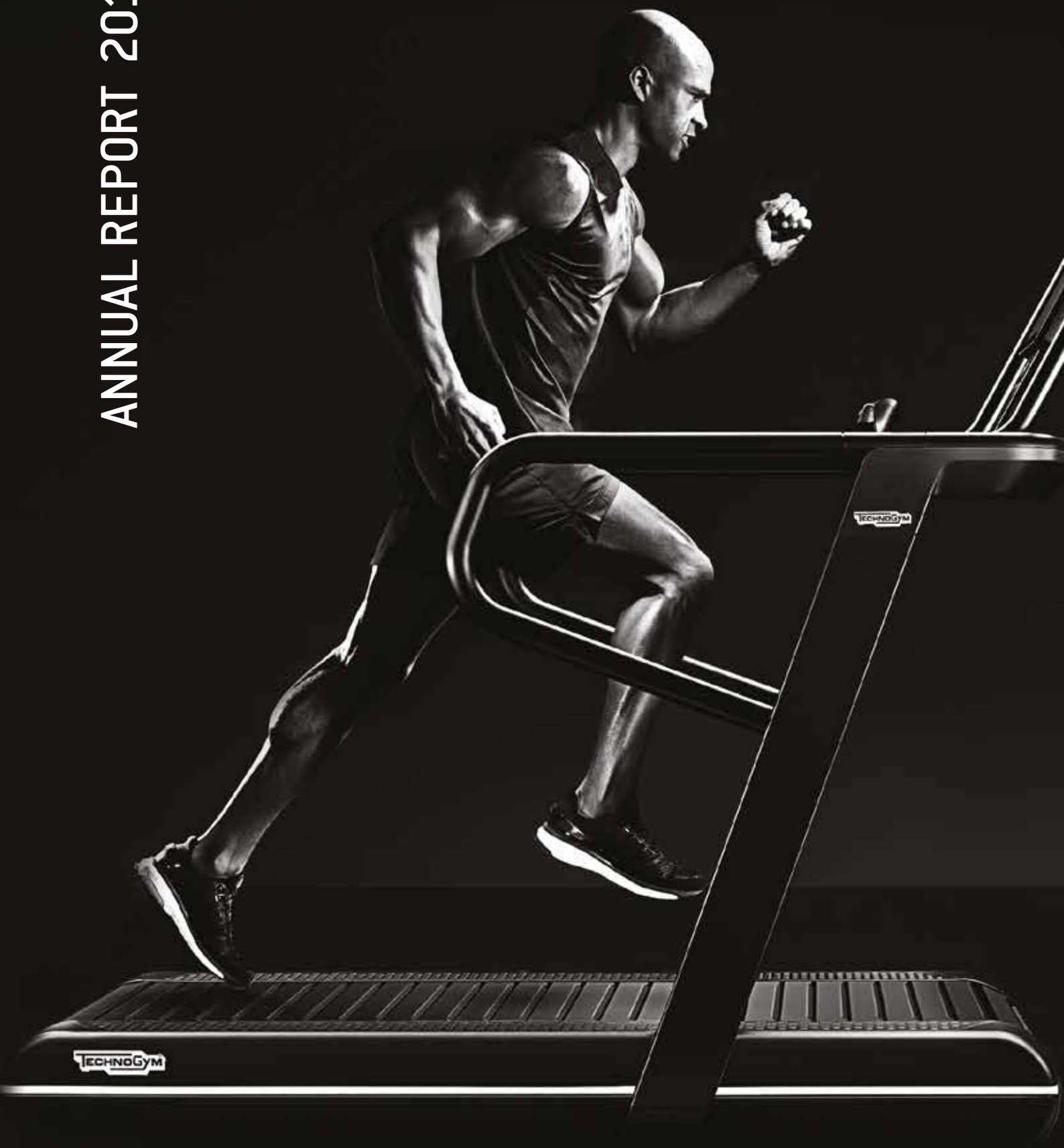


ANNUAL REPORT 2017



The Wellness Company

ANNUAL REPORT

AS OF 31 DECEMBER 2017



INDEX

ANNUAL REPORT AT DECEMBER 31, 2017

FIRST SECTION

LETTER TO THE SHAREHOLDERS	10
FINANCIAL HIGHLIGHTS	13
CORPORATE OFFICERS	14
GROUP ORGANIZATIONAL CHART AS OF DECEMBER 31, 2017	15
THE TECHNOGYM BRAND	16
WELLNESS®	23
STRATEGY	25
BUSINESS MODEL	26
EVENTS, REFERENCES AND PARTNERSHIPS	45
THE TECHNOGYM VILLAGE	50
HUMAN RESOURCES AND ORGANIZATION	52
SOCIAL RESPONSIBILITY AND SUSTAINABILITY	56
TECHNOGYM AND THE STOCK MARKETS	61

SECOND SECTION

INTRODUCTION	68
OPERATING PERFORMANCE AND COMMENTS ON THE ECONOMIC AND FINANCIAL RESULTS	69
COMMENTS ON THE GROUP'S ECONOMIC AND FINANCIAL RESULTS	73
COMMENTS ON THE ECONOMIC AND FINANCIAL RESULTS (TG SPA)	77
RISK FACTORS	80
INVESTMENTS AND ACQUISITIONS	82
RELATED PARTY TRANSACTIONS	83
SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD	84
OUTLOOK	85
CORPORATE DATA	86

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2017

TECHNOGYM GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	92
CONSOLIDATED INCOME STATEMENT	94
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	95
CONSOLIDATED STATEMENT OF CASH FLOW	96
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY	98

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION	102
SUMMARY OF ACCOUNTING STANDARDS.	103
ESTIMATES AND ASSUMPTIONS	118
SEGMENT INFORMATION	120
NOTES TO THE STATEMENT OF FINANCIAL POSITION	121
NOTES TO THE INCOME STATEMENT	147
NET INDEBTEDNESS	155
FINANCIAL RISK MANAGEMENT	156
RELATED PARTY TRANSACTIONS	163
CONTINGENT LIABILITIES	166
COMMITMENTS AND GUARANTEES	167
NON-RECURRING EVENTS AND TRANSACTIONS	168
EVENTS AFTER DECEMBER 31, 2017	169

SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2017

TECHNOGYM SPA FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION	178
SEPARATE INCOME STATEMENT	180
STATEMENT OF COMPREHENSIVE INCOME	181
STATEMENT OF CASH FLOW	182
STATEMENT OF CHANGE IN EQUITY	183

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

GENERAL INFORMATION	186
BASIS OF PREPARATION	187
ACCOUNTING POLICIES	188
ESTIMATES AND ASSUMPTIONS	199
NOTES TO THE STATEMENT OF FINANCIAL POSITION	201
NOTES TO THE SEPARATE INCOME STATEMENT	230
NET INDEBTEDNESS	239
FINANCIAL RISK MANAGEMENT	240
RELATED PARTY TRANSACTIONS	248
CONTINGENT LIABILITIES	253
COMMITMENTS AND GUARANTEES	254
NON-RECURRING EVENTS AND TRANSACTIONS	255
NON-RECURRING EXPENSES AND INCOME	256
EVENTS AFTER DECEMBER 31, 2017	257
MOTION TO APPROVE THE FINANCIAL STATEMENTS AND THE ALLOCATION OF THE PROFIT FOR 2017	258

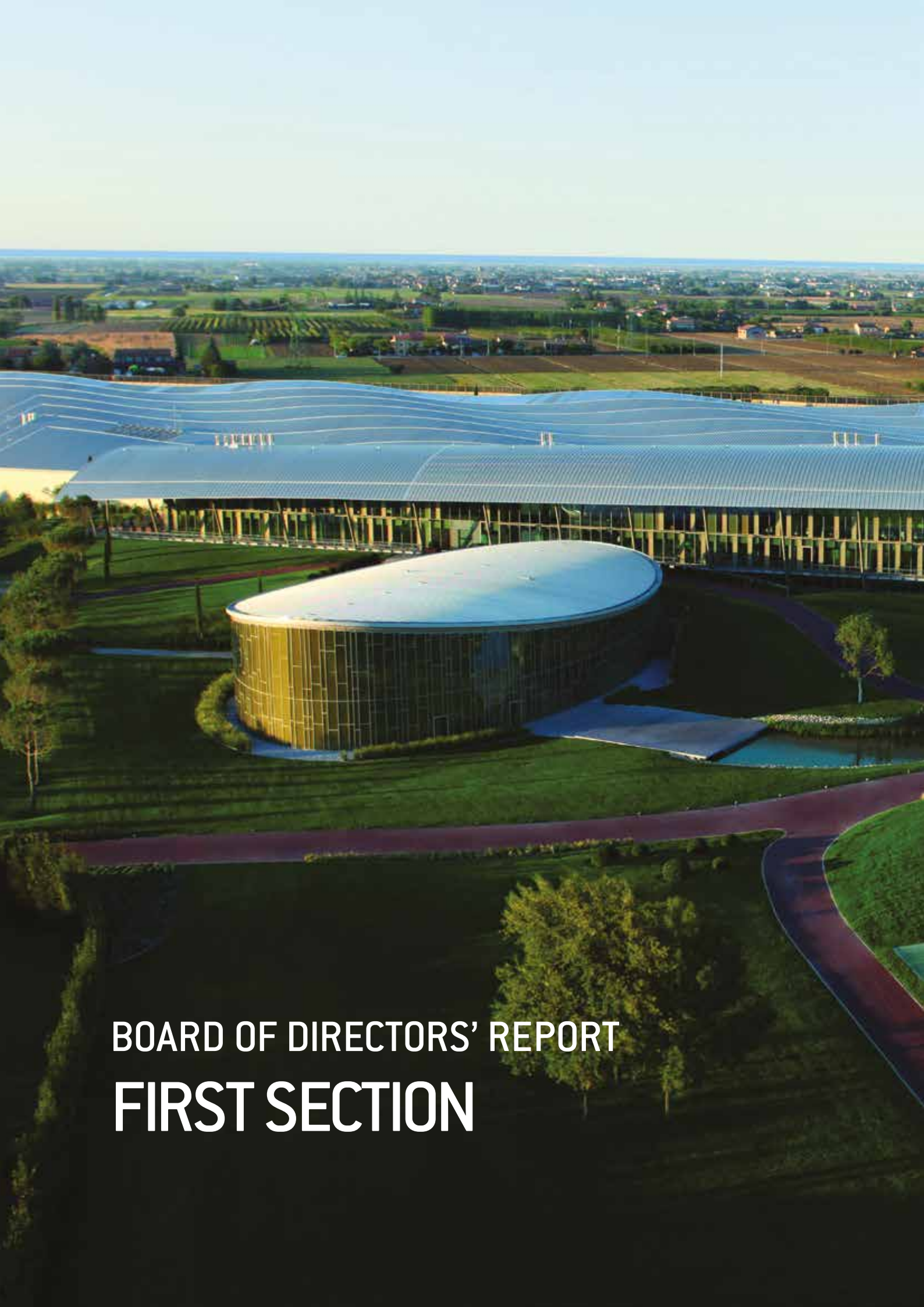


01

BOARD OF
DIRECTORS' REPORT

FIRST SECTION

SECOND SECTION



BOARD OF DIRECTORS' REPORT FIRST SECTION



LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2017 was our first full year as a listed company and has come to a close with a solid sales performance at global level, in all areas, both in consolidated markets like Europe and the Middle East and in markets with high potential for the future, like China and the United States.

On behalf of all the team at Technogym, I am particularly proud to inform you that profits grew more in proportion to sales in 2017, marking progress compared to the already important results recorded in 2016, both in terms of EBITDA and net profit. This result was made possible by the dedication of all the team and in particular is the result of the launch of unique new products and of new and exclusive digital solutions.

Technogym has reinstated its leadership in digital innovation. Our Mywellness platform based on cloud and IoT technologies and launched in 2012 is now the benchmark in the “Connected Wellness” sector and there are now around 15,000 fitness and wellness centres connected up, with more than 10 million people using our digital solutions out of a total of 40 million people working out with Technogym around the world, every day. We confirmed our leadership again in 2017 when Technogym was the first player in the industry to implement connectivity between its products and Apple Watch. Today, the feature is already operational for about 5,000 Technogym products around the world.

Innovation remains at the centre of our strategy, also in terms of equipment. Over the course of last year, Technogym launched SKILL LINE, a full range for athletic training that runs alongside the more consolidated sectors of fitness and medical solutions and includes new products like SKILLROW and SKILLRUN combining design and sports performance. SKILL LINE opens up the new market of sport performance for training and core workouts in all sports disciplines.

I am also very proud of the team that has strengthened in the last years: in facts, Technogym count on a top management with strong competences on all the business areas, both in headquarter and in international subsidiaries.

2018 got off to a start with our seventh Olympics: Technogym was chosen to be the official sponsor of the Winter Olympics in Korea. And in April we launched our new SKILLBIKE - the bike designed for performance training, bringing the experience of road cycling, triathlon or mountain bike inside the gym.

Lastly, our commitment in terms of corporate social responsibility will continue through the promotion of wellness, not only as a business opportunity, but also as a social opportunity for all stakeholders: for governments, which can reduce public health costs by initiating prevention policies, for companies, which thanks to wellness programmes can rely on more motivated, more creative employees, and for citizens who can improve their daily lifestyle.

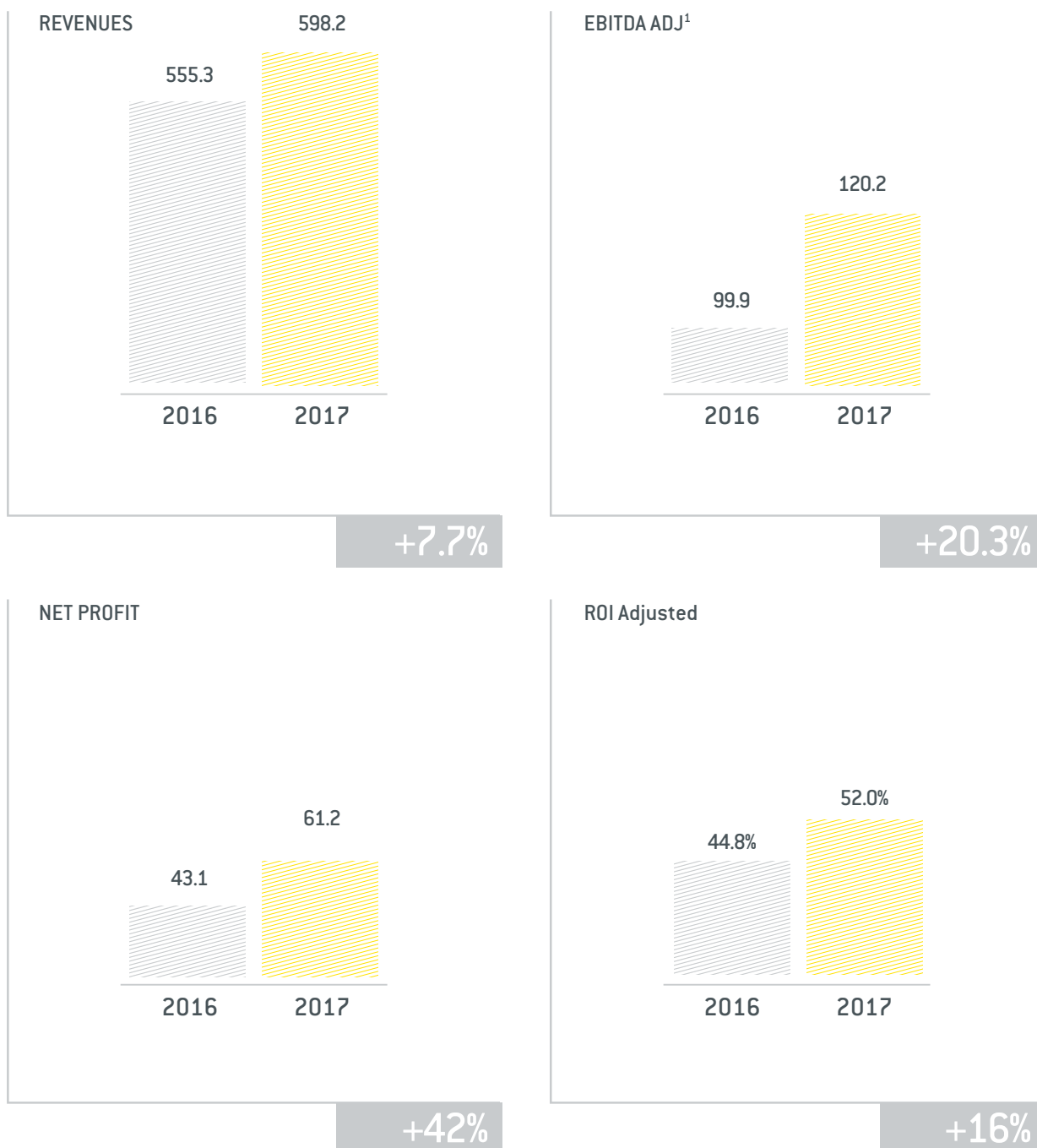
Let's Move for a Better World,

Nerio Alessandri





FINANCIAL HIGHLIGHTS



(In million of Euro and ratios)

(1) Group definition of Adjusted EBITDA: net operating income, adjusted by the following income statement items: (i) net provisions; (ii) depreciation, amortisation and impairment, and (iii) non-recurring income/(charges); adjusted EBITDA margin as the ratio between adjusted EBITDA and total revenues; EBITDA as net operating income, adjusted by the following income statement items: (i) net provisions; (ii) depreciation, amortization and impairment, and; EBITDA margin as a ratio between EBITDA and total revenues.

CORPORATE OFFICERS

Board of Directors

Chairman and Chief Executive
Deputy Chairman
Directors

Nerio Alessandri
Pierluigi Alessandri
Erica Alessandri
Francesca Bellettini⁽³⁾
Carlo Capelli⁽⁴⁾
Maurizio Cereda⁽¹⁾
Riccardo Pinza⁽²⁾
Vincenzo Giannelli⁽¹⁾⁽²⁾⁽³⁾
Maria Cecilia La Manna⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾

Board of Statutory Auditors

Chairman
Standing Auditors

Alternate Auditors

Claudia Costanza
Ciro Piero Cornelli
Gianluigi Rossi
Laura Acquadro
Roberto Moro

Supervisory Body

Chairman

Andrea Russo
Giuliano Boccanegra
Emanuele Scorsonetto

Officer in charge

Stefano Zanelli

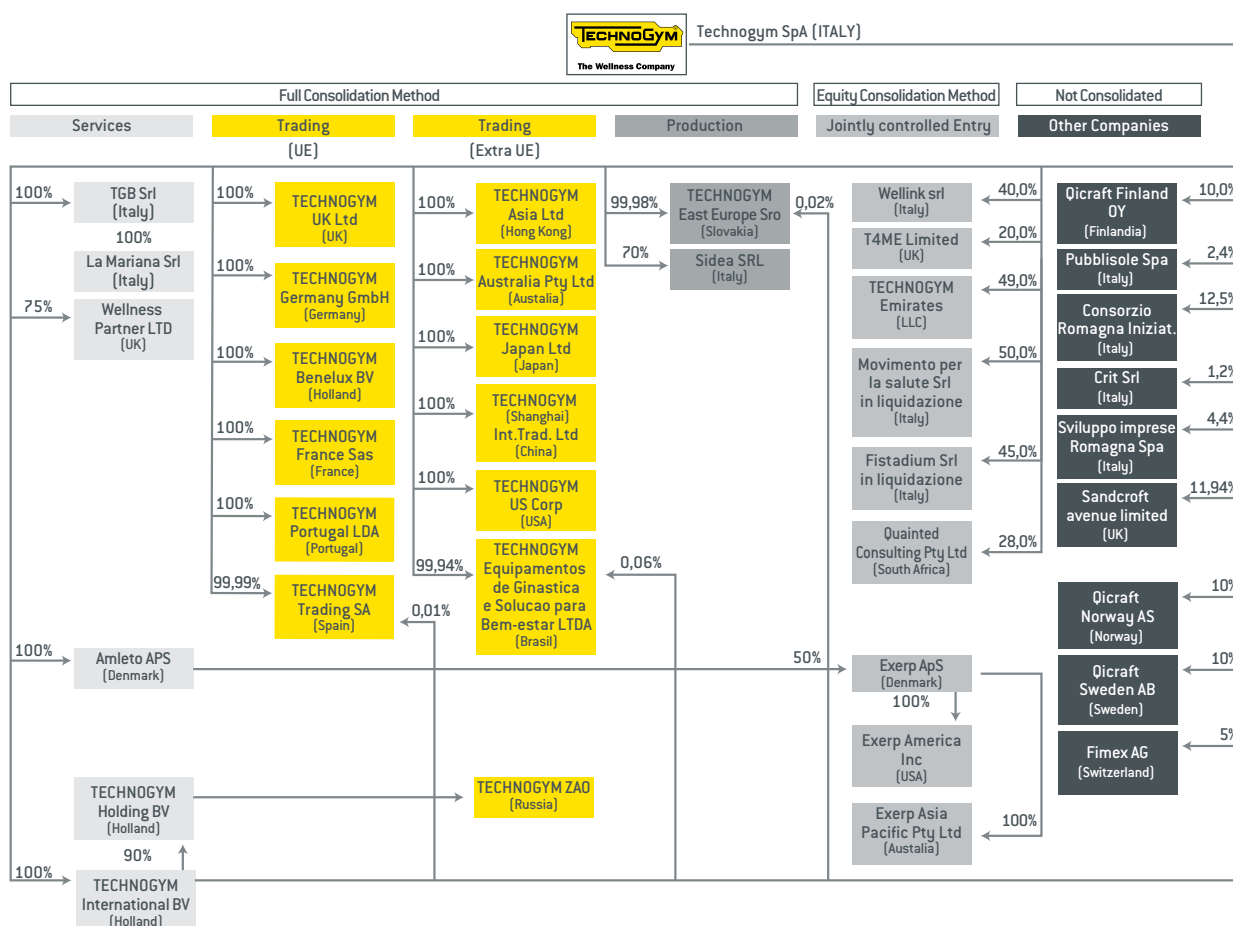
Independent Auditors

PricewaterhouseCoopers S.p.A,

- (1) Member of the Control and Risks Committee
(2) Member of the Appointments and Remuneration Committee
(3) Member of the Related Party Transactions Committee
(4) Director responsible for the internal audit and risk management system
(5) Lead Independent Director

GROUP ORGANIZATIONAL CHART

AS OF 31.12.2017



SHAREHOLDING STRUCTURE

As of December 31 2017, 51.74% of the Issuer's share capital was owned by Wellness Holding S.r.l., - a limited liability company incorporated under Italian law, whose share capital is 75% owned by Oiren S.r.l., 25% owned by Apil S.r.l. and the remaining 48.26% free float on Borsa Italiana's MTA market (screen-based stock exchange).

Technogym is not subject to the activity of control and coordination of Wellness Holding S.r.l., nor of its direct and indirect parent companies or third parties. Please refer to Paragraph 2, letter j), of the "Report on corporate governance and ownership structure", written taking into consideration the indications provided by the format established by Borsa Italiana for the company government report, available in the "Corporate Governance" section of the website www.technogym.com.

THE TECHNOGYM BRAND

The TECHNOGYM brand was created in 1983 when Nerio Alessandri, a young industrial designer and sports enthusiast, 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 squats in a guided and safer way. Ever since its early products, TECHNOGYM has set itself apart with its focus on safety and on reducing the risks of injury, on ease of use and product design. The brand name TECHNOGYM combines Alessandri's two passions: technology (TECHNO) and sport (GYM).

In the early 1980s, Europe's fitness industry was still considered a small niche market. Gyms, often equipped with very rudimentary machines, were mainly the preserve of body-builders. Nerio Alessandri sensed that there was a growing need for technologically and functionally superior physical exercise equipment that respected consumers' health. He also saw that the fitness industry could potentially appeal to a wider, more diversified public, as society gradually realised the importance of physical exercise in mental and physical health and wellness.



Today, 30 years on, TECHNOGYM is recognised worldwide as a leader in technologies, services and design for the Fitness and Wellness sector, thanks to its complete range of cardio, strength and functional training equipment, services (aftersales, training and consultancy, interior design, marketing support and finance), plus a digital cloud platform that allows users to connect with their Wellness experience anywhere, using TECHNOGYM products or mobile devices.

The offer of TECHNOGYM branded products has broadened over the years, and now ranges from Fitness Clubs to the Hospitality & Residential, HCP (Health, Corporate & Performance) and Home segments. Worldwide, TECHNOGYM products are now used in 80,000 Wellness centres and more than 200,000 homes.

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

TECHNOGYM has been an official supplier of the last six editions of the Olympic Games: Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012 and Rio 2016, and was also chosen as an Official Supplier of the Pyeongchang 2018 Winter Olympics in South Korea.







MILESTONES IN TECHNOGYM'S HISTORY

1983

Nerio Alessandri founds TECHNOGYM, combining his passion for technology (TECHNO) and for sports (GYM). Aged 22, he designs and builds his first machine in his garage.



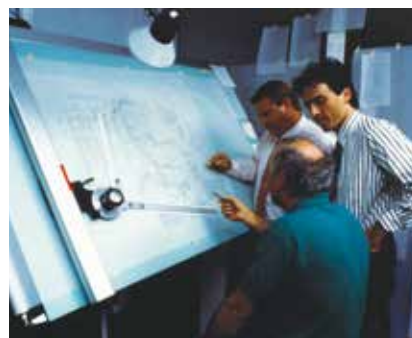
1986

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



1984

TECHNOGYM grows, and just a year later launches Isotonic, 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

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



● End of the '80

TECHNOGYM launches partnerships in football and Formula One, becoming the official supplier of athletic equipment for several leading football teams (including A.C. Milan), world-famous athletes (including Formula One drivers Ayrton Senna and Michael Schumacher) and for major international sporting events (the 1990 World Cup in Italy).



● 1992

TECHNOGYM enters a new market segment, by introducing the first rehabilitation equipment into its product range.



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 on TECHNOGYM equipment.



2007

Launch of Visioweb, the first piece of web-connected fitness equipment.



2010

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



2002

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



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



2014

TECHNOGYM launches the first edition of 'Let's Move for a Better World', a social campaign aimed at reducing obesity and sedentary lifestyles. Thanks to the TECHNOGYM Ecosystem, gymgoers from all over the world can donate their movement for a good cause.



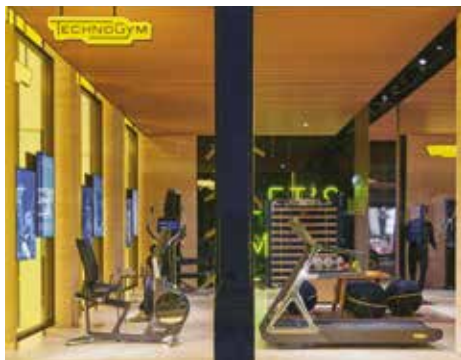
2015

TECHNOGYM headlines at Expo Milano 2015 with 'Let's Move & Donate Food' - a campaign that links exercise equipment to the TECHNOGYM app, allowing visitors to turn movement into meals which are donated to countries affected by malnutrition.



2017

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



2012

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



In September 29, the TECHNOGYM Village is unveiled in the presence of Italian President Giorgio Napolitano and former US President Bill Clinton. As the world's first Wellness campus, the Village is home to TECHNOGYM's headquarters, a research centre, factory and a wellness centre, 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 to improve people's quality of life through education and regular physical exercise, a balanced diet and positive mental attitude. While in the early nineties the all-muscle fitness stereotype and images of Jane Fonda and Sylvester Stallone were taking America by storm, in Italy, Nerio Alessandri from Romagna created a new vision, Wellness®, a completely Italian way of living, dating back to the “mens sana in corpore sano” (a healthy mind in a healthy body) principles of Ancient Rome. It was a true revolution, which turned a business based on hedonism into a social business: from looking good to feeling good, and from participation of a small niche of body builders to the entire population.

Wellness® is a social opportunity for everyone: for governments, which can reduce the costs of healthcare, for companies to stimulate their workers 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 ten 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 through the promotion of Wellness and a healthy lifestyle.

On 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 in Davos, and has been the subject of a United Nations event in New York.

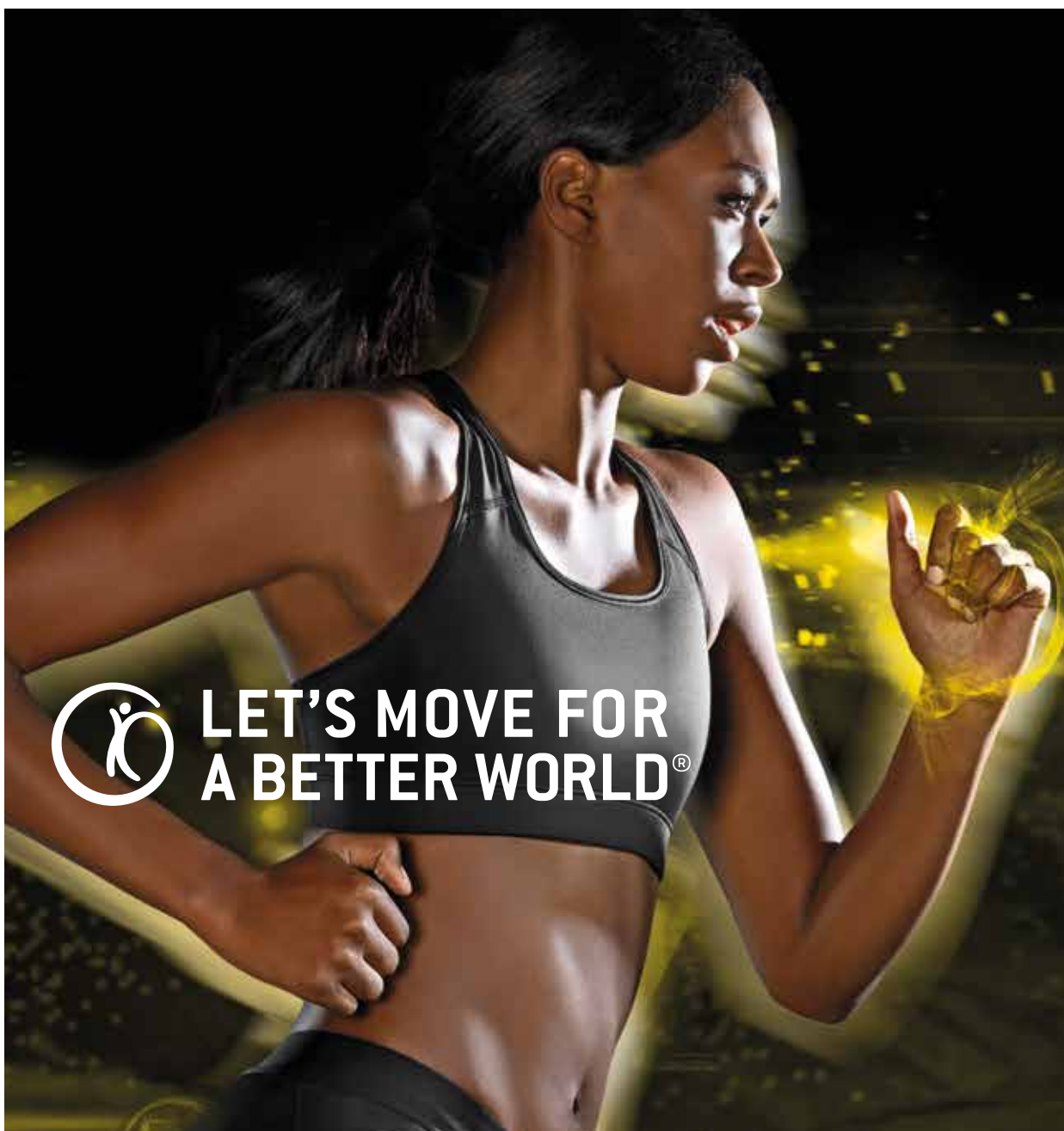
In 2017, for the ninth year in a row, Nerio Alessandri took part as a speaker in the World Economic Forum, which for the first time created a session entirely dedicated to sport called: “The Transformative Power of Sport”. Together with key figures in the industry, including the Minister of Sport for Japan, the organizing country of the Tokyo 2020 Olympics, Nerio Alessandri talked about the role of sport in encouraging the development of more coherent and inclusive societies and in giving new opportunities to disadvantaged communities.

Within the Romagna region, where the Wellness Foundation is located, it launched the Wellness Valley project, which aims to create the first Wellness district in the world, 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 by improving people's quality of life, reducing government expenditure on healthcare, boosting corporate productivity, and respecting the environment. The belief in Wellness as a social responsibility guides and unites our company.

TECHNOGYM's Vision: To be the world's leading Wellness Solution Provider. TECHNOGYM strives to be recognized as the reference point in the industry, capable of promoting a true 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, whenever and wherever they are, by implementing a strategy based on three main pillars:

1. Wellness on the go: the TECHNOGYM Ecosystem is a platform that helps everyone enjoy a personalised Wellness experience by accessing content and training programs on any TECHNOGYM machine and on any personal device, at any time, anywhere in the world. The TECHNOGYM Ecosystem integrates equipment, dedicated mobile apps, the MyWellness Cloud digital platform and specific content, programs and services, offering fitness professionals the opportunity to connect with their clients wherever they may be.
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. Through marketing and communication, the TECHNOGYM brand establishes its values with a clear, coherent strategy that has helped TECHNOGYM to position itself as an internationally-recognised name.
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 Sales*.

TECHNOGYM ECOSYSTEM

WELLNESS LIFESTYLE MANAGEMENT



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 80,000 fitness centres and more than 200,000 private homes in 100 countries worldwide. Today TECHNOGYM is the reference point for the fitness, Wellness and sport sector.

INNOVATION, DESIGN AND PRODUCT DEVELOPMENT

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

Products are at the core of TECHNOGYM's innovation strategy. Our Research and Development area employs more than 200 professionals including engineers, sports doctors, designers and software developers. It also collaborates with external medical practitioners, physiotherapists, architects, athletes and sports trainers. TECHNOGYM holds, on a national and international level, 366 registered trademarks and 410 patents and designs.

In 2017, TECHNOGYM launched a series of completely innovative products and concepts, including MYCYCLING, the indoor training solution for cyclists, SKILLROW, an indoor rowing product able to perfectly simulate on-water rowing, and SKILLRUN, the treadmill which represents the new standard of excellence in running.

The TECHNOGYM Ecosystem continues to enjoy market success as does the TECHNOGYM 'Internet of Things' platform that connects products, the 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 outdoors.

Medical-Scientific Research

A 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. In terms of scientific research, Technogym will continue its many collaborations with both Italian and international universities and research centres. One notable relationship is with the University of Coventry and Loughborough (UK), with which the company is currently conducting validation testing on products and solutions. In Italy, we are continuing the structured collaborations with the Universities of Padua, Udine and IUSM in Rome. Scientific research in the area continues, with publications of the work in scientific journals and the participation of Scientific Department managers at national and international conferences as speakers.

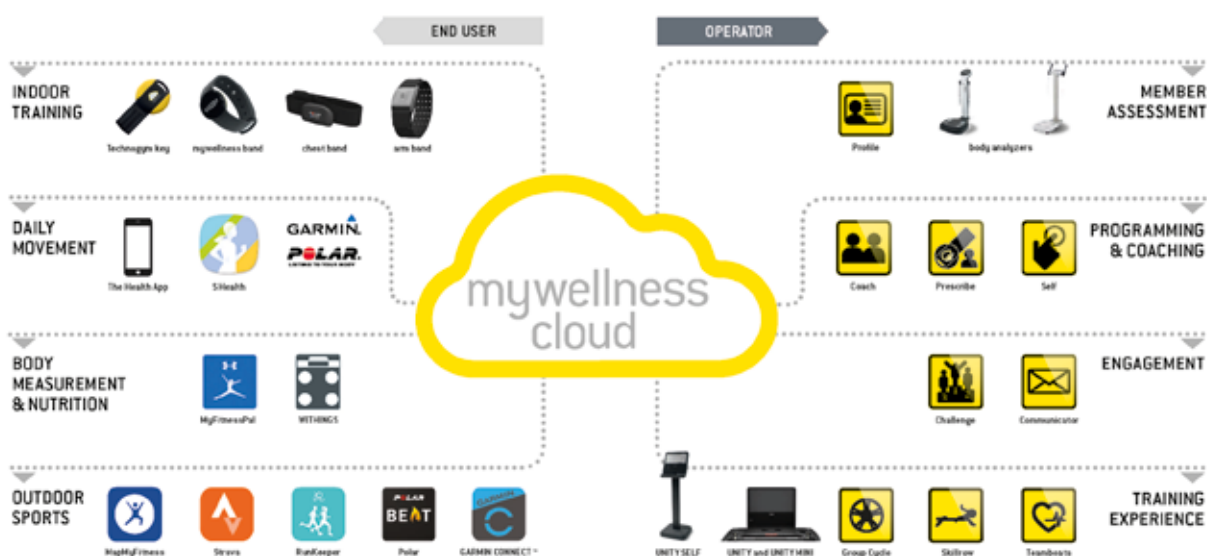


Digital innovation

Digital innovation is a fundamental part of TECHNOGYM's activities. As far back as 1996, TECHNOGYM launched the Wellness System, the first training management software. Today, TECHNOGYM's offer incorporates the TECHNOGYM Ecosystem, the only system of its kind in the world of fitness and Wellness. It connects equipment based on an 'Internet of Things' approach, and incorporates a cloud platform that stores personalized data and training programs for individual users, and a complete range of Wellness apps for consumers and professionals. We have also introduced radical changes in user experience: The TECHNOGYM Ecosystem is an open application that integrates TECHNOGYM products and services with the leading tracking apps and wearable devices, giving users a 'Wellness on the Go' experience any time, anywhere (in the gym, at home, at work, outdoors, at the doctor's or while traveling). Each user has a personal account containing their personal data and training programs. Exercise data can be accessed from various touchpoints: apps, websites or directly on TECHNOGYM equipment, thanks to the UNITY interface.

In 2017, TECHNOGYM forged a collaboration with IBM, implementing a virtual coaching service on the Mywellness platform, based on Watson Artificial Intelligence. The aim is to create a TECHNOGYM "virtual coach" who interacts with people to offer them personalised training programs based on their personal goals and environmental variables.

Also in 2017, as part of the keynote speech at the "Apple Worldwide Developers Conference", Apple announced that Technogym cardiovascular products will be Apple Watch compatible. TECHNOGYM was the first company in the sector to implement this revolutionary interaction which allows Apple Watch users to keep track of their indoor exercise (at home or at the gym) simply by tapping their Apple Watch against UNITY - the technological interface for Technogym products - automatically connecting to treadmills, elliptical trainers, bikes or step machines. Using this extraordinary innovation, any data not previously communicated, including active and total calories, distance, speed, floors climbed, incline and step, will be perfectly synchronized to obtain the most accurate measurement possible.



Design and Innovation awards

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

Again in 2017, the company's commitment to design delivered significant results: SKILLMILL was awarded the prestigious Compasso d'Oro, the most important international product design award, the first German "2017 iF Design Award", and the American "Good Design 2017" award. Furthermore, SKILLMILL was also selected as "Gear of the Year 2017" by the American magazine "Runner's World", the go-to magazine for the running community.

MYCYCLING - the new indoor training solution for cyclists - and SKILLROW, the innovative indoor rower, were both awarded the American "Good Design Award 2017", received both for product design and for the interactive apps which act as an interface.



PRODUCTION

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

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



Assembly is performed at TECHNOGYM's two production facilities: in Cesena, in the TECHNOGYM Village, and in Malý Krtíš (Slovakia). The Cesena facility, designed to guarantee both maximum productive efficiency and a work environment inspired by the principles of Wellness, covers an area of around 40,000 square metres. The production building comprises product assembly lines only. Products are designed according to lean production criteria and total quality. The Slovakian facility covers a total area of roughly 30,000 square metres (including an office area) and includes vertical production lines with integrated frameworks, painting and product assembly processes.



THE OFFER: TOTAL WELLNESS SOLUTION

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

- Equipment for fitness, Wellness and sport;
- Cloud platform and digital products;
- Services (After Sales, Training, Interior Design, Marketing Support and Finance).

TOTAL WELLNESS SOLUTION

TAILOR MADE BUSINESS MODELS



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. We are constantly committed to developing new products and technologies to offer safe, effective and engaging training.

THE NEW PRODUCTS LAUNCHED IN 2017

MYCYCLING

Launched in January 2017, MYCYCLING is the innovative indoor training product for cyclists that gives the same sensations and inertia you feel on the road. MYCYCLING combines a high-tech smart trainer, a special app with personalized programmes, and a network of professional coaches able to develop tailored programmes for each cyclist. MYCYCLING also includes a completely innovative specific training system for cyclists: TNT - Technogym Neuromuscular Training, created through Technogym scientific research in collaboration with the best athletes, coaches, physiologists and trainers in the world.



SKILLROW

SKILLROW was first presented at the IHRSA trade fair in Los Angeles in March 2017. SKILLROW is a unique indoor rowing product able to improve anaerobic power, aerobic capacity, and neuromuscular functions in a single solution. SKILLROW was designed to provide a perfect simulation of on-water rowing, called AQUAFEEL. The resistance offered by SKILLROW follows the natural curve of the stroke, and thanks to AQUAFEEL, the resistance is gradual, making the whole movement fluid and avoiding the backlash effect on the lower back.



TEAMBEATS

TEAMBEATS is a new Heart Rate Training platform launched at the FIBO trade fair in Cologne in April. It is a solution to manage and monitor the user's heart rate during classes or circuits. Thanks to TEAMBEATS, class participants can monitor their heart rate and training performance on a big screen. Trainers can manage every aspect of the lesson directly through UNITY SELF - the Technogym interactive touch screen station - as well as being able to quickly control timers, music and project each person's performance metrics onto the screen, transforming a group of individuals into a team motivated to reach a common goal.



SKILLRUN

SKILLRUN, released on the market in December 2017, is the first running product specifically designed for Athletic Performance Training, which brings together cardio and strength training into a single solution, enabling users to do both running sessions to improve cardiovascular performance and resistance training to increase strength.

SKILLRUN is the new standard in performance running, and is able to satisfy the needs of all runners, from sprinters to marathon runners to triathletes. The product offers a wide range of innovative training options, including High Intensity Interval Training, Speed Resistance Training and Neuromuscular Training, as well as immersive and engaging entertainment options.



