

# LET'S MOVE FOR BETTER A WORLD

Annual Report  
2019







# ANNUAL REPORT AS OF 31 DECEMBER 2019



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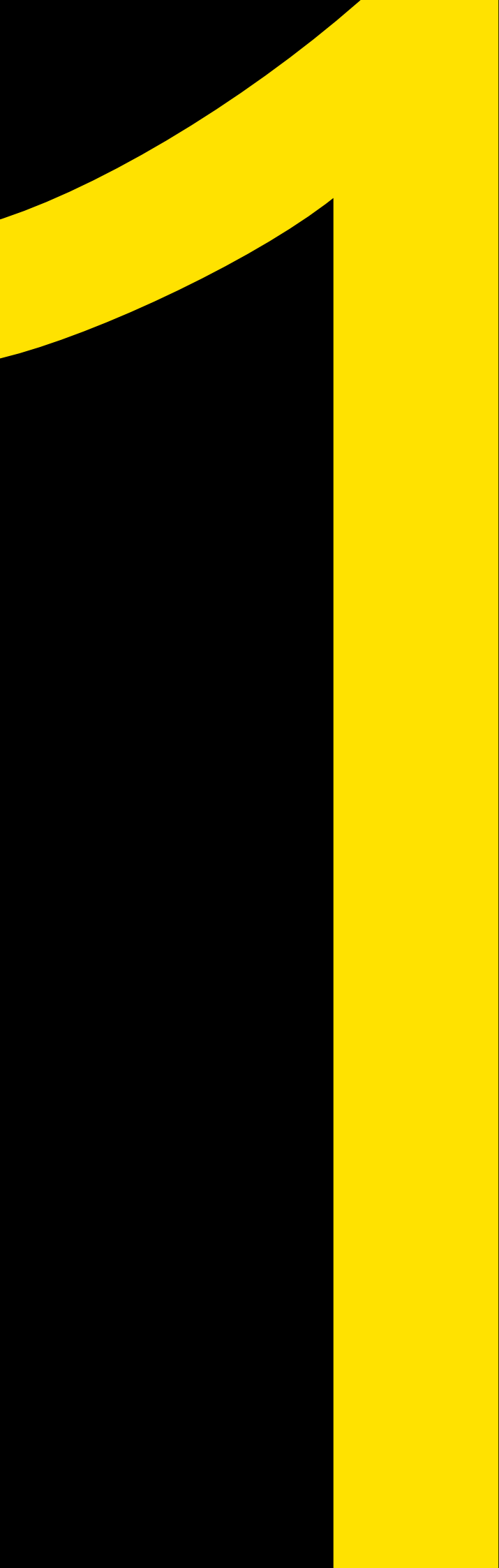
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# BOARD OF DIRECTORS' REPORT



# FIRST SECTION



# Letter to the shareholders

Dear Shareholders,

In 2019, Technogym has continued to grow in a sustainable and above all profitable way and saw record cash generation. In terms of turnover, Technogym grew in all market segments and sales channels in the year just ended. In terms of geographical areas, there was a continued growth trend in North America (+13%) and Asia Pacific (+16%) and significant results were reported in emerging markets such as the Middle East, India and Africa as well as in South America.

2020 was marked by the start of the Covid-19 epidemic in China, which then spread around the world, creating a period of great uncertainty. In this situation, we are deeply committed to protecting the health of our employees and containing costs while maintaining our investment programmes and being there for our customers. In the medium to long term, we are confident that when this emergency is over, the trend in fitness & wellness will resume its growth trajectory. Solid and well-structured companies will have to be ready to play a leading role in the recovery.

Innovation remains the driver for growth at Technogym. As well as product innovation and innovation in the digital ecosystem, we are focusing on producing content: online training experience videos to engage our consumers. At the end of 2019, we launched the first product, Technogym Bike, which allows users to choose on-demand training videos directly from the console of our smart equipment, at home, at the gym, in hotels and at work, through the Technogym LIVE platform. Other Technogym LIVE cardio products will be launched in 2020.

In the health segment, in 2019 we launched BIOCIRCUIT, the new circuit of products connected using an IOT approach, able to offer a complete training circuit in just 30 minutes, ideal for women and older customers. Through artificial intelligence, the products automatically adapt to the user in terms of intensity, progression of effort, ergonomic posture and rehabilitation programmes.

Looking to the future, we can confirm our strategy of sustainable and profitable growth thanks to consumers' growing interest in Wellness, to the unique nature of our solutions for the different market segments - not just fitness and sport, but above all health - and thanks to our increased penetration in non-European markets.

Finally, our corporate social responsibility commitments continue through the dissemination 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 launching prevention policies, for companies, which thanks to wellness programmes can count on more motivated and creative workers, and for consumers, who can improve their daily lifestyle.

Let's Move for a Better World.

Nerio Alessandri

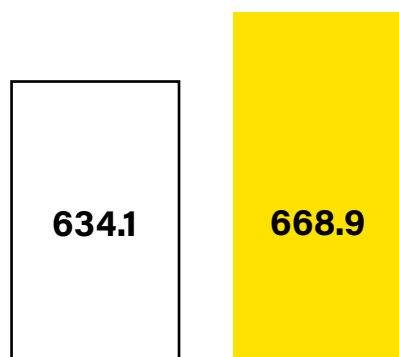




# FINANCIAL HIGHLIGHTS

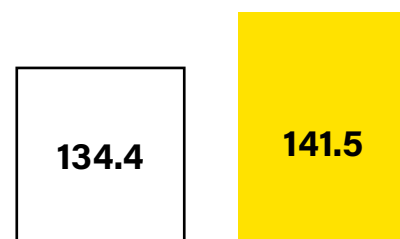
# Financial highlights

## Revenues



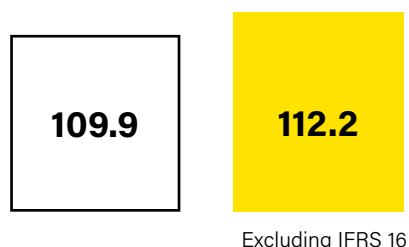
**+6%**

## Adj Ebitda <sup>1</sup>



**+5%**

## Adj Ebit



**+2%**

## Net Adj



**+2%**



1. The Group defines: adjusted EBITDA as the net operating income, adjusted for the following income statement items: (i) net provisions; (ii) depreciation, amortisation 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, amortisation and impairment losses and; the EBITDA margin as the ratio between EBITDA and total

(In million of Euro and ratios)

# Corporate bodies

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## Board of Directors

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

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## Board of Statutory Auditors

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<b>Chairman</b>	Francesca Di Donato
<b>Standing Auditors</b>	Claudia Costanza Ciro Piero Cornelli
<b>Alternate Auditors</b>	Laura Acquadro Stefano Sarubbi

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## Supervisory Body

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<b>Chairman</b>	Andrea Ciani Giuliano Boccanegra Emanuele Scorsonetto
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<b>Executive Officer responsible for the preparation of the company's financial statements</b>	Andrea Alghisi
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<b>Independent Auditors</b>	PricewaterhouseCoopers S.p.A.
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- <sup>(1)</sup> Independent Director.  
<sup>(2)</sup> Director Responsible for the Internal Audit and Risk Management System.  
<sup>(3)</sup> Member of the Control and Risks Committee.  
<sup>(4)</sup> Member of the Appointments and Remuneration Committee.  
<sup>(5)</sup> Member of the Related Party Transactions Committee.  
<sup>(6)</sup> Lead Independent Director.

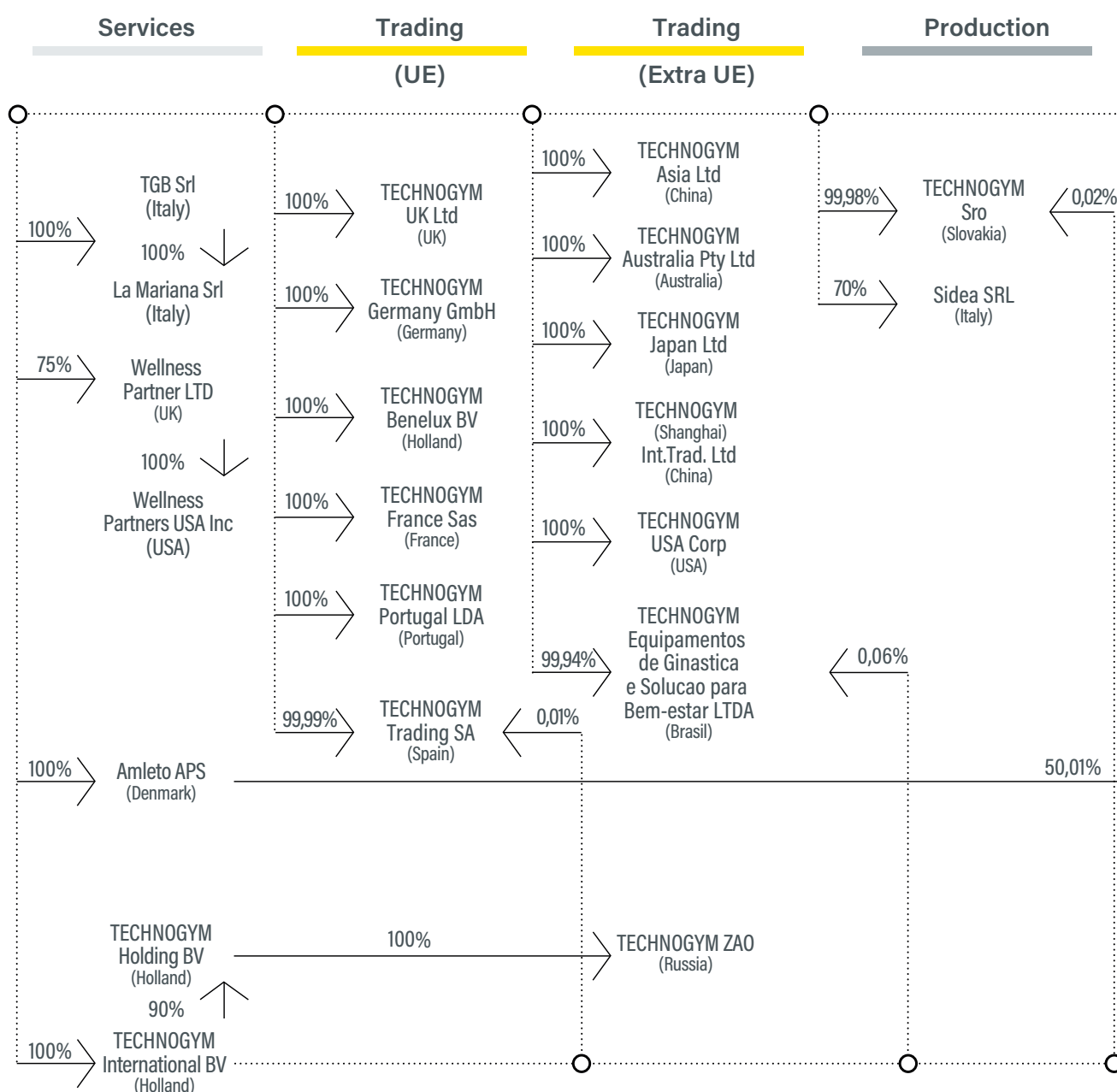
# Group organisational chart as of 31.12.2019



Technogym SpA (Italia)

## The Wellness Company

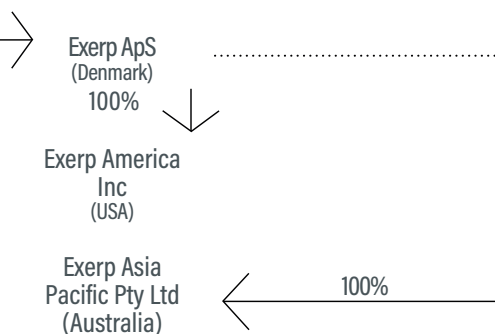
### Full Consolidation Method



### Equity Consolidation Method

#### Jointly controlled Entity

Wellink srl (Italy)	← 40,0%
T4ME Limited (UK)	← 20,0%
TECHNOGYM Emirates Ltd (UAE)	← 49,0%
Movimento per la salute Srl in liquidazione (Italy)	← 50,0%
Fistadium Srl in liquidazione (Italy)	← 45,0%



### Not Consolidated

#### Other Companies

Qicraft Finland OY (Finlandia)	← 10,0%
Pubblisole Spa (Italy)	← 2,4%
Consorzio Romagna Iniziat. (Italy)	← 12,5%
Crit Srl (Italy)	← 1,2%
Sviluppo imprese Romagna Spa (Italy)	← 4,4%
Sandcroft avenue limited (UK)	← 11,84%
Qicraft Norway AS (Norway)	← 10%
Qicraft Sweden AB (Sweden)	← 10%
Fimex AG (Switzerland)	← 5%

## SHAREHOLDINGS

As of 31 December 2019, 44.78% of the Issuer's share capital was held by Wellness Holding S.r.l. – a legal entity incorporated under Italian law, whose share capital is 75%-owned by Oiren S.r.l. and 25%-owned by Apil S.r.l. – and the remaining 55.22% was free float on the MTA market (screen-based stock exchange) managed by Borsa Italiana S.p.A.

Following the Accelerated Bookbuilding procedure concluded on 6 February 2020 by Wellness Holding S.r.l. for the sale of 10,000,000 Issuer's shares, as of the date of publication of this Annual Report, Wellness Holding S.r.l. holds 39.80% of the Issuer's share capital (which represents 56.94% of the total voting rights), while the remaining 60.20% of the Issuer's share capital is free float on the MTA market (screen-based stock exchange) managed by Borsa Italiana S.p.A.

Technogym is not subject to the management and coordination of Wellness Holding S.r.l., nor of the direct and indirect parent companies of that latter nor third parties. Please refer to the "Corporate Governance Report" for more details, drafted by taking into consideration the format prepared by Borsa Italiana for corporate governance reports. The report is available on the company website at [http:// corporate.technogym.com](http://corporate.technogym.com) in the "Governance/ Shareholders' Meeting" section.

# 1 Technogym

## 1.1 THE TECHNOGYM BRAND

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

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 products 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 300,000 homes.

