Current financial assets	12,271	—	—	12,271	—	—	—	—
Other current assets	15,503	—	—	15,503	—	—	—	—
Current financial assets	**178,603**	**—**	**—**	**178,603**	**—**	**—**	**—**	**—**

2020 *(In thousands of Euro)*	**Amortised cost**	**FV vs OCI**	**FV vs P&L**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current financial liabilities	106,014	—	—	106,014	—	—	—	—
Other non-current liabilities	32,853	—	—	32,853	—	—	—	—
Non-current financial liabilities	**138,867**	**—**	**—**	**138,867**	**—**	**—**	**—**	**—**
Current financial liabilities	76,597	—	—	76,597	—	—	—	—
Trade payables	91,176	—	—	91,176	—	—	—	—
Liabilities for derivative financial instruments	—	—	58	58	—	58	—	58
Other current liabilities	16,020	—	—	16,020	—	—	—	—
Current financial liabilities	**183,793**	**—**	**58**	**183,851**	**—**	**58**	**—**	**58**

2019 *(In thousands of Euro)*	**Amortised cost**	**FV vs OCI**	**FV vs P&L**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current financial liabilities	63,799	—	—	63,799	—	—	—	—
Other non-current liabilities	28,899	—	—	28,899				
Non-current financial liabilities	**92,698**	**—**	**—**	**92,698**	**—**	**—**	**—**	**—**
Current financial liabilities	85,873	—	—	85,873	—	—	—	—
Trade payables	103,421	—	—	103,421	—	—	—	—
Liabilities for derivative financial instruments	—	—	13	13	—	13	—	13
Other current liabilities	14,063	—	—	14,063	—	—	—	—
Current financial liabilities	**203,357**	**—**	**13**	**203,370**	**—**	**13**	**—**	**13**

37 Non-financial risks

RISKS RELATED TO CYBER ATTACKS

The pace of the digital transformation within the company was accelerated, within the Company itself and also on the market as a result of the public health emergency, and this exposes the Group to potential cyber attacks (cyber risks). The Group has adopted a governance structure and cyber risk management model based on international standards, in order to put in place the best technological solutions and choose the best partners to defend its corporate assets. It has also taken out appropriate insurance cover.

38 Related-party transactions

The Company's transactions with related parties, identified based on criteria defined by IAS 24 – Related party disclosures – are carried out under normal market conditions.

38.1 SUBSIDIARIES

The following table provides details of the transactions between the Company and its subsidiaries for the years ended 31 December 2019 and 2018, and the incidence on the related item in the financial statements.

(in thousands of Euro)	Property, plant and equipment		Non-current financial assets		Other non-current assets		Trade receivables		Current financial assets		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities		Current provisions for risks and charges		Other current liabilities	
Values at 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Technogym Spain	—	—	—	—	—	6	1,702	(269)	1,670	8,381	—	69	—	—	44	72	—	—	—	—	15	—
Technogym France	—	—	—	—	—	—	1,668	2,400	—	—	—	—	—	—	72	117	5,187	2,877	—	—	0	—
Technogym China	—	—	—	—	—	5	6,800	3,662	—	—	—	59	—	—	3,124	2,723	—	—	—	—	1	—
Technogym Japan	—	—	—	—	—	5	517	4,505	—	—	—	—	—	—	54	110	—	—	—	—	—	—
Technogym Asia	—	—	—	—	—	—	492	860	—	—	—	—	—	—	33	119	—	—	—	47	—	—
Technogym Australia	—	—	—	—	—	5	2,650	302	—	—	—	69	—	—	154	56	—	—	—	—	607	597
Technogym Portugal	—	—	—	—	—	—	1,405	2,189	—	—	—	194	—	—	10	5	—	—	—	—	1	—
Technogym Russia	—	—	—	—	—	5	351	330	—	—	—	69	—	—	20	6	—	—	—	—	—	—
Technogym Manno	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9	9	—	—	—	—	—	—
Technogym U.K.	—	—	—	—	—	6	4,812	3,635	—	—	—	79	—	—	339	507	7,945	9,492	21	24	50	—
Technogym Germany	—	—	—	—	—	4	1,517	4,616	—	930	—	—	—	—	33	339	4,917	—	—	—	4	—
Technogym Benelux	—	—	—	—	—	5	1,824	1,850	—	577	—	—	—	—	59	154	3,822	1,500	—	52	1	—
Technogym Usa	—	—	—	—	—	11	3,341	6,646	—	—	—	158	—	—	298	1,433	9,553	19,302	—	—	15	—
Technogym E.E.	—	—	—	—	—	—	861	1,343	—	—	2,591	—	—	—	8,422	14,340	—	—	—	1	—	—
FKB EQUIPAMENTOS LTDA	—	—	—	—	—	4	553	—	484	2,100	—	—	—	—	3	176	—	—	—	—	1	—
Sidea S.r.l	—	—	100	300	—	—	29	16	200	200	—	—	—	—	224	393	(3)	(4)	—	—	—	—
TGB	23,218	21,283	33,605	37,180	—	—	283	306	—	—	(125)	116	19,893	17,489	266	1,183	3,624	3,906	—	—	—	—
Total	23,218	21,283	33,705	37,480	—	55	28,806	32,391	2,354	12,188	2,467	815	19,893	17,489	13,164	21,743	35,046	37,072	21	124	697	597
Total Financial Statements	70,803	73,144	33,905	37,680	50,072	47,470	62,144	69,775	2,393	12,271	14,585	15,503	106,014	63,800	91,176	103,421	76,597	85,873	5,865	9,854	16,020	14,063
% on financial statements item	33%	29%	99%	99%	0.0%	0%	46%	46%	98%	99%	17%	5%	19%	27%	14%	21%	46%	43%	0%	1%	4%	4%