THE TECHNOGYM PRODUCT RANGE



SKILL LINE

SKILLINE is a collection of products designed for SKILLATHLETIC TRAINING, a method developed by Technogym and Olympic champions for anyone wanting to improve their athletic performance. The line includes SKILLMILL, the unique motorized product which combines strength, speed, resistance and agility training, SKILLROW, the first indoor rowing product able to improve anaerobic power, aerobic capacity, and neuromuscular functions in a single solution, and the new SKILLRUN, the first running product that brings together cardio and strength training into a single solution, enabling users to do both running sessions to improve cardiovascular performance and resistance training to increase strength.



PERSONAL LINE

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



ARTIS LINE

ARTIS embodies the state of the art of the fitness and Wellness sector, and is the result of thirty years of scientific and technological research applied to the design and production of workout products. It comprises a comprehensive collection of 30 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 training in small groups, with training programmes 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 stands out for its comfort and ease of use. The line, recently updated, is equipped with the brand new UNITY MINI console, which offers users the only high-connectivity muscle strengthening 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' requests for 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 fully activates the kinetic chains. The "Kinesis Class" configuration allows personal trainers to easily manage an entire class. KINESIS innovation and technology are also available in one single unit. Developed as a single free-standing unit with a reduced footprint, KINESIS ONE provides a complete training solution. Kinesis Stations are also part of the line.



GROUP CYCLE CONNECT

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



PURE STRENGTH LINE

The comprehensive line of PURE STRENGTH equipment is the result of many years' experience in helping Olympic athletes get stronger and faster. The most innovative solutions in terms of biomechanics, ergonomics and product durability ensure that PURE STRENGTH offers the best results to anyone looking for the most effective 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 the 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 essential elements of the strength training experience. 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

Designed for those who love working out at home or while travelling, the WELLNESS TOOLS are small in size and relatively low in weight to make them the ideal portable gym. The tools include: the Wellness Bag, a portable kit comprising resistance bands of various lengths, handles and ankle straps, designed to ensure safe use whenever and wherever you want, and to look after your well-being; the Wellness Pad, a stylish stretching mat; and the Wellness Weights, made with quality and durable materials, and designed to convey safety and style. 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 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 programme of exercises.

Service

The TECHNOGYM Total Wellness Solution also includes a series of services which aim to make the Wellness end-user experience more complete and 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 can offer the full design of Wellness areas in hotels, businesses, medical centres or private homes. The objective is to create peaceful and stimulating spaces and environments and enable customers to stand out thanks to a unique and personalized style.

FINANCIAL SERVICES

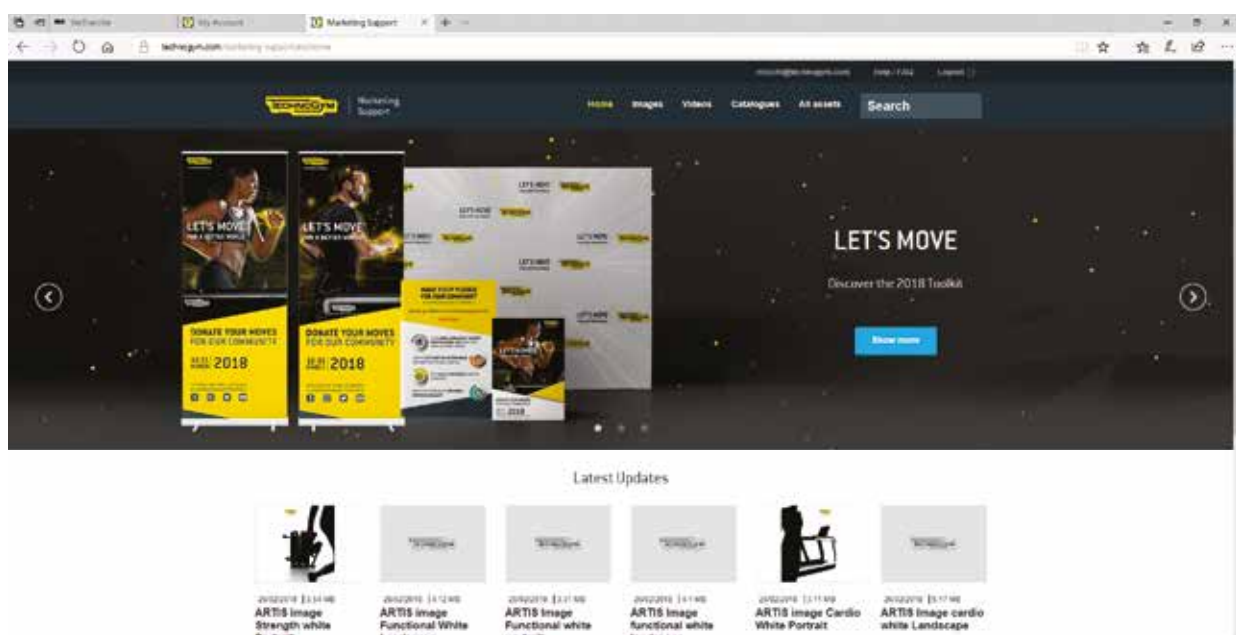
TECHNOGYM provides its customers with safe, fast and transparent financing, together building a personalized and reliable plan in collaboration with a number of leading international banks and insurance companies.

AFTER SALES

TECHNOGYM's assistance services aim to guarantee performance, reliability and value over time for purchased equipment thanks to modular and tailored contracts, which ensure the best level of operation and constant quality of the equipment. We have a global network of Authorized Technical Assistance Centres, able to provide a fast, competent response.

MARKETING SUPPORT

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



Networking Apps. Devices & Contents

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



TECHNOGYM University

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



DISTRIBUTION

Segments

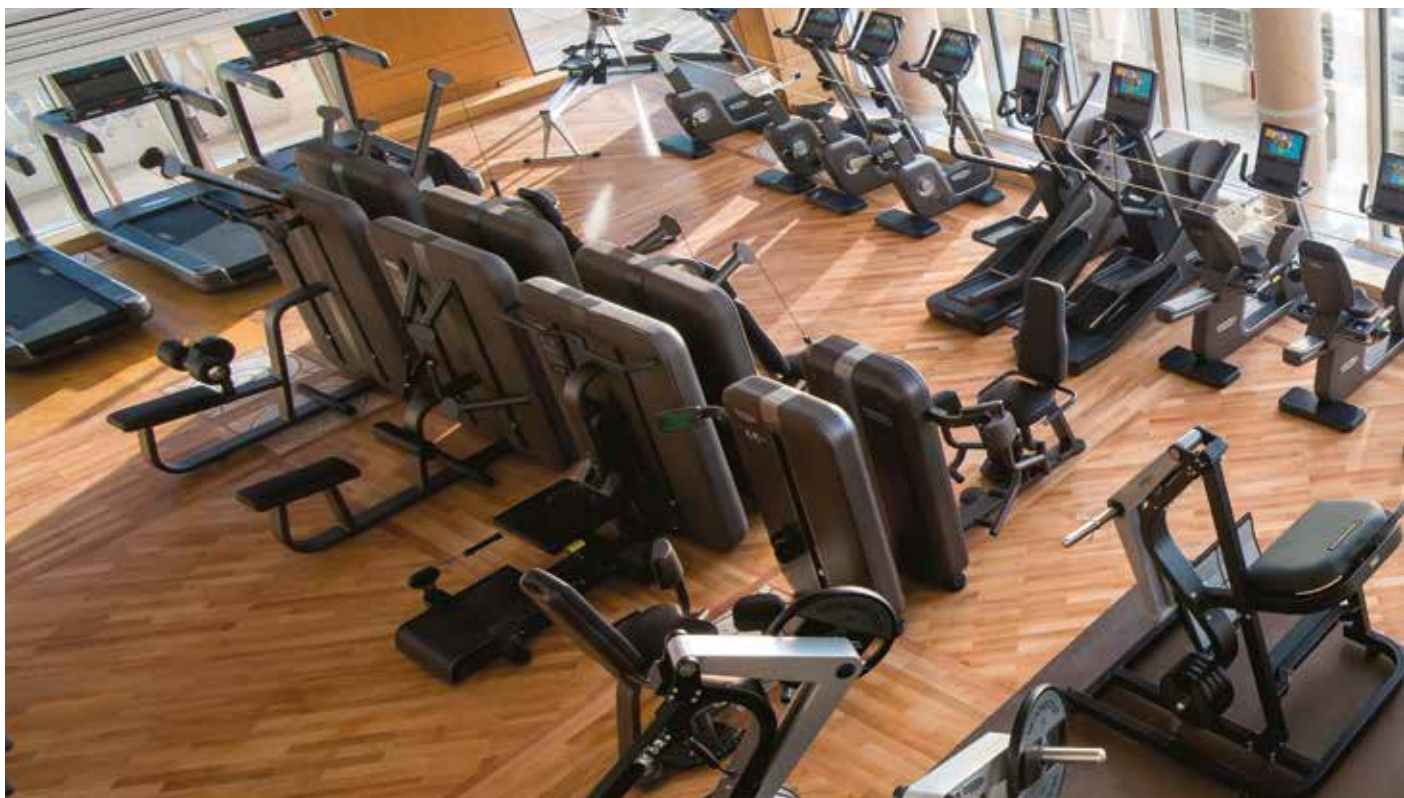
L'azienda si rivolge a specifici SEGMENTI distributivi:

- Fitness e 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, such as, for example, Virgin Active in Europe, Asia and South Africa or Life Time Fitness in the United States. In 2017, the Clubs segment continued to grow at a faster rate than the market. TECHNOGYM has 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 through the digital platform.

A significant contribution to growth has come from products in the SKILL line, which provide unique solutions in the fitness centre market that look for innovative and effective ways to train the conditional skills of its customers. SKILLMILL has become the benchmark solution on the market, while the new products launched in 2017, SKILLROW and SKILLRUN, have also seen notable success on the market: for example, SKILLRUN has been adopted as an innovative running solution for the Life Time Fitness centres in the United States.



TECHNOGYM's solution has also been 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 who, thanks to TECHNOGYM, are able 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 2017 continued its expansion by opening around 40 clubs, all TECHNOGYM-equipped, as well as the FITX and Fitness Park chains in Germany and France, respectively, which in 2017 fitted out their clubs with TECHNOGYM equipment.

The Italian market has also been particularly dynamic and receptive to new products introduced by TECHNOGYM. The PRIME gym chain is currently equipping all its centres in the country with TECHNOGYM, including the UNITY digital interface. An agreement has also been entered into with Virgin Active Italia in order to develop the new My-Virgin App.

Hospitality & Residential

In the Hospitality & Residential channel, TECHNOGYM is a partner of the most prestigious global groups, such as Mandarin Oriental, Four Seasons, Marriott Starwood, Hilton, Accor Hyatt, Minor International, and many more. 2017 was a year of consolidation for the H&R segment, with significant growth in strategic geographical areas such as China and North America, where many projects were implemented in the world of luxury country clubs. In terms of the Residential component - Wellness centres in large apartment buildings, compounds or residential complexes - there was excellent growth in 2017 thanks to the ever increasing 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. Some of the most significant transactions for the H&R channel in 2017 included the signing of a new contract with the Six Senses Group, the premium luxury hospitality brand, the new corporate agreement with the Michel Reybier Group, which has both hotels and clinics with rehabilitation centres, and the renewal of the agreement with the Capitaland Group, which as well as managing the Ascott, Somerset and Citadines brands, is also a developer for many residential projects.



HCP (Health. Corporate & Performance)

As regards the HCP segment, more and more companies all over the world are launching their own internal corporate Wellness programmes. TECHNOGYM already counts Facebook, Google and Apple in Silicon Valley among its clients, and numerous banks in the City of London such as Morgan Stanley, European industrial giants such as Mercedes Daimler Benz and BASF, and major Italian companies such as Ferrari and Bottega Veneta. In 2017, TECHNOGYM fitted out various Wellness Centres, including for the Hugo Boss brand and the INDITEX Group, which manages fashion brands such as Zara, Massimo Dutti, Bershka, and Pull and Bear (among others), the Sky Media headquarters in the UK, and CISCO in Boxborough.

Technogym also fitted out training centres in some of the leading Universities around the world, such as MIT in Boston, Stanford in California, and Loughborough in the UK.

The medical sector also registered growth, thanks to the huge success of Skillmill as a rehabilitation product. In the medical sector, Technogym was awarded the supply for the Hancock Regional Hospital in the United States (part of the Cleveland Clinic Group), the Medical Centre at the University of Pittsburgh, and the Sapporo Sports and Medical School in Japan. In the world of sport, in 2017, Technogym won the supply for the Suning Football Club in China, the Real Club de Tennis in Barcelona, the New York Rangers, the Green Bay Packers, and the Michael Johnson Performance Centre in the United States.



Home

The Home segment recorded a growth in 2017, especially thanks to the distribution of products such as MYRUN and MYCYCLING, which are performing well on all markets. TECHNOGYM is now present in more than 200,000 private homes.

On 3 April 2017, coinciding with Milan design week, the new TECHNOGYM flagship store opened in Milan, at Via Durini, 1, in the area that has become the point of reference for designers and architects. The new space, designed in collaboration with the Antonio Citterio Patricia Viel Interiors practice, covers a floor area of more than 750 square metres over 3 floors. It is a place designed to live the complete Wellness lifestyle, where you can not only buy the best products and services for physical exercise, athletic training and rehabilitation, but where you can take tests to assess your physical performance level, get a custom training programme drawn up by expert personal trainers, and take part in training sessions. TECHNOGYM Milan also has an ongoing calendar of seminars open to the public.

During 2017, Technogym also implemented shop-in-shop projects inside some of the most famous international department stores, such as Saks 5 Avenue in New York and Le Bon Marché Rive Gauche in Paris.

2017 was also the year of the opening of a showroom in Guadalajara in Mexico, a store in Marbella, and a new Technogym area in Harrods, London.

TECHNOGYM's other stores in New York, Moscow, Madrid and Saint Petersburg continue to operate successfully.



Canali

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

- field sales, represented by TECHNOGYM sales personnel and sales agents;
- inside sales, which includes telemarketing and online sales;
- retail, represented by our seven directly-managed stores;
- wholesale.

The field sales, inside sales and retail channels are direct sales channels used by TECHNOGYM to directly reach end users and professional operators, while the wholesale channel is an indirect sales channel in which sales to end users and professional operators are made through exclusive distributors that cover the markets where the company is not present with a direct branch. In 2017, wholesale was the channel with the highest relative growth.

Geographical areas

TECHNOGYM is present in all the most important markets in the world. In 2017, more than 90% of company sales occurred outside Italy and roughly 40% outside Europe, with a highly positive trend in LATAM, North America and APAC.

MARKETING AND COMMUNICATION

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

EVENTS, REFERENCES AND PARTNERSHIPS

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

KEY EVENTS IN THE YEAR

TECHNOGYM was a key player in numerous international events during 2017, in the various market segments in which it operates. The most significant of these include:

- The World Economic Forum (WEF) in Davos, one of the most important institutional events on a worldwide level. In the context of the event, TECHNOGYM President Nerio Alessandri is a permanent member of the Health Community and the Consumer Innovation Community;
- IHRSA – the most important global fitness and Wellness event held in Los Angeles, California in 2017 – where TECHNOGYM presented SKILLROW and all the digital features 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.
- On 3 April 2017, coinciding with Milan design week, the new TECHNOGYM flagship store opened in Milan, in Via Durini, attended by top representatives from the world of design, sports, finance, performance and architecture.
- Rimini Wellness – the reference trade fair for the Italian market;
- 2017 World Athletics Championships: TECHNOGYM was the official and exclusive Supplier for the IAAF World Championships London 2017, equipping the athletic training centre available to 3000 athletes and parathletes coming from 200 countries.
- MEDICA in Düsseldorf, the key international trade fair and congress for the medical sector, where TECHNOGYM presented Skillmill and other products and solutions for the medical market.
- On 12 December 2017, the launch of the calendar, created thanks to a collaboration between TECHNOGYM and CR Fashion Book of Carine Roitfeld, took place at Spring Place in New York. The calendar images, taken by the renowned photographer Steven Klein, portray some of the best known international models, such as Gigi Hadid, Grace Elizabeth, Joan Smalls, Paris Jackson, and Candice Swanepoel, alongside Technogym products.

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 expanding its partnerships abroad, especially in key markets, in 2017 the company confirmed its partnerships with top international clubs such as Chelsea in England and Paris Saint Germain in France. In basketball, TECHNOGYM also continued its collaboration with EA7 Olimpia Milano in 2017. Thanks to its wide range of products, which are perfect for athletic training in all sports disciplines, top sports persons collaborating with TECHNOGYM include Rafael Nadal, Fernando Alonso, and the NBA star Marco Belinelli. The historic F1 partnerships with Scuderia Ferrari and the McLaren team also continue.



OLYMPICS

After being an official supplier of six Olympic Games - Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012 and Rio 2016, TECHNOGYM was also chosen as the official and exclusive supplier for the Pyeongchang 2018 Winter Olympics in South Korea.

For each edition of the Olympics, the company was involved in the design and installation of athletic training centres within the Olympic facilities, providing training products and digital ecosystem to track and store training data in the personal profiles of each athlete. In addition, the company provided a team of international professional trainers to manage the athletic training centres, support athletes and offer all related services (gym layout, installation and technical assistance).



TM Rio 2016 | All rights reserved.







TECHNOGYM VILLAGE

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



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

In 2017, TECHNOGYM Village continued its role as a key marketing feature, hosting around 30,000 visitors, including sector operators, doctors, trainers, architects and investors from the hospitality and real estate sectors, and media representatives.



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 the implementation of the corporate strategy.

In 2017, TECHNOGYM employed 1,904 staff (1,886 for the year ended 31 December 2016), which comprised 650 blue-collar workers, 1,196 white-collar workers and 58 managers.

(In thousands of Euro)	Year ended 31 December 2017		Year ended 31 December 2016	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	58	61	58	55
White-collar	1,196	1,231	1,124	1,150
Manual workers	650	655	704	663
Total number of employees	1,904	1,947	1,886	1,868

The subject of employee satisfaction has always been of central importance to the company. For this reason, in July 2017, an ESI (Employee Satisfaction Index) survey was initiated, with the aim of understanding the degree of satisfaction of all those working for Technogym.

Regarding the implementation of the new “Human Capital Management” digital process in the first quarter of 2017, the Technogym Global Performance Appraisal was launched on the SAP SuccessFactors platform, a fundamental pillar of human resources management processes.

This additional and essential milestone for the company’s “digital transformation” has allowed all workers to perform a self-appraisal and to be assessed by their managers in relation to three key elements:

- Performance ranking: results linked to individual targets
- Talent ranking: ways of following and interpreting the Technogym culture and values
- Technical skills: set of technical skills relating to the role

In November 2017, the third module, the Global Recruiting Module, was launched.

The Talent Acquisition process is in fact a basic element and integral part of the company strategy with a view to the acquisition of skills and abilities that enable the growth and development of the organization.

Digitalization of the Talent Acquisition process allows the global management of recruitment requests, the publication of job opportunities, screening, and management of the selection process in a transparent, shared and structured way. The various process stakeholders are actively involved within the system, ensuring a faster, simpler and more effective process, and giving priority to looking for in-house talent rather than external.

In terms of Welfare, in September 2017, Technogym initiated T- Welfare: an on-line portal dedicated to workers, where it is possible to make use of a series of services and initiatives for employees, but also for their families, including school fees, family support expenses, etc. This approach is consistent both with current HR practices, creating greater value for the company and at the same time for human resources, and with the company philosophy, where a large part of these services and initiatives are inspired by Wellness activities.

With the objective of reinforcing a sense of corporate identity and encouraging even better product knowledge, ‘TECHNOGYM Product Expertise’ training programmes were organized during 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, aimed at offering employees an all-round programme for health, physical exercise and sport.

All employees can follow specific exercise or sports programmes, both individual and group, within the large Technogym Village Wellness Centre or outdoors. The Wellness Centre provides employees with over 200 pieces of training equipment, which combine the best in technology, biomechanics, innovation and design. The space, which extends over a floor area of more than 3,500 square metres, can be used free of charge by all employees, who can choose whether to train in the morning, at lunchtime, or after work.

At these times, workers have access to advice from personal trainers, who can support them during their workout, or they can take part in group classes such as Tai Chi, Group Cycling, Functional Training, High Intensity and SkillAthletic training, as well as basketball and beach volleyball tournaments.

Also as part of the Corporate Wellness project, educational activities are organized on subjects such as: a positive mental approach, the correct diet or team building, so as to offer useful tools and experience aimed at lifestyle improvement.

The Technogym restaurant offers a menu created by the Scientific Department, with balanced recipes prepared using quality, local seasonal ingredients with a low salt content. Three menus are on offer every day, with very fresh and natural ingredients, following a balanced nutritional regime according to the "Wellness pyramid".

Aimed at encouraging monitoring and prevention, every year Technogym organizes a free health check for those employees that want to take part, in conjunction with leading medical centres. From the analysis of the health check data, analysed by independent universities, it can be clearly seen that Technogym employees involved in the Corporate Wellness programme are on average healthier than the population of other companies, and that their health parameters improve year on year or stay stable over time.

All working environments within Technogym Village are examined in terms of personal well-being, relating to posture, lighting and movement education. The offices are equipped with Wellness Balls as well as traditional chairs, which improve posture, and some meeting rooms are fitted out so that meetings can be held standing up and to facilitate movement.

Over the years, these initiatives have generated a virtuous cycle that the company defines as "collaborative wellness", where some employees voluntarily organize and manage sports projects to improve the quality of life of their colleagues. These colleagues are known as "wellness ambassadors", directly involving co-workers and supporting them by inviting them to take part in activities and lessons on different training disciplines, independently organizing training initiatives, classes and tournaments.





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, centred on the idea of exercise as medicine and promotion of the Wellness lifestyle as an important concept, and social opportunity for governments, businesses and individual citizens. The company also implemented a number of corporate social responsibility initiatives in 2017, developed locally, nationally and internationally.

EXERCISE IS MEDICINE

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

TECHNOGYM's involvement in the initiative included new publications, participation in the annual convention held in Denver (Colorado), 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 member of since 2009, the objective of the Workplace Wellness Alliance is to promote the concept of Wellness in the workplace as a social and business opportunity. Since 2013, the World Economic Forum has entrusted the management of the project to the Institute for Health and Productivity Management (IHPM), a non-profit organization. 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 from businesses, research centres and other organizations involved in the project.

LET'S MOVE FOR A BETTER WORLD

Following the success of previous editions, in 2017, TECHNOGYM organized the fourth 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, participants can measure their MOVES (TECHNOGYM's unit of measurement for movement) and share their workout with the rest of the community.

The 2017 campaign enabled a larger number of participating Clubs to win and donate a piece of Technogym equipment to a non-profit organization of their choice, thanks to the new reward system that allows all participating centres to win by reaching set movement targets. The campaign is a real community management initiative which, on the one hand, promotes the value of health and preventative care and, on the other hand, offers concrete support to local communities with a view to educating about healthy lifestyles.



The 2017 edition achieved extraordinary levels of participation, four times that of the 2014 edition: 782 Clubs, over 140,000 participants in 26 countries accumulated almost 500 million MOVES, burning a total of 200 million calories, corresponding to a weight loss estimated at 28,000 kg.

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 centre for Wellness and healthy living and improve the quality of life of its citizens, building on the economic, intellectual and cultural capital of the Romagna region, already naturally suited to living well. In support of the initiative, TECHNOGYM has provided its skills and facilities in order to actively stimulate the development of the initiative, organizing concrete projects as well as conferences and thematic working groups to facilitate networking among all the stakeholders in the area.

The "Wellness Valley" project is intended to show how it is possible to create a social, cultural and economic ecosystem which encourages the adoption of a healthy lifestyle by people for the prevention of chronic illnesses, the improvement of living standards, and the improvement of social and economic conditions.

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

In February 2017, on the occasion of the Wellness Valley Stakeholder Meeting, the second edition of the Wellness Valley Report was presented, the study that highlights the individual and collective benefits of the initiative in the areas of health, economic development and regional promotion. The following important data emerged from the study:

- Italy's most active population (+10% compared to the national average)
- Italy's most active children (+9.2% compared to the national average)
- 53 university Undergraduate and Postgraduate Courses on Wellness Lifestyle
- 2,500 active companies in the Wellness business
- 9,000 direct employees 30 certified accommodation facilities
- 200 million Euro in added value for the hospitality sector

Between 19 and 28 May 2017, the third edition of Wellness Week was held across the Romagna region. A week of movement and healthy lifestyles that involved a calendar of over 300 events focusing on Wellness Lifestyle education, including open air movement, sports, nutrition, art, history and culture.

Thanks to these results, "Wellness Valley" has been the subject of study by the World Economic Forum in Davos since 2016, as a global model for the effective and sustainable health systems of the future.

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 continues to follow 'TECHNOGYM Green' and UNI ISO 14001 certified activities 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 packaging reuse.

In line with these parameters, TECHNOGYM Village was built according to bio-architecture principles and criteria aimed at protecting the environment and saving energy, which has earned the company white certificates. The company also holds certification for the OHSAS 18001 occupational health and safety system, for the UNI EN ISO 9001 management system for Wellness equipment design, production, installation and assistance, and UNI CEI EN ISO 14385 certification for functional rehabilitation equipment design, production, installation and assistance.





TECHNOGYM

The Wellness Company

CERIMONIA DI QUOTAZIONE
BORSA ITALIANA

BORSA

TECHNOGYM AND THE STOCK MARKETS

FINANCIAL MARKETS

Despite the persistence of geopolitical tensions (Syria, North Korea, attacks in the West), 2017 saw a combination of global economic growth (seventh consecutive year of expansion) and an extraordinarily low level of volatility.

The American stock market seemed to present the greatest potential risk in light of recent positive performance. Conversely, the S&P 500 recorded an annualized volatility of 3.9%, the lowest since 1928. Looking at daily volatility, the picture remains unchanged: less than 1% in 95% of trading days for the first time in more than 70 years. These conditions, together with reassuring macro-economic data, supported the growth in US stock market valuations which continued to revise its historic highs (2690 points in December, +18% over the course of the year, and +246% since March 2009), at the same time benefiting from a record streak of 14 months of rises.

In Europe, the stock market continued to benefit from the combination of the ongoing economic recovery (growth in GDP in the Euro Area of +2.6% y/y in the third quarter), a return to political stability following the French elections, and the persistence of an expansive monetary policy by the European Central Bank, which has confirmed its Quantitative Easing programme, although reducing the amount. In this scenario, the Eurostoxx 50 index registered a positive performance of +12% up to the start of November, closing the year at +6%. The Italian benchmark indexes FTSE Mib and FTSE Mid Cap were positive (+12% and +32% for the year, respectively), also benefiting from the growing interest for Small and Medium-sized Enterprises as a result of the introduction of the Individual Savings Plans (PIR, in Italian), whose total takings in 2017 is likely to have exceeded EUR 10 billion. Emerging markets, on the other hand, registered strong growth in stock prices with a high double-digit performance (+34% for the MSCI Emerging Markets Index).

The performance of the European bond market was once again influenced by European Central Bank policies, which maintained the significant asset purchase programme of EUR 60 billion a month for most of the year (initiated in March 2015 and then increased to EUR 80 billion a month), only reducing this amount from November 2017 to EUR 30 billion/month to September 2018, without changing the so-called capital key rule, that is, the proportion of bonds that the ECB can purchase from each country.

The action of the central bank continued to keep the yields offered by the government bonds of core countries extremely contained (the 10-year Bund saw its yield oscillate between 0.2% and 0.6% over the course of the year), in this way directing the flows of investment in higher risk asset classes such as high yield and corporate investment grade, resulting in a further narrowing of the spread compared to the previous year, even in light of a particularly low default rate.

The USA bond market benefited from the persistence of an extraordinarily low volatility thanks to the contribution of the FED and the ongoing economic growth in the country, which allowed a further reduction in the unemployment rate to 4.1%. Despite three rate rises and the start of a deleveraging process by the FED, the 10-year Treasury closed the year with a yield of 2.41% (0.04% less than 2016). The credit market also benefited from the good overall picture, allowing many companies to get finance at particularly good rates and to therefore obtain the resources necessary to finance their growth and medium-term development plans.

Spreads on emerging market hard-currency debt narrowed at the start of 2017 and stayed at these levels for the whole year, supported in many cases by the growth in the prices of raw materials. The recovery in oil prices, for example, allowed Russian bonds to stay within 2 percentage points of spread over the US Treasury, while in Brazil expectations improved considerably at the expense of political uncertainty, allowing bonds to reduce the gap over the US 10-year from 3 to 2.2 percentage points.

FINANCIAL MARKET TRENDS

Market Index	QTD	YTD
Eonia	0,9%	-5,2%
Bonds		
Government Italy	1,0%	0,2%
Government EMU	0,7%	0,2%
Government Global (in LC)	0,5%	1,5%
Shares		
S&P 500 TR (USD)	6,6%	21,8%
MSCI Europe TR LC	0,7%	10,8%
MSCI World TR LC	5,6%	23,1%
Nikkei	12,0%	21,3%
MSCI Emerging Markets TR (USD)	7,5%	37,8%
Currencies (vs Euro)		
USD	-2,3%	-14,8%
JPY	-2,2%	-10,4%
GBP	-0,5%	-4,3%
Commodity		
Dow Jones UBS Commodity Index TR (in USD)	4,4%	0,7%
Gold (\$/OZ)	2,5%	12,4%
Crude Oil, WTI (future)	19,5%	15,5%

Source: Source: Bloomberg, data as of December 30, 2017

INFORMATION ON SHARES

Within this context, thanks to a financial performance in line with the expectations of the financial community and to the constant and continuous relations with investors and financial analysts, the TECHNOGYM share price registered one of the notable performances on the Milan list: +82%, representing the sixth best performance of the year within the FTSE Mid Cap, and exceeding the performance of the benchmark index by almost three times (+32%). Since listing on 3 May 2016 at EUR 3.25/share, growth in the share has been +149%.

Here's how:

- On 9 January 2017, the private equity fund Arle Capital Partners fully divested its residual stake in TECHNOGYM S.p.A., corresponding to 11.25% of the capital, through an accelerated placement on international markets (Accelerated Bookbuilding) for a total amount of Euro 100 million.
- On 1 June 2017, Wellness Holding Srl, principal shareholder in TECHNOGYM S.p.A., sold 16 million in ordinary shares (equal to 8% of the capital) by means of Accelerated Bookbuilding reserved for qualified investors in Italy and foreign institutional investors at a price of EUR 6.9/share, reducing its shareholding in TECHNOGYM SpA to 52%.

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

SHARE PERFORMANCE

The diagram below summarizes the performance of the TECHNOGYM share:

Main stock market indicators (Euro)

Shares listing

Official price as of 2 January 2017	4.59
Official price as of 31 December 2017	8.08
Minimum closing price (January - December)	4.55
Minimum price in absolute terms	4.44
Maximum closing price (January - December)	8.36
Maximum price in absolute terms	8.48

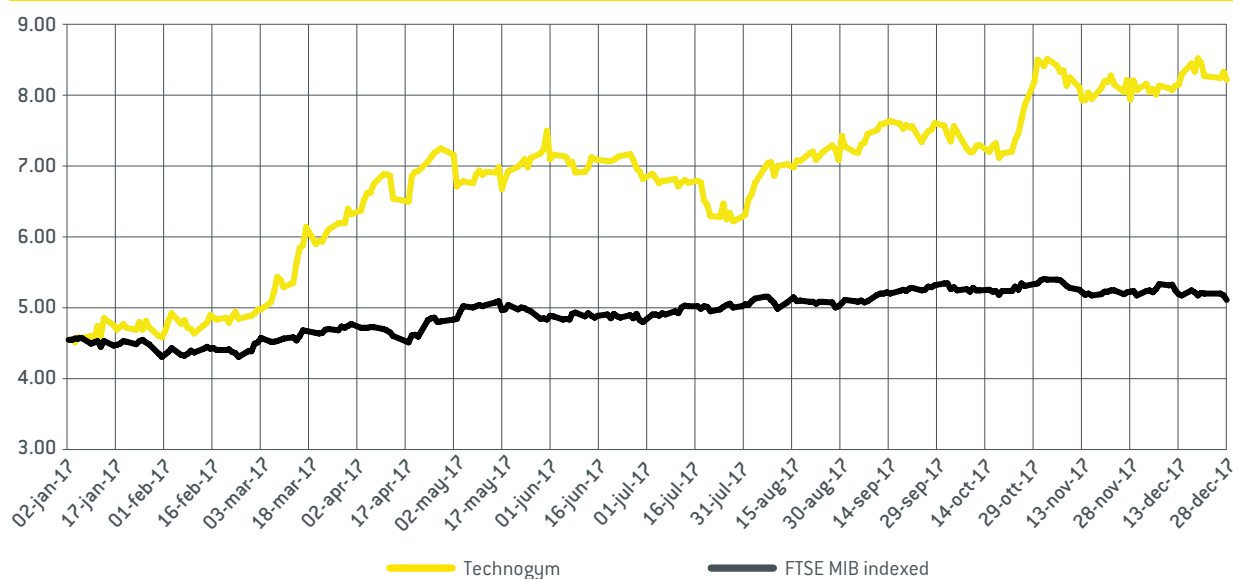
Stock market capitalization

Stock market capitalization as of 2 January 2017	917,600,000
Stock market capitalization as of 31 December 2017	1,623,115,000

Ordinary shares

No. shares outstanding	201,005,000
------------------------	-------------

Share performance



From the start of 2017, the TECHNOGYM share recorded a change of +76% in absolute terms. Over the course of the year, the share outperformed the FTSE Mib index by 64.3%.

The minimum closing price over the year was Euro 4.55, recorded on 4 January 2017, while the maximum closing price in the reference period was Euro 8.36, registered on 20 December 2017. The minimum price in absolute terms for the year was Euro 4.44, registered on 2 January 2017.

SHAREHOLDING STRUCTURE

Shown below are the shareholders who, pursuant to art. 120 of the Italian Consolidated Law on Finance (T.U.F.), hold a significant shareholding as of 31 December 2017:

Main shareholders	Number of shares	Share
Wellness Holding S.r.l.	104,000,000	51.74%

Share capital is calculated as Euro 10,050,250 and is subdivided into 201,005,000 ordinary shares with no nominal value.

2018 FINANCIAL CALENDAR

Event Date	Corporate Events
9 February 2018	Board of Directors' meeting for disclosure not subject to auditing on the performance of consolidated revenues in the 2017 financial year
28 March 2018	Board of Directors' meeting for approval of the 2017 Draft Financial Statements
08 May 2018	Shareholders' meeting for approval of the 2017 Financial Statements
15 May 2018	Board of Directors' meeting for disclosure not subject to auditing on the performance of consolidated revenues in the first quarter of the 2018 financial year
31 July 2018	Board of Directors' meeting for approval of the half-yearly financial report as of 30 June 2018
25 October 2018	Board of Directors' meeting for disclosure not subject to auditing on the performance of consolidated revenues in the third quarter of the 2018 financial year





BOARD OF DIRECTORS' REPORT SECOND SECTION



INTRODUCTION

In accordance with art. 40 of Italian Legislative Decree 127/1991, as modified by art. 2 letter d) of Italian Legislative Decree 32/2007, this report covers both the consolidated financial statements of the TECHNOGYM Group and the financial statements of the parent company TECHNOGYM 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

The indexes relating to global manufacturing activities are positive and above 50 points in all geographical areas, confirming the current state of health of the economic cycle. The United States and the Euro Area have the highest values (58.7 and 58.5 points compared to the October data), confirming the trade growth in these areas. The indicators in emerging countries show a slight decrease compared with 2016, but all geographical areas closed the year with values above the economic slowdown threshold, including Brazil, which saw an important recovery in 2017.

On a global level, there has been a further closing of the output gap with Great Britain which, due to the depreciation of the GBP following the Brexit referendum, closed 2017 in positive territory. The Euro Area is continuing its path towards the breakeven threshold, but there is still a gap of more than two percentage points.

This trend should continue in 2018, benefiting from an increase in Capex that has already been registered in the first quarter (+5% excl. China) and which should undergo further acceleration in the second half of the year. The resulting increase in productivity should enable salaries to be kept under control and with a resulting reduction in inflationary pressure in the main developed countries in 2018.

The aforementioned performance benefited from the support provided by central banks, which, however, showed a significant misalignment in terms of monetary policy in 2017, which is expected to continue in 2018. While the FED initiated a series of rises in interest rates (3 rises of 0.25% in March, June and December) accompanied by the start of deleveraging of its balance sheet (4,500 billion at the end of 2017), the ECB kept rates at 0.25%, confirming its asset purchase programme, albeit with an amount reduced to EUR 30 billion/month from November 2017.

As a result, while the FED is expected to reduce its presence in the market by around 400/500 billion over the course of 2018, the ECB will continue to increase by another 200/300 billion, increasing the potential systemic risks - that is liquidity deficit - related to the QE that has been in place since 2015 and which has already brought the ECB balance sheet to 40% of the Euro Area GDP (compared to 23% of the USA GDP for the FED) in 2017. It is important to note that unlike the FED, the ECB can also purchase corporate bonds and securities issued by other public entities (not just government bonds and ABS), and is not required to sell securities in the event of a downgrade to below the investment grade. This is clearly influencing the allocation of investments between the different asset classes. According to the major investment banks, it is expected that in 2018, the misalignment between the economic policies of central banks will continue with: i) three rate rises expected by the FED; ii) no action on rates by the ECB; iii) stealth tapering, or rather the gradual reduction in the monthly asset purchase programme, by the Bank of Japan; iv) the Bank of England has just increased rates for the first time in 10 years, but increasing fears regarding the country's growth prospects could block any further restrictive moves.

In the USA, the growth in real GDP reached +3.2% in the third quarter combined with a core inflation - i.e. excluding food & energy - of 1.7% (less than the FED target of 2%), which allowed markets to absorb the three rate rises in March, June and December without any shake-up. In light of the expected increase in economic activity in the autumn following reconstruction after last summer's storms, expectations are for a higher

growth in GDP for the whole of 2017. According to the latest FED forecasts issued in November 2017, USA real economic growth should reach +2.2% in 2017 and stay above 2% per annum over the next three-year period, albeit falling from the +2.5% expected for 2018 and the +2% forecast for 2020. This economic growth and resulting reduction in the unemployment rate (expected to reduce to 3.9% over the next two years from the current rate of 4.1%) should be accompanied by three rate rises in 2018, with a target of 2/2.25% for the end of 2018. Although the expectations for 2018 are positive in the medium term, the new president of the FED, Powell, will have to show that he can successfully manage the two important issues of the gradual deleveraging of the balance sheet of the central bank and the increase in public debt (currently already at 106% of GDP), which will be followed by the increasing retirement of the baby boomers.

In the Euro Area, which represents 60% of the turnover of Technogym S.p.a., there were the first signs of real economic growth in 2017 following years of stagnation. This is due to a recovery in the employment market and investments which feeds internal demand and exports with a resulting expansion of manufacturing activities. The Euro Area GDP registered a +2.6% annual growth in the third quarter; this figure shows a further improvement compared to the +2.4% of the previous quarter and represents the highest growth rate since the first quarter of 2011.

The Euro Area economy also appears solid on a quarterly basis, with a 0.6% increase in the third quarter, more or less in line with the +0.7% of the previous quarter. From an expenditure point of view, the positive contribution to the GDP comes mainly from the final consumption expenditure of households, investments and inventory variance. The contribution from exports was also positive. From a production point of view, industry showed marked progress, while the contribution from the financial sector fell; the primary sector remains negative. The Italian economy is in line with this recovery scenario, showing a +1.7% growth in GDP in the third quarter (above the +1.5% of the previous period), benefiting from the strong growth in investments (+6%) following the Industry 4.0 initiatives and Super Depreciation and exports (+1.6% in the third quarter, despite the strengthening of the Euro that marked 2017).

Stable inflation around 1.5% and an unemployment rate close to 9% help the European Central Bank maintain an expansive policy through QE - albeit at a slower pace since November - and interest rates are expected to remain low probably until late 2019. The decision to reduce the asset purchase amount has also enabled the ECB to comply with the capital key rule, that is, the proportion of bonds that the ECB can purchase from each country without excessive opposition from central European countries. Thanks in part to these European Commission initiatives, there is an estimated growth in real GDP over the next two years of 2.1% (2018) and 1.9% (2019).

Japan was also characterized by economic expansion in 2017, with a 2.5% growth in GDP on an annual basis in the third quarter. On a quarterly basis, progress was 0.6% in September, representing the seventh consecutive quarter of growth, mainly thanks to exports and an increase in business investments that more than offset the significant contraction in public investments. Japan can already boast full employment with an unemployment rate of 2.7%, the lowest in 25 years. Overall, inflation on salaries was contained, but is rising in relation to specific types of contract such as part-time; nevertheless, this process is not expected to take inflation close to the central bank's 2% target in the short term (currently 0.6%), allowing the central bank to maintain an expensive monetary policy, albeit with a reduction in Quantitative Easing, which may be considered necessary in light of the scale now reached by the central bank balance sheet, around 95% of GDP.

Among the emerging countries, it is worth noting that after 6 years of slowing, 2017 showed the first signs of stabilization of the credit of private individuals, suggesting a gradual growth over the coming quarters to support the various emerging economies. Although China continues to be the main contributor to global growth (+6.8% annualized rate in the third quarter), it is showing signs of slowing; the third quarter saw a weaker pace of expansion than the fourth quarter of 2016 as a result of the small increase in investments registered in the last 18 months, which was not completely offset by the increase in industrial production and retail sales. The level of public debt, albeit significantly growing compared to several years ago (46% of GDP from 34% in 2010), is still well below that of other BRIC countries (Brazil and India have values of around 70%) and can allow further manoeuvring by the central government. Finally, Brazil seems to have come out of the recession that started in 2015 as seen by the 1.4% growth in GDP in the third quarter, higher growth than the first quarter of 2014, supported by a strong growth in exports and household consumption.

BOND MARKET

Like the stock market, the volatility of the bond market remained extremely contained in 2017, in part thanks to the role played by central banks, which contributed to keeping the ten-year rates artificially low. This impact is noteworthy above all in the USA where, despite three rate rises and the start of a deleveraging by the FED, the 10-year Treasury closed the year with a yield of 2.41% (0.04% less than 2016).

