ANNUAL REPORT 2016

TECHNOGYM

The Wellness Company

ANNUAL REPORT

AT DECEMBER 31, 2016

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BOARD OF DIRECTORS' REPORT

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

the year 2016 was a historic one for TECHNOGYM. After more than 30 years of continuous growth and innovation, on 3 May 2016 the company was listed on the Milan Stock Exchange and in August we were a leading player in the Rio 2016 Olympics, as official suppliers of all athletic training centers: it was the sixth Olympic experience for TECHNOGYM.

The solid growth results recorded in 2016 prove that TECHNOGYM has kept the promises it made to the market in the months leading up to the IPO. During the year, we not only consolidated our leadership position in our reference segment, but we grew faster than our industry, increasing our market share.

The year 2016 ended with revenues of Euro 555 million, up by +8.5% (+10.3% at constant exchange rates) and a record result of Euro 100 million in terms of EBITDA (+15.3% compared to 2015). Profit grew by more than 50%, reaching Euro 43 million. In spite of the extraordinary investments, the net financial position is equal to Euro 78 million.

TECHNOGYM has grown in all continents. The most significant data are those of the Asia Pacific area (+18%) and North America (+16%) by virtue of strong growth on the luxury hospitality sector and of the agreements with a major premium fitness club chain in the United States. We are proud to have achieved a profit and EBITDA result that is more than proportionate to Revenues growth, and to be able to pay out the dividends to our shareholders.

Innovation has always been the engine of Technogym's growth and in 2016 we launched more new products, services and contents, such as SKILLMILL, which opens a new category of products, athletic performance training, GROUP CYCLE CONNECT, a new experiential, immersive format for indoor cycling, and POWER PERSONAL, the design product that completes our Personal collection designed by Antonio Citterio. Digital products remain at the center of our innovation strategy, and in 2016 we further enhanced MyWellness – our cloud ecosystem for training management – with new applications and contents. Thanks to the acquisition of the company Exerp, moreover, we integrated the training management software (the CRM), with the club's management software (the ERP).

TECHNOGYM is an aspirational brand with luxury living and design positioning in the home segment and with premium positioning in the professional segment. Our business model, based on the offer of a complete solution, enables us to cover new markets like hospitality, corporate and health.

In 2017 we will focus on developing digital products and our presence in the United States, the preferential market for our future growth. In spite of a market scenario dominated by uncertainty, we continue to aim at sustainable long-term growth and to invest in research and development, and in 2017 we will introduce more new products and solutions for the various market segments.

Lastly, we continue our commitment in terms of corporate social responsibility in promoting wellness, not only as an economic opportunity, but also as a social opportunity for all stakeholders: for Governments, which can reduce public health costs by activating prevention policies, for Companies, which thanks to wellness programs can rely on more motivated, more creative employees, and for citizens who can improve their daily lifestyle.

Let's Move for a Better World.

Nerio Alessandri


TECHNOGYM
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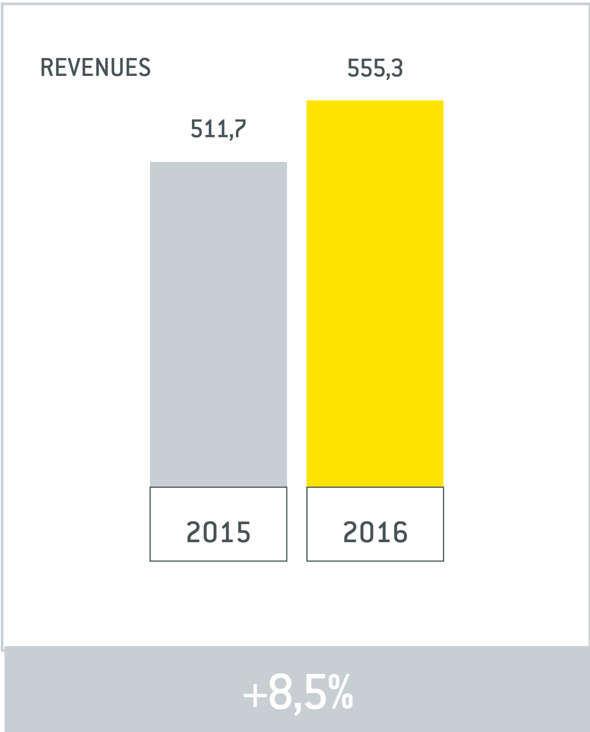
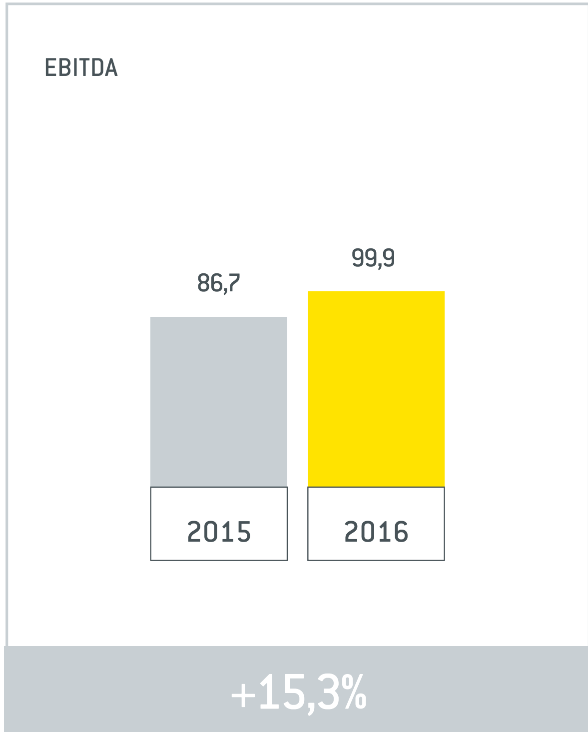
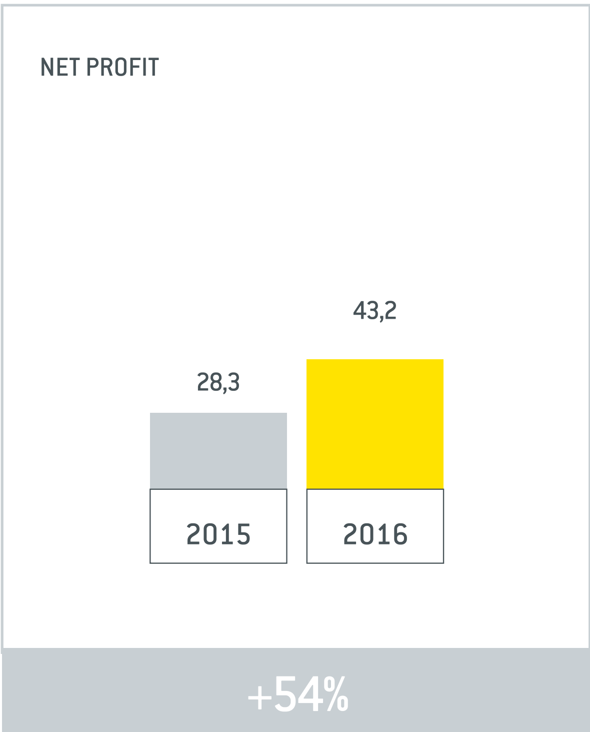
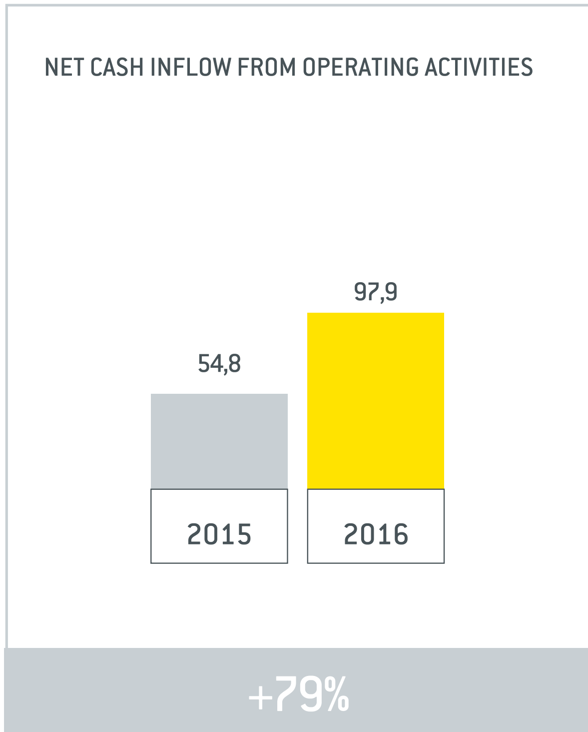
FINANCIAL HIGHLIGHTS









(In million of Euro and ratios)

CORPORATE OFFICERS

Board of Directors

Chairman and Chief Executive Officer	Nerio Alessandri
Deputy Chairman	Pierluigi Alessandri
Directors	Erica Alessandri Francesca Bellettini[a][c] Carlo Capelli Maurizio Cereda Riccardo Pinza[b] Vincenzo Giannelli[a][b][c] Maria Cecilia La Manna[a][b][c]

Board of Statutory Auditors

Chairman	Claudia Costanza
Standing Auditors	Ciro Piero Cornelli Gianluigi Rossi
Alternate Auditors	Laura Acquadro Roberto Moro

Supervisory Body

Chairman	Andrea Russo Giuliano Boccanegra Emanuele Scorsonetto

Officer in charge

Stefano Zanelli

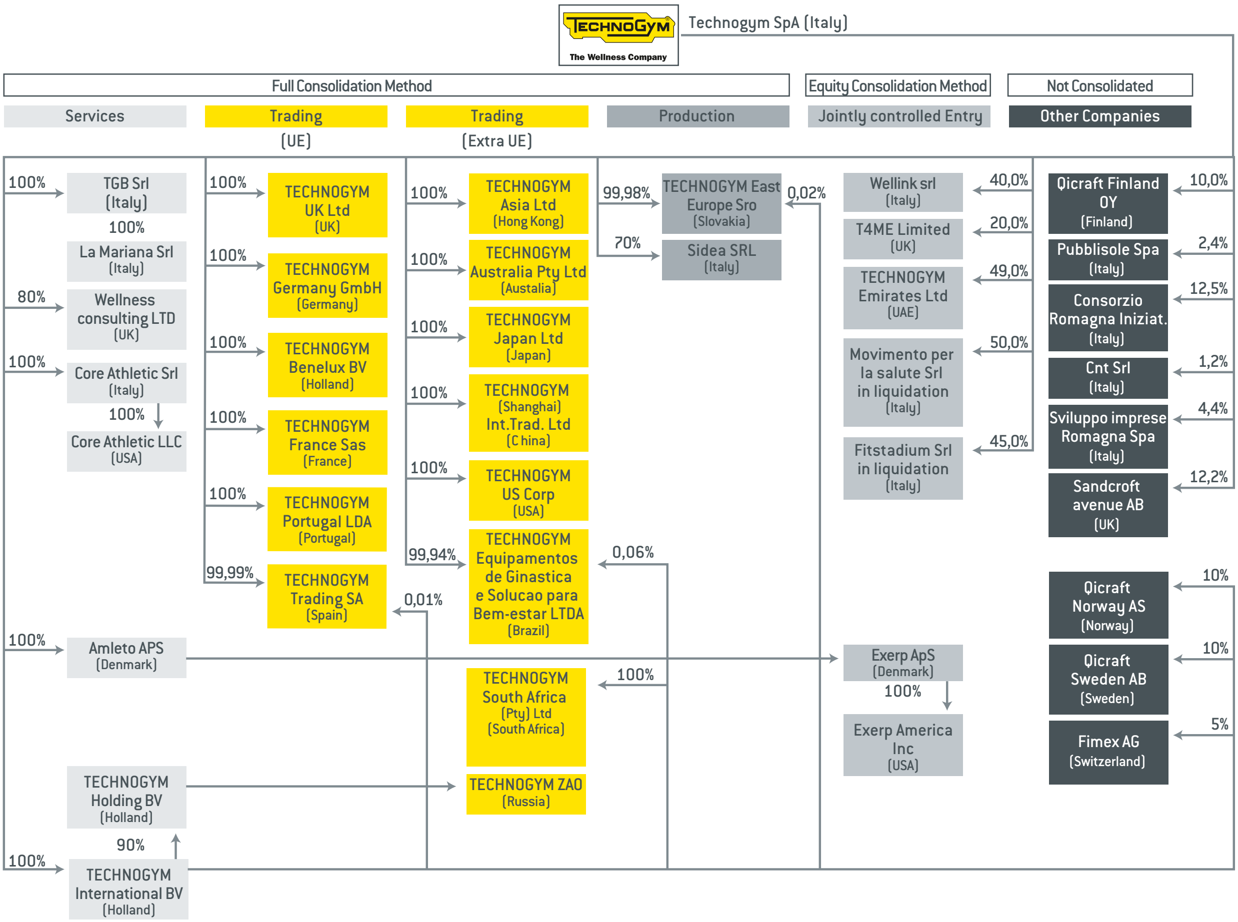
Independent Auditors

PricewaterhouseCoopers S.p.A.

(a) Member of the Control and Risks Committee
(b) Member of the Appointments and Remuneration Committee
(c) Member of the Related Party Transactions Committee

GROUP ORGANIZATIONAL CHART

AS OF DECEMBER 31, 2016



THE TECHNOGYM BRAND

The TECHNOGYM brand was created in 1983 when Nerio Alessandri, a young industrial designer and sport passionate, at the age of 22, designed and built his first piece of fitness equipment in his garage in Cesena. It was a hack squat machine, designed to perform the squat exercise in a guided and safer way. Ever since its first products, TECHNOGYM has set itself apart for the huge focus on safety and on reducing the risks of accidents, on ease of use and product design. The brand name TECHNOGYM combines Alessandri's two passions, technology (TECHNO) and sports (GYM).

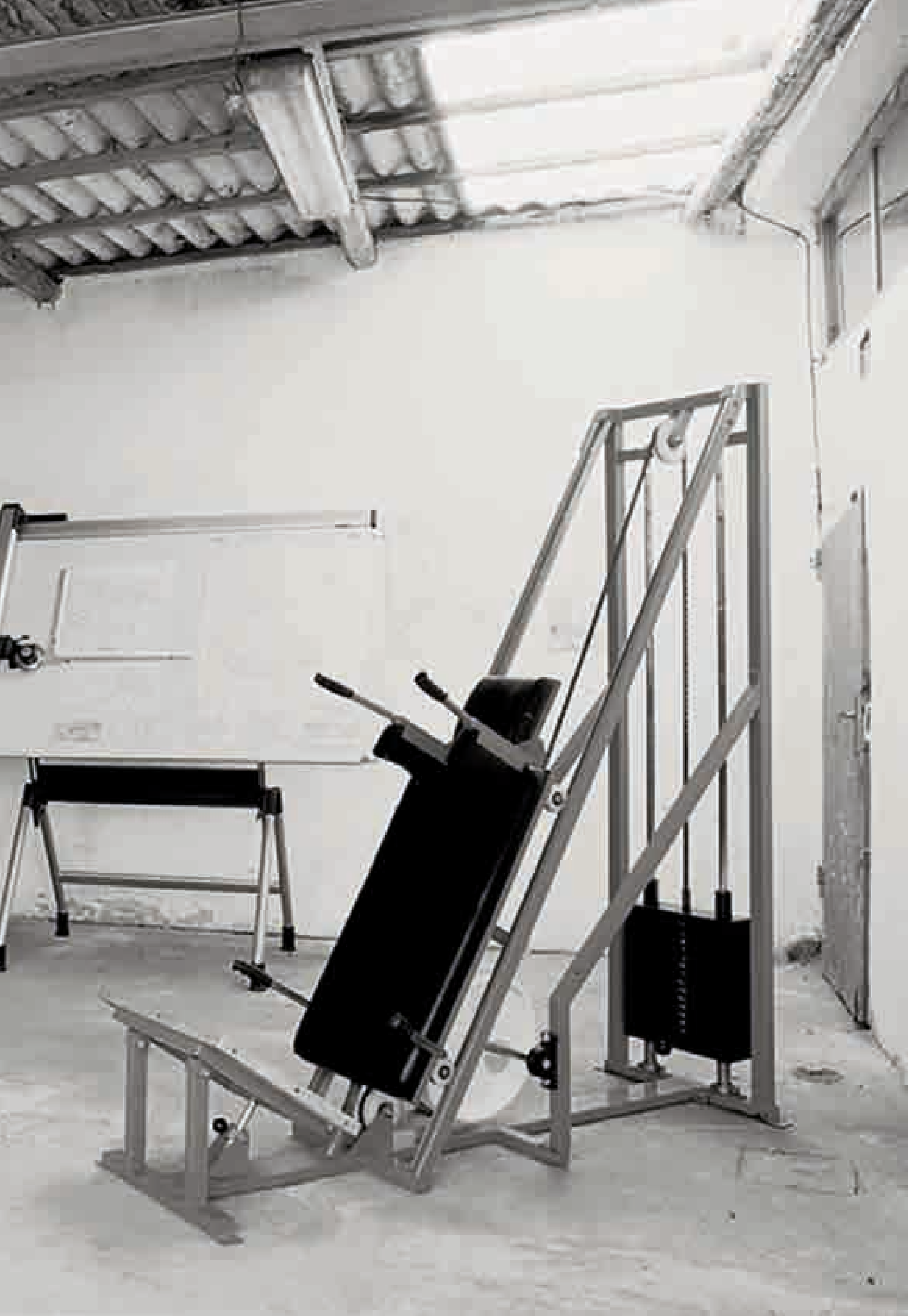
It was the first half of the eighties, when the fitness industry was considered a small niche market in Europe, with gyms visited mainly by body-builders and often equipped with very rudimentary machines. Nerio Alessandri sensed, on the one hand, the growing need for more technological and functional physical exercise equipment that respected consumers' health and, on the other hand, the potential appeal of the fitness industry to a wider and more diversified public, hand in hand with the growing social recognition that physical exercise was a major factor in determining a person's mental and physical health as well as their Wellness.

Today, after 30 years of history, TECHNOGYM is recognized worldwide as a leader in Fitness and Wellness technologies, services and design products, thanks to its complete range of cardio, strength and functional training equipment, services (post-sales, training and consultancy, interior design, marketing support and financing), 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 sector, HCP (Health, Corporate & Performance) and Home. TECHNOGYM products are now used in 65,000 Wellness centers and more than 200,000 homes worldwide.

TECHNOGYM has been the official supplier of the last six editions of the Olympic Games: Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012 and Rio 2016.

On May 3, 2016, TECHNOGYM was listed on the MTA (screen-based stock exchange) managed by Borsa Italiana S.p.A.



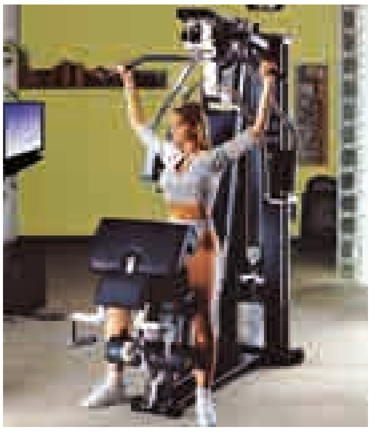
MILESTONES IN TECHNOGYM'S HISTORY

1983

Nerio Alessandri founds TECHNOGYM, combining his passion for technology (TECHNO) and for sports (GYM). He designs and builds his first machine in his garage at the age of 22.

1986

1986 – Unica is launched, the first product designed for domestic use: a complete gym which needs just one square meter, which soon becomes a status symbol and an icon of Italian design worldwide.



1984

Just one year after being founded, TECHNOGYM develops and launches the Isotonic Line, the first full line for strength training.

1990

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

1996

The Wellness System is created, the first solution in the world for managing training, which allows users to automatically activate TECHNOGYM machines thanks to the portable TGS Key and to keep track of their program and training data. The TGS Key can be considered as the first wearable device in the world, well before the revolution of the mobile.

End of the '80s

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

1992

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

2000

For the first time, TECHNOGYM is chosen as the Official Supplier for athletic training at the Olympics. In Sydney more than 10,000 athletes train using TECHNOGYM equipment.

2002

TECHNOGYM launches the Wellness TV: the first TV screen integrated in a piece of fitness equipment.

Nerio Alessandri creates the Wellness Foundation, a non-profit organization for researching and promoting Wellness as a social opportunity. One of the Foundation's main projects is the Wellness Valley, whose goal is to create the first international Wellness district in Romagna to enhance people's quality of life and wellbeing.

2007

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

2010

TECHNOGYM opens the first Stores in Milan, New York and Moscow.

2014

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

2015

TECHNOGYM is the headliner 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 performed movement into meals donated to countries affected by malnutrition.

2012

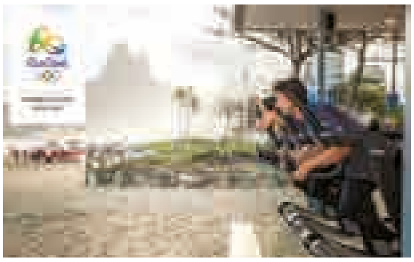
TECHNOGYM launches MyWellness Cloud – the first cloud platform in the fitness and Wellness sector which offers users the possibility to access their personal program anywhere and at any time and allows fitness and Wellness operators to connect with their customers, using a web and mobile system, inside and outside the gym.

On September 29, in the presence of the President of the Italian Republic Giorgio Napolitano and former President of the USA Bill Clinton, the TECHNOGYM Village is unveiled, the first Wellness campus in the world, which features TECHNOGYM's headquarters, the research center, the factory and the Wellness center, and is open to customers, partners and influencers from all over the world.

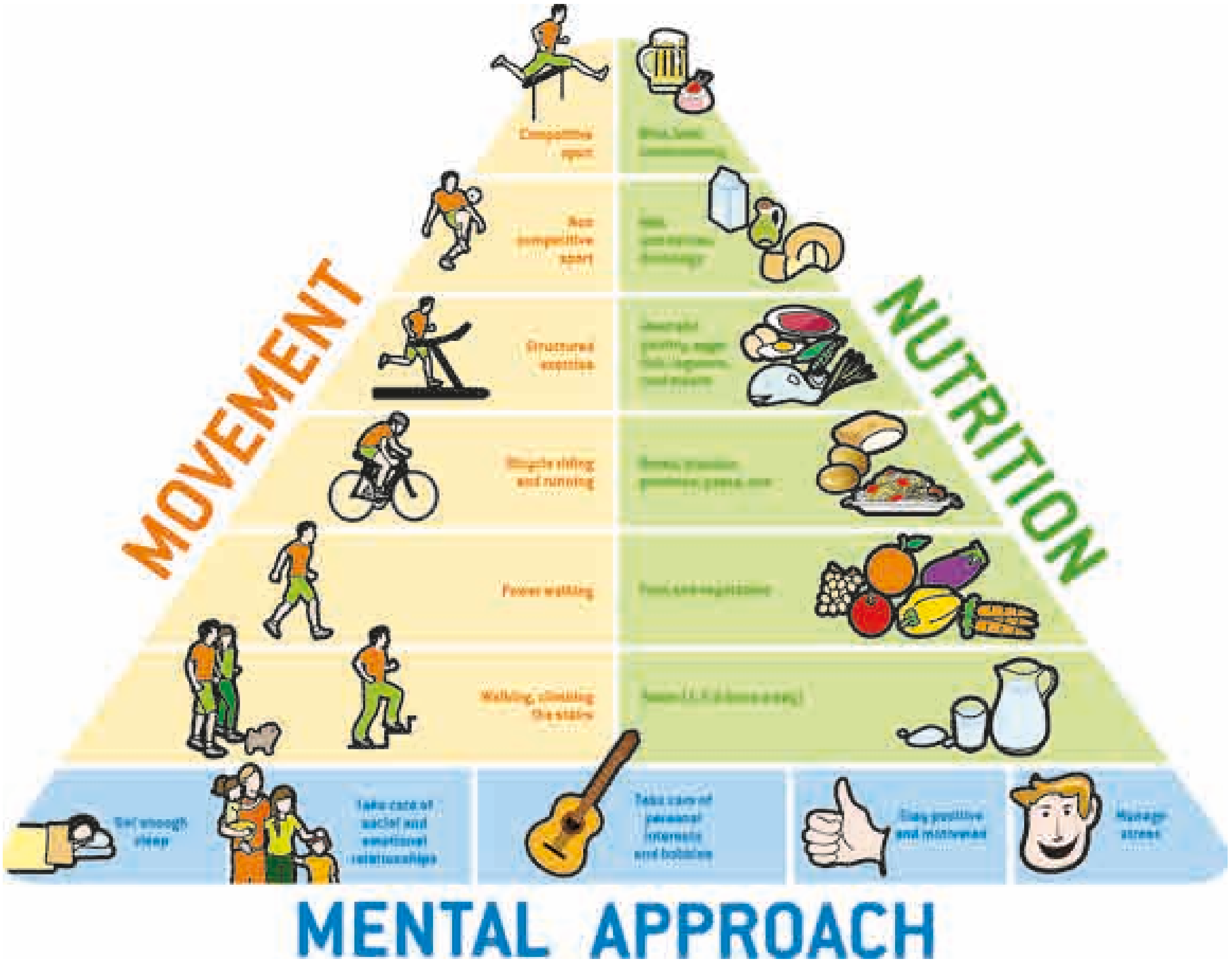
2016

TECHNOGYM is listed on the Milan Stock Exchange on May 3.

For the sixth time, TECHNOGYM is chosen as the Official Supplier for athletic training at the Olympics, held in Rio.



The Technogym Wellness Lifestyle® Pyramid



WELLNESS®

Wellness® is the lifestyle promoted by TECHNOGYM which aims at improving people's quality of life through education and regular physical exercise, a balanced diet and positive mental attitude. In the early nineties, when an all-muscle vision of fitness à la Jane Fonda and Sylvester Stallone was taking America by storm, in Italy, Nerio Alessandri from Romagna created a new vision, Wellness®, a profoundly Italian way of living, dating back to the "mens sana in corpore sano" (a healthy mind in a healthy body) principles of Ancient Rome and based on regular physical exercise, a healthy diet and a positive mental approach: a genuine revolution, which turned a business based on hedonism into a social business - from looking good to feeling good, and from a small niche of body builders to the entire human population.

Wellness® is a social opportunity for everyone: for Governments, that can reduce the costs of healthcare, for companies to stimulate their members to be more creative and productive and for all citizens to improve their health and daily lifestyle. This is the idea behind the work of the Wellness Foundation, the non-profit organization 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 in order to create a more sustainable society thanks to the promotion of Wellness and a healthy lifestyle.

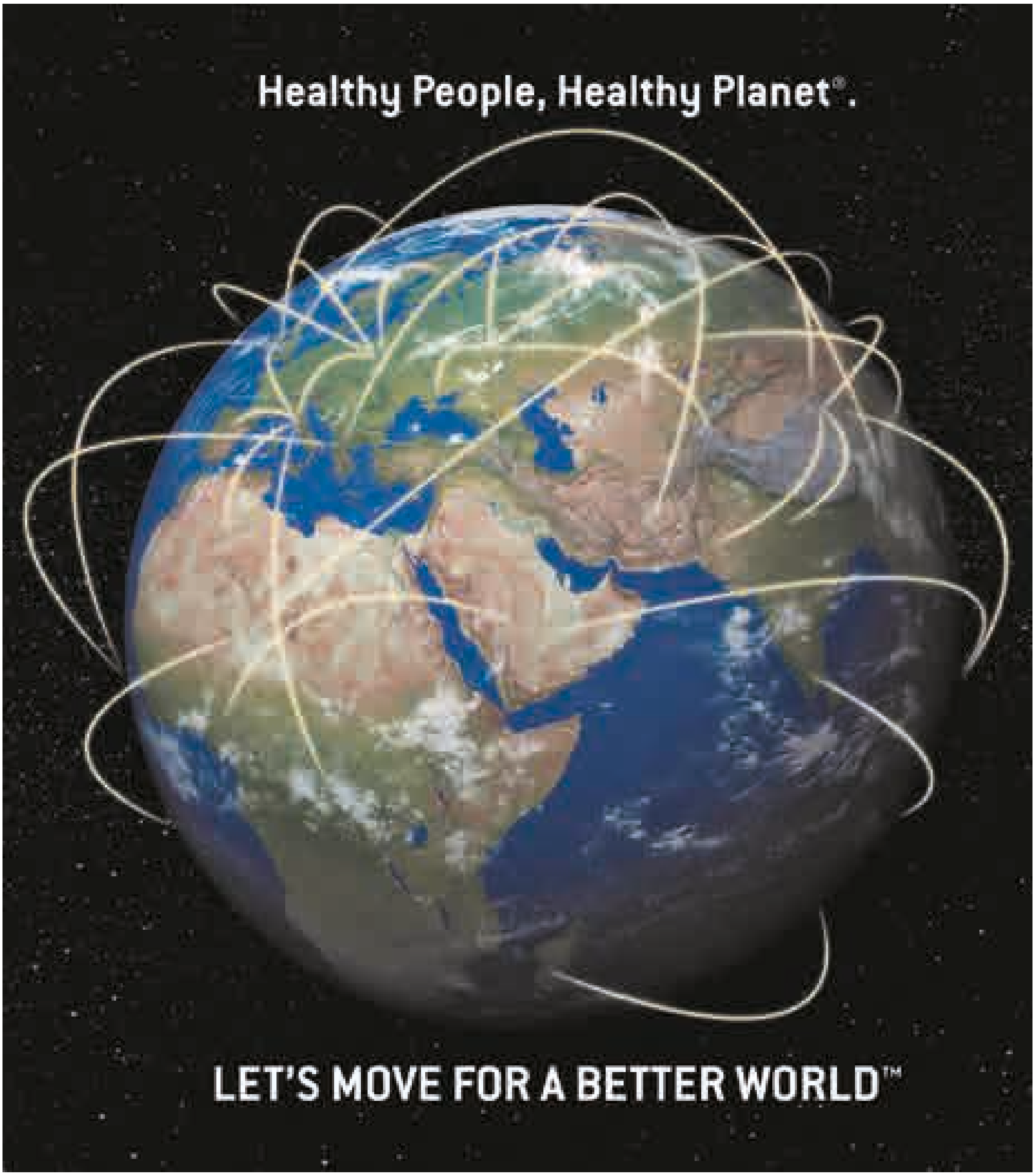
At an international level, thanks to the commitment of Nerio Alessandri and the Wellness Foundation, Wellness® has become a key theme of the World Economic Forum of Davos and has been the subject of a United Nations event in New York. In 2016, for the seventh year in a row, Nerio Alessandri took part as a speaker in the World Economic Forum of Davos, outlining the benefits of Wellness and launching the social campaign 'Let's Move and Donate Food'.

In its region, Romagna, the Wellness Foundation has launched the Wellness Valley project, which aims to create the first Wellness district in the world, capitalizing 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.

THE MISSION AND THE VISION

TECHNOGYM's Mission: **To spread the Wellness Lifestyle.** Wellness as a lifestyle can bring important benefits to society through improvement in people's quality of life, reduction in healthcare expenditure for the State, increase in companies' productivity and greater respect for the environment. The belief in Wellness as a social responsibility guides and unites the company.

TECHNOGYM's Vision: **To be the world's leading Wellness Solution Provider.** TECHNOGYM strives to be recognized as the reference point in the industry, capable of promoting an actual lifestyle through customized solutions for private customers and professional operators: not just equipment but also services, content, devices and networking solutions.



STRATEGY

TECHNOGYM's objective is to help people adopt a Wellness lifestyle constantly and everywhere, by implementing a strategy based on three main pillars:

1. Wellness on the go: the company has developed the TECHNOGYM Ecosystem, a platform which helps everyone enjoy a personalized Wellness experience, accessing content and training programs on any TECHNOGYM machine and any personal device, at any time and in any worldwide location. The TECHNOGYM Ecosystem integrates equipment, dedicated mobile apps, the MyWellness cloud digital platform and specific contents, programs and services, offering professional operators the possibility of connecting with their customers wherever they are.
2. 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. Marketing and communication of the TECHNOGYM brand ensure its values and the clear and coherent strategy has helped consolidate TECHNOGYM as an internationally recognized brand.
3. 3. 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 Sale and which recorded growth in all distribution channels in 2016.

BUSINESS MODEL

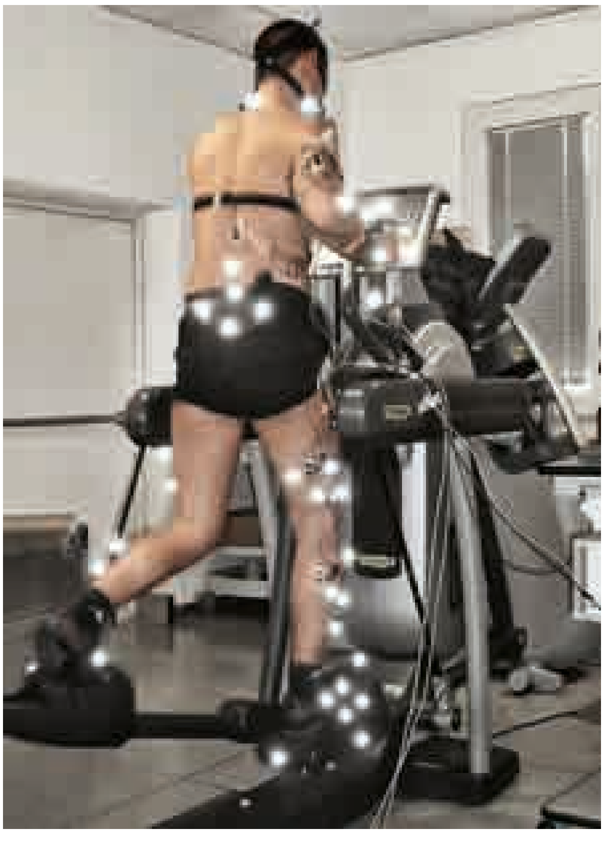
Over the years, TECHNOGYM has confirmed its ability to interpret and anticipate the needs of its users, creating a global community of over 40 million people, who train every day on its equipment in 65,000 fitness centers and more than 200,000 private homes in 100 countries worldwide. Today TECHNOGYM is the reference point for the fitness, Wellness and sport sectors.

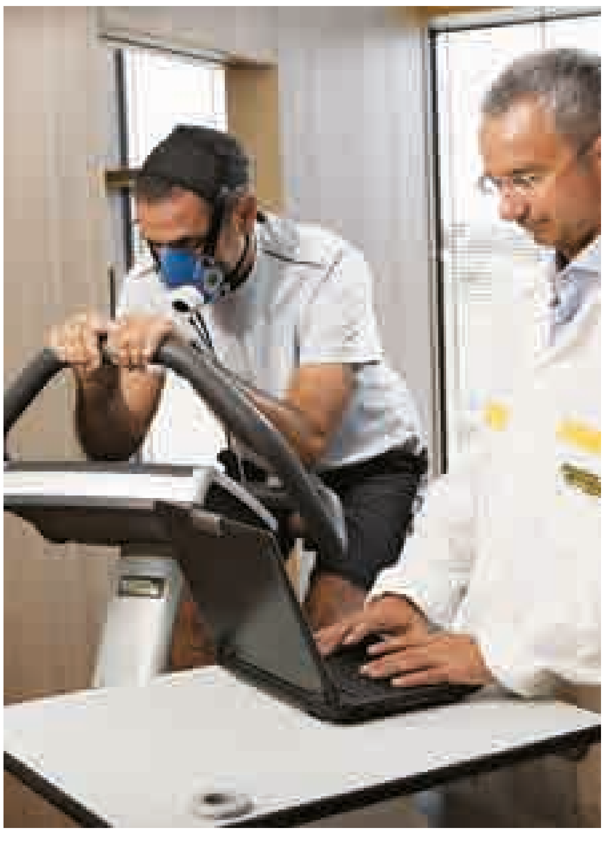
INNOVATION, DESIGN AND PRODUCT DEVELOPMENT

From its outset in 1983, TECHNOGYM's guiding principle has been all-round innovation: product, processes, digital ecosystem, sales, marketing and all company sectors.

Products are the central element of TECHNOGYM's innovation strategy. The company's Research and Development area employs more than 200 professionals including engineers, sports doctors, designers and software developers, and avails itself of external collaborations with physicians, physiotherapists, architects, athletes and sports trainers. TECHNOGYM owns, at a national and international level, 241 patents and 313 trademarks registered worldwide.

In 2016 TECHNOGYM launched a series of totally innovative products and concepts like Skillmill, Group Cycle Connect and Climb Excite. The TECHNOGYM Ecosystem continues to enjoy market success as does the TECHNOGYM 'Internet of Things' platform that connects products, cloud and mobile devices to offer consumers 'Wellness on the Go', a personalized Wellness experience that can be accessed anytime anywhere: in the gym, at home, in a hotel, in the workplace, at the doctor's or outdoor.





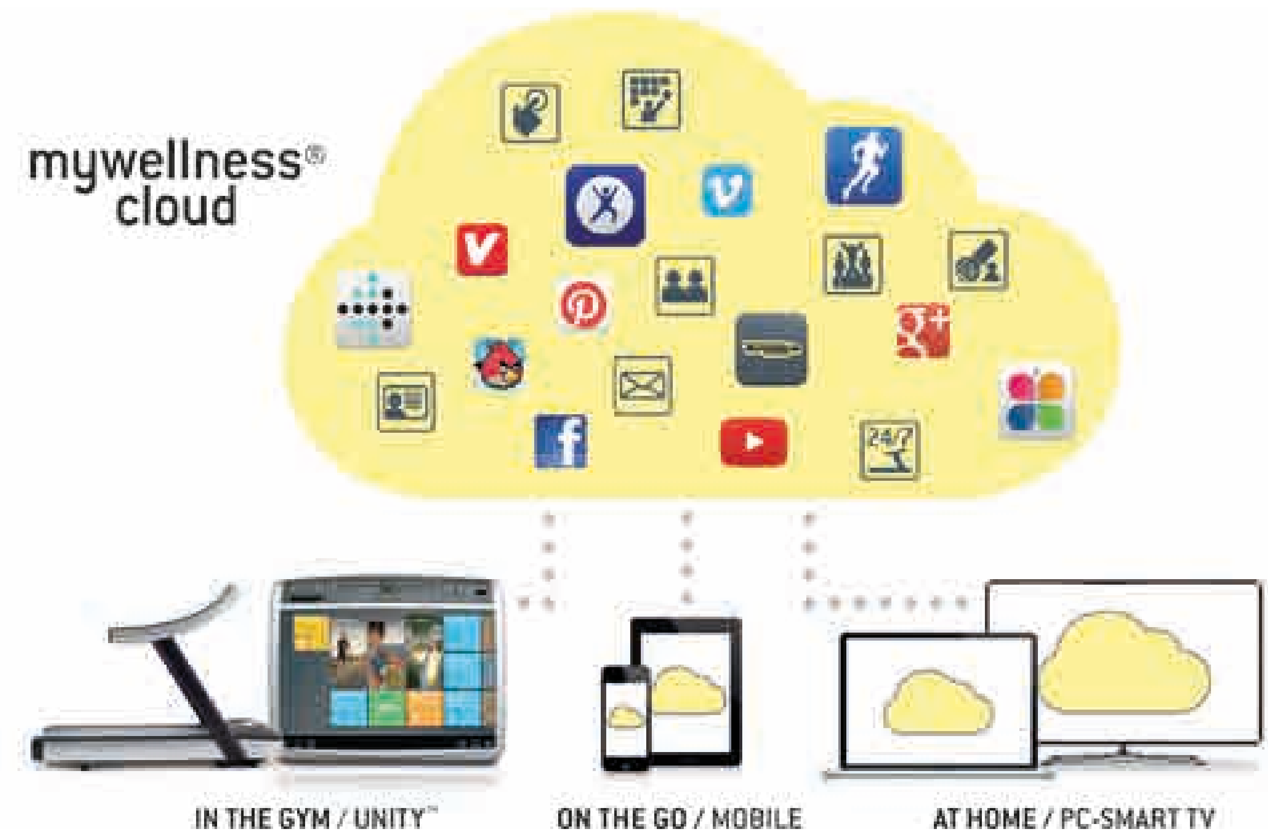
Medical-Scientific Research

The scientific approach is an integral part of TECHNOGYM's product development, which also boasts a long-standing collaboration with a network of scientists and prestigious Italian and international universities. Of particular note are the Company's relationship with the University of Greenwich (UK), where a member of TECHNOGYM's scientific committee is part of the teaching staff, and with IOWA University (USA) for scientific publications. Structured partnerships were also in place with the Italian Universities of Bologna, Padua and Verona and the IUSM in Rome for research and development projects on TECHNOGYM products and solutions. In 2016 some members of TECHNOGYM's scientific committee published a series of articles on international indexed scientific journals. The Department was further strengthened in 2016 by hiring a new executive with a long of experience in the sports performance and sports training fields.

Digital innovation

Digital innovation is a fundamental part of TECHNOGYM's activities. TECHNOGYM had already launched the Wellness System in 1996, the first software program for training management. Today, TECHNOGYM's offer incorporates the TECHNOGYM Ecosystem, a unique ecosystem in the world of fitness and Wellness which includes connected equipment based on an 'Internet of Things' approach, a cloud platform that contains personalized data and training programs for individual users and a complete range of consumer and professional apps to access their individual Wellness programs. The user experience is also radically innovative; the TECHNOGYM Ecosystem is an open application that integrates TECHNOGYM products and services with the leading tracking apps and wearable devices to provide users with a 'Wellness on the Go' experience, anytime and anywhere (in the gym, at home, in the workplace, outdoor, at the doctor's or while travelling). Each individual user has a personal account containing his/her own personal data and training programs and can access his/her data on their physical activity through various touchpoints: apps, web portal and/or directly through TECHNOGYM equipment, thanks to the UNITY interface.

In 2016, TECHNOGYM further enriched the platform thanks to the launch of new apps - e.g. RACE, which allows users to take part in virtual competitions at clubs - and a series of new contents and programs.



Design and Innovation awards

Style and Italian design have always been distinctive characteristics of TECHNOGYM worldwide. The company has participated in the Salone del Mobile in Milan, the most important design event in the world, for over 10 years. It collaborates with Antonio Citterio, one of the most renowned Italian architects, and boasts a top Design Department within its Research and Development Center.
In 2016 the company's commitment to design delivered significant results: in June the company was awarded the Compasso d'Oro, the most prestigious international product design award, for the design of Omnia, TECHNOGYM's functional training solution. In addition, TECHNOGYM won the ADI Design Index 2016 with Group Cycle Connect, TECHNOGYM's new solution for indoor cycling and the 'Good Design Award' for the design of Skillmill, the functional training product. TECHNOGYM also won the prestigious American SPA Award as 'Favorite Fitness Equipment Manufacturer', awarded by the US magazine American SPA.

PRODUCTION

The products offered by TECHNOGYM are conceived, produced and distributed according to an operating model characterized by direct control of all phases of production.

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 avails itself of a global sourcing system that includes more than 400 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 productive efficiency and a work environment inspired by the principles of Wellness, covers an area of around 40,000 square meters. The productive structure only includes product assembly lines, designed in accordance with lean production and total quality criteria, and is able to produce an average of 90,000 products per year. 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, capable of producing an average of approximately 60,000 products per year.

THE OFFER: TOTAL WELLNESS SOLUTION

TECHNOGYM's unique offer is the Total Wellness Solution, a bespoke Wellness solution for operators and end users that includes:

- Equipment for fitness, Wellness and sport
- Cloud platform and digital products
- Services (After-sales, Training, Interior Design, Marketing Support and Financing)

Equipment

TECHNOGYM boasts a complete range of cutting-edge equipment, dedicated to cardio, strength, functional and group training, specially designed to meet the market needs of the different segments. The company is constantly committed to developing new products and technologies to offer safe, effective and engaging training.

THE NEW PRODUCTS LAUNCHED IN 2016

SKILLMILL

A product that defines a new category of training solutions. It is a unique piece of non-motorized equipment that combines power, speed, stamina and agility training, representing the ideal solution for professional athletes and fitness enthusiasts who want to improve their performances. Industry operators worldwide got a sneak peek of Skillmill at IHRSA, the global convention held in Orlando (Florida, US) in 2016. Skillmill was one of the key products available to athletes at the Rio 2016 Olympics.

GROUP CYCLE CONNECT

Following the preview for the Italian market at the end of 2015, the year 2016 saw TECHNOGYM's international launch of Group Cycle Connect, a comprehensive solution for Group Cycling, fully integrated with TECHNOGYM Ecostystem. Group Cycle Connect offers a completely innovative training experience, thanks to the development of a new bike, the possibility for users to measure their workout results and compare them with those of other users and record their results on the MyWellness platform that is accessible directly through the display incorporated in the bike and mobile devices. The product also includes a full range of immersive video contents for group classes, to provide users with an absorbing and motivating experience.

CLIMB EXCITE

Launched in October 2016, Climb Excite is the new stairs climber perfectly integrated with 'MyWellness', TECHNOGYM's cloud platform. Climb Excite is the ideal product for strengthening muscles, burning calories and toning legs and glutes for all levels of users: it offers beginners easy access while more advanced users will be able to challenge themselves in high-intensity training programs in a totally safe manner, thanks to the dimensions and innovative design of the steps.

POWER PERSONAL

In line with the high-performance workout and professional training trend, in 2016, at the Salone del Mobile in Milan, TECHNOGYM launched the latest product of the Personal line: POWER PERSONAL. The Personal Line is the collection of iconic products dedicated to Wellness at home, which combines innovation, technology and design. The new solution is composed of two elements: Bench Personal is the adjustable professional bench designed to carry out strengthening and toning exercises, embellished by a sophisticated design and top class materials; Rack Personal is the free weight training machine.

THE TECHNOGYM PRODUCT RANGE

PERSONAL LINE

TECHNOGYM's PERSONAL Line is the collection of iconic products dedicated to Wellness at home, which combines innovation, technology and design. Born out of the collaboration between TECHNOGYM, with its thirty-year 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 refined materials and the best craftsmanship techniques. The PERSONAL Line includes: the innovative Kinesis Personal for gentle gymnastics, which, thanks to the Full Gravity 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, it is the result of 30 years of scientific and technological research in design and production of workout products. It includes a complete collection of integrated products, coordinated in terms of design and style, connected and sustainable for cardio, strength and functional training, which allows users to enjoy a unique experience. The line includes also OMNIA, the product for small groups training, with training programs for different levels of ability.

SELECTION PRO LINE

SELECTION PRO is the line of professional products for strength training that has set the standard on the market, thanks to its elliptical tube-shaped design and ergonomic solutions. SELECTION PRO ensures extraordinary biomechanics as it reproduces the physiological trajectories in a given range of motion and is distinguished by comfort and ease of use. The line, recently innovated, is equipped with the brand new UNITY MINI console, which offers users the only connected strength training experience on the market.

EXCITE LINE

EXCITE is the world's widest range of products for cardiovascular exercise. It includes machines for whole body workouts, both upper and lower body, to meet users' needs of exercise variety and functionality. The EXCITE line was updated in 2016, with a restyling and the addition of the new UNITY platform.

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 activates complete kinetic chains. The 'Kinesis Class' configuration allows personal trainers to easily manage an entire class. The KINESIS innovation and technology are also available in one single station. Developed as a single free-standing unit with a reduced footprint, KINESIS ONE provides a complete training solution. The Kinesis Stations are also part of the line.

PURE STRENGHT LINE

The complete line of PURE STRENGTH equipment is the result of a long 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 maximum 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 characterized 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.

ELEMENT LINE

The ELEMENT line redefines the strength training experience in terms of its essential elements. Designed to provide a quality solution at a more affordable price, ELEMENT offers superior biomechanics, is extremely easy to use and guarantees complete comfort.

WELLNESS TOOLS

From business trips to vacation, the WELLNESS TOOLS were developed to guarantee a safe and effective workout for movers and travelers, anywhere, anytime. Distinctive design, easy to use and geared to work out all muscle groups, the WELLNESS TOOLS are the world's smartest portable gym. The tools include the Wellness Bag, a compact and light kit that weighs less than 2 kg and offers up a resistance/load training method optimized for every user level; the Wellness Pad, a modern and innovative stretching pad designed with the highest-quality material for resistance, safety and comfort; the Wellness Weights, that bring both functionality and design to any aerobic workout, with resistant materials that are adapted for indoor and outdoor activities. This line of accessories perfectly integrates with the traditional cardiovascular or strength training products.

FLEXABILITY

Based on in-depth scientific research, FLEXability Anterior and Posterior are designed to guide all types of users in doing stretching exercises in a comfortable fashion, contributing to a faster and more effective way of stretching muscle chains (TECHNOGYM patent). The range also enables an initial assessment of flexibility and a continuous monitoring of improvement.

HOME LINE

Ideal for Wellness at home, the TECHNOGYM line includes products from the FORMA line, the MYRUN TECHNOGYM treadmill, which represents the new iconic TECHNOGYM product for the home, boasting an elegant and minimalist design, silent operation and compact dimensions, and 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 program of exercises.

Service

The Total Wellness Solution TECHNOGYM offers to end users and professional operators also includes a series of services which aim to make the Wellness experience for end users more complete and more personalized and to provide professional operators with a wider and more diversified range of tools to expand and retain their customer base.

INTERIOR DESIGN

Thanks to the Wellness Design service, TECHNOGYM is able to offer the full design of the Wellness center or the Wellness area in hotels, companies, medical centers or private homes. The objective is to create peaceful and stimulating spaces and environments and allow customers to stand out thanks to a unique and personalized style.

FINANCIAL SERVICES

TECHNOGYM ensures its customers safe, fast and transparent financing, together building a personalized and reliable plan in collaboration with a number of top international banks and insurance companies.

AFTER SALES

TECHNOGYM's assistance services aim to guarantee performances, reliability and value over time for the equipment acquired, thanks to modular and tailored contracts which ensure the best level of operation and constant quality of the equipment. The company boasts a global network of Authorized Technical Assistance Centers able to take prompt and competent action.

MARKETING SUPPORT

The promotion of Wellness, sporting partnerships and the TECHNOGYM global community make the brand distinctive in its appeal, contributing to customers' business. The company possesses educational and promotional tools to raise awareness about the equipment and its benefits and to allow customers to exploit TECHNOGYM's brand and communication as an asset for their business.