Technogym has been an official supplier at the last seven editions of the Olympic Games: Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012, Rio 2016 and PyeongChang 2018, and was also recently chosen as the Official Supplier for the upcoming Tokyo 2020 Games, the company's eighth Olympic experience.



ALESSANDRI'S FAMILY GARAGE





## Milestones in Technogym's history

1983

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

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

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

End  
of the  
'80s

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).



1990

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

1992

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

1996

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

2000

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

## Milestones in Technogym's history

# 2007

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

# 2010

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

# 2014

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

# 2002

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

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

# 2012

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

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

## DISTRIBUTION Segments

# 2015

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

# 2016

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

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

# 2017

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

# 2018

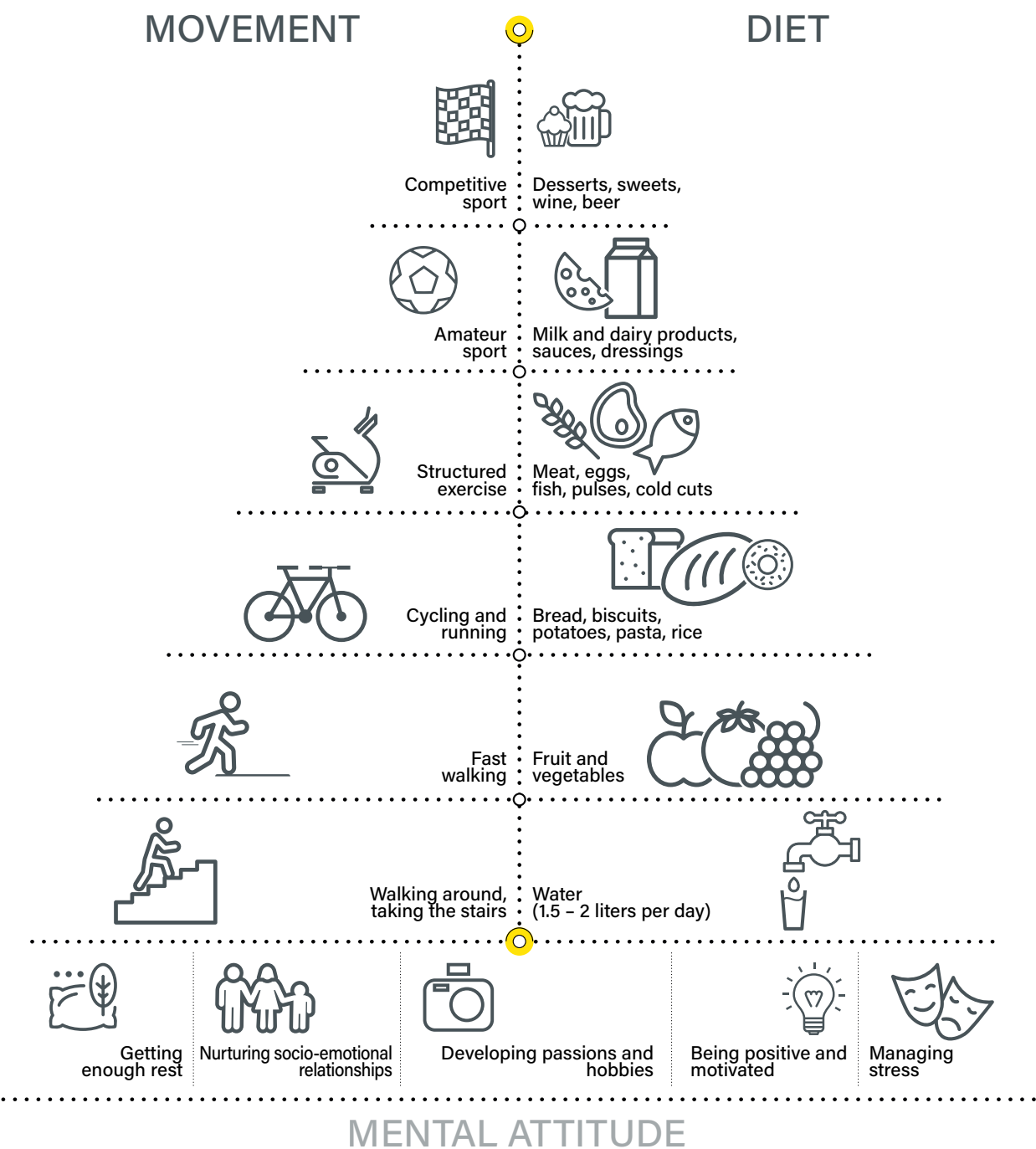
Technogym is **appointed official supplier to the 2018 Winter Olympics in PyeongChang**, the company's seventh appointment as an official supplier to the Games. In the same year, Technogym launched **SkillAthletic**, a new training method inspired by the training programmes of sporting champions.

# 2019

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

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

# The Technogym Wellness Lifestyle® Pyramid



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

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

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

In 2019, for the tenth consecutive year, Nerio Alessandri was a speaker at the World Economic Forum.

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

## **Mission and Vision**

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

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



## Strategy

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

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

### 1.3

## THE BUSINESS MODEL

Over the years, Technogym has become well-known for interpreting and anticipating its customers' needs, creating a global community of over 50 million people who train every day on its machines in 80,000 fitness centres and in more than 300,000 private homes in 100 countries worldwide. Today, Technogym is a leading light in the international wellness sector, capable of delivering all-round solutions for fitness, sport and health.

### Innovation, design and product development

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

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

To date, Technogym has an intellectual property portfolio of more than 290 patents, 190 designs and 394 national and international trademarks, which include 15 patents, 30 designs and 4 trademarks registered in 2019 alone.

2019 saw the successful continuation of the circulation of Technogym Ecosystem on the market, the first cloud based platform in the wellness sector; it allows individual users to access their personal data and training programmes and provides a complete range of consumer and professional apps to access individual wellness programmes, including via mobile devices. The platform makes it possible to connect final users, professional operators and Technogym products ("Wellness on the Go") in real time and in any environment, by

aiming to offer, on the one hand, greater personalisation and general improvement in the wellness experience for users and, on the other, new opportunities for professional operators to widen their customer base and retain customers.

In 2019, Technogym unveiled the revolutionary concept CLUB 4.0 at the industry's most important trade shows – IHRSA (San Diego – USA) and FIBO (Cologne – Germany).

CLUB 4.0 is Technogym's new strategy designed to offer a wide variety of training experiences at fitness clubs, in different areas, dedicated to people with diverse passions, needs and goals. Thanks to a combination of innovative products, the mywellness® cloud digital platform, training programmes, digital services and dedicated visual projects, Technogym can offer appealing, immersive, customised training experiences for every user.

The training format proposed by Technogym offers:

- › BIOCIRCUIT – the new circuit-based method giving clients bespoke training to meet their goals in a short time thanks to products which automatically adjust to the characteristics of each user and to the selected training programme with a single login at the start of the circuit.
- › SKILLRUN CLASS and SKILLRUN BOOTCAMP – immersive group training on the latest hi-tech treadmills, designed for professional athletes and amateur fitness enthusiasts alike – and the BOOTCAMP version, for more daring users, offering high-intensity training.
- › SKILLROW CLASS – indoor rowing to improve anaerobic power, aerobic capacity and neuromuscular abilities.
- › SKILLMILL CLASS – group lessons on the only non-motorised treadmill that allows users to train at the same power, speed, resistance and agility levels.
- › SKILLBIKE CLASS – ideal for cycling enthusiasts and triathletes who want to experience the thrill of outdoors - indoors, also in class and group versions.
- › SKILLATHLETIC – the new training experience developed from Technogym's experience as an official supplier at the last seven editions of the Olympic Games.

The training formats outlined above can give users a fully customised training experience thanks to the mywellness® digital platform, which connects the Technogym products to the customised programme of each user. Thanks to the Technogym ecosystem, users can display all their data and training programmes on their profile and in the mobile app, and combine the training they do at the gym on Technogym equipment with outdoor and day-to-day exercise.

On 5 March 2019, Technogym organised a preview of the Technogym LIVE project in London – the new platform that allows users to connect to live or on-demand fitness classes and training experiences developed in fitness studios located in various cities around the world, direct from Technogym equipment displays. Content developed directly by Technogym is also planned for the future.

Technogym Bike, the first product of the Technogym LIVE platform, was launched on the Italian and UK markets in November.

In April, Technogym presented BIKE Personal at the Salone del Mobile in Milan, the most important design trade fair on an international level. BIKE Personal combines the technology and innovation of Technogym with the style of Antonio Citterio. BIKE Personal is also a professional bike, featuring the most innovative training programmes and a design that blends in effortlessly with any type of furnishing. The materials used are stylish and refined, such as micro-polished steel and aluminium, processed using the best craftsmanship techniques.

BIKE Personal is fully integrated with the Technogym mywellness® platform, able to offer a comprehensive range of training content and programmes dedicated to fitness, sport and health directly from the product display.

In May 2019, Technogym presented the new Selection 900 and 700 range of strength products, representing the new frontier in strength training, adding new digital services and style options to the biomechanics and ergonomics of the Selection Line - the best known strength training line in the world.

Selection 900 is the widest range of products specially-designed for strength training, comprising a total of 24 pieces of equipment covering all muscle groups, which combine ease of use and comfort with the highest level of performance and reliability. Selection 900 comes with the innovative UNITY MINI console – the first virtual coach for strength products, able to provide extremely accurate support in terms of both biofeedback and training. UNITY MINI is fully integrated with Technogym's mywellness® cloud platform.

The new Selection 700 redefines the standard in its category. Designed to be compact and lightweight, it comes with the best biomechanics of the Selection line, with an intuitive design for a completely safe and comfortable training experience. Selection 700 comes with QR - NFC code integration.

Selection 700 also offers a range of 3 NEW PIECES OF DUAL EQUIPMENT – the innovative space-saving solutions that allow users to perform 2 different exercises with the same product.

In October, Technogym announced the launch of the new ARTIS LINE, which represents the new state-of-the-art in cardio and strength training. ARTIS products combine top design, biomechanical engineering and interactive technology, and come with new digital services.

As part of this line, Technogym also presented the new ARTIS SYNCHRO, the elliptical machine that offers optimum quality of movement thanks to the footrests that can be adjusted according to the load and ergonomic levers for the upper part of the body, which follow the spontaneous converging movement of the arms. ARTIS SYNCHRO also offers the longest stride ever.

To strengthen the competitiveness and attractiveness of the original concept, the new ARTIS line provides users with innovative and cutting-edge features, such as:

- › Full HD screen on all cardio machines
- › Large 21.5" Full HD screen on ARTIS Run – for a more engaging training experience
- › Guided routine videos and content streamed on all cardio equipment
- › Wireless phone charger to optimise users' training time
- › An even better end-user experience thanks to the improved Android operating system.

## **Medical-Scientific Research**

The presence of a medical-scientific department within the company has been a distinctive feature of Technogym since the early years of its history.

The contribution of the medical-scientific research centre is essential both as an integral part of product development and for the promotion of the wellness lifestyle throughout the world.

In support of its own staff, Technogym works closely with a network of outstanding partners, including brilliant consultants in the field of biomechanics, sports medicine and rehabilitation, as well as many universities and research centres, the world over.

In Italy, Technogym is a partner of the Neuromuscular Physiology Laboratory of the Department of Biomedical Sciences of Padua University; the Physiomechanics Laboratory of Locomotion of Milan University; the Tor Vergata Hospital and S. Raffaele Pisana Hospital in Rome, and the Biomechanical Laboratory of Perugia University.

On an international level, it collaborates with the University of Loughborough, the University of Coventry and Florida Gulf University.

In 2019, numerous new international scientific collaborations were established, the most significant of which include: the research project on the effects of physical exercise in patients with prostate cancers at Edith Cowan University in Perth, and collaboration with Nazarbayev University in Kazakhstan for the creation of the Centre of Sports and Exercise Medicine.

Scientific activity in the area also continues with the publication of scientific work in indexed journals and the attendance by managers from the Scientific Department at national and international scientific conferences to present scientific reports and posters.

## **Digital innovation**

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

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

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

Since its launch in 2012, the mywellness® platform has become a point of reference in the market in the field of Connected Wellness. Today, more than 15,000 wellness and fitness centres around the world connect to the Technogym mywellness® digital platform, with over 12 million registered users.

In the first half of 2019, Technogym presented its CLUB 4.0 concept, that uses digital ecosystem technology to offer a wide variety of training experiences at fitness clubs, in different segments, dedicated to people with diverse passions, needs and goals. Thanks to a combination of innovative products, the mywellness® cloud digital platform, training programmes, digital services and dedicated visual projects, Technogym can offer appealing, immersive, customised training experiences for every user.

Starting from the "Wellness on the go" strategy, involving the development of a seamless and integrated digital ecosystem consisting of smart equipment, mywellness® cloud and apps, offering a custom training experience – in 2019, Technogym presented the Technogym LIVE platform, offering training experiences and group classes run by popular trainers on Technogym equipment at home, at the gym, in hotels and at work.

Technogym BIKE is the first product to be integrated with the LIVE platform, enabling live or on-demand streaming of the best classes of the most important international fitness studios.

The Technogym LIVE platform is also a business opportunity for industry operators to offer their members training content and experiences from their club at home.

## **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 2019, the company's commitment to design delivered significant results: SKILLBIKE was awarded the prestigious German iF design award, presented by the International Forum Design, and the Italian ADI award, presented by the Italian Association for Industrial Design.

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

## PRODUCTION

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

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

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

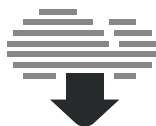
The Cesena facility, designed to guarantee both maximum productive efficiency and a work environment inspired by the principles of Wellness, covers an area of around 40,000 square metres. The production facility only includes product assembly lines designed according to lean production and total quality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

## THE OFFER: TOTAL WELLNESS SOLUTION

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



**Fitness, Wellness and sports equipment**



**Cloud platform and digital products**



**Services**

Aftersales, Training,  
Interior Design, Marketing Support  
and Finance

### **Content**

Digital training videos available on  
product consoles

## **Equipment**

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

## **THE NEW PRODUCTS LAUNCHED IN 2019**

### **New ARTIS Line**

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

In 2019, the ARTIS line was enhanced with new digital services in order to strengthen the competitiveness and attractiveness of the original concept. The new ARTIS line provides users with innovative and cutting-edge features, such as Full HD screen on all cardio machines, guided routine videos and content streamed to all cardio equipment, wireless phone charger, and improvement of the end-user experience thanks to the improved Android operating system.