Despite fears, for several years now, among market operators of a possible correction for the bond asset class, 2017 saw positive yields, above all for Euro Area investors. High yield securities registered a yield, in terms of Total Return, of more than 6% - in line with 2016 - supported by a low default rate and by the continuous search for returns by investors, given the poor yields offered by sovereign bonds (the yield of the Bund in 2017 oscillated between 0.2% and 0.6%) and the corporate investment grade (the Bund spread reduced by 0.37% in 2017). The same consideration can be given to the bonds of emerging countries, which gave a yield of more than 8% (in line with 2016).

CURRENCY MARKET

2017 was characterized by a strong depreciation of the USD compared to the Euro. Over the year, the Euro rose 14% with a strong acceleration starting from April (Apr-Dec around +13%), reaching 1.20, just below the maximum reached at the start of September. This extremely positive performance can mainly be explained by the economic recovery taking place in Europe - renewed stability in the Euro Area following the French elections is supporting the huge flow of investments into Europe from international investors - and by the significant depreciation of the USA currency in relation to all the other major currencies. The latter is mainly due to: i) more uniform conditions of global growth between the different geographical areas, which makes it once again possible for investors to make comparisons based on the basics and the policy normalization of the FED, which appears remote from what can be expected in areas such as the Euro Area; ii) a USD which is still overvalued by around 10% compared to the Purchasing Power Parity with the Euro according to recent studies by various investment banks which speculate a range of 1.20/1.25 for 2018.

The Japanese Yen also rose (around +4%) compared to the USD, taking it to the 113 mark, whereas it depreciated by 10% compared to the Euro (around 135 at the end of the year compared to 122 at the start of 2017). This change followed the decision by the Bank of Japan to reduce by 10 billion Yen the monthly resources for the purchase of government bonds with 10-25 and 25-40 year maturities, thus embarking on a gradual reduction in its Quantitative Easing programme. The currency is historically sensitive to domestic policy decisions, and so an acceleration is not expected this year, making a further weakening possible, above all in relation to the Euro.

Sterling continued to weaken in 2017 compared to the Euro, despite the change in the Bank of England's monetary policy, which raised rates for the first time in 10 years in November (+0.25% to 0.5%). The GBP lost a further 4% compared to the Euro last year, taking the overall drop since the Brexit referendum to around 16%. It rose 10%, on the other hand, compared to the US dollar. Prospects for the coming years will be particularly influenced by what happens in the Brexit negotiations with the European Union, which could worsen the exchange rate with the Euro even more (some studies expect parity in 2019), while the exchange rate with the USD should stay more or less the same.

Also in the case of emerging currencies, the weakness of the dollar took centre-stage in 2016. The Chinese Yuan, which joined the IMF's Special Drawing Rights basket in October 2016, reversed a trend of depreciation against the dollar seen over many years, gaining 6% to 6.51 at the end of December (essentially recovering the depreciation seen in 2016). The Russian rouble also strengthened marginally in 2017 compared to the USD (+5.7%) but it weakened compared to the Euro (-8%). There was a similar performance for the Brazilian real (more or less stable against the USD and a 16% fall against the Euro), while the Turkish lira depreciated against the USD and the EUR (7% and 23%, respectively) as a result of the significant political uncertainty that continues to envelop the country following the failed coup in July 2016.

INDUSTRY SCENARIO

In 2017, the industry macro-trend seen in 2016 was confirmed. Technology was confirmed as the main 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 common theme that united product innovation, solutions and services throughout the industry. The other significant industry trend was physical activity in preventing illness. Indeed, 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 an essential element for achieving the correct lifestyle and staying healthy has continued into 2017.

In Europe, growing interest in the sector is evidenced by the various transactions regarding Clubs - the main sales segment for Technogym S.p.a. - with a growth in the size of various professional operators compared with a partial disengagement by some financial players. This trend is expected to continue in 2018.

With specific reference to the fitness equipment manufacturer sector, the volume of global business reached EUR 9.4 billion in 2017, and a further 3.9% of growth is expected. This growth, expected to be substantially stable over the next four years, should be guided by the growing interest of emerging countries in APAC and LATAM, which should continue to grow by >6%, while growth in the more developed markets of Europe and the USA should stop at 2.5%.

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 financial data recorded by the Group in 2017 are summarized below and compared with the previous year:

(In thousands of Euro, with ratios)	Year ended December 31		Changes	
	2017	2016	2017 vs 2016	%
Revenues	598,249	555,341	42,908	7.7%
Adjusted EBITDA ⁽¹⁾	120,203	99,933	20,270	20.3%
Adjusted EBITDA margin ⁽¹⁾	20.1%	18.0%	2.1%	11.7%
EBITDA ⁽¹⁾	120,041	94,099	25,942	27.6%
EBITDA Margin ⁽¹⁾	20.1%	16.9%	3.2%	18.9%
Net operating income	91,433	68,401	23,032	33.7%
Adjusted net operating income ⁽²⁾	91,595	74,235	17,360	23.4%
Profit for the period	61,199	43,085	18,114	42.0%

(1) Group definition of Adjusted EBITDA: net operating income, adjusted by the following income statement items: (i) net provisions; (ii) depreciation, amortisation and impairment, and (iii) non-recurring income/(charges); adjusted EBITDA margin as the ratio between adjusted EBITDA and total revenues; EBITDA as net operating income, adjusted by the following income statement items: (i) net provisions; (ii) depreciation, amortization and impairment, and; EBITDA margin as a 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 financial indicators used by the Group:

(In ratios)	Year ended 31 December	
	2017	2016
ROS	15.3%	12.3%
ROS Adjusted	15.3%	13.4%
Adjusted EBITDA/financial expenses ratio ⁽³⁾	87.10	45.16

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

Total revenues came to Euro 598,249 thousand, up by Euro 42,908 thousand (+7.7%) compared to Euro 555,341 thousand in 2016. The rise is due to the increase combined with the growth in sales volumes and from the more favourable product mix, with specific reference to the new products launched in 2017. Assuming constant exchange rates, total revenues increased by Euro 51,647 thousand (+9.3%).

Adjusted EBITDA came to Euro 120,203 thousand, up by Euro 20,270 thousand (+20.3%) compared to Euro 99,933 thousand in 2016. Like the variation in revenues, this increase is primarily attributable to: (i) an increase in profit margins in relation to the rise in sales volumes; (ii) the rationalization of industrial activities which had a positive impact on direct production costs.

EBITDA came to Euro 120,040 thousand, up by Euro 25,941 thousand (+27.6%) compared to Euro 94,099 thousand in 2016. The increase in adjusted EBITDA can be attributed to the contraction in non-recurring expenses, which affected the latter in the financial years under consideration.

In the year ended 31 December 2017, non-recurring expenses fell by Euro 5,672 thousand, from Euro 5,834 thousand in the year ended 31 December 2016 to Euro 162 thousand in the year ended 31 December 2017. Non-recurring expenses relating to the year ended 31 December 2017 are mainly due to staff costs. On the whole, the incidence of the adjusted EBITDA on Revenues (**Adjusted EBITDA Margin**) rose from 18% as of 31 December 2016 to 20.1% as of 31 December 2017. The **EBITDA Margin** also rose from 16.9% to 20.1%.

Net operating income came to Euro 91,433 thousand, up by Euro 23,032 thousand (+33.7%) compared to Euro 68,401 thousand in 2016. The increase is primarily due to the trend in recurring components of EBITDA.

The ROS for the year ending 31 December 2017 rose by 3.0 percentage points, up from 12.3% as of 31 December 2016 to 15.3%. The improved profitability is mainly due to the positive effect of the operating leverage, where the growth of costs was proportionately lower than the growth in revenues. The cost items that have less flexibility 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 91,595 thousand, up by Euro 17,360 thousand (+23.4%) compared to Euro 74,235 thousand in 2016, mainly due to the combined effect of: (i) the increase in Net Operating Income and (ii) the reduction in non-recurring expenses.

Profit for the period came to Euro 61,199 thousand, up by Euro 18,114 thousand (+42.0%) compared to Euro 43,085 thousand in 2016. This increase relates mainly to: (i) the above-mentioned rise in Net Operating Income (Euro 23,032 thousand); partially offset (ii) by the increase in net financial expenses (Euro 1,689 thousand), and (iii) by the increase in the balance of the "Income Taxes" item (Euro 2,246 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 31 December 2017 and as of 31 December 2016:

(In thousands of Euro)

	As of 31 December		
	2017	2016	Changes%
Loans			
Net Fixed Capital ⁽⁴⁾	193,894	193,470	0.22%
Net Operating Capital ⁽⁵⁾	(17,865)	(27,806)	35.8%
Net Invested Capital	176,029	165,664	6.26%
Sources			
Equity	134,709	87,639	53.71%
Net financial indebtedness ⁽⁶⁾	41,319	78,024	(47.0%)
Total sources of financing	176,029	165,664	6.26%

(4) 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 debt 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 31 December	
	2017	2016
ROE	45.6%	49.3%
ROI	51.9%	41.3%
ROI Adjusted	52.0%	44.8%
Net Indebtedness /adjusted EBITDA ratio	(0.34)	(0.78)

Net fixed capital came to Euro 193,894 thousand, up by Euro 424 thousand compared to Euro 193,470 thousand in the year ended 31 December 2016. This variation is primarily attributable to (i) an increase in intangible assets and the net balance of other non-current assets and liabilities (Euro 4,892 thousand and Euro 4,596 thousand, respectively), partially offset (ii) by the decrease in Property, plant and equipment and Investments in joint ventures and associates (Euro 4,826 thousand and Euro 3,620 thousand, respectively).

Net operating capital is negative by Euro 17,865 thousand, up by Euro 9,941 thousand compared to the negative balance of Euro 27,806 thousand as of 31 December 2016. The variation is primarily attributable to the net effect of the increase in balance of the "Trade receivables" item (Euro 23,054 thousand) and of the decrease in the "Trade payables" item (Euro 2,080 thousand), partially offset by the reduction in the "Inventory" item (Euro 8,061 thousand) and by the increase in the "Other current liabilities" item (Euro 4,814 thousand). To this end, it should be noted that: (i) the average number of days in inventory went from 62 for the year ended 31 December 2016 to 54 for the year ended 31 December 2017 (the inventory turnover ratio went from 5.8 to 6.7); (ii) the average days of collection of trade receivables went from 52 for the year ended 31 December 2016 to 60 for the year ended 31 December 2017 (the trade receivables turnover ratio went from 6.9 to 6.0); (iii) the DPO went from 125 for the year ended 31 December 2016 to 120 for the year ended 31 December 2017 (the trade payables turnover ratio went from 2.9 to 3.0).

The ROI and adjusted ROI for the year ended 31 December 2017 reflect the significant increase in Net Operating Income and adjusted Net Operating Income, proportionately greater than the increase in Invested Capital for the 2017 financial year.

Debt came to Euro 41,319 thousand, down by Euro 36,705 thousand compared to Euro 78,024 thousand in the year ended 31 December 2016. This decrease is mainly due to the increase in the balance of Cash and cash equivalents (Euro 24,701 thousand), primarily as a result of the positive cash flows generated by operating activities, as well as by the simultaneous reduction in current financial liabilities (Euro 13,583 thousand).

Group equity totalled Euro 134,709 thousand, up by Euro 47,070 thousand (+53.7%) compared to Euro 87,639 thousand in the year ended 31 December 2016. This increase was mainly due to the combined effect of: (i) a Profit for the period of Euro 61,491 thousand and (ii) the distribution of dividends of Euro 13,000 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 management when making operational decisions.

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

For the purposes of segment information and the associated management analysis, company management considers the dimensions regarding geographical areas and distribution channels as important.

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

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

(In thousands of Euro and percentage of total revenues)	Year ended 31 December		Changes	
	2017	2016	2017 vs 2016	%
Europe (without Italy)	304,135	288,081	16,054	5.6%
MEIA	54,020	51,026	2,994	5.9%
APAC	88,920	80,950	7,970	9.8%
Italy	56,378	54,183	2,195	4.1%
North America	66,149	58,374	7,775	13.3%
LATAM	28,647	22,727	5,920	26.0%
Total revenues	598,249	555,341	42,908	7.7%

In line with the performance in previous financial years, significant growth was recorded in 2017 in LATAM (+26.0%), in North America (+13.3%) and APAC (+9.8%).

<i>(In thousands of Euro and percentage of total revenues)</i>	Year ended 31 December		Changes	
	2017	2016	2017 vs 2016	%
<i>Field sales</i>	417,089	386,448	30,641	7.9%
<i>Wholesale</i>	134,345	122,302	12,043	9.8%
<i>Inside sales</i>	41,201	40,936	265	0.6%
<i>Retail</i>	5,614	5,655	(41)	-0.7%
Total revenues	598,249	555,341	42,908	7.7%

COMMENTS ON THE ECONOMIC AND FINANCIAL RESULTS (TG SPA)

The financial data recorded by TG S.p.A. in 2017 are summarized below and compared with the previous year:

(In thousands of Euro, with ratios)	Year ended December 31		Changes	
	2017	2016	2017 vs 2016	%
Revenues	427,448	408,795	18,653	4.6%
Adjusted EBITDA ⁽¹⁾	84,971	72,671	12,300	16.9%
Adjusted EBITDA margin ⁽¹⁾	19.9%	17.8%	2.1%	11.8%
EBITDA ⁽¹⁾	84,806	69,686	15,120	21.7%
EBITDA Margin ⁽¹⁾	19.8%	17.0%	2.8%	16.5%
Net operating income	65,072	50,807	14,265	28.1%
Adjusted net operating income ⁽²⁾	65,237	53,793	11,444	21.3%
Profit for the period	52,113	45,525	6,588	14.5%

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

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

The following table summarizes the main financial indicators used by TG S.p.A.:

(In ratios)	Year ended 31 December	
	2017	2016
ROS	15.2%	12.4%
ROS Adjusted	15.3%	13.2%
Adjusted EBITDA/financial expenses ratio ⁽³⁾	71.34	42.95

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

The **Total revenues of TG S.p.A.** came to Euro 427,448 thousand, up by Euro 18,653 thousand (+4.6%) compared to Euro 408,795 thousand in 2016. 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 added value.

The **adjusted EBITDA of TG S.p.A.** came to Euro 84,971 thousand, up by Euro 12,300 thousand (+16.9%) compared to Euro 72,671 thousand in 2016. Like the variation in revenues, this increase is mainly attributable to the increase in profit margins due to an increase in sales volumes.

The **EBITDA of TG S.p.A.** came to Euro 84,806 thousand, up by Euro 15,120 thousand (+21.7%) compared to Euro 69,686 thousand in 2016. The increase in adjusted EBITDA can be attributed to the contraction in non-recurring expenses, which affected the latter in the financial years under consideration.

In the year ended 31 December 2017, non-recurring expenses also fell by Euro 2,819 thousand, from Euro 2,985 thousand in the year ended 31 December 2016 to Euro 166 thousand in the year ended 31 December 2017. Non-recurring expenses relating to the year ended 31 December 2017 are mainly due to staff costs. On the whole, the incidence of EBITDA on Revenues (**adjusted EBITDA Margin**) stood at 19.9% as of 31 December 2017. The **EBITDA Margin**, on the other hand, went from 17.0% to 19.8%.

The **Net Operating Income of TG S.p.A.** came to Euro 65,072 thousand, up by Euro 14,265 thousand (+28.1%) compared to Euro 50,807 thousand in 2016. The increase is primarily due to the rise in 'Total revenues' (Euro 18,653).

The **adjusted Net Operating Income of TG S.p.A.** came to Euro 65,237 thousand, up by Euro 11,444 thousand (+21.3%) compared to Euro 53,793 thousand in 2016, mainly due to the combined effect of: (i) the increase in Net Operating Income and (ii) the reduction in non-recurring expenses.

Profit for the period for TG S.p.A. came to Euro 52,113 thousand, up by Euro 6,588 thousand (+14.5%) compared to Euro 45,525 thousand in 2016. This increase relates mainly to: (i) the above-mentioned rise in Net Operating Income (Euro 14,265 thousand), partially offset (ii) by the increase in net financial expenses (Euro 3,354 thousand), and (iii) by the decrease in the balance of the "Income Taxes" item (Euro 3,125 thousand).

The table below shows the statement of financial position of TG S.p.A. in condensed and reclassified form, which reports the structure of invested capital and sources of financing as of 31 December 2017 and as of 31 December 2016:

(In thousands of Euro)

	As of 31 December		Variazioni %
	2017	2016	
Loans			
Net Fixed Capital ⁽⁴⁾	294,252	287,833	2.23%
Net Operating Capital ⁽⁵⁾	(27,068)	(16,029)	(68.87%)
Net Invested Capital	267,184	271,805	(1.70%)
Sources			
Equity	172,658	132,416	30.39%
Net financial indebtedness ⁽⁶⁾	94,527	139,389	(32.19%)
Total sources of financing	267,184	271,805	(1.70%)

(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 debt 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 S.p.A.:

(In ratios)

	As of and for the year ended 31 December	
	2017	2016
ROE	30.2%	34.4%
ROI	24.4%	18.7%
ROI Adjusted	24.4%	19.8%
Net Indebtedness /adjusted EBITDA ratio	(1.11)	(1.92)

Net fixed capital of TG S.p.A. came to Euro 294,252 thousand, up by Euro 6,419 thousand compared to Euro 287,833 thousand in the year ended 31 December 2016. This increase is mostly due to: (i) an increase in "Intangible assets" (Euro 4,258 thousand) and (ii) an increase in "Investments in joint ventures and associates" (Euro 2,202 thousand).

The **Net operating capital of TG S.p.A.** is negative and equal to Euro 27,068 thousand, a decrease of 11,039 thousand compared to the negative balance of 16,029 thousand as of 31 December 2016, mainly due to the net effect of the change in the balances of the following items: "Inventory" (negative by Euro 12,411 thousand), "Trade payables" (negative by Euro 5,289 thousand), "Current tax liabilities" (positive by Euro 3,787 thousand) and "Trade receivables" (positive by Euro 1,602 thousand). To this end, it should be noted that: (i) the average number of days in inventory went from 50 for the year ended 31 December 2016 to 44 for the year ended 31 December 2017 (the inventory turnover ratio went from 7.3 to 8.5); (ii) the average days of collection of trade receivables went

from 46 for the year ended 31 December 2016 to 44 for the year ended 31 December 2017 (the trade receivables turnover ratio went from 7.9 to 8.1); (iii) the DPO went from 123 for the year ended 31 December 2016 to 121 for the year ended 31 December 2017 (the trade payables turnover ratio went from 2.9 to 3).

The ROI and adjusted ROI for the year ended 31 December 2017 reflect the significant increase in Net Operating Income and adjusted Net Operating Income, proportionately greater than the increase in Invested Capital for the 2017 financial year.

The net **financial indebtedness of TG S.p.A.** came to Euro 94,527 thousand, down by Euro 44,862 thousand compared to Euro 139,389 thousand in the year ended 31 December 2016. This decrease is mainly due to the increase in the balance of Cash and cash equivalents (Euro 18,323 thousand), primarily as a result of the positive cash flows generated by operating activities, as well as by the simultaneous reduction in current financial liabilities (Euro 25,561 thousand).

The **Equity of TG S.p.A.** came to Euro 172,658 thousand, up by Euro 40,242 thousand (+30.4%) compared to Euro 132,416 thousand in the year ended 31 December 2016. This increase was mainly due to the combined effect of: (i) a Profit for the period of Euro 52,113 thousand and (ii) the distribution of dividends of Euro 13,000 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 management when making operational decisions.

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

A breakdown of revenues by geographical area is provided below:

<i>(In thousands of Euro and percentage of total revenues)</i>	Year ended 31 December		Changes	
	2017	2016	2017 vs 2016	%
Europe (without Italy)	203,306	198,363	4,943	2.5%
MEIA	53,879	50,775	3,104	6.1%
APAC	60,470	56,723	3,747	6.6%
Italy	56,377	54,183	2,194	4.0%
North America	33,266	32,709	557	1.7%
LATAM	20,150	16,042	4,108	25.6%
Total revenues	427,448	408,795	18,653	4.6%

In line with the performance in previous financial years, significant growth was recorded in 2017 in LATAM (+25.6%), in APAC (+6.6%) and MEIA (+6.1%).

RISK FACTORS

FINANCIAL RISKS

Financial markets continued to be volatile in 2017. 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. Tight credit control allowed the Group to record contained levels of past due amounts.

INTEREST RATE RISKS

Interest rate risk is related to the use of short and medium/long-term credit lines. Variable rate loans expose the Group to the risk of fluctuations of cash flows due to interest. Interest rate derivatives are not used with the exception of an interest rate swap.

The Group's main rate risk comes from long-term variable rate loans. The Group manages the interest rate risk using floating-to-fixed interest rate swaps (IRS). Through these contracts, the group exchanges, with other parties at set intervals (quarterly), the difference between the sum of interest calculated using the contractual fixed rate and the sum of interest calculated using the contractual variable rate, taking the agreed notional value as the reference capital.

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

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

LIQUIDITY RISK AND CHANGE IN CASH FLOWS

The Group's liquidity risk is closely monitored by the parent company. In order to 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 Group companies.

PRICE RISK

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

NON-FINANCIAL RISK

Internal risks - effectiveness of processes

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

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

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

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

External risks - markets, country risk

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

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

INVESTMENTS AND ACQUISITIONS

During the 2017 financial year, the Group made investments in property, plant and equipment and intangible assets totalling Euro 25,083 thousand, aimed primarily at: (i) continuously updating and expanding 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 abroad.

Management believes that such investments positively contributed to the growth in revenues and margins during the year ended 31 December 2017, and at the same time strengthened the Group's market position both in Italy and abroad.

The investments made by the Group in the year ended 31 December 2017 and in the year ended 31 December 2016 are shown below, broken down by type:

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2017	2016
Property, plant and equipment	9,757	108,986
Intangible assets	15,326	8,697
Total investments	25,083	117,683

The table below shows the investments made by the Group in the year ended 31 December 2017 and in the year ended 31 December 2016, relating to the 'Property, plant and equipment' item, broken down by category:

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2017	2016
Land	-	7,949
Buildings and leasehold improvements	491	88,925
Plant and machinery	1,676	1,368
Production and commercial equipment	3,212	1,097
Other assets	2,287	2,769
Assets under construction and advances	2,091	6,878
Total investments in property, plant and equipment	9,757	108,986

The table below shows the investments made by the Group in the year ended 31 December 2017 and in the year ended 31 December 2016, relating to the 'Intangible assets' item, broken down by category:

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2017	2016
Development costs	4,267	2,935
Patents and intellectual property rights	2,451	1,424
Concessions, licenses, trademarks and similar rights	162	133
Intangibles under development and advances	8,337	4,174
Other intangible assets	109	31
Total investments in intangible assets	15,326	8,697

In the 2017 financial year, the Group did not make any significant purchases of stocks or shares in companies.

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 2017 there are no Related Party Transactions that significantly influenced the Group’s financial position or results as of and for the financial year ended 31 December 2017.

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

Information on relationships with related parties required by Consob Communication no. DEM/6064293 of 28 July 2006 are presented in the financial statements and in the “Related party transactions” note of the consolidated financial statements as of 31 December 2017

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

In February 2018, Technogym was chosen as Official Supplier of the Pyeongchang 2018 Winter Olympics in South Korea: this is the seventh time that Technogym has been official supplier of the Olympic Games. Also in February, Technogym announced a strategic partnership with Nuffield, the leading industry operator in the UK. The partnership involves the complete supply of Technogym products and digital technologies for the next 4 years to 111 of the group's fitness clubs and 31 of its hospitals. Finally, during the recent IHRSA trade show in San Diego, Technogym gave an exclusive preview of the new SKILLBIKE to leading operators in the sector. SKILLBIKE will be launched on the market over the coming weeks.

OUTLOOK

For 2018, the Technogym Group confirms the guidelines already initiated in the year just ended.

International development will mainly be characterized by the consolidation of market shares in Europe, by further growth in North America following the positive trend seen in the last three years, and by further expansion in APAC, where China remains a market with great potential.

The Group will continue to commit to product innovation, with a special focus on improving the equipment user-experience, thanks to digital services supported by the MyWellness open platform. Again in 2018, 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 they can guarantee a quality customer service, in line with brand aspiration characteristics.

Despite the current uncertain macroeconomic situation and operating within an increasingly competitive 'wellness' market, again in 2018, company management believes that Technogym will be able to continue its path of constant and sustainable economic growth, supporting the creation of value for shareholders over time.

CORPORATE DATA

REGISTERED OFFICE

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

LEGAL DATA

Authorized and subscribed share capital Euro 10,050,250
VAT number, Tax Code and CCIAA
[Chamber of Commerce, Industry, Craft Trade and Agriculture]
no.: 06250230965 R.E.A. (Economic and Administrative Index)
registration in Forlì Cesena with 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





02

CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017

TECHNOGYM GROUP CONSOLIDATED
FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS



CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

TECHNOGYM GROUP CONSOLIDATED FINANCIAL STATEMENTS



TECHNOGYM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)	Notes	As of December 31			
		2017	of which from related parties	2016	of which from related parties
ASSETS					
Non-current assets					
Property, plant and equipment	5,1	139,037		143,863	
Intangible assets	5,2	28,933		24,041	
Deferred tax assets	5,3	15,366		14,255	
Investments in joint ventures and associates	5,4	17,720		21,340	
Non-current financial assets	5,5	2,638		2,653	
Other non-current assets	5,5	25,045		18,389	
TOTAL NON-CURRENT ASSETS		228,739		224,541	
Current assets					
Inventory	5,6	64,114		72,175	
Trade receivables	5,7	117,129	542	94,075	466
Current financial assets	5,8	13	0	403	402
Assets for derivative financial instruments	5,9	75		340	
Other current assets	5,10	12,872	3,339	12,875	393
Cash and cash equivalents	5,11	77,847		53,146	
TOTAL CURRENT ASSETS		272,050		233,014	
TOTAL ASSETS		500,789		457,555	
EQUITY AND LIABILITIES					
Equity					
Share capital		10,050		10,000	
Share premium reserve		4,990		-	
Other reserves		23,752		26,136	
Retained earnings		33,738		7,709	
Profit (loss) attributable to owners of the Parent		61,199		43,085	
Equity attributable to owners of the Parent	5,12	133,728		86,930	
Capital and reserves attributable to non-controlling interests		688		576	
Profit (loss) attributable to non-controlling interests		293		134	
Equity attributable to non-controlling interests		981		710	
TOTAL EQUITY		134,709		87,639	

(follow on next page)

<i>(In thousands of Euro)</i>	Note	As of December 31			
		2017	of which from related parties	2016	of which from related parties
Non-current liabilities					
Non-current financial liabilities	5,13	84,464		83,619	
Deferred tax liabilities	5,14	543		749	
Employee benefit obligations	5,15	3,115		3,194	
Non-current provisions	5,16	19,637		17,637	
Other non-current liabilities	5,17	11,550		9,490	
TOTAL NON-CURRENT LIABILITIES		119,309		114,689	
Current liabilities					
Trade payables	5,18	123,514	769	125,594	469
Current tax liabilities	5,19	8,568		3,682	
Current financial liabilities	5,13	34,664		48,247	
Liabilities for derivative financial instruments	5,20	126		47	
Current provisions	5,16	14,642		17,214	
Other liabilities current taxes	5,21	65,256	0	60,442	0
TOTAL CURRENT LIABILITIES		246,770		255,226	
TOTAL EQUITY AND LIABILITIES		500,789		457,555	

CONSOLIDATED INCOME STATEMENT

<i>(In thousands of Euro)</i>	Notes	Year ended December 31			
		2017	of which from related parties	2016	of which from related parties
REVENUES					
Revenues	6,1	597,683	9,569	554,970	10,601
Other operating income	6,2	566	66	371	1
Total revenues		598,249		555,341	
OPERATING COSTS					
Raw materials, work in progress and finished goods	6,3	(205,342)	(38)	(196,408)	(38)
Cost of services	6,4	(140,436)	(2,022)	(139,809)	763
<i>of which non-recurring expenses:</i>		<i>(1)</i>		<i>(2,258)</i>	
Personnel expenses	6,5	(125,353)	(22)	(116,942)	(2)
<i>of which non-recurring expenses:</i>		<i>(330)</i>		<i>(613)</i>	
Other operating costs	6,6	(7,123)	(123)	(8,214)	(115)
<i>of which non-recurring expenses:</i>		<i>169</i>		<i>(2,963)</i>	
Share of net result from joint ventures	6,7	44		131	
Depreciation, amortization and impairment losses / (revaluations)	6,8	(24,514)		(23,158)	
Provisions	6,9	(4,094)		(2,540)	
NET OPERATING INCOME		91,433		68,401	
Financial income	6,10	8,261	15	13,126	8
Financial expenses	6,11	(12,497)	-	(15,674)	-
Net financial expenses		(4,237)		(2,548)	
Income/(expenses) from investments	6,12	(940)		(114)	
PROFIT BEFORE TAX		86,256		65,739	
Income tax expenses	6,13	(24,765)		(22,519)	
PROFIT (LOSS) FOR THE YEAR		61,491		43,219	
Profit/(loss) attributable to non-controlling interests		(293)		(134)	
Profit (loss) attributable to owners of the Parent		61,199		43,085	
Earnings per share (in Euro)	6,14	0.30		0.21	

STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Euro)	Notes	Year ended December 31	
		2017	2016
Profit (loss) for the period (A)		61,491	43,219
Actuarial income/(loss) of post-employment benefit obligations and Non-Competition Agreements	5,16	(148)	(420)
Tax effect on actuarial income/loss of post-employment benefit obligations and Non-Competition Agreements		35	92
Total items that will not be reclassified to profit or loss (B1)		(112)	(328)
Exchange rate differences on translation of foreign operations		(2,100)	437
Exchange rate differences for the evaluation of entities accounted for using the equity method	5,4	(451)	131
Gains (losses) on cash flow hedges	5,20	28	(28)
Tax effect - Gains (losses) on cash flow hedges		(8)	8
Gains (losses) on cash flow hedges (IRS)	5,20	(20)	-
Tax effect - Gains (losses) on cash flow hedges (IRS)		5	-
Total items that may be reclassified to profit or loss (B2)		(2,546)	548
Total Other comprehensive income, net of tax (B)=(B1)+(B2)		(2,658)	220
Total comprehensive income for the year (A)+(B)		58,831	43,437
<i>of which attributable to owners of the Parent</i>		<i>58,568</i>	<i>43,242</i>
<i>of which attributable to Non-controlling interests</i>		<i>263</i>	<i>195</i>

CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands of Euro)	Notes	Year ended December 31	
		2017	2016
Cash flows from operating activities			
Consolidated profit (loss) for the period	5,12	61,491	43,219
Adjustments for:	-		
Income tax expenses	6,13	24,765	22,519
Income/(expenses) from investments	6,12	940	114
Financial income/(expenses)	6,10 - 6,11	4,237	2,548
Depreciation, amortization and impairment losses	6,8	24,514	23,158
Provisions	6,9	4,094	2,540
Share of net result from joint ventures	6,7	(44)	(131)
<i>Cash flows from operating activities before changes in working capital</i>	-	119,996	93,968
Increase (decrease) in inventory	5,6	8,040	(12,268)
Increase (decrease) in trade receivables	5,7	(23,005)	(5,827)
Increase (decrease) in trade payables	5,18	(2,135)	33,203
Increase (decrease) in other operating assets and liabilities	5,10-5,15-5,16-5,17-5,21	1,600	870
Non-recurring fiscal collection/(payment)	-	-	22,756
Income taxes paid	5,3-5,14-5,18-6,13	(18,541)	(34,794)
Net cash inflow from operating activities (A)	-	85,954	97,907
<i>of which from related parties</i>	-	5,129	11,158
Cash flows from investing activities	-	-	-
Investments in property, plant and equipment	5,1	(9,757)	(56,124)
Disposals of property, plant and equipment	5,1	210	464
Investments in intangible assets	5,2	(15,326)	(8,700)
Disposals of intangible assets	5,2	0	2
Dividends received from other entities	6,12	218	(114)

(follow on next page)

(In thousands of Euro)	Notes	Year ended December 31	
		2017	2016
Dividends from investments in Joint Ventures	5,4	-	663
Investments in subsidiaries, associates and other entities	5,4-5,5	(326)	(18,050)
Disposal of investments		-	-
Net cash inflow (outflow) from investing activities (B)	-	(24,982)	(81,860)
<i>of which from related parties</i>		-	42,353
Cash flows from financing activities			
Proceeds from new borrowings	5,13	20,000	65,000
Repayments of borrowings	5,13	(20,512)	(30,882)
Net increase (decrease) of current financial liabilities	5,8-5,13	(17,076)	(60,952)
Dividends paid to shareholders		(13,000)	-
Payments of net financial expenses	5,9-5,20-6,10-6,11	(3,940)	(5,418)
Net cash inflow (outflow) from financing activities (C)		(34,529)	(32,253)
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)	-	26,444	(16,205)
Cash and cash equivalents at the beginning of the year	-	53,146	68,026
Net increase (decrease) in cash and cash equivalents from January 1 to December 31	-	26,444	(16,205)
Effects of exchange rate differences on cash and cash equivalents	-	(1,742)	1,325
Cash and cash equivalents at the end of the period	-	77,847	53,146

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

<i>(In thousands of Euro)</i>	Share capital	Share premium reserve	Other reserves	Retained earnings	Profit (loss) attributable to owners of the Parent	Equity attributable to owners of the Parent	Capital and reserves attributable to non-controlling interests	Profit (loss) attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
As of January 1, 2016	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	43,242	61	134	195	43,438
Other changes	-	-	-	-	-	-	-	-	-	-
Transactions with owners of the Parent:	-	-	-	-	-	-	-	-	-	-
Mergers	-	-	0	-	-	0	-	-	-	-
Capital transactions with non-controlling interests	-	-	-	(82)	-	(82)	82	-	82	-
Option for the purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-
Incentive plan	-	-	803	-	-	803	-	-	-	803
Total transactions with owners of the Parent:	-	-	-	(82)	-	(82)	82	-	82	-
As of 31 December 2016	10,000	-	26,137	7,709	43,085	86,930	576	134	710	87,639
Profit for the previous year	-	-	4,046	39,039	(43,085)	-	134	(134)	-	-
Total comprehensive income for the year	-	-	(2,631)	-	61,199	58,568	(30)	293	263	58,831
Dividends paid	-	-	-	(13,000)	-	(13,000)	-	-	-	(13,000)
Capital increase	-	-	0	-	-	-	8	-	8	8
Other changes	-	-	4	(10)	-	(6)	-	-	-	(6)
Transactions with owners of the Parent:	-	-	-	-	-	-	-	-	-	-
Mergers	-	-	-	-	-	-	-	-	-	-
Capital transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-
Option for the purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-
Incentive plan	50	4,990	(3,803)	-	-	1,237	-	-	-	1,237
Total transactions with owners of the Parent:	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	10,050	4,990	23,754	33,738	61,198	133,729	689	293	982	134,709





CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

**NOTES TO THE
CONSOLIDATED FINANCIAL
STATEMENTS**



1. GENERAL INFORMATION

The Issuer is a company incorporated in Italy, with registered address at 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 can be considered the leading total wellness solution provider in the industry, due to the quality and completeness of the offer of integrated solutions for personal wellness (consisting mainly of equipment, services, digital content and solutions).

The Technogym Group offers a wide range of wellness, physical exercise and rehabilitation solutions to the major segments of the fitness equipment market and 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. Technogym Group's offer includes equipment that has been enthusiastically received 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 2017, 51.74% of the Issuer's share capital was owned by Wellness Holding S.r.l., - a limited liability company incorporated under Italian law, whose share capital is 75% owned by Oiren S.r.l., 25% owned by Apil S.r.l. and the remaining 48.26% free float on Borsa Italiana's MTA market (screen-based stock exchange). 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.

Technogym is not subject to the activity of control and coordination of Wellness Holding S.r.l., nor of its direct and indirect parent companies or third parties. Please refer to Paragraph 2, letter j), of the "Report on corporate governance and ownership structure", written taking into consideration the indications provided by the format established by Borsa Italiana for the company government report, available in the "Corporate Governance" section of the website www.technogym.com.

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 (IFRS IC) 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, 2017, have been adopted 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.

- 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 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 for which fair value measurement is mandatory.

2.2 SCOPE AND BASIS OF CONSOLIDATION

The following table shows 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, 2017 and 2016.

Entity name	Year ended December 31, 2017				
	Registered Office	% control in 2017	% control in 2016	Currency	Share capital 2017
Associates - Jointly controlled entities, consolidated using the equity method					
Technogym SpA	Italy	Parent Company	Parent Company	EUR	10,050,250
TECHNOGYM E.E. SRO	Slovakia	100%	100%	EUR	15,033,195
TECHNOGYM International BV	Netherlands	100%	100%	EUR	113,445
Technogym Germany GmbH	Germany	100%	100%	EUR	1,559,440
Technogym France Sas	France	100%	100%	EUR	500,000
Technogym UK Ltd	United Kingdom	100%	100%	GBP	100,000
Technogym Trading SA	Spain	100%	100%	EUR	2,499,130
Technogym USA Corp.	United States	100%	100%	USD	3,500,000
Technogym Benelux BV	Netherlands	100%	100%	EUR	2,455,512
Technogym Japan Ltd	Japan	100%	100%	JPY	320,000,000
Technogym Shanghai Int. Trading Co. Ltd	China	100%	100%	CNY	132,107,600
Technogym Asia Ltd	Hong Kong	100%	100%	HKD	16,701,750
Technogym Australia Pty Ltd	Australia	100%	100%	AUD	11,350,000
Technogym Portugal Unipessoal Lda	Portugal	100%	100%	EUR	5,000
Technogym Equipamentos de Ginastica e Solucao para Bem Estar LTDA	Brazil	100%	100%	BRL	121,795,019
Sidea SRL	Italy	70%	70%	EUR	150,000
Technogym ZAO	Russia	90%	90%	RUB	10,800,000
TG Holding BV	Netherlands	90%	90%	EUR	300,000
Technogym South Africa Ltd	South Africa	0%	100%	ZAR	-
Wellness Partners Ltd	United Kingdom	75%	80%	GBP	386,667
TGB Srl	Italy	100%	100%	EUR	96,900
La Mariana Srl	Italy	100%	100%	EUR	76,500
Core Athletic Srl	Italy	0%	100%	EUR	-
Core Athletic LLC	United States	0%	100%	USD	-
Amleto Aps	Denmark	100%	100%	DKK	60,000
Associates - Jointly controlled entities, consolidated using the equity method					
Fitstaduim Srl	Italia	45%	45%	EUR	13,506
Wellink Srl	Italia	40%	40%	EUR	60,000
Movimento per la Salute Srl	Italia	50%	50%	EUR	10,000
Quainted Consulting Pty Ltd	South Africa	28%	0%	ZAR	4,440,938
Technogym Emirates LLC	Emirati Arabi Uniti	49%	49%	AED	300,000
T4ME Limited	Regno Unito	20%	20%	GBP	1,000
Exerp Aps	Danimarca	50%	50%	DKK	186,966
Exerp America Inc	USA	50%	50%	USD	1,000
Exerp Asia Pacific Pty Ltd	Australia	50%	0%	AUD	100

Compared to the scope of consolidation of the consolidated financial statements as of December 31, 2016, the following changes have occurred in 2017: (i) acquisition of 28% of the share capital of the South African associate Quainted Consulting Pty Ltd and (ii) formation of the Australian joint venture Exerp Asia Pacific Pty Ltd. As concerns subsidiaries that are consolidated on a line-by-line basis, we also note: (i) the reduction in the investment held in the share capital of Wellness Partners Ltd and (ii) the exclusion from the consolidation area of Technogym South Africa Ltd, which has been wound up, and also of Core Athletic Srl and Core Athletic LLC, for which the share capital held has already been disposed of.

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, such as 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 on which 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 intra-group transactions;
- 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 statement of assets and liabilities and 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 minority interests, 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 financial statements using the equity method, in accordance with IAS 28 (Investments in associates and joint ventures) and IFRS 11 (Joint agreements).

Associates are entities over which the Group holds at least 20% of the entity's voting power, or rather, it has significant influence but does not have control or joint 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 entered into 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 date of the financial statements;
- 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	
	2017	2016
USD	1.199	1.054
GBP	0.887	0.856
JPY	135.010	123.400
CHF	1.170	1.074
AUD	1.535	1.460
AED	4.404	3.870
CNY	7.804	7.320
RUB	69.392	64.300
HKD	9.372	8.175
BRL	3.973	3.431
ZAR	14.805	14.457
SGD	1.602	1.523
DKK	7.445	7.434

Currency	Average for the year ended December 31	
	2017	2016
USD	1.129	1.107
GBP	0.876	0.819
JPY	126.655	120.197
CHF	1.112	1.090
AUD	1.473	1.488
AED	4.146	4.063
CNY	7.626	7.352
RUB	65.888	74.145
HKD	8.801	8.592
BRL	3.604	3.856
ZAR	15.043	16.265
SGD	1.558	1.528
DKK	7.439	7.445

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 assets).

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 below.

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, licences 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 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 cost of 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 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 where the instruments do not satisfy the conditions for hedge accounting required by 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, with the exclusion of an interest rate swap, the hedges in place as of December 31, 2017, despite being operational hedges, do not satisfy the conditions for hedge accounting. Consequently, fair value changes as of December 31, 2017 are charged to the income statement. On the contrary, the aforementioned IRS which swaps a floating rate for a variable one for a total notional value of Euro 15 thousand as of December 31, 2017, given the conditions of IAS 39 are met, has instead been accounted for according to hedge accounting rules. The fair value changes at year-end were therefore booked directly to a special reserve in 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 twelve months of the reference date of the financial statements (or the interim reports), which are classified as non-current assets.

Impairment of financial assets

At each date of the financial statements, 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 three 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 (the pass-through test);
- the Group has transferred control of the financial asset but has neither transferred nor retained the risks and rewards associated with it.