Networking Apps, Devices & Contents

Thanks to the MyWellness cloud open platform, integrated with equipment, apps and portable devices, operators and users can stay in touch everywhere for a comprehensive lifestyle management that increases customer loyalty and business opportunities. Operators can take advantage of a vast range of professional applications that grow their potential, while users can get involved through 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. The TECHNOGYM Village facilities host numerous congresses, seminars, and workshops organized by the TECHNOGYM University and the Wellness Institute, TECHNOGYM's dedicated training school. The Wellness Institute is where fitness center 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 ensured by on-line and on-site courses, as well as specialist technical seminars held by highly esteemed, experienced university professors.

DISTRIBUTION

Segments

TECHNOGYM targets 4 specific distribution SEGMENTS:

- Fitness and Wellness Clubs
- Hospitality & Residential
- HCP (Health, Corporate & Performance)
- Home

Fitness and Wellness Clubs

Fitness and Wellness Clubs continue to represent the most significant market segment in terms of sales volumes. TECHNOGYM is the reference supplier for the most important chains of clubs in the world, for example Virgin Active in Europe, Asia and South Africa or Life Time Fitness in the United States. In 2016 the Clubs segment continued to grow at a faster rate than the market. TECHNOGYM consolidated its position as the reference point for the high-end market, thanks to the unique Artis solution, which allows users to enjoy an effective and interactive training experience with the digital platform. In addition, TECHNOGYM's solution was also hugely successful in the emerging world of budget clubs thanks to the depth of its range and, in particular, to its product reliability and therefore long-term affordability for operators that manage, thanks to TECHNOGYM, to integrate high-level services while maintaining an affordable membership fee for the end user. A prime example is the Brazilian chain 'Smart Fit' which, in 2016, opened more than thirty clubs, all TECHNOGYM-equipped, setting itself up as a reference point in the landscape of Latin American operators.

In the United States the Life Time Fitness chain is among the most receptive in terms of new trends and solutions designed for the world of fitness: TECHNOGYM's offer fully meets these needs, as demonstrated by the exclusive 'Life Time Athletic at Sky' club in Manhattan, New York. The club offers a unique workout experience thanks to a fitness room fully equipped with the Artis line and an extensive offer of individual and group training sessions, with the recent addition of SKILLMILL to the solutions offered. The club is located on the 11th floor of a prestigious building just a short walk from Times Square. The company continued to introduce Artis products within Virgin Active clubs, one of TECHNOGYM's global partners.

In Europe, an agreement was signed for the exclusive supply of the Healthcity France Group, which will see 6 highly prestigious locations in Paris comprehensively modernized with the Artis line (installations planned for Q1 2017).

Hospitality & Residential

In the Hospitality & Residential channel, TECHNOGYM is a partner of the most prestigious global groups, like Mandarin Oriental, Four Seasons, Marriott / Starwood, Hilton, Accor Hyatt and many more. In 2016 the H&R channel recorded significant growth, particularly in the United States and in Asia, and consolidation in the European market. As regards the Residential component - Wellness centers in large apartment buildings, compounds or residential complexes - 2016 saw brilliant growth, thanks to the ever higher number of property developers who incorporate healthy living solutions in their offer, thus increasing the value of their properties in an increasingly more competitive context. The most important operations in the H&R business line in 2016 included the signing of a new contract with the Hard Rock Hotels Group, the renewal of the corporate agreement with the Hotel Shangri La Group and the consolidation of existing contracts, e.g. Marriot and Hilton.

HCP (Health, Corporate & Performance)

As regards the HCP segment, more and more companies all over the world are launching their own internal corporate Wellness program. TECHNOGYM already counts Facebook and Google in Silicon Valley among its clients, and numerous banks in the City of London such as Morgan Stanley, European industrial giants like BMW, BASF and major Italian companies like Ferrari and Diesel. In 2016 TECHNOGYM fitted out various Wellness centers, including Credit Suisse, UBS, HSBC, L'Oreal, Wells Fargo, Lavazza, Adidas, Nike, Puma, Samsung and Universities, such as Leeds and Stanford. The medical sector also registered growth, thanks to the huge success of Skillmill as a rehabilitation product. The new references in 2016 include the Berkley Medical Center in the United States and the Sapporo Sports & Medical School in Japan. In the world of sport, in 2016, TECHNOGYM won the contract to supply the technical center of USTA (United States Tennis Association) in Florida and the Rafa Nadal Academy in Mallorca.

Home

The Home segment recorded considerable growth in 2016, especially thanks to the distribution of Consumer products like MYRUN TECHNOGYM and WELLNESS BALL ACTIVE SITTING, which continue to perform well on all markets. TECHNOGYM is now present in more than 200,000 private homes. The year 2016 also saw the unveiling, in collaboration with the company's Mexican distributor, of the first TECHNOGYM Showroom in Mexico City, in the heart of the swanky Polanco district, one of the most dynamic areas of the city. TECHNOGYM's other stores in New York, Moscow, London and Milan also continue to operate successfully.

Channels

The distribution of TECHNOGYM products follows the omni-channel approach and is performed through 4 sales channels:

- field sales, represented by TECHNOGYM sales personnel and sales agents
- inside sales, comprised of telemarketing or via the on-line sales channel
- retail, represented by the 7 stores directly managed by the company
- distributors.

The field sales, inside sales and retail channels are direct sales channels used by TECHNOGYM to reach end users and professional operators directly, while the distributors channel is an indirect sales channel, in which sales to end users and professional operators are completed by exclusive distributors, that cover the markets in which the company is not present with a direct branch. Business growth was achieved in 2016 primarily in the Field Sales channel.

Geographic areas

TECHNOGYM is present in all the most important markets in the world. In 2016, 90% of company sales occurred outside Italy and roughly 40% outside Europe, with a highly positive trend in North America and APAC.

MARKETING AND COMMUNICATION

Marketing and communication throughout all phases of the TECHNOGYM operating model are among the main elements of the corporate strategy for its development and consolidation in the fitness market and in the larger Wellness industry, and over time they have contributed significantly to making TECHNOGYM a distinctive brand, recognized all over the world for its quality, innovation and Italian design. A cornerstone of the marketing and communication strategy is TECHNOGYM's participation in the sports sector. Morever, TECHNOGYM is the official supplier of numerous top teams and athletes and was the Exclusive and Official Supplier of athletic training at 6 editions of the Olympic Games.

EVENTS, REFERENCES AND PARTNERSHIPS

A central element of TECHNOGYM's marketing strategy consists in taking part in several reference events in sectors of interest for the company business: fitness, Wellness, sports, rehabilitation, design and technology.

KEY EVENTS IN THE YEAR

TECHNOGYM was a key player in numerous international events during 2016, in the various market segments in which it operates. The most significant of these include:

- CES – Consumer Electronic Show of Las Vegas – where TECHNOGYM presented 'Running Music', an exclusive TECHNOGYM app where the treadmill chooses the song from the user's playlist best suited to the rhythm of the run;
- The World Economic Forum (WEF) in Davos, one of the most important institutional events on a world level. In the context of the event, TECHNOGYM Chairman Nerio Alessandri is a permanent member of the Health Community and the Consumer Innovation Community;
- IHRSA – the most important global fitness and Wellness event that was held in Orlando in 2016 – where TECHNOGYM presented Skillmill, Group Cycle and several new applications and contents of the TECHNOGYM Ecosystem;
- FIBO – the most important European fitness and Wellness event, held in Cologne, Germany;
- Salone del Mobile in Milan – the key reference event in the design world. In 2016 TECHNOGYM presented Power Personal, the product integrated with the Personal Line designed by Antonio Citterio for strength training;
- On May 3, the company was listed on the Milan Stock Exchange; the listing ceremony was attended by a number of prominent names from the world of sport, finance, show business and the main fitness and Wellness industry operators;
- Rimini Wellness – the reference industry trade fair for the Italian market.
- 2016 Olympics in Rio – In 2016 TECHNOGYM was the official and exclusive supplier of the 2016 Olympic Games in Rio, fitting out 15 athletic training centers, using around 1,200 pieces of equipment, which were available to the 10,500 athletes from around the world who took part in the event;
- MEDICA in Düsseldorf, the key international trade fair and congress for the medical sector – where in 2016 TECHNOGYM presented Skillmill and other products and solutions for the medical market.

PARTNERSHIP

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 and Milan. With the goal of also expanding partnerships abroad, especially in its key markets, in 2016 the company announced two new agreements with top international clubs - Chelsea in England and Paris Saint Germain in France. Aside from football clubs, TECHNOGYM is also the technical supplier for the Italian and Russian National Football teams. In basketball TECHNOGYM also continued its collaboration with EA7 Olimpia Milano in 2016. Thanks to its wide range of products that are perfect for athletic training in all sports disciplines, top sportsmen collaborating with TECHNOGYM include Rafael Nadal, Fernando Alonso, NBA star Marco Belinelli, US sprinter Sanya Richards Ross, long jumper and sprinter Ivana Spanovic, Olympic fencing champion Elisa Di Francisca, world champion swimmer Gregorio Paltrinieri, Italo-Argentine rugby player Martin Castrogiovanni, the prop for the Italian national team, and many others.

TECHNICAL SUPPLIER

FORNITORE TECNICO

INTER Official Partner

OFFICIAL FITNESS & WELLNESS EQUIPMENT

McLAREN HONDA

OFFICIAL SUPPLIER
FITNESS EQUIPMENT AND SOLUTIONS

PARTNER FOR WELLNESS
SCUDERIA FERRARI

OLYMPICS

Following its experience as the official supplier of five Olympic Games - Sydney 2000, Athens 2004, Turin 2006, Beijing 2008 and London 2012 – TECHNOGYM was chosen as the official and exclusive supplier for athletic training for the 2016 Rio Games. During the year, TECHNOGYM was involved in the design and installation of athletic training centers in Olympic facilities in Rio de Janeiro. As the official and exclusive supplier of the Olympic Games, TECHNOGYM installed 15 athletic training centers, using around 1,200 pieces of equipment, which were available to 10,500 athletes from 205 different countries performing in 42 different disciplines. In addition, TECHNOGYM provided 50 professional trainers to manage the athletic training centers, support athletes and offer related services (gym layout, installation and technical assistance) to everyone that took part in the event.

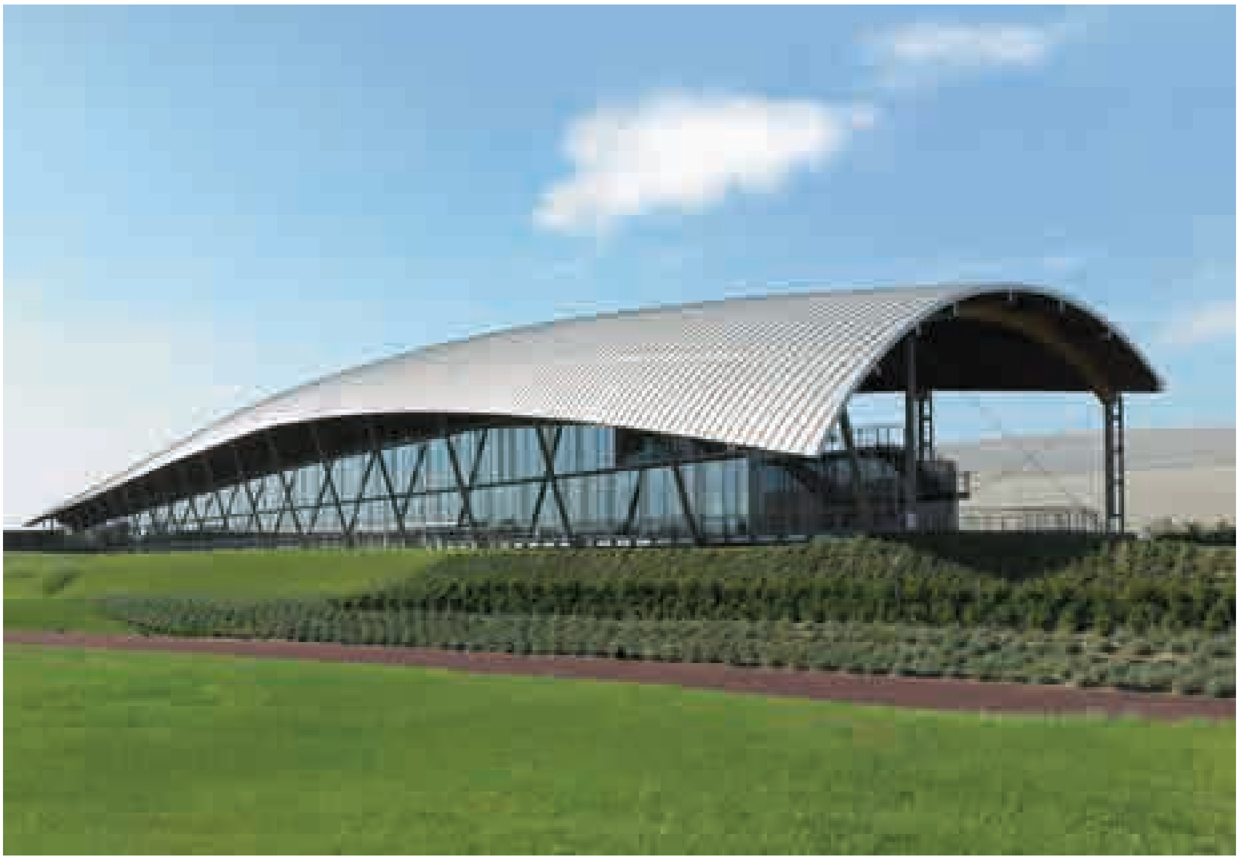
TECHNOGYM's commitment to the Rio 2016 Olympics went way beyond the role of official supplier of athlete training centers and focused on making a concrete contribution to the legacy that the Olympic movement wants to leave in the city of Rio de Janeiro. TECHNOGYM launched the 'Let's Move for Rio' social campaign at Rio 2016 with the goal of donating some of the products installed in the training centers as part of the post-Olympics legacy. Through TECHNOGYM's digital platform, MyWellness cloud, during the Olympics, athletes and Wellness lovers were able to measure their physical activity - both on TECHNOGYM products and thanks to the TECHNOGYM app that can be downloaded free - and transformed it into equipment that TECHNOGYM donated to 22 public gyms in the most disadvantaged communities in Rio.

TECHNOGYM VILLAGE

On September 29, 2012 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 center, an innovation laboratory and a production center, in which partners, customers, suppliers and guests from around the world can enjoy a real experience inspired by Wellness.

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

In 2016 the TECHNOGYM Village also continued its role as a key marketing feature, hosting around 30,000 visitors, including sector operators, doctors, trainers, hospitality and real estate sector architects and investors and media figures. In addition to the numerous individual visits, the 'TECHNOGYM Vision' Convention is worthy of note; in January it brought together 2,000 company employees from around the world and the entire distributors network; the Village was also visited by a TV crew from American television network CBS for the recording of '60 minutes', a show with one of the largest followings in the United States. Plus, the 'Let's Move for a Better World' Convention brought together all global operators that took part in the social campaign promoted by TECHNOGYM.



HUMAN RESOURCES AND ORGANIZATION

TECHNOGYM recognizes the fundamental importance of human resources, their health, training, motivation and incentives. Development of their attributes and skills is considered essential for implementing the corporate strategy.

In 2016 TECHNOGYM employed 1,885 staff members (1,895 for the year ended December 31, 2015), of which 704 blue-collar, 1,124 white-collar and 58 managers.

	Year ended December 31 2016		Year ended December 31 2015	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	58	55	52	56
White-collar	1,124	1,150	1,075	1,067
Blue-collar	704	663	768	768
Total number of employees	**1,886**	**1,868**	**1,895**	**1,891**

More than 60% of the employees are located in the Group's international companies, confirming the Group's international outlook.

TECHNOGYM Vision 2018 was launched at the start of the year, the strategic internal communication document that represents the compass for all TECHNOGYM employees, indicating the objectives for the next three years and the skills required to reach them. This document was delivered and shared during an ad hoc event, the TECHNOGYM Convention, in which all TECHNOGYM employees took part, from both HQ and our branches.

During the first half of 2016 salary plans were prepared taking into consideration the market surveys provided by a leading industry HR consultancy firm. The aforementioned market surveys and the weighting of roles already carried out in 2015 made it possible to map out the guidelines in terms of salary policies, consistent with the company's business objectives and talent retention.

As regards the project for implementation of the new digital 'Human Capital Management' process, the first module was launched in April 2016, which contains the master data and the management of the main HR administrative processes. This module represents the database on which the other processes operate and was designed in such a way that employee data can be shared and updated with all Group branches. The implementation of the remaining modules which make up the system is already in progress; initiatives have been launched involving the design of training (e-learning) modules, performance management, assignment of objectives and calculation of variable bonuses. The Talent Acquisition and Talent Management modules will finally be launched.

In addition, the development of a behavioral model and of distinctive values augments the skills model already defined in 2015 and together they combine to form a more modern and simple digital company valuation system. As regards development and training, with a view to ensuring the simplification and effectiveness of processes and tools, training projects have been launched on Lean Six Sigma Green Belt methods and training workshops organized on Project Management.

With the objective of reinforcing a sense of corporate identity and encouraging even better product knowledge, 'TECHNOGYM Product Expertise' training programs were organized in the second half of the year aimed at enhancing the distinctive skills of TECHNOGYM employees in direct contact with the product.

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, targeted at offering employees an all-round program for health, physical exercise and sport. The company's Corporate Wellness project continued in 2016, in line with the corporate mission, which offers annual medical screening,access to the corporate gym with a personalized Wellness program and free seminars on health, prevention of illness and sports to all staff choosing to participate. In addition, the Company Wellness Restaurand also follows a philosophy based on Wellness and health considerations, offering three distinct menus each day: an organic menu, a Mediterranean menu and a vegetarian menu.


IMBESTIO


IMBESTIO

SOCIAL RESPONSIBILITY 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, centered on the idea of exercise as medicine and promotion of the Wellness lifestyle as an important concept and opportunity for all social actors (governments, businesses and individual citizens). The company also implemented a number of corporate social responsibility initiatives in 2016, developed locally, nationally and internationally.

EXERCISE IS MEDICINE

For the sixth year running, TECHNOGYM has been once again a global partner of 'Exercise is Medicine', an international initiative whose objectives include: the promotion of physical activity as a form of medicine (to be prescribed by doctors); the training of trainers to use exercise in a professional manner to treat those with chronic illnesses; and informing the public opinion as to the importance of physical exercise, both for individuals and for the community at large.

TECHNOGYM's involvement in the initiative included the publication of new documents, the participation in the annual convention held in Orlando (Florida) and the organization of events in Italy and other parts of the world to train doctors and trainers.

WORKPLACE WELLNESS ALLIANCE

Initially promoted by the World Economic Forum, which TECHNOGYM has been a founding 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 economic opportunity. Since 2013 the World Economic Forum has entrusted the Institute for Health and Productivity Management (IHPM), a non-profit organization, with the management of the project. TECHNOGYM continues to play an active role in the project and in October 2014 hosted the organization's European Forum at the TECHNOGYM Village, involving representatives of business, research centers and other organizations involved in the project.

LET'S MOVE FOR A BETTER WORLD

Following the success of the 2014 and 2015 events, in 2016 TECHNOGYM organized the third edition of its social campaign 'Let's Move For a Better World'. The campaign, which leverages the functionality of TECHNOGYM's digital offering, the TECHNOGYM Ecosystem, involves individuals throughout the world visiting fitness and Wellness clubs where they can donate their physical movement to a good cause. Facilitated by UNITY, the TECHNOGYM console connected to the MyWellness cloud, the first fitness cloud platform, participants can measure their MOVEs (TECHNOGYM's unit of measurement for movement) and share their workout with the rest of the community. The club accumulating the highest number of MOVEs in each country is then invited to donate equipment (offered by TECHNOGYM) to a school in its neighborhood or city. The campaign is a real community management initiative that, on the one hand, promotes the value of health and preventative care and, on the other hand, offers concrete assistance to schools with a view to educating the young generations regarding healthy lifestyles. More than 100,000 people in 511 fitness clubs worldwide took part in the 2016 edition. In the wake of the success of the previous social campaigns, during the Rio Olympics, TECHNOGYM launched the 'Let's Move for Rio' social program with the goal of donating some of the products installed at the Olympic training centers to the poorest communities in the city of Rio. Through TECHNOGYM's digital platform, MyWellness cloud, during the Olympics, athletes and Wellness fanatics were able to collect more than 650,000 moves, transforming their physical exercise into 600 pieces of equipment that TECHNOGYM donated to 22 public gyms in the most disadvantaged communities in Rio, selected together with Empresa Municipal, the Rio de Janeiro Municipal Authority.

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 Italian Romagna region into a center 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. In support of the initiative, TECHNOGYM has granted access to its competencies and structures and organized concrete activities as well as meetings and thematic discussions to facilitate networking among all the stakeholders in the area. February 2016 saw the presentation of the first Wellness Valley report, which contained extremely important data: for example, in Romagna, the number of 'active' people, i.e. people who exercise regularly, is 10% higher than the national average. The second edition of the Wellness Week, held in May 2016, offered more than 300 Wellness, sports and health events dedicated to residents and tourists. In 2016 TECHNOGYM supported the 'Muoviti che ti fa bene' (Move, it's good for you) project, promoted by the Wellness Foundation, that saw 15,000 people participate in a free physical exercise program held from May to October in the parks of Cesena. TECHNOGYM also sponsored the 'Gioca Wellness' (Play Wellness) initiative in 2016 in schools throughout the area, involving more than 16,000 primary and middle school students in play activities aimed at Wellness education. In September TECHNOGYM participated, through the Wellness Foundation, in the European Week of Sport, an event promoted by the European Commission to combat high levels of sedentary behavior of the European population and educate citizens on the culture of movement for preventing chronic diseases.

ENVIRONMENT AND SAFETY

The environment is a fundamental element of the Wellness lifestyle, the Company's philosophy of promoting sustainable socio-economic development; environmental themes and ecological sustainability have always been central to TECHNOGYM's strategy and processes.

The Company continued to follow 'TECHNOGYM Green' and UNI ISO 14001 certified practices throughout 2015 in order to achieve products and processes that are environmentally compatible in terms of renewable resources, product longevity and durability, energy efficiency and recovery and reusable packaging.

Consistent with these parameters, the TECHNOGYM Village was constructed according to bio-architecture principles and criteria, which aim to protect the environment and save energy, and as a result was awarded 'Titoli di Efficienza Energetica' (Italian energy efficiency certificates). The Company also holds the OHSAS 18001 Occupational Health and Safety standard certification, the management system certification UNI EN ISO 9001 for the design, production, installation and assistance of Wellness equipment and the certification UNI CEI EN ISO 14385 for the design, production, installation and assistance of equipment for functional rehabilitation.


TECHNOGYM
The Wellness Company
CERIMONIA DI QUOTAZIONE
BORSA ITALIANA
BORSA

TECHNOGYM AND THE STOCK MARKETS

FINANCIAL MARKETS

The start of the year was very difficult for the stock markets, put under pressure by the uncertainties over global growth, stability of the Chinese currency and the oil trend. From the middle of February to the beginning of May, prices recovered considerably, in the wake of an easing of worries over the global economic situation. Towards the end of the first half, the Brexit referendum brought about an increase in risk aversion. The European markets were hit particularly hard and closed the period at lower levels than the start of the year. Japanese prices were markedly weak, made worse by the appreciation of the yen as a safe-haven currency during the phases of volatility. By contrast, US indexes found support in the reassuring economic data and the FED's wait-and-see policy, closing the half at the highest levels from the start of the year. A positive aggregate trend characterized the emerging markets, which more than recovered the weakness registered at the start of the year, supported in particular by the recovery in the price of raw materials.

A favorable second half in the global stock markets, sustained by accommodating monetary conditions, positive economic data and Trump's victory in the US presidential elections which boosted the reflationary scenario with his expansionary fiscal program. The emerging markets, positive on a half-yearly basis, flitted between a very strong phase, the effect of the recovery in the price of raw materials, and a second negative phase, the effect of fears of a protectionist shift in US foreign policy, the appreciation of the dollar and increase in yields on Treasury bills.

On the bond front, 2016 was a positive year for European medium/long-term government bonds. A highly positive first half, due to increased risk aversion, an accommodating ECB approach and political fears stemming from the UK Brexit referendum, was followed by a downturn in the second half. In the fourth quarter, the yield curves of developed countries rose, with a sharp upward movement in long-term rates, which reflected heightened inflationary expectations reinforced by Trump's victory. The drop was only partly cushioned in December when the ECB announced an extension of QE until December 2017, albeit at a more contained monthly rate, loosening the restrictions on the purchase of securities with yields lower than the rate on bank deposits held at the Central Institution. The final effect was a marked rise in yields: the German bund returned to positive territory, settling at 0.20% at the end of the period. There was pressure on BTPs, which paid the price for tensions linked to the constitutional referendum: the ten-year security saw its yield rise to 1.81%. The reflationary scenario which took shape, the generally satisfactory balance sheet fundamentals of European companies and ECB purchases provided a boost to higher quality corporate debt, although they were impacted at the end of the year by the increase in yields on government bonds.

US government bonds recorded an upturn in the first half, the result of a shift in the FED's policy which had to put to one side the planned hike in interest rates due to international uncertainties (first China, then Brexit), and a negative second half, especially in the fourth quarter, when the increase in yields accelerated rapidly and intensely. Trump's victory forced investors to embrace a markedly reflationary scenario. The solidity of the macro scenario, in turn, provided the FED with the possibility of raising rates for the second time in the last 12 months and plan three further hikes in 2017.

2016 was a two-sided year for emerging countries' debt. At the start of the year, these markets were put under pressure by a combination of factors, including the slowdown in China, weakness of the Chinese currency and the fall in the price of oil, with an impact on the growth and stability of emerging countries, normalization of the US monetary policy. Against a drop in US government rates, the emerging sovereign debt markets in strong currency recorded an increase in the differential from 415 basis points at the end of 2015 to 507 basis points in the middle of February, with the yield rising from 6.40% to 6.67%. From the middle of February some of the risk factors disappeared, favoring a recovery in financial assets perceived as more risky. The publication of reassuring economic data in the main areas, the recovery in the price of oil and the introduction of new expansionary measures or only the adoption of more accommodating approaches by the main central banks, facilitated these trends.

TREND IN THE FINANCIAL MARKETS

Market Index	QTD	YTD
Eonia	**-0.09%**	**-0.32%**
Bonds		
Government Italy	-3.36%	0.75%
Government EMU	-3.02%	3.13%
Government Global (in LC)	-3.24%	2.94%
Shares		
S&P 500 TR (USD)	3.82%	11.96%
MSCI Europe TR LC	5.44%	7.23%
MSCI World TR LC	4.78%	9.00%
Nikkei	16.20%	0.42%
MSCI Emerging Markets TR LC	-1.44%	9.69%
Currencies (vs Euro)		
USD	6.60%	3.17%
JPY	-7.36%	6.24%
GBP	1.32%	-13.67%
Commodity		
Dow Jones UBS Commodity Index TR (in USD)	2.66%	11.77%
Gold ($/OZ)	-12.42%	8.56%
Crude Oil, WTI (future)	**11.36%**	**45.03%**

Source: Bloomberg, data as of December 30, 2016.

INFORMATION ON SHARES

placement of the ordinary shares, targeted exclusively at institutional investors and aimed at establishing the free float required by the Stock Market Regulation for the admission of shares on the MTA (screen-based stock exchange). Trading on the MTA (screen-based stock exchange) commenced on May 3, 2016.

Thanks to an economic-financial performance in line with the expectations of the financial community and the continuous and constant dialogue with investors and financial analysts, TECHNOGYM's share price recorded a highly positive performance, in both absolute terms (+22.4%) and relative terms (+15.4% v. FTSE MIB).

On January 9, 2017, the private equity fund Arle Capital Partners fully transferred its residual stake in TECHNOGYM S.p.A., corresponding to 11.25% of capital, through an accelerated placement on international markets (Accelerated Book Building) for a total amount of Euro 100 million.

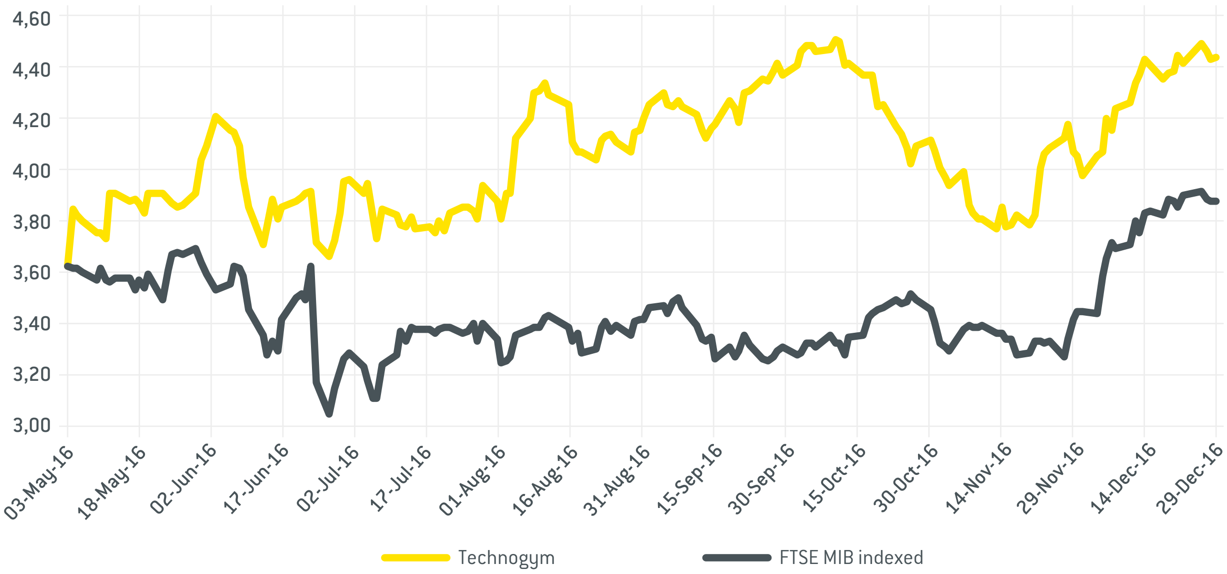
The company does not own nor did it hold, during the period, neither through third parties nor trust companies, treasury shares or shares or holdings in parent companies.

SHARE PERFORMANCE

The diagram below summarizes the performance of the TECHNOGYM share:

Main stock market indicators (Euro)	
Shares listing	
Official price as of May 3, 2016	3.59
Official price as of December 31, 2016	4.45
Minimum closing price (May-December)	3.62
Minimum price in absolute terms	3.50
Maximum closing price (May-December)	4.50
Maximum price in absolute terms	4.56
Stock market capitalization	
Stock market capitalization as of May 3, 2016	718,848,874
Stock market capitalization as of December 31, 2016	890,180,000
Ordinary shares	
No. shares outstanding	200,000,000

Share performance



From the start of trading, the TECHNOGYM share has recorded a change of +22.4% in absolute terms. With respect to the FTSE MIB index, the performance of TECHNOGYM's share has been positive (15.4%).

The minimum closing price in the first few months of trading was Euro 3.62, recorded on May 3, 2016, the first day of trading, while the maximum closing price in the reference period was Euro 4.50, registered on October 11, 2016. The minimum price in absolute terms from the listing date until December 31, 2016 was Euro 3.50, recorded on June 24, 2016, following Brexit.

SHAREHOLDING STRUCTURE

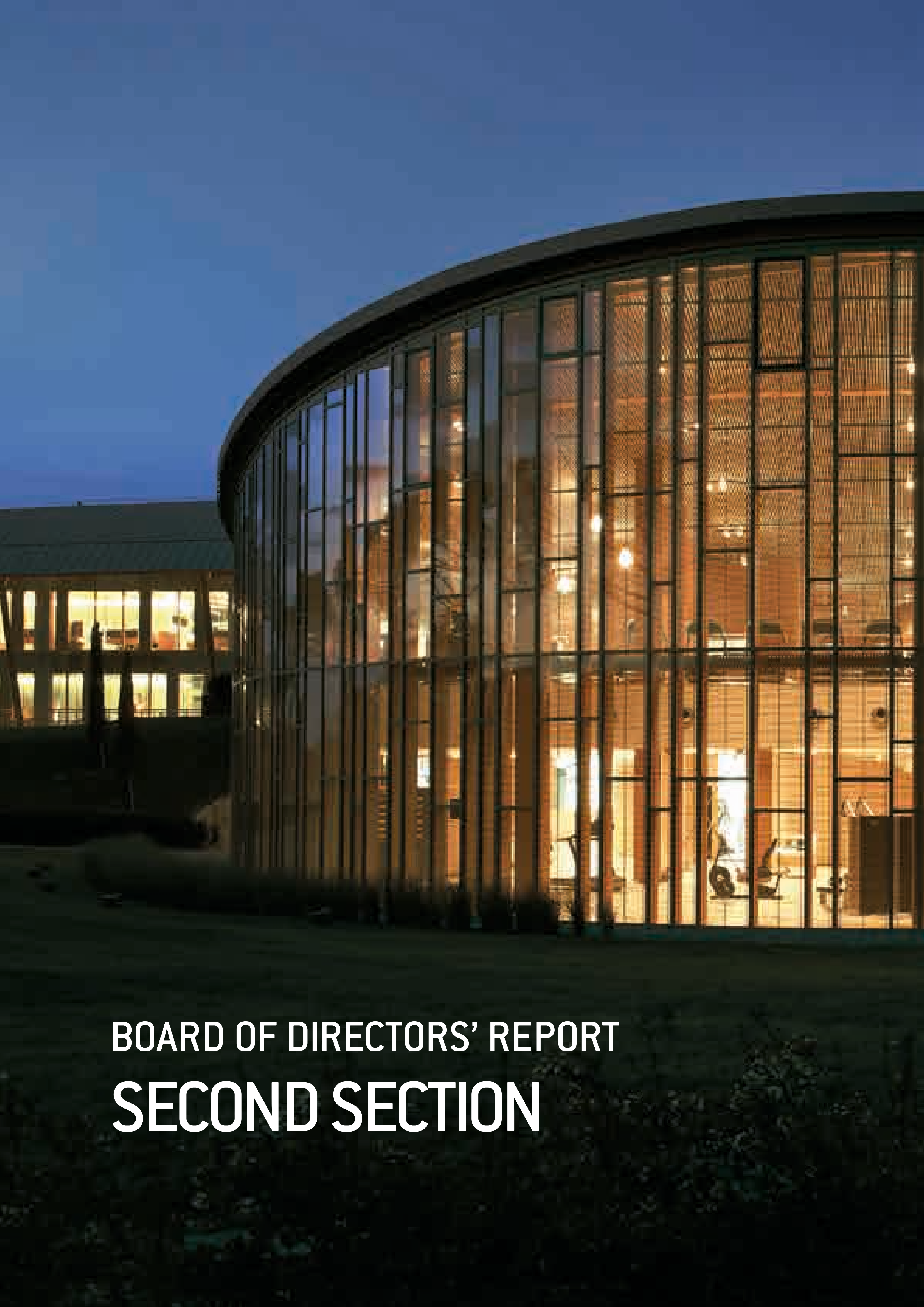
Shown below are the shareholders who, pursuant to art. 120 of the T.U.F. (Consolidated Law on Finance), hold a significant shareholding as of December 31, 2016:

Main shareholders	Number of shares	Share
Wellness Holding S.r.l.	120,000,000	60%
Salhouse Holding S.à.r.l.	22,500,000	11.25%

Share capital is calculated at Euro 10,000,000 and is subdivided into 200,000,000 ordinary shares with no nominal value.

2017 FINANCIAL CALENDAR

Event Date	Corporate Events
March 6, 2017	Board of Directors' meeting for approval of the 2016 financial statements draft
April 21, 2017	Shareholders' meeting for approval of the 2016 financial statements
April 28, 2017	Board of Directors' meeting for disclosures not subject to audit on the trend in consolidated revenues in the first quarter of 2017
August 4, 2017	Board of Directors' meeting for approval of the half-yearly financial report as of June 30, 2017
October 27, 2017	Board of Directors' meeting for disclosures not subject to audit on the trend in consolidated revenues in the third quarter of 2017



BOARD OF DIRECTORS' REPORT

SECOND SECTION

INTRODUCTION

In accordance with art.40 of Decree Law 127/1991, as modified by art.2 d) of Decree Law 32/2007, this report covers both the consolidated financial statements of the TECHNOGYM Group and the financial statements of the parent company TECHNOGYM SpA, both of which were prepared in accordance with international accounting standards (IAS).

OPERATING PERFORMANCE AND COMMENTS ON THE ECONOMIC AND FINANCIAL RESULTS

MACROECONOMIC SCENARIO

In the Euro area, in March owing to the weak macroeconomic scenario, the ECB reinforced its expansionary measures, cutting all reference rates, increasing the monthly purchases of financial assets from Euro 60 billion to Euro 80 billion, and extending them to non-banking corporate bonds with the highest credit rating issued in euro by residents, launching new long-term financing operations with banks from June 2016 until the end of March 2017. GDP in the third quarter recorded growth of 0.3% t/t (time t) and 1.7% annualized, thanks to the marginal acceleration in personal consumption and public spending and, albeit down, the growth in fixed investments. The trend in consumer prices recovered in the second half (1.1% annualized in December, from 0.1% annualized in June), sustained in particular by the rebound in the energy component. Leading indicators on the evolution of the economy were positive: the composite confidence index rose from 53.1 in June to 54.4 in December. On the monetary policy front, in December, the ECB left the monetary policy rates unchanged and decided to extend the program for the monthly purchasing of financial assets until December 2017; the monthly amount, standing at Euro 80 billion up to March 2017, will move to Euro 60 billion from April to December 2017. The ECB also decided to reduce the minimum remaining maturity allowed for the securities being purchased from 2 years to one year and that, if necessary, their yields may be lower than the rate on deposits held at the bank.

In the US, GDP in the third quarter recorded annualized quarterly growth of 3.5%, up from 1.4% in the previous quarter, boosted in particular by the strength of personal consumption and the recovery in investments, both residential and productive. Consumer prices stood at 1.7% in November, an improvement of 1% in June, due to the recovery of the energy component; inflation net of energy and foodstuffs fell to 2.1% from 2.2% in June. Consistently with the growth scenario, further boosted by Trump's victory which should promote reflationary policies, the Federal Reserve raised the official rate in December by 25 basis points, bringing it into the 0.50%-0.75% bracket.

In Japan, at the meeting held in September, the central bank left the reference rate untouched at -0.1% and shifted the focus from the rigid target of expanding the supply of money to controlling the shape of yields, with explicit reference to the level of the 10-year yield set at around 0%. The Bank of Japan stressed that it would continue to expand the monetary base until the inflation rate remains permanently above 2%. In terms of real data, the weakness of growth (GDP in the third quarter of 0.3% t/t from 0.5% in the previous quarter) and inflation (0.5% in December) was confirmed, which did however register a recovery.

With reference to emerging economies, the Chinese figures published in 2016 assuaged fears over the country's growth: GDP in the third quarter rose by 6.7% on an annual basis (same figure as in the previous two quarters). The confidence index of the manufacturing sector improved from 50 in June to 51.4 in December; the confidence index of the non-manufacturing sector increased from 53.7 to 54.5.

CURRENCY MARKET

The year 2016 was characterized by a widespread dose of volatility also connected with unexpected events, in particular the vote in favor of Brexit on June 23 last year and Trump's victory in the US Presidential elections on November 8.

In particular, the Euro/Dollar exchange rate, which had actually risen to over 1.13 at the start of the year, slipped to 1.08 following Draghi's go-ahead to extend QE2 on March 10. Consequently, the exchange rate recorded rather lateral movement between 1.10 and 1.14 until after the summer, then fell to lows of around 1.04 following Trump's victory in the US Presidential elections and the subsequent euphoria of the markets in favor of the US currency. The rise in the dollar was also favored by the hike in interest rates in the US in the middle of December, preceded by the announcement on December 8 by the ECB that the quantitative easing program would continue until December 2017, but with a reduction in monthly purchases to Euro 60 billion from next April, from the current level of Euro 80 billion.

Despite the Bank of Japan's decision to move to negative rates at the end of January and the decision taken in September to try to also control the long-term part of the Japanese curve (ten-year rates of around zero), the Yen continued to rise against the dollar, also reflecting its role of safe-haven currency, sitting at around 100 yen at the end of the summer, from around 120 yen at the start of 2016. Nonetheless, the yen lost new ground in November, a result of the widespread increase in the dollar following Trump's election.

Pound sterling was obviously hit by the outcome of the Brexit referendum: the cable collapsed from values approaching 1.50 to lows of around 1.21 at the start of October, also assisted by a flash crash episode on the Asian markets (October 7, 2016), while the Euro/GBP Sterling exchange rate rose from around 0.76 to highs of over 0.90.

On the emerging front, the Chinese yuan, despite joining the IMF's Special Drawing Rights basket last October, continued to fall against the dollar, albeit at less disjointed rates than in the past: therefore, the USD-CNY exchange rate rose from around 6.50 at the start of 2016 to roughly 6.96 in the middle of last December. The Russian ruble instead recorded a gradual increase, sitting at lows of around 60 against the dollar, from values still over 80 at the start of the year, also taking advantage of the rise in the price of crude oil in the year. The South African rand also registered a trend-based recovery, reflecting the increase in gold, as did the Brazilian real (after President Rousseff stepped down). An opposite trend was recorded by the Turkish lira, which suffered as a result of serious deterioration in the domestic political situation, collapsing from around 2.80 against the dollar in April to lows of higher than 3.50 in December. The domestic political situation also impacted the Polish zloty and curtailed the initial recovery of the Hungarian forint.

INDUSTRY SCENARIO

In 2016, technology was confirmed as the main industry trend: in particular, connectivity between personal devices and exercise machines, able to provide individual end-users with a unique and integrated fitness experience, was the element that combined product innovation, solutions and services throughout the industry. The other main industry trend relates to physical activity in preventing illness. deed, the high level of political and institutional attention paid by governments throughout the world to the prevention of illness and recognition of physical activity as a necessary ingredient for achieving the correct lifestyle and staying healthy has continued into 2016.

We are talking about an industry in which the bulk of business is concentrated in a few large industry operators, operating in both the B2B (business to business) and B2C (business to client) segments. In geographical terms, North America and Europe are confirmed as the primary markets.

COMMENTS ON THE GROUP'S ECONOMIC AND FINANCIAL RESULTS

The economic data recorded by the Group in 2016 are summarized below and compared with the previous year:

(In thousands of Euro and ratios)	Year ended December 31		Changes	
	2016	2015	2016 vs 2015	%
Revenues	555,341	511,711	43,630	8.5%
EBITDA[1]	99,933	86,702	13,231	15.3%
EBITDA *Margin*[1]	18.0%	16.9%	1.1%	6.2%
Net operating income	68,401	58,442	9,959	17.0%
Adjusted net operating income[2]	74,235	64,104	10,131	15.8%
Profit for the period	43,219	28,354	14,865	52.4%

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

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

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

(In ratios)	Year ended December 31	
	2016	2015
ROS	12.3%	11.4%
ROS Adjusted	13.4%	12.5%
EBITDA/financial expenses ratio [3]	(6.38)	(4.87)

(3) Financial expenses refer exclusively to: (i) Bank interest on loans and (ii) Bank interest and fees.

Total revenues came to Euro 555,341 thousand, up by Euro 43,630 thousand (+8.5%) compared to Euro 511,711 thousand in 2015. The increase is due to both the growth in sales volumes and the net effect of the change in prices, also thanks to the sale of products with a higher value added. In the assumption of constant exchange rates, total revenues would increase by Euro 52,559 thousand (+10.3%).

EBITDA came to Euro 99,933 thousand, up by Euro 13,231 thousand (+15.3%) compared to Euro 86,702 thousand in 2015. Consistently with the change in revenues, this increase is primarily attributable: (i) to the increase in profit margins in relation to the rise in sales volumes; (ii) to the rationalization of industrial activities which had a positive impact on direct production costs; (iii) to the acquisition of TGB, whose EBITDA was incorporated in the scope of consolidation and as a result of which a) assets were recorded, b) the associated amortization/depreciation was registered, c) rent costs accounted for in the Parent Company were eliminated as they became intercompany.

In the year ended December 31, 2016, non-recurring expenses rose by Euro 172 thousand, up from Euro 5,663 thousand in the year ended December 31, 2015 to Euro 5,834 thousand in the year ended December 31, 2016. Non-recurring expenses relating to the year ended December 31, 2016 are mainly due to the costs concerning the listing process, as well as to a prudential allocation for indirect taxes relating to previous years. On the whole, the incidence of EBITDA on Revenues (**EBITDA Margin**) rose from 16.9% as of December 31, 2015 to 18% as of December 31, 2016.

Net operating income came to Euro 68,401 thousand, up by Euro 9,959 thousand (+17%) compared to Euro 58,442 thousand in 2015. The increase is primarily due to the rise in recurring components of EBITDA.

The ROS for the year ended as of December 31, 2016 rose by 0.9%, up from 11.4% as of December 31, 2015 to 12.3%. The cost items that have less elasticity than revenues include the costs of personnel (involved in the various phases of the operating model), general overheads and administrative expenses, as well the costs of research and development and advertising and marketing.

Adjusted net operating income came to Euro 74,235 thousand, up by Euro 10,131 thousand (+15.8%) compared to Euro 64,104 thousand in 2015

Profit for the period came to Euro 43,219 thousand, up by Euro 14,865 thousand (+52.4%) compared to Euro 28,354 thousand in 2015. This increase relates mainly: (i) to the above-mentioned rise in net operating income (Euro 9,959 thousand); (ii) the reduction in 'income taxes' (Euro 4,099 thousand).

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 December 31, 2016 and as of December 31, 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Loans		
Net fixed capital[4]	193,470	81,556
Net operating capital [5]	(27,806)	(96)
Net invested capital	**165,664**	**81,460**
Sources		
Equity	87,639	43,400
Net financial indebtedness [6]	78,024	38,060
Total sources of financing	**165,664**	**81,460**

(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 provision 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 summarizes the main financial indicators used by the Group:

(In ratios)	As of and for the year ended December 31	
	2016	2015
ROE	49,3%	65,3%
ROI	41,3%	71,7%
ROI Adjusted	44,8%	78,7%
Net Indebtedness /EBITDA ratio	(0,78)	(0,44)

Net fixed capital came to Euro 193,470 thousand, up by Euro 111,914 thousand compared to Euro 81,556 thousand in the year ended December 31, 2015. This increase is mostly due: (i) to the acquisition of 100% of the shares in TGB S.r.l., holder of the right of ownership of the property complex known as TECHNOGYM Village, valued at a total of Euro 85,000 thousand; (ii) to the purchase of a 50.01% stake in Exerp ApS, whose price paid at closing came to Euro 17,696 thousand.

Net operating capital was a negative Euro -27,806 thousand, down by Euro -27,711 thousand compared to a negative Euro 96 thousand in the year ended December 31, 2015, mainly due to the net effect of the increase in the balances of the items 'Trade payables' (Euro 31,659 thousand) and 'Other current liabilities' (Euro 10,426 thousand), and the decrease in the balance of the item 'Other current assets' (Euro 18,925 thousand). To this end, it should be noted that: (i) the average days of inventories in stock rose from 58 for the year ended December 31, 2015 to 62 for the year ended December 31, 2016 (the inventory turnover ratio fell from 6.3 to 5.9); (ii) the average days of collection of trade receivables remained unchanged at 52 for both the year ended December 31, 2015 and December 31, 2016 (the trade receivables turnover ratio stood at 7.0); (iii) the dpo went from 102 for the year ended December 31, 2015 to 125 for the year ended December 31, 2016 (the trade payables turnover ratio went from 3.6 to 2.9)[1].

(1) In order to make the ratios for 2016 comparable with those in the consolidated financial statements as of December 31, 2015, the income statement balances relating to the one-year period ended December 31, 2016 were taken as a reference.

The ROI and ROI Adjusted for the year ended December 31, 2016, were affected by the significant investments made by the Group in 2016, which could increase the return on invested capital in the long-term. These investments are described in the section 'Investments and acquisitions' of the Board of Directors' Report.

Financial indebtedness came to Euro 78,024 thousand, up by Euro 39,964 thousand compared to Euro 38,060 thousand in the year ended December 31, 2015. This increase is mainly due to the new loans obtained for the purposes of the above-mentioned acquisitions of 100% of TGB S.r.l. and 50.01% of Exerp ApS. Also see note 5.5 in the consolidated financial statements.

Group equity totaled Euro 87,639 thousand, up by Euro 44,239 (+101.9%) thousand compared to Euro 43,400 thousand in the year ended December 31, 2015. This increase is primarily due to the recognition of profit for the period of Euro 43,085 thousand.

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 approach to the market through a unique business model that offers an integrated range of 'Wellness solution', together with the pursuit of higher levels of operational efficiency achieved by the cross-production.

For the purposes of segment information and the associated management analysis, the company's management identifies the dimensions regarding geographical areas and distribution channels as relevant.

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

A breakdown of the Group's revenues by geographic area and distribution channel is provided below:

(In thousands of Euro and percentage of total revenues)	Year ended December 31		Changes	
	2016	2015	2016 vs 2015	%
Europe (without Italy)	288,081	276,130	11,951	4.3%
MEIA	51,026	49,698	1,328	2.7%
APAC	80,950	68,653	12,297	17.9%
Italy	54,183	45,018	9,165	20.4%
North America	58,374	50,309	8,065	16.0%
LATAM(*)	22,728	21,903	825	3.8%
Total revenues	555,341	511,711	43,630	8.5%

(*) Restatement of 2015 values including Mexico

In line with the performance in the last few years, significant growth was recorded in 2016 in Italy (+20.4%), in APAC (+17.9%) and in North America (+16.0%).