### **Technogym Bike**

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

The Technogym LIVE platform stems from the "Wellness on the Go" strategy, which guided the development of a seamless and integrated digital ecosystem consisting of smart equipment, mywellness® cloud and apps, today present in 15 thousand fitness and wellness centres worldwide and offering people a custom training experience wherever/whenever: at the gym, at home, while travelling and at work.

Technogym BIKE offers users scientific tracking of their power output in watts plus unrivalled ease of use thanks to on-the-fly settings that provide the ideal saddle and handlebar position with just one touch. The flywheel resistance system is fitted with the strongest of permanent magnets, made of neodymium, for a smooth and regular ride.

Intuitive graphics and knob with tactile feedback every 45° enable easy adjustment of the 20 resistance levels.

## **Bike Personal**

TRAINING BIKE Personal is the latest innovation of the Personal collection, which combines the technology and innovation of Technogym with the style of Antonio Citterio. BIKE Personal is also a professional bike, featuring the most innovative training programmes and a design that blends in effortlessly with any type of furnishing. The materials used are stylish and refined, such as micro-polished steel and aluminium, processed using the best craftsmanship techniques.

BIKE Personal is fully integrated with the Technogym mywellness® platform, able to offer a comprehensive range of training content and programmes dedicated to fitness, sport and health directly from the product display.

## **Selection 900 and 700**

The new Selection 900 and 700 range of strength products represent the new frontier in strength training, adding new digital services and style options to the biomechanics and ergonomics of the Selection Line – the best known strength training line in the world.

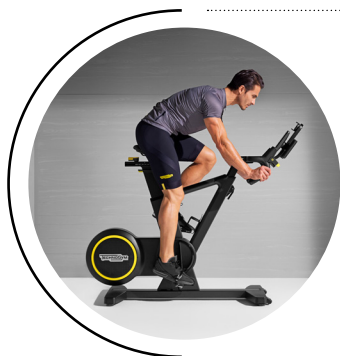
Selection 900 is the widest range of products specially-designed for strength training. It comprises a total of 24 products covering all muscle groups, which combine ease of use and comfort with the highest level of performance and reliability. Selection 900 comes with the innovative UNITY MINI console – the first virtual coach for strength products, able to provide extremely accurate support in terms of both biofeedback and training. UNITY MINI is fully integrated with Technogym's mywellness® cloud platform.

The new Selection 700 redefines the standard in its category. Designed to be compact and lightweight, it comes with the best biomechanics of the Selection line, with an intuitive design for a completely safe and comfortable training experience. Selection 700 comes with QR - NFC code integration.

Selection 700 also offers a range of 3 NEW PIECES OF DUAL EQUIPMENT – the innovative space-saving solutions that allow users to perform 2 different exercises with the same product.



## THE TECHNOGYM PRODUCT RANGE



### Skill Line

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



### Personal Line

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



### 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 maximum results to everyone looking for the best form of strength training and the highest level of sports performance.



## Med Line

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



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



## Biocircuit

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



## Skillathletic

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



## Skilltools

**Skilltools** is a complete **Kit** of tools to allow any type of movement to be performed and perfected with maximum benefit: from the mobility and warm-up stages to the actual workout, followed by the cool-down phase, maximising athletic performance and improving neuromuscular control.

Each element of the **Skilltools Kit** was developed to offer maximum workout variety to work on mobility, stability, strength, agility and reactivity.

## **Service**

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

## **Interior Design**

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

## **Financial Services**

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

## **Aftersales**

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

## **Marketing Support**

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

## **Networking Apps, Devices & Content**

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

## **Technogym University**

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

## **DISTRIBUTION**

### **Segments**

Technogym targets specific distribution SEGMENTS:

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

### **Fitness and Wellness Clubs**

Fitness and Wellness Clubs continue to represent the most significant market segment in terms of sales volumes. Technogym is the trusted supplier for the most important chains of clubs in the world, such as, for example, Virgin Active in Europe, Asia and South Africa, Life Time Fitness in the United States, and Nuffield in the UK.

In 2019, an important contribution to growth came from the new CLUB 4.0 formats, which represent Technogym's new strategy designed to offer a wide variety of training experiences at fitness clubs, in different areas, dedicated to people with diverse passions, needs and goals. Thanks to a combination of innovative products, the mywellness® cloud digital platform, training programmes, digital services and dedicated visual projects, Technogym can offer appealing, immersive, customised training experiences for every user.

The trend of Boutique Fitness Studios has been growing in the fitness sector in recent years. These are fitness centres typically located in urban areas and dedicated to a specific training experience (indoor cycling, running, bootcamp, rowing, etc.). Thanks to its offer of experience-based formats, Technogym has been chosen by numerous popular boutique studios such as Rumble in New York and San Francisco, which in 2019 chose the Technogym SKILLRUN format for its Rumble Training Studios. 1Rebel in London chose the Technogym Group Cycling format for 6 studios in the UK capital. This format, if successful, will soon be replicated in Australia. Recently, many other Boutique Studios have chosen to implement Technogym formats, such as Engine Room in London, which chose Skillrow for its rowing classes, Wattworks in Amsterdam, which organises group lessons on the new Skillbike, and Reboot in Moscow for the group running format on Skillrun.

Technogym's solution has also been hugely successful in the emerging segment 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. Some examples from 2019 include the BasicFit chain in France and Benelux, and FITX in Germany.

In 2019, Technogym consolidated its partnership with Lifetime Fitness (US) as an exclusive partner with significant expansion and started supplying Nuffield Health (UK) with an agreement covering installations over the coming years.

## **Hospitality & Residential**

Technogym products are already present in the most prestigious hotels throughout the world, and in 2019 the brand remained a key reference for luxury hotels. 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.

In 2019, the company supplied numerous hotels on all continents, including W in Ibiza, W West Beverly Hills, Nobu in Barcelona and Chengdu, the Four Seasons in Madrid and Boston, the Waldorf Astoria Grand Wailea in Maui, the Miraval Berkshire Resort in Lenox and Massachusetts, Soho House in Chicago, Century Plaza in Los Angeles in the United States, the One & Only luxury hotel and beach resort in Mandarina, Mexico and the Montenegro resort, Belmond Cap Juluca on the Caribbean island of Anguilla, as well as the Ritz Carlton in Nanjing and Xi'an and Park Hyatt in Kyoto in Asia, plus many more besides.

The most prestigious cruise ships chose Technogym as partner for their on-board gyms; in early 2019, Technogym was awarded the contract as Supplier of the MSC Lirica, MSC Grandiosa and MSC Armonia, Regent Seven Seas Cruises Splendor, Virgin Voyages Vailant Lady and Crystal Cruises Endeavour, among others.

Technogym is also present in the world of large high-spec residential projects. In 2019, examples include Fairmont Century Plaza in Los Angeles, Qatari Diar Chelsea Barracks in London and the Brickell Flatiron Luxury Condos in Miami.

## **HCP (Health, Corporate & Performance)**

As regards the HCP segment, more and more companies all over the world are launching their own internal Corporate Wellness programmes. Worldwide, over 10,000 companies have already chosen Technogym as their partner for the creation of projects aimed at improving the health of their employees.

Technogym is a partner of prestigious companies including Facebook, Google and Apple in Silicon Valley.

In 2019, Technogym significantly expanded its portfolio of products and services for businesses, offering, as well as the already established supply of equipment and software, the option of the all-round management of spaces dedicated to corporate wellness, such as the organisation of activities, space functional management, and personalised health assessments for every employee.

In 2019, the company installed numerous wellness centres, including the agreement with Goldman Sachs, which opted for Technogym as an international partner for its Corporate Wellness programme, from the new offices in London, to those in Bangalore, Tokyo and Hong Kong. During the year, Technogym also created Corporate Wellness projects for the new Giorgio Armani headquarters and Gucci offices in Italy, for the Porsche offices in China, the headquarters of the pharmaceutical company Novartis in France, the Hitachi headquarters in Japan, the European headquarters of Asics, Renault's central offices in France, the offices of McKinsey & Company, Morgan Stanley and GSK in the UK, the Ferrero headquarters in Luxembourg, and the Pacific Insurance headquarters in China, just to name some examples.



In the Education sector, the best universities and business schools picked Technogym for the promotion of the right lifestyles to young talent. In 2019, the company equipped the largest European university sports centre at Warwick University as well as the centres at Lancaster, Birmingham and Loughborough Universities in the UK, Erasmus University in Rotterdam, Boston College in the United States, Federation University Mt. Helen, as well as a training centre at Newcastle University in Australia, where the national Olympic athletes train.

In the Medical market, new projects were established thanks to the launch of the new BIOCIRCUIT, completely driven by the mywellness® cloud digital platform, which was installed in over 80 of the leading physiotherapy centres in Germany. It also enjoyed great success in the Far East, both in Japan and China, thanks to collaboration with the Canada Wellness Institute, which has produced great results in the Canadian market, replicated in 2019 in China.

The best hospitals and rehabilitation centres around the world have chosen Technogym this year: the company equipped the new Matsukura Chuo clinic, the new Kasaoka Daiichi hospital in Japan, Hancock Regional Hospital in the United States, and the Clinique de Saint Orens in France.

In the Sports Performance sector, in 2019 Technogym equipped centres where some of the world's best athletes train, including: the Polo and Les Pyramides luxury sports clubs in France, the Atalanta training centre in Italy, and the training centre of the Atletico Madrid and Real Valladolid teams in Spain.

In 2019, in the United States, many teams chose Technogym to train their athletes, including the New York Giants, Green Bay Packers, Tampa Bay Buccaneers, the National Football League's Buffalo Bills, the Los Angeles Lakers, Phoenix Suns, New York Knicks, the NBA's Toronto Raptors, the New York Rangers, Anaheim Ducks, the Chicago Blackhawks from the National Hockey League, the Minnesota Twins, and baseball's Arizona Diamondbacks.

## **Home & Consumer**

The Consumer segment grew in 2019, in particular thanks to the relaunch of the Personal line, designed in partnership with the architect Antonio Citterio. This line is the collection of iconic home fitness products known around the world, fitting in perfectly with the furnishings and design in any setting. At the 2019 Salone del Mobile in Milan, Technogym launched the new BIKE from the Personal collection.

The SKILL line, dedicated to sports performance training, also had a significant sales result in the home segment, above all among sports enthusiasts who want to create a home gym and prefer to choose products that are the training benchmark in leading international sports centres.

Today, Technogym is present in more than 300,000 private homes. On a European level, Technogym is seeing particular success in the Benelux, British and Spanish markets in the home segment. In the rest of the world, Russia, China, the United States and Brazil recorded significant growth compared with the previous year.

The inaugural event of the new store in Madrid was held in February 2019, where a space of over 500 square metres dedicated to wellness was created in the heart of the luxury shopping area of the city. In line with the new retail openings, the Spanish project is the perfect place to experience the Wellness lifestyle in all its aspects: not only can visitors purchase the best products and services for physical exercise, athletic training and rehabilitation, but they can also undergo tests to assess their level of physical performance and obtain a personalised training programme created by experienced personal trainers.

On 5 March 2019, Technogym previewed the Technogym LIVE project in London – the new revolutionary platform for home fitness, where private users can access training programmes and the classes of the best fitness studios in the world. Technogym Bike, the first product integrated with the Technogym LIVE platform, was officially launched on the Italian and UK markets in November 2019.

During 2019, Technogym also created a pop-up corner in the KADwEe department store in Berlin, and a temporary wellness space in Porto Cervo as part of the prestigious Waterfront project, which in the summer showcased the most important luxury and lifestyle brands within the setting of Costa Smeralda. Also in 2019, Technogym opened a new boutique in Moscow at GUM, the famous Moscow home department store.

Working with distributors in the relative markets, Technogym opened a boutique in Doha at the Festival City Mall, Qatar's leading department store, and a showroom with offices in Kuala Lumpur in Malaysia as well as a store in Warsaw.

## **Channels**

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

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

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

## **Geographical areas**

Technogym is present in all the major global markets. In 2019, around 90% of company sales occurred outside Italy and roughly 42% outside Europe, with a highly positive trend in North America and APAC, strategic markets for the future development of the company.

In Europe, the main market in terms of revenues, the Group maintained its market shares in 2019, with excellent performance in Germany, France and Benelux countries, partially offset by the difficult economic context in Russia and by the growing uncertainties related to Brexit in the UK. In Italy, the growth trend seen following the excellent results of 2018 continues.

## **Marketing and communications**

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

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

## **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 in 2019, in the various market segments in which it operates. The most significant of these include:

- › WEF – WORLD ECONOMIC FORUM 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.
- › On 28 February, an event was held, attended by numerous celebrities and stars, to celebrate the opening of the NEW BOUTIQUE IN MADRID in Via Claudio Coello, situated in the capital's most exclusive shopping district.
- › On 5 March – Technogym previewed the Technogym LIVE project in London – the new revolutionary platform for home fitness, where private users can access training programmes and the classes of the best fitness studios in the world.
- › IHRSA – the most important global fitness and wellness event that was held in San Diego, California in 2019 – where Technogym presented the new CLUB 4.0 concept, which gives operators the chance to innovate their own business model, offering diverse experiences to different users based on their own goals and passions.