In the 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, on the other hand, 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. More precisely, 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 date of the financial statements, 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 the event that a defined benefit plan is modified or a new plan is introduced, any employee benefit obligation for past service is recognized immediately in the income statement. Post-employment benefits for employees (the *Trattamento di fine rapporto*, or “TFR”), mandatory for Italian companies in accordance with article 2120 of the Civil Code, are considered as deferred compensation and relate 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 (“Employee benefits obligations”) recognized in the financial statements 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 fewer than 50 employees, the cost relating to employee benefit obligations and the interest costs related to the “time value” component in the actuarial calculations (classified under financial expenses) are recognized in the income statement.

Since January 1, 2007, Italian law has given employees the opportunity to choose the destination of their post-employment benefits between the company they are employed by 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 granted 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 expenses” over the time between the grant date and the maturity date, and in an equity reserve called “Stock grant plan reserve”. Changes in fair value after the grant date have no effect on the initial valuation. The estimate of the number of rights held to maturity is updated at the end of each year. The change in the estimate is recognized as a reduction of the item “Stock grant plan reserve” with contra-item “Personnel expenses”.

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 fulfilment 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 settlement date of the bonds 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 events, 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 give rise to the recognition of liabilities in the financial statements 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 Technogym Group operates.

Deferred income taxes are determined using the liability method on temporary differences between assets and liabilities in the consolidated financial statements and the corresponding values recognized for tax purposes. Deferred income taxes are determined using the 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 years include the income and expenses recognized in the year for income taxes relating to prior years.

Recognition of revenues and costs

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Group and the relative amount can be reliably measured. Revenues from the sale of goods are recognized upon transfer of the risks and rewards of ownership to the buyer, which generally coincides with the shipping or the delivery.

Revenues are 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 their future usefulness cannot be determined.

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 IFRS developments, amendments and interpretations issued by the IASB, specifying those that concern the 2017 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 adopted by the EU to be applied, as per mandatory requirements, for financial years starting on January 1, 2017.

	Issue date	Date of entry into force	Approval date	EU Regulation publication date
<i>Amendments to IAS 7: Disclosure Initiative</i>	January 29, 2016	January 1, 2017	November 6, 2017	November 9, 2017
<i>Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses</i>	January 19, 2016	January 1, 2017	November 6, 2017	November 9, 2017
<i>Annual Improvements to IFRS Standards 2014-2016 Cycle</i>	December 8, 2016	January 1, 2017	Not approved	Not approved

- b) IAS/IFRS and the relative IFRIC interpretations applicable to financial years starting after January 1, 2017 - Documents adopted by the EU on December 31, 2017

Accounting Standards	Description
IFRS 15: Revenue from Contracts with Customers	<p>IFRS 15: Revenue from Contracts with Customers (IFRS 15), published by the IASB on May 28, 2014, specifies the timing and amount of revenues from contracts with customers to be reported, including contracts relating to made-to-order products. In particular, IFRS 15 requires revenues to be reported on the basis of the following five steps: (i) identification of the contract with a customer; (ii) identification of the performance obligations in the contract for the transfer of goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the standalone price of the individual goods or services; (v) recognition of the revenues when the performance obligation has been met. IFRS 15 also supplements the information to be provided in financial statements concerning the nature, amount, timing, and uncertainty of revenues and the related cash flows. The new standard, adopted by the European Commission in Commission Regulation (EU) 2016/1905 of September 22, 2016, is effective for annual reporting periods beginning on or after January 1 2018. Earlier application is permitted.</p> <p>With reference to the Group, the new IFRS 15 accounting standard will mainly impact the recording of: (i) sales with buy-back clauses and (ii) the allocation of fair value to individual performance obligations for the sale of goods with an associated sale of services. Based on the analyses performed, the retrospective application of IFRS 15 would have resulted in revenues and operating costs that were Euro 10,340 thousand lower as well as greater assets and liabilities for the same amount. The Group intends to adopt the standard using the full retrospective approach, which means that the impacts identified will involve restating the comparative balances of the consolidated financial statements as of December 31, 2018.</p>
Clarifications to IFRS 15: Revenue from Contracts with Customers	<p>The document, published by the IASB on April 12 2016, contains clarifications concerning aspects relating to the implementation of IFRS 15: Revenue from Contracts with Customers. The amendments to IFRS 15 are effective for annual reporting periods beginning on or after January 1 2018. For the analysis performed by the Company, see the remarks above with reference to IFRS 15: Revenue from Contracts with Customers.</p>
IFRS 16: Leases	<p>On January 13 2016, the IASB published IFRS 16: Leases (IFRS 16), which replaces IAS 17: Leases and the relative interpretations. IFRS 16 eliminates the distinction between operating and finance leases for the purposes of preparing the financial statements of lessees. For all lease contracts lasting more than 12 months it requires the recognition of lease assets (the right to use an item) and lease liabilities (the obligation to make the payments set out in the contract). The distinction between operating and finance leases is, instead, maintained for the purposes of preparing the financial statements of lessors. IFRS 16 strengthens the information in the financial statements for both lessors and lessees. The provisions of IFRS 16 will apply from January 1 2019. Earlier application is permitted, subject to the earlier application of IFRS 15.</p> <p>As concerns the Group, the new IFRS 16 accounting standard will mainly affect the recording of operating leases. At the date of the financial statements, the Group has operating leases amounting to a total of Euro 15,855 thousand relating mainly to: (i) property and (ii) capital goods including those used for production. The Group is also assessing short-term and low-value leases that will be recognized on a straight-line basis as a cost in the income statement. The Group has not, however, considered what further adjustments, if any, will be necessary, due for example to the change in the definition of the length of leases, the different treatment of variable payments of leasing instalments and the options for extension or termination. It is thus not yet possible to estimate the amount of assets for the right to use and financial liabilities to be recognised when the new standard is adopted and how this may affect the profits and losses of the Group and the classification of future financial flows.</p>

Accounting Standards	Description
IFRS 9: Financial Instruments	On July 24, 2014, the IASB completed the revision of the standard on financial instruments and issued the complete version of IFRS 9: Financial instruments (IFRS 9). The new provisions of IFRS 9: (i) change the model for the classification and measurement of financial assets; (ii) introduce a new impairment method that takes into account expected credit losses and (iii) change the hedge accounting requirements. The provisions of IFRS 9, adopted by the European Commission in Commission Regulation (EU) 2016/2067 of November 22, 2016, are effective for annual reporting periods beginning on or after January 1 2018. As concerns the impact of adopting the new standard from January 1 2018, the Group has revised its financial assets and liabilities and mainly concluded that the application of this standard will not have any significant impact on them.
<i>Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	On September 12, 2016, the IASB issued an amendment to IFRS 4 in order to address certain issues relating to the application of IFRS 9: Financial instruments with reference to the issuers of insurance contracts. The amendments will apply from January 1, 2018. The Group considers that requirements arising due to the entry into force of this standard will have no impacts on its income statement or balance sheet.
<i>Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions</i>	On June 20, 2016, the IASB issued an amendment to IFRS 2 in order to address issues relating to the measurement base for cash-settled and share-based payments and the accounting effects of the change from cash-settled to equity-settled. It also introduces an exemption to IFRS 2.

c) IAS/IFRS and the relative IFRIC interpretations applicable to financial years starting after January 1, 2017 - Documents still not approved by the EU as of December 31, 2017

	Approved by the EU	Effective date
<i>IFRS 17: Insurance Contracts</i>	No	Financial years starting after January 1, 2021
<i>IFRIC 22: Foreign Currency Transactions and Advance Consideration</i>	No	Financial years starting after January 1, 2018
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i>	No	Financial years starting after January 1, 2019
<i>Amendments to IAS 40: Transfers of Investment Property</i>	No	Financial years starting after January 1, 2018
<i>Amendments to IFRS 9: Prepayment Features with Negative Compensation</i>	No	Financial years starting after January 1, 2019
<i>Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures</i>	No	Financial years starting after January 1, 2019
<i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i>	No	Financial years starting after January 1, 2019

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 items in the financial statements that most require the Directors to make a subjective judgement 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 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 that 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 a 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 advisers 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 applicable 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 combines an integrated range of wellness solutions, with the pursuit of increased levels of operational efficiency achieved by 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 show a breakdown of the Group’s revenues by geographical area and distribution channel and of the non-current assets, excluding deferred tax assets, by geographical area.

(In thousands of Euro and percentage of total revenues)	Year ended December 31			Changes								
	2017	2016	2017vs2016	%								
Europe (without Italy)	304,135	288,081	16,054	5.6%								
MEIA	54,020	51,026	2,994	5.9%								
APAC	88,920	80,950	7,970	9.8%								
Italy	56,378	54,183	2,195	4.1%								
North America	66,149	58,374	7,775	13.3%								
LATAM	28,647	22,727	5,920	26.0%								
Total revenues	598,249	555,341	42,908	7.7%								
(In thousands of Euro and percentage of total revenues)	Year ended December 31			Changes								
	2017	2016	2017vs2016	%								
FIELD SALES	417,089	386,448	30,641	7.9%								
WHOLESALE	134,345	122,302	12,043	9.8%								
INSIDE SALES	41,201	40,936	265	0.6%								
RETAIL	5,614	5,655	(41)	-0.7%								
TOTAL REVENUES	598,249	555,341	42,908	7.7%								
(In thousands of Euro)	EUROPE (without Italy)		MEIA		APAC		ITALY		NORTH AMERICA		LATAM	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Property, plant and equipment	11,237	11,794	0	0	872	1,002	125,949	129,808	789	958	190	301
Intangible assets	1,899	2,122	0	0	11	16	27,009	21,929	0	0	14	-27
Investments in joint ventures	17,343	17,845	0	0	0	0	377	3,495	0	0	0	0
Other non-current assets	1,841	914	0	0	347	334	15,761	12,035	150	408	6,947	4,698
Financial non-current assets	2,638	2,590	0	0	0	0	0	62	0	0	0	0
Total	34,958	35,266	0	0	1,229	1,352	169,096	167,329	939	1,366	7,151	4,972

4.1 MAIN CUSTOMERS

In accordance with IFRS 8, paragraph 34, for the years ended December 31, 2017 and 2016, the Group does not have any clients that generate more than 10% of the total revenues of the Group.

5. NOTES TO THE STATEMENT OF FINANCIAL POSITION

PROPERTY, PLANT AND EQUIPMENT

The item "Property, plant and equipment" amounts to Euro 139,037 thousand as at December 31, 2017 (Euro 143,863 thousand as of December 31, 2016).

The following table shows the amounts and movements of property, plant and equipment for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	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	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)	0
Exchange rate differences	-	122	-	16	(139)	-	(0)
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	-	(26,266)	(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
Historical cost as of January 1, 2017	12,132	130,102	20,144	56,654	19,440	5,115	243,587
Investments	-	491	1,676	3,212	2,287	2,091	9,757
Disposals	-	(16)	(102)	(4,018)	(1,393)	(59)	(5,587)
Impairment losses	-	-	-	(39)	-	(220)	(259)
Reclassifications	-	169	533	2,816	1,022	(4,543)	(3)
Exchange rate differences	-	(354)	-	(24)	(312)	-	(690)
Historical cost as of December 31, 2017	12,132	130,392	22,251	58,601	21,043	2,383	246,802
Accumulated amortization as of January 1, 2017	-	(26,266)	(12,405)	(47,409)	(13,644)	-	(99,723)
Amortization	-	(5,328)	(1,609)	(4,850)	(2,006)	-	(13,793)
Disposals	-	16	55	3,945	1,362	-	5,377
Reclassifications	-	-	-	1,022	(1,022)	-	0
Impairment losses	-	-	-	-	-	-	-
Exchange rate differences	-	178	-	28	167	-	373
Accumulated amortization as of December 31, 2017	-	(31,400)	(13,959)	(47,265)	(15,143)	-	(107,767)
Net book value as of December 31, 2017	12,132	98,992	8,293	11,337	5,899	2,383	139,037

The buildings and leasehold improvements category mainly includes buildings used for production and commercial activities and the associated installations, including the Technogym Village complex used as corporate headquarters. The plant and machinery category mainly includes assembly facilities and production lines. Production and commercial equipment mainly refers to production moulds and equipment needed to assemble the products. Assets under construction and advances mainly relate to investments in production lines at the Group's production sites that have not been brought into use at the end of the year and moulds that are not yet available for use.

Investments for the year ended December 31, 2017, totaling Euro 9,757 thousand, are mainly attributable to the industrial and commercial equipment, plant and machinery and other assets categories. The investments in industrial and commercial equipment (Euro 3,212 thousand) are largely related to the purchase of molds, while investments in plant and machinery (Euro 1,676 thousand) refer mainly to the implementation of new production lines. Investments in other assets, equal to Euro 2,287 thousand, are mainly attributable to the purchase of furniture, furnishings and office machines. Net disposals of properties, plant and machinery for the years ended December 31, 2017 and 2016 are not significant.

As of December 31, 2017 and 2016, there are no property or capital goods subject to any kind of guarantee given to third parties or assets managed under financial leases.

5.2 INTANGIBLE ASSETS

The item "Intangible assets" amounts to Euro 28,933 thousand as of December 31, 2017 (Euro 24,041 thousand as of December 31, 2016). The following table shows the amounts and movements of intangible assets for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Intangibles under development and advances	Other intangible assets	Total
Net book values as of January 1, 2016	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	-	0	0	(62)	-	(62)
Reclassifications	406	563	0	(986)	17	(0)
Exchange rate differences	0	42	0	0	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
Historical cost as of January 1, 2017	32,257	11,267	1,195	7,612	866	53,196
Investments	4,267	2,451	162	8,337	109	15,326
Disposals	(3,388)	(2,080)	(116)	-	(42)	(5,626)
Impairment losses	-	-	-	(343)	-	(343)
Reclassifications	2,575	60	-	(2,657)	22	0
Exchange rate differences	-	(378)	-	-	17	(360)
Historical cost as of December 31, 2017	35,712	11,320	1,241	12,949	972	62,194
Accumulated amortization as of January 1, 2017	(20,609)	(7,275)	(739)	-	(532)	(29,156)
Amortization	(7,409)	(2,508)	(32)	-	(169)	(10,118)
Disposals	3,544	2,078	(0)	-	4	5,626
Reclassifications	-	-	-	-	-	-
Exchange rate differences	-	386	-	-	1	387
Accumulated amortization as of December 31, 2017	(24,474)	(7,320)	(771)	-	(696)	(33,261)
Net book value as of December 31, 2017	11,238	4,000	470	12,949	276	28,933

Development costs refer 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, models and designs, costs for software rights and user licences, and costs for developing enterprise software. Concessions, licences, trademarks and similar rights include trademarks and the associated additional registration costs. Intangibles under development and advances mainly refer to expenses incurred by the Group in relation 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 in relation 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, 2017, amounting to a total of Euro 15,326 thousand, are mainly related to patents and intellectual property rights (Euro 2,451 thousand), development costs (Euro 4,267 thousand) and assets under construction and advances (Euro 8,337 thousand). Investments in patents and intellectual property rights mainly refers to implementations following the purchase of new software for the provision of after-sales assistance services in 2015, as well as to the purchase of a new software program for the integration of sales channels.

Investments in the development costs category are due to: i) the implementation of the Bio-circuit, the new circuit training solution that offers personalized training to help users to achieve their objectives rapidly by means of a circuit training experience combining cardio and strength machines in a single solution. The product, which was developed in 2017, will be launched in 2018 at the main trade shows; ii) My wellness, the mobile app for the final consumer; iii) Skillrun, creating a revolutionary new paradigm for the treadmill because it is the first running equipment designed to meet the needs of athletes and the most demanding fitness fanatics. Thanks to its unique Multidrive Technology™, Skillrun makes it possible to combine cardio and power training on a single piece of equipment, particularly with its Dynamic Running, Parachute Training and Sled Training functions, all with biofeedback; iv) Skill row is the first fully-connected indoor rowing machine that trains both cardio and power with Multidrive Technology™, thanks to its sport-specific design, exclusive technology and performance-oriented workouts. All this together with the SW Skillrowing guided class experience.

Investments in intangibles under development and advances are mainly related to updates for software relating to products already marketed by the Group and also to the development of new products and product lines and the software and applications to support them.

The disposals relating to the various categories of intangible assets are mainly attributable to the write off of assets that have reached the end of their useful life.

During the years 2017 and 2016 the Group recognized impairment losses on intangible assets for a total of Euro 343 thousand and Euro 62 thousand respectively, for the intangibles under development and advances category. These impairment losses are mainly related to projects and contracts that the Group, having assessed the state of progress and the possibility of realization and considered technological developments, has agreed are unlikely to produce benefits in the future.

5.3 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The item "Deferred tax assets" amounts to Euro 15,366 thousand as of December 31, 2017 (Euro 14,255 thousand as of December 31, 2016), while the item "Deferred tax liabilities" amounts to Euro 543 thousand as of December 31, 2017 (Euro 749 thousand as of December 31, 2016).

The following table shows the amounts and movements of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Values as of Jan. 1, 2016	Provisions	Utilizations	Reclassifications	Values as of Jan. 1, 2017	Provisions	Utilizations	Reclassifications	Values as of Dec. 31, 2017
Deferred tax assets									
Inventory write-down provision	3,992	(173)	(728)	-	3,091	417	(158)	-	3,350
Warranties provision	1,549	1,124	(998)	-	1,676	1,247	(1,071)	-	1,852
Provision for estimated future costs	4,138	8	(7)	-	4,139	11	(9)	-	4,141
Non-Competition Agreement provision	162	399	(334)	-	227	73	(17)	-	283
Accumulated amortization of trademarks	-	8	(11)	-	(3)	8	(4)	-	1
Unrealised exchange losses	-	4	-	(696)	(692)	-	(13)	1,408	703
Other provisions for risks and charges	5,865	3,909	(4,081)	(12)	5,681	2,507	(2,275)	(1,408)	4,505
Bad debt provision	(202)	98	(50)	202	49	515	(168)	-	396
Employee benefits obligations	-	163	(196)	-	(33)	53	(4)	-	16
Agents provision	121	-	-	-	121	-	-	-	121
Losses carried forward	87	-	(87)	-	-	-	-	-	-
Total deferred tax assets	15,712	5,541	(6,491)	(506)	14,255	4,830	(3,720)	-	15,366
Deferred tax liabilities									
Trademarks	-	-	(57)	-	(57)	-	-	-	-
Capital gains	204	-	-	-	204	-	-	(204)	-
Unrealized exchange gains	500	-	-	494	993	270	(5)	(716)	543
Other	-	-	(403)	12	(392)	45	(574)	920	-
Employee benefits obligations	-	-	-	-	-	-	-	-	-
Total deferred tax liabilities	704	-	(460)	506	749	372	(579)	-	543

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 amounting to Euro 55,405 thousand that are not recognized in deferred tax assets as of December 31, 2017.

5.4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The item “Investments in joint ventures and associates” amounts to Euro 17,720 thousand as of December 31, 2017 (Euro 21,340 thousand as of December 31, 2016).

The following table shows the amounts and movements of investments in joint ventures and associates for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Joint ventures	Associates	Unconsolidated subsidiaries	Total
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
Investments	-	326		326
Impairment losses	-	(250)		(250)
Dividends	(3,289)	-		(3,289)
Net result	70	(26)		44
Exchange rate differences	(451)	-		(451)
Values as of December 31, 2017	17,563	157	-	17,720

Details of changes relating to joint ventures are provided below.

<i>(In thousands of Euro)</i>	Values as of Jan. 1, 2017	Exchange rate differences	Investments	Dividends	Net result	Values as of Dec. 31, 2017
Technogym Emirates LLC	3,388	(426)	-	(3,289)	554	227
Exerp ApS	17,845	(25)	-	-	(484)	17,336
Total	21,234	(451)	-	(3,289)	70	17,563

As of December 31, 2017 and 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 Exerp Aps (50.01%), which specializes in the development and marketing of management software for fitness clubs.

As of December 31, 2017, the balance in the “Associates” category refers to the 40% shareholding in Wellink S.r.l., an Italian company operating in the development and implementation of bespoke projects for wellness centres, and the 28% investment held in the share capital of Quainted Consulting Pty Ltd, a South African company to which the investments and impairment losses for 2017 relate.

The main balance sheet and income statement results for the joint ventures are given below:

<i>(In thousands of Euro)</i>	Technogym Emirates LLC As of December 31		Exerp ApS As of December 31	
	2017	2016	2017	2016
Equity	966	7,630	1,457	1,114
Revenues	18,566	17,531	11,392	6,858
PROFIT (LOSS) FOR THE YEAR	915	1,009	345	898

The revenues of Technogym Emirates LLC and Exerp Aps for the year ended December 31, 2017 showed an increase of +5.9% and +66.1% respectively, due mainly to an increased customer base and developing trade relations. Both companies have continued to invest and develop their organisational structures in response to this expansion during 2017.

5.5 OTHER NON-CURRENT ASSETS

The item “Other non-current assets” amounts to Euro 25,045 thousand as of December 31, 2017 (Euro 18,389 thousand as of December 31, 2016).

The following table provides details of other non-current assets as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Other non-current assets		
Transferred trade receivables (due after 12 months)	14,225	10,018
Provision for write-down of transferred receivables (due after 12 months)	(949)	-
Income tax receivables (due after 12 months)	433	1,297
Security deposits	8,283	5,910
Other receivables	1,754	-
Investments in other entities	1,299	1,164
Total other non-current assets	25,045	18,389

Transferred trade receivables due after 12 months of Euro 14,225 thousand and Euro 10,018 thousand as of December 31, 2017 and 2016 respectively 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.

The “security deposits” amounting to Euro 8,283 thousand as of December 31 2017 are mainly related to a security deposit paid by the subsidiary Technogym Brasil in respect of the potential outlay for taxes (local IPI tax) as a result of an ongoing dispute with the local tax authorities. The legislation does not require the importers and distributors of finished products to pay this tax (IPI) but the local authorities nonetheless require it to be paid, hence the challenge to the enforcement of this tax that many firms, including Technogym, have brought against the Brazilian authorities.

The following table reports the details of investments in other entities as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Registered office	% of control	Currency	As of December 31	
				2017	2016
Entity name					
Sandcroft Avenue Ltd	United Kingdom	11.9%	GBP	883	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 Srl	Italy	1.2%	EUR	26	26
Other investments	n/a	n,a,	n,a,	46	45
Total investments in other entities				1,299	1,164

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, 2017 and 2016, the Group has not identified indicators of impairment losses in relation to investments in other entities.

5.6 INVENTORY

The item "Inventory" amounts to Euro 64,114 thousand as of December 31, 2017 (Euro 72,175 thousand as of December 31, 2016). The following table reports the details of inventory as of December 31, 2017 and 2016.

(In thousands of Euro)	As of December 31	
	2017	2016
Inventory		
Raw materials (gross value)	18,257	17,371
Write-down provision	(5,600)	(3,654)
Total raw materials	12,657	13,716
Work in progress (gross value)	1,531	1,887
Write-down provision	(264)	(49)
Total work in progress	1,268	1,839
Finished goods (gross value)	59,203	65,197
Write-down provision	(9,014)	(8,577)
Total finished goods	50,189	56,621
Total inventories	64,114	72,175

The decrease in the inventory balance between December 31, 2016 and December 31, 2017 is the result of the management of inventory implemented by the Group in relation to the order portfolio and market seasonality. Average days of inventory rotation fell from 62 for the year ended December 31, 2016 to 54 for the year ended December 31, 2017.

The following table shows the amounts and movements of inventory write-down provision for the years ended December 31, 2017 and 2016.

(In thousands of Euro)	Raw materials	Work in progress	Finished goods	Total inventory
				write-down provision
Values as of January 1, 2016	3,921	203	7,782	11,906
Provisions	348	9	1,738	2,095
Utilizations	(616)	(163)	(976)	(1,754)
Reclassifications	-	-	-	-
Exchange rate differences	-	-	33	33
Values as of December 31, 2016	3,654	49	8,577	12,280
Provisions	1,945	215	941	3,101
Utilizations	-	-	(290)	(290)
Reclassifications	-	-	-	-
Exchange rate differences	-	-	(214)	(214)
Values as of December 31, 2017	5,600	264	9,014	14,878

The balance for inventory write-down provision represents the difference between the book value and fair market value of the inventory. The increase during 2017 is mainly attributable to raw materials since there has been a write-down of all the parts relating to discontinued machines that can no longer be used to repair products under warranty.

5.7 TRADE RECEIVABLES

The item "Trade receivables", net of bad debt provision, amounts to Euro 117,129 thousand as of December 31, 2017 (Euro 94,075 thousand as of December 31, 2016).

The following table reports the details of trade receivables as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Trade receivables		
Trade receivables (nominal value)	110,271	88,267
Bad debt provision	(1,650)	(1,332)
Transferred trade receivables	8,652	7,140
Provision for write-down of lease receivables	(144)	-
Total trade receivables	117,129	94,075

The increase in trade receivables during the year was mainly due to growth in sales and in particular to sales of the new products launched in the last quarter of the year.

Transferred trade receivables of Euro 8,652 thousand and Euro 7,140 thousand as of December 31, 2017 and 2016 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. These receivables are shown net of the related provision that takes into account the historical default rate. 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, 2017 and 2016.

<i>(In thousands of Euro)</i>	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, 2016	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 31 December 2016	85,042	5,669	2,087	936	136	205	94,075
Trade receivables (nominal value)	88,890	9,264	6,700	1,841	1,857	1,720	110,271
Bad debt provision	(168)	(57)	(21)	(144)	(546)	(713)	(1,650)
Transferred trade receivables	8,652	-	-	-	-	-	8,652
Bad debt provision for transferred receivables	(144)	-	-	-	-	-	(144)
At 31 December 2017	97,229	9,206	6,679	1,697	1,310	1,006	117,129

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.

It is considered that the Company has substantially retained all the risks and rewards of some of the transferred trade receivables, given that should the customer default, it would sustain a total loss. This segment of the loan portfolio therefore continues to be recorded in the financial statements.

In relation to the remainder, it is considered that the Company has retained part of the risks and rewards, given that should the customer default (i) it would be liable for only 50% of the loss, which is also within the limit of 1% of the transferred portfolio and (ii) the repurchase is capped at a maximum of Euro 1,250 thousand. The Company has measured its remaining involvement.

The following table shows changes in bad debt provision for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Bad debt provision
Values as of January 1, 2016	1,914
Provisions	144
Utilizations	(741)
Reclassifications	-
Exchange rate differences	15
Values as of December 31, 2016	1,332
Provisions	928
Utilizations	(556)
Reclassifications	-
Exchange rate differences	(54)
Values as of December 31, 2017	1,650

Utilizations of bad debt provision occur 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 13 thousand as of December 31, 2017 (Euro 403 thousand as of December 31, 2016). Current financial assets mainly include a loan granted to the company Funky Bots LLC, written down in 2017 following the failure to make the repayment initially expected by December 31, 2017.

5.9 DERIVATIVE FINANCIAL INSTRUMENTS

The item "Derivative financial instruments" in assets amounts to Euro 75 thousand as of December 31, 2017 (Euro 340 thousand as of December 31, 2016).

The following table shows derivative financial instruments in assets by currency as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
USD	37	17
GBP	-	-
AUD	-	103
CNY	-	53
JPY	38	167
BRL	-	-
Total	75	340

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, 2017 and 2016 are summarized below.

<i>(In thousands of Euro)</i>	As of December 31 2017			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	2,289	CNY	18,000
Forward	EUR	2,600	AUD	4,050
Forward	GBP	6,000	EUR	6,809
Forward	EUR	3,943	JPY	527,000
Forward	EUR	5,851	USD	7,000
Situation as of December 31 2017				
Forward	EUR	6,174	USD	6,500
Forward	GBP	11,100	EUR	12,982
Forward	EUR	3,703	JPY	436,300
Forward	EUR	5,216	AUD	7,500
Forward	EUR	5,508	CNY	41,000
Forward (*)	EUR	6,949	GBP	6,000
Situation as of December 31 2016				

(*) Accounted for by the hedge accounting method

The exposure to currency 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. It is however noted that as of December 31, 2017 these contracts have not be accounted for by the hedge accounting method.

As of December 31, 2017, there are no hedging transactions to mitigate currency risk.

5.10 OTHER CURRENT ASSETS

The item “Other current assets” amounts to Euro 12,872 thousand as of December 31, 2017 (Euro 12,875 thousand as of December 31, 2016). The following table shows the amounts of other current assets as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Other current assets		
VAT receivables	2,199	2,265
Prepaid expenses	5,079	4,756
Advances to suppliers	738	872
Tax receivables	578	3,234
Accrued income	591	492
Receivables from employees	77	68
Other receivables	3,609	1,189
Total other current assets	12,872	12,875

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

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

Tax receivables relate mainly to the payment of advances for taxes.

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

The balance of the “Other current assets” entry is mainly attributable to dividends receivable from joint ventures.

5.11 CASH AND CASH EQUIVALENTS

The item “Cash and cash equivalents” amounts to Euro 77,847 thousand as of December 31, 2017 (Euro 53,146 thousand as of December 31, 2016).

The following table shows the amounts of cash and cash equivalents as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Cash and cash equivalents		
Bank deposits	73,489	49,984
Cheques	441	1,113
Cash and cash equivalents on hand	36	27
Term bank deposits < 3 months	3,881	2,022
Total cash and cash equivalents	77,847	53,146

Bank deposits represent temporary cash surpluses on Group current accounts at year-end. "Term bank deposits within three months" as of December 31, 2017 represent temporary uses of surplus cash.

The following table shows the amounts of cash and cash equivalents by currency as of December 31, 2017 and 2016.

(In thousands of Euro)	As of December 31	
	2017	2016
EUR	52,621	32,088
USD	7,595	6,813
GBP	6,987	2,636
AUD	1,935	844
CNY	3,134	3,185
JPY	3	2,896
BRL	-	-
Others	5,572	4,683
Total	77,847	53,146

As of December 31, 2017 and 2016 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 134,709 thousand as of December 31, 2017 (Euro 87,639 thousand as of December 31, 2016). The following table reports the details of equity as of December 31, 2017 and 2016.

(In thousands of Euro)	As of December 31	
	2017	2016
Equity		
Share capital	10,050	10,000
Share premium reserve	4,990	-
Other reserves	23,752	26,136
Retained earnings	33,738	7,709
Profit (loss) attributable to owners of the Parent	61,199	43,085
Equity attributable to owners of the Parent	133,728	86,930
Capital and reserves attributable to non-controlling interests	688	576
Profit (loss) attributable to non-controlling interests	293	134
Equity attributable to non-controlling interests	981	710
Total equity	134,709	87,639

The following table shows the amounts and movements of equity for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Share capital	Share premium reserve	Other reserves					Retained earnings	Profit (loss) attributable to owners of the Parent	Equity attributable to owners of the Parent	Capital and reserves attributable to non-controlling interests	Profit (loss) attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
			Currency translation reserve	Reserve for the adoption of IAS/IFRS	IAS 19 reserve	Stock grant plan reserve	Others							
As of January 1, 2016	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	-	-	-	-	-	-	-
Capital transactions with non-controlling interests	-	-	-	-	-	-	-	(82)	-	(82)	82	-	82	-
Option for the purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive plan	-	-	-	-	-	803	-	-	-	803	-	-	-	803
Total transactions with owners of the Parent:	-	-	-	-	-	-	-	(82)	-	(82)	82	-	82	-
At 31 December 2016	10,000	-	5,042	1,617	281	4,276	14,921	7,709	43,085	86,930	576	134	710	87,639
Profit for the previous year	-	-	-	790	-	-	3,255	39,039	(43,085)	(0)	134	(134)	-	(0)
Total comprehensive income for the year	-	-	(2,523)	-	(112)	-	5	-	61,199	58,568	(30)	293	263	58,831
Dividends paid	-	-	-	-	-	-	-	(13,000)	-	(13,000)	-	-	-	(13,000)
Capital increase	-	-	-	-	-	-	0	-	-	0	8	-	8	8
Other changes	-	-	-	-	-	-	4	(10)	-	(6)	-	-	-	(6)
Transactions with owners of the Parent:														
Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Option for the purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive plan	50	4,990	-	-	-	(3,803)	-	-	-	1,237	-	-	-	1,237
Total transactions with owners of the Parent:														
At 31 December 2017	10,050	4,990	2,519	2,407	169	473	18,186	33,738	61,198	133,729	689	293	982	134,709

As of December 31, 2017, the share capital of Euro 10,050 thousand, fully subscribed and paid in cash, is divided into 201,005,000 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 the 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 debt of Euro 432,083 thousand, has been 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 grant plan reserve

The stock grant plan reserve contains the balancing entry for the notional cost recognised in the income statement for option rights granted, measured on the basis of the fair value of the right itself. During 2017 the “Management incentive plan” (“MIP”), initially approved by the Board of Directors in June 2012 and subsequently amended by the same Board of Directors on June 18, 2015 and December 16, 2015, which involved a share capital increase amounting to Euro 50 thousand and the formation of a share premium reserve amounting to Euro 4,990 thousand.

As of December 31, 2017, a new incentive plan, approved by the Board of Directors on March 6, 2017, is in place for Technogym management (“LTIP” or the “Plan”).

In compliance with the provisions of Consob resolution 11971 of May 14, 1999 and subsequent amendments and Consob communication 11508 of February 15 2000, information concerning the aforementioned stock grant plan approved by the Board of Directors of Technogym S.p.A on March 6, 2017 are given below.

The Plan was adopted in order to increase the ability of Technogym to retain key resources and attract people with the greatest expertise while aligning the interests of key Company personnel with those of shareholders for the sustainable creation of value over time. The Plan covers a three year time horizon, the period that was considered most suitable for the achievement of its intended objectives. The Plan covers Technogym Group managers, named by the Board of Directors, on the proposal of the Chairman of the Board of Directors after receiving an opinion from the Appointments and Remuneration Committee, who are employees and/or associate workers of the Company or of subsidiary companies and hold strategically significant managerial positions, with a view to pursuing the strategic objectives of the Company and/or the Group, including Senior Managers with strategic responsibilities in the Company. The Plan is considered to be a “plan of particular significance” pursuant to article 114-bis, paragraph 3 of the Consolidated Finance Law and article 84-bis, paragraph 2 of the Issuers’ Regulations, since the beneficiaries to be identified by the Board of Directors may include Senior Managers with strategic responsibilities. The regulations for the Plan do not provide for any loans or concessions for the purchase of the shares pursuant to article 2358, paragraph 3, of the Civil Code.

The Plan covers 2017-2019 and is based on the grant of the right to receive free shares when the Company achieves specific performance objectives. This Plan for 2017-2019 is characterised by:

- predetermined performance objectives in terms of the economic and financial performance of the Company;
- appropriate vesting periods for the right to receive the assigned shares (three years);
- restriction prohibiting transfers of shares for 6 months from the grant date.

The shares will be granted to the beneficiaries, subject to the conditions in the Plan being met, within 60 days of the approval of the consolidated financial statements of the Group for the year ended December 31, 2019.

The beneficiaries will have the right to receive the shares if, on the assignment date (as identified below): (i) they remain in an employment relationship within the Technogym Group, and as for the CEO of the Issuer, continue to hold the same position and (ii) they have no pending notice of the termination, for any reason, of the employment relationship with the Issuer or its subsidiaries. The share assignment date is scheduled for August 2020. Specifically, the cost of the Plan was determined at a total of Euro 2,034 thousand, of which Euro 473 thousand attributable to the year 2017.

As of December 31, 2017, the cash flow hedge reserve relates primarily to the effective component of active transactions to hedge against interest rate risk. As of December 31, 2016, it relates primarily to the effective component of active hedges with contracts for the forward sale of currency and advances on export operations. In 2017 hedge accounting was applied only to the IRS contract. The negative fair value as of December 31, 2017 amounts to Euro 20 thousand as reported in the table below (Euro 15 thousand net of tax). The termination of the forward exchange rate hedge against fluctuations, classified as a cash flow hedge on December 31 2016, has lead to the recognition of an additional Euro 28 thousand on the income statement for 2017 (Euro 20 thousand net of tax).

<i>(In thousands of Euro)</i>	CFH reserve
Balance as of January 1, 2016	-
Hedging instruments / Cash flow hedges	28
Tax effect – Hedging instruments / Cash flow hedges	(8)
Balance as of December 31, 2016	20
Hedging instruments / Cash flow hedges	20
Tax effect – Hedging instruments / Cash flow hedges	(5)
Balance as of December 31, 2017	15

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

<i>(In thousands of Euro)</i>	2017		2016	
	Equity	Profit	Equity	Profit
Equity and result as reported in the Parent Company's financial statements	172,658	52,113	132,416	45,525
Effect of consolidation of subsidiaries	110,993	23,322	94,920	10,619
Alignment of accounting policies of consolidated companies	29,948	(4,598)	33,713	(171)
Effect of elimination of values of investments	(173,980)	8,527	(171,789)	113
Elimination of intercompany dividends	(4,909)	(17,871)	(1,620)	(12,867)
Equity pertaining to minority interests	(981)	(293)	(710)	(134)
Group equity and results	133,728	61,199	86,930	43,085

5.13 FINANCIAL LIABILITIES

The item "Financial liabilities" as of December 31, 2017 amounts to Euro 84,464 thousand for non-current financial liabilities and Euro 34,664 thousand for current financial liabilities (respectively, Euro 83,619 thousand and Euro 48,247 thousand as of December 31, 2016). The following table shows the amounts of financial liabilities, current and non-current, as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Non-current financial liabilities		
Bank loans due after 12 months – non-current portion	70,238	73,600
Non-current liabilities due to other lenders	14,225	10,018
Other non-current financial liabilities	-	-
Total non-current financial liabilities	84,464	83,619
Current financial liabilities		
Bank loans due after 12 months – current portion	23,580	20,807
Other short-term borrowings	2,194	20,000
Current liabilities due to other lenders	8,652	7,140
Other current liabilities	238	300
Total current financial liabilities	34,664	48,247

As of December 31, 2017, except for a loan from Banco Popolare S.p.A. (whose residual value as of December 31, 2017 was Euro 7,530 thousand), the Group's financial debt is entirely with variable interest rates.

Medium/long-term bank loans

The following table shows changes in bank loans for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	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, 2016	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
Obtainment of loans	20,000	-	20,000
Repayments	-	(20,588)	(20,588)
Reclassification from non-current to current	(23,362)	23,362	-
Values as of December 31, 2017	70,238	23,580	93,818

The following table reports the details of medium to long-term bank loans as of December 31, 2017 and 2016.

(In thousands of Euro)	Due date	Interest rate	As of December 31			
			2017	of which current	2016	of which current
Bank loans						
Unicredit S.p.A.	2020-2023	Variable	46,558	11,844	58,302	11,873
Cassa di Risparmio di Parma e Piacenza S.p.A.	2020	Variable	7,522	3,022	10,531	3,031
Banca Popolare dell'Emilia Romagna S.p.A.	2022	Variable	20,256	4,100	294	69
Banca Agricola Commerciale S.p.A.	2017	Fixed	-	-	1,266	1,266
Banca popolare di Sondrio S.p.A.	2023	Variable	11,953	2,125	14,015	2,099
Banco popolare	2020	Fixed	7,536	2,490	10,000	2,470
Total bank loans			93,818	23,580	94,408	20,808

(*) Includes Sidea loan € 226K

The following table reports the details of medium to long-term bank loans as of December 31, 2017 by maturity date:

(In thousands of Euro)	Residual debt	Of which current	2018	2019	2020	2021	2022	2023
Unicredit S.p.A.	46,558	11,844	11,844	11,714	8,714	5,714	5,714	2,857
Cassa di Risparmio di Parma e Piacenza S.p.A.	7,522	3,022	3,022	3,000	1,500	-	-	-
Banca Popolare dell'Emilia Romagna S.p.A.	20,256	4,100	4,100	4,070	4,070	4,016	4,000	-
Banca Agricola Commerciale S.p.A.	-	-	-	-	-	-	-	-
Banca popolare di Sondrio S.p.A.	11,953	2,125	2,125	2,142	2,166	2,205	2,232	1,084
Banco popolare	7,536	2,490	2,490	2,515	2,531	-	-	-
Total	93,818	23,580	23,580	23,441	18,981	11,929	11,946	3,941

(*) Includes Sidea loan € 226K

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, was repayable in eight deferred quarterly instalments. The loan was repaid in full during the year.

The medium to 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 instalments 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 to 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 instalments 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 interest rate risk associated with this loan has been hedged using a floating-to-fixed Interest Rate Swap (IRS), exchanging Euribor for a fixed rate of -0.131% on a notional amount of Euro 15 thousand as of December 31 2017. The IRS is paid every three months in line with the payment dates for the loan.

The medium to 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 instalments 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 to 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 instalments, 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 instalments with maturity on December 31, 2020. The loan does not require compliance with any financial covenants.

The medium to long-term loan granted by Banca Popolare dell'Emilia Romagna S.p.A. on July 17, 2017 for a total of Euro 20,000 thousand, with maturity on July 17, 2022, is repayable in ten equal six-monthly instalments of Euro 2,000 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 covenant was complied with in the 2017 financial year.

No guarantees have been given for the above loans. As of December 31, 2017, all the financial covenants described above were complied with.

Other short-term borrowings

The following table reports the details of other short-term borrowings as of December 31, 2017 and 2016.

	Currency	As of December 31	
		2017	2016
Other short-term borrowings			
Cassa di Risparmio di Parma e Piacenza	EUR	-	10,000
Banca Monte dei Paschi di Siena S.p.A.	EUR	-	10,000
Intesa San Paolo	EUR	2,055	-
Banca Popolare dell'Emilia Romagna	EUR	4	-
BPER Luxembourg	EUR	135	-
Total other short-term borrowings		2,194	20,000

Other short-term borrowings mainly include stand-by credit lines, short-term loans (generally "hot money") and bank overdrafts. In particular, the Group uses short-term committed and uncommitted lines of credit granted by leading banks, which accrue interests at a variable rate indexed to Euribor plus 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 3,115 thousand as of December 31, 2017 (Euro 3,194 thousand as of December 31, 2016).

The following table shows changes in employee benefit obligations for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Employee benefit obligations
Values as of January 1, 2016	3,104
Provisions	141
Financial expenses	62
Actuarial (gains)/losses	139
MRG effect	-
Utilizations	(252)
Values as of December 31, 2016	3,194
Provisions	61
Financial expenses	41
Actuarial (gains)/losses	2
MRG effect	-
Utilizations	(183)
Values as of December 31, 2017	3,115

Information about the actuarial valuation of provisions for employee benefit obligations is given in note 5.16 below.