(in thousands of Euro)	Revenues		Other revenues and income		Purchases and use of raw materials, work in progress and finished goods		Cost of services		Personnel expenses		Other operating costs		Depreciation and amortisation		Provisions		Financial income		Financial expenses		Income/(expenses) from investments	
Values at 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Technogym Spain	13,819	19,407	312	295	(341)	(500)	(0)	(2)	—	—	—	(2,283)	—	—	—	—	38	58	—	(3)	—	378
Technogym France	24,860	29,593	449	292	(355)	(724)	(26)	(43)	—	—	—	(258)	—	—	—	—	1	3	—	—	—	350
Technogym China	11,346	10,102	1,443	2,620	(91)	(86)	(301)	(273)	(158)	(228)	—	—	—	—	—	—	—	—	—	—	131	1,223
Technogym Japan	15,172	18,740	289	866	(328)	(262)	—	(56)	—	—	(1,036)	—	—	—	—	—	—	—	—	—	—	—
Technogym Asia	1,339	1,503	94	808	(16)	(6)	—	(11)	(19)	(435)	—	—	—	—	—	—	—	—	—	—	9	297
Technogym Australia	12,417	10,761	197	141	(154)	(147)	(109)	(133)	22	—	(2)	—	—	—	—	—	—	—	—	—	859	1,290
Technogym Portugal	2,340	2,977	365	19	(72)	(58)	—	—	—	—	—	(555)	—	—	—	—	—	—	—	—	—	—
Technogym Russia	7,181	12,203	96	167	(15)	(46)	—	—	232	—	—	—	—	—	—	—	—	—	—	—	—	—
Technogym Manno	—	—	—	—	—	—	—	(1)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Technogym U.K.	21,945	44,171	3,453	538	(1,088)	(2,952)	(16)	(53)	(204)	(210)	—	—	—	—	—	—	—	15	(11)	(26)	5,593	—
Technogym Germany	22,614	24,102	541	2,207	(625)	(517)	(2)	(288)	—	—	(1,444)	—	—	—	—	—	0	7	—	—	1,250	4,200
Technogym Benelux	14,744	17,891	420	351	(394)	(611)	(20)	(42)	(118)	(233)	—	(79)	—	—	—	—	1	1	(14)	(16)	—	2,346
Technogym Usa	26,406	34,657	918	3,350	(504)	(841)	(39)	(685)	—	—	(2)	—	—	—	—	—	0	16	(82)	(290)	4,641	3,830
Technogym E.E.	776	2,967	517	464	(46,097)	(58,606)	(1)	(302)	189	168	(2)	—	—	—	—	—	—	—	—	—	2,591	1,779
Fkb Equipamentos Ltda	1,276	5,521	161	207	(12)	80	(0)	(4)	—	—	—	—	—	—	7,591	(7,591)	63	2	—	—	(7,589)	—
Sidea S.r.l	13	8	153	105	(931)	(785)	(16)	(18)	—	—	(1)	(1)	—	—	—	—	7	11	—	—	—	—
TGB	—	—	—	—	—	—	(296)	(276)	—	—	6	(9)	(3,825)	(3,923)	—	—	578	609	(461)	(278)	—	—
Amleto Aps	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,004
Total	**176,246**	**234,603**	**9,408**	**12,430**	**(51,023)**	**(66,063)**	**(825)**	**(2,186)**	**(58)**	**(939)**	**(2,480)**	**(3,186)**	**(3,825)**	**(3,923)**	**7,591**	**(7,591)**	**689**	**722**	**(569)**	**(614)**	**7,486**	**16,697**
Total Financial Statements	**347,775**	**436,484**	**10,294**	**13,624**	**(179,098)**	**(222,252)**	**(50,685)**	**(61,869)**	**(45,157)**	**(56,291)**	**(9,927)**	**(4,679)**	**(27,238)**	**(24,342)**	**6,690**	**(9,837)**	**12,186**	**8,371**	**(14,684)**	**(9,129)**	**5,064**	**16,777**
% on financial statements item	**51%**	**54%**	**91%**	**91%**	**28%**	**30%**	**2%**	**4%**	**0%**	**2%**	**25%**	**68%**	**14%**	**16%**	**113%**	**77%**	**6%**	**9%**	**4%**	**7%**	**148%**	**100%**

38.2 JOINT VENTURES AND ASSOCIATES

The following table provides details of the transactions between the Company and its joint ventures and associates for the years ended 31 December 2020 and 2019, and of the impact on the related item in the financial statements.

(in thousands of Euro)	Property, plant and equipment		Non-current financial assets		Other non-current assets		Trade receivables		Current financial assets		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities		Current provisions for risks and charges		Other current liabilities	
Values at 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Technogym Emirates Llc	—	—	—	—	—	4	1,041	325	—	—	446	1,546	—	—	18	20	—	—	—	—	—	—
Exerp Aps	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8	—	—	—	—	—	—
Wellink Srl	—	—	—	—	—	—	—	—	—	—	—	—	—	—	53	87	—	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**	**4**	**1,041**	**325**	**—**	**—**	**446**	**1,546**	**—**	**—**	**70**	**115**	**—**	**—**	**—**	**—**	**—**	**—**
Total Financial Statements	**70,803**	**73,144**	**33,905**	**37,680**	**50,072**	**47,470**	**62,144**	**69,775**	**2,393**	**12,271**	**14,585**	**15,503**	**106,014**	**63,800**	**91,176**	**103,421**	**76,597**	**85,873**	**5,865**	**9,854**	**16,020**	**14,063**
% on financial statements item	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**	**0%**	**0%**	**0%**	**0**	**10%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**

(in thousands of Euro)	Revenues		Other revenues and income		Purchases and use of raw materials, work in progress and finished goods		Cost of services		Personnel expenses		Other operating costs		Depreciation and amortisation		Provisions		Financial income		Financial expenses		Income/ (expenses) from investments	
Values at 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Technogym Emirates Llc	10,182	11,620	168	178	(99)	(82)	(5)	(6)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Exerp Aps	—	—	—	—	—	—	(56)	(8)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wellink Srl	—	—	—	—	—	—	(170)	(379)	—	(23)	—	—	—	—	—	—	—	—	—	—	—	—
Total Financial Statements	**10,182**	**11,621**	**168**	**178**	**(99)**	**(82)**	**(232)**	**(393)**	**—**	**(23)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total Financial Statements	**347,775**	**436,484**	**10,294**	**13,624**	**(179,098)**	**(222,252)**	**(50,685)**	**(61,869)**	**(45,157)**	**(56,291)**	**(9,927)**	**(4,679)**	**(27,238)**	**(24,342)**	**6,690**	**(9,837)**	**12,186**	**8,371**	**(14,684)**	**(9,129)**	**5,064**	**16,777**
% on financial statements item	**3%**	**3%**	**2%**	**1%**	**0%**	**0%**	**0%**	**1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**

Relations with Wellink S.r.l. refer mainly to collaborations aimed at implementing personalised projects for wellness centres.