- › FIBO – the most important European fitness and Wellness event, held in Cologne, Germany.
- › SALONE DEL MOBILE DI MILANO (MILAN FURNITURE FAIR) – the key reference event in the design world, with Technogym launching the new BIKE from the Personal collection, designed in partnership with Antonio Citterio. BIKE PERSONAL is also a professional bike, featuring the most innovative training programmes and a design that blends in effortlessly with any type of furnishing.
- › In May 2019, the Technogym Village hosted the Technogym FORUM, held in Cesena and bringing together over 300 international operators in the wellness and fitness sector, to analyse and share experiences of how clubs can make the most of connected wellness technologies to improve their business and at the same time have a positive social impact on local communities.
- › RIMINI WELLNESS – the reference industry trade fair for the Italian market.
- › PAN AMERICAN GAMES – Technogym was the Official Supplier and Bronze Sponsor of the Pan American Games and Parapan American Games 2019, held in Lima from 26 July to 1 September. This is the most important sporting event in the American continent, bringing together 6,700 athletes from 61 disciplines and 39 different sports.
- › WORLD ROWING CHAMPIONSHIP – Technogym was chosen as the Official Supplier of the World Rowing Cup contest, held in Rotterdam in the Netherlands in July.
- › MEDICA – held in Düsseldorf, this is the reference trade fair for the medical sector, where Technogym presented BIOCIRCUIT as a certified rehabilitation product as well as other digital products and solutions for the medical market.
- › Technogym JAPAN FORUM – in October 2019, Technogym organised its Innovation Forum in Tokyo, dedicated to the leading fitness and wellness operators in the Chinese market as well as opinion leaders from the hospitality, real estate and medical industries.

## **Partnerships**

For many years now, the world's most prestigious sports clubs have worked with Technogym on the physical training of their athletes. In Italy, Technogym continues its football partnerships with Juventus, Inter, Milan and the Italian National Team. With the goal of expanding its partnerships abroad, especially in key markets, in 2019 the company confirmed its partnerships with top international clubs such as Paris Saint Germain in France, and the Russian and Brazilian national teams.

In basketball, Technogym also continued its collaboration with Olimpia Milano in 2019. 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, the NBA star Marco Belinelli, and highly successful teams such as Ferrari and McLaren in Formula 1. In sailing, Technogym was chosen by Luna Rossa and Ineos Team UK in view of the upcoming America's Cup, while in golf it is an Official Partner of the PGA (Professional Golfers Association), the organisation that manages the main professional golf tours in the United States. In the world of tennis in 2019, Technogym was the Official Supplier for the ATP Finals in London and ATP Next Gen in Milan, as well as for other important tournaments such as Roland Garros, the Davis Cup Final in Madrid, and the Italian Open in Rome.

In summer 2019, Technogym was the Official Supplier and Bronze Sponsor of the Pan American Games and Parapan American Games, held in Lima from 26 July to 1 September. This is the most important sporting event in the American continent, bringing together 6,700 athletes from 61 disciplines and 39 different sports.

## **Olympics**

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

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

In 2019, Technogym was also the Official Supplier and Bronze Sponsor of the Pan American Games and Parapan American Games 2019, held in Lima from 26 July to 1 September, bringing together 6,700 athletes from 61 disciplines and 39 different sports.

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

## **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, Technogym Village was inaugurated, the first Wellness campus in the world; a cultural centre, an innovation laboratory and a production centre, where partners, clients, suppliers and guests from around the world can enjoy a real experience inspired by Wellness.

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

In 2019, 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 organisation**

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

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

<i>(in numbers)</i>	Year ended 31 December			
	2019		2018	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	60	60	62	61
White-collar	1,380	1,382	1,313	1,366
Manual workers	695	680	673	706
<b>Total number of employees</b>	<b>2,135</b>	<b>2,122</b>	<b>2,048</b>	<b>2,133</b>

The new LMS global platform was launched in 2019, dedicated to company training, both blended training and e-learning, accessible to all company workers.

The company also extended its training activities for the production departments through a number of initiatives: the formal establishment of the “Scuola dei Mestieri” (“Skills School”) for the practical training and education of production line employees; the creation of a special training catalogue; and continual on-the-job training in all departments.

2019 saw the successful conclusion of the “Building our Future” technical and management training programme aimed at a select group of employees on an international level.

In line with the company's values, and with the aim of promoting a leadership culture at all levels, the Technogym Leader model was developed in a collaborative way, and training activities and workshops were created to provide continuity to the “My Responsibility” project – a team and individual coaching programme – initiated the previous year.

Once again in 2019, the “W4W” (Working 4 Wellness) project was expanded: the comprehensive programme of activities and services for employees, which puts health and wellbeing centre stage through the Corporate Wellness programme and the company restaurant. A wide range of special offers and rates are also available to Technogym staff and their families for healthcare, cultural and leisure services at external facilities.

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

As part of the many “W4W” initiatives, the new “Wellness Championship” was created: a team competition between the different production lines, measuring a number of different indicators, including: efficiency, suggestions for improvement, and absenteeism. The winners of the competition will be able to enjoy a team building experience.

Starting this year, the new Technogym-Take Home service was also initiated, offering all employees the possibility of ordering dinner directly through an app, which they then pick up, take home and eat with their families.

## 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 running classes on SKILLRUN, group cycling, rowing using SKILLROW or SKILLATHLETIC TRAINING. In the summer months, basketball and beach volleyball tournaments are also organised.

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

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

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

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

The Wellness check-up comprises both blood tests and a specialist medical examination. From the analysis of the data, analysed by independent universities, it can clearly be seen that Technogym employees involved in the Corporate Wellness programme are on average healthier compared to the standard values of the population, and that their health parameters improve year on year or stay stable over time.

All working environments within the Technogym Village are examined in terms of personal wellbeing, including posture, lighting and movement education, and some meeting rooms are fitted out for standing meetings and to facilitate movement.

Over the years, all these initiatives have generated a virtuous cycle that the company defines as "collaborative wellness", where some employees voluntarily organise 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, organising training initiatives, classes and tournaments through a shared process.

## **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 2019, developed locally, nationally and internationally.

### **Exercise is Medicine**

For the ninth 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 with the initiative included the publication of new documents, participation in the annual convention held in Orlando (Florida) and the organisation of events in Italy and other parts of the world to train doctors and trainers.

In 2019, the training activities carried out in collaboration with ACSM were strengthened, organising online training webinars and publishing in-depth articles.

### **Workplace Wellness Alliance**

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

### **Let's move for a better world**

Following the success of the previous editions, in the first half of 2019, Technogym organised the sixth edition of its social campaign "Let's Move for a Better World". The campaign, which leverages the functionality of Technogym's digital offering, the Technogym Ecosystem, involves individuals throughout the world visiting fitness and wellness clubs where they can donate their physical movement to a good cause.

Facilitated by UNITY, the Technogym console connected to the mywellness® cloud, the first fitness cloud platform, participants can measure their MOVEs (Technogym's unit of measurement for movement) and share their workout with the rest of the community. The most active fitness clubs in every country around the world will win the chance to donate Technogym products to a non-profit organisation in their area working in the sector of sports education for young people.



The campaign is a genuine community management initiative that, on the one hand, promotes the values of health and preventative care among the population and, on the other hand, offers concrete assistance to non-profit organisations with a view to educating people regarding healthy lifestyles. More than 200,000 people at 1,373 fitness clubs in 32 countries across the globe took part in the 2019 edition.

## **GREAT CAMPAIGN OVERALL**

### **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 granted access to its competencies and structures and organised concrete activities as well as meetings and thematic discussions to facilitate networking among all the stakeholders in the area.

Wellness Valley is intended to show how it is possible to build a social, cultural and economic ecosystem that encourages people to adopt a healthy lifestyle to prevent chronic illness, improve quality of life and socio-economic conditions.

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

The 2019 Wellness week, held from 17 to 26 May, was a huge success, offering a whole host of ideas suitable for all fitness levels: from international sports events such as the Granfondo Nove Colli and 100 km del Passatore races, to hundreds of initiatives to discover the local heritage, with trekking, traditional or e-bike rides, photographic tours, tastings at the best wineries in the area, cooking classes, cultural events, access to spas for a relaxing treat, training sessions at fitness clubs in the area and free activities in the town's parks.

On 17 September 2019, Technogym Village hosted the annual Wellness Valley Stakeholder Workshop, during which the third edition of the Wellness Valley Report was presented, the study analysing the impact of the Wellness Valley project on the local community of the Romagna region in terms of “health and prevention”, “sustainable economic development” and “regional promotion”.

The research shows how Romagna is home to Italy's most active population, with some interesting figures on the lifestyle of people in the region.

- › In Romagna, 13% of the population is sedentary, compared with the national average of 28%;
- › 29% of the population use a bicycle to get about each day, compared with the national figure of 11%; 51% of the population in Romagna get about each day on foot, compared with the national average of 40%;
- › 40% of doctors in the Region prescribe physical activity as treatment, compared with the national average of 30%;
- › Population at risk of disability due to chronic disease: Romagna 10.2%, compared with the national figure of 20.8%;
- › In Romagna, the number of companies active in the wellness sector went up by 12%, compared with the total number of companies, which went down by 7%.

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

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

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

## **Environment and safety**

The environment is a fundamental element of the Wellness lifestyle, the Company's philosophy aimed at promoting sustainable socio-economic development. Environmental and ecological sustainability themes have always been central to Technogym's strategy and processes. UNI ISO 14001 and UNI EN ISO 50001 certified activities also continued in the financial year just ended, 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 ISO 45001 occupational health and safety system, for the UNI EN ISO 9001 management system for Wellness equipment design, production, installation and assistance, and UNI EN ISO 14385 certification for functional rehabilitation equipment design, production, installation and assistance.

## TECHNOGYM AND THE STOCK MARKETS

### Financial markets

Despite the continuing geopolitical tensions in different geographical areas – tensions between the USA and Iran jeopardise the stability of the Middle East, and Syria and North Korea continue to represent elements of uncertainty – and growing concerns about the trade war, the global economy expanded in 2019 for the ninth year running. Although there have been some setbacks, mainly related to fears of an escalation in the US-China trade war and the involvement of Europe, 2019 was characterised by a steady advance in the world's stock markets.

Following the correction in the last quarter of 2018, the S&P 500 registered a performance of +29% in 2019 (+31.5% in terms of Total Return) continuing to outperform, quarter by quarter, every previous record, in part sustained by the low yields offered by the bond asset class. Despite some corrections in May and August, mainly the result of the US-China trade war, the US market continued on a path of strong growth, reaching +13% – largely without major corrections – in the last quarter of the year. This performance was achieved against the background of a slightly lower volatility compared to the historical average and to 2018 (15% average compared with 17%), but in any case characterised by peaks of 20% and 25% respectively during May and August's corrections, thus representing an overall healthy picture for the stock market. The bond asset class also registered a very positive performance in Europe (+25% for Eurostoxx 50) mainly sustained by the last quarter and with two setbacks in July and August. Despite this, the European indexes are still very far from the maximum levels reached not just in 2000 (-30%) but also in 2007 (-16%), thus leaving room for further upturns. Turning to Italy, the two main indexes, FTSE MIB and FTSE Mid Cap, performed +28% and +18% respectively, also in this case the result of an excellent last quarter, where the anticipation of regulatory changes in support of PIR funds brought a new and growing interest in many quality mid-cap Italian names. After the slowdown in 2018 and despite the continuing economic uncertainty in many areas (from the slowdown in growth in China to the street tensions that have impacted almost all of Latin America), emerging markets returned to a growth of +15% in 2019.

The performance of the bond market in Europe was once again affected by the policies of the European Central Bank, which decided at its meeting on 12 September to reduce the interest rate on the central bank's deposit facility by a further 10 basis points (now -0.50%), at the same time relaunching quantitative easing measures for a monthly amount of Euro 20 billion as of 1 November and without a fixed deadline to remedy the persistent misalignment of inflation in the Euro Zone compared with the target. This decision was all the more important in light of the changeover in November from Mario Draghi to Christine Lagarde at the head of the Frankfurt institution. It should be remembered that in 2019, the 10-year Bund saw a negative yield from March onwards, closing the year with an average yield of -0.2% and a minimum of -0.57% at the beginning of September. In this context, the 10-year BTP also recorded a significant drop in yields (1.3% at the end of the year, 1.9% on average over the year).

In the USA, following the increase in yields recorded in 2018, 2019 was characterised by a contraction in 10-year yields that reached a minimum in August (1.47%), a month in which there was also a reversal of the yield curve that led to an increase in volatility on all markets in the short term as a result of increased fears of an economic slowdown. During the months that followed, the yield of the 10-year Treasury increased, reaching an average yield for the entire year of 2.14%.

The bond market in emerging countries recorded double-digit yields in 2019, supported by the growing interest of international investors in the much more attractive yields than those offered in developed economies.

## Financial market trends

Market Index	QTD	YTD
<b>Eonia</b>		
Bonds	-1.1%	-28.5%
Government Italy	-3.1%	10.6%
Government EMU	-3.0%	6.8%
Government Global (in LC)	-1.7%	6.1%
<b>Shares</b>		
S&P 500 TR (USD)	8.2%	29.6%
MSCI Europe TR LC	5.4%	22.8%
MSCI World TR LC	7.9%	25.8%
Nikkei TR LC	8.7%	18.2%
MSCI Emerging Markets TR (USD)	11.7%	16.2%
<b>Currencies (vs Euro)</b>		
USD	2.7%	-2.1%
JPY	3.5%	-3.4%
GBP	-3.7%	-5.2%
<b>Commodity</b>		
Bloomberg Commodity Index TR (in USD)	4.6%	4.9%
Gold (\$/OZ)	2.9%	18.3%
<b>Crude Oil, WTI (future)</b>	<b>16.1%</b>	<b>28.0%</b>

Source: Bloomberg, data as of 31 December 2019.

## INFORMATION ON SHARES

Within this context, the Technogym share price registered one of the notable performances among mid-cap stocks (+24%), higher than that registered by FTSE Mid (+17%) and slightly lower than the +31% of FTSE MIB. Since listing on 3 May 2016 at Euro 3.25/share, share growth has been +257%.

On 9 April 2019, the main shareholder, Wellness Holding S.r.l., successfully completed the sale of a total of 14,000,000 ordinary Technogym S.p.A. shares equal to approximately 6.96% of the share capital of the Company, at a price per share of Euro 10.30, for a total value of Euro 144.2 million. The operation took place through an accelerated bookbuilding procedure, reserved for qualified investors in Italy and foreign institutional investors. Following the completion of the transaction, Wellness Holding S.r.l. maintained control of Technogym S.p.A., holding a total of 90,000,000 shares in the Company, equal to 44.78% of the share capital, corresponding to 180,000,000 voting rights and equal to 61.86% of the total voting rights.