5.16 PROVISIONS

The items “Non-current provisions” and “Current provisions” as of December 31, 2017 amount to Euro 19,637 thousand for non-current financial liabilities and Euro 14,642 thousand for current financial liabilities (respectively, Euro 17,637 thousand and Euro 17,214 thousand as of December 31, 2016). The following table reports the details of provisions for current and non-current risks and charges, as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Non-current provisions		
Warranties provision	4,694	4,491
Agents provision	1,108	1,028
Non-Competition Agreement provision	1,408	1,157
Rebates provision	3,355	3,500
Other provisions	7,751	5,797
Long-term FOC provision	1,126	1,515
Ongoing lawsuits provision	195	150
Total non-current provisions	19,637	17,637
Current provisions		
Warranties provision	5,792	5,439
Free Product Fund provision	1,424	1,400
Other provisions	7,202	10,130
Short-term FOC provision	224	245
Total current provisions	14,642	17,214

The following table shows the amounts and movements of provisions for current and non-current risks and charges for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Warranties provision	Agents provision	Non-Competition Agreement provision	Rebates provision	Other provisions for risks and charges	Long-term FOC provision	Ongoing lawsuits provision	Non-current provisions	Warranties provision	Free Product Fund provision	Other provisions for risks and charges	Short-term FOC provision	Current provisions
Values as of January 1, 2016	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	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences	(28)	-	-	(313)	675	(26)	-	309	(165)	(106)	477	(101)	106
Financial expenses	-	-	18	-	-	-	-	18	-	-	-	-	-
Actuarial (gains)/losses	-	-	-	-	-	-	-	-	-	-	-	-	-
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	3,501	5,797	1,515	149	17,637	5,439	1,400	10,130	245	17,214
Provisions	1,603	103	136	-	3,695	-	195	5,733	1,831	1,165	5,871	(343)	9,210
Reclassifications	-	-	-	-	-	-	-	-	-	(2)	-	-	(2)
Exchange rate differences	(49)	-	-	(122)	(1,015)	(287)	-	(1,473)	(85)	(21)	(125)	(23)	(254)
Financial expenses	-	-	15	-	-	-	-	15	-	-	-	-	-
Actuarial (gains)/losses	-	(18)	145	-	-	-	-	128	-	-	-	-	-
Utilizations	(1,351)	(6)	(45)	(23)	725	(103)	(150)	(2,403)	(1,393)	(1,118)	(8,674)	(340)	(11,525)
Values as of December 31, 2017	4,694	1,108	1,408	3,355	7,751	1,126	195	19,637	5,792	1,424	7,202	224	14,642

The “Warranties provision” relates to a reasonable estimate of the liabilities made by the Group on the basis of the contractual guarantees issued to customers and past experience, and refers to costs for spare parts and labour that the Group will incur in future years for repairs of products under warranty for which sales revenues have already been recognized in the income statement of the year or of previous years.

The 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 using the Projected Unit Credit Method, in accordance with IAS 37 and IAS 19.

The provision for rebates represents the estimated monetary awards that the Group will have to give customers for achieving specific purchasing volumes.

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

Other Current provisions mainly relate to: (i) provisions for the Brazilian IPI tax which was prudentially allocated pending the outcome of the dispute with the Brazilian Government and (ii) staff bonuses for which the amount has not yet been set or allocated.

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.

Provisions for the year refer mainly to Brazilian IPI tax which was prudentially allocated pending the outcome of the dispute with the Brazilian Government (see also note 5.5).

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

They were discounted using the MAGIS method (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). 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, 2017 and 2016 are:

(i) the probability of death was obtained using tables calculated by ISTAT (national office for statistics) in 2000, reduced by 25%; (ii) the probability of disability/invalidity used those adopted in the INPS model; (iii) the retirement age for the generic asset was based on meeting the first valid requirement for Mandatory General Insurance; (iv) the probability of leaving employment for reasons other than death was determined from the probability of turnover in line with past trends and, in particular, an annual rate of 4.50% was applied for 2017, unchanged since 2016; (v) for the probability of early retirement an annual rate of 3% was applied in line with past trends and amounting to 80% of the provision accumulated at the date of the request.

In addition, for Italian companies the following economic and financial assumptions were made.

	As of December 31	
	2017	2016
Annual actuarial technical discount rate	1.30%	1.30%
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 NCA)	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					
	2017			2016		
	-0.50% change	Book value	0.50% change	-0.50% change	Book value	0.50% change
Employee benefit obligations	163	3,115	(150)	174	3,194	(160)
Non-Competition Agreement provision	80	1,408	(73)	68	1,157	(62)
Total	243	4,524	(223)	242	4,351	(222)

The agents provision on the basis of IAS 37, was discounted on the basis of the "closed group" hypothesis over the relevant time horizon. 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 they are employed by, using the MAGIS method. As regards demographic assumptions, the ISTAT 2004 assumptions were used for the 2016-2017 mortality rates, the INPS tables by age and gender were used for disability and the requirement established by Enasarco was applied for the retirement age. The possibility that agents may leave as a result of the termination of the relationship with the Group or for other reasons was determined using estimates of annual frequency based on Company data. The

financial assumptions refer mainly to the discount rate for which, as of December 31, 2017, the yield of the Iboxx Corporate AA index with a 5-7 year duration consistent with the average duration of the collective under evaluation was chosen, corresponding to 1% and 0.75% respectively.

5.17 OTHER NON-CURRENT LIABILITIES

The item "Other non-current liabilities" amounts to Euro 11,550 thousand as of December 31, 2017 (Euro 9,490 thousand as of December 31, 2016). Other non-current liabilities mainly include deferred income related to revenues associated with long-term contracts for technical assistance.

This item also includes the estimated liability for a put option held by the minority shareholder on 25% of the shares in the investee Technogym ZAO (Russia), which was subject to adjustment in 2017.

5.18 TRADE PAYABLES

The item "Trade payables" amounts to Euro 123,514 thousand as of December 31, 2017 (Euro 125,594 thousand as of December 31, 2016). Trade payables are mainly related to transactions for the purchase of raw materials, components and services for shipping, manufacturing and technical assistance. These transactions are part of normal procurement management.

5.19 CURRENT TAX LIABILITIES

The item "income tax liabilities" amounts to Euro 8,568 thousand as of December 31, 2017 (Euro 3,682 thousand as of December 31, 2016). Income tax receivables as of December 31, 2017 amount to Euro 578 thousand (see note 5.10).

5.20 LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

The item "Liabilities for derivative financial instruments" amounts to Euro 126 thousand as of December 31, 2017 (Euro 47 thousand as of December 31, 2016).

The following table shows the liabilities for derivative financial instruments by currency as of December 31, 2017 and 2016.

(In thousands of Euro)	As of December 31	
	2017	2016
Forward		
USD	-	-
GBP	68	47
AUD	22	-
CNY	9	-
JPY	-	-
BRL	-	-
Interest rate swaps		
IRS	27	-
Total	126	47

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

In 2017 hedge accounting was applied only to the IRS contract. The negative fair value as of December 31, 2017 amounts to Euro 20 thousand as reported in the table below (Euro 15 thousand net of tax).

The termination of the forward exchange rate hedge against fluctuations, classified as a cash flow hedge on December 31 2016, has led to the recognition of an additional Euro 28 thousand on the income statement for 2017 (Euro 20 thousand net of tax).

(In thousands of Euro)	At 31 December 2017			
	2017 Assets	2016 Assets	2017 Liabilities	2016 Liabilities
Exchange rate hedging:				
Exchange rate hedges (current) – cash flow hedge	-	-	-	28
Tax effect – Exchange rate hedges (current) – cash flow hedge	-	-	-	(8)
Interest rate risk hedge:				
Interest rate hedges (current) – cash flow hedge	-	-	(20)	-
Tax effect - interest rate hedges (current) – cash flow hedge	-	-	5	-
Total	-	-	(15)	20

5.21 OTHER CURRENT LIABILITIES

The item "Other current liabilities" amounts to Euro 65,256 as of December 31, 2017 (Euro 60,442 thousand as of December 31, 2016). The following table shows the amounts of other current liabilities as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Other current liabilities		
Deferred income	21,926	20,597
Advances from clients	14,945	15,592
Payables to employees	9,640	8,696
VAT payables	6,562	7,090
Social security payables	4,232	3,883
Other liabilities	6,879	3,260
Accrued expenses	1,072	1,323
Total other current liabilities	65,256	60,442

Deferred income mainly refers to scheduled maintenance contracts.

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

Amounts due to employees are salaries for the month of December paid in January, untaken holiday entitlements and staff bonuses.

Amounts due to pension funds and social security institutions relate to various social security contributions 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, 2017 and 2016 mainly relate to income tax 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 597,683 thousand for the year ended December 31, 2017 (Euro 554,970 thousand for the year ended December 31, 2016).

The following table provides details of the amounts of revenues for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Ricavi		
Revenues from the sale of products, spare parts, hardware and software	530,694	496,072
Revenues from transport and installation, after-sale and rental assistance	66,989	58,898
Total revenues	597,683	554,970

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 566 thousand for the year ended December 31, 2017 (Euro 371 thousand for the year ended December 31, 2016).

Other operating income consists mainly of rental income and refunds received from suppliers.

6.3 RAW MATERIALS, WORK IN PROGRESS AND FINISHED GOODS

The item "Raw materials, work in progress and finished goods" amounts to Euro 205,342 thousand for the year ended December 31, 2017 (Euro 196,408 thousand for the year ended December 31, 2016).

The following table shows the raw materials, work in progress and finished goods used and consumed for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Raw materials, work in progress and finished goods		
Purchase and change in inventory of raw materials	125,751	120,633
Purchase and change in inventory of finished goods	69,775	66,921
Purchase of packaging and cost for custom duties	9,245	8,875
Change in inventory of work in progress	571	(21)
Total raw materials, consumables and goods	205,342	196,408

6.4 COST OF SERVICES

The item "Cost of services" amounts to Euro 140,436 thousand for the year ended December 31, 2017 (Euro 139,809 thousand for the year ended December 31, 2016).

The following table shows the amounts of cost of services for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Cost of services		
Transport of sales, customs duties and installation	44,507	42,806
Technical assistance	20,867	21,991
Advertising	18,708	19,162
Rentals	6,474	5,536
Agents	8,470	8,780
Consulting services	8,601	8,464
Transport of purchases	7,109	7,534
Travel and representative expenses	1,128	1,924
Outsourcing costs	3,521	3,843
Utilities	2,877	2,841
Maintenance costs	3,398	3,361
Other services	14,777	13,568
Total cost of services	140,436	139,809

Costs for other services mainly relate to royalties paid, management costs for off-site storage, insurance and remuneration of external directors, the board of statutory auditors and the audit firm.

The following table reports the details of audit fees paid to the audit firm for services provided to the Company for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Audit fees		
Audit	982	847
Other services	198	181
Total audit fees	1,180	1,028

6.5 PERSONNEL EXPENSES

The item "Personnel expenses" amounts to Euro 125,353 thousand for the year ended December 31, 2017 (Euro 116,942 thousand for the year ended December 31, 2016).

The following table shows the amounts of Personnel expenses for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Personnel expenses		
Wages & salaries	83,357	77,732
Social security contributions	23,293	22,173
Provisions for employee benefit obligations	2,193	2,173
Other costs	16,509	14,864
Total personnel expenses	125,353	116,942

The following table shows the average number of employees and the exact number of employees at year-end broken down by category for the years ended December 31, 2017 and 2016.

<i>(number)</i>	Year ended December 31			
	2017		2016	
	Average	At year-end	Average	At year-end
Number of employees				
Managers	58	61	58	55
White collar	1196	1231	1124	1150
Blue collar	650	655	704	663
Total number of employees	1,904	1,947	1,886	1,868

6.6 OTHER OPERATING COSTS

The item "Other operating costs" amounts to Euro 7,123 thousand for the year ended December 31, 2017 (Euro 8,214 thousand for the year ended December 31, 2016).

The following table shows the amounts of other operating costs for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Other operating costs		
Other taxes and indirect taxes	4,786	6,486
Provision for risk on transferred trade receivables	1,093	-
Other expenses	1,244	1,728
Total other operating costs	7,123	8,214

Other expenses mainly relate to membership fees, voluntary contributions, 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 in note 5.5.

6.7 SHARE OF NET RESULT FROM JOINT VENTURES

The item "Share of net result from joint ventures" amounts to Euro 44 thousand for the year ended December 31, 2017 (Euro 131 thousand for the year ended December 31, 2016).

The share of net result from joint ventures is the share of net profit due to the Group achieved by the associates and companies subject to joint control (see note 5.4).

6.8 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES (REVALUATIONS)

The item "Depreciation, amortization and impairment losses (revaluations)" amounts to Euro 24,514 thousand for the year ended December 31, 2017 (Euro 23,158 thousand for the year ended December 31, 2016).

The following table shows the amounts of depreciation, amortization and impairment losses (revaluations) for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Depreciation, amortization and impairment losses (revaluations)		
Depreciation of property, plant and equipment	13,794	13,947
Depreciation of intangible assets	10,118	9,149
Impairment losses on property, plant and equipment	259	-
Impairment losses on intangible assets	343	62
Total depreciation, amortization and impairment losses (revaluations)	24,514	23,158

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, 2017 and 2016, see notes 5.1 and 5.2.

6.9 PROVISIONS

The item “Provisions” amounts to Euro 4,094 thousand for the year ended December 31, 2017 (Euro 2,540 thousand for the year ended December 31, 2016).

The following table shows the amounts of provisions for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Provisions		
Inventory write-down provision	21	472
Bad debt provision	1,408	144
Warranties provision	738	1,044
Other provision for risks and charges	1,988	1,183
Ongoing lawsuits provision	(61)	(304)
Total provisions	4,094	2,540

6.10 FINANCIAL INCOME

The item “Financial income” amounts to Euro 8,261 thousand for the year ended December 31, 2017 (Euro 13,126 thousand for the year ended December 31, 2016).

The following table shows the amounts of financial income for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Financial income		
Realized exchange gains	7,279	7,495
Unrealized exchange gains	295	5,245
Other financial income	297	192
Bank interest receivable	390	194
Total financial income	8,261	13,126

6.11 FINANCIAL EXPENSES

The item “Financial expenses” amounts to Euro 12,497 thousand for the year ended December 31, 2017 (Euro 15,674 thousand for the year ended December 31, 2016).

The following table shows details of the financial expenses for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Financial expenses		
Realized exchange losses	10,191	10,885
Unrealized exchange losses	184	2,157
Bank interest on financial loans	1,191	1,794
Bank interest and fees	189	419
Other financial expenses	742	418
Total financial expenses	12,497	15,674

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 a total of Euro 940 thousand for the year ended December 31, 2017 (Euro 114 thousand for the year ended December 31, 2016).

The following table shows the amounts of income/(expenses) from investments for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Income/(expenses) from investments		
Write-down/(revaluation) of investments	(1,158)	(417)
Other income/(expenses) from investments	218	303
Total income/(expenses) from investments	(940)	(114)

The write-down of investments in associated companies using the equity method mainly includes the impairment loss on the interest held in Quainted Consulting Pty and the adjustment of the capital option on Technogym ZAO (Russia) (see 5.17).

"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, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Income/(expenses) from investments		
Quicraft Norway AS	-	-
Invest Finex AG	-	106
Quicraft Finland OY	80	130
Quicraft Sweden AB	138	67
Total income/(expenses) from investments	218	303

6.13 INCOME TAX EXPENSES

The item "Income tax expenses" amounts to Euro 24,765 thousand for the year ended December 31, 2017 (Euro 22,519 thousand for the year ended December 31, 2016).

The following table shows the amounts of income tax expenses for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Income tax expenses		
Current taxes	27,027	23,183
Deferred taxes	[1,612]	1,153
Total income tax expenses for the year	25,415	24,336
Taxes relating to prior years	[650]	[1,817]
Total income tax expenses	24,765	22,519

The following table shows the reconciliation between the theoretical tax rate and the actual tax rate for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31			
	2017	%	2016	%
Profit before tax	86,256	0.0%	65,739	0.0%
Income tax calculated at the applicable tax rate	20,702	24.0%	18,078	27.5%
Effect of difference between local tax rate and theoretical tax rate	[729]	[0.8%]	[771]	[1.2%]
Effect of non-deductible expenses	3,745	4.3%	3,278	5.0%
Non-allocation of unrecognized deferred tax assets on tax losses	[1,531]	[1.7%]	[1,154]	[1.8%]
Effect of non-taxed income	-	0.0%	-	0.0%
Substitute tax	-	0.0%	-	0.0%
Release of deferred tax liabilities	-	0.0%	-	0.0%
Other income taxes (IRAP)	4,189	4.4%	3,382	5.1%
Write-down of deferred tax assets	-	0.0%	-	0.0%
Other minor effects	[688]	[0.8%]	[294]	[0.4%]
Prior year taxation	[923]	[1.1%]	-	0.0%
Total	24,765	28.3%	22,519	34.3%

6.14 EARNINGS PER SHARE

The following table reports the details of the calculation of basic earnings per share.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Earnings per share		
Profit for the period	61,199	43,085
Number of shares (in thousands of Euro)	201,005	201,005
Total earnings per share (in Euro) Net	0.30	0.21

It should be noted that in 2017 the number of shares rose from 200 million to 201 million and that on a uniform basis, considering the current number of shares, earnings per share in 2016 would have been Euro 0.21. Historical earnings per share in 2016 amounted to Euro 0.22.

It should thus be noted that basic earnings per share are the same as diluted earnings per share.

7. NET INDEBTEDNESS

The following table reports the details of the composition of financial debt for the Group as of December 31, 2017 and 2016, determined in accordance with the Consob communication of July 28, 2006 and the ESMA/2013/319 recommendations.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Net indebtedness		
A. Cash	77,847	53,146
B. Cash equivalents	-	-
C. Trading securities	-	-
D. Liquidity (A) + (B) + (C)	77,847	53,146
E. Current financial receivables	88	743
F. Current bank debt	(2,194)	(20,000)
G. Current portion of non-current debt	(23,580)	(20,807)
H. Other current financial debt	(9,016)	(7,488)
I. Current financial debt (F) + (G) + (H)	(34,790)	(48,294)
J. Net current financial indebtedness (I) + (E) + (D)	43,144	5,594
K. Non-current bank loans	(70,238)	(73,600)
L. Bonds Issued	-	-
M. Other non-current loans	(14,225)	(10,018)
N. Non-current financial indebtedness (K) + (L) + (M)	(84,464)	(83,619)
O. Net financial indebtedness (J) + (N)	(41,319)	(78,024)

8. FINANCIAL RISK MANAGEMENT

The main financial risks to which the Group is exposed 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 interest-bearing financial instruments;
 - price risk, associated with changes in commodity prices.

Credit risk

The operational management of credit risk is assigned to the Credit Management function, which operates on the basis of a credit policy that regulates: (i) the assessment of the credit quality class of customers through the use of a Risk Score Rating developed within the Company, for the management of credit limits and any requests for adequate bank or insurance guarantees to support the granting of extended payment terms; (ii) the involvement of formal credit committees for any transactions with terms other than those normally applied by the Company; (iii) the use of credit insurance policies; (iv) the monitoring of the balance of receivables and their maturity so that the number of outstanding positions is not significant; (v) the monitoring of related expected cash flows; (vi) the issuing of appropriate reminders; (vii) any recovery actions. Write-downs are calculated on percentages of past due, based on historical default data with the exception of write-downs on specific disputed receivables. In relation to the breakdown of receivables by maturity, see the note "Trade receivables". In the event of financing activities related to temporary excess of liquidity or the use of derivatives, the Group deals exclusively with institutions of 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 a specific control activity on the part of the Parent 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 associated with the composition of net financial debt, the Company tends to finance investments and current commitments using both cash flow generated by operating activities and short time credit lines.

The following table shows the amounts of credit lines available and used as of December 31, 2017 and 2016.

<i>(in thousands of Euro)</i>	Cash credit lines	Self-liquidating Credit lines	Financial Credit lines	Total
At 31 December 2017				
Credit lines	7,382	21,116	214,861	243,359
Utilizations	-	(2,037)	(93,375)	(95,413)
Credit lines available as of December 31, 2017	7,382	19,079	121,485	147,946
As of 31 December 2016				
Credit lines	7,382	24,254	215,704	247,340
Utilizations	-	-	(113,887)	(113,887)
Credit lines available as of December 31, 2016	7,382	24,254	101,817	133,453

The following table shows the amounts and maturity period of liabilities as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
Values as of December 31, 2017				
Non-current financial liabilities	-	80,523	3,941	84,464
Other non-current liabilities	-	11,550	-	11,550
Trade payables	123,514	-	-	123,514
Current tax liabilities	8,568	-	-	8,568
Current financial liabilities	34,664	-	-	34,664
Liabilities for derivative financial instruments	126	-	-	126
Other liabilities current taxes	65,256	-	-	65,256
Commitments	5,010	10,006	839	15,855
Total	248,687	90,529	4,780	343,996
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	-	3,683
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	1,284	8,264	3,236	12,784
Total	231,145	97,119	15,642	343,905

The item "Commitments" mainly refers to the rental fee for the Group's branches, stores, cars and fork-lift trucks.

Market risk

EXCHANGE RATE RISK

The Group operates internationally and is therefore exposed to currency risk, especially with regard to commercial and financial transactions denominated in US dollars, GBP, JPY and AUD. The Group's foreign currency risk policy is to enter into forward contracts, precisely and in large amounts, to hedge an average of between 70% and 80% of the settlement exposure denominated in the above currencies.

Hedge accounting was not applied to any currency hedging contracts in 2017. Two exchange rate hedging contracts were stipulated in 2016 on the Euro/GBP exchange rate; they were accounted for using the hedge accounting method and terminated during the current year.

Investments made by the Group in foreign subsidiaries are not hedged, as the currency positions are considered long-term. The following table shows trade payables and receivables, cash and cash equivalents and current financial liabilities broken down by currency as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	EUR	GBP	USD	CNY	AUD	JPY	Other currencies	Total
Trade receivables								
At December 31, 2017	55,995	21,817	16,614	1,397	1,631	-	19,676	117,129
As of December 31 2016	42,394	18,210	17,053	1,967	2,380	3,943	8,128	94,075
Cash and cash equivalents								
At December 31, 2017	49,513	6,987	7,595	3,134	1,935	2	8,680	77,847
As of December 31 2016	32,275	2,636	6,813	3,185	844	2,896	4,496	53,146
Current financial liabilities								
At December 31, 2017	32,243	-	216	-	14	-	2,190	34,664
As of December 31 2016	47,956	-	292	-	-	-	-	48,247
Trade payables								
At December 31, 2017	100,134	7,027	8,548	355	829	55	6,567	123,514
As of December 31 2016	103,612	7,845	11,488	168	574	1,028	877	125,594

For the purposes of the foreign currency sensitivity analysis, items in the financial position (assets and liabilities) denominated in currencies other than the Euro were identified. For the purposes of the analysis two scenarios were considered, reflecting either a 5% increase or a 5% decrease in the exchange rate between the currency in which the item in the financial statements is denominated and the Euro.

The following table shows the results of the analysis for the years ended December 31, 2017 and 2016.

(In thousands of Euro)	Book value	of which subject to Currency Risk	2017 CURRENCY RISK (CR)			
			+5%		-5%	
			Profit/(loss)	Other changes in FVR	Profit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	77,847	16,723	(796)	-	880	-
Trade receivables	117,129	38,382	(1,828)	-	2,020	-
Current financial assets	13	-	-	-	-	-
Assets for derivative financial instruments	75	-	-	-	-	-
Tax effect			970	-	(1,072)	-
			(2,507)	-	2,771	-
Financial liabilities						
Non-current financial liabilities	84,464	-	-	-	-	-
Current financial liabilities	34,664	230	11	-	(12)	-
Trade payables	123,514	17,651	873	-	(925)	-
Liabilities for derivative financial instruments	126	-	-	-	-	-
Tax effect			(236)	-	216	-
			611	-	(676)	-
Total increase (decrease) 2017			(1,896)		2,095	
(In thousands of Euro)	Book value	of which subject to Currency Risk	2016 CURRENCY RISK (CR)			
			+5%		-5%	
			Profit/(loss)	Other changes in FVR	Profit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	53,146	20,773	(989)	-	1,093	-
Trade receivables	94,075	51,813	(2,412)	-	2,666	-
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	22,006	1,042	-	(1,152)	-
Tax effect			(332)	-	366	-
			724		(801)	
Total increase (decrease) 2016			(1,609)		1,779	

The parameters applied were identified as reasonable potential exchange rate fluctuations, 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 cash flow fluctuations due to interest. The Company does not use derivative instruments to hedge interest rate risk, with the exception of the IRS described in note 5.20.

For the purposes of the sensitivity analysis on changes in interest rate, items in the statement of assets and liabilities that are subject to fluctuations in interest rates were identified. For the purposes of the analysis two scenarios were considered, reflecting an increase or decrease of 20 base points (bp).

The following table shows the results of the analysis for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Book value	of which subject to Interest Rate Risk	2017 Interest Rate Risk (IRR)			
			+ 20 bp		-20 bp	
			Profit/(loss)	Other changes in FVR	Profit/(loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	77,847	56,183	112	-	(112)	-
Trade receivables	117,129	-	-	-	-	-
Tax effect			(35)	-	35	-
			77	-	(77)	-
Financial liabilities			-	-	-	-
Non-current financial liabilities	84,464	119,506	(239)	-	239	-
Current financial liabilities	34,664	48,247	(11)	-	11	-
Trade payables	123,514	-	-	-	-	-
Tax effect			116	-	(116)	-
			(252)	-	252	-
Total increase (decrease) 2017			(175)	-	175	-
<i>(In thousands of Euro)</i>	Book value	of which subject to Interest Rate Risk	2016 Interest Rate Risk (IRR)			
			+ 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 liabilities	48,247	48,247	(160)	-	160	-
Trade payables	125,594	-	-	-	-	-
Tax effect			100	-	(100)	-
			(219)		219	
Total increase (decrease) 2016			(166)		166	

The parameters applied were identified as reasonable potential interest rate fluctuations, with all other variables remaining the same. An interest rate swap contract was signed in 2017 to hedge the loan taken out with Unicredit S.p.A with maturity in April 2020. For further details see note 5.13.

PRICE RISK

The Group supplies worldwide and is subject to the normal risk of commodity price fluctuations, 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	
	2017	2016
Net indebtedness (A)	41,319	78,024
Equity (B)	134,709	87,639
Total capital (C)=(A)+(B)	176,029	165,664
Gearing ratio (A)/(C)	23.5%	47.1%

8.1 FAIR VALUE DISCLOSURE

As of December 31, 2017 and 2016, the book value of financial assets and liabilities is essentially 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 on an active market; (ii) Level 2: market inputs other than Level 1 inputs, that are observable directly (prices) or indirectly (because derived from prices); (iii) Level 3: inputs not based on observable market data. There were no movements between the three levels of fair value indicated in IFRS 7 during the year.

Financial instruments by category

The following tables show financial assets and liabilities by category of financial instrument and level in the fair value hierarchy as of December 31, 2017 and 2016.

2017 (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	25,045	-	-	25,045	-	-	1,299	1,299
Financial assets non-current taxes	25,045	-	-	25,045	-	-	1,299	1,299
Trade receivables	117,129			117,129	-	-	-	-
Cash and cash equivalents	77,847			77,847	-	-	-	-
Assets for derivative financial instruments			75	75	-	75	-	75
Current financial assets	194,976	-	75	195,051	-	75	-	75

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

2017 (In thousands of Euro)	Financial liabilities	Financial liabilities at fair value	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Non-current financial liabilities	84,464			84,464	-	-	-	-
Non-current financial liabilities	84,464	-	-	84,464	-	-	-	-
Current financial liabilities	34,664			34,664	-	-	-	-
Trade payables	123,514			123,514	-	-	-	-
Liabilities for derivative financial instruments		20	106	126	-	126	-	126
Current financial liabilities	158,177	20	106	158,303	-	126	-	126

2016 (In thousands of Euro)	Financial liabilities	Financial liabilities at fair value	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
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		28	19	47	-	47	-	47
Current financial liabilities	173,841	28	19	173,888	-	47	-	47

9. RELATED PARTY TRANSACTIONS

The Group's transactions with related parties, identified according to the requirements of IAS 24: Related party disclosures, are carried out under normal market conditions.

The following table shows the balance sheet and income statement amounts for the Group's transactions with related parties for the years ended December 31, 2017 and 2016 and their incidence on the related item in the financial statements:

<i>(In thousands of Euro)</i> Values as of December 31	Trade receivables		Current financial assets		Other current assets		Trade payables		Other current liabilities	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Technogym Emirates LLC	512	131	-	-	3,289	340	226	275	-	-
PUBBLISOLE S.P.A.	-	-	-	-	-	-	12	12	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	50	(23)	0	0	-	-
Asso. Milano Durini Design	-	-	-	-	-	-	-	-	-	-
MPS MOVIMENTO PER LA SALUTE	-	-	-	2	-	-	-	-	-	-
FUNKY BOTS LLC	23	-	-	300	-	8	-	-	-	-
FITSTADIUM SRL	-	-	-	100	-	-	-	-	-	-
WELLINK SRL	1	-	-	-	-	-	112	86	-	-
WELLNESS HOLDING SRL	-	5	-	-	-	-	308	-	-	-
VIA DURINI 1 SRL	-	-	-	-	-	67	38	-	-	-
SALHOUSE HOLDING SARL	-	325	-	-	-	-	-	-	-	-
FATTORIA DEI GESSI Srl ALTAVIT	-	-	-	-	-	-	19	15	-	-
STARPOOL SRL	5	5	-	-	-	-	(2)	1	-	-
ONE ON ONE SRL	0	0	-	-	-	-	56	19	-	-
SOBEAT S.R.O.	-	-	-	-	-	-	-	-	-	-
Total	542	466	-	402	3,339	393	769	469	-	-
% on financial statements item	0.5%	0.5%	0.0%	99.6%	25.9%	3.1%	0.6%	0.4%	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		Financial income		Financial expenses	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Technogym Emirates LLC	9,547	10,535	60	-	(38)	(39)	(47)	(52)	4	(1)	(108)	(140)	-	-	-	-
PUBBLISOLE S.P.A.	-	-	-	-	-	-	(10)	(10)	-	-	-	-	-	-	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	-	-	(22)	(30)	(13)	4	-	-	-	-	-	-
Asso. Milano Durini Design	-	-	-	-	-	-	-	(3)	-	-	-	-	-	-	-	-
MPS MOVIMENTO PER LA SALUTE	-	-	-	-	-	-	-	(6)	-	-	-	-	-	-	-	-
FUNKY BOTS LLC	-	-	-	-	-	-	-	-	-	-	-	-	15	8	-	-
FITSTADIUM SRL	-	-	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-
WELLINK SRL	0	-	6	-	-	-	(406)	(305)	-	-	-	-	-	-	-	-
WELLNESS HOLDING SRL	-	-	-	-	-	-	(250)	(0)	(1)	-	(7)	(4)	-	-	-	-
VIA DURINI 1 SRL	-	-	-	-	-	-	(822)	(770)	(5)	(8)	-	-	-	-	-	-
SALHOUSE HOLDING SARL	-	-	-	-	-	1	-	2,089	-	-	-	30	-	-	-	-
FATTORIA DEI GESSI Srl ALTAVIT	-	-	-	-	-	-	-	(14)	(8)	-	(8)	(1)	-	-	-	-
STARPOOL SRL	14	16	1	-	-	-	(6)	(5)	(0)	-	-	-	-	-	-	-
ONE ON ONE SRL	8	50	-	-	-	-	(162)	(131)	-	3	-	-	-	-	-	-
SOBEAT S.R.O.	-	-	-	-	-	-	(275)	-	-	-	-	-	-	-	-	-
Total	9,569	10,601	66	1	(38)	(38)	(2,002)	763	(22)	(2)	(123)	(115)	15	8	-	-
% on financial statements item	1.6%	1.9%	11.7%	0.3%	0.0%	0.0%	1.4%	-0.5%	0.3%	0.0%	0.1%	0.1%	0.2%	0.1%	0.0%	0.0%

The relationship between the Group and related parties as of and for the years ended December 31, 2017 and 2016 are mainly commercial.

Technogym Emirates LLC is a joint venture established by the Group with a company in the UAE in order to facilitate the distribution and sale of the Group's products and services there. 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. At the same time, Technogym Emirates LLC is required to respect certain conditions relating to marketing, distribution, sales and after-sales policies imposed by the Group. These 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. relates to a lease agreement signed by the Group on March 31, 2010, for the lease of a building located in Via Durini 1, Milan, where the Group has a showroom.

The relationship with One on One S.r.l. is mainly related to collaborative activities for the installation and management of corporate wellness areas. For instance, the Group occasionally makes use 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 on the basis of the requests and needs of the end customer.

Remuneration of Directors and key management

The total amount of remuneration and related expenses for the Board of Directors amounted to Euro 2,492 thousand for the year ended December 31, 2017 (Euro 2,266 thousand for the year ended December 31, 2016).

The total amount of compensation paid to key management amounted to Euro 2,429 thousand for the year ended December 31, 2017 (Euro 2,718 thousand for the year ended December 31, 2016).

<i>(in thousands of Euro)</i>	Year ended December 31	
	2017	2016
Fees for office	1,824	2,008
Non-monetary benefits	42	48
Bonuses and other incentives	433	537
Other fees	130	125
Total	2,429	2,718

10. CONTINGENT LIABILITIES

As of December 31, 2017 none of the companies in the Group are party to any ongoing significant legal or tax proceedings for which specific provisions for risks and charges have not been recognised in the financial statements, with the exception of the following. It should be noted that a notice of assessment amounting to approximately Euro 10 million was received in the first half of 2017 in relation to Technogym Equipamentos de Ginastica e Solucao para bem estar Ltda for issues relating to alleged formal irregularities in the customs import declarations for the financial years before 2015, including those in the name of Technogym Fabricacao de Equipamento de Ginastica Ltda, which has now been merged into Technogym Equipamentos de Ginastica e Solucao para bem estar Ltda. With the support of reports from tax advisors and local lawyers, the company has raised an objection to the presumptions of the local government and challenged the first judgment against it, since it believes that it has always operated in full compliance with local tax and customs regulations. As a consequence it has not considered it necessary to recognise any provisions for this, since the risk of losing is considered to be low.

11. COMMITMENTS AND GUARANTEES

As of December 31, 2017 the Issuer has issued guarantees amounting to Euro 5,130 thousand to credit institutions on behalf of subsidiaries (Euro 4,525 thousand as of December 31, 2016) and Euro 3,416 thousand on behalf of related parties (Euro 3,764 thousand as of December 31, 2016). The Group has also issued guarantees to public institutions and other third parties amounting to Euro 2,522 thousand (Euro 2,661 thousand as of December 31, 2016).

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

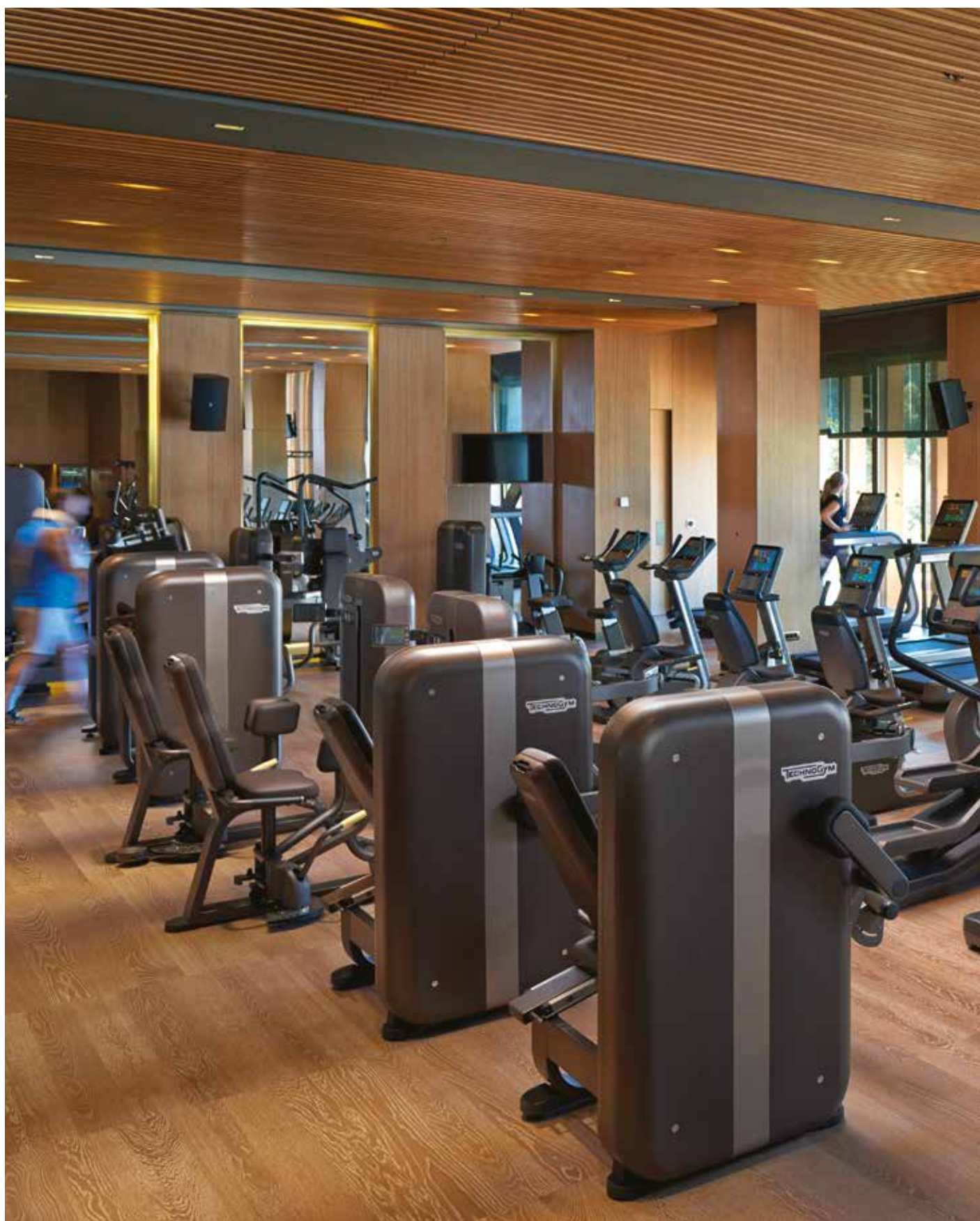
As of December 31, 2017, there were no significant non-recurring transactions.

13. EVENTS AFTER DECEMBER 31, 2017

In February 2018, Technogym was chosen as Official Supplier of the Pyeongchang 2018 Winter Olympics in South Korea: this is the seventh time that Technogym has been official supplier of the Olympic Games. Also in February, Technogym announced a strategic partnership with Nuffield, the leading industry operator in the UK. The partnership involves the complete supply of Technogym products and digital technologies for the next 4 years to 111 of the group's fitness clubs and 31 of its hospitals. Finally, during the recent IHRSA trade show in San Diego, Technogym gave an exclusive preview of the new SKILLBIKE to leading operators in the sector. SKILLBIKE will be launched on the market over the coming weeks.

On behalf of the Board of Directors,

The Chairman
Nerio Alessandri







Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of TECHNOGYM SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TECHNOGYM SpA and its subsidiaries (hereinafter also the "TECHNOGYM Group"), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the TECHNOGYM Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of TECHNOGYM SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880133 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70129 Via Abate Genina 79 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186231 - Brescia 25123 Via Borgo Pietro Wulfer 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccupietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10121 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Feltrasant 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Pascolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it



Key Audit Matters

Auditing procedures performed in response to key audit matters

Revenue recognition

Note 6.1 to the consolidated financial statements

Revenues of Technogym Group for the year ended 31 December 2017 amounted to Euro 598 million.

Sales of wellness equipment, accessories, services and digital solutions are made by the Technogym Group in several segments, distribution channels and geographical areas (over 130 countries).

General terms of sale drawn up by the Technogym Group are negotiated with the counterparty and may be amended and/or supplemented by specific clauses based on the type of customer. Moreover, sales contracts, especially those with leading international customers, which are handled directly by the parent company, are often long-term.

As part of our audit of the consolidated financial statements as of 31 December 2017, we focused our attention on this financial statements area not only because of the magnitude of the balance, but because it is particularly complex, given that a single contract may include components of a different nature (for instance, the sale of a product and the provision of the maintenance service), as well as specific contractual clauses for specific customers, which require in-depth analysis to determine the correct accounting treatment.

We understood and assessed the system of internal control over the sales process and we verified its adequacy by checking, on a test basis, the effectiveness of relevant controls implemented.

We understood and analysed the general terms of sale and the main contractual clauses used and negotiated with customers, considering the related effects for the purpose of appropriate revenue recognition, also through discussion with management of the parent company.

We selected a sample of sales contracts and invoices issued during the year, we obtained supporting evidence and analysed the contractual clauses applied in order to verify the correct recognition of revenues.

Finally, we analysed the type of contract that envisages the provision of a service in addition to the sale of a product, in order to verify the appropriate method of allocating the total value to each performance obligation, and we verified its correct recognition.



Key Audit Matters

Auditing procedures performed in response to key audit matters

Existence of inventories

Note 5.6 to the consolidated financial statements

Inventories, equal to Euro 64 million as of 31 December 2017 and comprising raw materials, semi-finished products and finished goods, account for about 13% of the Technogym Group's total assets.

Physical stocks are present, in addition to the warehouses of the parent company, also in 15 subsidiaries, of which one is a manufacturing company and the rest are distribution companies.

The Group carried out full physical counts as of 30 June and 31 December 2017 of stocks at all the Group's own warehouses and items held by third parties at external warehouses.

We focused our attention on this financial statements area because of both the distribution of inventories over a large number of deposits and of the involvement of external logistics operators in inventory management, and of the presence of IT platforms that are not integrated in communication between the subsidiary and the logistics operator in relation to inventory movements.

We understood and assessed the system of internal control over the materials purchases and inventory management process, and we verified its adequacy with particular reference to the stocktaking procedure implemented by the Group.

We analysed inventory differences, in both quantities and values, resulting from the physical count performed by group companies at the year end, and we investigated the reasons for those differences in order to identify any anomalies in the procedures implemented locally for recording and recognising inventory movements and quantities.