38.3 OTHER RELATED PARTIES

The following table provides details of the transactions between the Company and "Other related parties" for the years ended 31 December 2019 and 2018, and the incidence on the related item in the financial statements:

(in thousands of Euro)	Property, plant and equipment		Non-current financial assets		Other non-current assets		Trade receivables		Current financial assets		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities		Current provisions for risks and charges		Other current liabilities	
Values at 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Pubblisole Spa	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	43	—	—	—	—	—	—
Qicraft Finland OY	—	—	—	—			175	—	—	—	—	—	—	—	2	—	—	—	—	—	0	—
Consorzio Romagna Iniziative	—	—	—	—	—	—	—	—	—	—	20	51	—	—	—	16	—	—	—	—	—	—
Sandcroft Avenue Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(5)	—	—	—	—	—
Wellness Holding Srl	—	—	—	—	—	—	2	114	—	—	—	—	—	—	79	145	—	—	—	—	—	—
Via Durini 1 Srl	5,827	5,140	—	—	—	—	—	—	—	—	—	—	5,170	4,420	(49)	(67)	768	780	—	—	—	—
Starpool Srl	—	—	—	—	—	—	1	—	—	—	—	—	—	—	5	4	—	—	—	—	—	—
One On One Srl	—	—	—	—	—	—	5	66	—	—	—	—	—	—	1	172	—	—	—	—	—	—
Aedes S.s.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8	15	—	—	—	—	—	—
Wf Srl	—	—	—	—	—	—	—	—	—	—	—	—	—	—	61	50	—	—	—	—	—	—
Total	**5,827**	**5,140**	**—**	**—**	**—**	**—**	**182**	**181**	**—**	**—**	**20**	**51**	**5,170**	**4,420**	**109**	**379**	**763**	**780**	**—**	**—**	**—**	**—**
Total Financial Statements	**70,803**	**73,144**	**33,905**	**37,680**	**50,072**	**47,470**	**62,144**	**69,775**	**2,393**	**12,271**	**14,585**	**15,503**	**106,014**	**63,800**	**91,176**	**103,421**	**76,597**	**85,873**	**5,865**	**9,854**	**16,020**	**14,063**
% on financial statements item	**8%**	**7%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0**	**0%**	**5%**	**7%**	**0%**	**0%**	**1%**	**1%**	**0%**	**0%**	**0%**	**0%**

(in thousands of Euro)	Property, plant and equipment		Non-current financial assets		Other non-current assets		Trade receivables		Current financial assets		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities		Current provisions for risks and charges		Other current liabilities	
Values at 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Pubblisole Spa	—	—	—	—	—	—	(2)	(35)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Qicraft Finland OY	1,200	—	—	—	(3)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(27)	80
Consorzio Romagna Iniziative	—	—	—	—	—	—	(16)	(29)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Asso.milano Durini Design	—	—	—	—	—	—	—	—	—	—	(2)	(3)	—	—	—	—	—	—	—	—	—	—
Sandcroft Avenue Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5	—	(174)	—	(2,395)	—
Fitkey South Africa Pty Ltd	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7	(2)	—	—
Wellness Holding Srl	—	—	—	—	—	—	(190)	(250)	—	(15)	—	—	—	—	—	—	—	—	—	—	—	—
Via Durini 1 Srl	9	—	—	—	—	—	(145)	(63)	—	—	(9)	(9)	(822)	(820)	—	—	—	—	(126)	(134)	—	—
Starpool Srl	1	2	1	—	—	—	(1)	(5)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
One On One Srl	12	55	2	—	(1)	—	(207)	(576)	—	(2)	—	—	—	—	—	—	—	—	—	—	—	—
Enervit Spa	—	16	—	—	—	—	—	(1)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Aedes S.s.	—	—	—	—	—	—	(30)	(66)	—	—	(1)	—	—	—	—	—	—	—	—	—	—	—
Alne Soc. Agr. S.r.l.	—	—	—	—	—	—	—	—	—	(1)	(11)	(7)	—	—	—	—	—	—	—	—	—	—
Wf Srl	—	—	—	—	—	—	(200)	(50)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	**1,222**	**74**	**3**	**—**	**(4)**	**—**	**(792)**	**(1,075)**	**—**	**(18)**	**(22)**	**(19)**	**(822)**	**(820)**	**—**	**—**	**5**	**—**	**(293)**	**(136)**	**(2,423)**	**80**
Total Financial Statements	**347,775**	**436,484**	**10,294**	**13,624**	**(179,098)**	**(222,252)**	**(50,685)**	**(61,869)**	**(45,157)**	**(56,291)**	**(9,927)**	**(4,679)**	**(27,238)**	**(24,342)**	**6,690**	**(9,837)**	**12,186**	**8,371**	**(14,684)**	**(9,129)**	**5,064**	**16,777**
% on financial statements item	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**	**2%**	**0%**	**0%**	**0%**	**0%**	**3%**	**3%**	**0%**	**0%**	**0%**	**0%**	**2%**	**1%**	**(48%)**	**0%**

The relationship with Via Durini 1 S.r.l. is related to a lease agreement signed by the Company on 31 March 2010, for the lease of a building located in via Durini 1, Milan, venue of the Company's showroom. On 29 February 2016, the Company signed a new lease agreement relating to the expansion of the showroom area. These contracts are recognised in accordance with IFRS 16.

The relationship with One on One S.r.l. is related to collaborations aimed at implementing and managing corporate wellness areas. For instance, the Company occasionally receives the support of One on One S.r.l. in order to offer a complete service to the end customers. Transactions between the Company and One on One S.r.l. are regulated by agreements arranged from time to time based on the requests and needs of the end customer.

38.4 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

The total amount of compensation and the related costs of the Board of Directors of the Company amounted to Euro 2,369 thousand for the year ended 31 December 2020 (Euro 2,340 thousand for the year ended 31 December 2019).

The total amount of compensation paid to key management amounted to Euro 1,928 thousand for the year ended 31 December 2020 (Euro 2,014 thousand for the year ended 31 December 2019). The following table shows the amounts of revenues for the years ended 31 December 2020 and 2019.

(in thousands of Euro)	**Year ended 31 December**	
	2020	**2019**
Fees for office	1,407	1,651
Non-monetary benefits	23	46
Bonuses and other incentives	167	222
Other fees	331	95
Total	**1,928**	**2,014**

39 Contingent liabilities

At 31 December 2020, there were no ongoing legal or tax proceedings against the Company and therefore, no particular provisions for risks and charges were recognised.

40 Commitments and guarantees

At 31 December 2020, the Company issued guarantees to credit institutions on behalf of subsidiaries for Euro 3,722 thousand (Euro 3,810 thousand at 31 December 2019) and on behalf of related parties for Euro 3,339 thousand (Euro 3,647 thousand at 31 December 2019). The guarantees issued by the Company in favour of public institutions and other third parties amounts to Euro 2,379 thousand (Euro 2,200 thousand at 31 December 2019).

There were no significant commitments at the end of the year, with the exception of the information reported in the table included in liquidity risks.

41 Non-recurring events and transactions

During the 2020 financial year, the Company and its Group carried out a series of operations aimed at mitigating the adverse impact of the Covid-19 pandemic, primarily to safeguard Group employees, as they are essential in order to achieve the intended results over the next few years. In particular, the Company has invested heavily in PPE, in order to ensure that the working environment is as safe as possible.

The Company also contributed to the community by donating Euro 1 million to the regional health authority of Emilia-Romagna, to combat the effects of the Covid-19 health emergency.