(In thousands of Euro and percentage of total revenues)	Year ended December 31		Changes	
	2016	2015	2016 vs 2015	%
Field sales	386,448	354,850	31,598	8.9%
Wholesale	122,302	112,835	9,467	8.4%
Inside sales	40,936	38,463	2,473	6.4%
Retail(*)	5,655	5,563	92	1.7%
Total revenues	555,341	511,711	43,630	8.5%

(*) Restatement of 2015 values including only Revenues relating to owned stores

COMMENTS ON THE ECONOMIC AND FINANCIAL RESULTS (TG SPA)

The economic data recorded by TG SPA in 2016 are summarized below and compared with the previous year:

(In thousands of Euro and ratios)	Year ended December 31		Changes	
	2016	2015	2016 vs 2015	%
Revenues	408,795	366,612	42,183	11.5%
EBITDA[1]	72,671	69,328	3,343	4.8%
EBITDA *Margin*[1]	17,8%	18,9%	-1,1%	-6%
Net operating income	50,807	47,578	3,229	6.8%
Adjusted net operating income[2]	53,793	52,793	1,000	1.9%
Profit for the period	45,525	37,078	8,447	22.8%

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

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

The following table summarizes the main economic indicators used by TG SPA:

(In ratios)	Year ended December 31	
	2016	2015
ROS	12,4%	13,0%
ROS Adjusted	13,2%	14,4%
EBITDA/financial expenses ratio[3]	(5,32)	4,20

(3) Financial expenses refer exclusively to: *(i)* Bank interest on loans and (ii) Bank interest and fees.

Total revenues of TG SPA came to Euro 408,795 thousand, up by Euro 42,183 thousand (+11.5%) compared to Euro 366,612 thousand in 2015. The increase is due to both the growth in sales volumes, and the net effect of the change in prices, also thanks to the sale of products with a higher value added.

TG SPA EBITDA came to Euro 72,671 thousand, up by Euro 3,343 thousand (+4.8%) compared to Euro 69,328 thousand in 2015. Consistently with the change in revenues, this increase is primarily attributable: (i) to the increase in profit margins in relation to the rise in sales volumes; (ii) to the rationalization of industrial activities which had a positive impact on direct production costs.

In the year ended December 31, 2016, non-recurring expenses rose by Euro 2,230 thousand, up from Euro 5,215 thousand in the year ended December 31, 2015 to Euro 2,985 thousand in the year ended December 31, 2016. Non-recurring expenses relating to the year ended December 31, 2016 are mainly due to the costs concerning the listing process. On the whole, the incidence of EBITDA on Revenues (**EBITDA Margin**) stood at 17.8% as of December 31, 2016.

TG SPA net operating income came to Euro 50,807 thousand, up by Euro 3,229 thousand (+6.8%) compared to Euro 47,578 thousand in 2015. The increase is primarily due to the rise in 'Total revenues' (Euro 42,183).

TG SPA Adjusted net operating income came to Euro 53,793 thousand, up by Euro 1,000 thousand (+1.9%) compared to Euro 52,793 thousand in 2015.

TG SPA profit for the period totaled Euro 45,525 thousand, an increase of Euro 8,447 thousand (+22.8%) compared to Euro 37,078 thousand in 2015. This increase relates mainly: (i) to the above-mentioned rise in net operating income (Euro 3,229 thousand); (ii) the increase in 'income and expenses from investments' (Euro 4,476 thousand).

The table below shows the statement of financial position of TG SPA in condensed and reclassified form, which reports the structure of invested capital and sources of financing as of December 31, 2016 and as of December 31, 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Loans		
Net fixed capital [4]	287,833	177,586
Net operating capital [5]	(16,029)	(23,286)
Net invested capital	271,805	154,300
Sources		
Equity	132,416	85,760
Net financial indebtedness[6]	139,389	68,540
Total sources of financing	271,805	154,300

(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 provision 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 summarizes the main financial indicators used by TG SPA:

(In ratios)	As of and for the year ended December 31	
	2016	2015
ROE	34.4%	43.2%
ROI	18.7%	30.8%
ROI Adjusted	19.8%	34.2%
Net Indebtedness /EBITDA ratio	-191.8%	-98.9%

Net fixed capital of TG SPA came to Euro 287,833 thousand, up by Euro 110,247 thousand compared to Euro 177,586 thousand in the year ended December 31, 2015. This increase is mostly due: (i) to the acquisition of 100% of the shares in TGB S.r.l., holder of the right of ownership of the property complex known as TECHNOGYM Village, valued at a total of Euro 85,000 thousand; (ii) to the purchase of a 50.01% stake in Exerp ApS, whose price paid at closing came to Euro 17,696 thousand, plus Euro 220 thousand in interest accrued from December 31, 2015 until the closing date. These acquisitions are detailed extensively in the section 'Investments and acquisitions' of this Board of Directors' Report to which reference should be made.

Net operating capital of TG SPA, is negative and came to Euro 16,029 thousand, up by Euro 7,257 thousand compared to a negative Euro 23,286 thousand in the year ended December 31, 2015, mainly due to the net effect of the change in the balances of the items 'Trade payables' (Euro 11,818 thousand), 'Current tax liabilities' (Euro 11,712 thousand) and 'Inventory' (Euro 6,869 thousand). To this end, it should be noted that: (i) the average days of inventories in stock rose from 48 for the year ended December 31, 2015 to 50 for the year ended December 31, 2016 (the inventory turnover ratio fell from 7.5 to 7.3); (ii) the average days of collection of trade receivables fell from 48 in the year ended December 31, 2015 to 46 in the year ended December 31, 2016 (the trade receivables turnover ratio went from 7.6 to 7.9); (iii) the dpo went from 157 for the year ended December 31, 2015 to 123 for the year ended December 31, 2016 (the trade payables turnover ratio went from 2.3 to 2.9)[2].

The ROI and ROI Adjusted for the year ended December 31, 2016, were affected by the significant investments made by TG SPA in 2016, which could increase the return on invested capital in the long-term. These investments are described in the section 'Investments and acquisitions' of the Board of Directors' Report.

Financial indebtedness of TG SPA came to Euro 139,389 thousand, up by Euro 70,849 thousand compared to Euro 68,540 thousand in the year ended December 31, 2015. This increase is mainly due to the new loans obtained for the purposes of the above-mentioned acquisitions of 100% of TGB S.r.l. and 50.01% of Exerp ApS. Also see note 7 in the consolidated financial statements.

(2) In order to make the ratios for 2016 comparable with those in the consolidated financial statements as of December 31, 2015, the income statement balances relating to the one-year period ended December 31, 2016 were taken as a reference.

TG SPA equity totaled Euro 132,416 thousand, up by Euro 46,656 (+54.4%) thousand compared to Euro 85,760 thousand in the year ended December 31, 2015. This increase is primarily due to the recognition of profit for the period of Euro 45,525 thousand.

Segment information of TG SPA

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 approach to the market through a unique business model that offers an integrated range of 'Wellness solution', together with the pursuit of higher levels of operational efficiency achieved by the cross-production.

A breakdown of revenues by geographic area is provided below:

(In thousands of Euro and percentage of total revenues)	Year ended December 31		Changes	
	2016	2015	2016 vs 2015	%
Europe (without Italy)	198,363	188,557	9,806	5.2%
MEIA	50,775	49,768	1,007	2.0%
APAC	56,723	43,224	13,499	31.2%
Italy	54,183	44,948	9,235	20.5%
North America	32,709	29,378	3,331	11.3%
LATAM	16,042	10,737	5,305	49.4%
Total revenues	**408,795**	**366,612**	**42,183**	**11.5%**

In line with the performance in the last few years, significant growth was recorded in 2016 in APAC (+31.2%), in Italy (+20.5%) and in North America (+11.3%).
LATAM (+49.4%) also recorded a strong performance, albeit still with low volumes.

RISK FACTORS

FINANCIAL RISKS

Financial markets continued to be volatile in 2016. 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 manage requests for non-standard payment terms and take out credit insurance policies as necessary. Close credit control allowed the Group to record natural 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 the risk of interest rate.

EXCHANGE RATE

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 enters into exchange rate hedges based on constant evaluations of market conditions and the level of net exposure to the risk, by combining the use of:

- 'natural hedge', 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 timeframe so to realize net exposures to exchange rate risk which may be hedged more effectively and efficiently;
- Derivative financial instruments, to hedge net exposures in assets and liabilities denominated in foreign currency
- Derivative financial instruments, cash flow hedges relating to highly probable future transactions (Cash Flow Hedge Highly Probable Transaction).

LIQUIDITY RISK AND CHANGE IN CASH FLOWS

The liquidity risk of the Group is closely monitored by the parent company. In order to minimize the risk, the Group has implemented centralized treasury management with specific procedures that aim to optimize the management of financial resources and the needs of the companies of the Group.

PRICE RISK

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

NON-FINANCIAL RISK

Internal risks - effectiveness of processes

The processes that characterize the different areas of Group business are accurately incorporated 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 collection 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 privileged 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 at 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.

INVESTMENTS AND ACQUISITIONS

During 2016 the Group made investments in property, plant and equipment and intangible assets totaling Euro 108,986 thousand, including the acquisition of TECHNOGYM Village, targeted primarily at: (i) constantly updating and extending the Group's range of products and services; ii) adapting production infrastructure; iii) optimizing the Group's main production processes; and iv) creating new showrooms and updating existing showrooms, both in Italy and overseas.

Management believes that such investment contributed to the growth in revenues and margins during the year ended December 31, 2016 and strengthened the Group's market position both in Italy and overseas.

The amounts of investments made by the Group in the year ended December 31, 2016 and in the year ended December 31, 2015 are shown below, broken down by type:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Property, plant and equipment	108,986	18,178
Intangible assets	8,697	6,889
Total investme	**117,683**	**25,067**

The table below shows the amounts of investments made by the Group in the year ended December 31, 2016 and in the year ended December 31, 2015, relating to the item 'Property, plant and equipment', broken down by category:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Land	7,949	2,658
Buildings and leasehold improvements	88,925	7,255
Plant and machinery	1,368	1,108
Production and commercial equipment	1,097	405
Other assets	2,769	1,419
Assets under construction and advances	6,878	5,334
Total investments in property, plant and equipment	**108,986**	**18,178**

The table below shows the amounts of investments made by the Group in the year ended December 31, 2016 and in the year ended December 31, 2015, relating to the item 'Intangible assets', broken down by category:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Development costs	2,935	1,388
Patents and intellectual property rights	1,424	1,489
Concessions, licenses, trademarks and similar rights	133	238
Intangibles under development and advances	4,174	3,768
Other intangible assets	31	7
Total investments in intangible assets	**8,697**	**6,889**

ACQUISITION OF TGB S.R.L.

On February 16, 2016 TECHNOGYM S.p.A. signed a sale agreement, on an arm's length basis, with the companies Oiren S.r.l. ('**Oiren**') and Apil S.r.l. ('**Apil**') as the sellers, regarding 100% of the shares in TGB S.r.l. ('TGB'). Oiren and Apil are related parties of the Issuer since Oiren is directly and fully owned by Nerio Alessandri, President and CEO of TECHNOGYM S.p.A., while Apil is directly and fully owned by Pierluigi Alessandri, Vice President of TECHNOGYM S.p.A..

TGB is the holder of ownership of the property complex called TECHNOGYM Village, situated in Via Calcinaro 2861, Cesena (FC) and composed of industrial facilities, offices and green areas. The TECHNOGYM Village has been the operating headquarters of the Group since September 2012 and, prior to the closing date of the acquisition, was used by the Group on the basis of some lease agreements. TGB also holds, directly or via a subsidiary, certain properties not relating to TECHNOGYM Village (**'Non-Strategic Properties'**, jointly with TECHNOGYM Village the **'Properties'**).

In consideration of the nature of the transaction with related parties and the strategic relevance of the acquisition of TGB for the Group, on December 16, 2015, TECHNOGYM S.p.A.'s Board of Directors, with the abstention of the Chairman and Chief Executive Officer Nerio Alessandri and Vice Chairman Pierluigi Alessandri, resolved to attribute the directors with the powers, inter alia, to request an updated appraisal in relation to TECHNOGYM Village and Non-Strategic Properties from a property valuation company of prime international standing, as well as to oversee due diligence activities and conduct negotiations with the sellers on behalf of TECHNOGYM S.p.A..

Following these activities, the directors, on the basis of:

- an independent appraisal obtained in January 2016 from a property valuation company of prime international standing appointed previously which attributes: i) TECHNOGYM Village with an investment value (meaning the value of an asset, for the owner or for a potential owner, related to a given investment purpose or operating objective) of Euro 94 million and a market value (meaning the estimated amount at which an asset or liability should be transferred and acquired, at the valuation date, by a seller and by a purchaser with no particular links, both interested in completing the sale, under competitive conditions, following the necessary marketing in which both parties have acted in an informed and fully-aware manner with no coercion) of Euro 52 million, and ii) an investment value of Euro 1.9 million to Non-Strategic Properties;
- other independent appraisals already examined previously by the Board of Directors,

as well as on the basis of negotiations with the counterparty, deemed the valuation of TECHNOGYM Village at Euro 85,000 thousand, plus a valuation of Non-Strategic Properties at roughly Euro 1,900 thousand to be consistent. Based on these valuations and a review of the due diligence activities relating to TGB as well as a reference financial position of said TGB as of December 31, 2015, the directors estimated the enterprise value of TGB at roughly Euro 86,000 thousand and TGB's equity value at around Euro 41,900 thousand.

TECHNOGYM S.p.A.'s Board of Directors, on February 12, 2016, again with the abstention of Chairman and Chief Executive Officer Nerio Alessandri and Vice Chairman Pierluigi Alessandri, therefore resolved to approve the purchase of 100% of TGB's share capital based on the values described above.

The provisional price agreed between the parties for the acquisition was set at Euro 41,902 thousand (the '**Provisional Price**'). More specifically, the provisional price was determined on the basis of the financial position of TGB and of the company wholly-owned by the former La Mariana S.r.l. as of December 31, 2015, prepared by the selling parties (the '**reference statement of financial position**'), in which the book values attributed to the properties are replaced, by mutual consent, with those negotiated between the parties, starting from the values reported in the appraisals.

The sellers subsequently prepared a reference financial position at the closing date of the acquisition - which occurred on February 29, 2016 - verified by the independent auditors PricewaterhouseCoopers S.p.A. based on the audit procedures defined and agreed between the sellers, the company and PricewaterhouseCoopers S.p.A. itself, according to the market practice for similar transactions (the '**statement of financial position at the closing date**'). Following the drafting of the statement of financial position at the closing date, the definitive price was set at Euro 42,354 thousand (the '**definitive price**').

The definitive price for the transfer is paid as follows:

- Euro 20,951 thousand, equal to 50% of the provisional price, at the closing date of the acquisition, which took place on February 29, 2016;
- Euro 21,402 thousand for the outstanding balance of the definitive price which occurred on September 21, 2016.

The contract contains declarations and guarantees from Oiren and Apil and the associated indemnity obligations for any liabilities that should arise in relation to the period prior to the acquisition date, in line with the market price for transactions of this nature.

For accounting purposes and in accordance with IFRS, the acquisition is considered as an acquisition of fixed assets and financial liabilities, and not as a 'business combination'. Indeed, TGB does not meet the 'business' requirements but, rather, it is a group of assets with the associated financial liabilities. Due to the above, the properties involved in the acquisition are accounted for in the company's financial statements at the value negotiated between the parties, starting from the values reported in the appraisals. It should also be noted that the transaction was carried out in compliance with the provisions already described in the listing Registration Document.

ACQUISITION OF EXERP APS

On April 8, 2016, through the newly formed company Amleto ApS, the Group acquired a 50.01% stake in Exerp ApS ('**Exerp**'), a Danish company that operates at international level, specialized in the development and marketing of management software for fitness clubs.

The partnership between TECHNOGYM and Exerp confirms the strengthening of the digital ecosystem and increases the capacity to offer a complete solution to industry operators for improving end users' Wellness experience.

The price paid on closing by the Group to purchase the equity investment in Exerp was Euro 17,696 thousand, plus Euro 220 thousand in interest accrued from December 31, 2015 to the closing date, of which Euro 2,000 thousand paid to an escrow account, regulated on the basis of a separate escrow agreement stipulated on closing, based on a guarantee in the event of liabilities incurred by the Group due to a violation of the declarations and guarantees issued. This consideration was not adjusted.

Amleto ApS also stipulated, on the closing date, a loan agreement with each holding company headed up by Exerp managers, pursuant to which, said Amleto ApS granted a sum of Euro 850 thousand in the form of a loan to each holding, against a guarantee pledged by said companies on Exerp's shares held by the latter companies, to finance the purchase of Exerp shares, held by the managers (natural persons), by the respective holding companies. The agreements envisage that these loans will be repaid on the transfer of Exerp shares held by the managers.

With reference to the shareholders' agreement relating to Exerp, the following main provisions regarding governance should be noted:

- Shareholders' meeting: all decisions of the shareholders' meeting will be taken by a simple majority, except for some 'important decisions' (by way of a non-exhaustive example, modification to Exerp's articles of association, other extraordinary transactions) that will require the consent of at least 70% of the share capital and for share capital increases (except where necessary to recover losses or prevent Exerp's insolvency) that require the favorable vote of at least 90% of the share capital.
- Board of Directors: the Board of Directors (responsible for the company's strategic management) will be composed of 5 members, 3 appointed by the Group (including the Chairman), 1 appointed by Exerp's managers (as long as they hold a total of at least 10% of Exerp's share capital) and 1 appointed by Exerp's founders (as long as they hold a total of at least 10% of Exerp's share capital). Furthermore, the managers can no longer exercise the right to appoint 1 director in the event 2/3 of said managers end their relationship with Exerp or said relationship is terminated by Exerp with just cause. All decisions will be taken by simple majority, except for some 'important decisions' (by way of a non-exhaustive example, investments, loans, guarantees and transfer of intellectual property rights that exceed given value thresholds, agreements with related parties, substantial changes to the company's business plan, termination of relations with managers except when carried out with just cause) which will require the favorable vote of 4/5 of members of the Board of Directors. These provisions for the quorum for passing resolutions will be in force when (i) after March 31, 2021, a shareholder has acquired at least 70% of Exerp's share capital or (ii) 2/3 of managers have ended their relationship with Exerp or this relationship has been terminated by Exerp with just cause.

However, if the founders, through the associated holding companies, lose their right to appoint a director before March 31, 2021, the director appointed by the managers would retain a right to veto the 'important decisions' until said date; and should the managers, through the associated holding companies, lose their right to appoint a director before March 31, 2021, the director appointed by the managers would retain a right to veto the 'important decisions' until said date.

Exerp's ordinary management is entrusted to an executive committee composed of 3 company managers.

With reference to the regulation of the transfer of Exerp's shares, the shareholders' agreement makes provision for: (i) a lock-up period of 5 years for the managers and 2 years for the founders and for TECHNOGYM, starting from the closing date and excluding a series of permitted transfers (essentially transfers within the Group of each third party to the agreement); (ii) on expiry of the respective lock-up periods, a right of pre-emption for all other shareholders in the event of sale to third parties, in proportion to the shareholding held by each one (always with the exception of a series of permitted transfers); (iii) a tag-along right in favor of other shareholders in the case in which an Exerp shareholder decides to sell all or part of its shares in the company to a third party which ends up holding more than 50% of Exerp; (iv) a drag-along right of other shareholders in favor, before the expiry of window 1, window 2 and window 3 (as defined below) of a shareholder (or several shareholders together) that holds more than 70% of Exerp's shares, or after the expiry of window 1, window 2 and window 3 of TECHNOGYM, in the event in which the latter decides to sell all or part of its shares in Exerp to third parties.

The shareholders' agreement also makes provision for a mechanism of put & call options. In particular, each non-Group shareholder will have a put option to sell to the Group all or part of its shares, in the period included between January 1 and March 31, 2021 ('**Window 1**'). Holders of the above put options will have the right to postpone the exercising of this option in relation to no more than half of their residual shares in the period included between January 1 and March 31, 2022 ('**Window 2**'), or the period included between January 1 and March 31, 2024 ('**Window 3**').

The Group will instead have a call option for the purchase from other shareholders of all or part of their residual Exerp shares during the first, second and third windows.

The exercise price of the put & call options set out above will be calculated on the basis of the fair market value of Exerp, to be determined on the basis of a multiple of 11x applied to the average of the normalized EBITDA of Exerp for the last two years prior to the exercise of the option with the adjustment, inter alia, based on Exerp's net financial position on expiry of Windows 1, 2 or 3, depending on the window in which the option is exercised.

The shareholders' agreement also envisages that each shareholder (with the exception of the Group and another two natural persons who are former Exerp employees), will be bound by a non-competition obligation for the entire period in which they continue to hold Exerp shares and for a further period of 24 months starting from the transfer of his shares.

For accounting purposes and, therefore, in compliance with IFRS, the acquisition of Exerp is considered an acquisition of interests in a joint venture. Based on the agreements stipulated between the parties, TECHNOGYM controls company management jointly with minority shareholders.

It should be noted that, based on the reference accounting standards, the methods for presenting and accounting for the equity investment in Exerp may change in the future if the circumstances and scenarios considered for the purposes of the current recognition change.

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 2016, as regards transactions of major importance, as defined by art. 4, paragraph 1, letter a) of the aforementioned regulation, note should be taken of the sale agreement stipulated by the Group regarding 100% of the shares of TGB, holder of the right of ownership on the property complex known as TECHNOGYM Village, the Group's operating headquarters from September 2012.

This acquisition is detailed extensively in the section 'Investments and acquisitions' of this Board of Directors' Report to which reference should be made.

With the exception of those detailed previously, there were no other related party transactions that had a significant impact on the financial position or results of the Group as of and for the year ended December 31, 2016.

Related party transactions were settled on an arm's length basis, 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 relations with related parties required by Consob Communication no. DEM/6064293 of July 28, 2006 are presented in the financial statements and in the note 'related party transactions' of the consolidated financial statements as of December 31, 2016.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

There were no significant events after the close of the year.

OUTLOOK

For 2017 the TECHNOGYM Group confirms the guidelines already developed in the year just ended.

International development will mainly be characterized by the consolidation of market shares in Europe and decisive investments in North America in support of the positive growth trend already recorded in the last two years.

The Group will continue to commit to product innovation, with a special focus on improving users' equipment experience, thanks to digital services supported by the MyWellnessplatform. Therefore, in 2017 the company will offer new products and solutions both for professional operators and the end consumer market.

In support of its extensive product portfolio, TECHNOGYM will continue to invest in the skills of its personnel so that they guarantee customer service excellence, in line with brand aspiration characteristics.

Despite the persistence of an uncertain macroeconomic situation and an increasingly more competitive 'Wellness' market, also in 2017, company management believes that TECHNOGYM will be able to continue its path of economic growth; constant and sustainable growth, supporting the creation of economic value for shareholders over time.

CORPORATE DATA

REGISTERED OFFICE

TECHNOGYM S.p.A.
Via Calcinaro, 2861
47521 Cesena (FC) - Italy

LEGAL DATA

Share capital resolved and subscribed Euro 10,000,000
VAT number, Tax Code and CCIAA (Chamber of Commerce, Industry, Craft Trade and Agriculture) no.: 06250230965
Registered in the R.E.A. (Economic and Administrative Index) of Forlì Cesena at 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, Crocus City Mall, km 66 MKAD, Showroom 163
Moscow, Rublevo-Uspenskoe sh. 85/1
London, c/o Harrods, Brompton Road 87-135


TECHNOGYM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02
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

TECHNOGYM GROUP CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

TECHNOGYM GROUP CONSOLIDATED FINANCIAL STATEMENTS


TECHNOGYM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)	Notes	As of December 31			
		2016	*of which from related parties*	2015	*of which from related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	5.1	143,863		56,873	
Intangible assets	5.2	24,041		21,474	
Deferred tax assets	5.3	14,255		15,712	
Investments in joint ventures and associates	5.4	21,340		3,822	
Non-current financial assets		2,653		(0)	
Other non-current assets	5.5	18,389		9,529	
TOTAL NON-CURRENT ASSETS		**224,541**		**107,409**	
Current assets					
Inventory	5.6	72,175		60,379	
Trade receivables	5.7	94,075	*466*	84,126	*835*
Current financial assets	5.8	403	*402*	105	*100*
Assets for derivative financial instruments	5.9	340		213	
Other current assets	5.10	12,875	*393*	31,800	*118*
Cash and cash equivalents	5.11	53,146		68,026	
TOTAL CURRENT TAXES		**233,014**		**244,649**	
TOTAL ASSETS		**457,555**		**352,058**	
EQUITY AND LIABILITIES					
Equity					
Share capital		10,000		10,000	
Share premium reserve		–		–	
Other reserves		26,054		(8,227)	
Retained earnings		7,791		13,025	
Profit (loss) attributable to owners of the parent		43,085		28,168	
Equity attributable to owners of the parent	**5.12**	**86,930**		**42,966**	
Capital and reserves attributable to non-controlling interests		576		247	
Profit (loss) attributable to non-controlling interests		134		186	
Equity attributable to non-controlling interests		**710**		**434**	
TOTAL EQUITY		**87,639**		**43,400**	
Non-current liabilities					
Non-current financial liabilities	5.13	83,619		48,456	
Deferred tax liabilities	5.14	749		704	
Employee benefit obligations	5.15	3,194		3,104	
Non-current provisions	5.16	17,637		8,528	
Other non-current liabilities	5.17	9,490		13,517	
TOTAL NON-CURRENT LIABILITIES		**114,689**		**74,309**	
Current liabilities					
Trade payables	5.18	125,594	*469*	93,935	*667*
Current tax liabilities	5.19	3,682		13,988	
Current financial liabilities	5.13	48,247		57,557	
Liabilities for derivative financial instruments	5.20	47		391	
Current provisions	5.16	17,214		18,462	
Other liabilities current taxes	5.21	60,442	*0*	50,016	
TOTAL CURRENT LIABILITIES		**255,226**		**234,349**	
TOTAL EQUITY AND LIABILITIES		**457,555**		**352,058**	

CONSOLIDATED INCOME STATEMENT

(In thousands of Euro)	Notes	Year ended December 31			
		2016	*of which from related parties*	2015	*of which from related parties*
REVENUES					
Revenues	6.1	554,970	*10,601*	511,102	*9.137*
Other operating income	6.2	371	*1*	609	*12*
Total revenues		**555,341**		**511,711**	
OPERATING COSTS					
Raw materials, work in progress and finished goods	6.3	(196,408)	*(38)*	(182,574)	*(59)*
Cost of services	6.4	(139,809)	*(3.401)*	(127,236)	*(174)*
of which non-recurring expenses:		*(2,340)*		*(2,580)*	
Personnel expenses	6.5	(116,942)	*(2)*	(116,996)	*(3)*
of which non-recurring expenses:		*(613)*		*(3,070)*	
Other operating costs	6.6	(8,214)	*(114)*	(4,878)	*(3)*
of which non-recurring expenses:		*(2,874)*		*(13)*	
Share of net result from joint ventures	6.7	131		1,012	
Depreciation, amortization and impairment losses / (revaluations)	6.8	(23,158)		(20,020)	
Provisions	6.9	(2,540)		(2,578)	
NET OPERATING INCOME		**68,401**		**58,442**	
Financial income	6.10	13,126		15,202	
Financial expenses	6.11	(15,674)		(17,789)	
Net financial expenses		**(2,548)**		**(2,587)**	
Income/(expenses) from investments	6.12	(114)		(881)	
PROFIT BEFORE TAX		**65,739**		**54,973**	
Income tax expenses	6.13	(22,519)		(26,619)	
PROFIT/(LOSS) FOR THE YEAR		**43,219**		**28,354**	
Profit/(loss) attributable to non-controlling interests		**(134)**		**(186)**	
Profit (loss) attributable to owners of the parent		**43,085**		**28,168**	
Earnings per share (in Euro)	**6.14**	**0.22**		**2.82**	

STATEMENT OF COMPREHENSIVE INCOME

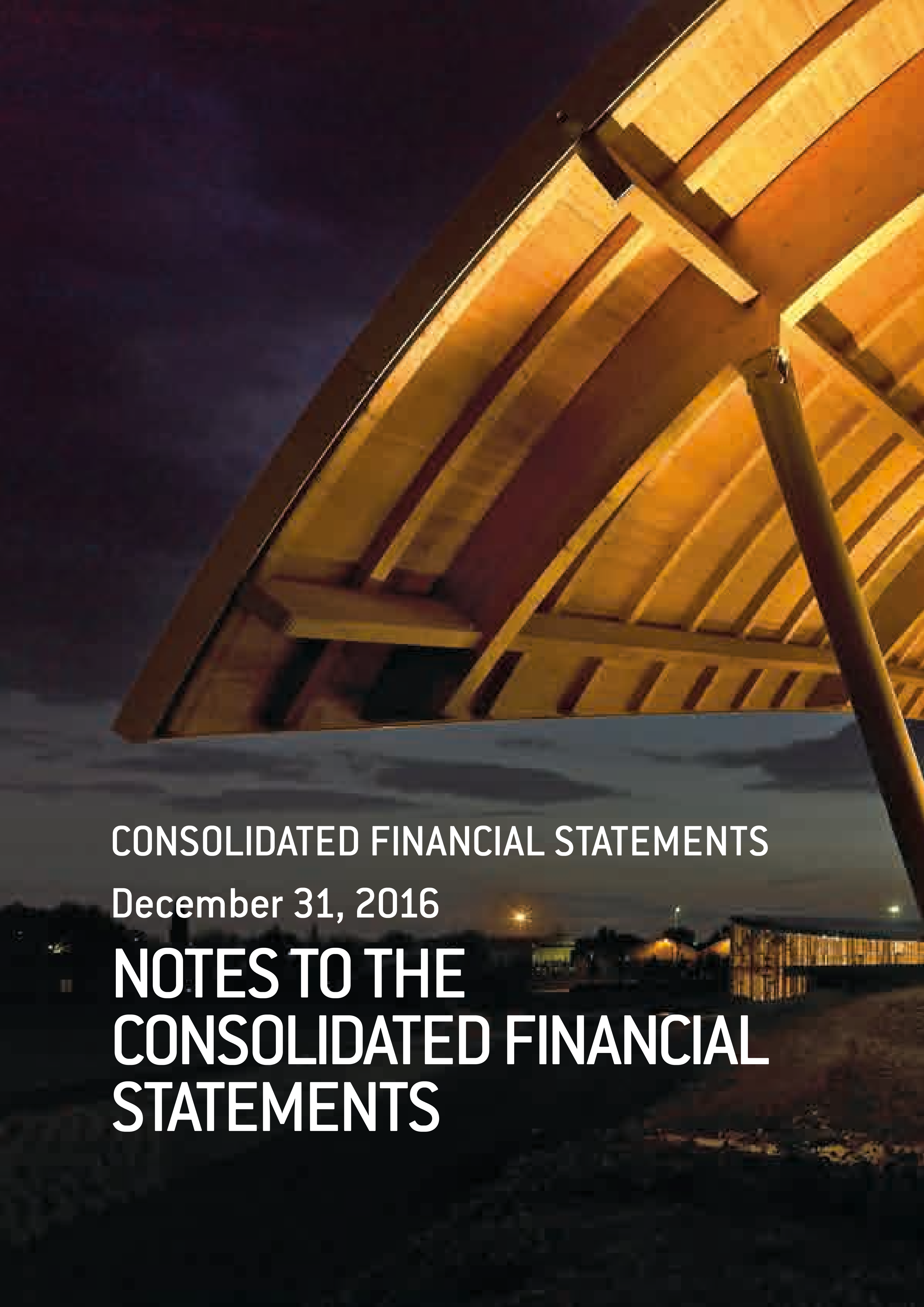
(In thousands of Euro)	Notes	Year ended December 31	
		2016	2015
Profit (loss) for the period (A)		**43,219**	**28,354**
Actuarial income/(loss) of post-employment benefit obligations and Non-Competition Agreements		(420)	68
Tax effect on actual income/loss of post-employment benefit obligations and Non-Competition Agreements		92	(21)
Total items that will not be reclassified to profit or loss (B1)		**(328)**	**47**
Exchange rate differences on translation of foreign operations		437	1,148
Exchange rate differences for the evaluation of entities accounted for using the equity method		131	702
Gains (losses) on cash flow hedges		(28)	–
Tax effect - Gains (losses) on cash flow hedges		8	–
Total items that may be reclassified to profit or loss (B2)		**548**	**1.850**
Total Other comprehensive income, net of tax (B)=(B1)+(B2)		**220**	**1.897**
Total comprehensive income for the year (A)+(B)		**43,437**	**30,251**
of which attributable to Owners of the parent		43,242	30,100
of which attributable to Non-controlling interests		195	151

CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands of Euro)	Notes	Year ended December 31	
		2016	2015
Cash flows from operating activities			
Consolidated profit (loss) for the period	5.12	43,219	28,354
Adjustments for:			
Income tax expenses	6.13	22,519	26,619
Income/(expenses) from investments	6.12	114	883
Financial income/(expenses)	6.10-6.11	2,548	2,587
Depreciation, amortization and impairment losses	6.8	23,158	20,020
Provisions	6.9	2,540	2,578
Use of provisions		–	–
Use of personnel provision		–	–
Share of net result from joint ventures	6.7	(131)	(1,012)
Cash flows from operating activities before changes in working capital		**93,968**	**80,029**
Increase (decrease) in inventory	5.6	(12,268)	2,066
Increase (decrease) in trade receivables	5.7	(5,827)	(4,218)
Increase (decrease) in trade payables	5.18	33,203	(163)
Increase (decrease) in other operating assets and liabilities	5.10-5.15-5.16-5.17-5.21	870	19,209
Non-recurring fiscal collection/(payment)		22,756	(22,756)
Income taxes paid	5.3-5.14-5.18-6.13	(34,794)	(19,342)
Net cash inflow from operating activities (A)		**97,907**	**54,824**
of which from related parties		*11,158*	*3,396*
Cash flows from investing activities			
Investments in property, plant and equipment	5.1	(56,124)	(18,179)
Disposals of property, plant and equipment	5.1	464	243
Investments in intangible assets	5.2	(8,700)	(6,889)
Disposals of intangible assets	5.2	2	2
Dividends attributable to non-controlling interests	5.12	–	–
Dividends received from other entities	6.12	(114)	369
Dividends from investments in Joint Ventures	5.4	663	–
Minority Interest		–	–
Investments in subsidiaries, associates and other entities	5.4-5.5	(18,050)	538
Disposal of investments		–	251
Net cash inflow (outflow) from investing activities (B)		**(81,860)**	**(23,665)**
of which from related parties		*42,353*	*7,687*
Cash flows from financing activities			
Proceeds from new borrowings	5.13	65,000	70,000
Repayment of borrowings	5.13	(30,882)	(19,935)
Net increase (decrease) of current financial liabilities	5.8-5.13	(60,952)	(54,393)
Payments of net financial expenses	5.9-5.20-6.10-6.11	(5,418)	(878)
Net cash inflow (outflow) from financing activities (C)		**(32,253)**	**(5,206)**
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)		**(16,205)**	**25,953**
Cash and cash equivalents at the beginning of the year		**68,026**	**41,128**
Net increase (decrease) in cash and cash equivalents from January 1 to December 31		(16,205)	25,953
Effects of exchange rate differences on cash and cash equivalents		1,325	945
Cash and cash equivalents at the end of the period		**53,146**	**68,026**

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves	Retained earnings	Profit (loss) attribu-table to owners of the parent	Equity attribu-table to owners of the parent	Capital and reserves attribu-table to non-contro-lling interests	Profit (loss) attribu-table to non-contro-lling interests	Equity attribu-table to non-contro-lling interests	Total equity
As of January 1, 2015	**10,000**	**–**	**(22,935)**	**17,433**	**5.533**	**10,031**	**179**	**57**	**236**	**10,267**
Profit for the previous year	–	–	5,533	–	(5,533)	–	57	(57)	–	–
Allocation for FTA reserve coverage	–	–	4,362	(4,362)	–	–	–	–	–	–
Total comprehensive income for the year	–	–	1,932	–	28,168	30,100	(35)	186	151	30,251
Transactions with owners of the parent:			**–**			**–**				
Disposal of non-controlling interests' capital	–	–	210	(46)	–	164	46	–	46	210
Option for the purchase of non-controlling interests	–	–	(801)	–	–	(801)	–	–	–	(801)
Incentive plan (LTMIP)	–	–	3,473	–	–	3,473	–	–	–	3,473
Total transactions with owners of the parent	**–**	**–**	**2,882**	**(46)**	**–**	**2,836**	**46**	**–**	**46**	**3,683**
As of December 31, 2015	**10,000**	**–**	**(8,226)**	**13,025**	**28,168**	**42,967**	**247**	**186**	**433**	**43,400**
Profit for the previous year	–	–	33,402	(5,234)	(28,168)	(0)	186	(186)	–	(0)
Total comprehensive income for the year	–	–	158	–	43,085	43,243	61	134	195	43,438
Other changes	–	–	–	–	–	–	–	–	–	–
Transactions with owners of the parent:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Mergers	–	–	0	–	–	0	–	–	–	0
Capital transactions with non-controlling interests	–	–	–	(82)	–	(82)	82	–	82	–
Option for the purchase of non-controlling interests	–	–	–	–	–	–	–	–	–	–
Incentive plan (LTMIP)	–	–	803	–	–	803	–	–	–	803
Total transactions with owners of the parent	**–**	**–**	**–**	**(82)**	**–**	**(82)**	**82**	**–**	**82**	**–**
At December 31, 2016	**10,000**	**–**	**26.,137**	**7,709**	**43,085**	**86,930**	**576**	**134**	**710**	**87,639**



CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Issuer is a legal entity established in Italy, with registered office located in Via Calcinaro 2861, Cesena (FC), and it is organized and governed under the laws of the Republic of Italy.
The Technogym Group is one of the leaders in the international fitness equipment market in terms of sales volumes and market shares. In addition, the management of the Issuer 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 fitness equipment market and to the overall wellness industry, and is characterized by technological innovations and attention to design and finishes. These solutions can be personalized 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.
As of December 2016, 60% of the Issuer's share capital was owned by Wellness Holding 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 Apil S.r.l. - 11.25% by Salhouse Holding S.à.r.l. and, the remaining 28.75% by the market. The share capital of Apil S.r.l. is, in turn, wholly-owned by Pierluigi Alessandri, Deputy Chairman of the Issuer's Board of Directors, while the share capital of Oiren S.r.l. is wholly-owned by Nerio Alessandri, President and Chief Executive Officer of the Company, who therefore indirectly controls the Company itself.

2. SUMMARY OF ACCOUNTING STANDARDS

The main accounting standards and measurement criteria applied to the preparation of the Consolidated Financial Statements are described below.

2.1 BASIS OF PREPARATION

This document includes the consolidated financial statements which are composed of the statement of financial position, the income statement and statement of comprehensive income, the statement of cash flow, the statement of change in equity and related notes.
The Consolidated Financial Statements have been prepared in accordance with IFRS, meaning all the International Financial Reporting Standards, all the International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the "International Financial Reporting Interpretations Committee" (IFRIC) and, before this, the "Standing Interpretations Committee" (SIC) which, at the date of approval of the consolidated financial statements for the year ended as of December 31, 2016, have been endorsed by the European Commission in accordance with the procedure in Regulation (EC) no. 1606/2002 of the European Parliament and European Council dated July 19, 2002.
The consolidated financial statements have been prepared 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.
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, unless otherwise stated.
The financial statements formats adopted are consistent with those indicated in IAS 1 – Presentation of Financial Statements. In particular:

- the statement of financial position has been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the income statement has been presented separately from the statement of comprehensive income and has been prepared by classifying operating expenses by nature of expense;
- the consolidated statement of comprehensive income includes the profit or loss for the year as shown in the separate income statement and all other non-owner changes in equity, as required by the international accounting standards;
- the statement of cash flows has been prepared by presenting cash flows from operating activities according to the "indirect method".

The Consolidated Financial Statements have been prepared with the historical cost approach, with the exception of financial assets and liabilities that require fair value measurement.

2.2 SCOPE AND BASIS OF CONSOLIDATION

The following table reports the list of the companies included in the scope of consolidation, including information about the method of consolidation applied for the years ended December 31, 2016 and 2015.

Entity name	Year ended December 31, 2016				
	Registered office	% control in 2016	% control in 2015	Currency	Share Capital 2016
Subsidiaries – consolidated using the line-by-line method					
TECHNOGYM S.p.A.	Italy	Parent company	Parent company	EUR	10,000,000
TECHNOGYM E.E. SRO	Slovakia	100%	100%	EUR	15,033,195
TECHNOGYM International BV	Holland	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	Holland	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	Hong Kong	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
TECHNOGYM Equipamentos de Ginastica e Solucao para Bem-Estar LTDA	Brazil	100%	100%	BRL	80,268,457
Sidea S.r.l.	Italy	70%	70%	EUR	150,000
TECHNOGYM ZAO	Russia	90%	90%	RUB	10,800,000
TG Holding BV	Holland	90%	90%	EUR	300,000
TECHNOGYM South Africa Ltd	South Africa	100%	100%	ZAR	120
Wellness Consulting Ltd	United Kingdom	80%	100%	GBP	290,000
TGB S.r.l.	Italy	100%	0%	EUR	96,900
La Mariana S.r.l.	Italy	100%	0%	EUR	76,500
Core Athletic S.r.l.	Italy	100%	0%	EUR	10,000
Core Athletic LLC	United States	100%	0%	USD	–
Amleto Aps	Denmark	100%	0%	DKK	60,000
Associates - Jointly controlled entities, consolidated using the equity method					
Fitstadium S.r.l.	Italy	45%	45%	EUR	13,506
Wellink S.r.l.	Italy	40%	40%	EUR	60,000
Movimento per la Salute S.r.l.	Italy	50%	50%	EUR	10,000
TECHNOGYM Emirates LLC	United Arab Emirates	49%	49%	AED	300,000
T4ME Limited	United Kingdom	20%	0%	GBP	100
Exerp Aps	Denmark	50%	0%	DKK	186,966
Exerp America Inc	USA	50%	0%	USD	1,000

With respect to the scope of consolidation of the consolidated financial statements as of December 31, 2015, the companies Laserpro S.r.l. and MyWellness S.r.l. were deconsolidated, merged by incorporation in TG S.p.A. on April 1, 2016, effective from December 31, 2015 for accounting purposes, while the companies Core Athletic S.r.l., Core Athletic LLC and Amleto ApS, incorporated in 2016, and the com-

panies Exerp ApS (with the subsidiary Exerp America Inc), T4ME Limited, TGB S.r.l. and La Mariana S.r.l., acquired in 2016, joined the scope of consolidation. At the end of October 2016, 20% of the share capital of the wholly-owned company Wellness Consulting Ltd was transferred to third parties as a result of the exercising of a contractual option.
As regards the acquisitions, as already detailed in the information prospectus, on February 16, 2016, the Company signed a sale agreement, under normal market conditions, with the companies Oiren S.r.l. and Apil S.r.l., as sellers, regarding 100% of the shares of TGB S.r.l., holder of the right of ownership on the property complex known as Technogym Village, the Group's operating headquarters since September 2012, as well as, directly or via subsidiaries, certain properties not relating to Technogym Village (the "Acquisition"). TGB S.r.l. also holds all of the share capital of the company La Mariana S.r.l.. Oiren S.r.l. and Apil S.r.l. are related parties of the Issuer since Oiren S.r.l. is directly and fully owned by Nerio Alessandri, President and CEO of Technogym S.p.A., while Apil S.r.l. is directly and fully owned by Pierluigi Alessandri, Vice President of Technogym S.p.A.. The acquisition was not completed in accordance with the procedure and rules set forth in the Related Party Regulation, given this regulation was not applicable to the Company before the date of the start of trading of Technogym shares on the MTA (screen-based stock exchange). For accounting purposes and in accordance with IFRS, the acquisition is considered as an acquisition of fixed assets and financial liabilities, and not as a "business combination". Indeed, TGB S.r.l. does not meet the "business" requirements but, rather, it is a group of assets with the associated financial liabilities. Due to the above, the Properties involved in the acquisition are accounted for in the company's financial statements at the value negotiated between the parties, using the values reported in the appraisal obtained in January 2016 from a property valuation company of prime international standing appointed previously and from other independent appraisals.
In addition, on April 8, 2016, through the newly formed subsidiary Amleto ApS, Technogym acquired a 50.01% stake in Exerp ApS, a Danish company that provides software solutions for the management of fitness centers and sports centers. For accounting purposes, in compliance with IFRS, the acquisition of Exerp ApS is considered an acquisition of interests in a joint venture. Based on the agreements stipulated between the parties, Technogym controls company management jointly with minority shareholders.
Lastly, on March 23, 2016, a 20% stake was acquired in the company T4ME Limited for Euro 400 thousand.
These acquisitions are described in more detail in the section "Investments and acquisitions" of the Board of Directors' Report to which reference should be made.

Basis of consolidation

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

Subsidiaries

Subsidiaries are entities in which the Group simultaneously has:

- power over the investee, i.e. the ability to direct the relevant activities of the investee, namely the activities that significantly affect the investee's returns;
- the right to variable returns (positive or negative) from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Control can exist either due to direct or indirect ownership of the majority of the voting rights or taking into account any contractual or legal agreement, and therefore, regardless of ownership percentage. In assessing the existence of control, the Company also considers its own potential voting rights, as well as voting rights of third parties. The "potential voting rights" include the ability to obtain voting rights of an entity, like those arising from convertible securities or options. These rights are considered only if they are significant.
The control is verified when facts or circumstances occur that may change the elements of control described above.
Subsidiaries are consolidated on a line-by-line basis from the date control is effectively acquired and are no longer consolidated from the date on which control is transferred to third parties. The basis for the consolidation that has been adopted is as follows:

- the book value of the companies included in the scope of consolidation is eliminated from equity, and as consequence, their assets and liabilities are recorded;
- according to IFRS 3, subsidiaries acquired by the Group are accounted using the acquisition method, which states that the amount transferred in a business combination is measured at fair value, calculated as the sum of fair values of the assets

and liabilities transferred to the Group at the date of acquisition and equity instruments issued in exchange for control of the company acquired. Transaction costs that may arise from the transaction are reported in the income statement as incurred;

- the difference between the acquisition cost and the market value of the Group's share of net assets is accounted as goodwill;
- if the acquisition cost is below the fair value of the Group's share of the company's net assets, the difference is recognized in the profit or loss of the period;
- profit and losses arising from transactions between companies included in the consolidation are eliminated in full, as well as assets, liabilities, costs, revenues, margins on products in inventory and any relevant intragroup transaction;
- intragroup dividends are eliminated, as well as impairment and impairment reversals relating to investments in consolidated companies.
- the portion of capital attributable to non-controlling interests in consolidated subsidiaries and the portion of profit or loss for the year attributable to non-controlling interests are identified separately within the consolidated statement of financial position and consolidated income statement; according to IFRS 10, the overall loss is attributable to the owners of the Parent Company and to non-controlling interest, even when the equity attributable to non-controlling interests have a negative balance;
- acquisitions of minority interests in entities for which control already exists, or the sale of minority interests that do not involve the loss of control are considered equity transactions; therefore, any difference between the cost of acquisition/disposal and its acquired/disposed of shareholders' equity is recognized to adjust the Group's equity. A possible obligation relating to a term contract to purchase its own equity instruments against cash, results in the recognition of a liability whose fair value is reclassified from equity. If the contract expires without it being completed, the carrying amount of the liability is transferred to equity. The contractual obligation to purchase its own equity instruments gives rise to a liability for the present value of the redemption amount even if the obligation is conditional upon the exercise of the counterparty of the redemption right.

Associates and joint ventures

Investments in associates and joint ventures are recognized in the consolidated statements using the equity method, in accordance with IAS 28 (Investments in associates and joint ventures) and IFRS 11 (Joint agreements).
Associates are those entities over which the Group holds at least 20% of the entity's voting power, or rather, it has significant influence but have not control over strategic financial and operating decisions.
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and hold rights to the entity's net assets.
Investments in associates and joint ventures are recognized in the consolidated financial statements from the date significant influence and joint control are acquired until the date said influence and control cease.
According to the equity method, investments in associates and joint venture are initially accounted at cost (including financial expenses related to the acquisition) and the carrying value increases or decreases due to its interests in profit or loss generated after the acquisition date. The investor's share of profit (loss) for the year of the investee is booked to the consolidated separated income statement. Dividends received decrease the carrying value of the investment.
Adjustments of the carrying value of the investment are also due to changes in the prospectus of other comprehensive income of the entity (i.e. changes due to translation differences of operations in foreign currency). The portion of those adjustments attributable to the Group is recognized in the statement of other comprehensive income. If the portion of an entity's losses in an associate or joint venture is equal to or higher than its interest in the associate or joint venture, the entity discontinues the recognition of its share of additional losses. After having eliminated the investment, additional losses are allocated and recognized as liabilities, only to the extent in which the entity has undertaken legal or implicit obligations or has made payments on behalf of the associate or joint venture. If the associate or joint venture then realizes profits, the entity starts to recognize its portion of profits again only after said entity has balanced its share of unrecognized losses. Profits and losses resulting from upstream and downstream transactions between an entity (including its consolidated subsidiaries) and an associate or joint venture are recognized in the entity's financial statements only to the extent of the third parties' interests in the associate or joint venture. The investor's share of the profits and losses of the associate or joint venture resulting from these transactions is eliminated.

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 rate at the year-end reporting date;
- income and expenses 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	As of December 31	
	2016	2015
USD	1,054	1,089
GBP	0,856	0,734
JPY	123,400	131,070
CHF	1,074	1,084
AUD	1,460	1,490
AED	3,870	3,997
CNY	7,320	7,061
RUB	64,300	80,673
HKD	8,175	8,438
BRL	3,431	4,311
ZAR	14,457	16,953
DKK	7,434	7,463

Currency	Average for the year ended December 31	
	2016	2015
USD	1,107	1,110
GBP	0,819	0,726
JPY	120,197	134,314
CHF	1,090	1,068
AUD	1,488	1,478
AED	4,063	4,073
CNY	7,352	6,973
RUB	74,145	68,072
HKD	8,592	8,601
BRL	3,856	3,700
ZAR	16,265	14,172
DKK	7,445	7,459

2.3 TRANSLATION OF TRANSACTIONS WITH A CURRENCY OTHER THAN THE FUNCTIONAL CURRENCY

The transactions occurring in a currency other than the functional currency are translated using the exchange rate at the date of the transaction. The gains or losses on exchange rates generated from the transaction or from the translation of assets and liabilities in a currency other than the Euro at the end of the year are reported in the income statement.