Moreover, at all subsidiaries, for stocks with the highest values we verified for certain product codes, on a test basis, the accuracy of the physical count carried out by Technogym Group companies at both their own and external warehouses.

Finally, we obtained confirmation, on a test basis, of quantities in stock at external warehouses.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated



financial statements, management uses the going concern basis of accounting unless management either intends to liquidate TECHNOGYM SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of



the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 16 February 2016, the shareholders of TECHNOGYM SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of TECHNOGYM SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the TECHNOGYM Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the



TECHNOGYM Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of TECHNOGYM SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of TECHNOGYM SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Bologna, 16 April 2018

PricewaterhouseCoopers SpA

signed by

Edoardo Orlandoni
(Partner)

This report has been translated into English from the original, which was issued in Italian language, solely for the convenience of international readers.



03

**SEPARATE
FINANCIAL
STATEMENTS**
December 31, 2017

TECHNOGYM SPA FINANCIAL
STATEMENTS

NOTES TO THE SEPARATE FINANCIAL
STATEMENTS



SEPARATE FINANCIAL STATEMENTS

December 31, 2017

**TECHNOGYM SPA
FINANCIAL
STATEMENTS**



STATEMENT OF FINANCIAL POSITION

<i>(in Euro)</i>	Notes	As of December 31			
		2017	of which from related parties	2016	of which from related parties
ASSETS					
Non-current assets					
Property, plant and equipment	1	42,729,917		44,490,422	
Intangible assets	2	26,180,370		21,921,857	
Deferred tax assets	3	7,776,439		6,424,869	
Investments	4	170,588,399		168,385,882	
Non-current financial assets	5	40,943,967		42,891,896	
Other non-current assets	5	15,867,288		12,271,886	
TOTAL NON-CURRENT ASSETS		304,086,379		296,386,812	
Current assets					
Inventory	6	30,172,053		42,583,079	
Trade receivables	7	66,533,686	29,722,045	64,932,456	32,301,889
Current financial assets	8	3,187,852	3,175,315	957,308	955,661
Assets for derivative financial instruments	9	75,047		339,910	
Other current assets	10	8,485,675	3,243,218	8,468,519	1,869,472
Cash and cash equivalents	11	48,439,135		30,116,263	
TOTAL CURRENT ASSETS		156,893,448		147,397,535	
TOTAL ASSETS		460,979,827		443,784,347	
EQUITY AND LIABILITIES					
Equity					
Share capital		10,050,250		10,000,000	
Share premium reserve		4,989,750		—	
Other reserves		73,367,265		73,214,930	
Retained earnings		32,137,690		3,675,594	
Profit (loss) for the year		52,112,568		45,525,041	

(follows on next page)

(in Euro)	Notes	As of December 31			
		2017	of which from related parties	2016	of which from related parties
Equity		172,657,523		132,415,565	
Capital and reserves attributable to non-controlling interests		—		—	
Profit (loss) attributable to non-controlling interests		—		—	
Equity attributable to non-controlling interests		—		—	
TOTAL EQUITY	12	172,657,523		132,415,565	
Non-current liabilities					
Non-current financial liabilities	13	84,301,739		83,393,307	
Employee benefit obligations	14	3,052,249		3,143,955	
Non-current provisions	15	5,597,425		4,966,786	
Other non-current liabilities	16	1,184,736		442,621	
TOTAL NON-CURRENT LIABILITIES		94,136,149		91,946,669	
Current liabilities					
Trade payables	17	99,276,596	14,908,866	104,566,068	11,283,818
Current tax liabilities	18	3,786,771		—	
Current financial liabilities	13	61,800,595	29,636,255	87,362,227	39,479,921
Liabilities for derivative financial instruments	19	126,357		47,236	
Current provisions	15	11,167,696		9,777,080	
Other current liabilities	20	18,028,141	668,077	17,669,502	4,269,393
TOTAL CURRENT LIABILITIES		194,186,155		219,422,113	
TOTAL EQUITY AND LIABILITIES		460,979,827		443,784,347	

SEPARATE INCOME STATEMENT

(In Euro)	Notes	Year ended December 31			
		2017	of which from related parties	2016	of which from related parties
REVENUES					
Revenues	21	424,575,991	233,672,769	406,475,092	229,460,048
Other operating income	22	2,872,504	2,469,480	2,320,124	1,966,271
Total revenues		427,448,494		408,795,216	
OPERATING COSTS					
Raw materials, work in progress and finished goods	23	(213,956,875)	(52,299,571)	(209,063,226)	(55,905,336)
Cost of services	24	(60,759,807)	(7,934,876)	(75,493,225)	(20,369,698)
of which non-recurring expenses:		(530)		(2,371,882)	
Personnel expenses	25	(58,378,518)	(1,293,135)	(53,804,409)	(1,439,476)
of which non-recurring expenses:		(330,482)		(613,467)	
Other operating costs	26	(9,547,746)	(7,584,434)	(748,218)	(45,938)
of which non-recurring expenses:		165,469		–	
Share of net result from joint ventures		–		–	
Depreciation, amortization and impairment losses	27	(18,492,861)		(17,096,317)	
Provisions	28	(1,240,839)		(1,782,729)	
NET OPERATING INCOME		65,071,849		50,807,092	
Financial income	29	7,869,908	705,454	12,721,654	674,772
Financial expenses	30	(12,153,839)	(197,948)	(13,651,651)	(161,099)
Net financial expenses		(4,283,931)		(929,997)	
Income/(expenses) from investments	31	8,909,048	17,768,678	12,034,058	13,150,209
PROFIT BEFORE TAX		69,696,965		61,911,154	
Income tax expenses	32	(17,584,397)		(16,386,113)	
PROFIT (LOSS) FOR THE YEAR		52,112,568		45,525,041	
EARNINGS PER SHARE	33	0.26		0.23	

STATEMENT OF COMPREHENSIVE INCOME

(In Euro)	Notes	Year ended December 31	
		2017	2016
Profit (loss) for the year (A)		52,112,568	45,525,041
Actuarial income/(loss) of post-employment benefit obligations	14	(2,304)	(141,319)
Tax effect on actuarial income/loss of post-employment benefit obligations		553	34,011
Actuarial income/(loss) of NCA	15	(145,307)	(227,673)
Tax effect on actual income/loss of NCA		34,874	54,641
Total items that will not be reclassified to profit or loss (B1)		(112,185)	(280,340)
Gains (losses) on cash flow hedges reclassified to profit or loss	9	27,881	(27,881)
Tax effect – Gains (losses) on cash flow hedges reclassified to profit or loss		(7,779)	7,779
Gains (losses) on cash flow hedges (IRS)		(20,267)	–
Tax effect – Gains (losses) on cash flow hedges (IRS)		4,864	–
Total items that may be reclassified to profit or loss (B2)		4,700	(20,102)
Total other comprehensive income, net of tax (B)=(B1)+(B2)		(107,485)	(300,442)
Total comprehensive income for the year (A)+(B)		52,005,083	45,224,600

STATEMENT OF CASH FLOW

(In thousands of Euro)	Notes	Year ended December 31	
		2017	2016
Operating activities			
Profit (loss) for the year		52,112,568	45,525,041
Adjustments for:		–	–
Income tax expenses		17,584,397	16,386,113
Income/(expenses) from investments		(8,909,048)	(12,034,058)
Financial income/(expenses)		4,283,931	929,997
Depreciation, amortization and impairment losses		18,492,861	17,096,317
Provisions		1,240,839	1,782,729
Cash flows from operating activities before changes in working capital		84,805,548	69,686,138
Increase (decrease) in inventory		12,453,775	(7,257,953)
Increase (decrease) in trade receivables		(973,259)	(2,859,703)
Increase (decrease) in trade payables		(5,674,557)	(10,042,516)
Increase (decrease) in other operating assets and liabilities		(8,463,406)	(31,084,281)
Non-recurrent fiscal collection/(payment)		–	22,756,000
Income taxes paid		(12,815,181)	(28,287,343)
Net cash inflow from operating activities (A)		69,332,921	12,910,341
Cash flows from investing activities		–	–
Investments in property, plant and equipment		(6,968,672)	(12,047,732)
Disposals of property, plant and equipment		41,065	51,274
Investments in intangible assets		(14,063,261)	(14,427,709)
Disposals of intangible assets		–	–
Dividends attributable to non-controlling interests		–	–
Dividends from investments in other entities		17,950,178	13,280,209
Dividends from investments in Joint Ventures		–	663,009
Minority Interests		–	–
Investments in subsidiaries, associates and other entities		(326,000)	(61,810,261)
Disposal of investments		–	–
Net cash inflow (outflow) from investing activities (B)		(3,366,690)	(74,291,211)
Cash flows from financing activities		–	–
Proceeds from new borrowings		20,000,000	97,850,000
Repayment of borrowings		(20,511,845)	(9,224,934)
Net increase (decrease) of current financial liabilities		(31,932,885)	(29,571,817)
Dividends paid to shareholders		(13,000,000)	–
Payments of net financial expenses		(3,328,018)	(4,264,437)
Net cash inflow (outflow) from financing activities (C)		(48,772,748)	54,788,812
of which from related parties:		–	–
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)		17,193,482	(6,592,057)
		–	–
Cash and cash equivalents at the beginning of the year		30,116,263	35,273,271
Net increase (decrease) in cash and cash equivalents from January 1 to December 31		17,193,482	(6,592,057)
Effects of exchange rate differences on cash and cash equivalents		1,129,390	1,435,048
Cash and cash equivalents at the end of the year		48,439,135	30,116,263

STATEMENT OF CHANGE IN EQUITY

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves								Retained earnings	Profit (loss) for the year	TOTAL EQUITY
			Legal reserve	Extraordinary reserve	Reserve for the adoption of IAS/IFRS	IAS 19 reserve	Stock grant plan reserve	Hedge Account reserve	IRS hedge account reserve	Unrealized exchange differences reserve			
As of January 1, 2016	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 plans	-	-	-	-	-	-	803	-	-	-	-	-	803
As of December 31, 2016	10,000	-	2,000	14,938	51,984	37	4,276	(20)	-	-	3,676	45,525	132,416
Retained earnings	-	-	-	-	790	-	-	-	-	3,273	41,462	(45,525)	0
Total comprehensive income for the year	-	-	-	-	-	(113)	-	20	(15)	-	-	52,113	52,005
Dividends paid	-	-	-	-	-	-	-	-	-	-	(13,000)	-	(13,000)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive plans	50	4,990	-	-	-	-	(3,803)	-	-	-	-	-	1,237
		4,990	2,000	14,938	52,774	(76)	473	-	(15)	3,273	32,138	52,113	172,658
As of December 31, 2017	10,050	4,990	2,000	14,938	52,774	(76)	473	-	(15)	3,273	32,138	52,113	172,658



SEPARATE FINANCIAL STATEMENTS
at December 31, 2017

NOTES TO THE SEPARATE FINANCIAL STATEMENTS



GENERAL INFORMATION

Technogym S.p.A. (the “Company”) is a company incorporated and domiciled in Italy, with its registered head office at Via Calcinaro 2861, Cesena (FC), organized under the laws of the Republic of Italy.

The Company is among the world’s top players in the fitness equipment industry, offering integrated solutions for personal wellness (composed mainly of equipment, services, digital content and solutions) that can be personalized and adapted to meet the specific needs of end users and professional operators. It offers a wide range of wellness, physical exercise and rehabilitation solutions to the major segments of the fitness equipment market and 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 enthusiastically received 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 2017, 51.74% of the Issuer’s share capital was owned by Wellness Holding S.r.l., a limited liability company incorporated under Italian law, whose share capital is 75% owned by Oiren S.r.l., 25% owned by Apil S.r.l. and the remaining 48.26% free float on Borsa Italiana’s MTA market (screen-based stock exchange).

Technogym is not subject to the activity of control and coordination of Wellness Holding S.r.l., nor of its direct and indirect parent companies or third parties. Please refer to Paragraph 2, letter j), of the “Report on corporate governance and ownership structure”, written taking into consideration the indications provided by the format established by Borsa Italiana for the company government report, available in the “Corporate Governance” section of the website www.technogym.com.

The Company’s annual financial statements were approved by the Company’s Board of Directors on March 28, 2018 and audited by PricewaterhouseCoopers S.p.A., the Company’s independent auditor.

BASIS OF PREPARATION

The annual financial statements have been prepared in compliance with IFRS, that is, all the International Financial Reporting Standards, International Accounting Standards ("IAS"), and 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 indicate significant concerns 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 mandatory.

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 Flows, a Statement of Changes 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 IAS 1 – Presentation of Financial Statements.

- 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 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 using 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, including 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 normally take a substantial period of time to get ready for their intended use (qualifying assets).

Routine repair and maintenance costs are recognized as expenses in the period in which they are incurred. Expenditures incurred for the extension, modernization, or improvement of owned assets or from third parties, are capitalized only if they meet the requirements for their separate classification as assets or part of an asset using the component approach.

Property, plant and equipment, with the exception of land, are systematically depreciated each year on a straight-line basis in relation to the estimated remaining useful life of the asset. 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 cases where the value of an asset is impaired, independently of the depreciation already recognised, an impairment loss is recognized for the asset. If the reason for the impairment no longer applies in subsequent years, the original value is reinstated. 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 from which future economic benefits are expected. 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, licences and similar rights	3 years
Trademarks	10 years

Research costs are recognised in the income statement when they are incurred.

DEVELOPMENT COSTS

Costs for developing new products or improving existing ones are capitalized according to IAS 38 if the development project leads to technically feasible processes and/or marketable products, as long as the intention and necessary resources to complete the development project are present and the costs and benefits of the new processes or products can be measured reliably. Capitalized development costs include internal and external costs, comprehensive of personnel expenses and cost of services and consumables, that are reasonably allocated to the projects. Development costs are intangible assets with indefinite useful lives. 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 the 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 reinstated 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 reinstated amount is recognized in the income statement. Impairment losses of goodwill are never reversed.

INVESTMENTS

Investments in subsidiaries, joint ventures and associates are valued using the cost method, including charges that are directly attributable to them, net of any impairment losses.

Subsidiaries are entities in which the Company has a direct or indirect controlling interest, as stated in IFRS 10 – “Consolidated Financial Statements”. More specifically, control exists when a parent undertaking simultaneously has:

- 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 the parties to it that hold joint control have rights over the net assets of the arrangement and therefore have an interest in the jointly-controlled entity.

Associates are entities over which the Company holds at least 20% of the entity’s voting rights, or exercises significant influence but does not have control or joint control over financial and operating decisions.

At each date of the financial statements, 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, generally within the limits of the relevant portion of net equity.

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 that are recognised in equity are recognized in the income statement at the time of their impairment or disposal. When investments are not listed on a regulated market and their fair value cannot be measured reliably, they are stated at cost less any impairment losses; impairment losses cannot be reversed.

Dividends are recognized at the date when the resolution was passed at the shareholder’s meeting and are recognized 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 other contract:

- whose value is determined by fluctuations in the underlying asset, such as interest rate, price of security or commodity, foreign currency exchange rate, price or rates index, credit rating and other variables;
- which requires no initial investment, or a smaller initial net investment than would be required for other contracts with a similar response to changes in market factors;
- 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 net equity reserve and classified in other comprehensive income or loss and subsequently reclassified to the income statement for effects generated by the hedge.

In cases where the instruments do not satisfy the conditions for hedge accounting required by 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, with the exclusion of an interest rate swap, the hedges in place as of December 31, 2017, despite being operational hedges, do not satisfy the conditions for hedge accounting. Consequently, fair value changes as of December 31, 2017 are charged to the income statement. On the contrary, the aforementioned IRS which swaps a floating rate for a variable one for a total notional value of Euro 15 thousand as of December 31, 2017, given the conditions of IAS 39 are met, has instead been accounted for according to hedge accounting rules. The fair value changes at year-end were therefore booked directly to a special reserve in 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 twelve months of the reference date of the financial statements, which are classified as non-current assets.

Impairment of financial assets

At each date of the financial statements, all financial assets other than those recognized at fair value in the income statement are assessed as to whether there is any objective evidence that a financial asset or group of financial assets may have incurred a loss of 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 with an original maturity date within three 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 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 (the pass-through test);
- the Company has transferred control of the financial asset but has neither transferred nor retained the risks and rewards associated with it.

In the 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 Company 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 the income statement for the contribution of the period. In defined benefit plans, on the other hand, 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. More precisely, 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 date of the financial statements, 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 the event that a defined benefit plan is modified or a new plan is introduced, any employee benefit obligation for past service is recognized immediately in the income statement.

Post-employment benefits for employees (the *Trattamento di fine rapporto*, or “TFR”), mandatory for Italian companies in accordance with article 2120 of the Civil Code, are considered as deferred compensation and relate 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 (“Post-employment benefits fund”) recognized in the financial statements is determined by actuarial calculations. The recognition of changes in the actuarial gain/losses (“remeasurements”) is therefore recorded under other comprehensive income. For companies with fewer than 50 employees, the cost relating to employee benefit obligations and the interest costs related to the “time value” component in the actuarial calculations (classified under financial expenses) are recognized in the income statement.

Since January 1, 2007, Italian law has given employees the opportunity to choose the destination of their post-employment benefits between the company they are employed by 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 granted 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 expenses” over the time between the grant date and the maturity date, and in an equity reserve called the “Stock grant plan reserve”. Changes in fair value after the grant date have no effect on the initial valuation. The estimate of the number of rights held to maturity is updated at the end of each year. The change in the estimate is recognized as a reduction or increase of the item “Stock grant plan reserve” with contra-item “Personnel expenses”.

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 of this type are recognized when:

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

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 settlement date of the bonds 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 events, 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 give rise to 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 the 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 years include the income and expenses recognized in the year for income taxes relating to prior years.

Recognition of revenues and costs

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Group 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 are 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 their future usefulness cannot be determined.

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 the financial statements in a currency other than the Euro are as follows:

- monetary items are translated using the foreign exchange rate at the year-end reporting date;
- non-monetary items measured at historical cost are translated using the foreign exchange rate at the transaction date;
- non-monetary items measured at fair value are translated using the foreign exchange rates in effect at the time when fair value is determined.

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 period 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 IFRS developments, amendments and interpretations issued by the IASB, specifying those that concern the 2017 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 adopted by the EU to be applied, as per mandatory requirements, for financial years starting on January 1, 2017.

	Issue date	Date of entry into force	Approval date	EU Regulation and publication date
<i>Amendments to IAS 7: Disclosure Initiative</i>	<i>January 29, 2016</i>	<i>January 1, 2017</i>	<i>November 6, 2017</i>	<i>November 9, 2017</i>
<i>Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses</i>	<i>January 19, 2016</i>	<i>January 1, 2017</i>	<i>November 6, 2017</i>	<i>November 9, 2017</i>
<i>Annual Improvements to IFRS Standards 2014-2016 cycle</i>	<i>December 8, 2016</i>	<i>January 1, 2017</i>	<i>Not approved</i>	<i>Not approved</i>

b) IAS/IFRS and the relative IFRIC interpretations applicable to financial years starting after January 1, 2017 - Documents adopted by the EU on December 31, 2017

Accounting Standards	Description
<i>IFRS 15: Revenue from Contracts with Customers</i>	<p>IFRS 15: Revenue from Contracts with Customers (IFRS 15), published by the IASB on May 28, 2014, specifies the timing and amount of revenues from contracts with customers to be reported, including contracts relating to made-to-order products. In particular, IFRS 15 requires revenues to be reported on the basis of the following five steps: (i) identification of the contract with a customer; (ii) identification of the performance obligations in the contract for the transfer of goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the standalone price of the individual goods or services; (v) recognition of the revenues when the performance obligation has been met. IFRS 15 also supplements the information to be provided in financial statements concerning the nature, amount, timing, and uncertainty of revenues and the related cash flows. The new standard, adopted by the European Commission in Commission Regulation (EU) 2016/1905 of September 22, 2016, is effective for annual reporting periods beginning on or after January 1 2018. Earlier application is permitted.</p> <p>With reference to the Company, the new IFRS 15 accounting standard will mainly impact the recording of: (i) sales with buy-back clauses and (ii) the allocation of fair value to individual performance obligations for the sale of goods with an associated sale of services. Based on the analyses performed, the retrospective application of IFRS 15 would have resulted in revenues and operating costs that were Euro 7,345 thousand lower, with greater assets and liabilities for the same amount. The Company intends to adopt the standard using the full retrospective approach, which means that the impacts identified will involve restating the comparative balances of the consolidated financial statements as of December 31, 2018.</p>
<i>Clarifications to IFRS 15: Revenue from Contracts with Customers</i>	<p>The document, published by the IASB on April 12 2016, contains clarifications concerning aspects relating to the implementation of IFRS 15: Revenue from Contracts with Customers. The amendments to IFRS 15 are effective for annual reporting periods beginning on or after January 1 2018. For the analysis performed by the Company, see the remarks above with reference to IFRS 15: Revenue from Contracts with Customers.</p>
<i>IFRS 16: Leases</i>	<p>On January 13 2016, the IASB published IFRS 16: Leases (IFRS 16), which replaces IAS 17: Leases and the relative interpretations. IFRS 16 eliminates the distinction between operating and finance leases for the purposes of preparing the financial statements of lessees. For all lease contracts lasting more than 12 months it requires the recognition of lease assets (the right to use an item) and lease liabilities (the obligation to make the payments set out in the contract). The distinction between operating and finance leases is, instead, maintained for the purposes of preparing the financial statements of lessors. IFRS 16 strengthens the information in the financial statements for both lessors and lessees. The provisions of IFRS 16 will apply from January 1 2019. Earlier application is permitted, subject to the earlier application of IFRS 15.</p> <p>As concerns the Group, the new IFRS 16 accounting standard will mainly affect the recording of operating leases. At the date of the financial statements, the Company has operating leases amounting to a total of Euro 27,920 thousand relating mainly to: (i) property and (ii) capital goods including those used for production. The Company is also assessing short-term and low-value leases that will be recognized on a straight-line basis as a cost in the income statement. The Company has not, however, considered what further adjustments, if any, will be necessary, due for example to the change in the definition of the length of leases, the different treatment of variable payments of leasing instalments and the options for extension or termination. It is thus not yet possible to estimate the amount of assets for the right to use and financial liabilities to be recognised when the new standard is adopted and how this may affect the profits and losses of the Company and the classification of future financial flows.</p>
<i>IFRS 9: Financial Instruments</i>	<p>On July 24, 2014, the IASB completed the revision of the standard on financial instruments and issued the complete version of IFRS 9: Financial instruments (IFRS 9). The new provisions of IFRS 9: (i) change the model for the classification and measurement of financial assets; (ii) introduce a new impairment method that takes into account expected credit losses and (iii) change the hedge accounting requirements. The provisions of IFRS 9, adopted by the European Commission in Commission Regulation (EU) 2016/2067 of November 22, 2016, are effective for annual reporting periods beginning on or after January 1 2018.</p> <p>As concerns the impact of adopting the new standard from January 1 2018, the Company has revised its financial assets and liabilities and mainly concluded that the application of this standard will not have any significant impact on them.</p>

Accounting Standards	Description
<i>Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	On September 12, 2016, the IASB issued an amendment to IFRS 4 in order to address certain issues relating to the application of IFRS 9: Financial instruments with reference to the issuers of insurance contracts. The amendments will apply from January 1, 2018. The Company considers that requirements arising due to the entry into force of this standard will have no impacts on its income statement or balance sheet.
<i>Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions</i>	On June 20, 2016, the IASB issued an amendment to IFRS 2 in order to address issues relating to the measurement base for cash-settled and share-based payments and the accounting effects of the change from cash-settled to equity-settled. It also introduces an exemption to IFRS 2.

c) IAS/IFRS and the relative IFRIC interpretations applicable to financial years starting after January 1, 2017 - Documents still not approved by the EU on December 31, 2017

	Approved by the EU	Effective date
<i>IFRS 17: Insurance Contracts</i>	No	Financial years starting after January 1, 2021
<i>IFRIC 22: Foreign Currency Transactions and Advance Consideration</i>	No	Financial years starting after January 1, 2018
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i>	No	Financial years starting after January 1, 2019
<i>Amendments to IAS 40: Transfers of Investment Property</i>	No	Financial years starting after January 1, 2018
<i>Amendments to IFRS 9: Prepayment Features with Negative Compensation</i>	No	Financial years starting after January 1, 2019
<i>Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures</i>	No	Financial years starting after January 1, 2019
<i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i>	No	Financial years starting after January 1, 2019

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 items in the financial statements that most require the Directors to make a subjective judgement 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 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 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 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 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 such as the discount rate and wage growth and taking into consideration the likelihood of potential future events by using certain demographic parameters such as mortality rates and dismissal or retirement rates;
- **Warranties provision:** when selling the product, the Company 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 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 loss can be reasonably estimated. In the event that 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 a 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 advisers 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: these are calculated according to 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

1. PROPERTY, PLANT AND EQUIPMENT

The item "Property, plant and equipment" amounts to Euro 42,730 thousand as at December 31, 2017 (Euro 44,490 thousand as of December 31, 2016).

The following table shows the composition of and changes in property, plant and equipment for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	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	2,658	29,818	10,753	45,358	11,357	2,578	102,521
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)
Dividends	–	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	21,734	6,485	6,949	2,589	3,988	44,490
Historical cost as of January 1, 2017	3,105	32,688	13,121	48,921	12,364	3,988	114,187
Investments	–	148	1,648	3,080	1,260	832	6,969
Disposals	–	–	(5)	(3,285)	(1,138)	–	(4,429)
Impairment losses	–	–	–	(11)	–	(248)	(259)
Reclassifications	–	–	347	2,007	1,344	(3,697)	–
Historical cost as of December 31, 2017	3,105	32,836	15,111	50,712	13,829	875	116,468
Accumulated amortization as of January 1, 2017	–	(11,313)	(6,637)	(41,971)	(9,775)	–	(69,696)
Amortization	–	(2,376)	(1,187)	(3,985)	(882)	–	(8,429)
Disposals	–	–	5	3,272	1,110	–	4,387
Impairment losses	–	–	–	–	–	–	–
Accumulated amortization as of December 31, 2017	–	(13,689)	(7,818)	(42,684)	(9,546)	–	(73,738)
Net book value as of December 31, 2017	3,105	19,147	7,293	8,028	4,283	875	42,730

The category of buildings and leasehold improvements category 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 complex suitable for use as the corporate headquarters. Plant and machinery mainly includes assembly facilities and production lines. Production and commercial equipment mainly refers to production moulds and equipment needed to assemble the products. Assets under construction and advances mainly relate to investments in production lines that have not been brought into use at the end of the year and moulds that are not yet available for use.

Investments for the year ended December 31, 2017 amount to a total of Euro 6,969 thousand and relate mainly to production and commercial equipment, plant and machinery and other assets. Investments in production and commercial equipment (Euro 3,080 thousand) mainly refer to the purchase of moulds, while investments in plant and machinery ((Euro 1,648 thousand) are associated with the introduction of new production lines. Investments in other assets, amounting to Euro 1,260 thousand, mainly relate to the purchase of furniture, fittings and office equipment.

Net disposals of property, plant and equipment for the years ended December 31, 2017 and 2016 are not significant. As of December 31, 2017 and 2016, there are no property or capital goods subject to any kind of guarantee given to third parties or assets managed under financial leases.

2. INTANGIBLE ASSETS

The item "Intangible assets" amounts to Euro 26,180 thousand as of December 31, 2017 (Euro 21,922 thousand as of December 31, 2016).

The following table shows the amounts and movements of intangible assets for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Intangibles under development and advances	Other intangible assets	Total
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
Historical cost as of January 1, 2017	31,855	6,592	1,188	7,600	228	47,464
Investments	4,417	1,093	154	8,289	109	14,063
Disposals	(3,388)	(2,070)	(116)	-	-	(5,573)
Impairment losses	-	-	-	(343)	-	(343)
Reclassifications	2,575	-	-	(2,598)	22	0
Historical cost as of December 31, 2017	35,460	5,616	1,227	12,949	360	55,611
Accumulated amortization as of January 1, 2017	(20,207)	(4,461)	(736)	-	(138)	(25,542)
Amortization	(7,404)	(1,838)	(141)	-	(79)	(9,462)
Disposals	3,388	2,070	116	-	-	5,573
Impairment losses	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Accumulated amortization as of December 31, 2017	(24,223)	(4,229)	(761)	-	(217)	(29,430)
Net book value as of December 31, 2017	11,237	1,387	465	12,949	143	26,180

Development costs refer 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, models and designs, costs for software rights and user licences, and costs for developing enterprise software. Concessions, licences, trademarks and similar rights include trademarks and the associated additional registration costs. Intangible assets under development and advances mainly refer to expenses incurred by the Company in relation 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 in relation 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, 2017, amounting to a total of Euro 14,063 thousand, are mainly related to patents and intellectual property rights (Euro 1,093 thousand), development costs (Euro 4,417 thousand) and assets under construction and advances (Euro 8,289 thousand). Investments in patents and intellectual property rights mainly refers to implementations following the purchase of new software for the provision of after-sales assistance services in 2015, as well as to the purchase of a new software program for the integration of sales channels. Investments in the development costs category are due to: i) the implementation of the Bio-circuit, the new circuit training solution that offers personalized training to help users to achieve their objectives rapidly by means of a circuit training experience combining cardio and strength machines in a single solution. The product, which was developed in 2017, will be launched in 2018 at the main trade shows; ii) My wellness, the mobile app for the final consumer; iii) Skillrun, creating a revolutionary new paradigm for the treadmill because it is the first running equipment designed to meet the needs of athletes and the most demanding fitness fanatics. Thanks to its unique Multidrive Technology™, Skillrun makes it possible to combine cardio and power training on a single piece of equipment, particularly with its Dynamic Running, Parachute Training and Sled Training functions, all with biofeedback; iv) Skill row is the first fully-connected indoor rowing machine that trains both cardio and power with Multidrive Technology™, thanks to its sport-specific design, exclusive technology and performance-oriented workouts. All this together with the SW Skillrowing guided class experience.

Investments in intangibles under development and advances are mainly related to the new SAP ERP and updates for software relating to products already marketed by the Company and also to the development of new products and product lines and the software and applications to support them.

Disposals relating to the various categories of intangible assets and development costs are mainly attributable to the write-off of assets that have reached the end of their useful life.

During the years 2017 and 2016 the Company recognized impairment losses on intangible assets for a total of Euro 343 thousand and Euro 62 thousand respectively, for the intangibles under development and advances category. These impairment losses are mainly related to projects and contracts that the Company, having assessed the state of progress and the possibility of realization and considered technological developments, has agreed are unlikely to produce benefits in the future.

3. DEFERRED TAX ASSETS

The item "Deferred tax assets" amounts to Euro 7,776 thousand as of December 31, 2017 (Euro 6,425 thousand as of December 31, 2016).

The following table shows the amounts and movements of deferred tax assets for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Values as of Jan. 1, 2016	Provisions	Utilizations	Reclassifications	Values as of Dec. 31, 2016	Provisions	Utilizations	Reclassifications	Values as of Dec. 31, 2017
Deferred tax assets									
Inventory write-down provision	3,423	394	(728)	-	3,089	788	(96)	-	3,781
Warranties provision	1,664	1,056	(974)	-	1,746	1,146	(1,004)	-	1,889
Net unrealized foreign exchange gains	494	-	-	(494)	-	-	-	-	-
NCA fund	152	399	(334)	-	217	73	(17)	-	273
Provision for legal disputes	-	-	-	-	-	-	-	-	-
Accumulated amortization of trademarks	56	8	(11)	-	53	8	(4)	-	57
Other provisions for risks and charges	3,467	2,038	(3,065)	-	2,440	1,868	(1,646)	-	2,662
Directors' and statutory auditors' remuneration	-	-	-	-	-	-	-	-	-
Bad debt provision	18	98	(50)	-	66	515	(165)	-	416
Post-employment benefits fund	13	161	(109)	-	65	1	(4)	-	61
Supplementary customer indemnity provision	-	-	-	-	-	-	-	-	-
Bank charges	0	-	-	-	0	-	-	-	0
Equity investments at fair value	-	-	-	-	-	-	-	-	-
Total deferred tax assets	9,288	4,154	(5,271)	(494)	7,677	4,398	(2,937)	-	9,138

<i>(In thousands of Euro)</i>	Values as of Jan. 1, 2016	Provisions	Utilizations	Reclassifications	Values as of Dec. 31, 2016	Provisions	Utilizations	Reclassifications	Values as of Dec. 31, 2017
Deferred tax liabilities	(0)	(1)	-	0	(0)	190	(5)	-	184
Unrealized net foreign exchange losses	-	(915)	-	494	(421)	45	(340)	-	(716)
Other liabilities	(710)	(380)	260	-	(830)	-	-	-	(830)
- Severance & Pension obligations	(0)	-	-	-	(0)	-	-	-	(0)
Total deferred tax liabilities	(710)	(1,296)	260	494	(1,251)	235	(345)	-	(1,362)
Total	8,578	2,858	(5,011)	0	6,425	4,633	(3,282)	-	7,776

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 170,588 thousand as of December 31, 2017 (Euro 168,386 thousand as of December 31, 2016). The following table reports the details of investments as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Investments		
Investments in subsidiaries		
Investments in subsidiaries (gross value)	248,363	237,634
Provision for write-down of investments in subsidiaries	(77,832)	(69,306)
Total investments in subsidiaries	170,530	168,328
Investments in joint ventures and associates (gross value)	1,271	843
Provision for write-down of investments in joint ventures and associates	(1,212)	(785)
Total investments in joint ventures and subsidiaries	58	58
Total investments	170,588	168,386

The following table shows the amounts and movements of investments (gross value) for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Gross values as of Jan. 1, 2016	Investments	Disposals	Gross values as of Dec. 31, 2016	Investments	Disposals	Gross values as of Dec. 31, 2017
Subsidiaries							
Technogym UK Ltd	28,995			28,995			28,995
Technogym Germany Gmbh	16,843			16,843			16,843
Technogym E.E. SR0	15,024			15,024			15,024
Technogym Benelux BV	12,503			12,503			12,503
Technogym USA Corp.	38,159			38,159			38,159
Technogym Shanghai Int. Trading Co. Ltd.	15,800			15,800			15,800
Technogym Australia Pty Ltd	7,621			7,621			7,621
MyWellness S.r.l	3,131		(3,131)	–			–
Technogym Japan Ltd	3,069			3,069			3,069
Technogym International BV	3,000			3,000			3,000
Technogym Trading S.A.	2,869			2,869			2,869
Technogym Equipamentos de Ginastica e Solucao para Bem Estar LTDA	24,917			24,917	10,749		35,666
Laserpro S.r.l.	2,026		(2,026)	–			–
Technogym France Sas	1,267			1,267			1,267
Technogym Asia Ltd	1,676			1,676			1,676
Sidea S.r.l	700			700			700
Technogym Portugal Unipessoal Lda	5			5			5
TGB Srl	–	42,354		42,354			42,354
Amleto Aps	–	22,442		22,442			22,442
Core Athletic Srl	–	20		20		(20)	–
Wellness Partners Ltd	15	355		370			370
Total subsidiaries	177,620	65,171	(5,157)	237,634	10,749	(20)	248,363
Joint ventures and associates							
Technogym Emirates LLC	28			28			28
Fitstadium S.r.l	263			263	100		363
Wellink S.r.l.	30			30			30
MPS Movimento per la Salute	–	123		123			123
T4ME Limited	–	400		400			400
Quainted Consulting Pty Ltd					326		326
Total joint ventures and associates	321	523	–	844	426	–	1,271

Investments in “Subsidiaries” and “Joint ventures and associates” for the years ended December 31, 2017 and 2016 represent capital increases with the exception of the new investment of a 28% of the share capital of the South African associate Quainted Consulting Pty Ltd.

The following table shows the amounts and movements of the investments write-down provision for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Write-down provisions as of Jan. 1, 2016	Provisions	Releases	Write-down provisions as of Dec. 31, 2016	Provisions	Releases	Write-down provisions as of Dec. 31, 2017
Technogym USA Corp.	(31,418)		2,551	(28,867)		1,514	(27,353)
Technogym Shanghai Int. Trading Co. Ltd.	(11,212)		528	(10,684)		347	(10,337)
Technogym Australia Pty Ltd	(4,465)		533	(3,932)		485	(3,448)
Technogym Equipamentos de Ginastica e Solucao para Bem Estar LTDA	(20,620)	(4,315)		(24,935)	(10,731)		(35,666)
Laserpro S.r.l.	(709)		709	–			–
Technogym Asia Ltd	(769)		109	(660)			(660)
Core Athletic Srl	–	(20)		(20)		20	–
Wellness Partners Ltd	–	(208)		(208)	(161)		(369)
Total subsidiaries	(69,193)	(4,544)	4,431	(69,306)	(10,892)	2,365	(77,832)
Joint ventures and associates							
Fitstadium S.r.l.	(263)			(263)	(100)		(363)
MPS Movimento per la Salute	–	(123)		(123)			(123)
T4ME Limited	–	(400)		(400)			(400)
Quainted Consulting Pty Ltd					(326)		(326)
Total joint ventures and associates	(263)	(523)	–	(786)	(426)	–	(1,212)

The following table shows the list of investments held as of December 31, 2017, with the relevant details:

Entity name	Registered office	% control	Currency	Share capital as of Dec. 31, 2017 (in local currency)	Equity as of Dec. 31, 2017 (in local currency)	Profit/(loss) for the year at Dec. 31, 2017 (in local currency)	Equity pro-rata as of Dec. 31, 2017 (€)	Net book value as of Dec. 31, 2017 (€)
Subsidiaries								
Technogym E.E. SR0	Slovakia	99.98%	EUR	15,033,195	17,382,371	1,933,099	17,378,895	15,024,000
Technogym Asia Ltd	Hong Kong	100.00%	HKD	16,701,750	9,058,166	746,709	966,514	1,016,680
Technogym Shanghai Int. Trading Co. Ltd.	China	100.00%	CNY	132,107,600	42,635,222	5,182,667	5,462,972	5,462,972
Technogym Australia Pty Ltd	Australia	100.00%	AUD	11,350,000	6,404,978	1,020,168	4,173,712	4,173,712
Technogym Portugal Unipessoal Lda	Portugal	100.00%	EUR	5,000	186,267	178,767	186,267	5,000
Technogym International BV	Netherlands	100.00%	EUR	113,445	2,993,085	(102,614)	2,993,085	3,000,000
Technogym Equipamentos de Ginastica e Solucao para Bem Estar LTDA	Brazil	99.94%	BRL	80,268,457	39,875,232	258,788	10,030,785	–
Wellness Partners Ltd	United Kingdom	75.00%	GBP	290,000	(103,194)	(296,886)	(93,048)	–
Sidea S.r.l	Italy	70.00%	EUR	150,000	1,525,873	409,726	1,068,111	699,500
Technogym Germany Gmbh	Germany	100.00%	EUR	1,559,440	4,688,476	1,386,848	4,688,476	16,843,000
Technogym UK Ltd	United Kingdom	100.00%	GBP	100,000	6,006,986	4,551,973	6,770,494	28,995,000
Technogym France Sas	France	100.00%	EUR	500,000	2,338,350	1,483,756	2,338,350	1,267,424
Technogym Benelux BV	Netherlands	100.00%	EUR	2,455,512	3,559,825	1,104,313	3,559,825	12,503,000
Technogym USA Corp.	United States	100.00%	USD	3,500,000	12,960,711	3,270,235	10,806,897	10,806,897
Technogym Trading S.A.	Spain	99.99%	EUR	2,499,130	4,565,875	1,066,918	4,565,419	2,869,130
Technogym Japan Ltd	Japan	100.00%	JPY	320,000,000	1,125,885,194	171,747,473	8,339,273	3,068,792
TGB Srl	Italy	100.00%	EUR	96,900	14,918,226	1,276,200	14,918,226	42,354,077
Amleto Aps	Denmark	100.00%	DKK	60,000	164,500,152	(4,975)	22,095,683	22,440,866
Total subsidiaries								170,530,050
Joint ventures and associates								
MPS Movimento per la Salute	Italy	50.00%	EUR	10,000	–	–	–	–
Technogym Emirates LLC	United Arab Emirates	49.00%	AED	300,000	4,245,811	3,795,811	472,357	28,188
Fitstadium S.r.l	Italy	45.00%	EUR	13,506	–	–	–	–
Wellink S.r.l.	Italy	40.00%	EUR	60,000	283,479	191,933	113,392	30,161
T4ME Limited	Italy	20.00%	GBP	400,100	307,927	(92,173)	69,413	–
Quainted Consulting	South Africa	28.00%	ZAR	–	–	–	–	–
Total joint ventures and associates								58,349

It should be noted that indications of possible impairment were found for Technogym Equipamentos de Ginastica e Solucao para Bem Estar Ltda and Wellness Partners Ltd. Because of this the Brazilian subsidiary was tested for impairment, which showed that a write-down totalling Euro 10,731 thousand was required. For the subsidiary Wellness Partners Ltd, after taking into account the economic outlook and results for 2017, the full amount of Euro 161 thousand was written-down and a provision of Euro 87 thousand was made to cover the negative equity of the investee.

No indications of possible impairment were identified for the other investments with net carrying values exceeding the value of the relative share of equity. In particular, for the subsidiaries Technogym Germany Gmbh, Technogym UK Ltd and Technogym Benelux BV, the 2017 final balance was higher than the forecasts of the 2016-2020 Plan.

Due to this it was not necessary to carry out the impairment test on the balances in the financial statements as of December 31, 2017. For TGB S.r.l., it was found 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 their recoverable value net of the net financial position (NFP) as of December 31, 2017 ("economic value") with the corresponding carrying values of the investments as of December 31, 2017.

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, subtracting the net financial position at the date of the financial statements.

The formula used for this calculation method is reported below:

Economic Value = V-NFP

where:

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

NFP = net financial position;

FCF = free cash flow, or cash flow generated by operations;

WACC = Weighted Average Cost of Capital;

n = explicit forecast period;

TV = present terminal value, i.e. value deriving from cash flows generated outside the explicit forecast time horizon.

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

$$TV = \frac{FCF_n * (1 + g)}{WACC - G}$$

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 is in turn 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 conservatively estimated at zero.

It is noted that if the Company had performed the impairment test on the cash flow projections analyzed, applying a higher discount rate than the estimated used by the management, the results of the test would not have been significantly different from those recognized.