42 Significant events after 31 December 2020

Following on from the strong growth in the Home Fitness segment in 2020, Technogym has continued to develop this segment in the initial part of 2021, registering significant demand from consumers. In January, the company launched the new MyRun machine on a global level, the low-noise, compact treadmill for the home, suitable for the needs of all members of the family, from beginners to very sporty. MyRun connects to a tablet and offers a comprehensive library of on-demand training content: one-on-one classes guided by trainers, targeted training routines, virtual training on outdoor routes, etc. For lovers of indoor cycling, in February Technogym launched the new Technogym Bike, which as well as the indoor cycling classes of various fitness studios in different cities around the world, also offers a wide range of training and entertainment content: training sessions, virtual training, entertainment apps and mirroring with personal devices.

In the world of sport, during the first few months of the year Technogym was involved in an exciting calendar of events. In the America's Cup, the athletes from the Prada Luna Rossa team are able to use a training centre equipped with the latest Technogym digital products and services. At the 2021 Alpine World Ski Championships in Cortina, for the first time in the history of this event Technogym kitted out the high-altitude pre-race warm-up areas for the competitors.

Proposal for approval of the financial statements and allocation of profit for the 2020 financial year

Dear Shareholders,

the Financial Statements at 31 December 2020 closed with a net profit of Euro 46,339,485.58.

As regards the profits for 2020, the Board of Directors proposes the distribution of a unit dividend of Euro 0.22 per share, including the statutory tax withholdings. As the Company's shares currently amount to 201,327,500, the total amount to distribute would be equal to Euro 44,292,050.00. Considering the schedule relative to 2021 approved by Borsa Italiana S.p.A., we propose authorising a payment of the dividend on 17 May 2021, with record date 18 May 2021 and coupon no. 4 detachment date 19 May 2021.

With regard to the first point, we thus propose allocating the net profit for 2020, of Euro 46,339,485.58, as follows:

(i) Euro 3,225.00 to the legal reserve, so that it meets one-fifth of the share capital as required by Article 2430 of the civil code.
(ii) Euro 44,292,050.00 by way of dividend;
(iii) Euro 2,044,210.58 to the retained earnings reserve.

With regard to the second point, considering the accounting effects during the year and in order to maintain a specific connection between the equity items and the allocation of the reserves, we propose:

(i) releasing Euro 12,256.60 from the reserve for the adoption of IAS for allocation to the retained earnings reserve, and
(ii) allocating the sum of Euro 5,033,568.90 from the retained earnings reserve, as follows:
  - Euro 3,702,555.28 to the extraordinary reserve;
  - Euro 1,331,013.62 to the exchange gains reserve

Finally, with regard to the third point, as the shares have been allocated in relation to the 2017-2019 Performance Shares Plan, we propose that the remainder of the entire Stock Option Plan reserve, of Euro 2,142,561.00 be allocated to the Share premium reserve.

For further information see the Annual Report, comprising the Financial Statements and Consolidated Financial Statements at 31 December 2020 approved by the Board of Directors on 24 March 2021, the Report on Operations, and the certification required by Article 154-bis, paragraph 5 of Italian Legislative Decree no. 58 of 24 February 1998, which will be filed and made available according to law, along with the Report of the Board of Statutory Auditors and Report of the Independent Auditors.

In view of the above, we therefore propose the following motion:

The Shareholders' Meeting of Technogym S.p.A.,

- having reviewed the Report on Operations;
- the Reports of the Board of Statutory Auditors and Independent Auditors PricewaterhouseCoopers S.p.A.;
- the Financial Statements at 31 December 2020, in the draft presented by the Board of Directors, with a net profit of Euro 46,339,485.58;

having reviewed the Report of the Board of Directors,

resolved

(i) to allocate the net profit for the year of Technogym S.p.A. equal to Euro 46,339,485.58 as follows:
  (i) Euro 3,225.00 to the legal reserve;
  (ii) to shareholders as a dividend of Euro 0.22 per ordinary qualifying share, for a total of Euro 44,292,050.00;
  (iii) Euro 2,044,210.58 to the retained earnings reserve;

(ii) moreover, considering the accounting effects during the year and in order to maintain a specific connection between the equity items and the allocation of reserves, we propose:
  (i) releasing Euro 12,256.60 from the reserve for the adoption of IAS for allocation to the retained earnings reserve;
  (ii) allocating the sum of Euro 5,033,568.90 from the retained earnings reserve, as follows.
    (i) Euro 3,702,555.28 to the extraordinary reserve;
    (ii) Euro 1,331,013.62 to the exchange gains reserve.

(iii) reclassifying the Stock Option reserve of Euro 2,142,561.00 to the share premium reserve.

(iv) payment of the dividend on 17 May 2021, with record date 18 May 2021 and coupon no. 4 detachment date 19 May 2021."

On behalf of the Board of Directors,
Chairman

Nerio Alessandri

REPORT OF THE BOARD OF STATUTORY AUDITORS

ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020

OF TECHNOGYM SPA,

PREPARED PURSUANT TO ART. 153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND ART. 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

During the year ended 31 December 2020, the Board of Statutory Auditors of Technogym S.p.A. (hereinafter also only "Technogym" or "the Company") performed its supervisory activities, taking into account the Consob communications and recommendations on the subject of corporate controls and activities of Boards of Statutory Auditors, the principles of conduct of Boards of Statutory Auditors of listed companies recommended by the Italian association of certified auditors and accounting professionals (CNDCEC), as well as the guidance contained in the Code of Self-Governance (Corporate Governance Code as of 1 January 2021) of companies listed on the stock exchange.

With this Report, prepared pursuant to Art. 153 of Italian Legislative Decree 58/1998 and Art. 2429, paragraph 2 of the Italian Civil Code, this Board provides an account of the activities performed and their results.

First of all, the Board of Statutory Auditors was appointed by the Shareholders' Meeting held on 8 May 2019 and will remain in office until the financial statements at 31 December 2021 are approved.

The Board of Directors of the Company, in its current composition, consists of 11 members and was appointed by the Ordinary Shareholders' Meeting of 8 May 2018 for a three-year period. It will remain in office until the date of approval of the current financial statements at 31 December 2020.

The year ended 31 December 2020 showed a profit for the year of Euro 46,339,486, compared with the profit of the previous year of Euro 72,332,475.

The Board of Directors of the company approved the financial statements on 24 March 2021, along with the consolidated financial statements of the Technogym Group and the consolidated non-financial statement.

As pointed out by the Directors in the annual Corporate Governance Report for the year 2020, prepared pursuant to Art. 123-*bis* of Italian Legislative Decree 58/1998 and approved by the Board on 24 March 2021, in 2020 the Board of Directors held 8 meetings, the Control and Risks Committee met 7 times, the Remuneration Committee met twice, the Related Party Transactions Committee met once, and the independent directors met twice in the absence of the other directors.

During 2020, the Board of Statutory Auditors met 13 times. The Board of Statutory Auditors also attended:

- the only Shareholders' Meeting,
- all Board of Directors meetings, with the presence of at least one member of the Board of Statutory Auditors;
- all meetings of the Control and Risks Committee, with the presence of at least one member of the Board of Statutory Auditors;
- all meetings of the Appointments and Remuneration Committee, with the presence of at least one member of the Board of Statutory Auditors;

The Board of Statutory Auditors also met periodically with the members of the Supervisory Body ("SB"), formed according to the provisions of Italian Legislative Decree 231/2001.