Following the Accelerated Bookbuilding procedure concluded on 6 February 2020 by Wellness Holding S.r.l. for the sale of 10,000,000 Issuer's shares, as of the date of publication of this Annual Report, Wellness Holding S.r.l. holds 39.80% of the Issuer's share capital (which represents 56.94% of the total voting rights), while the remaining 60.20% of the Issuer's share capital is free float on the MTA market (screen-based stock exchange) managed by Borsa Italiana S.p.A.

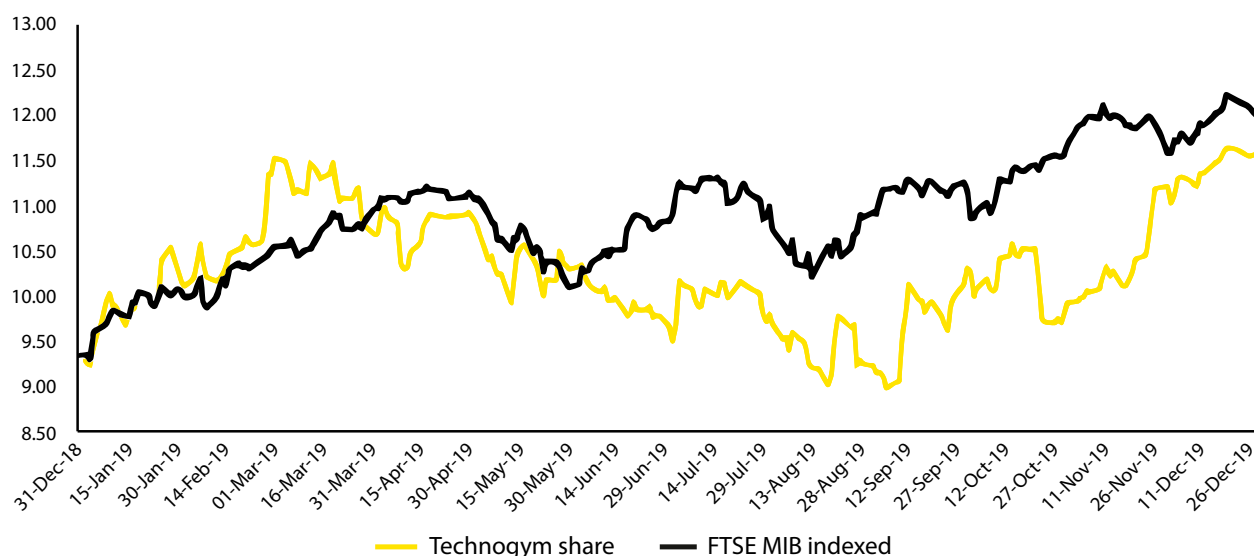
The company does not own and did not own during the period, either through third parties or trust companies, treasury shares or shares or holdings in parent companies.

### Share performance

The diagram below summarises the performance of the Technogym share price:

Main stock market indicators (Euro)	
Shares listing	
Official price as of 2 January 2019	9.26
Official price as of 31 December 2019	11.59
Minimum closing price (January - December)	8.98
Minimum price in absolute terms	8.83
Maximum closing price (January - December)	11.65
Maximum price in absolute terms	11.75
Stock market capitalisation	
Stock market capitalisation as of 2 January 2019	1,862,251,024
Stock market capitalisation as of 31 December 2019	2,329,647,950
Ordinary shares	
No. outstanding shares	201,005,000

## Share performance



From the start of 2019, the Technogym share price recorded a change of +24% in absolute terms, outperforming the FTSE Mid Cap by 7%.

The minimum closing price over the year was Euro 8.98, recorded on 06 September 2019, while the maximum closing price in the reference period was Euro 11.65, registered on 20 December 2019. The minimum price in absolute terms for the year was Euro 8.83, registered on 19 August 2019.

## 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 2019:

Main shareholders	Number of shares	Share	Voting rights
Wellness Holding S.r.l.	90,000,000	44.78%	61.86%

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

Following the Accelerated Bookbuilding procedure concluded on 6 February 2020 by Wellness Holding S.r.l. for the sale of 10,000,000 Issuer's shares, as of the date of publication of this Annual Report, Wellness Holding S.r.l. holds 39.80% of the Issuer's share capital (which represents 56.94% of the total voting rights), while the remaining 60.20% of the Issuer's share capital is free float on the MTA market (screen-based stock exchange) managed by Borsa Italiana S.p.A.



## 2020 Financial Calendar

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





# SECOND SECTION



# Foreword

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

## **OPERATING PERFORMANCE AND COMMENTS ON THE ECONOMIC AND FINANCIAL RESULTS**

### **Macroeconomic scenario**

"Risks to the global economy are continuing to diminish; world trade has started to expand again and there have been signs of an easing of the tariff disputes between the US and China, but the outlook remains uncertain and geopolitical tensions are increasing. Less pessimistic growth expectations, helped by the accommodative stance of central banks, have, however, boosted share prices and facilitated a moderate recovery in long-term yields". These are the opening lines of the latest Economic Bulletin published by the Bank of Italy in January, confirming the critical issues that had already emerged at the start of the year.

Global business confidence indexes for manufacturing (so-called SME indexes) were down throughout 2019 in all advanced economies, driven by the general uncertainties linked to the trade war and an unfavourable economic situation for the manufacturing sector. Across all developed economies, the SME index points to a recession or at least a slowdown in the economic cycle in the coming months, with values below the psychological threshold of 50 points (46 points for the Euro Zone, 47 for the UK and United States, and 48 for Japan). The situation in emerging countries is more varied with the current stabilisation of economic activities in China following a contraction in early 2019, a decrease in India and substantial stabilisation – albeit at modest levels – in Russia and Brazil.

After three consecutive quarters of contraction, world trade returned to growth in the third quarter of 2019 (+2.6%) thanks to a recovery in imports in both advanced countries and emerging economies. In December, the United States and China signed phase one of a trade agreement, thus avoiding the tariff increases planned for mid-December and halving those introduced in September; although this agreement is limited to agricultural and energy goods – real negotiations will have to progress in the coming months in relation to intellectual property and technology – it represents the first concrete sign of a decrease in tensions, which had been intensifying since 2018. According to forecasts released by the OECD in November, the global economy is expected to expand by 2.9% this year (slightly down from the previous estimate of +3.0%), as in 2019, representing the lowest growth since the global financial crisis of 2008-09. According to Bank of Italy estimates, international trade was expected to increase by 0.6% in 2019 and accelerate modestly in 2020, although two of the main risks are gradually being mitigated (US-China trade war and Brexit).

Inflation remained moderate in the main advanced economies, reaching over 2% annual inflation in the United States alone during the last quarter of 2019. Inflation remained stable in the Euro Zone compared with 2018 with a +1.3% annual rate driven by service price trends which offset the decline in the energy component. In the United Kingdom, inflation dropped significantly during the year, continuing the contraction started in 2018, and is now in line

with the Euro Zone (compared with 3.0% in 2017). Finally, Japan has the lowest inflation level (+0.5%).

Even though the two main areas of focus in recent years (trade war and the consequences of a no-deal Brexit) seem to have reduced, the spread of Coronavirus COVID-19 outside China could put global economic growth targets at risk. In such a scenario, and considering the US presidential elections in November, there is no reason to expect a rapid departure of central banks from their current growth support role.

2019 was also marked by continued support for the economic cycle by central banks. The persistence of geopolitical tensions and risks associated with a potential escalation of the US-China trade war as well as extremely low inflation levels have led institutions to rethink the abandonment of expansionary policies started gradually in 2018. After increasing its reference rates by 75 basis points in 2018, the FED made three cuts of equal amount in 2019 to support the US economy in light of growing uncertainty and fears of a slowdown in the US economy. In Europe, the ECB decided at its meeting on 12 September to reduce the interest rate on the central bank's deposit facility by a further 10 basis points (now -0.50%), at the same time relaunching quantitative easing measures and reassuring the markets that the changeover at the head of the institution from Draghi to Lagarde will not significantly affect Europe's monetary policy scenario.

In the USA, the growth in real GDP reached +2.1% in the third quarter combined with a core inflation, i.e. excluding food & energy, of 2.1% (just above the FED target of 2%). The acceleration in growth in the third quarter (compared with +2.0% in the second quarter) benefited from the positive contribution of the reduction in inventories, the upturn in exports and the performance of real estate investments, partially affected by the reduction in expenditure by the federal government and local governments and by lower investments in the non-residential sector. In this context, the profits of financial companies registered a decrease of USD 4.7 billion in the third quarter (compared with an increase of 2.5 billion in the second quarter), a trend also confirmed by non-financial organisations which saw a contraction in profits of 5.5 billion (compared with an increase of 34.7 billion in the second quarter). For 2020, recent OECD estimates, prior to the spread of COVID 19, project a growth in GDP of +2.0%.

In the Euro Zone, which as we have seen represents 60% of Technogym's turnover, 2019 showed a marked slowdown in growth (+1.2% according to the latest OECD estimates compared with +1.9% in 2018) following a sharp downturn in the manufacturing sector, which, according to the available indicators, would continue into the latter part of the year. Weakness was concentrated in the industrial sector, where activities contracted mainly in the summer months, with a particularly marked decline in Germany, while added value in the services sector grew both in the Euro Zone and in the continent's three largest economies. In the Eurosystem projections made in December, inflation will remain well below 2% over the next three years, allowing the Governing Council of the ECB to confirm its accommodative stance for a long time to come. According to recent OECD estimates, prior to the spread of COVID 19, the Euro Zone should register a growth in GDP of +1.1% in 2020. In Italy, a country that accounted for less than 10% of group revenues in 2019, according to the latest available information, GDP is expected to be substantially stable in the fourth quarter (+0.1% in the first three quarters of the year), mainly due to the weakness of the manufacturing sector. This performance was sustained by the growth in domestic demand, the result of an increase in disposable income of households, which more than compensated for the negative contribution of foreign trade following a slight reduction in exports and a fall in investments in ancillary activities from August onwards.

In 2019, Japan was characterised by moderate economic growth with GDP expected to grow by 1.0%, up from the +0.3% registered in 2018, and confirming the positive trends in the opening quarters of the year. This growth was sustained by a solid domestic demand, despite the introduction of a consumption tax in October and a significant investment plan drawn up by companies. Nevertheless, growth is expected to slow down in 2020 (+0.7%) as the positive effect of some expansionary fiscal measures decreases. However, for some years now Japan has been able to boast of full employment, with an unemployment rate of 2.4%, the lowest in 25 years. Inflation, standing at 0.5% in December, is still somewhat far from the central bank's target of 2%, allowing the latter to maintain an expansive monetary policy, albeit with a gradual reduction in Quantitative Easing.

Economic conditions worsened in emerging countries with a third quarter characterised by a slowdown in growth in all major countries, including India, Mexico and South Africa. This is the result of endogenous factors such as the unrest that has characterised many countries in Latin America and trade tensions with the United States (Mexico), but in general it comes from a slowdown in demand that reflects the slowing of the US economy. As one of the main countries in the region, China maintains its position as the country with the highest GDP growth (+6.2% expected in 2019 according to OECD estimates), even though it is contracting compared to a few years ago, in part following the country's refocusing more on domestic consumption than on exports of goods to the West. India (+5.8%, down by 1 percentage point compared to 2018) and Russia (+1.1%, down from +2.3% in 2018) also showed some signs of a slowdown, while Brazil, despite the initial stimulus following the victory of Bolsonaro, is expected to show a slightly lower growth compared to last year at +0.8%.

## **Bond Market**

The continuing expansionary monetary policies of central banks supported a further decline in bond yields in 2019, subject to some corrections in May and August, driven by growing fears of a possible recession triggered by the ongoing trade war between the USA and China. In this scenario, and leaving aside the flight to quality characteristic of periods of tension, we can see a significant reduction in core bond yields. The 10-year Bund recorded a negative yield starting in March, closing the year with an average yield of -0.2% and reaching a minimum of -0.57% at the beginning of September, while in the USA the 10-year Treasury recorded an average yield of 2.14%, down compared to 2018. In this context, the 10-year BTP benefited from a significant drop in yields (1.3% at the end of the year, 1.9% on average over the year).

The bond market in emerging countries recorded double-digit yields in 2019 driven by the continuous search for attractive yields by international investors and by the expansionary policies of central banks that support growth in emerging countries.

## Currency Market

2019 was characterised by low volatility for currencies and equal to about half the historical average except for the GBP, which was affected by the continuing uncertainties regarding the implementation of Brexit.

In 2019, the US dollar appreciated slightly (2%) against the Euro, continuing a trend that began in 2018, while there was a drop-off, albeit gradual, in the expansive monetary policies of the FED and a 75 basis point increase in rates in 2018. The significant volatility on the financial markets in the last quarter of 2018 and growing fears of an economic slowdown led the FED to reconsider its expansionary policies in 2019 (i.e. cutting rates by 75 basis points), thus supporting the US currency. During the year, the US dollar also benefited, as always, from its role as a safe haven, as trade tensions between the USA and China escalated and fears of a global slowdown remained high. The major investment banks expect the USD to weaken towards 1.17 in 2020 as the FED continues to pursue expansionary or accommodative policies in the year of the US presidential elections.

The Japanese Yen remained stable compared to the USD, around the 109 mark, whereas it appreciated by 3% compared to the Euro (around 122 at the end of the year compared to 126 at the start of 2018). This is due to the growing interest in the currency by international investors, seen as both a safe haven in a context of profound uncertainty and interesting in terms of potential future appreciation. Indeed, it is unlikely that the Bank of Japan will change its monetary policy in the short term and this should protect the Asian currency from major fluctuations.

Finally, special mention should be made of the British pound, which saw significant volatility during the year linked to the ongoing Brexit negotiations and the resulting political crisis in the UK. During the year, sterling appreciated by around 5% against the Euro, partially compensating the decrease seen following the Brexit referendum. The presence of a strong government in the UK at the moment, which should have full powers to finalize the UK's exit from the European Union, could enable the domestic economy to recover with a resulting appreciation of the currency, both of which have suffered from the climate of uncertainty.