2.4 ACCOUNTING POLICIES

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

Property, plant and equipment

Property, plant and equipment are reported at their historical purchase or production cost. Cost includes expenditures that are directly attributable to preparing the assets for their intended use.
Expenditures that are directly attributable to the purchase, development or production of an asset but cannot be attributed to a qualifying asset are reported in the income statement when they arise. The Group does not hold any assets that require a certain period before they are ready to use (qualifying asset).
Routine repair and maintenance costs are recognized as expenses in the period in which they are incurred. Expenditures incurred for the modernization and improvement of owned assets or from third parties, are capitalized only if it is eligible to be classified separately as assets or part of assets by adopting the component approach.
Property, plant and equipment, with the exception of land, are subject to depreciation. Depreciation is charged on a straight-line basis to depreciate assets over their useful lives. If a depreciable asset consists of separately identifiable parts, whose useful lives differ significantly from other parts of that asset, each part is depreciated separately in accordance with the component approach.
Depreciation commences once the asset is available for use, taking account of the actual moment this condition materializes.
The estimated useful life for the various categories of property, plant and equipment, valid for all periods presented, is reported hereunder.

Category	Useful life
Land	Indefinite
Buildings	34 years
Leasehold improvements	duration of the lease
Plant and machinery	from 8 to 11 years
Production and commercial equipment	from 5 to 6 years
Other assets	from 5 to 11 years

The depreciation rates of tangible assets are reviewed and updated, when necessary, at least annually.
In the event that, independently of the depreciation already recorded, an indication of impairment arises, an impairment loss is recognized for the asset; if in the following years the reasons for an impairment loss cease to exist, the original value will be restored. The residual value and useful lives of property, plant and equipment are reviewed at every financial year-end and adjusted if appropriate.
Intangible assets are identifiable non-monetary assets without physical substance, controllable and able to generate future economic benefits. Such assets are carried at purchase cost and/or internal production cost, including expenses directly attributable to preparing assets for their intended use. Depreciation of intangible assets is reviewed at every financial year-end

and, if the current useful lives differ from the useful lives previously estimated, they are adjusted accordingly. The Group has estimated the following useful lives for its various categories of intangible assets:

Category	Useful life
Development costs	from 3 to 5 years
Software, licenses and similar rights	3 years
Trademarks	0 years

Research costs are expensed in the income statement when they incur.

DEVELOPMENT COSTS

Development costs for the realization of new products and processes for improving existing products and processes, are capitalized according to IAS 38 if the development project leads to technically feasible products and processes (as long as the intention to complete the project can be demonstrated) and the costs and benefits of the development project can be measured reliably. Capitalized 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 indefinite useful lives and they are amortized over the period the expected future income from the project 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 its initial recognition. Amortization starts from the moment the products are available to be used. Useful lives are reviewed and adjusted accordingly if there are changes in its expected future benefit.

Impairment losses on property, plant and equipment and intangible assets

An impairment loss is recognized on property, plant and equipment and intangible assets if the asset is no longer able to recover the carrying value at which the asset is recorded in the financial statements. The impairment test, introduced by IAS 36, is used to ensure that the carrying value of these assets are not higher than the recoverable amount, recognized as the higher of its selling price and its value in use.
The value in use is defined as the present value of the future cash flows expected to be generated from the asset or from the cash-generating unit to which the asset belongs. The expected cash flows are discounted using a discount rate reflecting the current market rate for risk-free investments, adjusted with the assessment of the time and risks specific to that asset.
If the carrying value exceeds the recoverable value, the assets or cash generating units to which they belong are written down to reflect their recoverable value. These impairment losses are accounted for in the income statement in the year in which this difference emerges.
Definite-lived assets are tested for impairment whenever there are signs that such assets could be impaired due to change of internal or external conditions. Intangible assets with indefinite useful lives, such as goodwill, are tested for impairment at least every year.
If the reasons for an impairment loss cease to exist, the value is restored in proportion to the assets. The new carrying value does not exceed the carrying amount that would have been determined, net of amortization or depreciation, if no impairment loss had been recognized in the past. The amount reversed is recognized in profit or loss. Impairment losses of goodwill are never reversed.

Investments in other entities

Investments in companies other than subsidiaries, associates and joint ventures, are classified as non-current financial assets and are carried at fair value, with effects recognized in the equity reserve among the components of other comprehensive income. Changes in fair value, previously recognized among the components of other comprehensive income, are reclassified to profit or loss for the period. Investments in other smaller companies, whose fair value cannot be determined, are stated at cost less any impairment losses; impairment losses cannot be reversed.

Derivatives

Derivatives are classified as financial assets and liabilities depending on the positive or negative fair value, categorized as available for sale and reported at fair value in profit or loss, except for derivatives designated as hedging instruments.

Financial instruments are recognized according to hedge accounting rules when:

- at inception of the hedge, there is formal designation and documentation of the hedging relationship;
- it is presumed that the hedge is highly effective (prospective effectiveness testing);
- the effectiveness can be reliably measured and the hedge is highly effective during the designated periods (retrospective effectiveness testing).

The criterion for measuring hedges is represented by their fair value at the designated date.
In the case of cash flow hedges (i.e. cash flow hedges intended to offset the cash flow variability of assets/liabilities relating to fluctuations in exchange rates), fair value changes for derivatives considered highly effective are initially recognized in a separate equity reserve and classified in Other comprehensive income or loss and subsequently reclassified from equity to profit or loss for effects generated by the hedge.
In cases in which the instruments do not satisfy the conditions for hedge accounting set forth in IAS 39, their fair value changes are booked to financial expenses/income in the income statement.
The fair value of exchange rate derivatives for the hedging of future cash flows is calculated in relation to their intrinsic value and time value; the intrinsic value component is booked to the fair value reserve, while the time component is charged directly to financial income/expenses in the income statement. When the underlying element hedged materializes, the fair value reserve is reversed to the income statement and attributed to the book value of the underlying element itself.

It should be noted that, excluding two specific instruments, the hedges in place as of December 31, 2016, despite being operational hedges, do not satisfy the conditions for hedge accounting. Consequently, fair value changes as of December 31, 2016 are charged to the income statement. On the contrary, the two hedges mentioned above on the GBP currency for a total notional value of GBP 6 million, given the conditions of IAS 39 are met, are instead accounted for according to hedge accounting rules. Therefore, the fair value changes at year-end were booked directly to equity.

Measurement of fair value of financial instruments

The fair value of financial instruments quoted on public markets is determined with reference to quoted price. The fair value of unquoted instruments is measured with reference to the financial valuation techniques that make use of the largest possible number of inputs directly observable on the market. When it is not possible, the inputs are estimated by the management, taking into account the characteristics of the instrument being measured. Changes in the assumptions made when estimating the input data may have an impact on the fair value recorded in the financial statements for those instruments.

Inventory

Inventory is recorded at the lower of purchase or production cost and net realizable value in the market. The cost of inventory, including ancillary costs, is determined using the weighted average cost method.

Trade payables, other current and non-current assets

Trade payables, other receivables and other current and non-current financial assets are initially recognized at fair value, net of direct transaction costs, and subsequently measured at amortized cost using the effective interest method (the rate that equals, at the initial recognition, the book value and the discounted value of expected cash flows), less any impairment losses. Trade receivables and other financial assets are recognized as current assets, except for those with contractual maturity beyond 12 months of the reference date, which are classified as non-current assets.

Impairment of financial assets

At each year-end, financial assets are assessed as to whether there is any objective evidence that a financial asset or a group of financial assets may be impaired, except for financial assets that are recognized at fair value. An impairment loss is recognized only if there is evidence that it is a consequence of events that occurred subsequent to its initial recognition, which will affect the estimated future cash flows of the asset.
Objective evidence of impairment includes observable indicators such as:

- the significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default or failure to pay interest or capital;
- evidence that the debtor will undertake bankruptcy proceedings or other financial reorganization;
- a significant decrease of estimated future cash flows.

Losses that are expected to arise as a result of future events are not recognized.
The carrying amount of trade receivables is reduced through a provision for bad debts.
If an impairment loss recognized in the past decreases, and the decrease can be objectively associated to an event occurred after the impairment, the amount is recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts and demand deposits with banks that have original maturity within 3 months. Cash and cash equivalents are recognized at nominal value, equal to the fair value.

Trade payables, other liabilities and other current and non-current financial liabilities

Trade payables, other liabilities and other current and non-current financial liabilities are identified when the Group contracts obligations and they are recognized initially at fair value, net of direct transaction costs.
Subsequently, they are measured at amortized cost using the effective interest method.

Derecognition of financial assets and liabilities

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

- the contractual right to receive cash flows from the financial asset has expired;
- the Group has effectively transferred all risks and rewards associated to the financial asset by transferring its rights to receive cash flows from the financial asset or taking on a contractual obligation to remit the cash flows received to one or more potential recipients under a contract that meets the requirements of IAS 39 (c.d. "pass through test");
- the Group has transferred the control of the financial asset but has neither transferred nor retained the risks and rewards associated with financial asset.

In case of financing operations to clients through financial institutions, guaranteed by the relative trade receivables, the credit is recognized in the financial position of the Group until it is collected by the financial institutions and a payable of financial nature is recognized, as a counter of the advance from the financial institutions.
Financial liabilities are derecognized when they are extinguished, i.e. when the contractual obligation is fulfilled, cancelled or prescribed.

Employee benefit obligations

Post-employment benefits, depending on their characteristics, are classified as "defined contribution" plans and "defined benefit" plans. In defined contribution plans, the employer's obligation is limited to the payment of contributions to the State or to a trust or separate legal entity and is determined on the basis of the contributions due. The costs related to these plans are recognized in profit or loss for the contribution of the period. In defined benefit plans, however, the company's obligation is determined separately for each plan on the basis of actuarial calculations that estimate (in compliance with the method of projected unit credit) the amount of future benefits that employees have accrued at the reporting date. The present value of defined benefit plans is calculated using a rate determined on the basis of market yield of leading companies' corporate bonds at the reporting date, or government bonds in the absence of an active market for those securities. The liability is recognized on an accrual basis over the maturity period of the rights. The liability is calculated by independent actuaries.

Gains and losses arising from the actuarial valuation of defined benefit plans are recognized in other components of comprehensive income or loss. In case of modification of a defined benefit plan or the introduction of a new plan, any employee benefit obligation for past services is recognized immediately in the income statement.

The so called Trattamento di fine rapporto (**"TFR"**), mandatory for Italian companies in accordance with article 2120 of the Civil Code, is considered as deferred compensation and is related to the length of the working period of employees and the salary received in the period of service. In application of IAS 19, TFR assumes the nature of a "defined benefit plan" and the related liability recognized in the balance sheet ("Employee benefit obligations") is determined by actuarial calculations. The recognition of changes in the actuarial gain/losses ("remeasurements") is therefore recorded under other comprehensive income. For Italian companies of the Group with less than 50 employees, the cost relating to employee benefit obligations and the interest costs related to the component "time value" in the actuarial calculations (classified under financial expenses) are recognized in the income statement.
From January 1, 2007, the Italian law gives the employees the opportunity to choose the destination of their post-employment benefits between the company and a supplementary pension funds. Companies with 50 employees or more are obliged to deposit the post-employment benefits in the "Treasury Fund" managed by INPS. Consequently, in accordance with IAS 19, the obligation to INPS and contributions to complementary pension funds take the nature of "Defined contribution plans".
Incentive plan for the benefit of top management members
Additional benefits are acknowledged to the management of Technogym via stock option plans. The above plans are recognized in accordance with IFRS 2 (Share-based payment). According to IFRS 2, these plans represent a component of the recipient remuneration; therefore, for schemes that include compensation in equity instruments, the cost consists of the fair value of these instruments at the grant date and is recognized in the separate income statement under "Personnel costs" over the time between the grant date and the maturity date, and in an equity reserve called "Stock Option plan". Changes in fair value after the grant date have no effect on the initial valuation. At the end of every year, it will be estimated the number of rights that accrue until maturity. The change in the estimate is recognized as a reduction of the item "Stock option plan reserve" with contra-item "Personnel costs".

Provisions

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

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

The amount recognized as a provision is the best estimate of the amount that an entity 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 recognized in the income statement under "Financial expenses".
The amounts are periodically reviewed to identify changes in estimated costs, the obligation settlement date, and the actualization rate. Any changes in estimates are recognized to profit or loss within the same account previously used to record the provision.
The existence of contingent liabilities, represented by:

- possible, but not probable, obligations arising from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the company; or
- current obligations arising from past events, for which the company believes the possibility of incurring charges in the future to be remote or whose amount cannot be reliably estimated;
- does not arise the recognition of liabilities in the financial statement but is reported in a separate note to the financial statements.

Income taxes

Income taxes represent the sum of current and deferred taxes. Income taxes are generally recognized in the income statement, with the exception of certain items that are recorded directly in equity. In this case, income taxes are also booked directly to equity.
Current income taxes are the amount of taxes expected to be paid for the taxable profit, determined in compliance with the current regulations of the countries in which the Group operates.
Deferred income taxes are determined using the liability method on temporary differences between assets and liabilities in the consolidated statement and the corresponding values recognized for tax purposes. Deferred income taxes are determined using tax rates that are expected to apply to the year when the related differences are realized or settled.
Deferred tax assets are recognized only when it is probable that in future years there will be sufficient taxable income to realize them.
The deferred tax assets and liabilities are offset only when there is a legal right of offset and when they relate to income taxes levied by the same taxation authority.
Income taxes relating to prior year include the income and expenses recognized in the year for income taxes related to prior years.

Recognition of revenues and costs

Revenues is recognized to the extent that it is probable that the economic benefits are achieved and the relative amount can be reliably measured. Revenues from the sale of goods is recognized upon transfer of the risks and rewards of ownership to the buyer, which generally coincides with the shipping or the delivery.
Revenues is recognized for an amount equal to the fair value of the amount received or receivable, net of returns, discounts, rebates, bonuses, and directly related taxes.
Costs are recognized when related to goods and services purchased, consumed or allocated in the year, or when it is not possible to identify their future usefulness.
Lease payments relating to operating leases are recognized in the income statement over the term of the contract.
Income and financial expenses are recognized in the income statement at the time when they are incurred.

Dividends

The distribution of dividends to shareholders of the Parent Company is recognized as a liability in the consolidated financial statements of the period when it is approved at the shareholders' meeting.
Dividends received from non-consolidated companies are recognized as assets in the consolidated financial statements of the period when they are approved by the competent corporate bodies.

Earnings per share

A) BASIC EARNINGS PER SHARE

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

B) DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing profit or loss attributable to owners of the Parent Company 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 owners of the parent is adjusted to take account of any after-tax effect of such conversion.

2.5 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

Summary tables are provided below relating to all IRFS developments, amendments and interpretations issued by the IASB, specifying those that concern the 2016 financial statements and those that will come into force in subsequent years in accordance with IAS 8.

a) New documents issued by the IASB and approved by the EU to be adopted, as per mandatory requirements, for financial years starting on January 1, 2016.

Document title	Issue date	Date of entry into force	Approval date	EU Regulation and publication date
Defined benefit plans: employee contributions (amendments to IAS 19)	November 2013	February 1, 2015 (for the IASB: July 1, 2014)	December 17, 2014	(EU) 2015/29 January 9, 2015
Improvements to International Financial Reporting Standards (2010-2012 cycle)	December 2013	February 1, 2015 (for the IASB: July 1, 2014)	December 17, 2014	(EU) 2015/28 January 9, 2015
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	June 2014	January 1, 2016	November 23, 2015	(EU) 2015/2113 November 24, 2015
Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)	May 2014	January 1, 2016	November 24, 2015	(EU) 2015/2173 November 25, 2015
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	May 2014	January 1, 2016	December 2, 2015	(EU) 2015/2231 December 3, 2015
Annual Improvements to IFRSs 2012–2014 Cycle	September 2014	January 1, 2016	December 15, 2015	(EU) 2015/2343 December 16, 2015
Disclosure initiative (amendments to IAS 1)	December 2014	January 1, 2016	December 18, 2015	(EU) 2015/2406 December 19, 2015
Equity Method in the Separate Financial Statements (amendments to IAS 27)	August 2014	January 1, 2016	December 18, 2015	(EU) 2015/2441 December 23, 2015
Investment entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	December 2014	January 1, 2016	September 22, 2016	(EU) 2016/1703 September 23, 2016

b) IAS/IFRS and the relative IFRIC interpretations applicable to financial years starting after January 1, 2016 - Documents approved by the EU on December 31, 2016

Document title	Issue date	Date of entry into force	Approval date	EU Regulation and publication date
IFRS 15 – Revenues from contracts with customers	May 2014	January 1, 2018	September 22, 2016	(EU) 2016/1905 October 29, 2016
IFRS 9 – Financial Instruments	July 2014	January 1, 2018	November 22, 2016	(EU) 2016/2067 November 29, 2016

c) IAS/IFRS and the relative IFRIC interpretations applicable to financial years starting after January 1, 2016 - Documents still not approved by the EU as of December 31, 2016

Document title	Issue date	Date of entry into force
Standards		
IFRS 14 Regulatory Deferral Accounts (note 1)	January 2014	Entered into force on January 1, 2016, but the European Commission decide to suspend the approval process, pending the new accounting standard on “rate-regulated activities”.
IFRS 16 Leases	January 2016	January 1, 2019
Amendments		
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Deferred until completion of the IASB equity method project
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	January 2016	January 1, 2017
Amendments to IAS 7: Disclosure Initiative	January 2016	January 1, 2017
Clarifications to IFRS 15 Revenues from Contracts with Customers	April 2016	January 1, 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	January 1, 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September and December 2016	January 1, 2018
Amendments to IAS 40 Investment property	September and December 2016	January 1, 2018

Note 1

Annual Improvements 2014-2016	December 2016	January 1, 2018
IFRIC 22 Foreign currency transactions and advance consideration	December 2016	January 1, 2018

The potential impacts on the Group’s consolidated financial statements resulting from these amendments are currently being evaluated and, in particular, as regards IFRS 9, 15 and 16, an internal analysis of the main contracts in place has been initiated, in order to establish the necessary information base for marking out their foreseeable income statement and balance sheet effects. With reference to IFRS 15, an initial non-exhaustive analysis shows potential effects stemming from certain performance obligations which could determine the allocation of a provision for returns.

3. ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires the directors to apply accounting standards and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions considered reasonable and realistic from time to time according to the circumstances.
The application of these estimates and assumptions affects the amounts reported in the financial statements, such as the balance sheet, income statement, statement of cash flows as well as the disclosures provided.
The final outcome of the items in the consolidated financial statements, for which estimates and assumptions were used, may differ from those reported in the financial statements of the single companies due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based.
Estimates and assumptions are reviewed periodically and the effects of each change is immediately reflected in the income statement in the period in which the estimate review occurs.
The financial statement items that require, more than others, a subjective judgment by management when elaborating the estimates and for which a change in the conditions underlying the assumptions could have a significant impact on the consolidated financial statement of the Group, are as summarized below.

- Non-current assets: the Group reviews the carrying value of property, plant and equipment, intangible assets, investments in joint ventures and associates and other non-current assets, when events and circumstances make such review necessary in order to determine their recoverable value. The analysis of impairment is generally performed using estimates of the cash flows from the use or sale of the asset and an adequate discount rate to calculate the present value. When the carrying value of a non-current asset has recorded a loss in value, the Group recognizes an impairment loss equal to the difference between the carrying amount of the asset and its recoverable amount from use or sale, as determined with reference to the cash flows included in the most recent business plans.
- Deferred tax assets: the Group has deferred tax assets on deductible temporary differences and theoretical tax benefits from losses carried forward which are recognized to the extent that it is likely that future taxable profit will be available against which they can be recovered. The recoverability of deferred tax assets recognized in relation to tax losses in future years and deductible temporary differences takes into account the estimate of future taxable incomes and is based on prudent tax planning.
- Inventory write-down provision: reflects the Issuer management's estimate of expected losses in value relating to inventories, determined on the basis of past experience. Any anomalous trends in market prices may have an impact on future inventory write-downs.
- Bad debt provision: the recoverability of receivables is assessed by taking into account the risk of not collecting the receivables, their maturity and losses on receivables reported in the past for similar type of accounts.
- Employee benefit obligations: provision for employee benefits obligations and net financial expenses are measured on the actuarial basis, which requires the use of estimates and assumptions to determine the net value. The actuarial method considers financial parameters, for example, such as the discount rate and the growth rates of wages and considers the probability of occurrence of potential future events through the use of demographic parameters such as the mortality rate and the rate of resignation or retirement of employees.
- Warranties provision: when selling the product, the Group makes provisions relating to estimated costs for product warranty. The estimate of this fund is calculated on the basis of historical information on the nature, frequency and average cost of warranty claims.
- Contingent liabilities: the Group recognizes 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 cash 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 their own legal advisors and experts.
- Amortization/depreciation: changes of economic conditions of the market, technology and competitive forces could significantly affect the useful life of property, plant and equipment and intangible assets, and may result in a difference in the timing and the amount of depreciation and amortization.
- Income taxes: income taxes are calculated in each country where the Group operates and according to a prudent interpretation of the tax laws. This sometimes involves complex estimates to determine taxable income and deductible temporary differences between accounting values and tax values.

4. 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 approach to the market is adopted through a unique business model that offers an integrated range of "Wellness solution", together with the pursuit of higher levels of operational efficiency achieved by the cross-production.
For the purposes of segment information and the associated management analysis, the company's management identifies the dimensions regarding geographical areas and distribution channels as relevant.
The type of organization described above reflects the way the management monitors and strategically directs the activities of the Group.
The following tables shows a breakdown of the Group's revenues by geographic area and distribution channel.

(In thousands of Euro and percentage of total revenues)	Year ended December 31		Changes	
	2016	2015	2016 vs 2015	%
Europe (without Italy)	288,081	276,130	11,951	4.3%
MEIA	51,026	49,698	1,328	2.7%
APAC	80,950	68,653	12,297	17.9%
Italy	54,183	45,018	9,165	20.4%
North America	58,374	50,309	8,065	16.0%
LATAM(*)	22,728	21,903	825	3.8%
Total revenues	**555,341**	**511,711**	**43,630**	**8.5%**

(*) Restatement of 2015 values including Mexico.

(In thousands of Euro and percentage of total revenues)	Year ended December 31		Changes	
	2016	2015	2016 vs 2015	%
Field sales	386,448	354,850	31,598	8.9%
Wholesale	122,302	112,835	9,467	8.4%
Inside sales	40,936	38,463	2,473	6.4%
Retail(*)	5,655	5,563	92	1.7%
Total revenues	**555,341**	**511,711**	**43,630**	**8.5%**

(*) Restatement of 2015 values including only Revenues relating to owned stores

4.1 MAIN CUSTOMERS

In accordance with IFRS 8, paragraph 34, for the years ended December 31, 2016 and 2015, the Group does not have any clients that generate revenues more than 10% of the total revenues of the Group.

5. NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 PROPERTY, PLANT AND EQUIPMENT

The item "Property, plant and equipment" amounts to Euro 143,863 thousand as of December 31, 2016 (Euro 56,873 thousand as of December 31, 2015).
The following table reports the amounts and movements of property, plants and equipment for the years ended December 31, 2016 and 2015:

(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 as of January 1, 2015	**1,526**	**33,409**	**16,773**	**49,804**	**17,170**	**3,243**	**121,925**
Investments	2,658	7,255	1,108	405	1,419	5,334	18,178
Disposals	–	(630)	(470)	(708)	(1.163)	(21)	(2,992)
Impairment losses	–	–	–	(72)	–	(416)	(488)
Reclassifications	–	748	787	3,693	210	(5,437)	–
Exchange rate differences	–	149	–	(5)	118	–	262
Historical cost as of December 31, 2015	**4,184**	**40,931**	**18,198**	**53,117**	**17,754**	**2,702**	**136,885**
Accumulated amortization as of January 1, 2015	**–**	**(10,708)**	**(10,588)**	**(38,715)**	**(11,936)**	**–**	**(71,947)**
Amortization	–	(2,729)	(1,356)	(4,786)	(1,824)	–	(10,696)
Disposals	–	602	377	658	1,112	–	2,748
Impairment losses	–	–	–	–	–	–	–
Exchange rate differences	–	(47)	–	7	(79)	–	(118)
Accumulated amortization as of December 31, 2015	**–**	**(12,883)**	**(11,567)**	**(42,836)**	**(12,727)**	**–**	**(80,013)**
Net book value as of December 31, 2015	**4,184**	**28,049**	**6,631**	**10,281**	**5,027**	**2,702**	**56,873**
Historical cost as of January 1, 2016	**4,184**	**40,931**	**18,198**	**53,117**	**17,754**	**2,702**	**136,885**
Investments	7,949	88,925	1,368	1,097	2,769	6,878	108,986
Disposals	–	(74)	(40)	(1,028)	(1,086)	(57)	(2,284)
Impairment losses	–	–	–	–	–	–	–
Reclassifications	–	198	618	3,452	142	(4,409)	–
Exchange rate differences	–	122	–	16	(139)	–	(1)
Historical cost as of December 31, 2016	**12,132**	**130,102**	**20,144**	**56,654**	**19,440**	**5,115**	**243,586**
Accumulated amortization as of January 1, 2016	**–**	**(12,883)**	**(11,567)**	**(42,836)**	**(12,727)**	**–**	**(80,013)**
Amortization	–	(13,381)	(873)	(5,495)	(1,997)	–	(21,746)
Disposals	–	60	36	934	982	–	2,011
Impairment losses	–	–	–	–	–	–	–
Exchange rate differences	–	(62)	–	(12)	98	–	24
Accumulated amortization as of December 31, 2016	**–**	**(26,265)**	**(12,405)**	**(47,410)**	**(13,644)**	**–**	**(99,723)**
Net book value as of December 31, 2016	**12,132**	**103,836**	**7,739**	**9,244**	**5,796**	**5,115**	**143,863**

The category of 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 include expenditures of carpentry and painting, and production lines. Production and commercial equipment mainly refers to molds used for the production, and equipment used for the assembly and welding of the products. Assets under construction and advances mainly relate to investments in production lines at the Group’s production sites that have not yet been placed into service at the end of the year.

Investments in property, plant and equipment for the year ended December 31, 2016 amounts to a total of Euro 108,986 thousand. The main investment categories concern “buildings and leasehold improvements” for Euro 88,925 thousand, “land” for Euro 7,949 thousand and “Production and commercial equipment” for Euro 1,097 thousand.
Investments in the categories “Land” and “Buildings and leasehold improvements” relate mainly to “Land” (Euro 7,949 thousand) and “Buildings and leasehold improvements” (Euro 88,925 thousand), as a result of the acquisition of the property complex called Technogym Village as well as, directly or indirectly, certain properties not relating to Technogym Village (the “Properties”). For accounting purposes and in accordance with IFRS, the acquisition of TGB S.r.l. is considered as an acquisition of fixed assets and financial liabilities, and not as a “business combination”. Indeed, TGB S.r.l. does not meet the “business” requirements but, rather, it is a group of assets with the associated financial liabilities.
Based on the valuations and a review of the due diligence activities relating to TGB S.r.l. as well as a reference financial position of said TGB S.r.l. as of December 31, 2015, the directors estimated the enterprise value of TGB S.r.l. at roughly Euro 86,000 thousand, and TGB’s equity value at around Euro 41,900 thousand. The provisional price agreed between the parties for the acquisition was set at Euro 41,902 thousand. More specifically, the provisional price was determined on the basis of the financial position of TGB S.r.l. and of the company wholly-owned by the former La Mariana S.r.l. as of December 31, 2015, prepared by the selling parties (the “reference statement of financial position”), in which the book values attributed to the properties are replaced, by mutual consent, with those negotiated between the parties, starting from the values reported in the independent appraisals used in the context of the acquisition.
The sellers subsequently prepared a reference financial position at the closing date of the acquisition – which occurred on February 29, 2016 – verified by the independent auditors PricewaterhouseCoopers S.p.A. based on the audit procedures defined and agreed between the sellers, the company and PricewaterhouseCoopers S.p.A. itself, according to the market practice for similar transactions. Following the drafting of the statement of financial position at the closing date, the definitive price was set at Euro 42,354 thousand.

This acquisition is described in the section “Investments and acquisitions” of the Board of Directors’ Report to which reference should be made.

The investments in the category “Production and commercial equipment” as of December 31, 2016, amounting to Euro 1,097 thousand, relate mainly to the production/capitalisation of molds for new production lines.
The investments in assets under construction as of December 31, 2016, amounting to Euro 6,878 thousand, are mainly related to the production of molds for new production lines.

5.2 INTANGIBLE ASSETS

The item “Intangible assets” amounts to Euro 24,041 thousand as of December 31, 2016 (Euro 21,473 thousand as of December 31, 2015).
The following table reports the amounts and movements of intangible assets for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Development costs	Patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Intangibles under development and advances	Other intangible assets	Total
Historical cost as of January 1, 2015	**35,466**	**10,218**	**1,030**	**5,358**	**2,596**	**54,668**
Investments	1,388	1,489	238	3,768	7	6,889
Disposals	(7,288)	(1,867)	(132)	–	(1,796)	(11,084)
Impairment losses	–	0	0	(56)	–	(56)
Reclassifications	3,766	682	135	(4,583)	0	–
Exchange rate differences	0	443	0	0	(2)	441
Historical cost as of December 31, 2015	**33,331**	**10,965**	**1,271**	**4,487**	**804**	**50,859**
Accumulated amortization as of January 1, 2015	**(22,341)**	**(6,416)**	**(701)**	**–**	**(1,969)**	**(31,427)**
Amortization	(6,454)	(2,062)	(154)	–	(169)	(8,839)
Disposals	7,288	1,868	130	–	1,794	11,081
Reclassifications	–	97	(97)	–	–	–
Exchange rate differences	–	(201)	–	–	1	(200)
Accumulated amortization as of December 31, 2015	**(21,506)**	**(6,714)**	**(821)**	**–**	**(344)**	**(29,385)**
Net book value as of December 31, 2015	**11,825**	**4,251**	**450**	**4,487**	**461**	**21,474**
Historical cost as of January 1, 2016	**33,331**	**10,965**	**1,271**	**4,487**	**804**	**50,859**
Investments	2,935	1,424	133	4,174	31	8,697
Disposals	(4,416)	(1,726)	(209)	–	–	(6,351)
Impairment losses	–	–	–	(62)	–	(62)
Reclassifications	406	563	–	(986)	17	(0)
Exchange rate differences	–	42	–	–	7	49
Historical cost as of December 31, 2016	**32,257**	**11,267**	**1,195**	**7,612**	**866**	**53,196**
Accumulated amortization as of January 1, 2016	**(21,506)**	**(6,714)**	**(821)**	**–**	**(344)**	**(29,385)**
Amortization	(3,519)	(2,259)	(127)	–	(185)	(6,089)
Disposals	4,416	1,728	209	–	–	6,353
Reclassifications	–	–	–	–	–	–
Exchange rate differences	–	(30)	–	–	(4)	(35)
Accumulated amortization as of December 31, 2016	**(20,609)**	**(7,275)**	**(739)**	**–**	**(532)**	**(29,156)**
Net book value as of December 31, 2016	**11,648**	**3,992**	**456**	**7,612**	**333**	**24,041**

Development costs refers to the costs arising from the innovation activity performed by the Group as part of its ordinary activities. Patents and intellectual property rights include expenditures related to the acquisition and registration of patents, for model and design costs, for rights and licenses costs for the use of software, and for development costs of business software. The category concessions, licenses trademarks and similar rights includes trademarks and the associated additional registration costs. Intangibles under development and advances mainly refers to expenses incurred by the Group relative to projects for the development of

new products and product lines that are not yet in use at year-end, as well as costs for software and applications to support them. Other intangible assets relate to the costs incurred relating to the registration of intangible assets that meet the requirements of IAS 38 for recognition in the financial statements.
Investments in intangible assets for the year ended December 31, 2016 amount to a total of Euro 8,697 thousand and are mainly related to "development costs" (Euro 2,935 thousand), "Patents and intellectual property rights" (Euro 1,424 thousand), and "Intangibles under development and advances" of Euro 4,174 thousand.

Investments in patents and intellectual property right mainly refers to the purchase of a new software and its implementation, used to deliver after-sales assistance, as well as to the development of the Company's official website and the e-commerce store. Investments in the category development costs are attributable to: i) the implementation of Unity 3.0 on the entire Excite line, a long-established line of cardio, strength and functional equipment, where the products offer connectivity options which allow users to access a fully personalized training experience via Bluetooth, Smartphone or other personal devices; ii) to the development of the user interface for the Selection PRO line, Selection PRO MED, ARTIS; iii) "MYCYCLING" the innovative indoor training product for cycling; iv) "Skillmill" unique motorized equipment which combines strength, speed and agility training suitable for professional athletes and fitness lovers. The investments in intangibles under development and advances are mainly related to the update of software related to products already on the market as well as to the development of new products and product lines and their software and applications. The investments in intangibles under development and advances are mainly related to the update of software related to products already marketed by the Group as well as to the development of new products and product lines and their software and applications.

During the years ended as of December 31, 2016 and 2015 the Group recognized impairment losses on intangible assets for Euro 62 thousand and Euro 56 thousand respectively. Those impairment losses are mainly related to projects and contracts that will no longer produce benefits in the future, in consideration of the evolution of technology, the state of progress, and the possibility of realization.

5.3 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets" amounts to Euro 14,255 thousand as of December 31, 2016 (Euro 15,712 thousand as of December 31, 2015, while the item "Deferred tax liabilities" amounts to Euro 749 as of December 31, 2016 (Euro 704 thousand as of December 31, 2015).
The following table reports the amounts and movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Values as of January 1, 2015	Provisions	Utilizations	Values as of January 1, 2016	Provisions	Utilizations	Reclassifi-cations	Values as of December 31, 2016
Deferred tax assets								
Inventory write-down provision	3,362	187	443	3,992	(173)	(728)	–	3,091
Warranties provision	1,613	(64)	–	1,549	1,124	(998)	–	1,676
Provision for estimated future costs	1,048	3,250	(160)	4,138	8	(7)	–	4,139
Non-Competition Agreement provision	145	33	(16)	162	399	(334)	–	227
Accumulated amortization of trademarks				–	8	(11)	–	(3)
Unrealized exchange losses				–	4	(0)	(696)	(692)
Other provisions for risks and charges	2,531	3,334		5,865	3,909	(4,081)	(12)	5,681
Bad debt provision	98	(191)	(109)	(202)	98	(50)	202	49
Employee benefits obligations				–	163	(196)	–	(33)
Agents provision	82	43	(4)	121	–	–	–	121
Losses carried forward	7,079		(6,992)	87	–	(87)	–	–
Total deferred tax assets	**15,958**	**6.592**	**(6,838)**	**15,712**	**5.541**	**(6,491)**	**(506)**	**14,255**
Deferred tax liabilities								
Trademarks	–	–	–	–	–	(57)	–	(57)
Capital gains	211	–	(7)	204	–	–	–	204
Unrealized exchange gains	836	–	(336)	500	(0)	–	494	993
Other	–	–	–	–	(0)	(403)	12	(392)
Employee benefits obligations	–	–	–	–	–	–	–	–
Total deferred tax liabilities	**1,047**	**–**	**(343)**	**704**	**(1)**	**(460)**	**506**	**749**
Total	**17,005**	**6,592**	**(7,181)**	**16,416**	**5,540**	**(6,951)**	**–**	**15,005**

Where permitted by the IFRS, deferred tax assets are shown net of deferred tax liabilities which can be offset in order to show a correct representation.
Deferred tax assets on tax losses were recognized 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 has tax losses carried forward that are not recognized in deferred tax assets of Euro 65,058 thousand as of December 31, 2016.

5.4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The item "Investments in joint ventures and associates" amounts to Euro 21,340 thousand as of December 31, 2016 (Euro 3,822 thousand as of December 31, 2015).
The following table reports the amounts and movements of investments in joint ventures and associates for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Joint ventures	Associates	Total
Values as of December 31, 2014	**4,391**	**263**	**4,654**
Investments	15	30	45
Dividends	(2,328)	–	(2,328)
Net result	1,012	(263)	749
Exchange rate differences	702	–	702
Values as of December 31, 2015	**3,792**	**30**	**3,822**
Investments	17,919		17,919
Dividends	(663)		(663)
Net result	54	77	131
Exchange rate differences	131		131
Values as of December 31, 2016	**21,234**	**107**	**21,340**

Details of movements relating to joint ventures are provided below.

(In thousands of Euro)	Values as of January 1, 2016	Exchange rate differences	Investments	Dividends	Net result	Values as of December 31, 2016
TECHNOGYM Emirates LLC	3,792	131		(663)	142	3,402
Exerp Aps	0		17,919		(88)	17,832
Totale	**3,792**	**131**	**17,919**	**(663)**	**54**	**21,234**

As of December 31, 2016, the category "Joint ventures" refers to the stakes held in Technogym Emirates LLC (49%), established 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 the area, and in Exerp Aps (50.01%), a Danish company acquired by the Group on April 8, 2016 through the vehicle company Amleto Aps, specialized in the development and marketing of management software for fitness clubs.
As of December 31, 2015, the category "Joint ventures" refers to the 49% shareholding in Technogym Emirates LLC.

As of December 31, 2016, the category "Associates" refers to the 40% shareholding in Wellink S.r.l., an Italian company operating in the development and implementation of personalized projects for wellness centers.

As of December 31, 2015, said category includes the investments, of 50% and 45% respectively, held in Movimento per la Salute S.r.l. and Fitstadium S.r.l, an Italian company operating in the field of digital applications dedicated to wellness which, subsequently, were fully written down in 2016 as a result of the placement into liquidation.

5.5 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" amounts to Euro 18,389 thousand as of December 31, 2016 (Euro 9,529 thousand as of December 31, 2015).
The following table provides details of "Other non-current assets" as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Other non-current assets		
Transferred trade receivables (due after 12 months)	10,018	6,319
Income tax receivables (due after 12 months)	1,297	1,297
Security deposits	5,910	766
Investments in other entities	1,164	1,147
Total other non-current assets	**18,389**	**9,529**

Transferred trade receivables due after 12 months of Euro 10,018 thousand and Euro 6,319 thousand as of December 31, 2016 and 2015 include the non-current portion of receivables arising from the sale of goods which, although they were transferred to third party financial institutions, are retained in the financial statements as they do not meet all the conditions required by IAS 39 for their derecognition from assets. Financial liabilities include the amounts received from financial institutions in the form of advances for the aforementioned transfers.
Income tax receivables due after 12 months refer to the IRES credit arising from the instance of repayment for not deducting IRAP on personnel costs in previous years.
Security deposits are recognized in respect to property leases, lease agreements for vehicles and utilities. It should be noted that the subsidiary Technogym Brasil paid a security deposit in 2016 in respect of the potential outlay for taxes (local IPI tax) amounting to BRL 13 million as a result of an ongoing dispute with the local tax authorities.
The following table reports the details of investments in other entities as of December 31, 2016 and 2015:

(In thousands of Euro)	Registered office	% of control	Currency	As of December 31	
				2016	2015
Entity name					
Sandcroft Avenue Ltd	United Kingdom	12.2%	GBP	749	749
Qicraft Sweden AB	Sweden	10.0%	SEK	148	148
Pubblisole S.p.A.	Italy	2.4%	EUR	100	100
Qicraft Norway AS	Norway	10.0%	NOK	71	71
Qicraft Finland OY	Finland	10.0%	EUR	25	25
Crit S.r.l.	Italy	1.2%	EUR	26	26
Other investments	n.a.	n.a.	n.a.	45	28
Total investments in other entities				**1,164**	**1,147**

These investments are classified as financial instruments available for sale and they are measured at acquisition cost, since they are not traded in an active market and the fair value cannot be reliably determined. As of December 31, 2016 and 2015, the Group has not identified indicators of impairment losses with regards to investments in other entities.

5.6 INVENTORY

The item "Inventory" amounts to Euro 72,175 thousand as of December 31, 2016 (Euro 60,379 thousand as of December 31, 2015). The following table reports the details of inventory as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Inventory		
Raw materials (gross value)	17,371	17,855
Write-down provision	(3,654)	(3,921)
Total raw materials	**13,716**	**13,934**
Work in progress (gross value)	1,887	2,022
Write-down provision	(49)	(203)
Work in progress	**1,839**	**1,819**
Finished goods (gross value)	65,197	52,408
Write-down provision	(8,577)	(7,782)
Total finished goods	**56,621**	**44,626**
Total inventory	**72,175**	**60,379**

The increase in the inventory balance between December 31, 2015 and December 31, 2016 is the result of the normal management of inventory implemented by the Group in relation to the order portfolio and market seasonality. Average days of inventory rotation was essentially in line between the two years.
The following table reports the amounts and movements of inventory write-down provision for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Raw materials	Work in progress	Finished goods	Total inventory write-down provision
Values as of December 31, 2014	**3,436**	**252**	**8,935**	**12,623**
Provisions	684	16	(106)	594
Utilizations	(168)	(55)	(1,188)	(1,411)
Reclassifications	(31)	(10)	40	–
Exchange rate differences	–	–	100	100
Values as of December 31, 2015	**3,921**	**203**	**7,782**	**11,906**
Provisions	348	9	1,738	2,095
Utilizations	(616)	(163)	(976)	(1,754)
Reclassifications	0	–	(0)	0
Exchange rate differences	–	–	33	33
Values as of December 31, 2016	**3,654**	**49**	**8,577**	**12,280**

The balance of the Inventory write-down provision in the year ended as of December 31, 2016 is essentially in line with the figure of the previous year, despite considering a greater Group focus on increasing production volumes.

5.7 TRADE RECEIVABLES

The item "Trade receivables", net of bad debt provision, amounts to Euro 94,075 thousand as of December 31, 2016 (Euro 84,126 thousand as of December 31, 2015).

The following table reports the details of trade receivables as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Trade receivables		
Trade receivables (nominal value)	88,267	81,622
Bad debt provision	(1,332)	(1,914)
Transferred trade receivables	7,140	4,418
Total trade receivables	**94,075**	**84,126**

The increase in trade receivables in the years under review was mainly due to growth in sales.
Transferred trade receivables of Euro 7,140 thousand and Euro 4,418 thousand as of December 31, 2016 and 2015 respectively, refer to the current portion of receivables arising from the sale of goods which, although they are transferred to financial institutions, they are retained in the financial statements as they do not meet all the conditions required by IAS 39 for derecognition from assets. Financial liabilities include the amounts received from financial institutions in the form of advances for the aforementioned transfers.
The following table reports the details of trade receivables broken down by maturity as of December 31, 2016 and 2015:

(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 January 1, 2015	**71,987**	**3,209**	**2,820**	**968**	**145**	**–**	**79,129**
Trade receivables (nominal value)	72,012	3,113	2,888	1,454	452	1,703	81,622
Bad debt provision	–	–	–	–	(211)	(1,703)	(1,914)
Transferred trade receivables	4,418	–	–	–	–	–	4,418
As of December 31 2015	**76,430**	**3,113**	**2,888**	**1,454**	**241**	**–**	**84,126**
Trade receivables (nominal value)	77,902	5,731	2,096	977	379	1,182	88,267
Bad debt provision	0	(62)	(9)	(42)	(244)	(977)	(1,332)
Transferred trade receivables	7,140	–	–	–	–	–	7.140
At December 31, 2016	**85,042**	**5,669**	**2,087**	**936**	**136**	**205**	**94,075**

Specific bad debt provisions have been established for receivables of doubtful collectability, which are monitored for collection by third party legal services, and for receivables from customers with a lower likelihood of collectability. Bad debt provisions are established based upon the credit position of each customer and the estimated realizable value of the outstanding amounts.

The following table reports the amounts and movements of bad debt provision for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Bad debt provision
Values as of January 1, 2015	**2,797**
Provisions	(608)
Utilizations	(296)
Reclassifications	(52)
Exchange rate differences	73
Values as of December 31, 2015	**1,914**
Provisions	144
Utilizations	(741)
Reclassifications	(0)
Exchange rate differences	15
Values as of December 31, 2016	**1,332**

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

5.8 CURRENT FINANCIAL ASSETS

The item "Current financial assets" amounts to Euro 403 thousand as of December 31, 2016 (Euro 105 thousand as of December 31, 2015).
Current financial assets mainly include a loan granted to the company Funky Bots LLC, to be repaid by December 31, 2017.

5.9 DERIVATIVE FINANCIAL INSTRUMENTS

The item "Derivative financial instruments" in assets amounts to Euro 340 thousand as of December 31, 2016 (Euro 213 thousand as of December 31, 2015).
The following table reports the derivative financial instruments broken-down by currency as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
USD	17	96
GBP	–	43
AUD	103	39
CNY	53	30
JPY	167	5
BRL	–	–
Total	**340**	**213**

Assets for derivative financial instruments are related to positive differences resulting from the fair value of "forward" contracts used to hedge the exposure to currency risk.

Forward contracts in place as of December 31, 2016 and 2015 are summarized below.

(In thousands of Euro)	As of December 31			
	Currency	Currency inflow	Currency	Currency outflow
Forward(*)	EUR	6,949	GBP	6,000
Forward	EUR	5,508	CNY	41,000
Forward	EUR	5,216	AUD	7,500
Forward	EUR	3,703	JPY	436,300
Forward	GBP	11,100	EUR	12,982
Forward	EUR	6,174	USD	6,500
Situation as of 31.12.2016				
Forward	EUR	13,319	USD	14,500
Forward	EUR	3,302	CNY	23,550
Forward	EUR	2,485	JPY	329,200
Forward	EUR	496	AUD	750
Forward	GBP	7,000	EUR	9,678
Situation as of 31.12.2015				

(*) Accounted for in accordance with Hedge Accounting as per IAS 39

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.
Only two derivative contracts were accounted for using the hedge accounting method, for a notional total of GBP 6,000 thousand (GBP 3,000 each), corresponding to a total of Euro 6,949 thousand. The negative fair value as of December 31, 2016 amounts to Euro 20 thousand as reported in the table below.

(In thousands of Euro)	As of December 31			
	Assets 2016	Assets 2015	Liabilities 2016	Liabilities 2015
Exchange rate hedging:				
Exchange rate hedges (current) – cash flow hedge			28	
Tax effect – Exchange rate hedges (current) – cash flow hedge	–	–	(8)	
Total	**–**	**–**	**20**	**–**

All currency derivatives in place as of December 31, 2016 mature within 12 months.

5.10 OTHER CURRENT ASSETS

The item "Other current assets" amounts to Euro 12,875 thousand as of December 31, 2016 (Euro 31,800 thousand as of December 31, 2015). The following table reports the amounts of other current assets as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Other current assets		
VAT receivables	2,265	23,608
Prepaid expenses	4,756	3,875
Advances to suppliers	872	1,727
Tax receivables	3,234	237
Accrued income	492	192
Receivables from employees	68	69
Other receivables	1,189	2,092
Total other current assets	**12,875**	**31,800**

VAT receivables were offset with the related debt for each company in order to give the net amount for a single entity.
Tax receivables relate mainly to the payment of advances for taxes.
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 goods yet to be received.
The decrease in the item "Other current assets" is mainly attributable to the reduction in VAT receivables from the Slovakian tax authorities owing to a non-recurring fiscal case relating to 2015, concluded in 2016 through the Slovakian tax authorities' reimbursement of Euro 22,756 thousand to the Group.

5.11 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" amounts to Euro 53,146 thousand as of December 31, 2016 (Euro 68,027 thousand as of December 31, 2015).
The following table reports the amounts of cash and cash equivalents as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Cash and cash equivalents		
Bank deposits	49,984	66,628
Checks	1,113	1,335
Cash and cash equivalents on hand	27	63
Term bank deposits <3 months	2,022	–
Total cash and cash equivalents	**53,146**	**68,026**

Bank deposits represent temporary cash surpluses on Group current accounts at year-end. "Term bank deposits within 3 months" as of December 31, 2016 represent temporary uses of surplus cash of Technogym Zao.
The following table reports the amounts of cash and cash equivalents by currency as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
EUR	32,088	40,462
USD	6,813	8,851
GBP	2,636	8,601
AUD	844	660
CNY	3,185	2,172
JPY	2,896	4,158
BRL	–	1,118
Others	4,683	2,005
Total	**53,146**	**68,026**

As of December 31, 2016 and 2015 there were no restrictions or limitations on the use of the Group's bank deposits, checks and cash and cash equivalents on hand.