In most cases, the Board of Statutory Auditors held its meetings on the same day as those of the Control and Risks Committee and of the Supervisory Body, scheduling a section on topics to be discussed jointly in order to facilitate the exchange and consistency of information between those with significant internal control responsibilities and to make the best use of the corporate resources involved. Pursuant to Art. 19 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors also performs the function of Internal Control and Audit Committee. As far as the regulatory audit tasks are concerned, they are presently carried out by the company PricewaterhouseCoopers S.p.A. (the "**Independent Auditors**" or "**PWC**"), appointed by a shareholders' meeting resolution on 16 February 2016, which took effect from commencement of negotiations for the nine-year period 2016-2024.

Most of the Technogym Group companies are subject to regulatory auditing, of a differentiated scope depending on their importance, by independent auditors belonging to the PWC network.

In the role of parent company, Technogym S.p.A. also prepares the consolidated financial statements.

At 31 December 2020, the Company was a subsidiary of the company TGH S.r.l. (formerly Wellness Holding S.r.l.), which held 39.73% of the share capital with 56.87% of the voting rights (which in turn is 75%-owned by the company Oiren S.r.l. and 25%-owned by Path S.r.l.); the remaining 60.27% of the capital was free float on Borsa Italiana's MTA (screen-based stock exchange).

The Company is not subject to management and coordination pursuant to articles 2497 et seq. of the Italian Civil Code by TGH, as confirmed at the Board of Directors meeting of 25 February 2021 and stated in the Corporate Governance Report, in which the non-existence of the activities in which management and coordination is typically exercised is certified.

As regards the activities performed during the year - also in observance of the aforementioned Consob Communication DEM/1025564 of 6 April 2001, as amended - we report the following:

1. Based on the information received and on the specific analyses conducted, we have ascertained compliance with the law, with the articles of association and with the principles of correct administration of the transactions having greater impact on the financial position of the Company.
   We checked that said transactions were not plainly imprudent or risky, in potential conflict of interest, conflicting with the resolutions passed by the Shareholders' Meeting or such as to jeopardise the integrity of the assets of the Company.

   The main operational transactions of the year are described by the Directors in the Report on Operations, to which you are referred for this purpose.

   Specifically, during the year the Group made total investments in tangible and intangible assets amounting to about Euro 24.4 million, as broken down in the Report on Operations and in the Notes to the financial statements.

   In addition, in the Report on Operations, the Directors highlight the actions undertaken by the Group during the global economic situation related to Covid-19 in order to contain the negative effects of the ongoing pandemic, including by way of example:

   - digitalisation: the Group further accelerated its digital transformation, achieving significant growth and development objectives, through the Mywellness Cloud platform;

- Home-Consumers: in 2020, particularly during lockdown, the Group saw a significant increase in demand from end consumers for training solutions that can also be used in their homes. This trend continued even after the return to normal activities;
- sales network: the sales network focused on relations with all professional operators and, above all, on supporting the growth of the Home & Consumer segment, through the extensive management of CRM and remote sales, which enabled it to sell effectively;
- personnel: the Group adopted a strict health protocol to protect the health and safety of all its staff in relation to the ongoing health emergency, enabling a gradual return to the office in various locations that are now partially operational.

During the year ending 31 December 2020, the following changes to the scope of consolidation occurred: (i) formation of the Italian company DWL S.r.l.; it is 100%-owned and consolidated on a line-by-line basis; (ii) formation of the South African company TG Technogym SA, also 100%-owned and consolidated on a line-by-line basis; and (iii) Fitstadium S.r.l., an Italian company, left the scope of consolidation and was removed from the Register of Companies.

2. The Board of Statutory Auditors found no atypical or unusual transactions carried out with third parties or related parties (including Group companies) during 2020 and after it ended, also pursuant to the indications provided by Consob with its Communication no. DEM/6064293 of 28 July 2006 ("Corporate reporting of listed issuers and issuers having financial instruments distributed amongst the public pursuant to Art. 116 of the TUF - Requirements pursuant to Art. 114, paragraph 5 of Italian Legislative Decree 58/98").

3. The ordinary transactions initiated with Group companies and with related parties, described by the Directors in the Report on Operations and in the Notes, to which reference should be made for details, are appropriate and in accordance with the Company's interest.

   In this regard, the Board of Statutory Auditors points out that in implementing provisions contained in Consob Communication no. 10078683 of 24 September 2010, the Company has adopted a procedure concerning transactions with related parties, approved by the Board of Directors on 14 May 2019, and appointed a special Related Party Transactions Committee within the Board of Directors on 15 May 2018.

   The procedure establishes the criteria for identifying related parties and for distinguishing between transactions of greater and lesser importance, specifying the criteria and methods for the relevant procedural rules.

   As stated in the Corporate Governance Report, in 2020 the Related Party Transactions Committee met once to provide its unbinding opinion on a transaction of lesser importance, later approved by the Board of Directors on 9 September 2020.

   With reference to the related party transactions, the Board considers the information provided by the Directors in the Report on Operations and in the Notes to be adequate.

4. The Independent Auditors today issued, pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of EU Reg. 537/2014, the reports for which it is responsible on the statutory financial statements and on the consolidated financial statements at 31 December 2020 of Technogym S.p.A., in which it states that the statutory and consolidated financial statements of the Group provide a truthful and correct representation of the state of affairs at 31 December 2020, of the profit and loss and of the cash flows for the year ended on that date, in conformity with the International Financial Reporting Standards adopted by the European Union and with the measures issued to implement Art. 9 of Italian Legislative Decree no. 38/05, and that the Report on Operations and some specific information contained in the Corporate Governance Report indicated in Art. 123-*bis*, paragraph 4 of Italian Legislative Decree 58/1998 are consistent with the statutory

financial statements of Technogym S.p.A. and with the consolidated financial statements of the Group and are prepared in compliance with the rules of law.

The opinion on the statutory and consolidated financial statements provided in the aforesaid Reports is in line with what is indicated in the Additional Report prepared by PWC and addressed to the Board of Statutory Auditors pursuant to Art. 11 of EU Reg. 537/2014.

There are no findings or information requests, or statements issued pursuant to Art. 14, paragraph 2, letters d) and e) of Italian Legislative Decree 39/2010 in the aforesaid Reports of the Independent Auditors.