Furthermore, for the investments in Technogym USA Corp., Technogym Shanghai Int. Trading Co. Ltd and Technogym Australia Pty Ltd, there was a partial reversal of impairment for the amounting to their net result for the year for a total of Euro 2,345 thousand, since the reasons for their write-down no longer applied.

5. NON-CURRENT ASSETS

The following table provides details of other non-current assets as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Non-current financial assets		
Loans to subsidiaries due after 12 months	40,944	42,892
Total non-current financial assets	40,944	42,892
Other non-current assets		
Transferred trade receivables (due after 12 months)	14,225	10,018
Bad debt provision for transferred receivables (due after 12 months)	(949)	–
Income tax receivables (due after 12 months)	433	1,297
Other receivables	933	–
Investments in other entities	1,067	932
Security deposits	159	25
Total other non-current assets	15,867	12,272

“Non-current financial assets” relate primarily 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 14,225 thousand and Euro 10,018 thousand as of December 31, 2017 and 2016 respectively 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. These receivables are shown net of the related provision that takes into account the historical default rate. Financial liabilities include the amounts received from financial institutions in the form of advances for the aforementioned transfers. See also 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 expenses in previous years.

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

The following table reports the details of investments in other entities as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Registered office	% of control	Currency	As of December 31	
				2017	2016
Entity name					
Sandcroft Avenue Ltd	United Kingdom	11.9%	GBP	883	749
Pubblisole S.p.A	Italy	2.4%	EUR	100	100
Qicraft Finland OY	Finland	10.0%	EUR	25	25
Crit Srl	Italy	1.2%	EUR	26	26
Other investments	n/a	n/a	n/a	33	32
Total investments in other entities				1,067	932

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, 2017 and 2016, the Group no indicators of impairment losses have been identified in relation to investments in other entities.

6. INVENTORY

The item "Inventory" amounts to Euro 30,172 thousand as of December 31, 2017 (Euro 42,583 thousand as of December 31, 2016). The following table reports the details of inventory as of December 31, 2017 and 2016:

(In thousands of Euro)	As of December 31	
	2017	2016
Inventory		
Raw materials (gross value)	14,408	12,190
Write-down provision	(5,572)	(3,605)
Total raw materials	8,836	8,585
Work in progress (gross value)	613	401
Write-down provision	(262)	(40)
Total work in progress	351	361
Finished goods (gross value)	28,691	41,051
Write-down provision	(7,705)	(7,414)
Total finished goods	20,985	33,637
Total inventories	30,172	42,583

The decrease in the inventory balance between December 31, 2016 and December 31, 2017 is the result of the management of inventory implemented by the Company in relation to the order portfolio and market seasonality.

Average days held in inventory fell from 50 for the year ended December 31, 2016 to 44 for the year ended December 31, 2017.

The following table shows the amounts and movements of the inventory write-down provision for the years ended December 31, 2017 and 2016:

(In thousands of Euro)	Raw materials	Work in progress	Finished goods	Total inventory write-down provision
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 difference	–	–	–	–
Values as of December 31, 2016	3,605	40	7,414	11,059
Provisions	1,967	222	635	2,824
Utilizations	–	–	(344)	(344)
Reclassifications	–	–	–	–
Exchange rate difference	–	–	–	–
Values as of December 31, 2017	5,572	262	7,705	13,539

The balance for inventory write-down provision as of December 31, 2017 represents the difference between the book value and fair market value of the inventory. The increase during 2017 is mainly attributable to raw materials since there has been a write-down of all the parts relating to discontinued machines that can no longer be used to repair products under warranty.

7. TRADE RECEIVABLES

The item "Trade receivables", net of bad debt provision, amounts to Euro 66,534 thousand as of December 31, 2017 (Euro 64,932 thousand as of December 31, 2016). The following table reports the details of trade receivables as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Trade receivables		
Trade receivables (gross value)	58,524	58,272
Bad debt provision	(499)	(479)
Bad debt provision for transferred receivables	(144)	–
Transferred trade receivables	8,652	7,140
Total trade receivables	66,534	64,932

The balance of the item "trade receivables" as of December 31, 2017 is essentially in line with the balance for the previous year.

Transferred trade receivables of Euro 8,652 thousand as of December 31, 2017 and Euro 7,140 thousand as of December 31, 2016, 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 as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	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, 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
Bad debt provision for transferred receivables	-	-	-	-	-	-	-
As of December 31, 2016	45,964	4,552	3,481	2,263	3,210	5,462	64,932
Trade receivables (gross value)	51,713	2,967	2,968	3,104	(4,301)	2,073	58,524
Bad debt provision	(23)	(3)	(20)	(66)	(92)	(294)	(499)
Transferred trade receivables	8,652	-	-	-	-	-	8,652
Bad debt provision for transferred receivables	-	-	(57)	(29)	-	(58)	(144)
As of December 31, 2017	60,342	2,964	2,891	3,009	(4,393)	1,721	66,534

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

It is considered that the Company has substantially retained all the risks and rewards of some of the transferred trade receivables, given that should the customer default, it would sustain a total loss. This segment of the loan portfolio therefore continues to be recorded in the financial statements.

In relation to the remainder, it is considered that the Company has retained part of the risks and rewards, given that should the customer default (i) it would be liable for only 50% of the loss, which is also within the limit of 1% of the transferred portfolio and (ii) the repurchase is capped at a maximum of Euro 1,250 thousand.

The Company has measured its remaining involvement.

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 shows changes in the bad debt provision for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Bad debt provision
Values as of December 31, 2015	544
Provisions	532
Utilizations	(597)
Values as of December 31, 2016	479
Provisions	880
Utilizations	(860)
Values as of December 31, 2017	499

Utilizations of bad debt provision occur when the Company has determined that reasons exist for the position to be written off.

Main clients

In accordance with IFRS 8, paragraph 34, the Company has no external clients for the years ended December 31, 2017 and December 31, 2016 from which it generates more than 10% of the total revenues.

8. CURRENT FINANCIAL ASSETS

The item "Current financial assets" amounts to Euro 3,188 thousand as of December 31, 2017 (Euro 957 thousand as of December 31, 2016). The following table reports the details of current financial assets as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Current financial assets		
Financial receivables from subsidiaries	3,177	554
Financial receivables from associates	—	102
Other financial receivables	11	301
Total current financial assets	3,188	957

The following table reports the details of financial receivables from subsidiaries as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Financial receivables from subsidiaries		
Cash pooling	2,977	554
Loans granted	200	–
Total financial receivables from subsidiaries	3,177	554

The following table reports the details of the cash pooling arrangements and related balances as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Currency	As of December 31	
		2017	2016
Cash pooling			
Technogym France Sas	EUR	–	554
Technogym Trading S.A.	EUR	2,975	–
Singapore Branch	EUR	2	–
Total cash pooling		2,977	554

The following table reports the details of loans granted as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Currency	Interest rate	As of December 31	
			2017	2016
Loans granted				
Sidea SRL	EUR	Variable	200	–
Total loans granted			200	–

9. DERIVATIVE FINANCIAL INSTRUMENTS IN ASSETS

The item “Derivative financial instruments in assets” amounts to Euro 75 thousand as of December 31, 2017 (Euro 340 thousand as of December 31, 2016).

The following table shows derivative financial instruments broken down by counterparty and currency as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
USD	37	17
GBP	–	–
AUD	–	103
CNY	–	53
JPY	38	167
BRL	–	–
Total	75	340

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 gives a summary of forward contracts as of December 31, 2017 and 2016:

(In thousands of Euro)	As of December 31, 2017			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	2,289	CNY	18,000
Forward	EUR	2,600	AUD	4,050
Forward	GBP	6,000	EUR	6,809
Forward	EUR	3,943	JPY	527,000
Forward	EUR	5,851	USD	7,000
Situation as of December 31 2017				

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

(*) Accounted for by the hedge accounting method

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. The total of Euro 75 thousand in assets as of December 31, 2017 represents the fair value of the aforementioned derivative contracts. Although these contracts, as of December 31, 2017, are operational hedges, they are accounted for at FV with a contra-item in the income statement, given that not all hedge accounting conditions are satisfied.

As of December 31, 2017, there are no hedging transactions to mitigate exchange rate risk.

All currency instruments in place as of December 31, 2017 will mature within 12 months.

10. OTHER CURRENT ASSETS

The item "Other current assets" amounts to Euro 8,486 thousand as of December 31, 2017 (Euro 8,469 thousand as of December 31, 2016). The following table shows the amounts of other current assets as of December 31, 2017 and 2016:

(In thousands of Euro)	As of December 31	
	2017	2016
Other current assets		
VAT Receivables	1,279	1,128
Prepaid expenses	3,413	2,776
Advances to suppliers	235	235
Tax receivables	-	2,334
Accrued income	172	159
Other receivables	3,386	1,836
Total other current assets	8,486	8,469

The balance of the item “other current assets” as of December 31, 2017, is essentially in line with the balance as of December 31, 2016, despite the reduction in tax receivables (Euro 2,334 thousand) due to offsetting with increased tax liabilities and the increase in other receivables (Euro 1,550 thousand) in relation to the dividends of subsidiaries.

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

Advances from suppliers relate to advances and deposits paid for goods that have yet to be received.

11. CASH AND CASH EQUIVALENTS

The item “Cash and cash equivalents” amounts to Euro 48,439 thousand as of December 31, 2017 (Euro 30,116 thousand as of December 31, 2016). The following table shows the amounts of cash and cash equivalents as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Cash and cash equivalents		
Bank deposits	48,219	29,772
Cheques	213	336
Cash and cash equivalents on hand	7	8
Total cash and cash equivalents	48,439	30,116

Bank deposits represent temporary cash surpluses on Company current accounts at year-end. As of December 31, 2017 and 2016 there are no restrictions or limitations to the use of cash by the Company.

12. EQUITY

The item “Equity” amounts to Euro 172,658 thousand as of December 31, 2017 (Euro 132,416 thousand as of December 31, 2016). The following table reports the details of equity as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Equity		
Share capital	10,050	10,000
Share premium reserve	4,990	-
Other reserves	73,367	73,215
Retained earnings	32,138	3,676
Profit (loss) for the year	52,113	45,525
TOTAL EQUITY	172,658	132,416

The following table shows the amounts and movements of equity for the years ended December 31, 2017 and 2016:

(In thousands of Euro)	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Other reserves Reserve for the adoption of IAS/IFRS	IAS 19 reserve	Stock grant plan reserve	Exchange hedge account reserve	IRS hedge acct res	Unrealized exchange differences reserve	Retained earnings	Profit (loss) for the year	TOTAL EQUITY
As of January 1, 2016	10,000	-	-	-	34,844	365	3,473	-	-	-	-	37,078	85,760
Retained earnings	-	-	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 (LTIP)	-	-	-	-	-	-	803	-	-	-	-	-	803
As of December 31, 2016	10,000	-	2,000	14,938	51,984	37	4,276	(20)	-	-	3,676	45,525	132,416
Retained earnings	-	-	-	-	790	-	-	-	-	3,273	41,462	(45,525)	0
Total comprehensive income for the year	-	-	-	-	-	(113)	-	20	(15)	-	-	52,113	52,005
Dividends paid	-	-	-	-	-	-	-	-	-	-	(13,000)	-	(13,000)
Incentive plan	50	4,990	-	-	-	-	(3,803)	-	-	-	-	-	1,237
As of December 31, 2017	10,050	4,990	2,000	14,938	52,774	(76)	473	-	(15)	3,273	32,138	52,113	172,658

The share capital of Euro 10,050 thousand, fully subscribed and paid in cash, is divided into 201,005,000 ordinary shares with no indication of the 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.

STOCK GRANT PLAN RESERVE

The stock grant plan reserve contains the balancing entry for the notional cost recognised in the income statement for option rights granted, measured on the basis of the fair value of the right itself. During 2017 the "Management incentive plan" ("MIP"), initially approved by the Board of Directors in June 2012 and subsequently amended by the same Board of Directors on June 18, 2015 and December 16, 2015, has come to an end, which involved a share capital increase amounting to Euro 50 thousand and the formation of a share premium reserve amounting to Euro 4,990 thousand.

As of December 31, 2017, a new incentive plan, approved by the Board of Directors on March 6, 2017, is in place for Technogym management ("LTIP" or the "Plan").

In compliance with the provisions of Consob resolution 11971 of May 14, 1999 and subsequent amendments and Consob communication 11508 of February 15 2000, information concerning the aforementioned stock grant plan approved by the Board of Directors of Technogym S.p.A on March 6, 2017 are given below.

The Plan was adopted in order to increase the ability of Technogym to retain key resources and attract people with the greatest expertise while aligning the interests of key Company personnel with those of shareholders for the sustainable creation of value over time. The Plan covers a three year time horizon, the period that was considered most suitable for the achievement of its intended objectives. The Plan covers Technogym Group managers, named

by the Board of Directors, on the proposal of the Chairman of the Board of Directors after receiving an opinion from the Appointments and Remuneration Committee, who are employees and/or associate workers of the Company or of subsidiary companies and hold strategically significant managerial positions, with a view to pursuing the strategic objectives of the Company and/or the Group, including Senior Managers with strategic responsibilities in the Company. The Plan is considered to be a “plan of particular significance” pursuant to article 114-bis, paragraph 3 of the Consolidated Finance Law and article 84-bis, paragraph 2 of the Issuers’ Regulations, since the beneficiaries to be identified by the Board of Directors may include Senior Managers with strategic responsibilities. The regulations for the Plan do not provide for any loans or concessions for the purchase of the shares pursuant to article 2358, paragraph 3, of the Civil Code.

The Plan covers 2017-2019 and is based on the grant of the right to receive free shares when the Company achieves specific performance objectives. This Plan for 2017-2019 is characterised by:

- predetermined performance objectives in terms of the economic and financial performance of the Company;
- appropriate vesting periods for the right to receive the assigned shares (three years);
- restriction prohibiting transfers of shares for 6 months from the grant date.

The shares will be granted to the beneficiaries, subject to the conditions in the Plan being met, within 60 days of the approval of the consolidated financial statements of the Group for the year ended December 31, 2019.

The beneficiaries will thus have the right to receive the shares if, on the assignment date: (i) they remain in an employment relationship within the Technogym Group, and as for the CEO of the Issuer, continue to hold the same position and (ii) they have no pending notice of the termination, for any reason, of the employment relationship with the Issuer or its subsidiaries. The share assignment date is scheduled for August 2020. Specifically, the cost of the Plan was determined at a total of Euro 2,034 thousand, of which Euro 473 thousand attributable to the year 2017.

As of December 31, 2017, the cash flow hedge reserve relates primarily to the effective component of active transactions to hedge against interest rate risk. As of December 31, 2016, it relates primarily to the effective component of active hedges with contracts for the forward sale of currency and advances on export operations.

In 2017 hedge accounting was applied only to the IRS contract. The negative fair value as of December 31, 2017 amounts to Euro 20 thousand as reported in the table below (Euro 15 thousand net of tax).

The termination of the forward exchange rate hedge against fluctuations, classified as a cash flow hedge on December 31 2016, has led to the recognition of an additional Euro 28 thousand on the income statement for 2017 (Euro 20 thousand net of tax).

<i>(In thousands of Euro)</i>	CFH reserve
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
Hedging instruments / Cash flow hedges	20
Tax effect – Hedging instruments / Cash flow hedges	(5)
Balance as of December 31, 2017	15

To complete the information on equity the disclosure required under article 2427, paragraph 7-bis of the Civil Code is provided below:

<i>(In thousands of Euro)</i>	As of December 31, 2017	Availability for use	Amount available
Equity			
Share capital	10,050	B	10,050
Share premium reserve	4,990	–	4,990
Other reserves			
– Statutory reserve	2,000	B	2,000
– Extraordinary reserve	14,938	B	14,938
– Reserve for the adoption of IAS/IFRS	52,774	B	52,774
– IAS 19 reserve (TFR - post-employment benefits)	(169)	B	0
– IAS 19 reserve (NCA)	94	–	94
– Exchange hedge account reserve	0	–	0
– IRS hedge account reserve	(15)	–	
– Reserve for net profit on exchange rates	3,273	A-B	3,273
– Stock grant plan reserve	473	B	473
Retained earnings	32,138	A-B-C	32,138
Net profit for the year	52,113	A-B-C	52,113
TOTAL EQUITY	172,658		
Of which non-distributable			78,471
Of which distributable			94,188

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

Profit/(loss) for the year amounts to Euro 52,113 thousand, all of which is distributable to shareholders.

13. FINANCIAL LIABILITIES

The item “Financial liabilities” as of December 31, 2017 amounts to Euro 84,302 thousand for non-current financial liabilities and Euro 61,801 thousand for current financial liabilities (respectively, Euro 83,393 thousand and Euro 87,362 thousand as of December 31, 2016).

The following table shows the amounts of financial liabilities, current and non-current, as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Non-current financial liabilities		
Bank loans due after 12 months – non-current portion	70,077	73,375
Non-current liabilities due to other lenders	14,225	10,018
Other non-current liabilities	-	-
Total non-current financial liabilities	84,302	83,393
Current financial liabilities		
Bank loans due after 12 months – current portion	23,510	20,739
Other short-term borrowings	-	20,003
Financial payables to subsidiaries	29,638	39,480
Current liabilities due to other lenders	8,652	7,140
Total current financial liabilities	61,801	87,362

As of December 31, 2017, except for a loan from Banco Popolare S.p.A. (whose residual value as of December 31, 2017 was Euro 7,530 thousand), the Company's financial debt is entirely with variable interest rates.

Medium to long-term bank loans

The following table shows changes to bank loans for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	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, 2016	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
Obtainment of loans	20,000	–	20,000
Repayments	–	(20,528)	(20,528)
Reclassification from non-current to current	(23,298)	23,299	–
Values as of December 31, 2017	70,077	23,510	93,587

The following table reports the details of medium to long-term bank loans as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Due date	Interest rate applied	As of December 31			
			2017	of which current	2016	of which current
Bank loans						
Unicredit S.p.A.	2020- 2023	Variable	46,558	11,844	58,302	11,873
Cassa di Risparmio di Parma e Piacenza	2020	Variable	7,522	3,022	10,531	3,031
Banca Popolare dell'Emilia Romagna S.p.A.	2021	Variable	20,030	4,030	–	–
Banca Agricola Commerciale S.p.A.	2017	Fixed	–	–	1,266	1,266
Intesa Sanpaolo S.p.a.	2019	Variable	–	–	–	–
Banca Popolare di Sondrio S.p.A.	2023	Variable	11,947	2,124	14,015	2,099
Banco Popolare	2020	Fixed	7,530	2,490	10,000	2,470
Total bank loans			93,587	23,510	94,114	20,739

The following table reports the details of medium to long-term bank loans as of December 31, 2017 by maturity date:

<i>(In thousands of Euro)</i>	Residual debt	Of which current	2018	2019	2020	2021	2022	2023
Unicredit S.p.A.	46,558	11,844	11,844	11,714	8,714	5,714	5,714	2,857
Cassa di Risparmio di Parma e Piacenza	7,522	3,022	3,022	3,000	1,500	–	–	–
Banca Popolare dell'Emilia Romagna S.p.A.	20,030	4,030	4,030	4,000	4,000	4,000	4,000	–
Banca Agricola Commerciale S.p.A.	–	–	–	–	–	–	–	–
Intesa Sanpaolo S.p.a.	–	–	–	–	–	–	–	–
Banca Popolare di Sondrio S.p.A.	11,947	2,124	2,124	2,141	2,166	2,199	2,232	1,085
Banco Popolare	7,530	2,490	2,490	2,509	2,531	–	–	–
Total	93,587	23,510	23,510	23,364	18,911	11,913	11,946	3,942

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 instalments with maturity on February, 20, 2017. The loan does not require compliance with any financial covenants. The loan was repaid in full during the year.

The medium to 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 instalments 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 to 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 instalments 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 interest rate risk associated with this loan has been hedged using a floating-to-fixed interest rate swap (IRS), exchanging Euribor for a fixed rate of -0.131% on a notional amount of Euro 15 thousand as of December 31 2017. The IRS is paid every three months in line with the payment dates for the loan.

The medium to 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 instalments 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 to 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 instalments, with expiry on April 30, 2023. The loan does not require compliance with any financial covenants.

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

The medium to long-term loan granted by Banca Popolare dell'Emilia Romagna S.p.A. on July 17, 2017 for a total of Euro 20,000 thousand, with maturity on July 17, 2022, is repayable in ten equal six-monthly instalments of Euro 2,000 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 covenant was complied with in the 2017 financial year.

No guarantees have been given for the above loans. As of December 31, 2017, all the financial covenants described above were complied with.

Other short-term borrowings

The following table reports the details of other short-term borrowings as of December 31, 2017 and 2016:

(In thousands of Euro)	Currency	As of December 31	
		2017	2016
Other short-term borrowings			
Banca Nazionale del Lavoro	EUR	–	–
Cassa di Risparmio di Parma e Piacenza	EUR	–	10,000
Banca Monte dei Paschi di Siena S.p.A.	EUR	–	10,003
Total other short-term borrowings		–	20,003

Other short-term borrowings as of December 31, 2016 mainly included stand-by credit lines, short-term loans (generally “hot money”) and bank overdrafts. The Company did not use short-term committed and uncommitted lines of credit in 2017.

Financial payables to subsidiaries

The following table reports the details of financial payables to subsidiaries as of December 31, 2017 and 2016:

(In thousands of Euro)	As of December 31	
	2017	2016
Financial payables to subsidiaries		
Cash pooling	16,867	18,816
Loans received	12,771	20,664
Total financial payables to subsidiaries	29,638	39,480

The following table reports the details of centralized cash pooling treasury system debit balances as of December 31, 2017 and 2016.

(In thousands of Euro)	Currency	As of December 31	
		2017	2016
Cash pooling			
Technogym UK Ltd	GBP	4,578	6,116
Technogym Germany GmbH	EUR	3,894	6,920
Technogym Benelux BV	EUR	504	3,200
Technogym Trading S.A.	EUR	–	1,855
Technogym USA Corp.	USD	4,979	725
Technogym France	EUR	2,912	–
Total cash pooling		16,867	18,816

The following table reports the details of loans received as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Currency	Interest rate applied	As of December 31	
			2017	2016
Loans received				
Technogym UK Ltd	GBP	Variable	11,271	11,680
Technogym E.E. SRO	EUR	Variable	–	7,484
Technogym Benelux BV	EUR	Variable	1,500	1,500
Total loans received			12,771	20,664

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 notes 5 “Other non-current assets” and 7 “Trade receivables”).

14. EMPLOYEE BENEFIT OBLIGATIONS

The item “Employee benefit obligations” amounts to Euro 3,052 thousand as of December 31, 2017 (Euro 3,144 thousand as of December 31, 2016). The following table shows changes to employee benefit obligations for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Employee benefit obligations
Values as of January 1, 2016	2,709
Provisions	374
Financial expenses	62
Utilizations	(142)
Actuarial (gains)/losses	141
Values as of December 31, 2016	3,144
Provisions	–
Financial expenses	41
Utilizations	(135)
Actuarial (gains)/losses	2
Values as of December 31, 2017	3,052

Information about the actuarial valuation of provisions for employee benefit obligations is given in note 15 “Provisions for risks and charges” below.

15. PROVISIONS

The items “Provisions for non-current risks and charges” and “Provisions for current risks and charges” as of December 31, 2017 amount to Euro 5,597 thousand for non-current financial liabilities and Euro 11,168 thousand for current financial liabilities (respectively, Euro 4,967 thousand and Euro 9,777 thousand as of December 31, 2016).

The following table reports the details of provisions for current and non-current risks and charges, as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Non-current provisions		
Warranties provision	3,386	3,130
Agents provisions	607	526
Non-Competition Agreement provision	1,408	1,157
Ongoing lawsuits provision	195	150
Fondo Wellness Cloud-FOC	1	3
Total non-current provisions	5,597	4,967
Current provisions		
Warranties provision	3,386	3,130
Free Product Fund provision	1,046	789
Fondo Wellness Cloud-FOC	4	4
Other provisions	6,645	5,854
Fund to cover equity investment losses	87	-
Total current provisions	11,168	9,777

The following table shows the amounts and movements of provisions for current and non-current risks and charges for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Warranties provision	Agents provision	Non-Competition Agreement provision	Fondo Wellness Cloud-FOC	Other provisions for risks and charges	Ongoing lawsuits provision	Non-current provisions	Warranties provision	Free Product Fund provision	Fondo Wellness Cloud-FOC	Fund to cover equity investment losses	Other provisions	Current provisions
Values as of January 1, 2016	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)
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
Provisions	2,054	86	136	-	-	195	2,472	2,054	954	-	87	5,990	9,086
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	15	-	-	-	15	-	-	-	-	-	-
Actuarial (gains)/ losses	-	-	145	-	-	-	145	-	-	-	-	-	-
Utilizations	(1,799)	(6)	(45)	(2)	-	(150)	(2,001)	(1,799)	(697)	-	-	(5,199)	(7,695)
Values as of December 31, 2017	3,386	607	1,408	1	-	195	5,597	3,386	1,046	4	87	6,645	11,168

Warranties provision relates to a reasonable estimate of the liabilities made by the Company on the basis of the contractual guarantees issued to customers and past experience, and refers to costs for spare parts and labour that the Group will incur in future years for repairs of products under warranty for which sales revenues have already been recognized in the income statement of the year or of previous years.

The provision for agent customer indemnities 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 using the Projected Unit Credit Method, in accordance with IAS 37 and IAS 19.

The Free Product Fund provision represents the estimated non-monetary awards that the Company will have to give customers for achieving specific purchasing volumes. Other provisions for current risks and liabilities mainly include contingent liabilities relating to staff bonuses.

Other provisions for current risks and liabilities mainly relate to staff bonuses for which the amount has not yet been set.

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

They were discounted using the MAGIS method (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). 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, 2017 and 2016 are:

(i) the probability of death was obtained using tables calculated by ISTAT (national office for statistics) in 2000, reduced by 25%; (ii) the probability of disability/invalidity used those adopted in the INPS model; (iii) the retirement age for the generic asset was based on meeting the first valid requirement for Mandatory General Insurance; (iv) the probability of leaving employment for reasons other than death was determined from the probability of turnover in line with past trends and, in particular, an annual rate of 4.50% was applied for 2017, unchanged since 2016; (v) for the probability of early retirement an annual rate of 3% was applied in line with past trends and amounting to 80% of the provision accumulated at the date of the request.

The following economic and financial assumptions were also made:

	As of December 31	
	2017	2016
Annual actuarial technical discount rate	1.30%	1.30%
Annual inflation rate	1.50%	1.50%
Annual rate of TFR (Post-employment benefit provision) 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					
	2017			2016		
	-0.50% change	Book value	0.50% change	-0.50% change	Book value	0.50% change
Employee benefit obligations	163	3,052	(150)	174	3,144	(159)
Non-Competition Agreement provision	80	1,408	(73)	68	1,157	(62)
Total	243	4,460	(223)	242	4,301	(221)

The provision for agent customer indemnities on the basis of IAS 37, was discounted on the basis of the “closed group” hypothesis over the relevant time horizon. The evaluations were conducted by quantifying future payments through the projection of the provision for agent customer indemnities accrued at the valuation date of the agents working for the Company until the estimated time (unpredictable) of termination of the contract with the Company, using the MAGIS method. As regards demographic assumptions, the ISTAT 2004 assumptions were used for the 2016-2017 mortality rates, the INPS tables by age and gender were used for disability and the requirement established by Enasarco was applied for the retirement age. The possibility that agents may leave as a result of the termination of the relationship with the Company or for other reasons was determined using estimates of annual frequency based on Company data. The financial assumptions refer mainly to the discount rate for which, as of December 31, 2017 and 2016, the yield of the Iboxx Corporate AA index with a 5-7 year duration consistent with the average duration of the collective under evaluation was chosen, corresponding to 0.40%.

16. OTHER NON-CURRENT LIABILITIES

The item “Other non-current liabilities”, amounting to Euro 1,185 thousand as of December 31, 2017 (Euro 443 thousand as of December 31 2016), mainly includes deferred income related to revenues associated with long-term contracts for technical assistance. The variation amounting to Euro 742 thousand compared to the previous year relates mainly to the increase in turnover recorded for the year.

17. TRADE PAYABLES

The item “Trade payables” amounts to Euro 99,277 thousand as of December 31, 2017 (Euro 104,566 thousand as of December 31, 2016).

Trade payables are mainly related to transactions for the purchase of raw materials, components and services for shipping, manufacturing and technical assistance. These transactions are part of normal procurement management.

18. CURRENT TAX LIABILITIES

The item “Liabilities for income tax expenses” amounts to Euro 3,787 thousand as of December 31, 2017 (zero as of December 31, 2016). Income tax receivables as of December 31, 2017 amount to zero and are summarized under the item “Other current assets” (see comments to note 10).

19. LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

The item “Liabilities for derivative financial instruments” amounts to Euro 127 thousand as of December 31, 2017 [Euro 47 thousand as of December 31, 2016].

The following table shows the liabilities for derivative financial instruments by currency as of December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Forward		
USD	–	–
GBP	69	47
AUD	22	–
CNY	9	–
JPY	–	–
BRL	–	–
Interest rate swaps		
IRS	27	–
Total	127	47

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

Forward contracts in place as of December 31, 2017 and 2016 are summarized in note 10, “Derivative financial instruments in assets”.

In 2017 hedge accounting was applied only to the IRS contract. The negative fair value as of December 31, 2017 amounts to Euro 20 thousand as reported in the table below.

The termination of the forward exchange rate hedge against fluctuations, classified as a cash flow hedge on December 31, 2016, has led to the recognition of an additional Euro 28 thousand on the income statement for 2017 [Euro 20 thousand net of tax].

<i>(In thousands of Euro)</i>	As of December 31, 2017			
	2017 Assets	2016 Assets	2017 Liabilities	2016 Liabilities
Exchange rate hedging:				
Exchange rate hedges (current) – cash flow hedge	–	–	–	28
Tax effect – Exchange rate hedges (current) – cash flow hedge	–	–	–	[8]
Interest rate risk hedge:				
Interest rate hedges (current) – cash flow hedge	–	–	[20]	–
Tax effect - interest rate hedges (current) – cash flow hedge	–	–	5	–
Total	–	–	[15]	20

20. OTHER CURRENT LIABILITIES

The item "Other current liabilities" amounts to Euro 18,028 as of December 31, 2017 (Euro 17,670 thousand as of December 31, 2016). The following table reports the details of "Other current liabilities" as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Other current liabilities		
Deferred income	2,181	2,222
Advances from clients	2,177	2,324
Payables to employees	3,437	3,227
VAT payables	—	—
Social security payables	3,016	2,804
Other liabilities	6,951	6,737
Accrued expenses	267	355
Total other current liabilities	18,028	17,670

Accrued expenses mainly include accruals relating to utilities, sponsorships and insurance. Deferred income mainly refers to scheduled maintenance contracts.

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

Amounts due to employees are salaries for the month of December paid in January, untaken holiday entitlements and staff bonuses, which increased compared to 2016.

Amounts due to pension funds and social security institutions relate to various social security contributions 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, 2017 and 2016 mainly relate to income tax 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 that are not yet paid-up.

NOTES TO THE SEPARATE INCOME STATEMENT

21. REVENUES

The item "Revenues" amounts to Euro 424,576 thousand for the year ended December 31, 2017 (Euro 406,475 thousand for the year ended December 31, 2016).

The following table provides details of the amounts of revenues for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Revenues		
Revenues from the sale of products, spare parts, hardware and software	424,576	406,745
Revenues from transport and installation, after-sale and rental assistance	2,873	2,320
Revenues	427,449	408,795

The following table provides details of revenues broken down by geographical area for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro and percentage of total revenues)</i>	Year ended December 31		Changes	
	2017	2016	2017 vs 2016	%
Europe (without Italy)	203,306	198,363	4,943	2.5%
MEIA	53,879	50,775	3,104	6.1%
APAC	60,471	56,723	3,748	6.6%
Italy	56,377	54,183	2,194	4.0%
North America	33,266	32,709	557	1.7%
LATAM	20,150	16,042	4,108	25.6%
Total revenues	427,449	408,795	18,654	4.6%

22. OTHER OPERATING INCOME

The item "Other operating income" amounts to Euro 2,873 thousand for the year ended December 31, 2017 (Euro 2,320 thousand for the year ended December 31, 2016).

Other operating income consists mainly of rental income and refunds received from suppliers.

23. RAW MATERIALS, WORK IN PROGRESS AND FINISHED GOODS

The item "Raw materials, work in progress and finished goods" amounts to Euro 213,957 thousand for the year ended December 31, 2017 (Euro 209,063 thousand for the year ended December 31, 2016).

The following table shows the raw materials, work in progress and finished goods used and consumed for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Raw materials, work in progress and finished goods		
Purchase and change in inventory of raw materials	120,235	121,244
Purchase and change in inventory of finished goods	91,819	85,803
Purchase of packaging and cost for custom duties	1,893	2,140
Change in inventory of work in progress	10	(124)
Total raw materials, consumables and goods	213,957	209,063

This increase is attributable to normal operations deriving from an increase in volumes.

24. COST OF SERVICES

The item "Cost of services" amounts to Euro 60,760 thousand for the year ended December 31, 2017 (Euro 75,493 thousand for the year ended December 31, 2016).

The following table shows the amounts of cost of services for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Cost of services		
Transport of sales, customs duties and installation	15,206	15,606
Technical assistance	4,133	4,113
Advertising	8,062	8,486
Rentals	6,375	5,837
Agents	4,536	4,853
Consulting services	4,486	5,599
Transport of purchases	626	693
Travel and representative expenses	214	1,265
Outsourcing costs	3,887	3,448
Utilities	1,218	1,233
Maintenance costs	2,675	2,715
Other services	9,340	21,646
Total Cost of services	60,760	75,493

The reduction in costs of services amounting to Euro 14,733 thousand is due primarily to the reduction in costs for “Other services”, mainly for royalties paid, management costs for off-site storage, insurance and remuneration of External Directors, the board of statutory auditors and the audit firm.

In order to improve clarity, in 2017 some items were reclassified from “Cost of services” to “Other operating costs”.

As at 31st December 2016 the amount of costs that would have been reclassified away from “Other services” to “Other operating costs” would have been 13,670 thousand.

The following table reports the details of the fees paid to the audit firm for services provided to the Company for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Audit fees		
Audit	278	210
Other services	—	—
Total audit fees	278	210

25. PERSONNEL EXPENSES

The item "Personnel expenses" amounts to Euro 58,379 thousand for the year ended December 31, 2017 (Euro 53,804 thousand for the year ended December 31, 2016).

The following table shows the amounts of personnel expenses for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Personnel expenses		
Wages & salaries	36,934	34,576
Social security contributions	12,355	11,621
Provisions for employee benefit obligations	2,047	2,046
Other costs	7,043	5,561
Total personnel expenses	58,379	53,804

The following table shows the average number of employees and the exact number of employees at year-end broken down by category for the years ended December 31, 2017 and 2016:

<i>(number)</i>	Year ended December 31			
	2017		2016	
	Average	At year-end	Average	At year-end
Number of employees				
Managers	46	49	46	43
White collar	440	457	399	418
Blue collar	287	281	296	291
Total number of employees	773	787	741	752

26. OTHER OPERATING COSTS

The item "Other operating costs" amounts to Euro 9,548 thousand for the year ended December 31, 2017 (Euro 748 thousand for the year ended December 31, 2016).

The following table shows the amounts of other operating costs for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Other operating costs		
Other taxes and indirect taxes	470	722
Other expenses (*)	7,985	26
Bad debt provision for transferred receivables	1,093	–
Total other operating costs	9,548	748

(*) See note 24

Other expenses mainly relate to membership fees, voluntary contributions, and giveaways of products distributed for promotional and communication activities.

In order to improve clarity, in 2017 some cost items were reclassified to "Other operating costs".

27. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

The item "Depreciation, amortization and impairment losses" amounts to Euro 18,493 thousand for the year ended December 31, 2017 (Euro 17,096 thousand for the year ended December 31, 2016).

The following table shows the amounts of depreciation, amortization and impairment losses for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Depreciation, amortization and impairment losses (revaluations)		
Depreciation of property, plant and equipment	8,429	8,308
Amortization of intangible assets	9,462	8,726
Impairment losses on property, plant and equipment	259	—
Impairment losses on intangible assets	343	62
Total depreciation, amortization and impairment losses (revaluations)	18,493	17,096

For the tables of details regarding the amounts and movements of "Property, plant and equipment" and "Intangible assets" for the years ended December 31, 2017 and 2016, see notes 1 and 2.

28. PROVISIONS

The item "Provisions" amounts to Euro 1,241 thousand for the year ended December 31, 2017 (Euro 1,783 thousand for the year ended December 31, 2016).

The following table shows the amounts of provisions for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Provisions		
Provision for assets held by third parties	(43)	389
Bad debt provision	499	524
Warranties provision	511	648
Other provision for risks and charges	208	525
Ongoing lawsuits provision	65	(304)
Total Provisions	1,241	1,783

29. FINANCIAL INCOME

The item "Financial income" amounts to Euro 7,870 thousand for the year ended December 31, 2017 (Euro 12,722 thousand for the year ended December 31, 2016).

The following table shows the amounts of financial income for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Financial income		
Realized exchange gains	6,556	6,817
Unrealized exchange gains	430	5,102
Other financial income	154	106
Bank interest receivable	730	697
Total financial income	7,870	12,722

30. FINANCIAL EXPENSES

The item "Financial expenses" amounts to Euro 12,154 thousand for the year ended December 31, 2017 (Euro 13,652 thousand for the year ended December 31, 2016).

The following table shows details of the financial expenses for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Financial expenses		
Realized exchange losses	9,929	10,078
Unrealized exchange losses	340	1,550
Bank interest on financial loans	1,191	1,437
Bank interest and fees	0	255
Other financial expenses	694	332
Total financial expenses	12,154	13,652

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

31. INCOME/(EXPENSES) FROM INVESTMENTS

The item "Income/(expenses) from investments" amounts to Euro 8,909 thousand for the year ended December 31, 2017 (Euro 12,034 thousand for the year ended December 31, 2016).

The following table provides details of the amounts of income/(expenses) from investments for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Income/(expenses) from investments		
Other income/(expenses) from investments	17,950	13,280
Impairment loss (revaluation) of investments	(9,041)	(1,246)
Total income/(expenses) from investments	8,909	12,034

The following table provides details of the amounts of dividends from investments for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Dividends from investments		
Technogym UK Ltd	4,738	6,563
Technogym International BV	200	1,300
Technogym Japan Ltd	–	1,275
Technogym Germany Gmbh	1,350	1,200
Technogym Benelux BV	1,565	1,019
Technogym Trading	2,126	820
Technogym Portugal Unipessoal Lda	636	310
Technogym E.E. Sro	2,500	–
Technogym France Sas	400	–
TGB Srl	1,066	–
Mywellness SpA	–	–
Technogym Emirates LLC	3,289	663
Qicraft Finland OY	80	130
Total dividends from investments	17,950	13,280

For the table of details relating to the amounts and movements of the item "Investments" for the years ended December 31, 2017 and 2016, see note 4.

32. INCOME TAX EXPENSES

The item "Income tax expenses" amounts to Euro 17,584 thousand for the year ended December 31, 2017 (Euro 16,386 thousand for the year ended December 31, 2016).

The following table shows the amounts of income tax expenses for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Income tax expenses		
Current taxes	19,428	16,094
Deferred taxes	(1,319)	2,088
Total income tax expenses for the year	18,108	18,182
Taxes relating to prior years	(524)	(1,796)
Total income tax expenses	17,584	16,386

The following table shows the reconciliation between the theoretical tax rate and the actual tax rate for the years ended December 31, 2017 and 2016.

<i>(In thousands of Euro)</i>	Year ended December 31			
	2017	%	2016	%
Profit before tax	69,697		61,911	
Income tax calculated at the applicable tax rate	16,727	24.0%	17,026	27.5%
Permanent increase differences	3,892	5.6%	2,021	3.3%
Permanent decrease differences	(5,302)	-7.6%	(4,117)	(6.7%)
Other income taxes (IRAP)	2,958	4.2%	3,294	5.3%
CFC tax	—	0.0%	—	0.0%
Taxes relating to prior years	(524)	-0.8%	(1,796)	-2.9%
A.C.E. (aid for economic growth)	(150)	-0.2%	(24)	0.0%
Voluntary contributions	(18)	0.0%	(17)	0.0%
Total	17,584	25.2%	16,386	26.5%

33. EARNINGS PER SHARE

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

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Earnings per share		
Profit for the period	52,113	45,525
Number of shares	201,005	201,005
Total earnings per share	0.26	0.23

It should be noted that in 2017 the number of shares rose from 200 million to 201 million and that on a uniform basis, considering the current number of shares, earnings per share in 2016 would have been Euro 0.23. Historical earnings per share in 2016 amounted to Euro 0.23.

It should thus be noted that basic earnings per share are the same as diluted earnings per share.

NET INDEBTEDNESS

The following table reports the details of net indebtedness for the Company as of December 31, 2017 and 2016, determined in accordance with the Consob communication of July 28, 2006 and the ESMA/2013/319 recommendations:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Net indebtedness		
A. Cash	48,439	30,116
B. Cash equivalents	—	—
C. Trading securities	—	—
D. Liquidity (A) + (B) + (C)	48,439	30,116
E. Current financial receivables	3,263	1,297
F. Current bank debt	(12,771)	(40,667)
G. Current portion of non-current debt	(23,510)	(20,739)
H. Other current financial debt	(25,646)	(26,003)
I. Current financial debt (F) + (G) + (H)	(61,927)	(87,409)
J. Net current financial indebtedness (I) + (E) + (D)	(10,225)	(55,996)
K. Non-current bank loans	(70,077)	(73,375)
L. Bonds Issued	—	—
M. Other non-current financial loans	(14,225)	(10,018)
N. Non-current financial indebtedness (K) + (L) + (M)	(84,302)	(83,393)
O. Net financial indebtedness (J) + (N)	(94,527)	(139,389)

FINANCIAL RISK MANAGEMENT

The main financial risks to which the Company is exposed 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, due to fluctuations in commodity prices.