5.12 EQUITY

The item “Equity” amounts to Euro 87,639 thousand as of December 31, 2016 (Euro 43,400 thousand as of December 31, 2015).
The following table reports the details of equity as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Equity		
Share capital	10,000	10,000
Share premium reserve	–	–
Other reserves	26,054	(8,227)
Retained earnings	7,791	13,025
Profit (loss) attributable to owners of the parent	43,085	28,168
Equity attributable to owners of the parent	**86,930**	**42,966**
Capital and reserves attributable to non-controlling interests	576	247
Profit (loss) attributable to non-controlling interests	134	186
Equity attributable to non-controlling interests	**710**	**434**
Total equity	**87,639**	**43,400**

The following table reports the amounts and movements of equity for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves					Retained earnings	Profit (loss) attri-butable to owners of the parent	Equity attributable to owners of the parent	Capital and reserves attri-butable to non-con-trolling interests	Profit (loss) attri-butable to non- con-trolling interests	Equity attributable to non-con-trolling interests	Total equity
			Currency translation reserve	Reserve for the adoption of IAS/IFRS	IAS 19 reserve	*Stock option plan reserve*	Other							
As of January 1, 2015	**10,000**	**–**	**2,650**	**(24,702)**	**562**	**–**	**(1,445)**	**17,433**	**5,533**	**10,031**	**179**	**57**	**236**	**10,267**
Profit for the previous year	–	–	–	5,533	–	–	–	–	(5,533)	–	57	(57)	–	–
Allocation for FTA reserve coverage	–	–	–	4,322	–	–	40	(4,362)	–	–	–	–	–	–
Total comprehensive income for the year	–	–	1,885	–	47	–	–	–	28,168	30,100	(35)	186	151	30,251
Transactions with owners of the parent:														
Disposal of non-controlling interests' capital	–	–	–	–	–	–	210	(46)	–	164	46	–	46	210
Option for the purchase of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(801)**	**–**	**–**	**(801)**	**–**	**–**	**–**	**(801)**
Incentive plan (LTMIP)	–	–	–	–	–	3,473	–	–	–	3,473	–	–	–	3,473
Total transactions with owners of the parent	**–**	**–**	**–**	**–**	**–**	**3,473**	**210**	**(46)**	**–**	**3,637**	**46**	**–**	**46**	**3,683**
As of December 31 2015	**10,000**	**–**	**4,535**	**(14,847)**	**609**	**3,473**	**(1,996)**	**13,025**	**28,168**	**42,966**	**247**	**186**	**433**	**43,400**
Profit for the previous year	–	–	–	16,464	–		16,938	(5,234)	(28,168)	(0)	186	(186)	–	(0)
Total comprehensive income for the year	–	–	507	–	(328)		(21)	–	43,085	43,242	61	134	195	43,437
Other changes	–	–	–	–	–		–	–	–	–	–	–	–	–
Transactions with owners of the parent:	–	–	–	–	–		–	–	–	–	–	–	–	–
Mergers	–	–	–	–	–		0	–	–	0	–	–	–	0
Capital transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**		**–**	**(82)**	**–**	**(82)**	**82**	**–**	**82**	**–**
Option for the purchase of non-controlling interests	–	–	–	–	–		–	–	–	–	–	–	–	–
Incentive plan (LTMIP)	–	–	–	–	–		803	–	–	803	–	–	–	803
Total transactions with owners of the parent	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(82)**	**–**	**(82)**	**82**	**–**	**82**	**–**
At December 31, 2016	**10,000**	**–**	**5,042**	**1,617**	**281**	**3,473**	**15,724**	**7,709**	**43,085**	**86,930**	**576**	**134**	**710**	**87,639**

As of December 31, 2016, the "Share capital" of Euro 10,000 thousand, fully subscribed and paid in cash, is made of 200,000,000 ordinary shares with no nominal value.

The "Currency translation reserve" is generated from the translation of financial statements of foreign subsidiaries with a functional currency other than Euro.
The "Reserve for the adoption of IAS/IFRS" was generated at the time of the transition of the Issuer's separate and consolidated financial statements to IFRS, which took place on December 31, 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 remeasurement of defined benefit plans, as represented in the statement of comprehensive income.

Stock option plan reserve – incentive plan for the benefit of top management members
As of December 31, 2016, an incentive plan is in place for the Technogym management, approved by the Board of Directors.
The Incentive Plan grants a certain amount of the Company's shares when specific conditions occur and certain prerequisites are satisfied.
The beneficiaries will have the right to receive shares if, on the assignment date (as identified hereunder): (i) they still hold the employment relationship with the Technogym Group, and as for the CEO of the Issuer, holds the same position and (ii) they have no pending notice of termination, for any reason, from the employment relationship with the Issuer or its subsidiaries. The share assignment date is planned for November 2017.
Specifically, the cost of the plan was determined at a total of Euro 5,040 thousand, of which Euro 803 thousand attributable to the year 2016.

As of December 31, 2016, the fair value reserve refers essentially to the effective component of active hedges with sale contracts.

(In thousands of Euro)	CFH reserve
Balance as of December 31, 2014	**–**
Hedging instruments / Cash flow hedges	–
Balance as of December 31, 2015	**–**
Hedging instruments / Cash flow hedges	28
Tax effect – Hedging instruments / Cash flow hedges	(8)
Balance as of December 31, 2016	**20**

In the year ended December 31, 2015, the Group sold 10% of the share capital of TG Holding BV, which owns the entire share capital of Technogym ZAO, to minority shareholders. An option agreement was simultaneously signed for the repurchase of the same 10%, executable from 2019.

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 (amounts in thousands of Euro):

(In thousands of Euro)	2016		2015	
	Equity	Profit	Equity	Profit
Equity and result as reported in the Parent company's financial statements	**132,416**	**45,525**	**85,760**	**37,078**
Effect of consolidation of subsidiaries	94,920	10,619	64,180	(2,404)
Alignment of accounting policies of consolidated companies	33,713	(171)	5,709	2,398
Effect of elimination of values of investments	(171,789)	113	(111,091)	14,795
Elimination of intercompany dividends	(1,620)	(12,867)	(1,157)	(23,513)
Equity pertaining to minority interests	(710)	(134)	(433)	(186)
Group equity and results	**86,930**	**43,085**	**42,966**	**28,168**

5.13 FINANCIAL LIABILITIES

The item "Financial liabilities" as of December 31, 2016 amounts to Euro 83,619 thousand for non-current financial liabilities and Euro 48,247 thousand for current financial liabilities (respectively, Euro 48,456 thousand and Euro 57,557 thousand as of December 31, 2015).
The following table reports the amounts of financial liabilities, current and non-current, as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Non-current financial liabilities		
Bank loans due after 12 months – non-current portion	73,600	42,139
Non-current liabilities due to other lenders	(0)	(0)
Other non-current financial liabilities	10,018	6,317
Total non-current financial liabilities	**83,619**	**48,456**
Current financial liabilities		
Bank loans due after 12 months – current portion	20,807	17,927
Other short-term borrowings	20,000	35,000
Current liabilities due to other lenders	7,140	4,418
Other current liabilities	300	213
Total current financial liabilities	**48,247**	**57,557**

As of December 31, 2016, except for a loan from Banca Agricola Commerciale S.p.A. (whose residual value as of December 31, 2016 was Euro 1,266 thousand), and the loan in place with Banco Popolare S.p.A. (whose residual value as of December 31, 2016 was Euro 10,000 thousand), the Group's financial debt is entirely with variable interest rates.

Medium/long-term bank loans

The following table reports the movements of bank loans for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Bank loans due after 12 months – non-current portion	Bank loans due after 12 months – current portion	Total bank loans
Values as of January 1, 2015	**–**	**10,000**	**10,000**
Obtainment of loans	70,000	–	70,000
Repayments	(9,935)	(10,000)	(19,935)
Reclassification from non-current to current	(17,926)	17,926	–
Values as of December 31, 2015	**42,139**	**17,926**	**60,065**
Obtainment of loans	65,000	–	65,000
Repayments	(12,800)	(17,858)	(30,658)
Reclassification from non-current to current	(20,739)	20,739	–
Values as of December 31, 2016	**73,600**	**20,807**	**94,408**

The following table reports the details of bank loans as of December 31, 2016 and 2015:

(In thousands of Euro)	Due date	Interest rate	As of December 31			
			2016	of which current	2015	of which current
Bank loans						
Unicredit S.p.A.	2020-2023	Variable	58,302	11,873	27,063	6,063
Cassa di Risparmio di Parma e Piacenza S.p.A.	2020	Variable	10,531	3,031	13,540	3,040
Banca popolare dell'Emilia Romagna S.p.A.(*)	2021	Variable	294	69	13,173	3,798
Banca Agricola Commerciale S.p.A.	2017	Fixed	1,266	1,266	6,289	5,025
Banca popolare di Sondrio S.p.A.	2023	Variable	14,015	2,099	–	
Banco popolare	2020	Fixed	10,000	2,470	–	
Total bank loans			**94,408**	**20,807**	**60,065**	**17,926**

(*) Sidea loan

The following table reports the details of medium/long-term bank loans as of December 31, 2016 by maturity date:

(In thousands of Euro)	Residual debt	Of which current	2017	2018	2019	2020	2021	2022
Unicredit S.p.A.	58,302	11,873	11,873	11,714	11,714	11,714	5,714	5,571
Cassa di Risparmio di Parma e Piacenza S.p.A.	10,531	3,031	3,031	3,000	3,000	1,500	–	–
Banca popolare dell'Emilia Romagna S.p.A.(*)	294	69	69	70	71	72	12	–
Banca Agricola Commerciale S.p.A.	1,266	1,266	1,266	–	–	–	–	–
Banca popolare di Sondrio S.p.A.	14,015	2,099	2,099	2,094	2,126	2,158	2,191	3,348
Banco popolare	10,000	2,470	2,470	2,490	2,510	2,530	–	–
Total	**94,408**	**20,807**	**20,807**	**19,368**	**19,421**	**17,975**	**7,917**	**8,919**

(*) Sidea loan

The loan granted by Banca Agricola Commerciale S.p.A. on February 18, 2015, and starting from February 20, 2015 for a total of Euro 10,000 thousand, is repayable in eight deferred quarterly installments with maturity on February, 20, 2017. The loan does not require compliance with any financial covenants.

The medium-long term loan from Cassa di Risparmio di Parma e Piacenza S.p.A. granted on March 26, 2015 for a total of Euro 15,000 thousand, with maturity on March 31, 2020, is repayable in ten equal six-monthly installments of Euro 1,500 thousand each. 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.

The medium-long term loan granted by Unicredit S.p.A. on April, 9, 2015 for a total of Euro 30,000 thousand, with maturity on April 9, 2020, is repayable in twenty equal quarterly installments of Euro 1,500 each. 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.

The medium-long term loan granted by Unicredit S.p.A. on April 15, 2016 for a total of Euro 40,000 thousand, with maturity on April 15, 2023, is repayable in fourteen equal six-monthly installments of Euro 2,857 thousand each. 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.

The medium-long term loan granted by Banca Popolare di Sondrio on April, 1, 2016 for a total of Euro 15,000 thousand, is repayable in twenty-eight equal quarterly installments, with expiry on April 30, 2023. The loan does not require compliance with any financial covenants.

The loan granted by Banco Popolare S.p.A. on October 31, 2016, for a total of Euro 10,000 thousand, is repayable in sixteen deferred quarterly installments with maturity on December , 31, 2016. The loan does not require compliance with any financial covenants.

It should be noted that, on November 4, 2016, the medium-long term loan signed with Banca Popolare dell'Emilia Romagna S.p.A. on March 23, 2015 for a total of Euro 15,000 thousand and maturing on March 25, 2019, was extinguished early, for an amount of Euro 13,025 thousand. The loan agreement required the Company to comply with the following financial covenant: consolidated "Net financial position/EBITDA" ratio of no higher than 4, verified annually.

For the above loans, no guarantees have been given. As of December 31, 2016, all financial covenants described above were respected.

Other short-term borrowings

The following table reports the details of other short-term borrowings as of December 31, 2016 and 2015:

(In thousands of Euro)	Currency	As of December 31	
		2016	2015
Other short-term borrowings			
Banca Nazionale del Lavoro	EUR	–	25,000
Cassa di Risparmio di Parma e Piacenza	EUR	10,000	10,000
Banca Monte dei Paschi di Siena S.p.A.	EUR	10,000	–
Total other short-term borrowings		**20,000**	**35,000**

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 refer 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 IAS 39 for their derecognition from assets. See also note 5.5 "Other non-current assets" and note 5.7 "Trade receivables".

5.14 DEFERRED TAX LIABILITIES

For comments relating to the item "Deferred tax liabilities" please see paragraph 5.3.

5.15 EMPLOYEE BENEFIT OBLIGATIONS

The item "Employee benefit obligations" amounts to Euro 3,194 thousand as of December 31, 2016 (Euro 3,104 thousand as of December 31, 2015).
The following table reports the amounts and movements of employee benefit obligations for the years ended December 31, 2016 and 2015.

(In thousands of Euro)	Employee benefit obligations
Values as of January 1, 2015	**3,267**
Provisions	5
Financial expenses	51
Actuarial (gains)/losses	(96)
Utilizations	(123)
Values as of December 31, 2015	**3,104**
Provisions	141
Financial expenses	62
Actuarial (gains)/losses	139
Utilizations	(251)
Values as of December 31, 2016	**3,194**

Information about the actuarial valuation of provisions for employee benefit obligations are presented in the note 5.16 "Provisions".

5.16 PROVISIONS

The item "Provisions" as of December 31, 2016 amounts to Euro 17,637 thousand for non-current financial liabilities and Euro 17,214 thousand for current financial liabilities (respectively, Euro 8,528 thousand and Euro 18,462 thousand as of December 31, 2015).
The following table reports the details of provisions, current and non-current, as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Non-current provisions		
Warranties provision	4,491	4,077
Agents provision	1,028	944
Non-Competition Agreement provision	1,157	900
Rebates provision	3,500	1,492
Other provisions	5,797	473
Long-term FOC provision	1,515	187
Ongoing lawsuits provision	150	454
Total non-current provisions	**17,637**	**8,528**
Current provisions		
Warranties provision	5,439	5,005
Free Product Fund provision	1,400	3,390
Other provisions	10,130	9,970
Short-term FOC provision	245	97
Total current provisions	**17,214**	**18,462**

The following table reports the amounts and movements of provisions, current and non-current, for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Warranties provision	Agents provision	Non-Competition Agreement provision	Rebates provision	Other provisions	Long-term FOC provision	Ongoing lawsuits provision	Non-current provisions	Warranties provision	Free Product Fund provision	Other provisions	Short-term FOC provision	Current provisions
Values as of January 1, 2015	**4,641**	**855**	**771**	**986**	**180**	**–**	**30**	**7,463**	**4,558**	**3,079**	**684**	**97**	**8,418**
Provisions	(594)	101	169	451	582	187	424	1,320	390	1,455	9,768		11,613
Reclassifications	–	–	–	–	–		–	–	–	–	–		–
Exchange rate differences	30	–	–	55	(274)		–	(188)	58	132	(384)		(194)
Financial expenses	–	–	12	–	–		–	12	–	–	–		–
Utilizations	–	(11)	(52)	–	(15)		–	(78)	–	(1,276)	(99)		(1,375)
Values as of December 31, 2015	**4,078**	**944**	**900**	**1,493**	**473**	**187**	**454**	**8,528**	**5,006**	**3,389**	**9,969**	**97**	**18,462**
Provisions	2,075	182	356	2,320	4,849	1,382	53	11,217	2,359	616	7,735	796	11,506
Reclassifications	–	–	–	–	–	–	–	–	(0)	–	–	–	(0)
Exchange rate differences	(28)	–	–	(313)	675	(26)	–	309	(165)	(106)	477	(101)	106
Financial expenses	–	–	18	–	–	–	–	18	–	–	–	–	–
Utilizations	(1,634)	(98)	(117)	–	(200)	(29)	(357)	(2,435)	(1,761)	(2,500)	(8,051)	(548)	(12,860)
Values as of December 31, 2016	**4,491**	**1,028**	**1,157**	**3,500**	**5,797**	**1,515**	**149**	**17,637**	**5,439**	**1,400**	**10,130**	**245**	**17,214**

Current and non-current warranties provisions are reasonably estimated by the Group on the basis of the contractual guarantees issued to customers and to the past experience, and refer to costs for spare parts and labor that the Group will incur in future years for repairs of products under warranty of which sales revenues have already been recognized in the income statement of the year or of previous years.

Agents provision and Non-Competition Agreement provision represent a reasonable estimate of the expenses that the Company would incur in the event of interruption of agency relationships. 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.

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

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

Other current provisions for risks and charges mainly relate to awards to employees for whom it is not yet defined the amount. Allocations to provisions refer mainly to Brazilian IPI tax which was prudentially allocated pending the outcome of the dispute with the Brazilian Government.

The FOC (free of charge) provision refers to allocations for future expenses deriving from technical assistance agreements for machines sold in previous years which, as a result of the contractual agreements with customers, will not produce revenues for the Group.

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

The methodology used for the discounting is recognized by the name "metodo degli anni di gestione su base individuale e per sorteggio" – 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 in the years ended as of December 31, 2016 and 2015 are the following: (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 4.50% was considered for the year 2016, unchanged with respect to 2015; (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.

In addition, for Italian companies the following economic-financial assumptions were taken into account.

	As of December 31	
	2016	2015
Annual technical discount rate	1.30%	2.00%
Annual inflation rate	1.50%	1.50%
Annual rate of TFR increase	2.62%	2.62%
Annual rate of salary increase	3.00%	3.00%
Annual rate of commissions increase (for the evaluation of N.C.A.)	3.00%	3.00%

As for the selection of the annual technical discount rate, the Eurozone Iboxx Corporate AA with duration consistent with the average duration of the collective under evaluation was chosen as the benchmark index.

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)	As of December 31					
	2016			2015		
	-0.50% change	Book value	0.50% change	-0.50% change	Book value	0.50% change
Employee benefit obligations	174	3,194	(160)	138	3,104	(183)
Non-Competition Agreement provision	68	1,157	(62)	56	900	(51)
Total	**242**	**4,351**	**(222)**	**194**	**4,004**	**(234)**

In regards to the discounting of the Agents provision according to IAS 37, the hypothesis of "closed group" was considered during the time framework. The evaluations were conducted by quantifying future payments through the projection of the agents' provision accrued at the valuation date of the agents working for the Group until the estimated time (unpredictable) of termination of the contract with the company, and the method used is the MAGIS. As regards demographic assumptions, for the mortality rates the ISTAT 2004 assumptions were considered for the years 2016 and 2015, the INPS tables by age and gender for disability, and the requirement established by ENASARCO for the retirement age. The possibility of release of agents as result of the termination of the relationship with the Group or other causes, was determined using estimates of annual frequency according to company data. The financial assumptions essentially refer to the discount rate which, as of December 31, 2016 was chosen to be the yield that can be obtained from the Iboxx Corporate AA index with duration of 5-7 years, consistent with the duration of the collective agreement subject to evaluation, corresponding respectively to 1% and 0.75%.

5.17 OTHER NON-CURRENT LIABILITIES

The item "Other non-current liabilities" amounts to Euro 9,490 thousand as of December 31, 2016 (Euro 13,517 thousand as of December 31, 2015).
Other non-current liabilities mainly include deferred income related to revenues associated to long-term contracts for technical assistance.
This item also includes the estimated commitment for the PUT present on Technogym Zao which did not undergo any changes in 2016 with respect to 2015.

5.18 TRADE PAYABLES

The item "Trade payables" amounts to Euro 125,594 thousand as of December 31, 2016 (Euro 93,935 thousand as of December 31, 2015).
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 the ordinary procurement management.

5.19 CURRENT TAX LIABILITIES

The item "Current tax liabilities" amounts to Euro 3,682 thousand as of December 31, 2016 (Euro 13,988 thousand as of December 31, 2015).
Changes in current tax liabilities for the year ended December 31, 2016 refers to the allocation of current income taxes for Euro 22,519 thousand, utilization of credits and payments for Euro 19,342 thousand.

5.20 LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

The item "Liabilities for derivative financial instruments" amounts to Euro 47 thousand as of December 31, 2016 (Euro 391 thousand as of December 31, 2015).
The following table reports the liabilities for derivative financial instruments by currency as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
USD	–	197
GBP	47	75
AUD	–	44
CNY	–	44
JPY	–	31
BRL	–	–
Total	**47**	**391**

Liabilities for derivative financial instruments refer to differences arising from the fair value of derivatives used to hedge exposure to currency risk.
The forward contracts as of December 31, 2016 and December 31, 2015 are reported in the note 5.9 "Derivative financial instruments".

5.21 OTHER CURRENT LIABILITIES

The item "Other current liabilities" amounts to Euro 60,442 as of December 31, 2016 (Euro 50,016 thousand as of December 31, 2015).
The following table reports the amounts of other current liabilities as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Other current liabilities		
Deferred income	20,597	14,098
Advances from clients	15,592	11,228
Payables to employees	8,696	8,101
VAT payables	7,090	5,957
Social security payables	3,883	3,681
Other liabilities	3,260	3,478
Accrued expenses	1,323	3,472
Total other current liabilities	**60,442**	**50,016**

Deferred income mainly refers to scheduled maintenance contracts.
Advances from customers relates to advances and deposits received for supplies yet to be delivered.
Payables to employees are 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 as of December 31, 2016 and 2015 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.

6. NOTES TO THE INCOME STATEMENT

6.1 REVENUES

The item "Revenues" amounts to Euro 554,970 thousand for the year ended December 31, 2016 (Euro 511,102 thousand for the year ended December 31, 2015).
The following table reports the amounts of revenues for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Revenues		
Revenues from the sale of products, spare parts, hardware and software	496,072	452,336
Revenues from transport and installation, after-sale and rental assistance	58,898	58,765
Total revenues	**554,970**	**511,102**

For further information about the identification of the operating segments and the allocation of revenues by distribution channel and geographic area, see note 4, "Segment Information".

6.2 OTHER OPERATING INCOME

The item "Other operating income" amounts to Euro 371 thousand for the year ended December 31, 2016 (Euro 609 thousand for the year ended December 31, 2015).
Other operating income consists mainly of rental income, and income from suppliers for compensation.

6.3 RAW MATERIALS, WORK IN PROGRESS AND FINISHED GOODS

The item "Raw materials, work in progress and finished goods" amounts to Euro 196,408 thousand for the year ended December 31, 2016 (Euro 182,574 thousand for the year ended December 31, 2015).
The following table reports the amounts of raw materials, work in progress and finished goods for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Raw materials, work in progress and finished goods		
Purchase and change in inventory of raw material	120,633	104,428
Purchase and change in inventory of finished goods	66,921	71,215
Purchase of packaging and cost for custom duties	8,875	7,578
Change in inventory of work in progress	(21)	(646)
Total raw material, consumables and goods	**196,408**	**182,574**

6.4 COST OF SERVICES

The item "Cost of services" amounts to Euro 139,809 thousand for the year ended December 31, 2016 (Euro 127,236 thousand for the year ended December 31, 2015).
The following table reports the amounts of cost of services for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Cost of services		
Transport of sales, customs duties and installation	42,806	36,610
Technical assistance	21,991	19,673
Advertising	19,162	14,269
Rentals	5,536	9,373
Agents	8,780	7,329
Consulting services	8,464	7,834
Transport of purchases	7,534	7,774
Travel and representative expenses	1,924	1,763
Outsourcing costs	3,843	3,925
Utilities	2,841	3,105
Maintenance costs	3,361	2,538
Other services	13,568	13,041
Total cost of services	**139,809**	**127,236**

Costs for other services mainly relate to royalties paid, costs for managing external deposits, insurance and remuneration of external directors, the board of statutory auditors and the audit firm.
It should be noted that, during 2016, costs relating to the company cafeteria and other costs relating to personnel were reclassified from the item "service costs" to the item "personnel expenses". The impact of this reclassification as of December 31, 2015 was around Euro 11.6 million.
The growth in transport costs is mainly attributable to the rise in the sales volumes and the reorganization of the logistics model which led to the creation of a new sorting centre in Italy as a result of the VAT situation with the Slovakian government described above.
The item rentals fell in 2016 mainly due to the acquisition of the Technogym Village complex.
The increase in advertising costs in 2016 refers mainly to the advertising campaigns launched through web channels.

The following table reports the details of audit fees to the independent auditors for services provided to the company for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Audit fees		
Audit	847	557
Other services	181	659
Total audit fees	**1,028**	**1,216**

6.5 PERSONNEL EXPENSES

The item "Personnel expenses" amounts to Euro 116,942 thousand for the year ended December 31, 2016 (Euro 116,996 thousand for the year ended December 31, 2015).
The following table reports the amounts of personnel expenses for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Personnel expenses		
Wages and salaries	77,732	80,741
Social security contributions	22,173	20,480
Provisions for employee benefit obligations	2,173	2,070
Other costs	14,864	13,704
Total personnel expenses	**116,942**	**116,996**

The following table reports the average number of employees and the exact number of employees at the year-end broken down by category for the years ended December 31, 2016 and 2015.

In number	Year ended December 31			
	2016		2015	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	58	55	52	56
White-collar	1,124	1,150	1,075	1,067
Blue-collar	704	663	768	768
Total number of employees	**1,886**	**1,868**	**1,895**	**1,891**

6.6 OTHER OPERATING COSTS

The item "Other operating cost" amounts to Euro 8,214 thousand for the year ended December 31, 2016 (Euro 4,878 thousand for the year ended December 31, 2015).
The following table reports the amounts of other operating costs for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Other operating costs		
Other taxes and indirect taxes	6,486	2,086
Other expenses	1,728	2,792
Total other operating costs	**8,214**	**4,878**

Other operating expenses mainly relate to membership fees, donations, and giveaways of products distributed for promotional and communication activities.
The item taxes and indirect taxes mainly includes the Brazilian IPI allocation relating to the dispute with the Brazilian Government described above.

6.7 SHARE OF NET RESULT FROM JOINT VENTURES

The item "Share of net result from joint ventures" amounts to Euro 131 thousand for the year ended December 31, 2016 (Euro 1,012 thousand for the year ended December 31, 2015).
The share of net result from joint ventures is the share of net profit achieved by the companies Technogym Emirates LLC, Wellink and Exerp Aps attributable to the Group.

6.8 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES (REVALUATIONS)

The item "Depreciation, amortization and impairment losses" amounts to Euro 23,158 thousand for the year ended December 31, 2016 (Euro 20,020 thousand for the year ended December 31, 2015).
The following table reports the amounts of depreciation, amortization and impairment losses for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Depreciation, amortization and impairment losses (revaluations)		
Depreciation of property, plant and equipment	13,947	10,637
Amortization of intangible assets	9,149	8,839
Impairment losses of property, plant and equipment	–	488
Impairment losses of intangible assets	62	56
Total depreciation, amortization and impairment losses (revaluations)	**23,158**	**20,020**

For the tables of details regarding the breakdown of and changes in "Property, plant and equipment" and "Intangible assets" for the years ended December 31, 2016 and 2015, see notes 5.1 and note 5.2 above.

6.9 PROVISIONS

The item "Provisions" amounts to Euro 2,540 thousand for the year ended December 31, 2016 (Euro 2,578 thousand for the year ended December 31, 2015).
The following table reports the amounts of provisions for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Provisions		
Inventory write-down provision	472	(250)
Bad debt provision	144	(102)
Warranties provision	1,044	(198)
Other provision for risks and charges	1,183	2,705
Ongoing lawsuits provision	(304)	424
Total provisions	**2,540**	**2,578**

6.10 FINANCIAL INCOME

The item "Financial income" amounts to Euro 13,126 thousand for the year ended December 31, 2016 (Euro 15,202 thousand for the year ended December 31, 2015).

The following table reports the amounts of financial income for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Financial income		
Realized exchange gains	7,495	12,394
Unrealized exchange gains	5,245	2,357
Other financial income	192	324
Bank interest receivable	194	128
Total financial income	**13,126**	**15,202**

6.11 FINANCIAL EXPENSES

The item "Financial expenses" amounts to Euro 15,674 thousand for the year ended December 31, 2016 (Euro 17,789 thousand for the year ended December 31, 2015).
The following table reports the amounts of financial expenses for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Financial expenses		
Realized exchange losses	10,885	11,979
Unrealized exchange losses	2,157	4,116
Bank interest on financial loans	1,794	1,193
Bank interest and fees	419	181
Other financial expenses	418	321
Total financial expenses	**15,674**	**17,789**

Other financial expenses mainly include expenses related to the discounting of employee benefit obligations and non-current provisions.

6.12 INCOME/(EXPENSES) FROM INVESTMENTS

The item "Income/(expenses) from investments" amounts to Euro 114 thousand for the year ended December 31, 2016 (Euro 881 thousand for the year ended December 31, 2015).
The following table reports the amounts of income/(expenses) from investments for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Income/(expenses) from investments		
Valuation of investments in associates using the equity method	(417)	(1,250)
Other income/(expenses) from investments	303	369
Total income/(expenses) from investments	**(114)**	**(881)**

"Other income/(expenses) from investments" refers to dividends distributed from the investments held by the Group in other companies. The following table reports the details of income/(expenses) from investments for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Income/(expenses) from investments		
Qicraft Norway AS	–	155
Invest Finex AG (received by the Branch in 2016)	106	154
Qicraft Finland OY	130	60
Qicraft Sweden AB	67	–
Total Income/(expenses) from investments	**303**	**369**

The valuation of investments in associates using the equity method includes the write-down of Euro 400 thousand of the share held in T4Me.

6.13 INCOME TAX EXPENSES

The item "Income tax expenses" amounts to Euro 22,519 thousand for the year ended December 31, 2016 (Euro 26,619 thousand for the year ended December 31, 2015).
The following table reports the amounts of income tax expenses for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Income tax expenses		
Current taxes	23,183	25,953
Deferred taxes	1,153	417
Total income tax expenses for the year	**24,336**	**26,370**
Taxes relating to prior years	(1,817)	249
Total income tax expenses	**22,519**	**26,619**

The following table reports the reconciliation between the theoretical tax rate and the actual tax rate for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31			
	2016	%	2015	%
Profit before tax	**65,739**	**0.0%**	**54,973**	
Income tax calculated with theoretical tax rate	**18,078**	**27.5%**	**15,118**	**27.5%**
Effect of difference between local tax rate and theoretical tax rate	(771)	(1.2%)	(1,565)	(2.8%)
Effect of non-deductible expenses	3,278	5.0%	1,845	3.4%
(Utilization) Non-allocation of unrecognized deferred tax assets on tax losses	(1,154)	(1.8%)	2,739	5.0%
Effect of non-taxed income	–	0.0%	(459)	(0.8%)
Substitute tax	–	0.0%	–	0.0%
Release of deferred tax liabilities	–	0.0%	–	0.0%
Other income taxes (IRAP)	3,382	5.1%	2,889	5.3%
Write-down of deferred tax assets	–	0.0%	5,184	9.4%
Other minor effects	(294)	(0.4%)	868	1.6%
Total	**22,519**	**34.3%**	**26,619**	**48.4%**

6.14 EARNINGS PER SHARE

The following table reports the calculation of the earning per share:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Earnings per share		
Profit for the period (in thousand of Euro)	43,085	28,168
Number of shares (in thousand of euro)	200,000	10,000
Total earnings per share (in Euro)	**0.22**	**2.82**

It should be pointed out that, in 2016, the number of shares rose from 10 million to 200 million and, with a view to a homogeneous comparison, earnings per share in 2015 would have been Euro 0.14, considering the current number of shares.
The basic earnings per share coincide with the diluted earnings per share.

7. NET INDEBTEDNESS

The following table reports the details of net indebtedness of the Group as of December 31, 2016 and 2015, 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)	As of December 31	
	2016	2015
Net Indebtedness		
A. Cash	53,146	68,026
B. Cash equivalents	–	–
C. Trading securities	–	–
D. Liquidity (A) + (B) + (C)	**53,146**	**68,026**
E. Current Financial Receivables	**743**	**318**
F. Current Bank debt	(20,000)	(35,000)
G. Current portion of non-current debt	(20,807)	(17,927)
H. Other current financial debt	(7,488)	(5,022)
I. Current Financial Debt (F) + (G) + (H)	**(48,294)**	**(57,949)**
J. Net Current Financial Indebtedness (I) + (E) + (D)	**5.594**	**10.396**
K. Non-current Bank loans	(73,600)	(42,139)
L. Bonds Issued	–	–
M. Other non-current loans	(10,018)	(6,317)
N. Non-current Financial Indebtedness (K) + (L) + (M)	**(83,619)**	**(48,456)**
O. Net Financial Indebtedness (J) + (N)	**(78,024)**	**(38,060)**

8. 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.

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) the assessment of the class of merit of customers through the use of internally developed Risk Score Rating, for the management of credit limits and any request for adequate bank or insurance guarantees to support the granting of extended payment terms; (ii) the involvement of institutionalized 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 maturity in such a way 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 write-downs on specific disputed credits. 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.

Liquidity risk

The liquidity risk of the Group is closely monitored by the parent company. In order to minimize the risk, the Group has implemented centralized treasury management with specific procedures that aim to optimize the management of financial resources and the needs of the companies of the Group. In particular, a set of policies and processes was adopted aimed at optimizing the management of financial resources that reduce liquidity risk: (i) the maintenance of an adequate level of available liquidity; (ii) the obtainment of adequate credit lines; (iii) the monitoring of 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 reports the amounts of credit lines available and used as of December 31, 2016 and 2015:

Credit lines	Cash Credit lines	Self-liquidating Credit lines	Financial Credit lines	Total
At December 31, 2016				
Credit lines	7,382	24,254	215,704	247,341
Utilizations	–	–	(113,887)	(113,887)
Credit lines available as of December 31, 2016	**7,382**	**24,254**	**101,817**	**133,454**
As of December 31 2015				
Credit lines	10,997	24,636	205,949	241,581
Utilizations	–	–	(94,905)	(94,905)
Credit lines available as of December 31, 2015	**10,997**	**24,636**	**111,043**	146,676

The following table reports the amounts and maturity period of liabilities as of December 31, 2016 and 2015:

(In thousands of Euro)	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
Values as of December 31, 2016				
Non-current financial liabilities	–	71,699	11,919	83,619
Other non-current liabilities	1,519	7,485	486	9,490
Trade payables	124,778	815	–	125,594
Current tax liabilities	3,266	417	–	3,682
Current financial liabilities	48,247	–	–	48,247
Liabilities for derivative financial instruments	47	–	–	47
Other liabilities current taxes	52,004	8,439	–	60,442
Commitments	6,500	24,364	4,936	35,800
Total	**236,361**	**113,219**	**17,342**	**366,921**
Values as of December 31, 2015				
Non-current financial liabilities	0	48,456	–	48,456
Other non-current liabilities	0	13,517	–	13,517
Trade payables	93,935	–	–	93,935
Current tax liabilities	13,988	–	–	13,988
Current financial liabilities	57,557	–	–	57,557
Liabilities for derivative financial instruments	391	–	–	391
Other liabilities current taxes	50,016	–	–	50,016
Commitments	5,949	23,414	9,155	38,518
Total	**221,837**	**85,387**	**9,155**	**316,379**

Commitments mainly refer to the rental fee of branches and Group stores.

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 currency risk, the Group usually enters into forward contracts to cover between 70% and 80% of the invoices in foreign currency. Up until the year ended as of December 31, 2015, fluctuations in exchange rates that may occur between the invoice and the collection of the credit are managed

separately, without the use of hedge accounting, but by balancing the credit with similar debt flows.
Two exchange rate hedging contracts were stipulated in 2016 on the Euro/GBP exchange rate, accounted for by using the hedge accounting method.
Investments in foreign subsidiaries are not covered, as the currency positions are considered long-term. The following table reports the trade receivables, cash and cash equivalents, current financial liabilities and trade payables broken down by currency as of December 31, 2016 and 2015:

(In thousands of Euro)	EUR	GBP	USD	CNY	AUD	JPY	Other currencies	Total
Trade receivables								
At December 31, 2016	42,394	18,210	17,053	1,967	2,380	3,943	8,128	94,075
As of December 31, 2015	12,914	24,864	21,770	5,145	2,458	5,982	10,992	84,126
Cash and cash equivalents								
At December 31, 2016	32,275	2,636	6,813	3,185	844	2,896	4,496	53,146
As of December 31, 2015	40,462	8,601	8,851	2,172	660	4,158	3,122	68,026
Current financial liabilities								
At December 31, 2016	47,956	–	292	–	–	–	–	48,247
As of December 31, 2015	57,344	–	213	–	–	–	–	57,557
Trade payables								
At December 31, 2016	103,612	7,845	11,488	168	574	1,028	877	125,594
As of December 31, 2015	55,809	14,110	12,116	3,893	1,879	72	6,056	93,935

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 reports the results of the analysis for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Book value	*of which subject to Currency Risk*	Currency Risk			
			+5%		-5%	
			Profit/(loss)	Other changes in FVR	Profit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	53,146	*20,871*	(989)	–	1,093	–
Trade receivables	94,075	*51,681*	(2,412)	–	2,666	–
Current financial assets	403	*0*	(0)	–	0	–
Tax effect			1,068	–	(1,181)	–
			(2,334)	**–**	**2,579**	**–**
Financial liabilities						
Non-current financial liabilities	83,619	–	–	–	–	–
Current financial liabilities	48,247	*292*	14	–	(15)	–
Trade payables	125,594	*21,982*	1,042	–	(1,152)	–
Tax effect			(332)	–	366	–
			724	**–**	**(801)**	**–**
Total increase (decrease) 2016			**(1,609)**		**1,779**	

(In thousands of Euro)	Book value	*of which subject to Currency Risk*	Rischio di cambio (RC)			
			+5%		-5%	
			Profit/(loss)	Other changes in FVR	Profit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	68,026	*27,565*	(1,313)		1,451	
Trade receivables	84,126	*71,211*	(3,391)		3,748	
Tax effect			1,477		(1,632)	
			(3,227)		**3,567**	
Financial liabilities						
Non-current financial liabilities	48,456	–	–		–	
Current financial liabilities	57,557	*213*	11		(13)	
Trade payables	93,935	*38,126*	1,814		(2,005)	
Tax effect			(573)		634	
			1,252		**(1,384)**	
Total increase (decrease) 2015			**(1,975)**		**2,183**	

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. 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 the risk of interest rate. 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 reports the results of the analysis for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Book value	*of which subject to Interest Rate Risk*	Interest Rate Risk			
			+ 20 bp		-20 bp	
			Profit/(loss)	Other changes in FVR	Profit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	53,146	*38,455*	77	–	(77)	–
Trade receivables	94,075	–	–	–	–	–
Tax effect			(24)	–	24	–
			53	**–**	**(53)**	**–**
Financial liabilities			**–**	**–**	**–**	**–**
Non-current financial liabilities	83,619	*79,659*	(159)	–	159	–
Current financial liabilities	48,247	*48,247*	(160)	–	160	–
Trade payables	125,594	–	–	–	–	–
Tax effect			100	–	(100)	–
			(219)	**–**	**219**	**–**
Total increase (decrease) 2016			**(166)**	**–**	**166**	**–**

(In thousands of Euro)	Book value	*of which subject to Interest Rate Risk*	Interest Rate Risk			
			+ 20 bp		-20 bp	
			Profit/(loss)	Other changes in FVR	Profit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	68,026	*68,027*	136		(136)	–
Trade receivables	84,126		–		–	–
Tax effect			(43)		43	–
			93		**(93)**	
Financial liabilities						
Non-current financial liabilities	48,456	*42,139*	(84)	–	84	–
Current financial liabilities	57,557	*53,139*	(106)	–	106	–
Trade payables	93,935	–	–	–	–	–
Tax effect			60	–	(60)	–
			(130)		**130**	
Total increase (decrease) 2015			**(37)**		**37**	

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 maximizing 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)	As of December 31	
	2016	2015
Net Indebtedness (A)	78,024	38,060
Equity (B)	87,639	43,400
Total capital (C)=(A)+(B)	**165,664**	**81,460**
Gearing ratio (A)/(C)	**47.1%**	**46.7%**

8.1 FAIR VALUE DISCLOSURE

As of December 31, 2016 and 2015, the book value 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 recognized 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 relocations between the three levels of fair value indicated in IFRS 7.

Financial instruments by category

The following tables report the financial assets and liabilities by category of financial instrument and their level of fair value as of December 31, 2016 and 2015:

2016 *(In thousands of Euro)*	Loans and receivables	Available for sales	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Other non-current assets	18,389	–	–	18,389	–	–	1,164	1,164
Financial assets non current taxes	**18,389**	**–**	**–**	**18,389**	**–**	**–**	**1,164**	**1,164**
Trade receivables	94,075			94,075	–	–	–	–
Cash and cash equivalents	53,146			53,146	–	–	–	–
Assets for derivative financial instruments			340	340	–	340	–	340
Current financial assets	**147,220**	**–**	**340**	**147,560**	**–**	**340**	**–**	**340**

2015 *(In thousands of Euro)*	Loans and receivables	Available for sales	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Other non-current assets	9,529	–	–	9,529	–	–	1,147	–
Financial assets non current taxes	**9,529**	**–**	**–**	**9,529**	**–**	**–**	**1,147**	**–**
Trade receivables	84,126	–	–	84,126	–	–	–	–
Cash and cash equivalents	68,027	–	–	68,027	–	–	–	–
Assets for derivative financial instruments		–	213	213	–	213	–	213
Current financial assets	**152,153**	**–**	**213**	**152,366**	**–**	**213**	**–**	**213**

2016 *(In thousands of Euro)*	Financial liabilities	Financial liabilities carried at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI					
Non-current financial liabilities	83,619		83,619	–	–	–	–
Non-current financial liabilities	**83,619**	**–**	**83,619**	**–**	**–**	**–**	**–**
Current financial liabilities	48,247		48,247	–	–	–	–
Trade payables	125,594		125,594	–	–	–	–
Liabilities for derivative financial instruments		47	47	–	47	–	47
Current financial liabilities	**173,841**	**47**	**173,888**	**–**	**47**	**–**	**47**

2015 *(In thousands of Euro)*	Financial liabilities	Financial liabilities carried at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI					
Non-current financial liabilities	48,456	–	48,456	–	–	–	–
Non-current financial liabilities	**48,456**	**–**	**48,456**	**–**	**–**	**–**	**–**
Current financial liabilities	57,557	–	57,557	–	–	–	–
Trade payables	93,935	–	93,935	–	–	–	–
Liabilities for derivative financial instruments	–	391	391	–	391	–	391
Current financial liabilities	**151,492**	**391**	**151,883**	**–**	**391**	**–**	**391**

9. 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 reports the amounts of related party transactions for the years ended December 31, 2016 and 2015 and the incidence on the related item in the financial statement:

(In thousands of Euro) Values as of December 31	Trade receivables		Current financial assets		Other current assets		Trade payables		Other current liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
TECHNOGYM Emirates LLC	131	133	–	–	340	–	275	229	–	–
PUBBLISOLE S.p.A.	–	–	–	–	–	–	12	–	–	–
CONSORZIO ROMAGNA INIZIATIVE	–	–	–	–	(23)	(27)	0	8	–	–
Asso.Milano Durini Design	–	–	–	–	–	–	–	–	–	–
MPS MOVIMENTO PER LA SALUTE	–	–	2	–	–	–	–	–	–	–
FUNKY BOTS LLC	–	–	300	–	8	–	–	–	–	–
FITSTADIUM SRL	–	–	100	100	–	–	–	–	–	–
WELLINK SRL	–	–	–	–	–	–	86	–	–	–
WELLNESS HOLDING SRL	5	5	–	–	–	19	–	1	–	–
VIA DURINI 1 SRL	–	–	–	–	67	90	60	32	–	–
Candover 2005 Fund (Guernsey)	–	696	–	–	–	–	–	–	–	–
SALHOUSE HOLDING SARL	325	–	–	–	–	–	–	–	–	–
A.C. CESENA S.p.A.	–	–	–	–	–	–	–	–	–	–
STARPOOL SRL	5	(9)	–	–	–	–	1	(2)	–	–
ONE ON ONE SRL	0	11	–	–	–	–	34	26	–	–
Total	**466**	**835**	**402**	**100**	**393**	**82**	**469**	**293**	**–**	**–**
% on financial statements item	**0.5%**	**1.0%**	**99.6%**	**95.4%**	**3.1%**	**0.3%**	**0.4%**	**0.3%**	**0.0%**	**0.0%**

(In thousands of Euro) Values as of December 31	Revenues		Other operating income		Raw materials and work in progress		Cost of services		Personnel expenses		Other operating costs	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
TECHNOGYM Emirates LLC	10,535	8,986	–	11	(39)	(54)	(52)	(309)	(1)	–	(140)	(2)
PUBBLISOLE S.p.A.	–	–	–	–	–	(5)	(10)	(1)	–	–	–	–
CONSORZIO ROMAGNA INIZIATIVE	–	–	–	–	–	–	(30)	(9)	4	(2)	–	–
Asso.Milano Durini Design	–	–	–	–	–	–	(3)	–	–	–	–	–
MPS MOVIMENTO PER LA SALUTE	–	–	–	–	–	–	(6)	–	–	–	–	–
FUNKY BOTS LLC	–	–	–	–	–	–	–	–	–	–	–	–
FITSTADIUM SRL	–	–	–	–	–	–	–	–	–	–	–	–
WELLINK SRL	–	–	–	–	–	–	(305)	–	–	–	–	–
WELLNESS HOLDING SRL	–	0	–	–	–	–	(0)	–	–	–	(4)	(1)
VIA DURINI 1 SRL	–	–	–	–	–	–	(770)	(411)	(8)	–	–	–
Candover 2005 Fund (Guernsey)	–	–	–	–	–	–	–	696	–	–	–	–
SALHOUSE HOLDING SARL	–	–	–	–	1	–	2,089	–	–	–	30	–
A.C. CESENA S.p.A.	–	–	–	–	–	–	–	–	–	(1)	–	–
STARPOOL SRL	16	17	1	1	–	–	(5)	(2)	–	–	–	–
ONE ON ONE SRL	50	134	–	–	–	–	(131)	(138)	3	(0)	–	–
Total	**10,601**	**9,137**	**1**	**12**	**(38)**	**(59)**	**777**	**(174)**	**(2)**	**(3)**	**(114)**	**(3)**
% on financial statements item	**1.9%**	**1.8%**	**0.3%**	**1.9%**	**0.0%**	**0.0%**	**-0.6%**	**0.1%**	**0.0%**	**0.0%**	**0.3%**	**0.0%**

The relationship between the Group and related parties as of and for the years ended December 31, 2016 and 2015 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 products and services of the Group in the UAE. Specifically, relations between the Company and Technogym Emirates LLC 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 imposed by the Company. Such transactions are regulated by orders issued from time to time by Technogym Emirates LLC, based on an agreed product list that is updated periodically by the parties.
The relationship with Via Durini 1 S.r.l. is related to a lease agreement signed by the Group on March 31, 2010, for the lease of a building located in Via Durini 1, Milan, venue of the Group's showroom.
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.

Existing relationships with Candover 2005 Fund (Guernsey) Limited, a company linked to Salhouse, a minority shareholder of the Issuer, are related to agreements between the shareholders of the Issuer in which a recharge of a portion of the costs incurred for the Listing Process was agreed.
The only financial transactions with related parties refer to two credit agreements of Euro 50 thousand each (in total Euro 100 thousand) in place with the associate Fitstadium S.r.l., and the loan of Euro 300 thousand in place with the associate Funky bots LLC.
During the fiscal year 2016 the Company purchased from related parties Oiren S.r.l. and Apil S.r.l. the 100% of TGB S.r.l. shares, owner of the "TECHNOGYM Village" building, representing the Group Headquarter since september 2012. The consideration paid to Oiren S.r.l. and Apil S.r.l. amount to Euro 31.766 thousands (75%) and Euro 10.589 thousands (25%) respectively.

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 2,266 thousand for the year ended December 31, 2016 (Euro 2,196 thousand for the year ended December 31, 2015).

The total amount of compensation paid to key management amounted to Euro 2.718 thousand for the year ended December 31, 2016 (Euro 2,660 thousand for the year ended December 31, 2015).

(In thousands of Euro)	Year ended December 31	
	2016	2015
Fees for office	2,008	1,924
Non-monetary benefits	48	200
Bonuses and other incentives	537	357
Other fees	125	179
Total	**2,718**	**2,660**

10. CONTINGENT LIABILITIES

As of December 31, 2016 there are no ongoing significant legal or tax proceedings against the Group, whose effects require the allocation of additional provisions with respect to those already booked to the financial statements.

11. COMMITMENTS AND GUARANTEES

As of December 31, 2016 the Group issued guarantees to credit institutions on behalf of subsidiaries for Euro 4,525 thousand (Euro 4,525 thousand as of December 31, 2015) and on behalf of related parties for Euro 3,764 thousand (Euro 3,764 thousand as of December 31, 2015). The guarantees issued by the Group in favor of public institutions and other third parties amount to Euro 2,661 thousand (Euro 2,661 thousand as of December 31, 2015).
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.

12. NON-RECURRING EVENTS AND TRANSACTIONS

In the year ended as of December 31, 2016, the Company purchased 100% of the shares of TGB Srl from the related parties Oiren S.r.l. and Apil S.r.l., holder of the right of ownership on the property complex known as Technogym Village, the Group's operating headquarters since September 2012. TGB also holds all of the share capital of the company La Mariana S.r.l.. On April 8, 2016, through the newly formed subsidiary Amleto ApS, Technogym acquired a 50.01% stake in Exerp ApS, a Danish company that provides software solutions for the management of fitness centers and sports centers, as described in paragraphs 2.2 and 5.1.

Non-recurring expenses were incurred in 2016, booked to the items service costs for Euro 2,340 thousand, relating primarily to listing costs, personnel expenses for Euro 613 thousand, other operating costs of Euro 2,874 thousand, mainly relating to the portion of the Brazilian IPI tax not pertaining to 2016.

13. EVENTS AFTER DECEMBER 31, 2016

There were no significant events after the close of the year.

On behalf of the Board of Directors

The President
Nerio Alessandri

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Technogym SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Technogym Group, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility 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 compliance 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Technogym Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance 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.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Technogym SpA, with the consolidated financial statements of the Technogym Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Technogym Group as of 31 December 2016.