Also on today's date the Independent Auditors:

- sent to the Board of Statutory Auditors, in its capacity of Internal Control and Audit Committee, the aforementioned Additional Report required by Art. 11 of EU Reg. 537/2014;

- issued, pursuant to Art. 3, paragraph 10 of Italian Legislative Decree 254/2016 and Art. 5 of Consob Reg. 20267/2018, the certification of conformity, in all significant aspects, of the Consolidated Non-Financial Statement prepared by the Company based on the requirements of the above-mentioned decree and on the standards and methodologies under the GRI Standards selected by the Company in the technical form of limited audit. In this Report, the Independent Auditors stated that no elements had come to its attention leading it to assume that the Technogym Group Non-Financial Statement regarding the year ending 31 December 2020 was not prepared, in all of its significant aspects, in compliance with the requirements set forth in Arts. 3 and 4 of the decree and in the selected GRI Standards.

In compliance with the provisions of Art. 19 of Italian Legislative Decree 39/2010, the Board periodically met with the Independent Auditors and started up a profitable exchange of information in compliance with the provisions of Art. 150 TUF. In particular, the audit plan for the statutory and consolidated financial statements, the methodology, the audit approach used for the different significant areas, and the application of the accounting standards were analysed. The Board informed the Independent Auditors about its activity and reported on the significant transactions to its knowledge.

As a whole, no anomalies, critical issues or omissions and reprehensible actions found in performing the statutory audit activity on the statutory and consolidated financial statements emerged from the exchange of information with the Independent Auditors.

The Board of Statutory Auditors checked and monitored the independence of the Independent Auditors and received confirmation in writing that, during the period from 1 January 2020 until the moment the statement was issued, it had not found situations that might jeopardise its independence from Technogym pursuant to Art. 6, paragraph 2), letter a) of EU Reg. 537/2014.

The Independent Auditors indicated in the Additional Report that during the audit of the statutory and consolidated financial statements of the Group for the year ending 31 December 2020, no significant gaps in the internal control system for the financial reporting and/or in the accounting system were identified. Some areas for improvement in the internal control system in relation to certain functions of the SAP information system and referring to the active cycle and access of some users to information systems were identified. These were discussed with company management and do not constitute significant shortcomings.

The Independent Auditors also specified in the Additional Report that they did not find any difficulties in gathering the required information for the purposes of the audit activities and did not identify any significant uncertainties regarding the ability of the Company and the Group to continue as a going concern.

The Independent Auditors reported the audit services and the services other than auditing provided to the Company either directly or through entities belonging to its network, indicating the relevant remuneration and specifying that it had not provided any service prohibited to the auditor by the legislation in force.

The fees for auditing services for the year paid by Technogym to the Independent Auditors PricewaterhouseCoopers S.p.A., which amounted to a total of Euro 950,000 before Consob contributions and expenses, are provided in the Notes by the Directors.

Also taking into account:

- the independence declaration issued by PricewaterhouseCoopers S.p.A. on 12 April 2021 pursuant to Art. 6, paragraph 2), letter a) of European Regulation 537/2014 and pursuant to paragraph 17 of ISA Italia 260,

- the appointments granted previously by Technogym and by the Group companies,

the Board does not find that there are aspects to be pointed out concerning the independence of PWC.

5. The Board did not receive any claims or complaints in 2020, or afterwards from the beginning of 2021 and up until today's date.

6. Over the course of the year and then at its end, the Board of Statutory Auditors issued favourable opinions on (i) the work plan proposed by Internal Audit, (ii) the assessment by the Control and Risks Committee on the correct use of accounting standards and on their uniformity for the purpose of preparing the consolidated financial statements and on the impairment testing methodology adopted by the company in compliance with the requirements of international accounting standards, (iii) the awarding of two assistance assignments in connection with professional services other than auditing to the Independent Auditors, (iv) the signing by the Company of loan agreements and financing contracts in general with credit institutions, and (v) the appointment of the Financial Reporting Officer pursuant to Art. 154 *bis* of the TUF.

   With reference to foregoing point (iii), it should be noted that in 2017, Technogym implemented an internal procedure to approve services to award to the Independent Auditors and their network; the Board of Statutory Auditors issued, where necessary, its prior authorisation for the activities performed in order to protect the independence requirement of the auditor.

7. The Board of Statutory Auditors examined and supervised, as far as its responsibility, observance of the principles of correct administration and the adequacy of the organisational structure of the Company and its operation through direct observations, attending meetings of the board and of the board committees, collection of information from the corporate function managers, meetings with the Internal Audit manager and with the Control and Risks Committee, and with the managers of the Independent Auditors and with the Supervisory Body pursuant to Italian Legislative Decree 231/2001.

   During the board meetings, the obligations to periodically report to the Board of Directors and to the Board of Statutory Auditors provided for by Art. 2381 of the Italian Civil Code and Art. 150 of Italian Legislative Decree 58/1998 were met.

8. With particular regard to the organisational and procedural controls implemented pursuant to Italian Legislative Decree 231/2001, also based on the content of the Corporate Governance Report prepared by the Directors, the Board of Statutory Auditors reports that the Supervisory Body pursuant to Italian Legislative Decree 231/2001 has been established since 28 May 2013. The Supervisory Body in its current composition was renewed by the Board of Directors on 15 May 2018 until approval of the statutory financial statements at 31 December 2020. The aforesaid Supervisory Body guaranteed adequate reporting on the activities carried out in 2020 without reporting events or situations that must be highlighted in this Report.

The Organisational Model was most recently updated and approved by the Board of Directors on 25 February 2021. The updating mainly related to the introduction of a special section relating to tax offences as well as an overall updating of the Organisational Model aimed at reflecting the changes made to the corporate organisation and to the monitoring of the internal control system.

9. The Board of Statutory Auditors supervised, also in its capacity of Internal Control and Audit Committee, pursuant to Art. 19, paragraph 1, letter b) of Italian Legislative Decree 39/2010, the adequacy and effectiveness of the internal control and audit system. The supervisory activity was conducted through (i) the information received during periodic meetings held with the Internal Audit Manager; (ii) the flows of information from the Control and Risks Committee (specifically, through the examination of the Report on the activity carried out and on the adequacy of the internal control and risk management system); (iii) the information provided by the Supervisory Body established pursuant to Italian Legislative Decree 231/2001, with particular regard to that provided in the relevant periodic disclosure documents; and (iv) the examination of the corporate documents and of the results of the work performed by the Independent Auditors.

10. The Board of Statutory Auditors reports that the Company (i) operates in compliance with the provisions introduced by Italian Law 262/2005, having appointed the Financial Reporting Officer and having adopted the relevant operating guidelines; (ii) has established the Internal Audit function, without ties of dependency on the operational functions, which is engaged in identifying any critical problems of the internal control system, promptly reporting them to the Control and Risks Committee.

    In 2020, the Company continued its activities relating to the definition and implementation of the integrated risk governance system known as Enterprise Risk Management (ERM), reviewing and integrating the operating risks within the model, involving a leading player in the insurance sector and risk analysis consultancy in the analysis.

    The Directors report on the activities carried out to assess and manage risk profiles in the Corporate Governance Report.