Credit risk

The operational management of credit risk is assigned to the Credit Management function, which operates on the basis of a credit policy that regulates: (i) the assessment of the credit quality class of customers through the use of a Risk Score Rating developed within the Company, for the management of credit limits and any requests for adequate bank or insurance guarantees to support the granting of extended payment terms; (ii) the involvement of formal credit committees for any transactions with terms other than those normally applied by the Company; (iii) the use of credit insurance policies; (iv) the monitoring of the balance of receivables and their maturity so that the number of outstanding positions is not significant; (v) the monitoring of related expected cash flows; (vi) the issuing of appropriate reminders; (vii) any recovery actions.

Impairment losses are calculated on percentages of past due, based on historical default data with the exception of impairment losses on specific disputed receivables. In relation to the breakdown of receivables by maturity, please see the note "Trade receivables". In the event of financing activities related to temporary excess of liquidity or the use of derivatives, the Company deals exclusively with institutions of 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 associated with the composition of net indebtedness, the Company tends to finance investments and current commitments using both cash flow generated by operating activities and short time credit lines.

The following table shows the amounts of credit lines available and used as of December 31, 2017 and 2016:

Credit lines	Cash credit lines	Self-liquidating Credit lines	Financial Credit lines	Total
At December 31, 2017				
Credit lines	7,382	19,042	214,861	241,285
Utilizations	-	-	(93,375)	(93,375)
Credit lines available as of December 31, 2017	7,382	19,042	121,485	147,910
As of 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

The following table shows the amounts and maturity period of liabilities as of December 31, 2017 and 2016:

	Within 1 year	Between 1 and 5 years	Over 5 years	Total
Values as of December 31, 2017				
Non-current financial liabilities	-	80,361	3,941	84,302
Other non-current liabilities	-	1,185	-	1,185
Trade payables	99,277	-	-	99,277
Current tax liabilities	3,787	-	-	3,787
Current financial liabilities	61,801	-	-	61,801
Liabilities for derivative financial instruments	126	-	-	126
Other current liabilities	18,028	-	-	18,028
Commitments	6,849	19,310	1,761	27,920
Total	189,170	101,551	5,704	296,426
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	5,065	18,466	3,824	27,355
Total	214,710	90,383	15,743	320,836

Commitments mainly refer to the rental fee for Technogym Village and lease payments for the Group's cars and fork-lift trucks.

Market risk

EXCHANGE RATE RISK

The Company operates internationally and is therefore exposed to exchange rate risk, especially with regard to commercial and financial transactions denominated in US dollars, GBP, JPY and AUD. The Company's foreign currency exchange rate risk policy is to enter into forward contracts, precisely and in large amounts, to hedge an average of between 70% and 80% of the settlement exposure denominated in the above currencies. In 2017 exchange rate fluctuations occurring between the issuing of an invoice and the collection of the credit were managed separately, without the use of hedge accounting, by balancing the credit with similar debt flows. Two exchange rate hedging contracts were stipulated in 2016 on the Euro/GBP exchange rate and accounted for on December 31, 2016 using the hedge accounting method and terminated during the current year.

Investments made by the Company in foreign subsidiaries are not hedged, as the currency positions are considered long-term. The following table shows trade payables and receivables, cash and cash equivalents and current financial liabilities broken down by currency as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	EUR	GBP	USD	CNY	AUD	JPY	Other currencies	Total
Trade receivables								
As of December 31, 2017	37,913	5,644	13,549	2,701	1,430	5,143	153	66,534
As of December 31 2016	27,306	3,708	12,427	3,843	3,188	4,083	10,377	64,932
Current financial assets								
As of December 31, 2017	3,178	2	7	–	0	–	–	3,188
As of December 31 2016	956	–	1	–	–	–	–	957
Cash and cash equivalents								
As of December 31, 2017	39,936	5,816	2,337	49	297	2	2	48,439
As of December 31 2016	24,492	1,402	4,212	7	–	1	2	30,116
Other current assets								
As of December 31, 2017	4,217	11	902	–	–	–	3,356	8,486
As of December 31 2016	7,413	29	648	–	–	–	379	8,468
Non-current financial liabilities								
As of December 31, 2017	84,302	–	–	–	–	–	–	84,302
As of December 31 2016	83,393	–	–	–	–	–	–	83,393
Current financial liabilities								
As of December 31, 2017	40,972	15,849	4,979	–	–	–	–	61,801
As of December 31 2016	68,841	17,796	725	–	–	–	–	87,362
Trade payables								
As of December 31, 2017	91,730	684	6,029	443	77	113	201	99,277
As of December 31 2016	92,908	936	10,419	48	44	90	121	104,566
Other current liabilities								
As of December 31, 2017	16,525	–	889	–	623	–	[9]	18,028
As of December 31 2016	12,726	136	665	–	655	–	3,488	17,670

For the purposes of the foreign currency sensitivity analysis, items in the financial position (assets and liabilities) denominated in currencies other than the Euro 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 in which the item in the financial statements is denominated and the Euro. The following table shows the results of the analysis for the years ended December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>			2017 Currency Risk (CR)	
			+5%	-5%
	Book value	of which subject to Currency Risk	Profit (losses)	Profit (losses)
Financial assets				
Cash and cash equivalents	48,439	8,503	(405)	447
Trade receivables	66,534	28,620	(1,363)	1,506
Current financial assets	3,188	10	(0)	1
Other current assets	8,486	4,269	(203)	225
Tax effect			550	(608)
			(1,421)	1,571
Financial liabilities				
Non-current financial liabilities	84,302	—	—	—
Current financial liabilities	61,801	20,828	(992)	1,096
Trade payables	99,277	7,547	(359)	397
Other current liabilities	18,028	1,503	(72)	80
Tax effect			397	(439)
			(1,026)	1,134
Total increase (decrease) 2017			(2,447)	2,705

<i>(In thousands of Euros)</i>			2016 Currency Risk (CR)	
			+5%	-5%
	Book value	of which subject to CR	Profit (losses)	Profit (losses)
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

The parameters applied were identified as reasonable potential exchange rate fluctuations, 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 Company to the risk of cash flow fluctuations due to interest. The Company does not use derivative instruments to hedge interest rate risk, with the exception of the interest rate swap described in note 19.

For the purposes of the sensitivity analysis on changes in interest rate, items in the statement of assets and liabilities that are subject to fluctuations in interest rates were identified. For the purposes of the analysis two scenarios were considered, reflecting an increase or decrease of 20 base points (bp). The following table shows the results of the analysis for the years ended December 31, 2017 and 2016:

(In thousands of Euro)	Book value	of which subject to Interest Rate Risk	2017 Interest Rate Risk (IRR)			
			+ 20 bp		-20 bp	
			Profit (loss)	Other changes in FVR	Profit (loss)	Other changes in FVR
Financial assets						
Cash and cash equivalents	48,439	48,439	97		(97)	
Trade receivables	66,534	–	–		–	
Current financial assets	3,188	3,188	6		(6)	
Other current assets	8,486	–	–		–	
Tax effect	–	–	(32)		32	
			71		(71)	
Financial liabilities						
Non-current financial liabilities	84,302	79,262	(159)		159	
Current financial liabilities	61,801	59,311	119		(119)	
Trade payables	99,277	–	–		–	
Other current liabilities	18,028	–	–		–	
Tax effect	–	–	(87)		87	
			191		(191)	
Total increase (decrease) 2017			262		(262)	

(In thousands of Euro)	Book value	of which subject to Interest Rate Risk	2017 Interest Rate Risk (IRR)			
			+ 20 bp		-20 bp	
			Profit (losses)	Other changes in FVR	Profit (losses)	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) 2017			(175)		175	

The parameters applied were identified as reasonable potential interest rate fluctuations, with all other variables remaining the same. An interest rate swap contract was signed in 2017 to hedge the loan taken out with Unicredit S.p.A with maturity in April 2020. For further details see note 13.

PRICE RISK

The Company supplies worldwide and is subject to the normal risk of commodity price fluctuations, though not to a significant extent.

Capital Risk Management

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:

<i>(In thousands of Euro)</i>	As of December 31	
	2017	2016
Net indebtedness (A)	94,527	139,389
Equity (B)	172,658	132,416
Total capital (C)=(A)+(B)	267,184	271,805
Gearing ratio (A)/(C)	35.4%	51.3%

FAIR VALUE DISCLOSURE

As of December 31, 2017 and 2016, the book value of financial assets and liabilities is essentially 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 on an active market; (ii) Level 2: market inputs other than Level 1 inputs, that are observable directly (prices) or indirectly (because derived from prices); (iii) Level 3: inputs not based on observable market data. There were no movements between the three levels of fair value indicated in IFRS 7 during the year.

Financial instruments by category

The following tables show financial assets and liabilities by category of financial instrument and level in the fair value hierarchy as of December 31, 2017 and 2016:

<i>(In thousands of Euro)</i>	As of December 31, 2017							
	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	15,867	–	–	15,867	–	–	–	–
Non-current financial assets	15,867	–	–	15,867	–	–	–	–
Trade receivables	66,534			66,534	–	–	–	–
Cash and cash equivalents	48,439			48,439	–	–	–	–
Current financial assets	3,188			3,188	–	–	–	–
Assets for derivative financial instruments			75	75	–	75	–	75
Current financial assets	118,161	–	75	118,236	–	75	–	75

<i>(In thousands of Euro)</i>	As of December 31, 2016							
	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			340	340	–	340	–	340
Current financial assets	96,006	–	340	96,346	–	340	–	340

<i>(In thousands of Euro)</i>	As of December 31, 2017							
	Financial liabilities	Financial liabilities at fair value	Financial liabilities at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Non-current financial liabilities	84,302	–	–	84,302	–	–	–	–
Non-current financial liabilities	84,302	–	–	84,302	–	–	–	–
Current financial liabilities	61,801			61,801	–	–	–	–
Trade payables	99,277			99,277	–	–	–	–
Liabilities for derivative financial instruments		20	106	126	–	126	–	126
Current financial liabilities	161,078	20	106	161,204	–	126	–	126

(In thousands of Euro)

	As of December 31, 2016						
	Financial liabilities	Financial liabilities at fair value	Financial liabilities at fair value	Total	Level 1	Level 2	Level 3
	Amortized cost	FV vs OCI	FV vs P&L				
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		28		47	–	47	–
Current financial liabilities	191,928	28	–	239,164	–	47	–

RELATED-PARTY TRANSACTIONS

The Company's transactions with related parties, identified according to the requirements of IAS 24: Related-Party Disclosures, are carried out under normal market conditions.

Subsidiaries

The following table shows the balance sheet and income statement amounts for the Company's transactions with its subsidiaries for the years ended December 31, 2017 and 2016 and their incidence on the related item in the financial statements:

<i>(In thousands of Euro)</i>	Trade receivables		Current financial assets		Other current assets		Trade payables		Total current financial liabilities		Other current liabilities	
Values as of December 31	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Technogym Spain	1,856	798	2,975	–	–	–	82	225	–	1,855	–	–
Technogym France	1,451	(1,300)	–	554	–	–	40	51	2,912	–	–	–
Technogym China	2,701	3,843	–	–	–	0	1,463	903	–	–	–	–
Technogym Japan	5,143	4,083	–	–	–	–	58	89	–	–	–	–
Technogym Asia	91	(110)	–	–	(54)	–	88	92	–	–	–	–
Technogym Australia	1,430	3,188	–	–	–	–	77	42	–	–	623	655
Technogym Portugal	1,776	712	–	–	–	–	38	11	–	–	–	–
Technogym Russia	65	694	–	–	–	–	147	3	–	–	–	–
Technogym Manno	–	–	–	–	–	–	82	39	–	–	–	–
Technogym UK	5,565	3,504	–	–	–	–	460	771	15,849	17,796	–	–
Technogym Germany	1,610	1,582	–	–	–	1,200	145	220	3,893	6,920	–	–
Technogym Benelux	2,720	1,763	–	–	–	–	105	201	2,003	4,700	–	–
Technogym USA	4,130	1,428	–	–	–	–	517	778	4,979	725	–	–
Technogym International	–	–	–	–	–	–	–	–	–	–	–	–
Technogym Holding BV	–	–	–	–	–	–	–	–	–	–	–	–
Technogym E.E.	191	899	–	–	–	–	10,369	7,085	–	7,484	–	–
Technogym South Africa Pty Ltd	–	–	–	–	–	–	–	–	–	–	–	–
Technogym Brasil Commercial	153	10,377	–	–	–	–	137	110	–	–	7	3,479
Sidea SRL	15	15	200	–	8	–	264	89	–	–	–	–
TGB	332	358	–	–	–	–	285	293	–	–	38	–
La Mariana Srl	–	–	–	–	–	–	–	–	–	–	0	–
AMLETO APS	–	–	–	–	–	–	–	–	–	–	–	–
WELLNESS CONSULTING	–	–	–	–	–	–	–	–	–	–	0	136
Core Athletic Srl	–	–	–	–	–	–	–	–	–	–	–	–
Core Athletic LLC	–	–	–	–	–	277	–	–	–	–	–	–
Funky Bots LLC	–	–	–	300	–	8	–	–	–	–	–	–
Total	29,229	31,836	3,175	854	(46)	1,485	14,357	11,005	29,636	39,480	668	4,269
% on financial statements item	44%	49%	100%	89%	(1%)	18%	14%	11%	48%	45%	4%	24%

(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	
Values as of December 31	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Technogym Spain	19,447	18,651	237	5	(607)	(528)	(147)	(1,078)	-	-	(871)	-	13	1	(0)	(0)	2,126	820
Technogym France	28,234	27,903	108	0	(733)	(593)	(37)	(3,140)	-	-	(619)	-	4	13	(0)	(0)	400	-
Technogym China	9,110	8,902	78	-	(118)	(19)	(239)	(2,620)	(300)	(317)	(655)	(4)	-	-	-	-	-	-
Technogym Japan	21,771	15,198	126	228	(174)	(294)	-	(9)	-	-	-	-	-	-	-	-	-	1,275
Technogym Asia	867	1,054	11	7	(5)	(9)	(3)	(262)	(404)	(213)	(212)	-	-	-	-	-	-	-
Technogym Australia	8,374	9,971	48	-	(207)	(123)	(109)	(3,358)	-	-	(1,949)	-	-	-	-	-	-	-
Technogym Portugal	3,532	3,764	9	-	(124)	(28)	-	(0)	-	-	(377)	-	-	-	-	-	636	310
Technogym Russia	11,912	9,377	77	62	(40)	(39)	(125)	(2)	-	-	-	-	-	-	-	-	-	-
Technogym Manno	-	-	-	-	-	-	(43)	(170)	-	-	-	-	-	-	-	-	-	-
Technogym UK	40,571	43,977	613	1,506	(2,689)	(4,592)	(373)	(224)	(244)	(204)	(0)	-	-	0	(145)	(136)	4,738	6,563
Technogym Germany	25,124	24,095	337	3	(517)	(515)	(60)	(1,368)	-	-	(1,653)	-	-	-	(1)	(1)	1,350	1,200
Technogym Benelux	14,765	16,749	281	-	(210)	(980)	(16)	(78)	(468)	(566)	(0)	-	0	-	(17)	(19)	1,565	1,019
Technogym USA	33,374	33,183	311	88	(602)	(353)	(381)	(3,219)	30	-	(1,197)	-	1	3	(23)	(4)	-	-
Technogym International	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	1,300
Technogym Holding BV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technogym E.E.	757	1,348	31	51	(45,686)	(47,294)	(375)	(0)	212	236	(2)	1	-	147	(12)	(1)	2,500	-
Technogym South Africa Pty Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technogym Brasil Commercial	6,330	4,733	59	7	(35)	(71)	(10)	(1,309)	-	(260)	-	-	-	-	-	-	-	-
Sidea SRL	7	-	77	68	(515)	(437)	(13)	-	-	-	(0)	(1)	18	-	-	-	-	-
TGB	-	-	-	-	-	-	(4,314)	(4,297)	-	-	(40)	(40)	670	503	-	-	1,066	-
Total	224,176	218,903	2,403	2,025	(52,261)	(55,875)	(6,244)	(21,135)	(1,175)	(1,324)	(7,575)	(44)	705	667	(198)	(161)	14,581	12,487
% on financial statements item	53%	54%	84%	87%	24%	27%	10%	28%	2%	2%	79%	6%	9%	5%	2%	1%	164%	104%

Joint ventures

The following table shows the balance sheet and income statement amounts for the Company's transactions with joint ventures and associates for the years ended December 31, 2017 and 2016 and their incidence on the related item in the financial statements:

<i>(In thousands of Euro)</i>	Trade receivables		Current financial assets		Other current assets		Trade payables		Current financial liabilities		Other current liabilities	
Values as of December 31	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Technogym Emirates LLC	486	131	–	–	3,289	340	21	70	–	–	0	–
EXERP APS	–	–	–	–	–	–	–	–	–	–	–	–
Exerp America Inc	–	–	–	–	–	–	–	–	–	–	–	–
T4ME Limited	–	–	–	–	–	–	–	–	–	–	–	–
MPS MOVIMENTO PER LA SALUTE	–	–	–	2	–	–	–	–	–	–	–	–
QUAINTED CONSULTING (Pty) LTD	–	–	–	–	–	–	–	–	–	–	–	–
FITSTADIUM SRL	–	–	–	100	–	–	–	–	–	–	–	–
WELLINK SRL	1	–	–	–	–	–	112	86	–	–	–	–
Total	487	131	–	102	3,289	340	133	156	–	–	0	–
Percentage incidence	0.7%	0.2%	0.0%	10.6%	38.8%	4.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%

<i>(In thousands of Euro)</i>	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	
Values as of December 31	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Technogym Emirates LLC	9,474	10,491	60	–	(38)	(32)	(44)	(50)	(103)	(140)	4	(1)	–	–	–	–	3,289	663
EXERP APS	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Exerp America Inc	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
T4ME Limited	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
MPS MOVIMENTO PER LA SALUTE	–	–	–	–	–	–	–	(6)	–	–	–	–	–	–	–	–	(2)	–
QUAINTED CONSULTING (Pty) LTD	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
FITSTADIUM SRL	–	–	–	–	–	–	(1)	–	–	–	–	–	–	–	–	–	(100)	–
WELLINK SRL	0	–	6	–	–	–	(406)	(305)	–	–	–	–	–	–	–	–	–	–
Total	9,474	10,491	66	–	(38)	(32)	(451)	(362)	(103)	(140)	4	(1)	–	–	–	–	3,188	663
Percentage incidence	2.2%	2.6%	2.3%	0.0%	0.0%	0.0%	0.7%	0.5%	0.2%	0.3%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	35.8%	5.5%

The relationship with Wellink S.r.l. is mainly related to collaborative activities for the installation of bespoke projects for wellness centres.

Other related parties

The following table shows the balance sheet and income statement amounts for the Company's transactions with "Other related parties" for the years ended December 31, 2017 and 2016 and their incidence on the related item in the financial statements:

<i>(In thousands of Euro)</i>		Trade receivables		Current financial assets		Other current assets		Trade payables		Current financial liabilities		Other current liabilities	
Values as of December 31		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
WELLNESS HOLDING SRL		—	5	—	—	—	—	308	—	—	—	—	—
VIA DURINI 1 SRL		—	—	—	—	—	67	38	60	—	—	—	—
SALHOUSE HOLDING SARL		—	325	—	—	—	—	—	—	—	—	—	—
FATTORIA DEI GESSI Srl ALTAVIT		—	—	—	—	—	—	19	15	—	—	—	—
AREA SRL		—	—	—	—	—	(0)	—	—	—	—	—	—
STARPOOL SRL		5	5	—	—	—	—	(2)	1	—	—	—	—
ONE ON ONE SRL		0	0	—	—	—	—	56	34	—	—	0	—
Total		6	335	—	—	—	67	419	110	—	—	0	—
Percentage incidence		0.0%	0.5%	0.0%	0.0%	0.0%	0.8%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%

<i>(In thousands of Euro)</i>		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	
Values as of December 31		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
WELLNESS HOLDING SRL		—	—	—	—	—	—	(250)	0	(7)	(4)	(1)	—	—	—	—	—	—	—
VIA DURINI 1 SRL		—	—	—	—	—	—	(822)	(770)	—	—	(5)	(8)	—	—	—	—	—	—
SALHOUSE HOLDING SARL		—	—	—	—	—	1	—	2,089	—	30	—	—	—	—	—	—	—	—
FATTORIA DEI GESSI Srl ALTAVIT		—	—	—	—	—	—	(14)	(8)	(1)	(8)	—	—	—	—	—	—	—	—
STARPOOL SRL		14	16	1	1	—	—	(6)	(5)	—	—	(0)	—	—	—	—	—	—	—
ONE ON ONE SRL		8	50	—	—	—	—	(162)	(131)	—	—	—	3	—	—	—	—	—	—
Total		22	66	1	1	—	1	-1,240	1,169	-16	25	-13	-5	—	—	—	—	—	—
Percentage incidence		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	(0)	0.0%	0.0%	0.1%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Existing relationships between the Company, Salhouse Holding S.à r.l. and Candover 2005 Fund (Guernsey) Limited relate to agreements between the shareholders of these companies in relation in 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. relates to a lease agreement signed by the Company on March 31, 2010, for the lease of a building located in Via Durini 1, Milan, where the Company has a 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 mainly related to collaborative activities for the installation and management of corporate wellness areas. For instance, the Company occasionally makes use 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 on the basis of the requests and needs of the end customer.

Remuneration of Directors and key management

The total amount of remuneration and related expenses for the Board of Directors of the Company amounted to Euro 2,492 thousand in 2017, (Euro 2,266 thousand in 2016).

The total amount of compensation paid to key management amounted to Euro 2,429 thousand in 2017, (Euro 2,718 thousand in 2016).

<i>(In thousands of Euro)</i>	Year ended December 31	
	2017	2016
Fees for office	1,824	2,008
Non-monetary benefits	42	48
Bonuses and other incentives	433	537
Other fees	130	125
Total	2,429	2,718

CONTINGENT LIABILITIES

As of December 31, 2017 the none of the companies in the Group are party to any ongoing significant legal or tax proceedings and therefore no provisions for risks and charges have been recognised in the financial statements.

COMMITMENTS AND GUARANTEES

As of December 31, 2017 the Company has issued guarantees amounting to Euro 5,130 thousand to credit institutions on behalf of subsidiaries (Euro 4,700 thousand as of December 31, 2016) and Euro 3,416 thousand on behalf of related parties (Euro 3,888 thousand as of December 31, 2016). The Company has also issued guarantees to public institutions and other third parties amounting to Euro 2,522 thousand (Euro 2,606 thousand as of December 31, 2016).

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

As of December 31, 2017, there were no significant non-recurring transactions.

NON-RECURRING EXPENSES AND INCOME

Non-recurring expenses were incurred in 2017, with Euro 331 thousand recognised within the item “personnel expenses” and Euro 165 thousand within the item “other operating income” mainly in relation to corporate restructuring.

EVENTS AFTER DECEMBER 31 2017

In February 2018, Technogym was chosen as Official Supplier of the Pyeongchang 2018 Winter Olympics in South Korea: this is the seventh time that Technogym has been official supplier of the Olympic Games. Also in February, Technogym announced a strategic partnership with Nuffield, the leading industry operator in the UK. The partnership involves the complete supply of Technogym products and digital technologies for the next 4 years to 111 of the group's fitness clubs and 31 of its hospitals. Finally, during the recent IHRSA trade show in San Diego, Technogym gave an exclusive preview of the new SKILLBIKE to leading operators in the sector. SKILLBIKE will be launched on the market over the coming weeks.

On behalf of the Board of Directors,

The Chairman
Nerio Alessandri

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND THE ALLOCATION OF THE PROFIT FOR 2017

The annual financial statements as at December 31, 2017 closed with a net profit of Euro 52,112,568.08.

Dear Shareholders,

in conclusion to these explanatory notes, we invite you to approve the annual financial statements of Technogym S.p.A. by passing the following resolutions:

The Shareholders' Meeting

- having examined the report of the Board of Directors on operations;
- having considered the reports of the Board of Statutory Auditors and of the Independent Auditors, PricewaterhouseCoopers S.p.A.;
- having examined the annual financial statements as at December 31, 2017, as part of the report presented by the Board of Directors, which closed with a net profit of Euro 52,112,568.08.

resolves

- to approve the annual financial statements for the year ending 31st December 2017;
- to allocate the net profit for the year of Technogym S.p.A amounting to 52,112,568.08 as follows:
 - (i) to the shareholders, as dividend, Euro [0.09] for each ordinary share entitled to a dividend for a total of Euro 18,090,450.00;
 - (ii) Euro 10,050.00 to the statutory reserve;
 - (iii) Euro 34,012,068.08] to retained earnings.
- that the dividend be paid on May 23, 2018, the ex-dividend date being May 21, 2018 and the dividend record date May 22, 2018.
- Furthermore, taking into account the accounting effects that have occurred during the financial year and in order to maintain a precise relationship between the equity items and the specific allocation of the reserves themselves, we propose to allocate the following amounts to retained earnings:
 - (i) Euro 661,982.29 to the extraordinary reserve;
 - (ii) Euro 1,414,172.99 to the reserve for the adoption of IAS/IFRS;
 - (iii) Euro 3,250,161.21 to the foreign exchange reserve.

These financial statements, consisting of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of accounts and the notes to the accounts, give a true and fair view of the financial position, results and cash flow of the Company and are based on the accounting records of the Company.

The Chairman
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 Chairman of the Board of Directors and Chief Executive Officer of the Company, and Stefano Zanelli, as the executive officer responsible for the preparation of the financial statements of Technogym S.p.A., pursuant to the provisions of article 154-bis, clauses 3 and 4, of Legislative Decree no. 58 of February 24, 1998, hereby certify:

- the adequacy in relation to the characteristics of the undertaking and
- the effective application of the administrative and accounting procedures for the preparation of the Company's annual and consolidated financial statements from January 1 2017 to 31 December 2017.

2. The undersigned also certify that the separate and consolidated financial statements:

- a) have been prepared in accordance with the international accounting standards, recognised by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated July 19, 2002;
- b) correspond to the records contained in the accounting books of the Company;
- c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3. The report on operations comprises a reliable analysis of the performance, operating results and position of the Issuer and of the entities included in the consolidation, together with a description of the main risks and uncertainties to which the Group is exposed.

Cesena, March 28, 2018

Chairman of the Board of Directors and
chief executive officer

Nerio Alessandri

Executive Officer responsible
for the preparation of the
financial statements of the Company

Stefano Zanelli

**REPORT OF THE BOARD OF STATUTORY AUDITORS
ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017
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 2017 of Technogym SpA (hereafter: "Technogym" or the "Company") represents the results of the first twelve-month period of the Company in the role of "Issuer" after the listing of the Company on the electronic stock market, managed by Borsa Italiana SpA, occurred on 3 May 2016.

The Board of Statutory Auditors was appointed by the Shareholders' Meeting with effect from 3 May 2016, the very first day of the Company's shares being traded on the electronic 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 2017 shows a profit for the year of Euros 52.112.568 compared to a profit for the previous fiscal year of Euros 45.525.041.

The Financial Statements were approved by the Board of Directors of the company on 28 March 2018, together with the Consolidated Financial Statements of the Technogym Group and the Consolidated Non-Financial Statement.

The Board of Statutory Auditors of Technogym, during the year ended December 31, 2017 carried out its 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., (the "External Auditing Company" or "PWC") 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 belonging to the PWC network.

Technogym S.p.A. as the holding company of the Group also draws up a set of Consolidated Financial Statements.

The company is a subsidiary of the company Wellness Holding S.r.l. that owns 51,74% of the company's Share Capital with approximately 68,2% of its voting rights and which is in turn controlled through the company Oiren Srl by Nerio Alessandri, Chairman of the Board of Directors and Managing Director of the company; the remaining 48,26% of the capital is floating on the market.

The company has not received operational directives that would amount to its being subject to the management and coordination of another company, pursuant to the article 2497 of the Italian Civil Code. This is also confirmed by the Company Directors' Report on Governance where they declare the absence of any of those activities that are typically associated with a company being managed and coordinated by another one

Regarding the activities carried out during the fiscal year - in compliance with Consob's guidelines (Italian SEC), contained in its Communication DEM/1025564 of 6 April 2001 and its successive changes and additions, which is a communication detailing the contents 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.

In the 2017 financial year, the investment in the Technogym Village complex, carried out in 2016, has continued to represent an important element of value for corporate marketing; in fact, in addition to hosting the assembly plant and finishing products, it received about 30 thousand visitors during the year among sector operators, doctors, athletic trainers, investors in the hospitality and real estate sectors. It has thus proven to be the best presentation of the company and its products.

The Group made investments in property, plant machinery and intangible assets throughout the year, for approximately 25 million Euros. These investments have been aimed at the continuous update and expansion of the range of products and services for customers, at the adaptation of the infrastructures and the production and operational software, at the optimization of the main production processes and the realization or modernization of the showrooms in Italy and abroad.

In 2017, the scope of consolidation reported changed because of the acquisition of 28% of the share capital of the South African subsidiary Quainted Consulting Pty Ltd and the establishment of the jointly controlled vehicle under Australian law Exerp Asia Pacific Pty Ltd. In relation to the subsidiaries, the participation in Wellness Partner Ltd has been reduced and Technogym South Africa Ltd, Core Athletic srl and Core Athletic LLC have left the consolidation perimeter.

In the Explanatory Notes to the Financial Statements, the Directors report that the impairment test carried out for the Brazilian subsidiary showed indications of possible loss of value that required a write-down of 10,731 thousand euro.

The directors also indicate that, for the other subsidiaries whose net book value is higher than the relative portion of equity, no indications of possible losses in value have been identified.

2. The Board of Statutory Auditors, during the financial year 2017 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. The normal business transactions carried out with Group companies and related parties, which are described by the Directors in their 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 has set 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 2017, 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 fell into its area of competence.

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 is sufficient and appropriate.

4. The External Auditing Company issued today, pursuant to the article 14 of the Legislative Decree 39/2010 and to the article 10 of the Reg Ue 537/2014, its Audit Reports on the Financial Statements and on the Consolidated Financial Statements as at 31 December 2017 of Technogym within which there is the attestation that states the Financial Statements and the Consolidated Financial Statements of the Group give a true and fair view of the equity, asset and financial situations at 31 December 2017, of the financial result and of the cash flows for the company's fiscal year closed at that date in accordance 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 that "the Report on Operations and some specific contained in the Report on Corporate Governance and regarding the ownership indicated in art. 123 bis 4 paragraph of Legislative Decree 58/1998 are in line with the Financial Statements of Technogym S.p.A. and with the Consolidated Financial Statements of the Group and prepared in compliance with the law.

The opinion on the separate financial statements and the consolidated financial statements expressed in the aforementioned Reports is in line with that indicated in the Additional Report prepared by the PWC and sent to the Board of Statutory Auditors pursuant to Article 11 of EU Reg. 537/2014.

In its Audit Report of the Consolidated Financial Statements, the External Auditing Company declares that it also verified that Technogym's Directors had approved the Non-Financial Statement for the year 2017.

In the aforementioned Reports of the External Auditing Company no remarks or requests for information are included, nor any declaration is made pursuant to Article 14, paragraph 2, letter d) letter e) of Legislative Decree 39/2010.

PricewaterhouseCoopers S.p.A. also issued today:

- the above-mentioned Additional Report pursuant to article 11 of the European Regulation 537/2014 to the Board of Statutory Auditors for its functions of Internal Control Committee and accounting auditing;
- the compliance certificate - in the technical form of the limited review - pursuant to the article 3, paragraph 10, of the Legislative Decree 254/2016 and to the article 5 of Consob's regulation 20267/2018, for the non-financial consolidated statements written by Technogym on the basis of the requirements of the above-mentioned decree and of the principles and methodologies detailed in the GRI Standards selected by the Company. PWC declares in it that no elements have emerged which might suggest that the non-financial consolidated statements of Technogym Group for the year 2017 have not been written, in all of its main components, in compliance with the requirements of articles 3 and 4 of the Decree and the GRI Standards that were selected.

During the Board of Statutory Auditors' periodical meetings with the External Auditing Company nothing has emerged that might require mentioning in this Report.

The Board Statutory Auditors has not received from PWC any communication about facts that might be considered reprehensible detected by the auditing process on the financial statement for the accounting period and on the consolidated financial statements.

The Board of Statutory Auditors has verified and monitored the independence of the External Auditing Company and has received written confirmation by it that, in the period spanning from 1 January 2017 to the moment the declaration was issued, no situation had arisen which could compromise its independence from Technogym, pursuant to the article 6, paragraph 2, point a) of the European Regulation 537/2014.

PricewaterhouseCoopers S.p.A. declared in its Additional Report that, during the Company's financial statements audit and the Group's consolidated financial statements audit, no significant deficiencies had been found in the internal financial reporting and/or accounting system.

The External Auditing Company communicated regarding its auditing and other services, different from those of auditing, that were supplied to the company directly or through entities belonging to its network, while giving the precise detail of the fees involved and specifying that it did not provide any service forbidden to the auditing company by current law.

The audit fees for the fiscal year that have been incurred by Technogym S.p.A. from the External Auditing Company, PricewaterhouseCoopers S.p.A., amount, on an overall total basis, including contributions to Consob and expenses, to Euro 278,000. These fees are declared to the Directors of the company in the Explanatory Notes.



Taking into account the following:

- the declaration of independence issued by PricewaterhouseCoopers S.p.A., on Aprile 16, 2018 pursuant to the article 6, paragraph 2) letter a), of the Reg Ue 537/2014 and pursuant to paragraph 17 of ISA Italia 260,
- 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 PWC.

5. During the whole of the company's fiscal year 2017 and afterwards, from the beginning of the fiscal year 2018 until today, there have not arrived at the Board of Statutory Auditors any denunciations or claims regarding the company.
6. The Board of Statutory Auditors, during the company's fiscal year and after its closure, issued a favourable opinion regarding the work plan proposed by Internal Audit function 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.

In 2017 Technogym put in place an internal procedure for the approval of the services to be entrusted to the External Auditing Company and its network. The Board of Statutory Auditors has issued, where necessary, its prior authorizations required for the activities to be carried out in order to preserve the principle of the independence of the auditor.

The Board of Statutory Auditors has also submitted to the Assembly of the Shareholders its revision proposal of the economical conditions of PWC's contract, owing to the Legislative Decree 135/2016 and the European Regulation 5377/2014 on the Key Audit Matters (payment of Euro 13000).

These services (which are not forbidden by the article 5, paragraph 1, of the European Regulation 537/2014) and the corresponding fees have been judged by the Board of Statutory Auditors adequate for the dimensions and the complexity of the task and compatible with the legally valid auditing process.

7. As highlighted by the Directors in their Yearly Report on Corporate Governance and on the Owned Assets of the company for the fiscal year 2017, 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 28 March 2018, during the year 2017 the Board of Directors of the company held 6 meetings, the Controls and Risks Committee met 5 times, the Compensation Committee met 3 times, while the Committee for Operations and Transactions with Related Parties did not hold any meetings.

The Board of Statutory Auditors during the year 2017 met 7 times. Furthermore, the Board of Statutory Auditors took part in the following meetings:

- 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;
- 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.

8. 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 as well as the adequacy of the Company's organizational structure and its operation, through direct observation, participation in Board meetings and the Board's committees, 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 External Audit Company.

During the Board 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.

9. 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 2017, without having had to highlight any facts or situations that would have had to be shown in this Report except for in invitation to a more prompt and appropriate training plan.
10. 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) D.Lgs 39/2010, 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 External Auditing Company.
11. 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.

As already reported by the Board of Directors in the Corporate Governance Report of last year "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 programme was duly implemented in 2017 and the Corporate Governance Report of this year, which is joined to the financial statements we are examining today, confirms that "the fiscal year 2017 has seen the conclusion of the first phase of analysis and evaluation of the main corporate risks according to the ERM model, finalized to achieve further integration with the current internal control system and make even more efficient the activities that have been put in place for the definition of Technogym's guidelines for the identification, surveillance and governance of risk areas. Which will assure the achievement of the company's strategic and operational goals, the trustworthiness of the financial disclosures, the observance of the relatives laws, rules and regulations and the safekeeping of the company's assets". The report also states that "During the fiscal year 2018, on the basis of results of the analysis and evaluations of the first phase of application of the ERM model, specific governance and organisational safeguards will be progressively defined and implemented in order to integrate the current system of risk management in the daily activities of each area of the company".

In the Corporate Governance Report, the Directors report the activities carried out for the purpose of evaluating and managing the risk profiles.

The analyses of the aforementioned risk profiles are carried out with the support of the Internal Audit function. In the light of the surveillance activity carried out and taking also into account the evaluation of the adequacy of the internal control system put in place by the Board of Directors and the Controls and Risks Committee, as well as the results of the Internal Audit's activities, the Board of Statutory Auditors highlights that, insofar as this falls within its competencies, nothing has emerged that might raise doubts on the adequacy and effectiveness of the overall internal control system.

12. 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 28 March 2018 pursuant to the article 154, part two, paragraph 5, Legislative Decree 58/1998 and article 81 part 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 External Audit Company.

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.

13. 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 External Auditing Company, 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 aforementioned 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.



14. 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.
15. During the financial year, the Board of Statutory Auditors periodically met with representatives of the External Auditing Company 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 article 19, 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 External Audit Company, 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.
16. 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").
17. The system of corporate governance adopted by the company is described in detail in the Corporate Governance Report for the financial year 2017.

The Board of Statutory Auditors also points out that, during the meeting of the Controls and Risk Committee of 3 March 2018 and during the meeting of the Board of Directors of 28 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.

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.

Finally, the Board of Statutory Auditors has verified the correct application of the legal requirements on the preparation of the Separate Financial Statements and the Consolidated Group Financial Statements as of 31 december 2017, on the Explanatory Notes and the Report on Operations to be joined to them, both directly and with the support of the Managers of company functions and through the informations obtained from the External Audit Company. The Board of Statutory Auditors, on the basis of the checks it performed and the information it received from the Company, insofar as this falls within its competencies as per the article 149 of the Legislative Decree 58/1998, declares that the proposals for the Separate Financial Statements and the Consolidated Financial Statements of Technogym as of 31 december 2017 are written in compliance with the requirements of the law that regulate their composition and structure as well as following the International Financial Reporting Standards of the International Accounting Standards Board as they have been published on the Official Journal of the European Union.



The Separate and Consolidated Financial Statements are accompanied by the required declarations of conformity signed by the Chief Executive Officer and by the Managers responsible for preparing the corporate accounting documents.

Furthermore, the Board of Statutory Auditors has verified that the Company has fulfilled the legal obligations of the Legislative Decree 245/2016 and that it has produced the Consolidated Non-Financial Statements as per articles 3 and 4 of the same Decree. The Board of Statutory Auditors points out that the Company availed itself of the exemption from the obligation of writing non-financial statements specific to the single company that is contained in the article 6, first paragraph, of the Legislative Decree 245/2016, as it has produced the consolidated non-financial statements described in the article 4. This declaration is presented along with the certification of the External Audit Company on the compliance of the information contained in it with the requirements of the aforementioned Legislative Decree which defines the principles, methodologies and modalities of their compilation and also with Consob's Regulation, adopted on 18 January 2018 with the deliberation number 20267.

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 2017, which closed with a profit for the accounting period of Euros 52.112.568, as well as the results of the work carried out by the External Auditing Company and also taking into account all that is reported in this Report raises no objections regarding the approval of the draft of the Financial Statements and the relative resolution proposals pres

Milan 16 April 2018

The Board of Statutory Auditors

Dr. Claudia Costanza - Chairman

Dr. Ciro Piero Cornelli - Active Statutory Auditor

Dr. Gianluigi Rossi - Active Statutory Auditor





Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of TECHNOGYM SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TECHNOGYM SpA (the "Company"), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.800.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880153 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Giunna 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wuhret 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccinetta 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vercenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 66127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00151 Largo Fochetti 20 Tel. 06570231 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Fehissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Foscolle 43 Tel. 043225780 - Varese 21100 Via Albuzzi 43 Tel. 0332285939 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it



Key Audit Matters

Auditing procedures performed in response to key audit matters

Revenue recognition

Note 6.1 to the financial statements

Revenues of Technogym SpA for the year ended 31 December 2017 amounted to Euro 425 million.

Sales of wellness equipment, accessories, services and digital solutions are made by the Technogym Group in several segments, distribution channels and geographical areas (over 130 countries).

General terms of sale drawn up by the Technogym Group are negotiated with the counterparty and may be amended and/or supplemented by specific clauses based on the type of customer. Moreover, sales contracts, especially those with leading international customers, are often long-term.

As part of our audit of the financial statements as of 31 December 2017, we focused our attention on this area not only because of the magnitude of the balance, but because it is particularly complex, given that a single contract may include components of a different nature (for instance, the sale of a product and the provision of the maintenance service), as well as specific contractual clauses for specific customers, which require in-depth analysis to determine the correct accounting treatment.

We understood and assessed the system of internal control over the sales process and we verified its adequacy by checking, on a test basis, the effectiveness of relevant controls implemented.

We understood and analysed the general terms of sale and the main contractual clauses used and negotiated with customers, considering the related effects for the purpose of appropriate revenue recognition, also through discussion with management.

We selected a sample of sales contracts and invoices issued during the year, we obtained supporting evidence and analysed the contractual clauses applied in order to verify the correct recognition of revenues.

Finally, we analysed the type of contract that envisages the provision of a service in addition to the sale of a product, in order to verify the appropriate method of allocating the total value to each performance obligation, and we verified its correct recognition.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements,



management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.



We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 16 February 2016, the shareholders of TECHNOGYM SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of TECHNOGYM SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of TECHNOGYM SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of TECHNOGYM SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of TECHNOGYM SpA as of 31 December 2017 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 16 April 2018

PricewaterhouseCoopers SpA

signed by

Edoardo Orlandoni
(Partner)

This report has been translated into English from the original, which was issued in Italian language, solely for the convenience of international readers.





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

LEGAL INFORMATION
Share capital resolved and subscribed Euro 10,050,250
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

www.technogym.com

INVESTOR RELATIONS
investor.relations@technogym.com

PRESS OFFICE
pressoffice@technogym.com

TECHNOGYM S.p.A.

Registered office: Via Calcinaro 2861 - 47521 Cesena (FC) - Italy

Share capital resolved and subscribed Euro 10,050,250

Registered in the R.E.A. (Economic and Administrative Index) of Forlì Cesena at no. 315187

VAT number, Tax Code and CCIAA (Chamber of Commerce, Industry, Craft Trade and Agriculture) no.: 06250230965