Bologna, 24 March 2017

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

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SEPARATE FINANCIAL STATEMENTS

December 31, 2016

TECHNOGYM SPA FINANCIAL STATEMENTS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS

December 31, 2016

TECHNOGYM SPA
FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	Notes	As of December 31			
		2016	*of which from related parties*	2015	*of which from related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	1	44,490,422		40,769,346	
Intangible assets	2	21,921,857		18,625,708	
Deferred tax assets	3	6,424,869		8,577,645	
Investments	4	168,385,882		108,484,781	
Non-current financial assets	5	42,891,896		0	
Other non-current assets	5	12,271,886		8,609,637	
TOTAL NON-CURRENT ASSETS		**296,386,812**		**185,067,117**	
Current assets					
Inventory	6	42,583,079		35,714,199	
Trade receivables	7	64,932,456	*32,301,889*	58,099,180	*33,406,193*
Current financial assets	8	957,308	*955,661*	36,421,916	*36,417,199*
Assets for derivative financial instruments	9	339,910		213,198	
Other current assets	10	8,468,519	*1,869,472*	39,764,428	*1,456,749*
Cash and cash equivalents	11	30,116,263		35,273,271	
TOTAL CURRENT ASSETS		**147,397,535**		**205,486,192**	
TOTAL ASSETS		**443,784,347**		**390,553,309**	
EQUITY AND LIABILITIES					
Equity					
Share capital		10,000,000		10,000,000	
Other reserves		73,214,930		38,681,909	
Retained earnings		3,675,594		–	
Profit/(loss) for the year		45,525,041		37,077,861	
TOTAL EQUITY	**12**	**132,415,565**		**85,759,770**	
Non-current liabilities					
Non-current financial liabilities	13	83,393,307		48,458,012	
Employee benefit obligations	14	3,143,955		2,708,716	
Non-current provisions	15	4,966,786		4,628,901	
Other non-current liabilities	16	442,621		143,506	
TOTAL NON-CURRENT LIABILITIES		**91,946,669**		**55,939,135**	
Current liabilities					
Trade payables	17	104,566,068	*11,283,818*	116,384,466	*55,044,548*
Current tax liabilities	18	–		11,712,164	
Current financial liabilities	13	87,362,227	*39,479,921*	91,599,480	*34,254,867*
Liabilities for derivative financial instruments	19	47,236		391,273	
Current provisions	15	9,777,080		10,225,491	
Other current liabilities	20	17,669,502	*4,269,393*	18,541,530	*3,639,930*
TOTAL CURRENT LIABILITIES		**219,422,113**		**248,854,404**	
TOTAL EQUITY AND LIABILITIES		**443,784,347**		**390,553,309**	

SEPARATE INCOME STATEMENT

	Notes	Year ended December 31			
		2016	*of which from related parties*	2015	*of which from related parties*
REVENUES					
Revenues	21	406,475,092	229,460,048	365,975,895	205,684,237
Other operating income	22	2,320,124	1,966,271	636,565	178,708
Total revenues		**408,795,216**		**366,612,460**	
OPERATING COSTS					
Raw materials, work in progress and finished goods	23	(209,063,226)	(55,905,336)	(189,852,764)	(59,374,257)
Cost of services	24	(75,493,225)	(20,369,698)	(58,860,738)	(13,439,331)
of which non-recurring expenses:		*(2,371,882)*		*(2,468,684)*	
Personnel expenses	25	(53,804,409)	(1,439,476)	(52,940,406)	(429,888)
of which non-recurring expenses:		*(613,467)*		*(2,746,060)*	
Other operating costs	26	(748,218)	(45,938)	(845,291)	(3,994)
of which non-recurring expenses:		–		–	
Depreciation, amortization and impairment losses	27	(17,096,317)		(15,329,169)	
Provisions	28	(1,782,729)		(1,206,289)	
NET OPERATING INCOME		**50,807,092**		**47,577,803**	
Financial income	29	12,721,654	674,772	14,334,251	86,719
Financial expenses	30	(13,651,651)	(161,099)	(16,497,495)	(233,398)
Net financial expenses		**(929,997)**		**(2,163,244)**	
Income/(expenses) from investments	31	12,034,058	13,150,209	7,557,742	7,496,514
PROFIT BEFORE TAX		**61,911,154**		**52,972,301**	
Income tax expenses	32	(16,386,113)		(15,894,440)	
PROFIT/(LOSS) FOR THE YEAR		**45,525,041**		**37,077,862**	
EARNINGS PER SHARE	**33**	**0,23**		**3,71**	

STATEMENT OF COMPREHENSIVE INCOME

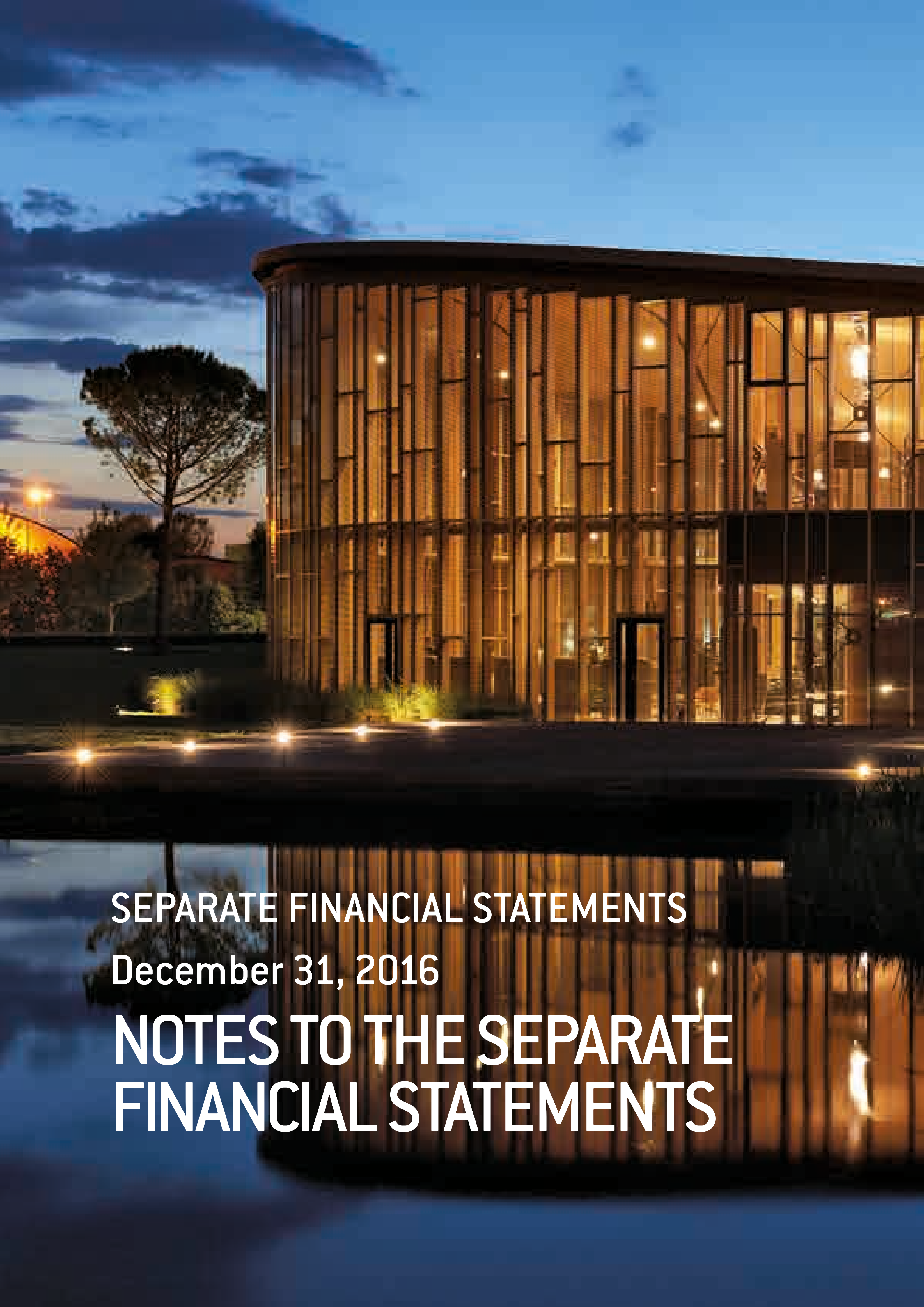
	Notes	Year ended December 31	
		2016	2015
Profit/(loss) for the year (A)		**45,525,041**	**37,077,861**
Actuarial income/(loss) of post-employment benefit obligations	14	(141,319)	117,886
Tax effect on actual income/loss of post-employment benefit obligations		34,011	(37,016)
Actuarial income/(loss) of N.C.A.	15	(227,673)	(54,266)
Tax effect on actual income/loss of N.C.A.		54,641	17,039
Total items that will not be reclassified to profit or loss (B1)		**(280,340)**	**43,644**
Gains (losses) on cash flow hedges	9	(27,881)	–
Tax effect – Gains (losses) on cash flow hedges		7,779	–
Total items that may be reclassified to profit or loss (B2)		**(20,102)**	**–**
Total Other comprehensive income, net of tax (B)=(B1)+(B2)		**(300,442)**	**43,644**
Total comprehensive income for the year (A)+(B)		**45,224,600**	**37,121,505**

STATEMENT OF CASH FLOW

(In thousands of Euro)	Notes	Year ended December 31	
		2016	2015
Profit/(loss) for the year	**12**	**45,525**	**37,078**
Adjustments for:			
Income tax expenses	32	16,386	15,894
Income/(expenses) from investments	31	(12,034)	(7,558)
Financial income/(expenses)	29-30	930	2,163
Depreciation, amortization and impairment losses	27	17,096	15,329
Provisions	28	1,783	1,206
Cash flows from operating activities before changes in working capital		**69,686**	**64,112**
Increase (decrease) in inventory	6	(7,258)	(4,142)
Increase (decrease) in trade receivables	7	(2,860)	(3,785)
Increase (decrease) in trade payables	17	(10,043)	25,080
Increase (decrease) in other operating assets and liabilities	10-14-15-16-20	(31,084)	(21,833)
Non-recurrent fiscal collection/(payment)	17	22,756	(22,756)
Income taxes paid	3-18-32	(28,287)	(15,187)
Net cash inflow from operating activities (A)		**12,910**	**21,489**
Cash flows from investing activities			
Investments in property, plant and equipment	1	(12,048)	(14,845)
Disposals of property, plant and equipment	1	51	180
Investments in intangible assets	2	(14,428)	(6,700)
Disposals of intangible assets	2	0	0
Dividends from investments	31	13,280	23,558
Dividends from investments in Joint Ventures	31	663	0
Investments in subsidiaries, asSociates and other entities	4-5	(61,810)	6,792
Disposal of investments	4-5	0	251
Net cash inflow (outflow) from investing activities (B)		**(74,292)**	**9,236**
Cash flows from financing activities			
Proceeds from new borrowings	13	97,850	70,000
Repayment of borrowings	13	(9,225)	(19,935)
Net increase (decrease) of current financial liabilities	8 – 13	(29,572)	(80,180)
Payments of net financial expenses	9 – 19 – 29 – 30	(4,264)	(951)
Net cash inflow (outflow) from financing activities (C)		**54,789**	**(31,066)**
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)		**(6,593)**	**(341)**
Cash and cash equivalents at the beginning of the year		**35,273**	**15,348**
Net increase (decrease) in cash and cash equivalents from January 1 to December 31		(6,592)	(339)
Effects of exchange rate differences on cash and cash equivalents		1,435	(2,492)
Cash and cash equivalents at the end of the year		**30,116**	**35,273**

STATEMENT OF CHANGE IN EQUITY

(In thousands of Euro)	Share capital	Other reserves						Retained earnings	Profit/(loss) for the year	Total equity
		Legal reserve	Extraordi-nary reserve	Reserve for the adoption of IAS/IFRS	IAS 19 reserve	Stock option plan reserve	Hedge Account reserve			
As of January 1, 2015	**10,000**	**–**	**–**	**24,949**	**321**	**–**	**–**	**–**	**9,895**	**45,165**
Profit for the previous year	–	–	–	9,895	–	–	–	–	(9,895)	–
Total comprehensive income for the year	–	–	–	–	44	–	–	–	37,078	37,122
Incentive plan (LTMIP)	–	–	–	–	–	3,473	–	–	–	3,473
As of December 31, 2015	**10,000**	**–**	**–**	**34,844**	**365**	**3,473**	**–**	**–**	**37,078**	**85,760**
Profit for the previous year	–	2,000	14,938	16,464	–	–	–	3,676	(37,078)	–
Total comprehensive income for the year	–	–	–		(280)	–	(20)	–	45,525	45,225
Other changes	–	–	–	676	(48)	–	–	–	–	628
Incentive plan (LTMIP)	–	–	–	–	–	803	–	–	–	803
As of December 31, 2015	**10,000**	**2,000**	**14,938**	**51,984**	**37**	**4,276**	**(20)**	**3,676**	**45,525**	**132,416**



SEPARATE FINANCIAL STATEMENTS

December 31, 2016

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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 (FC), and it is organized and governed under the 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 personalized 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 characterized by technological innovations and attention to design and finishes. The Company’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.

As of December 31, 2016, 60% of the Company’s share capital was owned by Wellness Holding S.r.l., a legal entity incorporated under Italian law; 11.25% of the share capital was held by Salhouse Holding S.à.r.l.; the remaining 28.75% was free float on Borsa Italiana’s MTA (screen-based stock exchange).

The Company’s Financial Statements were approved by the Company’s Board of Directors on March 6, 2017 and audited by PricewaterhouseCoopers S.p.A., the Company’s independent auditor.

BASIS OF PREPARATION

The Financial Statements have been prepared in compliance with IFRS, meaning all the International Financial Reporting Standards, all the 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 financial statements, have been endorsed by the European Union in accordance with the procedure in Regulation (EC) no. 1606/2002 of the European Parliament and European Council dated July 19, 2002.

The financial statements have been prepared on a going concern basis, as the Directors have verified that there are no financial, operational or other types of indicators that could signal criticalities regarding the Company's ability to meet its obligations in the foreseeable future and, in particular, in the next 12 months.

The financial statements were prepared using the historical cost convention, with the exception of certain financial assets and liabilities for which measurement at fair value is required.

The financial statements are presented in Euro. They are composed of a Statement of Financial Position, an Income Statement, a Statement of Comprehensive Income, a Statement of Cash Flow, a Statement of Change in Equity, and related Notes. The amounts reported in the notes to the financial statements are presented in thousand of Euro, unless otherwise specified.

The financial statements format adopted is consistent with those indicated in IAS 1 – Presentation of Financial Statements. In particular:

- the statements of financial position has been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the income statement has been presented separated from the statement of comprehensive income, and has been prepared by classifying operating expenses by nature of expense;
- the statement of comprehensive income includes the profit or loss for the year as shown in the separate income statement and changes in equity related to items of economic nature, as required by the IFRS;
- the statement of cash flows has been prepared following the "indirect method".

ACCOUNTING POLICIES

The main accounting standards and accounting policies adopted for the preparation of the Financial Statements are summarized below.

Property, plant and equipment

Property, plant and equipment are reported at their historical purchase or production cost. Cost includes expenditures that are directly attributable to preparing the assets for their intended use.
Expenditures that are directly attributable to the purchase, development or production of an asset but cannot be attributed to a qualifying asset, are reported in the income statement when they arise. The Company does not hold any assets that require a certain period before they are ready to use (qualifying asset).
Routine repair and maintenance costs are recognized as expenses in the period in which they are incurred. Expenditures incurred for the modernization and improvement of owned assets or from third parties, are capitalized only if it is eligible to be classified separately as assets or part of assets by adopting the component approach.
Property, plant and equipment, with the exception of land, are subject to depreciation. Depreciation is charged on a straight-line basis to depreciate assets over their useful lives. If a depreciable asset consists of separately identifiable parts, whose useful lives differ significantly from other parts of that asset, each part is depreciated separately in accordance with the component approach.
Depreciation commences once the asset is available for use, taking account of the actual moment this condition materializes.
The Company has estimated the following useful lives for its categories of property, plant and equipment:

Category	Useful life
Land	Indefinite
Buildings	34 years
Leasehold improvements	duration of the lease
Plant and machinery	from 8 to 11 years
Production and commercial equipment	from 5 to 6 years
Other assets	from 5 to 11 years

The depreciation rates of tangible assets are reviewed and updated, when necessary, at least annually.
In the event that, independently of the depreciation already recorded, an indication of impairment arises, an impairment loss is recognized for the asset; if in the following years the reasons for an impairment loss cease to exist, the original value will be restored. The residual value and useful lives of property, plant and equipment are reviewed at every financial year-end and adjusted if appropriate.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, controllable and able to generate future economic benefits. Such assets are carried at purchase cost and/or internal production cost, including expenses directly attributable to preparing assets for their intended use. Depreciation of intangible assets is reviewed at every financial year-end, and, if the current useful lives differ from the useful lives previously estimated, they are adjusted accordingly. The Company has estimated the following useful lives for its categories of intangible assets:

Category	Useful life
Development costs	from 3 to 5 years
Software, licenses and similar rights	3 years
Trademarks	10 years

Research costs are expensed in the income statement when they incur.

DEVELOPMENT COSTS

Development costs for the realization of new products and processes or improving existing products and processes, are capitalized according to IAS 38 if the development project lead to technically feasible products and processes (as long as the intention to complete the project can be demonstrated) and the costs and benefits of the development project can be measured reliably. Capitalized 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 indefinite useful lives and they are amortized over the time when the expected future income from the project will arise, which is generally five years (three years for software due to its high rate of obsolescence) and are subject to impairment losses that may arise after its initial recognition. Amortization starts from the moment the products are available to be used. Useful lives are reviewed and adjusted accordingly if there are changes in its expected future benefit.

IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

An impairment loss is recognized on property, plant and equipment and intangible assets if the asset is no longer able to recover the carrying value at which the asset is recorded in the financial statements. The impairment test, introduced by IAS 36, is used to ensure that the carrying value of these assets is not higher than the recoverable amount, recognized as the higher of its selling price and its value in use.
The value in use is defined as the present value of the future cash flows expected to be generated from the asset or from the cash-generating unit to which the asset belongs. The expected cash flows are discounted using a discount rate reflecting the current market rate for risk-free investments, adjusted with the assessment of the time and risks specific to that asset.
If the carrying value exceeds the recoverable value, the assets or cash generating units to which they belong are written down to reflect their recoverable value. These impairment losses are accounted for in the income statement in the year in which this difference emerges.
Definite-lived assets are tested for impairment whenever there are signs that such assets could be impaired due to change of internal or external conditions. Intangible assets with indefinite useful lives, such as goodwill, are tested for impairment at least every year.
If the reasons for an impairment loss cease to exist, the value is restored in proportion to the assets. The new carrying value does not exceed the carrying amount that would have been determined, net of amortization or depreciation, if no impairment loss had been recognized in the past. The amount reversed is recognized in profit or loss. Impairment losses of goodwill are never reversed.

INVESTMENTS

Investments in subsidiaries, joint ventures and asSociates are valued 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 contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and hold rights to the entity's net assets.

AsSociates are those entities over which the Company holds at least 20% of the entity's voting power, or rather, it has significant influence but have not control over 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 of use. The Company writes back the value of investments if the reasons for their write-down no longer apply.

Investments in companies other than subsidiaries, asSociates and joint ventures, are classified as non-current financial assets and are carried at fair value, with effects recognized in the equity reserve among the components of other comprehensive income. Changes in fair value, previously recognized among the components of other comprehensive income, are reclassified to profit or loss for the period. Investments in other smaller companies, whose fair value cannot be determined, are stated at cost less any impairment losses; impairment losses cannot be reversed.

Dividends are recognized 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.

DERIVATIVES

A derivative is a financial instrument or contract:

- whose value is determined by fluctuations in the underlying asset, such as interest rate, price of security or commodity, currency exchange rate, price or rates index, credit rating and other variables;
- which requires an initial investment equal to zero, or lower than any other contract with a similar response to changes in market conditions;
- which is settled at a future date.

Derivatives are classified as financial assets and liabilities depending on the positive or negative fair value, categorized as available for sale and reported at fair value in profit or loss, except for derivatives designated as hedging instruments.

Financial instruments are recognized according to hedge accounting rules when:

- at inception of the hedge, there is formal designation and documentation of the hedging relationship;
- it is presumed that the hedge is highly effective (prospective effectiveness testing);
- the effectiveness can be reliably measured and the hedge is highly effective during the designated periods (retrospective effectiveness testing).

The criterion for measuring hedges is represented by their fair value at the designated date.

In the case of cash flow hedges (i.e. cash flow hedges intended to offset the cash flow variability of assets/liabilities relating to fluctuations in exchange rates), fair value changes for derivatives considered highly effective are initially recognized in a separate equity reserve and classified in Other comprehensive income or loss and subsequently reclassified from equity to profit or loss for effects generated by the hedge.

In cases in which the instruments do not satisfy the conditions for hedge accounting set forth in IAS 39, their fair value changes are booked to financial expenses/income in the income statement.

The fair value of exchange rate derivatives for the hedging of future cash flows is calculated in relation to their intrinsic value and time value; the intrinsic value component is booked to the fair value reserve, while the time component is charged directly to financial income/expenses in the income statement. When the underlying element hedged materializes, the fair value reserve is reversed to the income statement and attributed to the book value of the underlying element itself.

It should be noted that, excluding two specific instruments, the hedges in place as of December 31, 2016, despite being operational hedges, do not satisfy the conditions for hedge accounting. Consequently, fair value changes as of December 31, 2016 are charged to the income statement. On the contrary, the two hedges mentioned above on the GBP currency for a total notional value of GBP 6 million, given the conditions of IAS 39 are met, are accounted for according to hedge accounting rules. Therefore, the fair value changes at year-end were booked directly to equity.

MEASUREMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments quoted on public markets is determined with reference to quoted price. The fair value of unquoted instruments is measured with reference to the financial valuation techniques that make use of the largest possible number of inputs directly observable on the market. When it is not possible, the inputs are estimated by the management, taking into account the characteristics of the instrument being measured. Changes in the assumptions made when estimating the input data may have an impact on the fair value recorded in the financial statements for those instruments.

Inventory

Inventory is recorded at the lower of purchase or production cost and net realizable value in the market. The cost of inventory, including ancillary costs, is determined using the weighted average cost method.

Trade payables, other current and non-current assets

Trade payables, other receivables and other current and non-current financial assets are initially recognized at fair value, net of direct transaction costs, and subsequently measured at amortized cost using the effective interest method (the rate that equals, at the initial recognition, the book value and the discounted value of expected cash flows), less any impairment losses. Trade receivables and other financial assets are recognized as current assets, except for those with contractual maturity beyond 12 months of the reference date, which are classified as non-current assets.

Impairment of financial assets

At each year-end, financial assets are assessed as to whether there is any objective evidence that a financial asset or a group of financial assets may be impaired, except for financial assets that are recognized at fair value. An impairment loss is recognized only if there is evidence that it is a consequence of events that occurred subsequent to its initial recognition, which will affect the estimated future cash flows of the asset.

Objective evidence of impairment includes observable indicators such as:

- the significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default or failure to pay interest or capital;
- evidence that the debtor will undertake bankruptcy proceedings or other financial reorganization;
- a significant decrease of estimated future cash flows.

Losses that are expected to arise as a result of future events are not recognized. The carrying amount of trade receivables is reduced through a provision for bad debts. If an impairment loss recognized in the past decreases, and the decrease can be objectively asSociated to an event occurred after the impairment, the amount is recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts and demand deposits with banks that have original maturity within 3 months. Cash and cash equivalents are recognized at nominal value, equal to the fair value.

Trade payables, other liabilities and other current and non-current financial liabilities

Trade payables, other liabilities and other current and non-current financial liabilities are identified when the Company contracts obligations and they are recognized initially at fair value, net of direct transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

Derecognition of financial assets and liabilities

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

- the contractual right to receive cash flows from the financial asset has expired;
- the Company has transferred substantially all risks and rewards asSociated to the financial asset by transferring its rights to receive cash flows from the financial asset or assuming a contractual obligation to pay the cash flows received to one or more recipients under a contract that meets the requirements of IAS 39 (c.d. “pass through test”);
- the Company has neither transferred nor retained substantially all the risks and rewards asSociated with the financial asset but transferred control of it.

In the case of customer financing operations through leasing companies, guaranteed by the relative trade receivables, the credit is recognized in the financial position of the Company until it is collected by the leasing company and a payable of financial nature is recognized, as a contra-item of the advance from the leasing companies.

Financial liabilities are derecognized when they are extinguished, i.e. when the contractual obligation is fulfilled, cancelled or prescribed.

Employee benefit obligations

Post-employment benefits, depending on their characteristics, are classified as “defined contribution” plans and “defined benefit” plans. In defined contribution plans, the employer’s obligation is limited to the payment of contributions to the State or to a trust or separate legal entity and is determined on the basis of the contributions due. The costs related to these plans are recognized in profit or loss for the contribution of the period. On the other hand, in defined benefit plans the company's obligation is determined separately for each plan on the basis of actuarial calculations that estimate (in compliance with the method of projected unit credit) the amount of future benefits that employees have accrued at the reporting date. The present value of defined benefit plans is calculated using a rate determined on the basis of market yield of leading companies' corporate bonds at the reporting date, or government bonds in the absence of an active market for those securities. The liability is recognized on an accrual basis over the maturity period of the rights. The liability is calculated by independent actuaries.

Gains and losses arising from the actuarial valuation of defined benefit plans are recognized in other components of comprehensive income or loss. In case of modification of a defined benefit plan or the introduction of a new plan, any employee benefit obligation for past service is recognized immediately in the income statement.

The Trattamento di fine rapporto ("TFR"), mandatory for Italian companies in accordance with article 2120 of the Civil Code, is considered as deferred compensation and is related to the length of the working period of employees and the salary received in the period of service. In application of IAS 19, TFR assumes the nature of a "defined benefit plan" and the related liability recognized in the balance sheet ("Employee benefit obligations") is determined by actuarial calculations. The detection of changes in the actuarial gain/losses ("remeasurements") is therefore recorded under other comprehensive income. For companies with less than 50 employees, the cost relating to employee benefit obligations and the interest costs related to the component "time value" in the actuarial calculations (classified under financial expenses) are recognized in the income statement.
From January 1, 2007, the Italian law gives the employees the opportunity to choose the destination of their post-employment benefits between the company and supplementary pension funds. Companies with 50 employees or more are obliged to deposit the post-employment benefits in the "Treasury Fund" managed by INPS. Consequently, in accordance with IAS 19, the obligation to INPS and contributions to complementary pension funds take the nature of "Defined contribution plans".

INCENTIVE PLAN FOR THE BENEFIT OF TOP MANAGEMENT MEMBERS

Additional benefits are acknowledged to the management of Technogym via stock option plans. The above plans are recognized in accordance with IFRS 2 (Share-based payment). According to IFRS 2, these plans represent a component of the recipient remuneration; therefore, for schemes that include compensation in equity instruments, the cost consists of the fair value of these instruments at the grant date and is recognized in the separate income statement under "Personnel costs" over the time between the grant date and the maturity date, and in an equity reserve called "Stock Option plan". Changes in fair value after the grant date have no effect on the initial valuation. At the end of every year, it will be estimated the number of rights that accrue until maturity. The change in the estimate is recognized as a reduction of the item "Stock option plan reserve" with contra-item "Personnel costs".

Provisions

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

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

The amount recognized as a provision is the best estimate of the amount that an entity 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 recognized in the income statement under "Financial expenses".
The amounts are periodically reviewed to identify changes in estimated costs, the obligation settlement date, and the actualization rate. Any changes in estimates are recognized to profit or loss within the same account previously used to record the provision.

The existence of contingent liabilities, represented by:

- possible, but not probable, obligations arising from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the company; or
- current obligations arising from past events, for which the company believes the possibility of incurring charges in the future to be remote or whose amount cannot be reliably estimated;

does not arise the recognition of liabilities in the financial statement but is reported in a separate note to the financial statements.

Income taxes

Income taxes represent the sum of current and deferred taxes. Income taxes are generally recognized in the income statement, with the exception of certain items that are recorded directly in equity. In this case, income taxes are also booked directly to equity.
Current income taxes are the amount of taxes expected to be paid for the taxable profit, determined in compliance with the current regulations.
Deferred income taxes are determined using the liability method on temporary differences between assets and liabilities in the financial statements and the corresponding values recognized for tax purposes. Deferred income taxes are determined using tax rates that are expected to apply to the year when the related differences are realized or settled.
Deferred tax assets are recognized only when it is probable that in future years there will be sufficient taxable income to realize them.
The deferred tax assets and liabilities are offset only when there is a legal right of offset and when they relate to income taxes levied by the same taxation authority.
Income taxes relating to prior year include the income and expenses recognized in the year for income taxes related to prior years.

Recognition of revenues and costs

Revenues is recognized to the extent that it is probable that the economic benefits are achieved and the relative amount can be reliably measured. Revenues from the sale of goods is recognized upon transfer of the risks and rewards of ownership to the buyer, which generally coincides with the shipping or the delivery.
Revenues is recognized for an amount equal to the fair value of the amount received or receivable, net of returns, discounts, rebates, bonuses, and directly related taxes.
Costs are recognized when related to goods and services purchased, consumed or allocated in the year, or when it is not possible to identify their future usefulness.
Lease payments relating to operating leases are recognized in the income statement over the term of the contract.
Income and financial expenses are recognized in the income statement at the time when they are incurred.

Translation of transactions with a currency other than the functional currency

FUNCTIONAL AND REPORTING CURRENCY

The functional and reporting currency is the Euro.

TRANSACTIONS AND BALANCES

The criteria for translating items expressed in a currency other than the Euro are as follows:

- monetary items are translated using the exchange rate at the year-end reporting date;
- non-monetary items measured at historical cost are translated using the exchange rate at the transaction date;
- non-monetary items measured at fair value are translated using the exchange rates in effect at the determination of the fair value.

Exchange differences realized upon collection of receivables and payments of payables in foreign currencies are recognized in the income statement. Unrealized exchange differences arising from the translation of monetary items at the exchange rate at the year-end reporting date are recognized in the income statement.

DIVIDENDS

The distribution of dividends to shareholders of the Company is recognized as a liability in the financial statements of the year when it is approved at the shareholders' meeting.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY

Summary tables are provided below relating to all IRFS developments, amendments and interpretations issued by the IASB, specifying those that concern the 2016 financial statements and those that will come into force in subsequent years in accordance with IAS 8.

a) New documents issued by the IASB and approved by the EU to be adopted, as per mandatory requirements, for financial years starting on January 1, 2016.

Document title	Issue date	Date of entry into force	Approval date	EU Regulation and publication date
Defined benefit plans: employee contributions (amendments to IAS 19)	November 2013	February 1, 2015 (for the IASB: July 1, 2014)	December 17, 2014	(EU) 2015/29 January 9, 2015
Improvements to International Financial Reporting Standards (2010-2012 cycle)	December 2013	February 1, 2015 (for the IASB: July 1, 2014)	December 17, 2014	(EU) 2015/28 January 9, 2015
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	June 2014	January 1, 2016	November 23, 2015	(EU) 2015/2113 November 24, 2015
Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)	May 2014	January 1, 2016	November 24, 2015	(EU) 2015/2173 November 25, 2015
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	May 2014	January 1, 2016	December 2, 2015	(EU) 2015/2231 December 3, 2015
Annual Improvements to IFRSs 2012–2014 Cycle	September 2014	January 1, 2016	December 15, 2015	(EU) 2015/2343 December 16, 2015
Disclosure initiative (amendments to IAS 1)	December 2014	January 1, 2016	December 18, 2015	(EU) 2015/2406 December 19, 2015
Equity Method in the Separate Financial Statements (amendments to IAS 27)	August 2014	January 1, 2016	December 18, 2015	(EU) 2015/2441 December 23, 2015
Investment entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	December 2014	January 1, 2016	September 22, 2016	(EU) 2016/1703 September 23, 2016

b) IAS/IFRS and the relative IFRIC interpretations applicable to financial years starting after January 1, 2016 - Documents approved by the EU on December 31, 2016

Document title	Issue date	Date of entry into force	Approval date	EU Regulation and publication date
IFRS 15 – Revenues from contracts with customers	May 2014	January 1, 2018	September 22, 2016	(EU) 2016/1905 October 29, 2016
IFRS 9 – Financial Instruments	July 2014	January 1, 2018	November 22, 2016	(EU) 2016/2067 November 29, 2016

c) IAS/IFRS and the relative IFRIC interpretations applicable to financial years starting after January 1, 2016 - Documents still not approved by the EU as of December 31, 2016

Document title	Issue date	Date of entry into force
Standards		
IFRS 14 Regulatory Deferral Accounts (note 1)	January 2014	Entered into force on January 1, 2016, but the European Commission has decided to suspend the approval process, pending the new accounting standard on "rate-regulated activities".
IFRS 16 Leases	January 2016	January 1, 2019
Amendments		
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its AsSociate or Joint Venture	September 2014	Deferred until completion of the IASB equity method project
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	January 2016	January 1, 2017
Amendments to IAS 7: Disclosure Initiative	January 2016	January 1, 2017
Clarifications to IFRS 15 Revenues from Contracts with Customers	April 2016	January 1, 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	January 1, 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September and December 2016	January 1, 2018
Amendments to IAS 40 Investment property	September and December 2016	January 1, 2018

Note 1

Annual Improvements 2014-2016	December 2016	January 1, 2018
IFRIC 22 Foreign currency transactions and advance consideration	December 2016	January 1, 2018

The potential impacts on the Group's consolidated financial statements resulting from these amendments are currently being evaluated and, in particular, as regards IFRS 9, 15 and 16, an internal analysis of the main contracts in place has been initiated, in order to establish the necessary information base for marking out their foreseeable income statement and balance sheet effects. With reference to IFRS 15, an initial non-exhaustive analysis shows potential effects stemming from certain performance obligations which could determine the allocation of a provision for returns.

ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the directors to apply accounting standards and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions considered reasonable and realistic from time to time according to the circumstances.
The application of these estimates and assumptions affects the amounts reported in the financial statements, such as the balance sheet, income statement, statement of cash flows as well as the disclosures provided.
Estimates and assumptions are reviewed periodically and the effects of each change is immediately reflected in the income statement in the period in which the estimate review occurs.
The financial statement items that require, more than others, a more subjective judgment by management when drawing up the estimates and for which a change in the conditions underlying the assumptions could have a significant impact on the financial statement, are as summarized below:

- Non-current assets: the Company reviews the carrying value of property, plant and equipment, intangible assets, investments in subsidiaries, joint ventures and asSociates and other non-current assets, when events and circumstances make such review necessary in order to determine their recoverable value. The analysis of impairment is generally performed using estimates of the cash flows from the use or sale of the asset and an adequate discount rate to calculate the present value. When the carrying value of a non-current asset has recorded a loss in value, the Company recognizes an impairment loss equal to the difference between the carrying amount of the asset and its recoverable amount from use or sale, as determined with reference to the cash flows included in the most recent business plans.
- Deferred tax assets: the Company has deferred tax assets on deductible temporary differences and theoretical tax benefits from losses carried forward which are recognized to the extent it is likely future taxable profit will be available against which they can be retrieved. The recoverability of deferred tax assets recognized in relation to tax losses in future years and deductible temporary differences takes into account the estimate of future taxable incomes and is based on prudent tax planning.
- Inventory write-down provision: reflects management's estimate of expected losses in value relating to inventories, determined on the basis of past experience. Any anomalous trends in market prices may have an impact on future inventory write-downs.
- Bad debt provision: the recoverability of receivables is assessed by taking into account the risk of not collecting the receivables, their maturity and losses on receivables reported in the past for similar type of accounts.
- Employee benefit obligations: provisions for employee benefits obligations are measured on the actuarial basis, which requires the use of estimates and assumptions to determine the net value. The actuarial method considers financial parameters, for example, such as the discount rate and the growth rates of wages and considers the probability of occurrence of potential future events through the use of demographic parameters such as the mortality rate and the rate of resignation or retirement of employees.
- Warranties provision: at the time of sale of a product, the Company recognizes a provision equal to the estimated costs of product warranty. The estimate of this fund is calculated on the basis of historical information on the nature, frequency and average cost of warranty claims.
- Contingent liabilities: the Company recognizes 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 losses 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.
- Amortization/depreciation: changes of economic conditions of the market, technology and competitive forces could significantly affect the useful life of property, plant and equipment and intangible assets, and may result in a difference in the timing and the amount of depreciation and amortization.
- Income taxes: income taxes calculated through a prudent interpretation of the applicable tax laws. This sometimes involves complex estimates to determine taxable income and deductible temporary differences between accounting values and tax values.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Based on resolution dated 19/01/2016, the Company, by means of deed of Notary Marcello Porfiri, Index no. 7.750, file no. 3.102 of March 22, 2016, merged Mywellness S.r.l. con Socio unico (with sole quotaholder) and Laserpro S.r.l. con Socio unico (with sole quotaholder) by incorporation, effective from 23.59 on March 31, 2016. By contrast, the merger takes effect from January 1, 2016 for accounting and tax purposes.

As we are dealing with a merger completed between companies "under common control" which, based on OPI 1, is of a restructuring nature, the values of the assets and liabilities booked to the financial statements of Mywellness Srl and Laserpro Srl as of December 31, 2015 were reflected in the financial statements of Technogym SpA as of January 1, 2016 at values reported in the consolidated financial statements of the Technogym Group on the same date.

The table below shows the balances of the merged companies included in the financial statements of Technogym SpA as of December 31, 2016:

(In thousands of Euro)	Notes	At December 31, 2016	
		Technogym S.p.A.	*of which mergers*
ASSETS			
Non-current assets			
Property, plant and equipment		44,490,422	1,100,590
Intangible assets		21,921,857	347,837
Deferred tax assets		6,424,869	(163,610)
Investments in joint ventures and asSociates		168,385,882	
Non-current financial assets		42,891,896	
Other non-current assets		12,271,886	2,532
TOTAL NON-CURRENT ASSETS		**296,386,812**	**1,287,348**
Current assets			
Inventory		42,583,079	
Trade receivables		64,932,456	18,600
Current financial assets		957,308	1,500
Assets for derivative financial instruments		339,910	
Other current assets		8,468,519	117,131
Cash and cash equivalents		30,116,263	265,161
TOTAL CURRENT ASSETS		**147,397,535**	**402,392**
TOTAL ASSETS		**443,784,347**	**1,689,740**
EQUITY AND LIABILITIES			
Equity			
Share capital		10,000,000	
Share premium reserve		–	
Other reserves		73,214,930	676,079
Retained earnings		3,675,594	
Profit/(loss) for the year		45,525,041	(555,053)
TOTAL EQUITY		**132,415,565**	**121,026**
Non-current liabilities			
Non-current financial liabilities		83,393,307	
Deferred tax liabilities		–	
Employee benefit obligations		3,143,955	356,327
Non-current provisions		4,966,786	
Other non-current liabilities		442,621	
TOTAL NON-CURRENT LIABILITIES		**91,946,669**	**356,327**
Current liabilities			
Trade payables		104,566,068	29,155
Current tax liabilities		–	16,059
Current financial liabilities		87,362,227	–
Liabilities for derivative financial instruments		47,236	
Current provisions		9,777,080	296,655
Other current liabilities		17,669,502	870,518
TOTAL CURRENT LIABILITIES		**219,422,113**	**1,212,386**
TOTAL EQUITY AND LIABILITIES		**443,784,347**	**1,689,739**

	Notes	Year ended December 31, 2016	
		Technogym S.p.A.	*of which Merger*
REVENUES			
Revenues		406,475,092	
Other operating income		2,320,124	15,000
Total revenues		**408,795,216**	**15,000**
OPERATING COSTS			
Raw materials, work in progress and finished goods		(209,063,226)	(3)
Cost of services		(75,493,225)	(14,704)
of which non-recurring expenses:			
Personnel expenses		(53,804,409)	(554,045)
of which non-recurring expenses:			
Other operating costs		(748,218)	(1,149)
Depreciation, amortization and impairment losses		(17,096,317)	
Provisions		(1,782,729)	
NET OPERATING INCOME		**50,807,092**	**(554,901)**
Financial income		12,721,654	1
Financial expenses		(13,651,651)	(154)
Net financial expenses		**(929,997)**	**(152)**
Income/(expenses) from investments		12,034,058	
PROFIT BEFORE TAX		**61,911,154**	**(555,053)**
Income tax expenses		(16,386,113)	
PROFIT/(LOSS) FOR THE YEAR		**45,525,041**	**(555,053)**
EARNINGS PER SHARE		**0.23**	

1. PROPERTY, PLANT AND EQUIPMENT

The item “Property, plant and equipment” amounts to Euro 44,490 thousand as of December 31, 2016 (Euro 40,769 thousand as of December 31, 2015).

The following table reports the amounts and movements of property, plants and equipment for the years ended December 31, 2016 and 2015:

(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 as of January 1, 2016	**–**	**22,795**	**9,760**	**43,111**	**11,498**	**2,779**	**89,943**
Investments	2,658	7,146	1,108	355	582	2,996	14,845
Disposals	–	(123)	(470)	(462)	(723)	–	(1,778)
Impairment losses	–	–	–	(72)	–	(416)	(488)
Reclassifications	–	–	355	2,426	–	(2,781)	–
Historical cost as of December 31, 2015	**2,658**	**29,818**	**10,753**	**45,358**	**11,357**	**2,578**	**102,522**
Accumulated amortization as of January 1, 2015	**–**	**(6,565)**	**(5,172)**	**(34,798)**	**(9,473)**	**–**	**(56,008)**
Amortization	–	(2,080)	(833)	(3,844)	(586)	–	(7,343)
Dividends	–	106	377	445	670	–	1,598
Impairment losses	–	–	–	–	–	–	–
Accumulated amortization as of December 31, 2015	**–**	**(8,539)**	**(5,628)**	**(38,197)**	**(9,389)**	**–**	**(61,753)**
Net book value as of December 31, 2015	**2,658**	**21,279**	**5,125**	**7,161**	**1,968**	**2,578**	**40,769**
Historical cost as of January 1, 2016	**2,658**	**29,818**	**10,753**	**45,358**	**11,357**	**2,578**	**102,522**
Investments	447	2,708	1,936	950	1,655	5,227	12,922
Disposals	–	(5)	(3)	(631)	(614)	(3)	(1,257)
Impairment losses	–	–	–	–	–	–	–
Reclassifications	–	167	436	3,244	(34)	(3,813)	–
Historical cost as of December 31, 2016	**3,105**	**32,688**	**13,121**	**48,921**	**12,364**	**3,988**	**114,186**
Accumulated amortization as of January 1, 2016	**–**	**(8,539)**	**(5,628)**	**(38,197)**	**(9,389)**	**–**	**(61,753)**
Amortization	–	(2,780)	(1,012)	(4,364)	(994)	–	(9,149)
Disposals	–	5	3	590	607	–	1,205
Impairment losses	–	–	–	–	–	–	–
Accumulated amortization as of December 31, 2016	**–**	**(11,313)**	**(6,637)**	**(41,971)**	**(9,775)**	**–**	**(69,696)**
Net book value as of December 31, 2016	**3,105**	**21,374**	**6,485**	**6,949**	**2,589**	**3,988**	**44,490**

The category of buildings and leasehold improvements mainly includes buildings used for production and commercial activities, and installations performed on property leased to the Company in order to make the buildings of the new complex denominated “Technogym Village”, suitable to be used as corporate headquarters. Plant and machinery mainly includes expenditures of carpentry and painting, and production lines. Production and commercial equipment mainly refers to molds used for the production, and equipment used for the assembly and weld of the products. Assets under construction and advances mainly relate to investments in production lines that have not yet been placed into service at the end of the year and molds still unavailable for use.

Investments in property, plant and equipment for the year ended December 31, 2016 amounts to a total of Euro 12,922 thousand and are mainly related to land and buildings and leasehold improvements (respectively for Euro 447 thousand and Euro 2,708 thousand), primarily attributable to the improvements made to the Show-Room in Via Durini 1 Milan. The investments in assets under construction (Euro 5,227 thousand), in plant and machinery (Euro 1,936 thousand) and in production and commercial equipment (Euro 950 thousand) mainly refer to the purchase of specific plants and molds for the update of existing production lines and to the implementation of new production lines. Investments in other assets, of Euro 1,655 thousand, mainly relate to the purchase of furniture, furnishing and electronic office equipment. Net disposals of property, plant and equipment for the years ended December 31, 2016 and 2015 are not significant.

As of December 31, 2016 and 2015, there is no property and instrumental property subject to any kind of guarantee given to third parties, nor assets managed under financial leases.

2. INTANGIBLE ASSETS

The item "Intangible assets" amounts to Euro 21,922 thousand as of December 31, 2016 (Euro 18,626 thousand as of December 31, 2015).

The following table reports the amounts and movements of intangible assets for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	velopment costs	Patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Intangibles under development and advances	Other intangible assets	Total
Historical cost as of January 1, 2015	**29,470**	**5,745**	**1,030**	**5,358**	**1,974**	**43,577**
Investments	1,224	1,473	230	3,768	5	6,700
Disposals	(7,288)	(1,867)	(132)	–	(1,796)	(11,083)
Impairment losses	–	–	–	(56)	–	(56)
Reclassifications	3,766	682	135	(4,583)	–	–
Historical cost as of December 31, 2015	**27,172**	**6,033**	**1,263**	**4,487**	**183**	**39,138**
Accumulated amortization as of January 1, 2015	**(17,393)**	**(4,220)**	**(702)**	**–**	**(1,838)**	**(24,153)**
Amortization	(5,589)	(1,561)	(249)	–	(43)	(7,442)
Disposals	7,288	1,867	132	–	1,796	11,083
Accumulated amortization as of December 31, 2015	**(15,694)**	**(3,914)**	**(819)**	**–**	**(85)**	**(20,512)**
Net book value as of December 31, 2015	**11,478**	**2,119**	**444**	**4,487**	**98**	**18,626**
Historical cost as of January 1, 2016	**27,172**	**6,033**	**1,263**	**4,487**	**183**	**39,137**
Investments	4,693	1,735	134	8,150	29	14,741
Disposals	(4,416)	(1,726)	(209)	–	–	(6,351)
Impairment losses	–	–	–	(62)	–	(62)
Reclassifications	4,406	551	–	(4,974)	17	(0)
Historical cost as of December 31, 2016	**31,855**	**6,592**	**1,188**	**7,600**	**228**	**47,464**
Accumulated amortization as of January 1, 2016	**(15,694)**	**(3,914)**	**(819)**	**–**	**(85)**	**(20,512)**
Amortization	(8,930)	(2,273)	(126)	–	(53)	(11,381)
Disposals	4,416	1,726	209	–	–	6,351
Impairment losses	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Accumulated amortization as of December 31, 2016	**(20,207)**	**(4,461)**	**(736)**	**–**	**(138)**	**(25,542)**
Net book value as of December 31, 2016	**11,648**	**2,132**	**452**	**7,600**	**91**	**21,922**

Development costs refer to costs that arise from the innovation activity performed by the Company as part of its ordinary activities. Patents and intellectual property rights include expenditures related to the acquisition and registration of patents, for model and design costs, for rights and licenses costs for the use of software, and for development costs of business software. The category concessions, trademarks and similar rights includes trademarks and the asSociated additional registration costs. Intangibles under development and advances mainly refers to expenses incurred by the Group relative to projects for the development of new products and product lines that are not yet in use at year-end, as well as costs for software and applications to support them. Other intangible assets relate to the costs incurred relating to the registration of intangible assets that meet the requirements of IAS 38 for recognition in the financial statements.

Investments in intangible assets for the year ended December 31, 2016, amounting to a total of Euro 14,741, are mainly related to patents and intellectual property rights (Euro 1,735 thousand), development costs (Euro 4,693 thousand) and assets under construction and advances (Euro 8,150 thousand). Investments in patents and intellectual property right mainly refers to the purchase of a new software program and its implementation in 2015, used to deliver after-sales assistance services, as well as to the purchase of a new software program for the integration of sales channels. Investments in the category development costs are attributable to: i) the implementation of Unity 3.0 on the entire Excite line, a long-established line of cardio, strength and functional equipment, where the products offer connectivity options which allow users to access a fully personalized training experience via Bluetooth, Smartphone or other personal devices; ii) to the development of the user interface for the Selection PRO line, Selection PRO MED, ARTIS; iii) "MYCYCLING" the innovative indoor training product for cycling; iv) "Skillmill" unique motorized equipment which combines strength, speed and agility training suitable for professional athletes and fitness lovers. The investments in intangibles under development and advances are mainly related to the update of software related to products already on the market as well as to the development of new products and product lines and their software and applications.

During the years 2016 and 2015 the Company recognized impairment losses on intangible assets for Euro 62 thousand and Euro 56 thousand respectively, attributable to the categories intangibles under development and advances. Those impairment losses are mainly related to projects and contracts that the company believes will no longer produce benefits in the future, in consideration of the evolution of technology, the state of progress, and the possibility of realization.

3. DEFERRED TAX ASSETS

The item "Deferred tax assets" amounts to Euro 6,425 thousand as of December 31, 2016 (Euro 8,578 thousand as of December 31, 2015).

The following table reports the amounts and movements of deferred tax assets for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Values as of January 1, 2015	Provisions	Utiliza-tions	Reclassifica-tions	Values as of January 1, 2016	Provisions	Utiliza-tions	Reclassifica-tions	Values as of December 31, 2016
Deferred tax assets									
Inventory write-down provision	3,358	1,367	(1,302)	–	3,423	394	(728)	–	3,086
Warranties provision	1,563	1,223	(1,034)	–	1,664	1,056	(974)	–	1,747
Net unrealized exchange gains	–	541	–	(47)	494	–	–	(494)	–
Non-Competition Agreement provision	145	53	(31)	–	152	399	(334)	–	217
Accumulated amortization of trademarks	52	9	(5)	–	56	8	(11)	–	53
Other provisions for risks and charges	1,055	2,774	(360)	–	3,467	2,038	(3,065)	–	2,443
Bad debt provision	94	24	(100)	–	18	98	(50)	–	66
Employee benefits obligations	51	–	(37)	–	13	161	(109)	–	65
Total deferred tax assets	6,318	5,990	(2,869)	(47)	9,288	4,153	(5,270)	(494)	7,677

(In thousands of Euro)	Values as of January 1, 2015	Provisions	Utiliza-tions	Reclassifica-tions	Values as of January 1, 2016	Provisions	Utiliza-tions	Reclassifica-tions	Values as of December 31, 2016
Deferred tax liabilities									
Net unrealized exchange gains	(47)	–	–	47	(0)	(915)	–	494	(422)
Other liabilities	(710)	–	–	–	(710)	(380)	260	–	(830)
Total deferred tax liabilities	(757)	–	–	47	(710)	(1,296)	260	494	(1,252)
Total	5,560	5,990	(2,869)	–	8,578	2,857	(5,010)	–	6,425

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

4. INVESTMENTS

The item "Investments" amounts to Euro 168,386 thousand as of December 31, 2016 (Euro 108,485 thousand as of December 31, 2015).