    The above-mentioned risk profile analyses are conducted with the aid of Internal Audit. In its report, Internal Audit confirms, within the context of the controls referred to in Italian Legislative Decree 262, that most of the focus points previously identified have been resolved with compensating controls, while the risk mitigation and improvement process regarding the misalignment between orders entered into the SAP system and orders processed within the "Salesforce" CRM system is still under way. In reference to this subject, the Company has put in place effective manual procedures to ensure the reliable management of orders and is continuing with the identification of misalignments to highlight the most significant and develop an automated authorisation system. In any case, no critical issues regarding process checks conducted with reference to the discrepancies found were highlighted. In its report, the Control and Risks Committee recommended the continuous monitoring of these processes and the finalisation of the automated procedures. The Compliance activity was carried out with the support of outside consultants, and concerned the periodic updating of the internal controls system for HQ and the legal entities with the relevant effectiveness tests. Furthermore, Internal Audit continued its analysis and improvement of the current banking procedures. The Enterprise Risk Management project continued, in relation to which the Control and Risks Committee reiterated in its report the need for an integrated assessment of risk model management in order to reach a definitive adoption of the ERM model shared with the corporate organisation and governance bodies.

The circumstances and areas for improvement outlined above, to the extent of the Board's responsibility, have not pointed to elements that raise doubts concerning the adequacy and effectiveness of the internal control system considered as a whole.

11. The Board assessed and supervised the adequacy of the administrative-accounting system and the relevant reliability in correctly representing the operational transactions through (i) the information acquired during meetings held with the Financial Reporting Officer and examination of the certificates he issued on 24 March 2021 pursuant to Art. 154-*bis*, paragraph 5 of Italian Legislative Decree 58/1998 and Art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 as amended ("Regulation for enacting Italian Legislative Decree no. 58 of 24 February 1998 concerning the rules and regulations of issuers", also called the "Issuers' Regulation"); (ii) the obtainment of information from the managers of the competent corporate functions; (iii) the examination of the corporate documents and results of the work performed by the Independent Auditors.

    Together with the Control and Risks Committee, the Board continued to monitor the implementation of the new computer system and management of the misalignments cited above by requesting updates and analyses from the corporate functions involved in the project. The Board monitored the economic-financial impacts arising from the problems identified and the solutions implemented, appreciating all the corrective measures taken and the resources dedicated to resolving the issues.

    In light of the supervisory activity carried out, the Board deems, to the extent of its responsibility, that the administrative-accounting system is essentially adequate and reliable for the purpose of correctly representing the operational transactions, including in view of the ongoing health emergency relating to Covid-19.

12. With particular reference to the supervisory activity concerning the financial reporting process pursuant to Art. 19, paragraph 1, letter a) of Italian Legislative Decree 39/2010, the Board of Statutory Auditors, in its capacity of Internal Control and Audit Committee, acknowledges that when exchanging information the Independent Auditors notified the Board that the checks performed on the internal control system regarding the aforesaid process pointed out no significant gaps worthy of mention in the Report pursuant to Art. 19, paragraph 3 of Italian Legislative Decree 39/2010.

13. The Board of Statutory Auditors supervised the adequacy of the instructions given by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of Italian Legislative Decree 58/1998, considering them suitable for meeting the reporting obligations established by law.

14. As previously reported, the Company complies with the Code of Self-Governance prepared by the Corporate Governance of Listed Companies Committee and promoted by Borsa Italiana.

15. The corporate governance system adopted by the Company is described in detail in the 2020 Corporate Governance Report.

    The Board of Statutory Auditors also reports that the Company Directors performed the annual verification of independence requirements, also in the presence of the Board of Statutory Auditors, during the Board of Directors meeting held on 25 February 2021. The results are provided in the Corporate Governance Report, to which reference is therefore made. The members of the Board of Statutory Auditors respected the limit placed on the accumulation of appointments laid down by Art. 144-*terdecies* of Consob Regulation no. 11971 of 14 May 1999 as amended.

    The Board of Statutory Auditors considers it appropriate to emphasise that it conducted its self-assessment process for the 2020 financial year, at the end of which a summary document was produced, which provides favourable evidence of the results of the assessment as concerns the independence requirements of the

members of the Control Body, the methods of performing the activities for which it is responsible and the scope of the supervisory activity.

The Board reports that, as stated in the Corporate Governance Report, the Company has adopted the organisational procedure on the subject of Internal Dealing (Delegated Regulation 522 and Delegated Regulation 523 of the European Commission) and the code of conduct that regulates the organisational procedure aimed at identifying the relevant parties, at determining the method of communicating with them on their identification and at regulating the associated disclosure obligations to the Company and the market.

Together with the Chairman of the Board of Directors, the Board of Statutory Auditors received the Recommendations issued by the Chairman of the Corporate Governance Committee of Borsa Italiana in a letter dated 22 December 2020. The Board of Directors was informed of this at its meeting of 25 February 2021, highlighting the fact that, with reference to the recommendations, the Company has already adopted policies in line with the identified issues or is in the process of adopting them. The Directors provided information on this in the Corporate Governance Report.

Lastly, the Board of Statutory Auditors performed compliance audits *pertaining to the preparation of the draft statutory financial statements and Group consolidated financial statements at 31 December 2020*, of the respective Notes and of the Report on Operations accompanying them, directly and with the assistance of function managers and through the information obtained from the Independent Auditors. Specifically, the Board of Statutory Auditors, on the basis of the controls exercised and the information provided by the Company, within the limits of its responsibility according to Art. 149 of Italian Legislative Decree 59/98 and it being understood that the Independent Auditors perform the statutory audit, acknowledges that, to the extent of its responsibility, the statutory financial statements and the consolidated financial statements of Technogym at 31 December 2020 were prepared in compliance with the provisions of law regulating their preparation and layout and with the International Financial Reporting Standards issued by the International Accounting Standards Board.

The statutory and consolidated financial statements are accompanied by the required declarations of conformity signed by the Chief Executive Officer and the Financial Reporting Officer.

The Board of Statutory Auditors also verified that the Company had met the obligations set forth in Italian Legislative Decree 254/2016 and that it had drawn up the Consolidated Non-Financial Statement as required by Arts. 3 and 4 of the same decree. On this point, the Board of Statutory Auditors reports that the Company availed itself of exemption of the obligation to prepare the Individual Non-Financial Statement provided for in Art. 6, paragraph 1 of Italian Legislative Decree 254/2016, since it had prepared the Consolidated Non-Financial Statement as required by Art. 4.

No significant events worthy of mention in this Report arose from the supervisory and control activity performed by the Board of Statutory Auditors.

As highlighted above, with the approval of the financial statements at 31 December 2020, the three-year term of the Board of Directors will expire, and the agenda of the Shareholders' Meeting will therefore also include the measures for appointing the new board.