## Industry scenario

2019 once again showed that technology is an increasingly distinctive feature of the sector. 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 trend, pivotal for several years now, is the increasing 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 a healthy lifestyle and staying in good shape.

With specific reference to the fitness equipment manufacturer sector, the volume of global business is expected to grow by 3.6% and should exceed USD 14 billion in 2025 (from USD 12 billion in 2020). This growth is expected to be substantially stable over the next five years and driven by the growing interest of emerging countries in APAC, which should continue to grow by >6%, while growth in the more developed markets of Europe and the USA should stop at several percentage points.

Finally, it should be noted that 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.

On a geographical level, North America and Europe are confirmed as the main markets, representing around 67% of the market in 2020.



# Comments on the Group's economic and financial results

2019 was the year that IFRS 16 was first adopted, as described in the section "Accounting standards" of the notes, therefore comments are made on the financial results in this section excluding the effect of this standard, in order to maintain a uniform comparison base with the corresponding period of 2018. The impact relative to the adoption of this standard has been indicated separately.

The Group's key financial data for 2019 is summarised below compared to the restated figures for the previous year:

	Year ended 31 December			Changes	
	2019 including IFRS 16	2019 excluding IFRS 16	2018	2019 excluding IFRS 16 vs. 2018	%
Revenues	668,931	668,931	634,138	34,793	5.5%
Adjusted EBITDA <sup>(1)</sup>	147,827	141,537	134,420	7,116	5.3%
Adjusted EBITDA margin <sup>(1)</sup>	22.1%	21.2%	21.2%	0.0%	0.0%
Adjusted net operating income <sup>(2)</sup>	112,593	112,194	109,856	2,339	2.1%
Profit for the period adjusted <sup>(3)</sup>	85,207	85,407	83,537	1,871	2.2%

(1) The Group defines:

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

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

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

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

	Year ended 31 December		
	2019 including IFRS 16	2019 excluding IFRS 16	2018
ROS	16%	16%	17%
ROS Adjusted	17%	17%	17%
Adjusted EBITDA/financial expenses ratio <sup>(3)</sup>	173.81	166.41	125.56

**Total revenues** came to Euro 668,931 thousand, up by Euro 34,793 thousand (5.5%) compared to Euro 634,138 thousand in 2018. The increase is due to both the growth in sales volumes and improvement of the product mix.

With constant exchange rates, Total revenues would increase by Euro 23,819 thousand (3.8%).

**Adjusted EBITDA** came to Euro 141,537 thousand, up by Euro 7,116 thousand (5.3%) compared to Euro 134,420 thousand in 2018. This increase is mainly due to the increase in sales volumes and the improvement in the product mix, partially offset by greater logistic costs, costs to develop sales channels and market coverage, and costs relating to the introduction of new capabilities to support the digital development of the business. The item also includes the effects of higher non-recurring expenses recorded during the year in question of Euro 1,237 thousand compared to those recorded in 2018. Adjusted EBITDA with the adoption of IFRS 16 is equal to Euro 147,827 thousand.

On the whole, the incidence of Adjusted EBITDA on revenues (**adjusted EBITDA Margin**) was equal to 21.2% as of 31 December 2019, in line with the previous year (21.2% as of 31 December 2018), a further confirmation of the sound operational management during the financial year. The adjusted EBITDA Margin with the adoption of IFRS 16 was equal to 22.1% as of 31 December 2019.

The adjusted ROS for the year ended 31 December 2019 was 17%, also in line with the 17% of the financial year ended 31 December 2018.

**Adjusted net operating income** came to Euro 112,194 thousand, up by Euro 2,339 thousand (2.1%) compared to Euro 109,856 thousand in 2018. Adjusted EBITDA with the adoption of IFRS 16 is equal to Euro 112,593 thousand. Unlike EBITDA, net operating income is affected by the increase in depreciation and amortisation, which went from Euro 21,992 thousand in 2018 to Euro 25,222 thousand in 2019 due to significant investments in IT system and product digitalisation made by the company in recent years.

**Adjusted profit for the period** came to Euro 85,417 thousand, up by Euro 1,881 thousand (+2.3%) compared to Euro 83,537 thousand in 2018. This increase mainly relates to the above mentioned increase in Net Operating Income and the effects on the Patent Box agreement relating to the brand and know how, which generated a positive contribution of Euro 7,439 thousand during the financial year. With the adoption of IFRS 16 the adjusted profit for the period is Euro 85,207 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 2019 and as of 31 December 2018:

(In thousands of Euro)	As of 31 December		
	2019 including IFRS 16	2019 excluding IFRS 16	2018
<b>Loans</b>			
Net Fixed Capital <sup>(4)</sup>	243,845	222,388	209,574
Net Operating Capital <sup>(5)</sup>	12,578	12,578	34,575
<b>Net Invested Capital</b>	<b>256,423</b>	<b>234,965</b>	<b>244,148</b>
<b>Sources</b>			
Equity	260,089	260,296	209,277
Net financial indebtedness <sup>(6)</sup>	(3,666)	(25,330)	34,871
<b>Total sources of financing</b>	<b>256,423</b>	<b>234,965</b>	<b>244,148</b>

(4) Net fixed capital is composed of: (i) Property, plant and equipment; (ii) Intangible assets; (iii) Investments in joint ventures and associates; (iv) Deferred tax assets, (v) Non-current financial assets, (vi) Other non-current assets, (vii) Deferred tax liabilities, (viii) Employee benefit obligations, (ix) Non-current provisions for risks and charges and (x) Other non-current liabilities.

(5) Net operating capital is composed of: (i) Inventory; (ii) Trade Receivables; (iii) Other current assets; (iv) Trade payables; (v) Current tax liabilities; (vi) Current provisions for risks and charges and (vii) Other current liabilities.

(6) Net financial indebtedness is made up of: (i) Current financial assets, (ii) Assets for derivative financial instruments, (iii) Cash and cash equivalents, (iv) Non-current financial liabilities, (v) Current financial liabilities and (vi) Liabilities for derivative financial instruments.

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

(In ratios)	For the year ended 31 December		
	2019 including IFRS 16	2019 excluding IFRS 16	2018
ROE	32.0%	32.0%	44.5%
ROI	42.3%	45.9%	43.8%
Adjusted ROI	44.0%	47.7%	45.0%
Net Indebtedness/adjusted EBITDA ratio	0.02	0.18	(0.26)

**Net fixed capital** came to Euro 222,388 thousand, up by Euro 12,814 thousand compared to Euro 209,574 thousand for the year ended 31 December 2018. This variation is primarily refers to (i) an increase in intangible assets of Euro 7,562 thousand, essentially attributable to investments in IT and to product development costs net of depreciation for the financial year; (ii) an increase in the Property, plant and equipment item of Euro 3,859 thousand, mainly due to investments in moulds for other production equipment, net of depreciation for the financial year; and (iii) an increase in the positive net balance of other non-current assets and liabilities of Euro 1,378 thousand, essentially reflecting the registration of assets and liabilities for the rights of return identified in IFRS 15.

**Net operating capital** came to Euro 12,578 thousand, down by Euro 21,997 thousand compared to the balance of Euro 34,575 thousand as of 31 December 2018. The change is mainly the result of the trend in net operating working capital, and is influenced in particular by (i) a decrease in the balance of the "Trade receivables" item of Euro 23,997 thousand, essentially due to the removal of inefficiencies in credit management that occurred in 2018 resulting from the implementation of the new company ERP, with particular reference to the British, Italian, German, Dutch and Spanish subsidiaries. In this regard, there has been important work carried out by the entire group to restore and improve the processes

underlying credit management that will lay the right foundations for the years to come; (ii) a decrease in the "Inventory" item of Euro 12,709 thousand, mainly due to the careful management of inventories despite an increase in overseas turnover. This reduction in the balance of inventories resulted in the successful resolution of all the issues resulting from the 2018 implementation of the new ERP system; and (iii) an increase in the "Trade payables" item of Euro 16,373 thousand. To this end, it should be noted that: (i) the average number of days in inventory went from 70 for the year ended 31 December 2018 to 60 for the year ended 31 December 2019 (the inventory turnover ratio went from 5.2 to 6.1); (ii) the average days of collection of trade receivables went from 73 for the year ended 31 December 2018 to 59 for the year ended 31 December 2019 (the trade receivables turnover ratio went from 5.0 to 6.3); (iii) the DPO went from 133 for the year ended 31 December 2018 to 112 for the year ended 31 December 2019 (the trade payables turnover ratio went from 2.7 to 3.3).

**Net financial indebtedness** had a negative value of Euro 25,330 thousand, down by Euro 60,202 thousand compared to the balance of Euro 34,871 thousand in the year ended 31 December 2018. This decrease is mainly attributable to the group's cash generation in 2019. It should be noted that the net financial indebtedness includes other financial liabilities relating to financing transactions guaranteed by the transfer of receivables concerning the sale of goods which, although transferred to third financial institutions, are retained in the financial statements as they do not meet all the conditions required by IAS 9 for their derecognition from assets. Net financial indebtedness, without considering these accounting items, would have been equal to Euro 6,394 thousand as of 31 December 2018, and to Euro 51,590 thousand in 2019.

Net financial indebtedness, including the effects of IFRS 16, is negative by Euro 3,666 thousand.

**Equity** totalled Euro 260,296 thousand, up by Euro 51,019 thousand (24.4%) compared to Euro 209,277 thousand in the year ended 31 December 2018. This increase was mainly due to the combined effect of: (i) a Profit for the period of Euro 83,204 thousand and (ii) the distribution of dividends of Euro 36,181 thousand.

Equity including the effects of IFRS 16 as of 31 December 2019 is Euro 260,089 thousand.

## SEGMENT INFORMATION

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

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

However, for the purposes of segment reporting and the associated analysis, Company management considers the geographical areas and distribution channels to be important aspects.

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

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

	Year ended 31 December		Changes	
	2019	2018	2019 vs. 2018	%
Europe (without Italy)	330,333	324,893	5,440	1.7%
MEIA	49,885	45,395	4,490	9.9%
APAC	118,319	101,893	16,426	16.1%
Italy	58,692	63,827	(5,135)	(8.0%)
North America	87,716	77,334	10,382	13.4%
LATAM	23,986	20,796	3,190	15.3%
<b>Total revenues</b>	<b>668,931</b>	<b>634,138</b>	<b>34,793</b>	<b>5.5%</b>

In geographical terms, in 2019 growth was driven by high-potential markets: APAC (+16.1%) due to the excellent performance in Australia, China and in the markets covered by the distribution channel.

Next is LATAM (+15.3%), driven by the significant growth in Brazil and North America (+13.4%), where there was also growth in the USA and Canada.

MEIA (+9.9%) with almost double-digit growth above all due to the performance in the UAE.

Europe registered an overall figure influenced by the critical performance of the UK, Spain and Russia, which partly offset the growth recorded in France and Germany.

Finally, Italy in 2019 compares with the previous year when there were several new openings by Key Accounts.

	Year ended 31 December		Changes	
	2019	2018	2019 vs. 2018	%
Field sales	491,843	468,300	23,543	5.0%
Wholesale	129,312	121,400	7,912	6.5%
Inside sales	39,525	37,800	1,725	4.6%
Retail	8,252	6,638	1,614	24.3%
<b>Total revenues</b>	<b>668,931</b>	<b>634,138</b>	<b>34,793</b>	<b>5.5%</b>

In terms of distribution channels, in 2019 there was well-distributed growth in field sales, where the company focused investments on coverage of the sales network and the distribution channel, due to significant growth in the APAC and MEIA areas, as well as on inside sales where there was significant growth in teleselling in Europe, particularly in the home-consumer market segment.

In accordance with IFRS 8, paragraph 34, for the years ended 31 December 2019 and 31 December 2018, the Group did not have any clients generating more than 10% of total revenues of the Group.

# Comments on the economic and financial results of the parent company Technogym S.p.A. (TG S.p.A.)

2019 was the year that IFRS 16 was first adopted, as described in the section "Accounting standards" of the notes, therefore comments are made on the financial results in this section excluding the effect of this standard, in order to maintain a uniform comparison base with the corresponding period of 2018. The impact relative to the adoption of this standard has been indicated separately.

**Total revenues of TG S.p.A.** came to Euro 450,108 thousand, down by Euro 372 thousand (0.1%) compared to Euro 450,480 thousand in 2018. The revenues of the parent company, as for the whole income statement, are adversely affected by the careful and accurate management of subsidiary inventories, as previously highlighted in the comment about the group's trade working capital. In fact, the group's subsidiaries were able to serve their local markets using existing stocks, maximising cash flow and optimising the group's results. However, this had a negative impact on the parent company which, compared to the previous year, saw revenues from subsidiaries fall. Despite this, Technogym S.p.A.'s revenues in 2019 were stable compared with 2018.

**Adjusted profit for the period of Technogym S.p.A., excluding the effects of IFRS 16,** came to Euro 78,829 thousand, down by Euro 3,905 thousand compared to Euro 82,734 thousand in 2018. This decrease is essentially due to the decrease in revenues from subsidiaries and to a different geographical and price mix.

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 2019, with and without the application of the new IFRS 16, and as of 31 December 2018:

<i>(In thousands of Euro)</i>	<b>As of 31 December</b>		
	<b>2019</b>	<b>2019 excluding IFRS 16</b>	<b>2018</b>
<b>Loans</b>			
Net Fixed Capital <sup>(1)</sup>	351,135	323,074	307,643
Net Operating Capital <sup>(2)</sup>	(10,522)	(10,522)	(4,628)
<b>Net Invested Capital</b>	<b>340,614</b>	<b>312,553</b>	<b>303,015</b>
<b>Sources</b>			
Equity	284,253	284,442	247,846
Net financial indebtedness <sup>(3)</sup>	56,361	28,110	55,170
<b>Total sources of financing</b>	<b>340,614</b>	<b>312,553</b>	<b>303,015</b>

(1) Net fixed capital is composed of: (i) Property, plant and equipment; (ii) Intangible assets; (iii) Investments; (iv) Deferred tax assets, (v) Non-current financial assets, (vi) Other non-current assets, (vii) Deferred tax liabilities, (viii) Employee benefit obligations, (ix) Non-current provisions for risks and charges, and (x) Other non-current liabilities.