The following table reports the details of investments as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Investments		
Investments in subsidiaries		
Investments in subsidiaries (gross value)	237,634	177,620
Provision for write-down of investments in subsidiaries	(69,306)	(69,193)
Total investments in subsidiaries	**168,328**	**108,427**
Investments in joint ventures and asSociates (gross value)	843	321
Provision for write-down of investments in joint ventures and asSociates	(785)	(263)
Total investments in joint ventures and subsidiaries	**58**	**58**
Total investments	**168,386**	**108,485**

The following table reports the amounts and movements of investments (gross value) for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Gross values as of January 1, 2015	Investments	Disposals	Gross values as of December 31, 2015	Investments	Disposals	Gross values as of December 31, 2016
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.	34,485	3,674	–	38,159			38,159
TECHNOGYM Shanghai Int. Trading Co. Ltd.	15,800	–	–	15,800			15,800
TECHNOGYM Australia Pty Ltd	6,398	1,223	–	7,621			7,621
MyWellness S.r.l.	3,131	–	–	3,131		(3,131)	–
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
TECHNOGYM Equipamentos de Ginastica e Solucao para Bem-Estar LTDA	19,438	5,479	–	24,917			24,917
Laserpro S.r.l.	2,026	–	–	2,026		(2,026)	–
TECHNOGYM France Sas	1,267	–	–	1,267			1,267
TECHNOGYM Asia Ltd	2,306	–	(630)	1,676			1,676
Sidea S.r.l	700	–	–	700			700
TECHNOGYM Portugual Unipessoal Lda	5	–	–	5			5
TGB S.r.l.	–	–	–	–	42,354		42,354
Amleto Aps	–	–	–	–	22,442		22,442
Core Athletic S.r.l.	–	–	–	–	20		20
Wellness Consulting Ltd	–	15	–	15	355		370
Total subsidiaries	**167,859**	**10,391**	**(630)**	**177,620**	**65,171**	**(5,157)**	**237,634**
Joint ventures and asSociates							
Techogym Emirates LLC	28	–	–	28			28
Fitstadium S.r.l	263	–	–	263			263
Wellink S.r.l.	–	30	–	30			30
MPS Movimento per la Salute	–	–	–	–	122		122
T4ME Limited	–	–	–	–	400		400
Total joint ventures and asSociates	**291**	**30**	**–**	**321**	**522**	**–**	**843**

Investments in "Subsidiaries" and "Joint ventures and asSociates" for the years ended December 31, 2016 and 2015 represent the capital increases with the exception of the new investments in the company capital of the following companies;

- *Subsidiaries*
  - TGB S.r.l. in 2016; company that owns all properties forming part of Technogym Village held by Oiren S.r.l. and Apil S.r.l. which are related parties of the Company given directly and wholly-owned by Nerio Alessandri, President and CEO of the Company, and Pierluigi Alessandri, Vice President of the Company, in 2016
  - Amleto APS in 2016; vehicle company for the acquisition of the Danish company Exerp Aps, specialized in the development and marketing of management software for fitness clubs.
  - Core Athletic S.r.l. in 2016

- Joint ventures and asSociates:
  - Welllink S.r.l. in 2015
  - MPS Movimento per la salute and T4ME Limited in 2016

The following table reports the amounts and movements in the investments write-down provision for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Write-down provision as of January 1, 2015	Provisions	Releases	Write-down provision as of December 31, 2015	Provisions	Releases	Write-down provision as of December 31, 2016
TECHNOGYM USA Corp.	(22,319)	(9,099)	–	(31,418)		2,551	(28,867)
TECHNOGYM Shanghai Int. Trading Co. Ltd.	(11,165)	(47)	–	(11,212)		528	(10,684)
TECHNOGYM Australia Pty Ltd	(2,067)	(2,398)	–	(4,465)		533	(3,932)
TECHNOGYM Equipamentos de Ginastica e Solucao para Bem-Estar LTDA	(17,064)	(3,556)	–	(20,620)	(4,315)		(24,935)
Laserpro S.r.l.	(686)	(23)	–	(709)		709	–
TECHNOGYM Asia Ltd	(1,098)	–	329	(769)		109	(660)
Core Athletic S.r.l.	–	–	–	–	(20)		(20)
Wellness Consulting Ltd				–	(208)		(208)
Total subsidiaries	**(54,399)**	**(15,123)**	**329**	**(69,193)**	**(4,544)**	**4,431**	**(69,306)**
Joint ventures and asSociate							
Fitstadium S.r.l	–	(263)	–	(263)			(263)
MPS Movimento per la Salute	–	–	–	–	(123)		(123)
T4ME Limited	–	–	–	–	(400)		(400)
Total joint ventures and asSociates	**–**	**(263)**	**–**	**(263)**	**(523)**	**–**	**(785)**

The following table reports the details of investments as of December 31, 2016:

Entity name	Registered office	% control	Currency	Share capital as of December 31, 2016 (in local currency)	Equity as of December 31, 2016 (in local currency)	Profit/(loss) for the year at December 31, 2016 (in local currency)	Equity pro-rata as of December 31, 2016 (in Euro)	Net book value as of December 31, 2016 (in Euro)
Subsidiaries								
TECHNOGYM E.E. SRO	Slovakia	99.98%	EUR	15,033,195	17,974,271	1,905,918	17,970,676	15,024,000
TECHNOGYM Asia Ltd.	Hong Kong	100.00%	HKD	16,701,750	8,311,458	650,577	1,016,680	1,016,680
TECHNOGYM Shanghai Int. Trading Co. Ltd.	China	100.00%	CNY	132,107,600	37,452,555	5,060,688	5,116,329	5,116,330
TECHNOGYM Australia Pty Ltd	Australia	100.00%	AUD	11,350,000	5,384,810	682,698	3,689,237	3,689,237
TECHNOGYM Portugual Unipessoal Lda	Portugal	100.00%	EUR	5,000	643,215	238,555	643,215	5,000
TECHNOGYM International B.V.	Netherlands	100.00%	EUR	113,445	3,151,114	(19,189)	3,151,114	3,000,000
TECHNOGYM Equipamentos de Ginastica e Solucao para Bem-Estar LTDA	Brazil	99.94%	BRL	80,268,457	(3,112,044)	(21,733,407)	(906,625)	(18,118)
Wellness Consulting Ltd	United Kingdom	80.00%	GBP	290,000	172,532	(185,400)	161,211	161,211
Sidea S.r.l	Italy	70.00%	EUR	150,000	1,116,147	120,746	781,303	699,500
TECHNOGYM Germany GmbH	Germany	100.00%	EUR	1,559,440	4,480,318	1,146,815	4,480,318	16,843,000
TECHNOGYM UK Ltd	United Kingdom	100.00%	GBP	100,000	5,455,013	3,929,695	6,371,339	28,995,000
TECHNOGYM France Sas	France	100.00%	EUR	500,000	1,859,215	1,544,340	1,859,215	1,267,424
TECHNOGYM Benelux BV	Netherlands	100.00%	EUR	2,455,512	4,020,691	1,565,180	4,020,691	12,503,000
TECHNOGYM USA Corp.	United States	100.00%	USD	3,500,000	9,795,124	2,614,417	9,292,405	9,292,405
TECHNOGYM Trading S.A.	Spain	99.99%	EUR	2,499,130	5,625,480	868,313	5,624,917	2,869,130
TECHNOGYM Japan Ltd.	Japan	100.00%	JPY	320,000,000	954,137,721	166,674,508	7,732,072	3,068,792
TGB S.r.l.	Italy	100.00%	EUR	96,900	14,707,922	1,065,896	14,707,922	42,354,077
Amleto Aps	Denmark	100.00%	DKK	60,000	164,505,127	(79,859)	22,127,559	22,440,866
Core Athletic S.r.l.	Italy	100.00%	EUR	10,000	15,946	(4,054)	15,946	–
Total subsidiaries								**168,327,534**
Joint ventures and asSociates								
Techogym Emirates LLC	United Arab Emirates	49.00%	AED	300,000	29,531,346	4,102,593	3,739,498	28,188
Fitstadium S.r.l	Italy	45.00%	EUR	13,506	–	–	–	–
MPS Movimento per la Salute	Italy	50.00%	EUR	10,000	–	–	–	–
T4ME Limited	Italy	20.00%	GBP	400,100	307,927	(92,173)	71,930	–
Wellink S.r.l.	Italy	40.00%	EUR	60,000	283,479	191,933	113,392	30,161
Total joint ventures and asSociates								**58,349**

It should be noted that indications of possible impairment emerged for Technogym Equipamentos de Ginastica e Solucao para Bem-Estar LTDA, Core Athletic S.r.l. and Wellness Consulting Ldt and, subsequently, an impairment test was performed for the Brazilian subsidiary. This test highlighted the need to effect a write-down totaling Euro 4,315; for the subsidiaries Core Athletic S.r.l. and Wellness Consulting Ltd, taking into account the economic prospects and 2016 results, their total carrying values were fully written down.

By contrast, for the other 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 2016 final balance was higher than the forecasts of the 2016-2020 Plan used to carry out the impairment test on the balances in the financial statements as of December 31, 2015. For TGB S.r.l., it was verified that the difference between the cost of recognition and the share of equity was justified by the higher value of Technogym Village.

In line with IAS 36, the impairment test was carried out by comparing the recoverable value of the same net of the net financial position (NFP) as of December 31, 2016 ("economic value") with the asSociated carrying values of the investments as of December 31, 2016.

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 formula of the calculation method used is reported below:

Equity Value = V-PFN

Where:

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

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):

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

where:

FCFn = cash flow sustainable beyond the explicit forecast time horizon;
g = growth rate of the business beyond the hypothesized 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.

In addition, for the investments Technogym USA Corp., Technogym Shanghai Int. Trading Co. Ltd, Technogym Australia Pty Ltd, a partial write-back was instead effected totaling Euro 4,431 thousand, aligning their value to the share of equity in the financial statements, as the reasons for their write-down no longer applied.

5. NON-CURRENT ASSETS

The following table reports the details of "Non-current financial assets" and "Other non-current assets" as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Non-current financial assets		
Loans to subsidiaries due after 12 months	42,892	–
Total non-current financial liabilities	**42,892**	**–**
Other non-current assets		
Transferred trade receivables (due after 12 months)	10,018	6,317
Income tax receivables (due after 12 months)	1,297	1,297
Investments in other entities	932	919
Security deposits	25	77
Total other non-current assets	**12,272**	**8,610**

"Non-current financial assets" refer essentially to loans provided to Group companies under current market conditions. The main loan was disbursed to TGB S.r.l..

Transferred trade receivables due after 12 months, of Euro 10,018 thousand and Euro 6,317 thousand as of December 31, 2016 and 2015, include the non-current portion of receivables arising from the sale of goods which, although they were transferred to third financial institutions, are retained in the financial statements as they do not meet all the conditions required by IAS 39 for their derecognition. Financial liabilities include the amounts received from financial institutions in the form of advances for the aforementioned transfers. See note 7 "Trade receivables".

Income tax receivables due after 12 months refer to the IRES credit arising from the instance of repayment for not deducting IRAP on personnel costs in previous years.

Security deposits are recognized in respect to property leases, lease agreements for vehicles and utilities.

The following table reports the details of investments in other entities as of December 31, 2016 and 2015:

(In thousands of Euro)	Registered office	% of control	Currency	As of December 31	
				2016	2015
Entity name					
Sandcroft Avenue Ltd	United Kingdom	12.2%	GBP	749	749
Pubblisole S.p.A.	Italy	2.4%	EUR	100	100
Qicraft Finland OY	Finland	10.0%	EUR	25	25
Crit S.r.l.	Italy	1.2%	EUR	26	26
Other investments	n.a.	n.a.	n.a.	32	19
Total investments in other entities				**932**	**919**

These investments are classified as financial instruments available for sale and they are measured at acquisition cost, since they are not traded in an active market and the fair value cannot be reliably determined. As of December 31, 2016 and 2015, the Company has not identified indicators of impairment losses in regards to investments in other entities.

6. INVENTORY

The item "Inventory" amounts to Euro 42,583 thousand as of December 31, 2016 (Euro 35,714 thousand as of December 31, 2015). The following table reports the details of inventory as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Inventory		
Raw materials (gross value)	12,190	13,042
Write-down provision	(3,605)	(3,869)
Total raw materials	**8,585**	**9,173**
Work in progress (gross value)	401	433
Write-down provision	(40)	(196)
Total work in progress	**361**	**237**
Finished goods (gross value)	41,051	33,132
Write-down provision	(7,414)	(6,828)
Total finished good	**33,637**	**26,304**
Total inventories	**42,583**	**35,714**

The increase in the inventory balance between December 31, 2016 and December 31, 2015 is the result of the management of inventory implemented by the Company.

Average days of inventory rotation was steady between the two years.

The following table reports the amounts and movements of inventory write-down provision for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Raw materials	Work in progress	Finished goods	Total inventory write-down provision
Values as of December 31, 2014	**3,399**	**247**	**7,049**	**10,695**
Provisions	616	9	357	982
Utilizations	(116)	(50)	(618)	(784)
Reclassifications	(31)	(10)	40	–
Exchange rate difference	–	–	–	–
Values as of December 31, 2015	**3,869**	**196**	**6,828**	**10,893**
Provisions	300	–	1,110	1,410
Utilizations	(564)	(156)	(524)	(1,244)
Reclassifications	0	0	(0)	(0)
Exchange rate differences	–	–	–	–
Values as of December 31, 2016	**3,605**	**40**	**7,414**	**11,059**

Total inventory write-down provision as of December 31, 2016 was in line with total inventory write-down provision as of December 31, 2015.

7. TRADE RECEIVABLES

The item "Trade receivables", net of bad debt provision, amounts to Euro 64,932 thousand as of December 31, 2016 (Euro 58,099 thousand as of December 31, 2015). The following table reports the details of trade receivables as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Trade receivables		
Trade receivables (gross value)	58,272	54,225
Bad debt provision	(479)	(544)
Transferred trade receivables	7,140	4,418
Total trade receivables	**64,932**	**58,099**

The increase in trade receivables between December 31, 2016 and December 31, 2015 was mainly due to growth in sales.

Transferred trade receivables of Euro 7,140 thousand as of December 31, 2016 and Euro 4,418 thousand as of December 31, 2015, refers to the current portion of receivables arising from the sale of goods which, 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 IAS 39 for their derecognition from assets. (see note 5 "Other non-current assets"). Financial liabilities include the amounts received from financial institutions in the form of advances for the aforementioned transfers.

The following table reports the details of trade receivables broken down by maturity of December 31, 2016 and 2015:

(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 December 31, 2014	**43,252**	**1,828**	**441**	**157**	**837**	**2,792**	**49,307**
Trade receivables (gross value)	46,382	2,741	1,922	765	2,011	406	54,225
Bad debt provision	(11)	(12)	(23)	(42)	(91)	(365)	(544)
Transferred trade receivables	4,418	–	–	–	–	–	4,418
As of December 31, 2015	**50,789**	**2,729**	**1,899**	**723**	**1,920**	**41**	**58,099**
Trade receivables (gross value)	38,824	4,567	3,490	2,284	3,288	5,819	58,272
Bad debt provision	–	(15)	(9)	(21)	(78)	(356)	(479)
Transferred trade receivables	7,140	–	–	–	–	–	7,140
At December 31, 2016	**45,964**	**4,552**	**3,481**	**2,263**	**3,210**	**5,462**	**64,932**

A significant portion of overdue trade receivables that are not written-down refers to intercompany transactions; following an in-depth analysis, the Company considered these receivables to be fully recoverable, taking account of the economic prospects of these subsidiaries. For the table of details of intercompany trade receivables, with the relative impact on total trade receivables, see the note "Related party transactions".

Specific bad debt provisions have been established for receivables of doubtful collectability, which are monitored for collection by third party legal services, and for receivables from customers with a lower likelihood of collectability. Bad debt provisions are established based upon the credit position of each customer and the estimated realizable value of the outstanding amounts.

The following table reports the amounts and movements of bad debt provision for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Bad debt provision
Values as of December 31, 2014	**706**
Provisions	531
Utilizations	(693)
Values as of December 31, 2015	**544**
Provisions	(597)
Utilizations	532
Values as of December 31, 2016	**479**

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

Main clients

In accordance with IFRS 8, paragraph 34, for the years ended December 31, 2016 and December 31, 2015 the Company has no external clients that generate revenues more than 10% of the total revenues.

8. CURRENT FINANCIAL ASSETS

The item "Current financial assets" amounts to Euro 957 thousand as of December 31, 2016 (Euro 36,422 thousand as of December 31, 2015). The following table reports the details of current financial assets as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Current financial assets		
Financial receivables from subsidiaries	854	36,317
Financial receivables from asSociates	102	100
Other financial receivables	1	5
Total current financial assets	**957**	**36,422**

The following table reports the details of financial receivables from subsidiaries as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Financial receivables from subsidiaries		
Cash pooling	554	1,317
Loans granted	300	35,000
Total financial receivables from subsidiaries	**854**	**36,317**

The following table provides details of the scope of the cash pooling arrangements and related balances as of December 31, 2016 and 2015:

(In thousands of Euro)	Currency	As of December 31	
		2016	2015
Cash pooling			
TECHNOGYM France Sas	EUR	554	762
TECHNOGYM USA Corp.	USD	–	555
Total cash pooling		**554**	**1,317**

The following table provides details of loans granted by the Company as of December 31, 2016 and 2015:

(In thousands of Euro)	Currency	Interest rate	As of December 31	
			2016	2015
Loans granted				
Funky Bots LLC	EUR	Variable	300	–
TECHNOGYM E.E. SRO	EUR	Variable	–	35,000
Total loans granted			**300**	**35,000**

The decrease in the item loans granted is due primarily to the repayment of the intercompany loan to the subsidiary Technogym E.E. sro, taken out in 2015 and repaid in 2016.

9. DERIVATIVE FINANCIAL INSTRUMENTS IN ASSETS

The item "Derivative financial instruments" in assets amounts to Euro 340 thousand as of December 31, 2016 (Euro 213 thousand as of December 31, 2015).

The following table reports the derivative financial instruments in assets broken down by counterparty and currency as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
USD	17	96
GBP	–	43
AUD	103	39
CNY	53	30
JPY	167	5
Total	**340**	**213**

Assets for derivative financial instruments are related to positive differences resulting from the fair value of "forward" contracts used to hedge the exposure to currency risk.

The following table reports forward contracts as of December 31, 2016 and 2015:

(In thousands of Euro)	At December 31, 2016			
	Currency	Currency inflow	Currency	Currency outflow
Forward [*]	GBP	11,100	EUR	12,982
Forward	EUR	6,174	USD	6,500
Forward	EUR	5,508	CNY	41,000
Forward	EUR	3,703	JPY	436,300
Forward	EUR	5,216	AUD	7,500
Forward	EUR	6,949	GBP	6,000
Situation as of 31.12.2016				

(*) Accounted for in accordance with Hedge Accounting as per IAS 39

(In thousands of Euro)	As of December 31, 2015			
	Currency	Currency inflow	Currency	Currency outflow
Forward 01	EUR	13,319	USD	14,500
Forward 02	EUR	3,302	CNY	23,550
Forward 03	EUR	2,485	JPY	329
Forward 04	EUR	496	AUD	750
Forward 05	GBP	7,000	EUR	9,678
Situation as of 31.12.2015				

(In thousands of Euro)	At December 31, 2016			
	Assets 2016	Assets 2015	Liabilities 2016	Liabilities 2015
Exchange rate hedging:				
Exchange rate hedges (current) – cash flow hedge	28	–	–	–
Total	**28**	**0**	**0**	**0**

The Company stipulates currency derivative contracts to hedge future cash flows (cash flow hedges). 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 company operates. As of December 31, 2016, the total of Euro 28 thousand in assets represents the fair value of the aforementioned derivative contracts. The notional amounts of these exchange rate hedging instruments amount to GBP 6,000 thousand, corresponding to EUR 6,949 thousand. These contracts are recognized according to hedge accounting rules.

Other exchange rate hedging contracts for a total of Euro 7,620 thousand, of which (CNY 41 million, AUD 7.5 million, GBP 11.1 million, JPY 436.3 million, USD 6,5 million), despite being operational hedges, are accounted for at FV with a contra-item in the income statement, given that not all hedge accounting conditions are satisfied.

All currency instruments in place as of December 31, 2016 mature within 12 months.

10. OTHER CURRENT ASSETS

The item "Other current assets" amounts to Euro 8,469 thousand as of December 31, 2016 (Euro 39,764 thousand as of December 31, 2015). The following table reports the amounts of other current assets as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Other current assets		
VAT receivables	1,128	34,957
Prepaid expenses	2,776	2,008
Advances to suppliers	235	1,141
Tax receivables	2,334	8
Accrued income	159	137
Receivables from employees	–	–
Other receivables	1,836	1,513
Total other current assets	**8,469**	**39,764**

The decrease in other current assets is mainly attributable to the collection of VAT receivables in respect of a non-recurring event of a fiscal nature, as already outlined in the note "Significant non-recurring events and transactions" of 2015.

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 goods yet to be received.

The increase in tax receivables is due to advances on income taxes.

11. CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" amounts to Euro 30,116 thousand as of December 31, 2016 (Euro 35,273 thousand as of December 31, 2015). The following table reports the amounts of cash and cash equivalents as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Cash and cash equivalents		
Bank deposits	29,772	35,265
Checks	336	2
Cash and cash equivalents on hand	8	6
Total cash and cash equivalents	**30,116**	**35,273**

Bank deposits represent temporary cash surplus on current accounts of the Company at year-end.

As of December 31, 2016 and 2015 there were no restrictions or limitations to the use of the cash of the Company.

12. EQUITY

The item “Equity” amounts to Euro 132,416 thousand as of December 31, 2016 (Euro 85,760 thousand as of December 31, 2015). The following table reports the details of equity as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Equity		
Share capital	10,000	10,000
Share premium reserve	–	–
Other reserves	73,215	38,682
Retained earnings	3,676	–
Profit/(loss) for the year	45,525	37,078
Total equity	**132,416**	**85,760**

The following table reports the amounts and movements of equity for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Share capital	Other reserves						Retained earnings	Profit/(loss) for the year	Total equity
		Legal reserve	Extraordi-nary reserve	Reserve for the adoption of IAS/IFRS	IAS 19 reserve	RStock option plan reserve	Hedge Account reserve			
As of January 1, 2015	**10,000**	**–**	**–**	**24,949**	**321**	**–**	**–**	**–**	**9,895**	**45,165**
Profit for the previous year	–	–	–	9,895	–	–	–	–	(9,895)	–
Total comprehensive income for the year	–	–	–	–	44	–	–	–	37,078	37,122
Incentive plan (LTMIP)	–	–	–	–	–	3,473	–	–	–	3,473
As of December 31, 2015	**10,000**	**–**	**–**	**34,844**	**365**	**3,473**	**–**	**–**	**37,078**	**85,760**
Profit for the previous year	–	2,000	14,938	16,464	–	–	–	3,676	(37,078)	–
Total comprehensive income for the year	–	–	–		(280)	–	(20)	–	45,525	45,225
Other changes	–	–	–	676	(48)	–	–	–	–	628
Incentive plan (LTMIP)	–	–	–	–	–	803	–	–	–	803
At December 31, 2016	**10,000**	**2,000**	**14,938**	**51,984**	**37**	**4,276**	**(20)**	**3,676**	**45,525**	**132,416**

The “Share capital” of Euro 10,000 thousand, fully subscribed and paid in, is made of 200,000,000 ordinary shares with no nominal value.

The “IAS 19 reserve” refers to the effects arising from the remeasurement of defined benefit plans, as represented in the statement of comprehensive income.

The item Other changes represents the accounting effects as of January 1, 2016 of the merger by incorporation of the companies Mywellness S.r.l. and Laserpro S.r.l. amounting to Euro 676 thousand, deriving from development costs and the value of properties, the discounting of the provision for Employee benefits obligations of the merged company Mywellness S.r.l. of Euro -50 thousand, and, lastly, the effect of the change in Ires rate from 27.5% to 24%, applied to the prepaid taxes calculated on IAS 19 Reserves, amounting to Euro - 2 thousand.

The following table represents the additional disclosure on equity as requested by article 2427 of the Civil Code, paragraph 7 bis:

(In thousands of Euro)	At December 31, 2016	Possibility of utilization	Quota available
Equity			
Share capital	10,000	B	10,000
Share premium reserve	–		–
Other reserves	73,215		
– Legal reserve	*2,000*	*B*	*2,000*
– Extraordinary reserve	*14,938*	*B*	*14,938*
– Reserve for the adoption of IAS/IFRS	*51,984*	*B*	*51,984*
– IAS 19 reserve	*36*	*B*	*36*
– Hedge Account reserve	*(20)*	*---*	*0*
– Stock option plan reserve	*4,276*	*B*	*4,276*
Retained earnings	3,676	A-B-C	3,676
Profit for the year	45,525	A-B-C	45,525
Total equity	**132,416**		
Of which non-distributable			**86,244**
Of which distributable			**46,172**

Legend: A: For capital increase – B: for loss coverage – C: for dividend distribution

Profit/(loss) for the year amounts to Euro 45,525 thousand and is distributable to shareholders for an amount of Euro 42,496 thousand. The remaining portion, amounting to Euro 3,029 thousand, can only be used for capital increase or for loss coverage.

STOCK OPTION PLAN RESERVE – INCENTIVE PLAN FOR THE BENEFIT OF TOP MANAGEMENT MEMBERS

As of December 31, 2016, an incentive plan is in place for the Technogym management, approved by the Board of Directors.

The Incentive Plan grants a certain amount of the Company's shares when specific conditions occur and certain prerequisites are satisfied.

The beneficiaries will have the right to receive shares if, on the assignment date (as identified hereunder): (i) they still hold the employment relationship with the Technogym Group, and as for the CEO of the Issuer, holds the same position and (ii) they have no pending notice of termination, for any reason, from the employment relationship with the Issuer or its subsidiaries. The share assignment date is planned for November 2017.

Specifically, the cost of the plan was determined at a total of Euro 5,040 thousand, of which Euro 803 thousand attributable to the year 2016.

As of December 31, 2016, the fair value reserve refers essentially to the effective component of active hedges with contracts for the forward sale of currency and advances on export operations for Euro 20 thousand (Euro 0 as of December 31, 2015) net of the tax effect.

(In thousands of Euro)	Hedge Account reserve
As of December 31, 2014	**–**
Hedging instruments /Hedge Accounting	–
Balance as of December 31, 2015	**–**
Hedging instruments /Hedge Accounting	28
Tax effect – Hedging instruments /Hedge Accounting	-8
Balance as of December 31, 2016	**20**

13. FINANCIAL LIABILITIES

The item "Financial liabilities" as of December 31, 2016 amounts to Euro 83,393 thousand for non-current financial liabilities and Euro 87,362 thousand for current financial liabilities (respectively, Euro 48,458 thousand and Euro 91,599 thousand as of December 31, 2015).

The following table reports the amounts of financial liabilities, current and non-current, as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Non-current financial liabilities		
Bank loans due after 12 months – non-current portion	73,375	42,139
Non-current liabilities due to other lenders	10,018	6,317
Other non-current liabilities	–	2
Total non-current financial liabilities	**83,393**	**48,458**
Current financial liabilities		
Bank loans due after 12 months – current portion	20,739	17,926
Other short-term borrowings	20,003	35,000
Financial payables to subsidiaries	39,480	34,255
Current liabilities due to other lenders	7,140	4,418
Total current financial liabilities	**87,362**	**91,599**

As of December 31, 2016, except for a loan from Banca Agricola Commerciale S.p.A. (whose residual value as of December 31, 2016 was Euro 1,266 thousand), the Company's financial debt is entirely with variable interest rates.

Medium/long-term bank loans

The following table reports the movements of bank loans for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Bank loans due after 12 months – non-current portion	Bank loans due after 12 months – current portion	Total bank loans
Values as of January 1, 2015	**–**	**10,000**	**10,000**
Obtainment of loans	70,000	–	70,000
Repayments	(9,935)	(10,000)	(19,935)
Reclassification from non-current to current	(17,926)	17,926	–
Values as of December 31, 2015	**42,139**	**17,926**	**60,065**
Obtainment of loans	65,000	–	65,000
Repayments	(13,025)	(17,926)	(30,951)
Reclassification from non-current to current	(20,739)	20,739	–
Values as of December 31, 2016	**73,375**	**20,739**	**94,114**

The following table reports the details of medium/long-term bank loans as of December 31, 2016 and 2015:

(In thousands of Euro)	Due date	Interest rate	As of December 31			
			2016	of which current	2015	of which current
Bank loans						
Unicredit S,p,A,	2020-2023	Variable	58,302	11,873	27,063	6,063
Cassa di Risparmio di Parma e Piacenza	2020	Variable	10,531	3,031	13,540	3,040
Banca Agricola Commerciale S.p.A.	2017	Fixed	1,266	1,266	6,289	5,025
Banca Popolare dell'Emilia Romagna	2019	Variable	–	–	13,173	3,798
Banca Popolare di Sondrio S.p.A.	2023	Variable	14,015	2,099		
Banco Popolare	2020	Variable	10,000	2,470		
Total bank loans			**94,114**	**20,739**	**60,065**	**17,926**

The following table reports the details of medium/long-term bank loans as of 31/12/2016 by maturity date:

(In thousands of Euro)	Residual debt	Of which current	2017	2018	2019	2020	2021	2022
Unicredit S.p.A.	58,302	11,873	11,873	11,714	11,714	11,714	5,714	5,572
Cassa di Risparmio di Parma e Piacenza	10,531	3,031	3,031	3,000	3,000	1,500	–	
Banca Agricola Commerciale S.p.A.	1,266	1,266	1,266	–	–	–	–	
Banca Popolare di Sondrio S.p.A.	14,015	2,099	2,099	2,094	2,126	2,158	2,191	3,348
Banco Popolare	10,000	2,470	2,470	2,490	2,510	2,530	–	
Total	**94,114**	**20,739**	**20,739**	**19,299**	**19,350**	**17,902**	**7,905**	**8,920**

The medium-long term loan agreement signed with Banca Popolare dell'Emilia Romagna S.p.A. on March 23, 2015 for a total of Euro 15,000 thousand, which made provision for repayments in eight six-monthly installments, maturing on March 25, 2019, was extinguished early on 11/04/2016.

The loan granted by Banca Agricola Commerciale S.p.A. on February 18, 2015, and starting from February 20, 2015 for a total of Euro 10,000 thousand, is repayable in eight deferred quarterly installments with maturity on February, 20, 2017. The loan does not require compliance with any financial covenants.

The medium-long term loan from Cassa di Risparmio di Parma e Piacenza S.p.A. granted on March 26, 2015 for a total of Euro 15,000 thousand, with maturity on March 31, 2020, is repayable in ten equal six-monthly installments of Euro 1,500 thousand each. 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.

The medium-long term loan granted by Unicredit S.p.A. on April, 9, 2015 for a total of Euro 30,000 thousand, with maturity on April 9, 2020, is repayable in twenty equal quarterly installments of Euro 1,500 each. 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.

The medium-long term loan granted by Unicredit S.p.A. on April 15, 2016 for a total of Euro 40,000 thousand, with maturity on April 15, 2023, is repayable in fourteen equal six-monthly installments of Euro 2,857 thousand each. 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.

The medium-long term loan granted by Banca Popolare di Sondrio on April, 1, 2016 for a total of Euro 15,000 thousand, is repayable in twenty-eight equal quarterly installments, with expiry on April 30, 2023. The loan does not require compliance with any financial covenants.

The loan granted by Banco Popolare S.p.A. on October 31, 2016, and starting from October 31, 2016 for a total of Euro 10,000 thousand, is repayable in sixteen deferred quarterly installments with maturity on December, 31, 2016. The loan does not require compliance with any financial covenants.

For the above loans, no guarantees have been given. As of December 31, 2016, all financial covenants described above were respected.

Other short-term borrowings

The following table reports the details of other short-term borrowings as of December 31, 2016 and 2015:

(In thousands of Euro)	Currency	As of December 31	
		2016	2015
Other short-term borrowings			
Banca Nazionale del Lavoro	EUR	–	25,000
Cassa di Risparmio di Parma e Piacenza	EUR	10,000	10,000
Banca Monte dei Paschi di Siena S.p.A.	EUR	10,003	–
Total other short-term borrowings		**20,003**	**35,000**

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

Financial payables to subsidiaries

The following table reports the details of financial payables to subsidiaries as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Financial payables to subsidiaries		
Cash pooling	18,816	19,130
Loans received	20,664	15,125
Total financial payables to subsidiaries	**39,480**	**34,255**

The following table provides details of the scope of the cash pooling arrangements and related balances as of December 31, 2016 and 2015:

(In thousands of Euro)	Currency	As of December 31	
		2016	2015
Cash pooling			
TECHNOGYM UK Ltd	GBP	6,116	6,602
TECHNOGYM Germany GmbH	EUR	6,920	6,602
TECHNOGYM Benelux BV	EUR	3,200	3,688
TECHNOGYM Trading S.A.	EUR	1,855	2,238
TECHNOGYM USA Corp.	USD	725	–
Total cash pooling		**18,816**	**19,130**

The following table provides details of loans received by the Company from the subsidiaries as of December 31, 2016 and 2015:

(In thousands of Euro)	Currency	Interest rate	As of December 31	
			2016	2015
Loans received				
TECHNOGYM UK Ltd	GBP	Variable	11,680	13,625
TECHNOGYM E.E. SRO	EUR	Variable	7,484	–
TECHNOGYM Benelux BV	EUR	Variable	1,500	1,500
Total loans received			**20,664**	**15,125**

Liabilities due to other lenders

Current and non-current liabilities due to 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 IAS 39 for their derecognition from assets (see note 5 "Other non-current assets" and note 7 "Trade receivables").

14. EMPLOYEE BENEFIT OBLIGATIONS

The item "Employee benefit obligations" amounts to Euro 3,144 thousand as of December 31, 2016 (Euro 2,709 thousand as of December 31, 2015).

The following table reports the amounts and movements of employee benefit obligations for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Employee benefit obligations
Values as of January 1, 2015	**2,906**
Provisions	(39)
Financial expenses	46
Utilizations	(96)
Actuarial (gains)/losses	(108)
Values as of December 31, 2015	**2,709**
Provisions	374
Financial expenses	62
Utilizations	(142)
Actuarial (gains)/losses	141
Values as of December 31, 2016	**3,144**

Information about the actuarial valuation of provisions for employee benefit obligations is presented in the note 15 "Provisions".

15. PROVISIONS

The item "Provisions" as of December 31, 2016 amounts to Euro 4,967 thousand for non-current financial liabilities and Euro 9,777 thousand for current financial liabilities (respectively, Euro 4,629 thousand and Euro 10,225 thousand as of December 31, 2015).

The following table reports the details of provisions, current and non-current, as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Non-current provisions		
Warranties provision	3,130	2,806
Agents provision	526	459
Non-Competition Agreement provision	1,157	900
Ongoing lawsuits provision	150	454
Fondo Wellness Cloud-FOC	3	10
Total non-current provisions	**4,967**	**4,629**
Current provisions		
Warranties provision	3,130	2,806
Free Product Fund provision	789	1,857
Fondo Wellness Cloud-FOC	4	–
Other provisions	5,854	5,562
Total current provisions	**9,777**	**10,225**

The following table reports the amounts and movements of provisions, current and non-current, for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Warranties provision	Agents provision	Non-Competition Agreement provision	Fondo Wellness Cloud-FOC	Ongoing lawsuits provision	Non-current provisions	Warranties provision	Free Product Fund provision	Fondo Wellness Cloud-FOC	Other provisions	Current provisions
Values as of January 1, 2015	**2,489**	**417**	**771**	**–**	**30**	**3,707**	**2,488**	**927**	**–**	**99**	**3,514**
Provisions	2,062	53	105	6	424	2,690	2,062	1,398	4	5,562	9,026
Reclassifications	–	–	–	–	–	–	–	–	–	–	–
Financial expenses	–	–	12	–	–	12	–	–	–	–	–
Actuarial (gains)/losses	–	–	64	–	–	28	–	–	–	–	–
Utilizations	(1,745)	(11)	(52)	–	–	(1,808)	(1,744)	(468)	–	(99)	(2,311)
Values as of December 31, 2015	**2,806**	**459**	**900**	**6**	**454**	**4,629**	**2,806**	**1,857**	**4**	**5,562**	**10,225**
Provisions	1,893	165	128	–	53	2,240	1,893	366	–	5,262	7,522
Reclassifications	–	–	–	(0)	(0)	(0)	(0)	–	–	(0)	(0)
Exchange rate differences	–	–	–	–	–	–	–	–	–	–	–
Financial expenses	–	–	18	–	–	18	–	–	–	–	–
Actuarial (gains)/losses	–	–	228	–	–	228	–	–	–	–	–
Utilizations	(1,569)	(98)	(117)	(3)	(357)	(2,144)	(1,569)	(1,435)	0	(4,970)	(7,973)
Values as of December 31, 2016	**3,130**	**526**	**1,157**	**3**	**150**	**4,967**	**3,130**	**789**	**4**	**5,854**	**9,777**

Current and non-current warranties provisions are reasonably estimated by the Company on the basis of the contractual guarantees issued to customers and to the past experience, and refer to costs for spare parts and labor that the Company will incur in future years for repairs of products under warranty of which sales revenues have already been recognized in the income statement of the year or of previous years.

Agents provision and Non-Competition Agreement provision represent a reasonable estimate of the expenses that the Company would incur in the event of interruption of agency relationships. 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.

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 mainly include contingent liabilities relating to bonuses to employees.

Other current provisions for risks and charges mainly relate to awards to employees for whom it is not yet defined the amount.

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

The methodology used for the discounting is recognized by the name "metodo degli anni di gestione su base individuale e per sorteggio" - 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 in the years ended as of December 31, 2016 and 2015 are the following: (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 4.50% was considered for the year 2016, unchanged with respect to 2015; (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.

In addition, the following economic-financial assumptions were taken into account:

	As of December 31	
	2016	2015
Annual technical discount rate	1.30%	2.00%
Annual inflation rate	1.50%	1.50%
Annual rate of TFR increase	2.62%	2.62%
Annual rate of salary increase	3.00%	3.00%
Annual rate of commissions increase (for the evaluation of N.C.A.)	3.00%	3.00%

As for the selection of the annual technical discount rate, the Eurozone Iboxx Corporate AA with duration consistent with the average duration of the collective under evaluation was chosen as the benchmark index.

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)	As of December 31					
	2016			2015		
	-0.50% change	Book value	0.50% change	-0.50% change	Book value	0.50% change
Employee benefit obligations	174	3,144	(160)	139	2,906	(129)
Non-Competition Agreement provision	68	1,157	(62)	46	771	(42)
Total	**242**	**4,301**	**(222)**	**185**	**3,677**	**(171)**

In regards to the discounting of the Agents provision according to IAS 37, the hypothesis of "closed group" was considered during the time framework. The evaluations 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 (unplanned) of termination of the contract with the company, and the method used is the MAGIS. As regards demographic assumptions, for the mortality rates the ISTAT 2004 assumptions were considered for the years 2016 and 2015, the INPS tables by age and gender for disability, and the requirement established by ENASARCO for the retirement age. The possibility of release of agents as result of the termination of the relationship with the Company or other causes was determined using estimates of annual frequency according to company data. Financial assumptions essentially refer to the discount rate which, as of December 31, 2016 and 2015, was chosen to be the yield that can be obtained from the Iboxx Corporate AA index with duration of 5-7 years, consistent with the duration of the collective agreement subject to evaluation, corresponding respectively to 0.40% and 1.00%.

16. OTHER NON-CURRENT LIABILITIES

The item "Other non-current liabilities", amounting to Euro 443 thousand as of December 31, 2016 (Euro 144 thousand as of December 31, 2015), mainly includes deferred income, on an accrual basis, related to revenues asSociated to long-term contracts for technical assistance.

17. TRADE PAYABLES

The item "Trade payables" amounts to Euro 104,566 thousand as of December 31, 2016 (Euro 116,384 thousand as of December 31, 2015).

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 the ordinary procurement management.

18. CURRENT TAX LIABILITIES

The item "Current tax liabilities" amounts to Euro 0 as of December 31, 2016 (Euro 11,712 thousand as of December 31, 2015). Income tax receivables as of December 31, 2016 amount to Euro 2,334 thousand and are summarized under the item "Other current assets" (see comments to note no. 10).

19. LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

The item "Liabilities for derivative financial instruments" amounts to Euro 47 thousand as of December 31, 2016 (Euro 391 thousand as of December 31, 2015).

The following table reports the liabilities for derivative financial instruments by currency as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Liabilities for derivative financial instruments		
USD	–	75
GBP	47	197
AUD	–	44
CNY	–	44
JPY	–	31
BRL	–	–
Total	**47**	**391**

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

The forward contracts as of December 31, 2016 and 2015 are reported in the note 10 "Assets for Derivative financial instruments".

20. OTHER CURRENT LIABILITIES

The item "Other current liabilities" amounts to Euro 17,670 as of December 31, 2016 (Euro 18,542 thousand as of December 31, 2015).

The following table reports the amounts of other current liabilities as of December 31, 2016 and 2015:

(In thousands of Euro)	As of December 31	
	2016	2015
Other current liabilities		
Deferred incom	2,222	2,607
Advances from clients	2,324	1,945
Payables to employees	3,227	2,360
Social security payables	2,804	2,426
Other liabilities	6,737	6,357
Accrued expenses	355	2,847
Total other current liabilitie	**17,670**	**18,542**

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

Deferred income mainly refers to scheduled maintenance contracts.

Advances from customers relates to advances and deposits received for supplies yet to be delivered.

Payables to employees are salaries for the month of December paid in January, untaken holiday entitlements and staff bonuses, which increased compared to 2015, also due to the merger which led to an increase in the number of company employees.

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 as of December 31, 2016 and 2015 mainly relate to income taxes withheld on income from employment and self-employment to be paid in the following year, as well as liabilities due to subsidiaries for subscription of capital increases not yet paid-up.

NOTES TO THE SEPARATE INCOME STATEMENT

21. REVENUES

The item "Revenues" amounts to Euro 406,475 thousand for the year ended December 31, 2016 (Euro 365,976 thousand for the year ended December 31, 2015).

The following table reports the amounts of revenues for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Revenues		
Revenues from the sale of products, spare parts, hardware and software	391,770	352,631
Revenues from transport and installation, after-sale and rental assistance	14,705	13,345
Total revenues	**406,475**	**365,976**

The following table reports the breakdown of revenues by geographic area for the years ended December 31, 2016 and 2015:

(In thousands of Euro and percentage of total revenues)	Year ended December 31	
	2016	2015
Europe (without Italy)	198,363	188,557
MEIA	50,775	49,768
APAC	56,723	43,224
Italy	54,183	44,948
North America	32,709	29,378
LATAM	16,042	10,737
Total revenues	**408,795**	**366,612**

22. OTHER OPERATING INCOME

The item "Other operating income" amounts to Euro 2,320 thousand for the year ended December 31, 2016 (Euro 637 thousand for the year ended December 31, 2015).

Other operating income consists mainly of rental income, and income from suppliers for compensation.

23. RAW MATERIALS, WORK IN PROGRESS AND FINISHED GOODS

The item "Raw materials, work in progress and finished goods" amounts to Euro 209,063 thousand for the year ended December 31, 2016 (Euro 189,852 thousand for the year ended December 31, 2015).

The following table reports the amounts of raw materials, work in progress and finished goods for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Raw materials, work in progress and finished goods		
Purchase and change in inventory of raw material	121,244	103,120
Purchase and change in inventory of finished goods	85,803	84,768
Purchase of packaging and cost for custom duties	2,140	2,097
Change in inventory of work in progress	(124)	(133)
Total raw material, consumables and goods	**209,063**	**189,853**

The growth is attributable to normal operations deriving from an increase in volumes.

24. COST OF SERVICES

The item "Cost of services" amounts to Euro 75,493 thousand for the year ended December 31, 2016 (Euro 58,861 thousand for the year ended December 31, 2015).

The following table reports the amounts of cost of services for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Cost of services		
Transport of sales, customs duties and installation	15,606	11,311
Technical assistance	4,113	2,991
Advertising	8,486	6,993
Rentals	5,837	5,385
Agents	4,853	3,555
Consulting services	5,599	5,803
Transport of purchases	693	724
Travel and representative expenses	1,265	987
Outsourcing costs	3,448	3,754
Utilities	1,233	1,177
Maintenance costs	2,715	2,003
Other services	21,645	14,178
Total cost of services	**75,493**	**58,861**

It should be noted that, during 2016, costs relating to the company cafeteria and other costs relating to personnel were reclassified from the item "service costs" to the item "personnel expenses". The impact of this reclassification as of December 31, 2015 was around Euro 4,725 thousand. The growth in transport costs is mainly attributable to the rise in the sales volumes and the reorganization of the logistics model which led to the creation of a new sorting centre in Italy as a result of the VAT situation with the Slovakian government. The increase in advertising costs in 2016 refers mainly to the advertising campaigns launched through web channels. Costs for other services mainly relate to royalties paid, costs for managing external deposits, insurance and remuneration of external directors, the board of auditors and the audit firm.

The following table reports the details of audit fees to the independent auditors for services provided to the company for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Audit fees		
Audit	210	85
Other services	0	579
Total audit fees	**210**	**664**

25. PERSONNEL EXPENSES

The item "Personnel expenses" amounts to Euro 53,804 thousand for the year ended December 31, 2016 (Euro 52,940 thousand for the year ended December 31, 2015).

The following table reports the amounts of personnel expenses for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Personnel expenses		
Wages and salaries	34,576	36429
Social security contributions	11,621	9823
Provisions for employee benefit obligations	2,046	1859
Other costs	5,561	4830
Total personnel expenses	**53,804**	**52,940**

The following table reports the average number of employees and the number of employees at the year-end divided by category for the years ended December 31, 2016 and 2015:

(In number)	Year ended December 31			
	2016		2015	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	46	43	39	43
White-collar	399	418	367	365
Blue-collar	296	291	301	299
Total number of employees	**741**	**752**	**707**	**707**

26. OTHER OPERATING COSTS

The item "Other operating cost" amounts to Euro 748 thousand for the year ended December 31, 2016 (Euro 845 thousand for the year ended December 31, 2015).

The following table reports the amounts of other operating costs for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Other operating costs		
Other taxes and indirect taxes	722	400
Other expenses	26	445
Total other operating costs	**748**	**845**

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

27. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

The item "Depreciation, amortization and impairment losses" amounts to Euro 17,096 thousand for the year ended December 31, 2016 (Euro 15,329 thousand for the year ended December 31, 2015).

The following table reports the amounts of depreciation, amortization and impairment losses for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Depreciation, amortization and impairment losses (revaluations)		
Depreciation of property, plant and equipment	8,308	7,343
Amortization of intangible assets	8,726	7,442
Impairment losses of property, plant and equipment	–	488
Impairment losses of intangible assets	62	56
Total depreciation, amortization and impairment losses (revaluations)	**17,096**	**15,329**

For the tables of details regarding the breakdown of and changes in "Property, plant and equipment" and "Intangible assets" for the years ended December 31, 2016 and 2015, see notes 1 and 2.

28. PROVISIONS

The item "Provisions" amounts to Euro 1,783 thousand for the year ended December 31, 2016 (negative balance of Euro 1,206 thousand for the year ended December 31, 2014).

The following table reports the amounts of provisions for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Provisions		
Provision for assets held by third parties	389	(4)
Bad debt provision	524	152
Warranties provision	648	636
Other provision for risks and charges	525	(1)
Ongoing lawsuits provision	(304)	423
Total provisions	**1,783**	**1,206**

29. FINANCIAL INCOME

The item "Financial income" amounts to Euro 12,722 thousand for the year ended December 31, 2016 (Euro 14,334 thousand for the year ended December 31, 2015).

The following table reports the amounts of financial income for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Financial income		
Realized exchange gains	6,817	11,707
Unrealized exchange gains	5,102	2,339
Other financial income	106	158
Bank interest receivable	697	130
Total financial income	**12,722**	**14,334**

30. FINANCIAL EXPENSES

The item “Financial expenses” amounts to Euro 13,652 thousand for the year ended December 31, 2016 (Euro 16,497 thousand for the year ended December 31, 2015).

The following table reports the amounts of financial expenses for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Financial expenses		
Realized exchange losses	10,078	10,671
Unrealized exchange losses	1,550	4,155
Bank interest on financial loans	1,437	1,193
Bank interest and fees	255	134
Other financial expenses	332	344
Total financial expenses	**13,652**	**16,497**

Other financial expenses mainly include expenses related to the discounting of employee benefit obligations and non-current provisions.

31. INCOME/(EXPENSES) FROM INVESTMENTS

The item “Income/(expenses) from investments” amounts to Euro 12,034 thousand for the year ended December 31, 2016 (Euro 7,557 thousand for the year ended December 31, 2015).

The following table reports the amounts of income/(expenses) from investments for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Income/(expenses) from investments		
Other income/(expenses) from investments	13,280	23,558
Valuation of investments in asSociates using the equity method	(1,246)	(16,002)
Total income/(expenses) from investments	**12,034**	**7,558**

The following table reports the details of dividends from investments for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Dividends from investments		
TECHNOGYM UK Ltd	6,563	6,537
TECHNOGYM International BV	1,300	–
TECHNOGYM Japan Ltd.	1,275	–
TECHNOGYM Germany GmbH	1,200	–
TECHNOGYM Benelux BV	1,019	1,855
TECHNOGYM Trading	820	–
TECHNOGYM Emirates LLC	663	2,328
TECHNOGYM Portugual Unipessoal Lda	310	375
Qicraft Finland OY	130	60
TECHNOGYM E.E. Sro	–	2,000
TECHNOGYM France Sas	–	853
MyWellness S.p.A.	–	9,550
Total dividends from investments	**13,280**	**23,558**

For the table of details relating to the breakdown of and changes in the item "Investments" for the years ended December 31, 2016 and 2015 see note 4.

32. INCOME TAX EXPENSES

The item "Income tax expenses" amounts to Euro 16,386 thousand for the year ended December 31, 2016 (Euro 15,894 thousand for the year ended December 31, 2015).