The Board of Statutory Auditors, in accordance with the guidelines issued by ESMA for financial reporting during the current situation related to the Covid-19 health emergency, the subject of the Consob Warning Notice no. 1/21 of 16-02-2021, verified that the directors had provided adequate information in the Report on Operations, to which reference should be made, regarding the actions undertaken and to be undertaken in order to deal with the short and medium-term uncertainties resulting from Covid-19.

With regard to the above, having acknowledged the draft financial statements at 31 December 2020, which ended with a profit for the year amounting to Euro 46,339,486, and the results of the work carried out by the Independent Auditors, considering everything contained in this Report, the Board of Statutory Auditors has no objections to make concerning approval of the draft financial statements and the resolution proposals submitted by the Board of Directors, including the proposal to distribute a unit dividend of Euro 0.22 per ordinary share before statutory deductions from net profit for the 2020 financial year and the allocation of the residual profit for the year to reserves.

Rome, 12 April 2021

Board of Statutory Auditors

Prof. Francesca di Donato

Ciro Cornelli

Claudia Costanza

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Technogym SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Technogym SpA (the "Company"), which comprise the statement of financial position as of 31 December 2020, the income statement, the statement of comprehensive income, the statement of change in equity and the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Technogym SpA as of 31 December 2020 and of the result of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/2005.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

www.pwc.com/it

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition	
See notes to the financial statements, paragraph "Accounting policies" and note 21 – Revenues Revenues of Technogym SpA for the year ended as at 31 December 2020 amounted to Euro 347.8 million. Such financial statements item includes revenues from the sales of wellness equipments, accessories, services and digital solutions made by Technogym SpA in several segments, distribution channels and geographical areas. General terms of sale drawn up by Technogym SpA are negotiated with the counterparty and may be amended and/or supplemented by specific clauses based on the type of customer. Moreover, sales contracts, especially those with leading international customers, are often long-term. As part of our audit of the financial statements as of 31 December 2020, we focused our attention on this financial statements area not only because of the magnitude of the amount, but because it is particularly complex and requires an in-depth analysis to ascertain the correct application of the revenues cut-off principle. This is due to the fact that a single contract may include components of a different nature (for instance, the sale of a product and the provision of the maintenance service), with the consequent need to allocate to the single contractual obligations the total price inferable from the contract/sale order, and due to the existence, in contracts with specific international customers, of buy back clauses (i.e. sales with the obligation to buy back second-hand goods against the sale of a new machine), with the need to estimate, on a historical/statistic basis, the probability of their implementation by the customers.	With reference to the Revenue line item, our audit approach preliminarily provided for the update of our understanding and evaluation of the internal control system of the Company in relation to the sale process, as well as the validation of its adequacy through tests on a sample basis on the effectiveness of the key controls implemented by the Company. We also updated our understanding and analysed the general terms of sale and the main contractual clauses used and negotiated with customers, considering the related effects for the purpose of the appropriate revenue recognition through analysis of the documentation and discussion with management of the Company. In order to verify the existence of the revenues from sales as well as the correct application of the cut-off principle considering what emerged from the activities summarised above, we selected a sample of contracts/sale orders concluded during the year, we analysed the contractual clauses relevant in the circumstances and we verified the correct recognition and measurement of revenue from sales related to the selected transactions. Furthermore, we selected a sample of transactions recognised as revenues during the year and near the end of the reporting period, we obtained the supporting documentation (contracts/orders, transports documents, invoices) and we verified the correct revenue recognition and measurement. In particular, we focused our audit activity on the type of contracts that envisage, in addition to the sale of a product, also the provision of a service, in order to verify the appropriate method for the allocation of the total price under the contract to each performance obligation agreed with the customer. We also performed the external confirmation procedures on a sample basis in order to acquire

evidence supporting trade revenues and receivables recognised in the financial statements in relation to the sale of products or the provision of services.

In addition, we analysed the reasonableness of the estimate of the year-end monetary awards recognised to distributors as well as that of the non-monetary awards (i.e. free products) that the Company recognises to customers as a result of the achievement of specific sale volumes.

Furthermore, we verified on a sample basis the invoices to be issued and the credit notes to be issued allocated in the financial statements, as well as the credit notes issued at the beginning of 2020, in order to ascertain that the sums allocated as increases in and adjustments to the revenues earned by the Company at year-end were correctly recognised within the cut-off date.

Moreover, we reviewed the assumptions underlying the estimate prepared by the Company to determine the probability to implement the buy back clauses by customers, testing the correctness of the calculation and the accurate adjustment to the revenue from sale in order to consider the buy back obligation undertaken by the Company.

Finally, we verified the accuracy and completeness of the information reported in the notes to the financial statements as of 31 December 2020.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/2005 and, in the terms prescribed by 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 Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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 Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated 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 determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 16 February 2016, the shareholders of Technogym SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024. We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of the Company are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Technogym SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Technogym SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Technogym SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 12 April 2021

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Certification of the Financial Statements of Technogym S.p.A. and of the Financial Statements of the Technogym Group pursuant to Article 81-ter of Consob Regulation 11971

The undersigned Nerio Alessandri, in his capacity as Chief Executive Officer of Technogym S.p.A. and Andrea Alghisi as Financial Reporting Officer of Technogym S.p.A., pursuant to Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree 58 of 24 February 1998, hereby certify: that the administrative and accounting procedures used in the formation of the individual and consolidated financial statements during the period 1 January 2020 to 31 December 2020 are adequate, and that they were properly applied.

We also confirm that the Individual Financial Statements:

- have been drawn up in accordance with the international accounting standards recognised in the European Union under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The Report on Operations includes a reliable analysis of the business performance and results, and of the situation of the issuer, as well as a description of its main risks and uncertainties.

Cesena, 24 March 2021

Financial Reporting Officer	Chairman and CEO
Massimiliano Moi	Nerio Alessandri

Corporate data

REGISTERED OFFICE
Technogym S.p.A.
Via Calcinaro, 2861
47521 Cesena (FC) – Italy

LEGAL DETAILS
Authorised and subscribed share capital Euro 10,050,250
VAT number, Tax Code and
CCIAA (Chamber of Commerce, Industry, Craft Trade and Agriculture) no.: 06250230965
Forlì-Cesena Economic and Administrative Register no. 315187

TECHNOGYM STORES

Cesena, Via Calcinaro 2861
Milan, Via Durini 1
New York, Greene Street, 70
Moscow, Piazza Rossa 3, GUM, 3rd floor/3rd line
Moscow, Vremena Goda, Kutuzovsky Ave, 48
Saint Petersburg, Bolshoy prospekt P.S. 49/18
London, c/o Harrods, Brompton Road 87-135
Marbella, Bulevard Principe Alfonso de Hohenlohe, Centro Comercial La Poveda locale
Madrid, Calle de Claudio Coello 77

www.technogym.com

INVESTOR RELATIONS
investor.relations@technogym.com

PRESS OFFICE
pressoffice@technogym.com