(2) Net operating capital is composed of: (i) Inventory; (ii) Trade Receivables; (iii) Other current assets; (iv) Trade payables; (v) Current tax liabilities; (vi) Current provisions for risks and charges and (vii) Other current liabilities.

(3) Net financial indebtedness is made up of: (i) Current financial assets, (ii) Assets for derivative financial instruments, (iii) Cash and cash equivalents, (iv) Non-current financial liabilities, (v) Current financial liabilities and (vi) Liabilities for derivative financial instruments.

Net fixed **capital** and **net financial indebtedness** were affected by the first-time adoption of IFRS 16. These effects described in the "Accounting standards" section of the notes amount to Euro 28,061 thousand as of 31 December 2019 for net fixed capital, and amount to Euro 28,251 thousand as of 31 December 2019 for net financial indebtedness.

**Net fixed capital** of TG S.p.A., excluding the effects of IFRS 16, came to Euro 323,074 thousand, up by Euro 15,431 thousand compared to Euro 307,643 thousand for the year ended 31 December 2018.

This increase is primarily due to the normal activities of investment in new product development. Net fixed capital with the adoption of IFRS 16 is equal to Euro 351,135 thousand.

**Net operating capital** of TG S.p.A. had a negative value of Euro 10,522 thousand, up by Euro 5,894 thousand compared to the negative balance of Euro 4,628 thousand as of 31 December 2018. The change is mainly the result of the trend in net operating working capital, and is influenced in particular by (i) a decrease in the balance of the "Trade receivables" item of Euro 23,340 thousand; in this regard, there has been important work carried out by the entire group to restore and improve the processes underlying credit management that will lay the proper foundations for the years to come; (ii) a decrease in the "Inventory" item of Euro 10,817 thousand; and (iii) by a decrease in the "Trade payables" item of Euro 22,543 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 2018 to 41 for the year ended 31 December 2019 (the inventory turnover ratio went from 7.3 to 8.9); (ii) the average days of collection of trade receivables went from 59 for the year ended 31 December 2018 to 49 for the year ended 31 December 2019 (the trade receivables turnover ratio went from 6.2 to 7.4); (iii) the DPO went from 150 for the year ended 31 December 2018 to 122 for the year ended 31 December 2019 (the trade payables turnover ratio went from 2.4 to 3.0).

**Net financial indebtedness** of **TG S.p.A.** came to Euro 28,110 thousand, down by Euro 27,059 thousand compared to Euro 55,170 thousand in the year ended 31 December 2018. This decrease is mainly attributable to the company's cash flow generation in 2019.

**Equity of TG S.p.A.** came to Euro 284,442 thousand, up by Euro 36,597 thousand (14.7%) compared to Euro 247,846 thousand for the year ended 31 December 2018. This increase was mainly due to the combined effect of: (i) a Profit for the period of Euro 72,332 thousand and (ii) the distribution of dividends of Euro 36,181 thousand.

## **Segment information of TG S.P.A.**

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

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

A breakdown of revenues by geographical area is provided below:

	Year ended 31 December		Changes	
	2019	2018	2019 vs. 2018	%
Europe (without Italy)	212,252	215,004	(2,752)	-1.3%
MEIA	53,977	48,632	5,345	11.0%
APAC	68,244	67,396	848	1.3%
Italy	58,692	63,827	(5,135)	-8.0%
North America	41,357	40,658	699	1.7%
LATAM	15,585	14,963	622	4.2%
<b>Total revenues</b>	<b>450,108</b>	<b>450,480</b>	<b>(372)</b>	<b>-0.1%</b>



# Risk factors

## Financial risks

Financial markets continued to be volatile in 2019. In this scenario, the Group implemented policies to monitor and mitigate potential risks, while avoiding the adoption of speculative financial positions.

## Credit risk

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

## Interest rate risks

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

## Exchange rate risk

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

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

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

## **Liquidity risk and change in cash flows**

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

## **Price risk**

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

## **Non-financial risks**

### **Internal risks - effectiveness of processes**

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

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

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

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

### **External risks - markets, country risk**

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

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

# Investments and acquisitions

During the 2019 financial year, as well as the operating costs incurred for marketing and advertising activities, the Group made investments in property, plant and equipment and intangible assets totalling Euro 43,019 thousand, aimed primarily at: (i) constantly updating and extending the Group's range of products and services; (ii) adapting production infrastructure; (iii) optimising the Group's main production processes; and (iv) creating new showrooms and updating existing showrooms, both in Italy and overseas.

Management believes that such investments positively contributed to the growth in revenues and margins in 2019, 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 2019 and in the year ended 31 December 2018 are shown below, broken down by type:

<i>(In thousands of Euro)</i>	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
Property, plant and equipment	21,333	18,159
Intangible assets	16,761	15,064
<b>Total investments</b>	<b>38,094</b>	<b>33,223</b>

The table below shows the investments made by the Group in the year ended 31 December 2019 and in the year ended 31 December 2018, relating to the 'Property, plant and equipment' item, broken down by category:

<i>(In thousands of Euro)</i>	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
Land	15	242
Buildings and leasehold improvements	3,215	1,222
Plant and machinery	1,105	3,044
Production and commercial equipment	11,989	4,252
Other assets	3,198	2,678
Assets under construction and advances	1,812	6,721
<b>Total investments in property, plant and equipment</b>	<b>21,333</b>	<b>18,159</b>

Investments in the "Buildings and leasehold improvements" category can mainly be attributed to the purchase of a building used as a warehouse close to the production site in Slovakia, practical to the evolution of the logistics activities at the site.

The table below shows the investments made by the Group in the year ended 31 December 2019 and in the year ended 31 December 2018, relating to the 'Intangible assets' item, broken down by category:

<i>(In thousands of Euro)</i>	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2018</b>
Development costs	4,725	3,081
Patents and intellectual property rights	6,835	6,118
Concessions, licenses, trademarks and similar rights	192	186
Intangibles under development and advances	4,974	5,629
Other intangible assets	35	50
<b>Total investments in intangible assets</b>	<b>16,761</b>	<b>15,064</b>

Investments in intangible fixed assets include long-term costs for the development of new projects and restyling of existing projects, as well as purchases of software.  
In the 2019 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 2019 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 2019.

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 2019.

## Significant events after the reporting period

On 27 January 2020, the Tokyo 2020 Olympic Organising Committee appointed Technogym as the Official and Exclusive Supplier of equipment and digital technologies for athletic training for the Olympics and Paralympics. This is the eighth appointment to this role for Technogym following Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012, Rio 2016 and PyeongChang 2018.

Following the Accelerated Bookbuilding procedure concluded on 6 February 2020 by Wellness Holding S.r.l. for the sale of 10,000,000 Issuer's shares, as of the date of publication of this Annual Report, Wellness Holding S.r.l. holds 39.80% of the Issuer's capital, which represents 56.94% of the total voting rights.

The early part of this year was affected by the spread of Covid-19 (Coronavirus), which is a "subsequent event" and has not resulted in any changes to the figures on the financial statements to 31 December 2019; the duration and scope of the epidemic is still uncertain and therefore it is not possible to make forward-looking estimates of the impact on the 2020 financial year, particularly in relation to those items that require estimates.

Technogym has taken all the necessary steps to minimise the health and financial risks.

Technogym confirms its commitment to product innovation, with a special focus on improving the equipment user-experience, thanks to digital services supported by the mywellness® open platform and thanks to the launch of Technogym Live on the installed pool of smart equipment. This step will allow end users to access new training content wherever they are, thus achieving another step in the Wellness on the Go strategy that has always been endorsed by company. This is a central strategy for Technogym and for all its stakeholders given the current situation.

# Outlook

Given the current situation linked to the socio-economic effects of COVID-19 (so-called Coronavirus) and the uncertainty about the duration and extent of this epidemic, it is premature today to make predictions about developments in the coming months. Short-term developments will not, however, compromise the long-term fundamentals of the business and the continuous and growing interest of all generations in Wellness.

In this context, Technogym Group maintains the medium-term development guidelines that aim to pursue steady and sustainable economic growth, supporting the creation of value for shareholders over time. At present, it is believed that international growth will continue to be the Group's main driver thanks to the consolidation of market shares in Europe, continued growth in North America and further expansion in APAC.

In any case, the Company's Board of Directors, control bodies and management will continue to continuously monitor the development of the health emergency arising from the spread of COVID-19, taking all the decisions and measures necessary to deal with the crisis. 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 and thanks to the launch of Technogym Live on the installed pool of smart equipment. This step will allow end users to access new training content wherever they are, thus achieving another step in the Wellness on the Go strategy that has always been endorsed by company. 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.



# CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2019



# TECHNOGYM GROUP CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)	Notes	At 31 December			
		2019	of which from related parties	2018	of which from related parties
ASSETS					
Non-current assets					
Property, plant and equipment	5.1	167,919		142,593	
Intangible assets	5.2	43,445		35,884	
Deferred tax assets	5.3	15,543		16,808	
Investments in joint ventures and associates	5.4	18,063		18,047	
Non-current financial assets	5.5	2,930		2,881	
Other non-current assets	5.5	49,590		40,202	
TOTAL NON-CURRENT ASSETS		297,490		256,413	
Current assets					
Inventories	5.6	76,831		89,540	
Trade receivables	5.7	127,472	525	151,469	618
Current financial assets	5.8	84	0	67	0
Assets for derivative financial instruments	5.9	–		148	
Other current assets	5.10	22,295	1,597	20,103	2,063
Cash and cash equivalents	5.11	114,413		78,503	
TOTAL CURRENT ASSETS		341,096		339,831	
TOTAL ASSETS		638,587		596,244	

(In thousands of Euro)	Notes	At 31 December			
		2019	of which from related parties	2018	of which from related parties
EQUITY AND LIABILITIES					
Equity					
Share capital		10,050		10,050	
Share premium reserve		4,990		4,990	
Other reserves		26,923		19,196	
Retained		132,827		80,519	
Profit (loss) attributable to owners of the parent		83,204		93,030	
Equity attributable to owners of the parent	5.12	257,995		207,786	
Capital and reserves attributable to non-controlling interests		1,553		1,054	
Profit (loss) attributable to non-controlling interests		541		438	
Equity attributable to non-controlling interests		2,094		1,491	
TOTAL EQUITY		260,089		209,277	
Non-current liabilities					
Non-current financial liabilities	5.13	55,996		53,389	
Deferred tax liabilities	5.14	304		420	
Employee benefit obligations	5.15	3,066		3,001	
Non-current provisions for risks and charges	5.16	15,218		13,592	
Other non-current liabilities	5.17	35,058		29,826	
TOTAL NON-CURRENT LIABILITIES		109,641		100,229	
Current liabilities					
Trade payables	5.18	127,537	636	143,910	760
Current tax liabilities	5.19	5,078		8,097	
Current financial liabilities	5.13	54,823		60,121	
Liabilities for derivative financial instruments	5.20	13		80	
Current provisions for risks and charges	5.16	12,718		14,058	
Other current liabilities	5.21	68,687	0	60,471	0
TOTAL CURRENT LIABILITIES		268,857		286,738	
TOTAL EQUITY AND LIABILITIES		638,587		596,244	

## CONSOLIDATED INCOME STATEMENT

<i>(In thousands of Euro)</i>		Year ended 31 December			
	Notes	2019	of which from related parties	2018	of which from related parties
<b>REVENUES</b>					
Revenues	6.1	666,418	11,813	632,919	9,961
Other revenues and income	6.2	2,513	178	1,219	147
<b>Total revenues</b>		<b>668,931</b>		<b>634,138</b>	
<b>OPERATING COSTS</b>					
Purchases and use of raw materials, work in progress and finished goods	6.3	(219,270)	(82)	(200,470)	(79)
<i>of which non-recurring expenses:</i>		(143)		-	
Cost of services	6.4	(163,585)	(2,077)	(162,531)	(2,666)
<i>of which non-recurring expenses:</i>		(1,283)		(1,988)	
Personnel expenses	6.5	(136,157)	(19)	(133,837)	(13)
<i>of which non-recurring expenses:</i>		(2,403)		(1,015)	
Other operating costs	6.6	(7,332)	(43)	(6,140)	11
<i>of which non-recurring expenses:</i>		(411)		-	
Share of net result from joint ventures	6.7	999		257	
Depreciation, amortisation and impairment / (write-backs)	6.8	(31,114)		(22,002)	
Net provisions	6.9	(4,120)		(2,562)	
<b>NET OPERATING INCOME</b>		<b>108,352</b>		<b>106,853</b>	
Financial income	6.10	8,739	-	10,262	15
Financial expenses	6.11	(11,091)	(134)	(9,733)	-
<b>Net financial expenses</b>		<b>(2,351)</b>		<b>529</b>	
Income/(expenses) from investments	6.12	402		74	
<b>PROFIT BEFORE TAX</b>		<b>106,404</b>		<b>107,456</b>	
Income taxes	6.13	(22,659)		(13,988)	
<i>of which non-recurrent income taxes</i>		2,238		12,497	
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>83,745</b>		<b>93,468</b>	
<b>Profit/(loss) attributable to non-controlling interests</b>		<b>(541)</b>		<b>(438)</b>	
<b>Profit (loss) attributable to owners of the parent</b>		<b>83,204</b>		<b>93,030</b>	
Earnings per share (in Euro)	6.14	0.41		0.46	