The following table reports the amounts of income tax expenses for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Income tax expenses		
Current taxes	16,094	18,684
Deferred taxes	2,088	(3,017)
Total income tax expenses for the year	**18,182**	**15,667**
Taxes relating to prior years	(1,796)	228
Total income tax expenses	**16,386**	**15,894**

The following table reports the reconciliation between the theoretical tax liability and the actual tax liability for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Year ended December 31			
	2016	%	2015	%
Profit before tax	**61,911**		**52,972**	
Income tax calculated with theoretical tax rate	**17,026**	**27.5%**	**14,567**	**27.5%**
Permanent increase differences	(4,117)	-6.6%	(7,452)	(14.1%)
Permanent decrease differences	2,021	3.3%	5,891	11.1%
Other income taxes (IRAP)	3,294	5.3%	3,126	5.9%
CFC tax	–	0.0%	77	0.1%
Taxes relating to prior years	(1,796)	-2.9%	228	0.4%
A.C.E. (aid for economic growth)	(24)	0.0%	(524)	-1.0%
Voluntary contributions	(17)	0.0%	(19)	0.0%
Totale	**16,386**	**26%**	**15,894**	**30.0%**

33. EARNINGS PER SHARE

The following table reports the calculation of the earning per share:

(In thousands of Euro)	Year ended December 31	
	2016	2015
Earnings per share		
Profit for the period (in thousand of Euro)	45,525	37,078
Number of shares (in thousand)	200,000	10,000
Total earnings per share (in Euro)	**0.23**	**3.71**

It should be pointed out that, in 2016, the number of shares rose from 10 million to 200 million and, with a view to a homogeneous comparison, earnings per share in 2015 would have been Euro 0.19, considering the current number of shares.

The basic earnings per share coincide with diluted earnings per share.

NET INDEBTEDNESS

The following table reports the details of net indebtedness of the Company as of December 31, 2016 and 2015, 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)	As of December 31	
	2016	2015
Net Indebtedness		
A. Cash	30,116	35,273
B. Cash equivalents	–	–
C. Trading securities	–	–
D. Liquidity (A) + (B) + (C)	**30,116**	**35,273**
E. Current Financial Receivables	**1,297**	**36,635**
F. Current Bank debt	(40,667)	(50,125)
G. Current portion of non-current debt	(20,739)	(17,927)
H. Other current financial debt	(26,003)	(23,939)
I. Current Financial Debt (F) + (G) + (H)	**(87,409)**	**(91,991)**
J. Net Current Financial Indebtedness (I) + (E) + (D)	**(55,996)**	**(20,082)**
K. Non-current Bank loans	(73,375)	(42,139)
L. Bonds Issued	–	–
M. Other non-current loans	(10,018)	(6,319)
N. Non-current Financial Indebtedness (K) + (L) + (M)	**(83,393)**	**(48,458)**
O. Net Financial Indebtedness (J) + (N)	**(139,389)**	**(68,540)**

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 interests;
  c) Price risk, asSociated with changes in the prices of commodities.

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) the assessment of the class of merit of customers through the use of internally developed Risk Score Rating, for the management of credit limits and any request for adequate bank or insurance guarantees to support the granting of extended payment terms; (ii) the involvement of institutionalized Credit Committees on any operation with terms other than those normally applied by the company; (iii) the adoption of policies of credit insurance; (iv) the monitoring of the balance of receivables and their maturity in a way 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 action.

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 maximum theoretical exposure to credit risk of the Company at year-end.

Liquidity risk

The liquidity risk of the Company is closely monitored by a specific control activity which, in order to minimize the risk, has led to a centralized treasury management with specific procedures that aim to optimize the management of financial resources and the needs of the companies of the Group. In particular, a set of policies and processes was adopted aimed at optimizing the management of financial resources that reduce liquidity risk: (i) the maintenance of an adequate level of available liquidity; (ii) the obtainment of adequate credit lines; (iii) the monitoring of 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 reports the amounts of credit lines available and used as of December 31, 2016 and 2015:

Credit lines	Cash Credit lines	Self-liquidating Credit lines	Financial Credit lines	Total
At December 31, 2016				
Credit lines	7,382	24,254	215,705	247,341
Utilizations	–	–	(113,887)	(113,887)
Credit lines available as of December 31, 2016	**7,382**	**24,254**	**101,818**	**133,454**
As of December 31, 2015				
Credit lines	10,732	24,635	181,405	216,772
Utilizations			(94,905)	(94,905)
Credit lines available as of December 31, 2015	**10,732**	**24,635**	**86,500**	**121,867**

The following table reports the amounts and maturity period of liabilities as of December 31, 2016 and 2015:

	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
Values as of December 31, 2016				
Non-current financial liabilities	–	71,474	11,919	83,393
Other non-current liabilities	–	443	–	443
Trade payables	104,566	–	–	104,566
Current tax liabilities	–	–	–	–
Current financial liabilities	87,362	–	–	87,362
Liabilities for derivative financial instruments	47	–	–	47
Other current liabilities	17,670	–	–	17,670
Commitments	5065	18,466	3,824	27,355
Total	**214,710**	**90,383**	**15,743**	**320,836**
Values as of December 31, 2015				
Non-current financial liabilities	–	48,458		48,458
Other non-current liabilities	–	144		144
Trade payables	116,384	–		116,384
Current tax liabilities	11,712	–		11,712
Current financial liabilities	91,599	–		91,599
Liabilities for derivative financial instruments	391	–		391
Other current liabilities	18,542	–		18,542
Commitments	4,658	18,631	6,630	29,919
Total	**243,287**	**67,233**	**6,630**	**317,150**

Commitments mainly refer to the rental fee of TECHNOGYM Village.

Market risk

EXCHANGE RATE RISK

The Company operates internationally and is exposed to currency risk in regards to commercial and financial transactions, especially in US dollars, GBP, JPY and AUD. To limit the exposure to currency risk, the Company usually enters into forward contracts to cover between 70% and 80% of the invoices in foreign currency. Up until the year ended as of December 31, 2015, fluctuations in exchange rates that may occur between the invoice and the collection of the credit are managed separately, without the use of hedge accounting, but by balancing the credit with similar debt flows.

Two exchange rate hedging contracts were stipulated in 2016 on the Euro/GBP exchange rate, accounted for by using the hedge accounting method.
Investments in foreign subsidiaries are not covered, as the currency positions are considered long-term. The following table reports the trade receivables, cash and cash equivalents, current financial liabilities and trade payables broken down by currency as of December 31, 2016 and 2015:

(In thousands of Euro)	EUR	GBP	USD	CNY	AUD	JPY	Other currencies	**Total**
Trade receivable								
At December 31, 2016	27,306	3,708	12,427	3,843	3,188	4,083	10,377	**64,932**
As of December 31, 2015	27,965	4,486	12,577	3,715	1,424	3,221	4,711	**58,099**
Current financial assets								
At December 31, 2016	956	–	1	–	–	–	–	**957**
As of December 31, 2015	35,864	3	555	–	–	–	–	**36,422**
Cash and cash equivalents								
At December 31, 2016	24,492	1,402	4,212	7	–	1	2	**30,116**
As of December 31, 2015	22,259	6,547	6,411	17	38	–	1	**35,273**
Other current assets								
At December 31, 2016	7,413	29	648	–	–	–	379	**8,468**
As of December 31, 2015	39,362	13	343	21	–	–	25	**39,764**
Non-current financial liabilities								
At December 31, 2016	83,393	–	–	–	–	–	–	**83,393**
As of December 31, 2015	48,458							**48,458**
Current financial liabilities								
At December 31, 2016	68,841	17,796	725	–	–	–	–	**87,362**
As of December 31, 2015	71,372	20,227	–	–	–	–	–	**91,599**
Trade payables								
At December 31, 2016	92,908	936	10,419	48	44	90	121	**104,566**
As of December 31, 2015	108,487	946	6,794	34	9	72	42	**116,384**
Other current liabilities								
At December 31, 2016	12,726	136	665	–	655	–	3,488	**17,670**
As of December 31, 2015	13,970	14	924	–	641	–	2,992	**18,541**

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 reports the results of the analysis for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Book value	of which subject to Currency Risk	Currency Risk	
			+5%	-5%
			Profit/(loss)	Profit/(loss)
Financial assets				
Cash and cash equivalents	30,116	5,624	(268)	296
Trade receivables	64,932	37,626	(1,792)	1,980
Current financial assets	957	1	(0)	0
Other current assets	8,469	1,055	(50)	55
Tax effect			662	(732)
			(1,447)	**1,600**
Financial liabilities				
Non-current financial liabilities	83,393	–	–	–
Current financial liabilities	87,362	18,521	882	(975)
Trade payables	104,566	11,658	555	(613)
Other current liabilities	17,670	4,943	235	(259)
Tax effect			(525)	580
			1,147	**(1,267)**
Total increase (decrease) 2016			**(301)**	**332**

(In thousands of Euro)	Book value	of which subject to Currency Risk	Currency Risk	
			+5%	-5%
			Profit/(loss)	Profit/(loss)
Financial assets				
Cash and cash equivalents	35,273	13,014	(620)	685
Trade receivables	58,099	30,134	(1,211)	1,338
Current financial assets	36,422	558	(27)	29
Other current assets	39,773	402	(19)	21
Tax effect			589	(651)
			(1,287)	**1,422**
Financial liabilities				
Non-current financial liabilities	48,458	–	–	–
Current financial liabilities	91,599	20,227	963	(1,065)
Trade payables	116,384	7,897	376	(415)
Other current liabilities	18,541	4,571	218	(241)
Tax effect			(489)	540
			(1,068)	**1,180**
Total increase (decrease) 2015			**(2,355)**	**2,603**

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 the risk of interest rate.

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 reports the results of the analysis for the years ended December 31, 2016 and 2015:

(In thousands of Euro)	Book value	of which subject to Interest Rate Risk	Interest Rate Risk			
			+ 20 bp		-20 bp	
			Profit/(loss)	Other changes in FVR	rofit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	30,116	29,764	60		(60)	
Trade receivables	64,932	–	–		–	
Current financial assets	957	957	2		(2)	
Other current assets	8,469	–	–		–	
Tax effect			(19)		19	
			43		**(43)**	
Financial liabilities						
Non-current financial liabilities	83,393	79,659	(159)		159	
Current financial liabilities	87,362	79,602	(159)		159	
Trade payables	104,566	–	–		–	
Other current liabilities	17,670	–	–		–	
Tax effect			100		(100)	
			(218)		**218**	
Total increase (decrease) 2016			**(175)**		**175**	

(In thousands of Euro)	Book value	of which subject to Interest Rate Risk	Interest Rate Risk			
			+ 20 bp		-20 bp	
			Profit/(loss)	Other changes in FVR	Profit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	35,273	35,273	71		(71)	
Trade receivables	58,099		–		–	
Current financial assets	36,422		73		(73)	
Other current assets	39,773		–		–	
Tax effect			(45)		45	
			99		**(99)**	
Financial liabilities						
Non-current financial liabilities	48,458	42,139	(84)		84	
Current financial liabilities	91,599	87,181	(174)		174	
Trade payables	116,384	–	–		–	
Other current liabilities	18,541	–	–		–	
Tax effect			81		(81)	
			(177)		**177**	
Total increase (decrease) 2015			**(78)**		**78**	

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 maximizing 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)	As of December 31	
	2016	2015
Net Indebtedness (A)	139,389	68,540
Equity (B)	132,416	85,760
Total capital (C)=(A)+(B)	**271,805**	**154,300**
Gearing ratio (A)/(C)	**51.3%**	**44.4%**

FAIR VALUE DISCLOSURE

As of December 31, 2016 and 2015, the book value 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 recognized 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 relocations between the three levels of fair value indicated in IFRS 7.

Financial instruments by category

The following tables report the financial assets and liabilities by category of financial instrument and their level of fair value as of December 31, 2016 and 2015:

2016 *(In thousands of Euro)*	Loans and receivables	Available for sales	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Other non-current assets	12,272	–	–	12,272	–	–	932	932
Non-current financial assets	**12,272**	**–**	**–**	**12,272**	**–**	**–**	**932**	**932**
Trade receivables	64,932			64,932	–	–	–	–
Cash and cash equivalents	30,116			30,116	–	–	–	–
Current financial assets	957			957	–	–	–	–
Assets for derivative financial instruments			339,910	339,910	–	339,910	–	339,910
Current financial assets	**96,006**	**–**	**339,910**	**435,916**	**–**	**339,910**	**–**	**339,910**

2015 *(In thousands of Euro)*	Loans and receivables	Available for sales	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Other non-current assets	8,610	–	–	8,610			919	919
Non-current financial assets	**8,610**	**–**	**–**	**8,610**	**–**	**–**	**919**	**919**
Trade receivables	58,099	–	–	58,099				–
Cash and cash equivalents	35,273	–	–	35,273				–
Current financial assets	36,422	–	–	36,422				–
Assets for derivative financial instruments	–	–	213	213		213		213
Current financial assets	**129,794**	**–**	**213**	**130,007**	**–**	**213**	**–**	**213**

2016 *(In thousands of Euro)*	Financial liabilities	Financial liabilities carried at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI					
Non-current financial liabilities	83,393		83,393	–	–	–	–
Non-current financial liabilities	**83,393**	**–**	**83,393**	**–**	**–**	**–**	**–**
Current financial liabilities	87,362		87,362	–	–	–	–
Trade payables	104,566		104,566	–	–	–	–
Liabilities for derivative financial instruments		47,236	47,236	–	47,236	–	47,236
Current financial liabilities	**191,928**	**47,236**	**239,164**	**–**	**47,236**	**–**	**47,236**

2015 *(In thousands of Euro)*	Financial liabilities	Financial liabilities carried at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI					
Non-current financial liabilities	48,456	–	48,456	–	–	–	–
Non-current financial liabilities	**48,456**	**–**	**48,456**	**–**	**–**	**–**	**–**
Current financial liabilities	91,599	–	91,599	–	–	–	–
Trade payables	116,384	–	116,384	–	–	–	–
Liabilities for derivative financial instruments	–	391	391	–	391	–	391
Current financial liabilities	**207,983**	**391**	**208,374**	**–**	**391**	**–**	**391**

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.

Subsidiaries

The following table provides details of the transactions between the Company and its subsidiaries for the years ended December 31, 2016 and 2015, and the incidence on the related item in the financial statemen

(In thousands of Euro)	Trade receivables		Current financial assets		Other current assets		Trade payables		Total current financial liabilities		Other current liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Subsidiaries												
TECHNOGYM Trading SA	798	2,378	–	–	–	–	225	32	1,855	2,238	–	–
TECHNOGYM France Sas	(1,300)	2,276	554	762	–	–	51	125	–	0	–	–
TECHNOGYM Shanghai Int. Trading Co. Ltd.	3,843	3,715	–	–	0	21	903	294	–	–	–	–
TECHNOGYM Japan Ltd.	4,083	3,221	–	–	–	–	89	60	–	–	–	–
TECHNOGYM Asia Ltd	(110)	412	–	–	–	–	92	26	–	–	–	–
TECHNOGYM Australia Pty Ltd	3,188	1,424	–	–	–	–	42	9	–	–	655	599
TECHNOGYM Portugual Unipessoal Lda	712	382	–	–	–	–	11	2	–	–	–	–
TECHNOGYM Z.A.O	694	84	–	–	–	–	3	2	–	–	–	–
MyWellness S.r.l	–	52	–	–	–	1,318	–	4,990	–	–	–	–
TECHNOGYM International Manno branch	–	–	–	–	–	–	39	313	–	–	–	–
TECHNOGYM UK Ltd	3,504	4,459	–	–	–	–	771	828	17,796	20,227	–	–
TECHNOGYM Germany GmbH	1,582	3,509	–	–	1,200	–	220	74	6,920	6,601	–	–
TECHNOGYM Benelux BV	1,763	2,781	–	–	–	–	201	113	4,700	5,188	–	–
TECHNOGYM USA Corp.	1,428	2,941	–	555	–	–	778	489	725	–	–	–
TECHNOGYM International BV	–	–	–	–	–	–	–	–	–	–	–	–
Laserpro S.r.l.	–	7	–	–	–	1	–	–	–	–	–	25
TECHNOGYM E.E. SRO	899	219	–	35,000	–	–	7,085	46,867	7,484	–	–	–
TECHNOGYM Equipamentos de Ginastica e Solucao para Bem-Estar LTDA	10,377	4,711	–	–	–	–	110	22	–	–	3,479	3,003
Sidea S.r.l	15	–	–	–	–	–	89	133	–	–	–	–
TGB S.r.l.	358	–	–	6	–	582	293	–	–	–	–	–
Wellness Consulting Ltd	–	–	–	–	–	–	–	–	–	–	136	14
Core Athletic LLC	–	–	–	–	277	–	–	–	–	–	–	–
Funky Bots Ltd	–	–	300	–	8	–	–	–	–	–	–	–
Total	**31,836**	**32,571**	**854**	**36,323**	**1,485**	**1,921**	**11,005**	**54,378**	**39,480**	**34,255**	**4,269**	**3,641**
% on financial statements item	**49%**	**56%**	**89%**	**100%**	**18%**	**5 %**	**11%**	**47%**	**45%**	**37%**	**24%**	**20%**

(In thousands of Euro)	Revenues		Other operating income		Raw materials, work in progress and finished goods		Cost of services		Personnel expenses		Other operating costs		Financial income		Financial expenses		Dividends from investments	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
TECHNOGYM Trading SA	18,651	14,043	5	2	(528)	(250)	(1,078)	(127)	–	–	–	–	1	–	–	–	820	–
TECHNOGYM France Sas	27,903	26,063	–	3	(593)	(813)	(3,140)	–	–	–	–	–	13	17	–	–	–	854
TECHNOGYM Shanghai Int. Trading Co. Ltd.	8,902	5,231	–	–	(19)	(36)	(2,620)	(310)	(317)	(273)	(4)	4	–	–	–	–	–	–
TECHNOGYM Japan Ltd.	15,198	12,612	228	37	(294)	(166)	(9)	(6)	–	–	–	–	–	–	–	–	1,275	–
TECHNOGYM Asia Ltd	1,054	1,222	7	–	(9)	–	(262)	(28)	(213)	(98)	–	–	–	–	–	–	–	–
TECHNOGYM Australia Pty Ltd	9,971	5,284	–	2	(123)	(34)	(3,358)	–	–	–	–	–	–	–	–	–	–	–
TECHNOGYM Portugual Unipessoal Lda	3,764	2,223	–	–	(28)	(19)	–	–	–	–	–	–	–	–	–	–	310	375
TECHNOGYM Z.A.O	9,377	8,632	62	33	(39)	(34)	(2)	–	–	–	–	–	–	–	–	–	–	–
MyWellness S.r.l	–	24	–	45	–	–	–	(7,191)	–	–	–	–	–	–	–	–	–	9,550
TECHNOGYM International Manno branch	–	–	–	–	–	–	(170)	(237)	–	–	–	–	–	–	–	–	–	–
TECHNOGYM UK Ltd	43,977	43,833	1,506	5	(4,592)	(4,079)	(224)	(109)	(204)	(67)	–	–	–	–	(136)	(209)	6,563	6,537
TECHNOGYM Germany GmbH	24,095	25,793	3	1	(515)	(631)	(1,368)	(125)	–	–	–	–	–	–	(1)	(1)	1,200	–
TECHNOGYM Benelux BV	16,749	19,682	–	–	(980)	(374)	(78)	(32)	(566)	(398)	–	–	–	4	(19)	(23)	1,019	1,855
TECHNOGYM USA Corp.	33,183	26,031	81	34	(353)	(865)	(3,219)	(763)	–	–	–	–	3	53	(4)	–	–	–
TECHNOGYM International BV	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,300	–
Laserpro S.r.l.	–	6	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
TECHNOGYM E.E. SRO	1,348	638	4	5	(47,294)	(51,601)	–	(34)	236	214	1	–	147	8	(1)	–	–	2,000
TECHNOGYM Equipamentos de Ginastica e Solucao para Bem-Estar LTDA	4,733	5,247	7	–	(71)	(47)	(1,309)	–	(260)	–	–	–	–	5	–	–	–	–
Sidea S.r.l	–	–	63	–	(437)	(375)	–	–	–	–	(1)	–	–	–	–	–	–	–
TGB S.r.l.	–	–	–	–	–	–	(4,297)	(4,301)	–	–	(40)	(40)	503	–	–	–	–	–
Funky Bots Ltd	–	–	–	–	–	–	–	–	–	–	–	–	8	–	–	–	–	–
Total	218,903	196,564	1,965	167	(55,875)	(59,324)	(21,135)	(13,262)	(1,324)	(621)	(44)	(36)	675	87	(161)	(233)	12,487	21,170
% on financial statements item	54%	54%	85%	26%	27%	31%	28%	23%	2%	1%	6%	0%	5%	1%	1%	1%	104%	280%

Joint ventures

The following table provides details of the transactions between the Company and joint ventures for the years ended December 31, 2016 and 2015, and the incidence on the related item in the financial statement:

(In thousands of Euro)	Trade receivables		Other current assets		Trade payables	
	2016	2015	2016	2015	2016	2015
Techogym Emirates LLC	131	132	340	–	70	23
Total	**131**	**132**	**340**	**–**	**70**	**23**
Percentage incidence	0%	0%	4%	0%	0%	0%

(In thousands of Euro)	Revenues		Other operating income		Raw materials, work in progress and finished goods		Cost of services		Personnel expenses		Other operating costs		Dividends from investments	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Techogym Emirates LLC	10,491	8,969	–	11	(32)	(41)	(50)	(107)	(140)	–	(1)	–	663	2,328
Total	**10,491**	**8,969**	**–**	**11**	**(32)**	**(41)**	**(50)**	**(107)**	**(140)**	**–**	**(1)**	**–**	**663**	**2,328**
Percentage incidence	3%	2%	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%	6%	31%

AsSociates

The following table provides details of the transactions between the Company and its asSociates for the years ended December 31, 2016 and 2015, and the incidence on the related item in the financial statement:

(In thousands of Euro)	Current financial assets		Trade payables	
	2016	2015	2016	2015
MPS Movimento per la Salute	2	–	–	–
Fitstadium S.r.l	100	100	–	–
Wellink S.r.l.	–	–	86	–
Total	**102**	**100**	**86**	**–**
Percentage incidence	11%	0%	0%	0%

(In thousands of Euro)	Cost of services	
	2016	2015
MPS Movimento per la Salute	(6)	–
Fitstadium S.r.l	–	–
Wellink S.r.l.	(305)	–
Total	**(311)**	**–**
Percentage incidence	0%	0%

Other related parties

The following table provides details of the transactions between the Company and other related parties for the years ended December 31, 2016 and 2015, and the incidence on the related item in the financial statement:

(In thousands of Euro)	Trade receivable		Other current assets		Trade payable	
	2016	2015	2016	2015	2016	2015
Pubblisole S.p.A	–	–	–	–	12	–
Consorzio Romagna Iniziative	–	–	(23)	(27)	0	8
Asso,Milano Durini Design	–	–	–	–	–	–
Via Durini 1 S.r.l	–	–	67	90	60	32
Candover 2005 Fund (Guernsey)	–	696	–	–	–	–
Salhouse Holding S.à.r.l.	325	–	–	–	–	–
A.C. Cesena S.p.A	–	–	–	–	–	–
One On One S.r.l	0	10	–	–	34	26
Starpool S.r.l	5	(9)	–	–	1	(2)
Total	**330**	**697**	**45**	**63**	**123**	**64**
Percentage incidence	0.5%	1.2%	0.5%	0.2%	0.1%	0.1%

(In thousands of Euro)	Revenues		Other operating income		Raw materials, work in progress and finished goods		Cost of services		Personnel expenses		Other operating costs	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Pubblisole S.p.A	–	–	–	–	–	(5)	(10)	(1)	–	–	–	–
Consorzio Romagna Iniziative	–	–	–	–	–	–	(30)	(9)	–	–	4	(2)
Asso,Milano Durini Design	–	–	–	–	–	–	(3)	–	–	–	–	–
Via Durini 1 S.r.l	–	–	–	–	–	–	(770)	(410)	–	–	(8)	–
Candover 2005 Fund (Guernsey)	–	–	–	–	–	–	–	696	–	–	–	–
Salhouse Holding S.à.r.l.	–	–	–	–	1	–	2,089	–	30	–	–	–
A.C. Cesena S.p.A	–	–	–	–	–	–	–	–	–	–	–	(1)
One On One S.r.l	50	134	–	–	–	–	(131)	(138)	–	–	3	(0)
Starpool S.r.l	16	16	1	1	–	–	(5)	(2)	–	–	–	–
Total	**66**	**150**	**1**	**1**	**1**	**(5)**	**1,126**	**136**	**28**	**–**	**(1)**	**(3)**
Percentage incidence	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	-1.5%	-0.2%	-0.1%	0.0%	0.1%	0.4%

Existing relationships with the company and Salhouse Holding S.à r.l. and Candover 2005 Fund (Guernsey) Limited relate to agreements between the company's shareholders in relation to which a recharge of a portion of the costs incurred for the Listing Process was agreed.

The relationship with Via Durini 1 S.r.l. is related to a lease agreement signed by the Company on March 31, 2010, for the lease of a building located in via Durini 1, Milan, venue of the Company's showroom. On February 29, 2016, the company signed a new lease agreement relating to the expansion of the showroom area.

The relationship with One on One S.r.l. is related to collaborations aimed at implementing and managing corporate wellness areas. More specifically, 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.

Relations with Wellink S.r.l. refer mainly to collaborations aimed at implementing personalized projects for wellness centers. During the fiscal year 2016 the Company purchased from related parties Oiren S.r.l. and Apil S.r.l. the 100% of TGB S.r.l. shares, owner of the "TECHNOGYM Village" building, representing the Group Headquarter since september 2012. The consideration paid to Oiren S.r.l. and Apil S.r.l. amount to Euro 31.766 thousands (75%) and Euro 10.589 thousands (25%) respectively.

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 2,266 thousand in 2016 (Euro 2,142 thousand for the year 2015).

The total amount of compensation paid to key management amounted to Euro 2,718 thousand for 2016 (Euro 1,957 thousand for the year 2015).

(In thousands of Euro)	Year ended December 31	
	2016	2015
Fees for office	2,008	1,221
Non-monetary benefits	48	200
Bonuses and other incentives	537	357
Other fees	125	179
Total	**2,718**	**1,957**


TECHNOGYM
TECHNOGYM

CONTINGENT LIABILITIES

As of December 31, 2016 there are no ongoing legal or tax proceedings against the Company and therefore, no particular provisions have been recognized.

COMMITMENTS AND GUARANTEES

As of December 31, 2016 the Company issued guarantees to credit institutions on behalf of subsidiaries for Euro 4,700 thousand (Euro 4,525 thousand as of December 2015) and on behalf of related parties for Euro 3,888 thousand (Euro 3,764 thousand as of December 31, 2015). The guarantees issued by the Company in favor of public institutions and other third parties amounts to Euro 2,606 thousand (Euro 2,661 thousand at December 31, 2015).

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.

NON-RECURRING EVENTS AND TRANSACTIONS

In the year ended as of December 31, 2016, the Company signed a sale agreement regarding 100% of the shares of TGB Srl, holder of the right of ownership on the property complex known as Technogym Village, the Group's operating headquarters since September 2012. TGB S.r.l. also holds all of the share capital of the company La Mariana Srl. On April 8, 2016, through the newly formed subsidiary Amleto ApS, Technogym acquired a 50.01% stake in Exerp ApS, a Danish company that provides software solutions for the management of fitness centers and sports centers.

NON-RECURRING EXPENSES AND INCOME

Non-recurring expenses were incurred in 2016, booked to the items service costs for Euro 2,372 thousand, relating primarily to listing costs, personnel expenses for Euro 613 thousand.

EVENTS AFTER DECEMBER 31, 2016

There were no significant events after the close of the year.

On behalf of the Board of Directors

The President
Nerio Alessandri

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND THE ALLOCATION OF THE RESULT FOR THE YEAR ENDED DECEMBER 31, 2016

The financial statement at December 21, 2016 has a net earnings equal to Euro 45,252,041.47.

Shareholders,
In conclusion to these explanatory notes, we invite you to approve the Technogym S.p.A.'s stand alone Financial Statements as at and for the year ended 31 December 2016 by adopting the following decision.

"The Shareholders' Meeting:
- analyzed the Board of Directors Report;
- took in consideration the Report of the Board of Statutory Auditors and the Report of PriceWaterhouseCoopers S.p.A. as Indipendent Auditors;
- examined the Financial Statements at December 31, 2016, as per the one's approved by the Board of Directors Meeting, with a net earnings equal to Euro 45,252,041.47

resolves

- to approve the Financial Statements at December 31, 2016
- to allocate the net profit for the year of Technogym S.p.A. of Euro 45,525,041.47 as follows:
  (i) to the shareholders, as dividend, Euro 0.065 per ordinary share entitled to a dividend for a total of Euro 13,000,000;
  (ii) Euro 3,272,728.20 to the exchange rate reserve;
  (iii) Euro 790,217.07 to the First Time Adoption (FTA) reserve;
  (iv) Euro 28,462,096.20 to Retained earnings.
- that the dividend be paid on May 17, 2017, the dividend record date and ex-dividend date being May 16, 2017 and May 15, 2017 respectively".

***

The financial statements, comprised of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and explanatory notes to the financial statements give a true and fair view of the financial position and the results of operations and cash flows and corresponds to the Company's accounting records.

The President
Nerio Alessandri

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS OF TECHNOGYM S.P.A. AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TECHNOGYM GROUP PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14TH, 1999, AS AMENDED

1. The undersigned, Nerio Alessandri, in his capacity as the Chief Executive Officer of the Company, and Stefano Zanelli, as the executive officer responsible for the preparation of Technogym S.p.A.'s Financial Statements, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest:

- the adequacy with respect to the Company structure
- the effective application of the administrative and accounting procedures applied in the preparation of the Company's separate financial statement and consolidated financial statements from 1 January 2016 to 31 December 2016.

2. The undersigned moreover, attest that the Separate Financial Statement and Consolidated Financial Statement:

   a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;
   b) correspond to the amounts shown in the Company's accounts, 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 Director's Report 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, March 6, 2017

Chairman of the board
of directors
and chief executive officer

Nerio Alessandri

Executive officer responsible
for the preparation of the
company's financial statements

Stefano Zanelli

REPORT OF THE BOARD OF STATUTORY AUDITORS

ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

OF TECHNOGYM SPA,

DRAFTED PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/1998

AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

The Financial Statements at 31 December 2016 of Technogym S.p.A. details an extraordinary event regarding the company and that saw it having to face up to a very deep and far reaching organisational change because, on 3 May 2016, the company was quoted on the computerised stock market, which is managed by Borsa Italiana S.p.A., and therefore the Financial Statements for the fiscal year 2016 are the first set of them that has been drawn up for Stock Exchange presentation and observing the consequently required disclosures..

The Board of Statutory Auditors, as it is currently made up, was appointed by the Shareholders Meeting of the company with effectiveness starting from 3 May 2016, which is the date when there were begun the trading of its shares on the computerised stock market managed by Borsa Italiana. The Board of Statutory Auditors will remain in office until the date of the approval of the company's Financial Statements for the fiscal year closed at 31 December 2018.

The fiscal year closed at 31 December 2016 shows a profit for the year of Euros 45,525,041 compared to aprofit for the previous fiscal year of Euros 37,077,862.

The Financial Statements were approved by the Board of Directors of the company on 6 March 2017, together with the Consolidated Financial Statements of the Technogym Group.

The Board of Statutory Auditors of the company, during the year 2016 from the date of its appointment has carried out the activities of surveillance while observing the relative legal measures and also taking into account the communications and recommendations of Consob (Italian SEC) regarding company internal controls and the activities of the Board of Statutory Auditors, of the principles of behaviour recommended by the Italian National Council of Certified Public Accountants and Accounting Experts, as well as the indications contained in the Code of Self-Regulation.

The Board of Statutory Auditors, pursuant to article 19 of the Legislative Decree 39/2010, also carries out the functions of the Internal Controls Committee and the accounting audit. Regarding the tasks involved in the legally valid audit of the company's accounts these are currently carried out by the company PricewaterhouseCoopers S.p.A., appointed with the resolution passed by the Shareholders Meeting held on 16 February 2016, effective from the date of the start-up of trading in the company's shares and for the nine-year period 2016-2024.

Most of the company's within the Technogym Group are subjected to a legal audit of their accounts, the extent of which is differentiated according to how significant they are, by external auditing companies .

Technogym S.p.A. is the holding company of the Group and, therefore, it also draws up a set of Consolidated Financial Statements.

The company is a subsidiary of the company Wellness Holding S.r.l. that owns 60% of the company's Share Capital and holds 75% of its voting rights and this latter company, in its turn, is owned by Nerio Alessandri, Chairman of the Board of Directors and Managing Director of the company.

The company has not received any operational directives that are such as to consider that it is subject to the management and coordination of another company, pursuant to the article 2497 of the Italian Civil Code, because according to the company's Directors there do not exist, as has been reported in the company's Report on Governance, any of those activities that are typically associated with a company being managed and coordinated by another one.

Regarding the activities that were carried out during the fiscal year – also while observing the indications concerning them supplied by Consob (Italian SEC), with its Communication DEM/1025564 of 6 April 2001 and its successive changes and additions, which is a communication detailing the contents of the of the Board of Statutory Auditors Report to the Shareholders Meeting that is referred to in the article 2429, paragraph 3, of the Italian Civil Code and article 153, paragraph 1, of the Legislative Decree 58798 – The Summary Sheet of the activities carried out by Boards of Statutory Auditors – we refer the following.

1. Based on the information received and the specific analyses that have been carried out we have ascertained that the operations carried out by the company that are most outstanding from an economic, financial and equity perspective conform to the relative legislation, to the company's articles of incorporation and to the principles of a correct and proper administration.
   We have checked that none of these operations and transactions were patently imprudent or risky, that there were no potential conflicts of interest involved, that they were not in contrast with any of the resolutions passed by the Shareholders Meeting of the company or that were such as to compromise the integrity of the assets and equity of the company.
   Among the most outstanding facts that took place during the financial year that was closed at 31 December 2016 the following ones are highlighted because of their relevancy:
   - The purchase, at the final price of Euros 42,354 thousand, of 100% of the capital of TGB Srl, a company that owns the real estate complex called Technogym Village, where the Group has its headquarters consisting of industrial buildings, offices and green areas.

     In the Explanatory Notes to the Financial Statements there is given ample detail regarding the transaction. The seller companies are directly owned by the Chairman and Managing Director and the Vice Chairman of Technogym and are related parties. The sales was finalised in the month of February 2016 and, therefore, before the company was quoted on the stock exchange.

   - The purchase through the newly incorporated company Amleto ApS of 50.01% of the Share Capital of Exerp ApS, a Danish company specialised in the commercialisation of operational and management software for fitness clubs.

     The purchase price was Euros 17,696 thousand. The purchase was finalised in the month of April 2016, and, therefore, before the company was quoted on the stock exchange.

     Ample details of this transaction are also given in the Explanatory Notes to the Financial Statements.

2. The Board of Statutory Auditors, during the financial year 2016 and after its closure, have not found any atypical and/or unusual transactions carried out with any third or related parties, including Group companies, also pursuant to the indications supplied by CONSOB (ITALIAN SEC), With its Communication number DEM/6064293 of 28 July 2006 ("Company Disclosure by quoted issuers and by issuers who have financial instruments that are spread among the general public as referred to in article 116 of the TUF (Consolidated Finance Act) – Request pursuant to the article 114, paragraph 5, of the Legislative Decree. 58/98").

3. With reference to the normal business transactions of the company with Group companies and related parties, which are edescribed by the Directors in theier Report on Operations and in the Explanatory Notes to the Financial Statements, to which reference should be made for details, they were found to be congruous and in line with the interests of the company.

   Relative to these matters, the Board of Statutory Auditors highlights the fact that, in observance of the measures contained within the CONSOB (ITALIAN SEC) communication number 1007868 of 24 September 2010, the company has put in place a procedure regarding transactions with related parties and setting up, starting from 11 May 2016, a specific Committee for the Transactions and Operations with Related Parties, within the Board of Directors.

The procedure establishes the criteria for identifying related parties and for distinguishing between operations and transactions of major and minor relevancy indicating the criteria and the methodologies for the relative procedural governance.
During the year 2016, as has been stated in the Report on Corporate Governance the Committee for the Transactions and Operations with Related Parties has never held a meeting, because the company has not carried out any operations or transactions that required a prior meeting of the committee.
With reference to operations and transactions with related parties the Board of Statutory Auditors considers that the information given by the Directors in their Report on Operations and in the Explanatory Notes to the Financial Statements.

4. The company assigned with the legal audit of the company's accounts PricewaterhouseCoopers S.p.A. issued today, pursuant to the articles 14 and 16 of the Legislative Decree 39/2010, its Audit Report on the Financial Statements for the year closed at 31 December 2016 of Technogym S.p.A., within which there is the attestation that states "the Financial Statements for the fiscal year give a true and fair view of the equity, asset and financial situations of Technogym S.p.A. at 31 December 2016, of the financial result and of the cash flows for the company's fiscal year closed at that date. They conform to the International Financial Reporting Standards adopted by the European Union, as well as to the measures issued to actuate article 9 of the Legislative Decree. number 38/05" and also that "the Report on Operations and the information in the Report on Corporate Governance and regarding the ownership referred to above are in line with the Financial Statements of Technogym S.p.A. for its fiscal year closed at at 31 December 2016".
5. Again today the company assigned to the legal audit of the company's accounts has also issued, pursuant to articles 14 and 16 of the Legislative Decree. 39/2010, its Report on the Consolidated Financial Statements for the fiscal year closed at 31 December 2016 of the Technogym Group in which it attests that "the Consolidated Financial Statements give a true and fair view of the equity, asset and financial situations of the Technogym Group at 31 December 2016, of the financial result and of the cash flows for the company's fiscal year closed at that date, in conformity with the International Financial Reporting Standards adopted by the European Union, as well as to the measures issued to actuate article 9 of the Legislative Decree. number 38/05" and also that "the Report on Operations and the information in the Report on Corporate Governance and regarding the ownership referred to above are in line with the Consolidated Financial Statements of the Technogym Group for its fiscal year closed at at 31 December 2016".

6. Relative to the actions regarding its surveillance over the independence of the company to which there has been assigned the legally valid audit of the company's accounts, which is referred to in article 19, paragraph 1, letter d), of the Legislative Decree 39/2010, the Board of Statutory Auditors, also in its position as the Committee for Internal Controls and the Accounting Audit refers that, with the communication dated 24 March 2017 pursuant to the article 17, paragraph 9, letter a) of the aforesaid Decree, PricewaterhouseCoopers S.p.A. confirmed its position of independence and communicated regarding the auditing services and the other services, different from those of auditing, that were supplied to the company directly, through entities belonging to its network, giving precise details of the fees involved.

   The audit fees for the fiscal year that have been incurred by Technogym S.p.A. from the company to which there has been assigned the legally valid audit of the company's accounts PricewaterhouseCoopers S.p.A. and that amount, on an overall total basis and gross of the Consob (Italian SEC) contributions and expenses, to Euros 210,000 are shown by the Directors of the company in the table that has been drawn up pursuant to the article149, part twelve, of the CONSOB (ITALIAN SEC) Regulation number 11971 of 14 May 1999 and its successive changes and additions, i.e. the "Regulation for the actuation of the Legislative Decree of 24 February 1998, number 58, concerning the governing of the issuers" and also according to the " Issuers' Regulations.
   Taking into account the following:
   - The declaration of independence issued by the external auditing company PricewaterhouseCoopers S.p.A., pursuant to the article 17, paragraph 9, of the Legislative Decree 39/2010 and also the Transparency Report produced by that company, pursuant to the article 18,

paragraph 1, of the Legislative Decree. 39/2010 and published on the company's own Internet site:

- The assignments that, in the past, were conferred upon the auditing company by Technogym and by the companies of the Group.

The Board of Statutory Auditors does not believe that there exist any aspects that have to be highlighted regarding the independence of the company PricewaterhouseCoopers S.p.A.

7. During the whole of the company's fiscal year 2016 and afterwards, from the beginning of the fiscal year 2017, until today there have not arrived at the Board of Statutory Auditors any denunciations or claims regarding the company.

8. The Board of Statutory Auditors, during the company's fiscal year and after its closure, issued a favourable opinion regarding the appointment of the manager of the Internal Audit function and of the work plan proposed by him, regarding the evaluation by the Controls and Risks Committee relative to the correct utilisation of the accounting principles and their homogeneousness for the purposes of the drawing up of the Consolidated Financial Statement and the Impairment Test methodology put in place by the company in conformity with the measures contained in the International Accounting Standards.

9. As highlighted by the Directors in their Yearly Report on Corporate Governance and on the Owned Assets of the company for the fiscal year 2016, which were drawn up pursuant to the article 123, part two, of the Legislative Decree 58/1998 and approved at the Board of Directors Meeting of 6 March 2017, afterwards also called the "Report on Corporate Governance". During the year 2016 the Board of Directors of the company held 10 meetings, the Controls and Risks Committee met 4 times, the Compensation Committee met once, while the Committee for Operations and Transactions with Related Parties did not hold any meetings.

   The Board of Statutory Auditors, as it is currently made up, during the year 2016 met 5 times. Furthermore, the Board of Statutory Auditors took part in the following meetings:

   i. All the meetings of the Board of Directors, with the presence at each of them of at least two of the members of the Board of Statutory Auditors.
   ii. All of the meetings of the Controls and Risks Committee with the presence at each of them of at least one of the members of the Board of Statutory Auditors.

10. The Board of Statutory Auditors has gained knowledge and watched over, insofar as such matters fall within its own competencies, that there have been fully observed the principles of a correct and proper administration of the company, through direct observation, the gathering of information from the Managers of company functions, meetings with the Internal Audit Manager and with the Controls and Risks Committee, as well as with the managers of the company assigned with the legally accepted audit of the company's accounts for the purpose of a reciprocal exchange of relevant information and data.

    During the Board of Statutory Auditors Meetings there were fulfilled all the obligations regarding the periodic disclosures to the Board of Directors and to the Board of Statutory Auditors established by article 2381, of the Italian Civil Code and article 150 of the Legislative Decree 58/1998

    The Board of Statutory Auditors has also gained knowledge and watched over, insofar as such matters fall within its own competencies, the appropriateness and adequacy of the organisational structure of the company and its functioning, through the acquisition of information from the Mangers of the competent company functions and through meetings and exchanges of information with the auditing company to which there has been assigned the legally valid audit of the company's accounts. The Board of Statutory Auditors highlights the fact that none of the subsidiary companies has put in place a Board of Statutory Auditors.

11. Specifically, regarding the overseeing of an organisational and procedural nature put in place pursuant to Legislative Decree 231/2001, also based on what can be seen in the Corporate Governance Report that was drawn up by the Directors, the Board of Statutory Auditors refers that Surveillance Body as per the Legislative Decree 231/2001 has been set up and put in place since 28 May 2013, renewed on 4 agosto 2016 and that, with its current membership, will remain in office until the date of the approval of the Financial Statements of the company for the fiscal year closed at 31 December 2018. The aforesaid Surveillance Body has ensured an adequate and appropriate level of disclosure regarding the activities carried out during the fiscal year 2016, without having had to highlight any facts or situations that would have had to be shown in this Report.

12. The Board of Statutory Auditors has watched over, also in its position as the Committee for Internal Controls and the Accounting Audit, pursuant to the article 19, paragraph 1, letter b), the adequacy and efficiency of the internal controls and internal audit systems. The surveillance activities were carried out through the following: (i) the information received at the times of periodic meetings with the Internal Audit Manager, (ii) the information flows from the Controls and Risks Committee and, specifically, through the examination of the Report on the activities carried out, as well as regarding the adequacy of the internal controls system and that of risk management, (iii) the information supplied by the Surveillance Body that was put in place pursuant to Legislative Decree 231/2001, particularly regarding the information shown in the relative periodic disclosure documents, (iv) the examination of the company's documents and the results of the work carried out by the company to which there is assigned the legally valid audit of the company's accounts PricewaterhouseCoopers.

13. The Board of Statutory Auditors points out that the company: (i) operates in conformity with the measures introduced by the Law 262/2005, having appointed the company Executive responsible for the drafting of the company's accounting documents and also has adopted the relative operational guidelines, (ii) it has put in place the Internal Audit function, that has no dependent links with the operational functions and that is committed to identifying any eventual criticalities regarding the internal controls system, punctually referring them to the Controls and Risks Committee.

    Furthermore, the Board of Directors, as shown in the Corporate Governance Report says that "at the same time as the quotation process was taking place the company started a process to define the model for the integrated management of risks called ERM for the purpose of spreading within the company the culture of preventing and reducing risks and ensuring transparency regarding the profile of the risk that the company has taken on. The ERM model will be finalised during 2017 in order to better identify, oversee and govern the risk areas while ensuring the achievement of the company's strategic and operational goals, the trustworthiness if the financial disclosures, the observance of the relatives laws, rules and regulations and the safekeeping of the company's assets".

    In the Corporate Governance Report the Directors make reference to the activities carried out for the purpose of evaluating and managing the risk profiles.

    The analyses of the abovementioned risk profiles are carried out with the support of the Internal Audit function. Regarding the above, also in the light of the surveillance activity carried out and also taking into account the evaluation of the adequacy of the internal controls system put in place by the Board of Directors and the Controls and Risks Committee, as well as the results of the Internal Audit function's activities, it is highlighted, insofar as this falls within the competencies of the Board of Statutory Auditors, there has not emerged anything that has raised doubts regarding the adequacy and effectiveness of the overall internal controls system.

14. The Board of Statutory Auditors has evaluated and watched over the adequacy of the administrative/accounting system and its trustworthiness in correctly illustrating the company's operations by means of the following: (i) the information acquired during the meetings with the company Executive responsible for the drafting of the company's accounting documents, as well as the attestations issued by this latter on 6 March 2017 pursuant to the article 154, part two, paragraph 5, Legislative Decree 58/1998 and article 81part three, of the CONSOB (ITALIAN SEC) Regulation number 11971 of 14 May 1999 and its successive changes and additions ("Regulation actuating the

Legislative Decree of 24 February 1998, number 58 concerning the governance of the issuers" also called the "Issuers' Regulation"), (ii) the obtaining of information from the managers of the competent company functions, (iii) the examination of the company documents and of the results obtained by the company assigned with the legally valid audit of the company's accounts PricewaterhouseCoopers S.p.A.

The Board of Statutory Auditors, in the light of the surveillance activities carried out considers insofar as this falls within its competencies that the company's administrative/accounting system is basically adequate, appropriate and trustworthy for the purpose of correctly illustrating the company's operations.

15. With specific reference to the surveillance activity regarding the financial disclosures process, which is referred to in the article 19, paragraph 1, letter a), of the Legislative Decree. 39/2010, the Board of Statutory Auditors, in its position as the internal controls and accounting audit Committee, declares that the company assigned with the legally valid audit of the company's accounts, in the context of the exchanges of information, has communicated to the Board of Statutory Auditors that the checks carried out on the internal controls system relative to the financial disclosures process have not brought to light any significant defects that would have to be mentioned in the Report as article 19, paragraph 3, of the Legislative Decree. 39/2010.

16. The Board of Statutory Auditors has watched over the adequacy of the measures to be followed that have been issued by the company to its subsidiaries pursuant to the article 114, paragraph 2, of the Legislative Decree 58/1998, considering them to be suitable for the purpose of fulfilling all the communication obligations established by the relative legislation.

17. During the financial year, the Board of Statutory Auditors periodically met with representatives of the company assigned with the legally valid audit of the company's accounts for the purpose of exchanging information and data with them, pursuant to the article 150, paragraph 3, of the Legislative Decree 58/1998. Furthermore, concerning the duty to oversee the legally valid audit of the yearly and consolidated accounts, which are referred to in article19, paragraph 1, letter c), of the Legislative Decree 39/2010, the Board of Statutory Auditors, also taking into account the applicable recommendations and interpretations, has fulfilled the said surveillance duty by requesting the company assigned with the legally valid audit of the company's accounts, during the meetings with its representatives, to illustrate the approach it has taken to the audit, the fundamental aspects of its work plan, as well as the main findings resulting from the checks it has carried out.

    Based on the information received from the company assigned with the legally valid audit of the company's accounts there have not emerged any facts, circumstances or irregularities that would have to be highlighted in this Report.

18. The company, as already referred to, follows the Code of Self-Regulation produced by the Committee for Corporate Governance of Quoted Companies and promoted by Borsa Italiana (the "Code of Self-Regulation").

19. The system of corporate governance adopted by the company is described in detail in the Corporate Governance Report for the financial year 2016.

    The Board of Statutory Auditors also points out that, during the Board of Directors of 6 March 2017, there was carried out, also in the presence of the Board of Statutory Auditors, the yearly check on the independence requisites of the Directors of the company. The results of this are given in the Corporate Governance Report to which reference should be made for the details. The members of the Board of Statutory Auditors have observed the limitation on the number of offices they can hold that is established by article 144, part thirteen, of the CONSOB (ITALIAN SEC) Regulation number 11971 of 14 May 1999 and its successive changes and additions ("Regulation of actuation of the Legislative Decree of 24 February 1998, number 58, concerning the governance of the issuers" also called the "Issuers' Regulation").

Lastly, the Board of Statutory Auditors makes it known that, as shown in the Corporate Governance Report, the company has adopted an ethical code that governs the organisational procedure regarding Internal Dealing (Delegated Regulation 522 and Delegated Regulation 523 of the European Commission) and the ethical code that governs the organisational procedure aimed at identifying the relevant parties, setting the methodologies of communicating to them after they have been identified and the governing of the connected disclosure obligations regarding the company and the market.

From the surveillance and controls activities carried out by the Board of Statutory Auditors there have not emerged anything significant that would have to be mentioned in this Report.

The Board of Statutory Auditors, concerning the draft of the Financial Statements for the fiscal year at 31 December 2016, which closed with a profit for the accounting period of Euros 45,525,041, as well as the results of the work carried out by the company assigned with the legally valid audit of the company's accounts and also taking into account everything that is contained in this Report raises no objections regarding the approval of the draft of the Financial Statements and the relative resolution proposals presented by the Board of Directors.

Milan 24 March 2017

The Board of Statutory Auditors

Dr. Claudia Costanza – Chairman

Dr. Ciro Piero Cornelli – Active Statutory Auditor

Dr. Gianluigi Rossi - Active Statutory Auditor

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Technogym SpA

Report on the financial statements

We have audited the accompanying financial statements of Technogym SpA, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Technogym SpA are responsible for the preparation of financial statements that give a true and fair view in compliance 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Technogym SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance 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

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Technogym SpA, with the financial statements of Technogym SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Technogym SpA as of 31 December 2016.

Bologna, 24 March 2017

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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LET'S MOVE


LET'S MOVE

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