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

<i>(In thousands of Euro)</i>	Notes	Year ended 31 December	
		2019	2018
<b>Profit (loss) for the period (A)</b>		<b>83,745</b>	<b>93,468</b>
Actuarial gains/(losses) on post-employment benefit obligations and Non-Compete Agreements	5.16	(247)	(77)
Tax effect on actuarial gains/losses on post-employment benefit obligations and Non-Compete Agreements		59	18
<b>Total items that will not be reclassified to profit or loss (B1)</b>		<b>(188)</b>	<b>(58)</b>
Exchange rate differences on the translation of foreign operations		1,373	(695)
Exchange rate differences for valuation of entities accounted for using the equity method	5.4	16	70
Gains (losses) on cash flow hedges	5.20	–	–
Tax effect - Gains (losses) on cash flow hedges		–	–
Gains (losses) on cash flow hedging instruments (IRS)	5.20	10	10
Tax effect - Gains (losses) on cash flow hedging instruments (IRS)		(2)	(2)
<b>Total items that will be reclassified to profit or loss (B2)</b>		<b>1,396</b>	<b>(616)</b>
<b>Total Other comprehensive income, net of tax (B)=(B1)+(B2)</b>		<b>1,209</b>	<b>(675)</b>
<b>Total comprehensive income for the period (A)+(B)</b>		<b>84,954</b>	<b>92,791</b>
<i>of which attributable to owners of the parent</i>		<i>84,351</i>	<i>92,283</i>
<i>of which attributable to non-controlling interests</i>		<i>603</i>	<i>508</i>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of Euro)	Notes	Year ended 31 December	
		2019	2018
Cash flows from operating activities			
Profit (loss) for the period	5.12	83,745	93,468
Adjustments for:		-	-
Income taxes	6.13	22,659	13,988
Income/(expenses) from investments	6.12	(402)	(74)
Financial income/(expenses)	6.10-6.11	2,351	(529)
Depreciation, amortisation and impairment losses	6.8	31,114	22,002
Net provisions	6.9	4,120	2,562
Share of net result from joint ventures	6.7	(999)	(257)
Cash flows from operations before changes in working capital		142,587	131,160
Change in inventories	5.6	11,949	(22,497)
Change in trade receivables	5.7	18,119	(37,577)
Change in trade payables	5.18	(16,901)	20,847
Change in other assets and liabilities	5.10-5.15-5.16-5.17-5.21	6,684	(11,085)
Non-recurrent fiscal collection/(payment)		-	-
Income taxes paid	5.3-5.14-5.18-6.13	(26,685)	(18,618)
Net cash inflow from operations (A)		135,753	62,230
of which from related parties		10,293	6,152
Cash flows from investing activities			
Investments in property, plant and equipment	5.1	(21,333)	(18,159)
Disposals of property, plant and equipment	5.1	1,585	438
Investments in intangible assets	5.2	(16,761)	(15,065)
Disposals of intangible assets	5.2	75	276
Dividends received from other entities	6.12	-	-
Dividends from investments in joint ventures	5.4	1,004	-
Investments in subsidiaries, associates and other entities	5.4-5.5	(583)	(929)
Disposal of subsidiaries, associates and other entities		-	-
Net cash inflow/(outflow) from investing activities (B)		(36,013)	(33,438)
of which from related parties		-	-

(In thousands of Euro)	Notes	Year ended 31 December	
		2019	2018
<b>Cash flows from financing activities</b>			
Reimbursement of leasing costs (IFRS 16)		(6,290)	-
Non-current financial liabilities (including current portion)	5.13	25,000	-
Repayment of non-current financial liabilities (including the current portion)	5.13	(43,871)	(37,781)
Net increase (decrease) of current financial assets	5.8-5.13	(3,610)	26,750
Dividends paid to shareholders		(36,181)	(18,090)
Payments of net financial expenses	5.9- 5.20- 6.10-6.11	(471)	153
<b>Net cash inflow/(outflow) from financing activities (C)</b>		<b>(65,423)</b>	<b>(28,968)</b>
		-	-
<b>Net increase / (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)</b>		<b>34,318</b>	<b>(176)</b>
		-	-
<b>Cash and cash equivalents at the beginning of the year</b>		<b>78,503</b>	<b>77,847</b>
Increase/(decrease) in cash and cash equivalents from 1 January to 31 December		34,318	(176)
Effects of exchange rate differences on cash and cash equivalents		1,592	833
<b>Cash and cash equivalents at the end of the period</b>		<b>114,413</b>	<b>78,503</b>

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves					Retained earnings	Profit (loss) attributable to owners of the parent	Equity attributable to owners of the parent	Capital and reserves attributable to non-controlling interests	Profit (loss) attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
			Translation reserve	Reserve for the adoption of IAS / IFRS	IAS 19 reserve	Stock grant plan reserve	Other							
<b>At 1 January 2018 Restated</b>	<b>10,050</b>	<b>4,990</b>	<b>2,519</b>	<b>2,407</b>	<b>169</b>	<b>473</b>	<b>18,186</b>	<b>33,055</b>	<b>60,948</b>	<b>132,797</b>	<b>689</b>	<b>293</b>	<b>981</b>	<b>133,778</b>
Profit for the previous year	-	-	-	(1,414)	0	0	(3,902)	66,266	(60,949)	0	293	(293)	(0)	0
Total comprehensive income for the year	-	-	(697)	0	(58)	0	8	0	93,030	92,283	73	436	508	92,792
Dividends paid	-	-	-	-	-	-	-	(18,090)	-	(18,090)	-	-	-	(18,090)
Increase in capital	-	-	-	-	-	-	-	-	-	0	-	-	-	0
Other movements	-	-	-	-	-	-	-	(710)	-	(710)	-	-	-	(710)
Incentive plan (LTIP)	-	-	-	-	-	1,508	-	-	-	1,508	-	-	-	1,508
<b>At 31 December 2018</b>	<b>10,050</b>	<b>4,990</b>	<b>1,822</b>	<b>993</b>	<b>111</b>	<b>1,981</b>	<b>14,291</b>	<b>80,519</b>	<b>93,030</b>	<b>207,786</b>	<b>1,054</b>	<b>436</b>	<b>1,491</b>	<b>209,277</b>
<b>Profit for the previous year</b>	<b>10,050</b>	<b>4,990</b>	<b>1,822</b>	<b>993</b>	<b>111</b>	<b>1,981</b>	<b>14,291</b>	<b>80,519</b>	<b>93,029</b>	<b>207,788</b>	<b>1,054</b>	<b>437</b>	<b>1,491</b>	<b>209,277</b>
Total comprehensive income for the year	-	-	-	(15)	-	-	4,556	88,489	(93,030)	(0)	438	(438)	-	(0)
Dividends paid	-	-	1,326	-	(188)	-	7	-	83,204	84,351	62	541	603	84,954
Increase in capital	-	-	-	-	-	-	-	(36,181)	-	(36,181)	-	-	-	(36,181)
Other movements	-	-	-	-	-	-	0	-	-	0	(0)	-	(0)	(0)
Option for the purchase of non-controlling interests	-	-	-	-	-	-	1,604	(0)	0	1,604	(0)	-	(0)	1,604
Incentive plan (LTIP)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As of 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>436</b>
Incentive plan (LTIP)	10,050	4,990	3,149	978	(77)	2,416	20,458	132,827	83,203	257,997	1,554	540	2,093	260,089
<b>At 31 December 2019</b>	<b>10,050</b>	<b>4,990</b>	<b>2,768</b>	<b>978</b>	<b>(77)</b>	<b>2,416</b>	<b>20,459</b>	<b>132,827</b>	<b>83,203</b>	<b>257,617</b>	<b>1,554</b>	<b>540</b>	<b>2,093</b>	<b>259,709</b>

# EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General information

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

The Technogym Group offers a wide range of wellness, physical exercise and rehabilitation solutions to the major segments of the fitness equipment market and to the wellness industry. The Group is known for its technological innovations and attention to design and finishes. These solutions can be personalised and adapted to the specific needs of end users and professional operators. The Technogym Group's offer includes equipment that is highly regarded by end users and professional operators and has contributed, over time, to the positioning of the Technogym brand in the high-end bracket of the international market.

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

At 31 December 2019, 44.78% of the Issuer's share capital was held by Wellness Holding S.r.l., a legal entity incorporated under Italian law, whose share capital is 75%-owned by Oiren S.r.l. and 25%-owned by Apil S.r.l. - the remaining 55.22% was free float on Borsa Italiana's MTA (screen-based stock exchange).

Following the Accelerated Bookbuilding procedure concluded on 6 February 2020 by Wellness Holding S.r.l. for the sale of 10,000,000 Issuer's shares, as of the date of publication of this Annual Report, Wellness Holding S.r.l. holds 39.80% of the Issuer's share capital (which represents 56.94% of the total voting rights), while the remaining 60.20% of the Issuer's share capital is free float on the MTA market (screen-based stock exchange) managed by Borsa Italiana S.p.A.

Technogym is not subject to the management and coordination of Wellness Holding S.r.l., nor of the direct and indirect parent companies of that latter nor third parties. Please refer to Paragraph 2, letter j) of the “Corporate Governance Report” for more details, drafted by taking into consideration the format prepared by Borsa Italiana for corporate governance reports. The report is available in the “Corporate Governance” section of the website [www.technogym.com](http://www.technogym.com).

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These Consolidated Financial Statements were approved by the Company's Board of Directors on 17 March 2020 and audited in full by PricewaterhouseCoopers S.p.A.



# 2 Summary of accounting standards

This section describes the most significant accounting standards adopted for the preparation of these Consolidated Financial Statements for the year ended 31 December 2019 (hereinafter the "Consolidated Financial Statements"). These standards have been adopted for all the financial years presented, unless otherwise indicated.

## 2.1 BASIS OF PREPARATION

### (i) Compliance with EU-IFRS

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

The Consolidated Financial Statements have also been prepared:

- › based on the best knowledge of EU-IFRS and considering relative legal theory. Any future guidance and updates to interpretations will be reflected in subsequent years, according to procedures established as and when necessary by relative accounting standards;
- › on a going concern basis, as the Company Directors have verified that there are no financial, operational or other types of indicators that could signal criticalities regarding the Group's ability to meet its obligations in the foreseeable future and, in particular, in the next 12 months, also taking into consideration the effects of COVID-19 on the year 2020.

### (ii) Historical cost approach

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

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

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

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

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

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

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

Technogym Germany GmbH will adopt the exemption provided for in Article 264 (3) of the German Civil Code (HGB), which provides for an exemption from the requirement to prepare financial statements for the year ended 31 December 2019.

### **Distinction between current and non-current assets and liabilities**

The Group classifies an asset as current when:

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

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

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

All other liabilities are classified as non-current.

## 2.3

## CONSOLIDATION CRITERIA AND METHODOLOGIES

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

The following table lists the companies included in the scope of consolidation, including information about the method of consolidation applied, for the years ended 31 December 2019 and 2018.

Entity name	Year ended 31 December 2019				
	Registered office	% of control 2019	% of control 2018	Currency	2019 share capital
<b>Subsidiaries – consolidated using the line-by-line method</b>					
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	China	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 Ginástica e Solução para Bem-Estar Ltda	Brazil	100%	100%	BRL	121,795,019
Sidea S.r.l.	Italy	70%	70%	EUR	150,000
Technogym ZAO	Russia	90%	90%	RUB	10,800,000
TG Holding BV	Netherlands	90%	90%	EUR	300,000
Wellness Partners Ltd	United Kingdom	75%	75%	GBP	386,667
Wellness Partners USA Inc	United States	75%	75%	USD	1,000
TGB S.r.l.	Italy	100%	100%	EUR	96,900
La Mariana S.r.l.	Italy	100%	100%	EUR	76,500
Amleto Aps	Denmark	100%	100%	DKK	60,000

Entity name	Year ended 31 December 2019				
	Registered office	% of control 2019	% of control 2018	Currency	2019 share capital
<b>Associates - Jointly controlled entities, consolidated using the equity method</b>					
Fitstaduim S.r.l.	Italy	45%	45%	EUR	13,506
Wellink S.r.l.	Italy	40%	40%	EUR	60,000
Movimento per la Salute S.r.l.	Italy	50%	50%	EUR	10,000
Technogym Emirates LLC	United Arab Emirates	49%	49%	AED	300,000
T4ME Limited	United Kingdom	20%	20%	GBP	–
Exerp Aps	Denmark	50%	50%	DKK	186,966
Exerp America Inc	USA	50%	50%	USD	1,000
Exerp Asia Pacific Pty Ltd	Australia	50%	50%	AUD	100

During the year ending 31 December 2019, the shares in Quainted Consulting Pty Ltd and At home 360 were liquidated, and the American company Wellness Partners USA Inc was acquired.

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

## (i) Subsidiaries

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

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

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

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

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

## **(ii) Business combinations**

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

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

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

Business combinations whereby the companies involved are controlled by the same entity or entities both before and after the transaction, for which control is not temporary, qualify as business combinations “under common control”. These transactions are not governed by IFRS 3, nor by other EU-IFRS. In the absence of a relative accounting standard, the choice of method to represent the transaction must guarantee compliance with IAS 8, i.e. the reliable and faithful representation of the transaction must be ensured. Moreover, the accounting standard selected to represent transactions under common control must reflect the economic substance of the transactions, regardless of their legal form. Therefore the existence of economic substance is key to the methodology to adopt to recognise the transactions in question. The economic substance must refer to the generation of added value which is reflected in significant changes in the cash flows of net transferred assets. When recognising the transaction, current interpretations and guidance must also be considered. In particular, reference is made to OPI 1 (Revised) (Assirevi Preliminary Guidance on IFRS), relative to the “accounting of business combinations of entities under common control in separate and consolidated financial statements”. Net transferred assets shall therefore be recognised at the carrying amounts they had in the acquired company or, if available, at the amounts resulting from the consolidated financial statements of the common parent company.

### **(iii) Accounting treatment of put options on shares of subsidiaries**

In the context of EU-IFRS, the treatment applicable to put options concerning non-controlling interests is not governed in full. While the recognition of a put option of a non-controlling interest gives rise to a liability, there are no regulations governing the contra-item. In this regard, when an entity becomes part of a contract whereby it has the obligation to pay cash or another financial asset in exchange for its own equity instrument, in compliance with paragraph 23 of IAS 32, it must recognise a financial liability. On initial recognition, the financial liability will be recognised as the corresponding amount, appropriately discounted, to be paid to exercise the put option. Subsequent changes in the value of the liability will be recognised in consolidated profit or loss.

To identify the contra-item on recognition of the liability, it is necessary to evaluate whether the risks and rewards arising from the non-controlling interests in the put option were, due to the option being exercised, transferred to the parent or remained held by the non-controlling interests. The result of that evaluation determines whether the non-controlling interests relative to the put option will continue to be represented in the consolidated financial statements or not. They will continue to be represented if these risks and rewards are not transferred to the parent company because of the put option, and instead, if the transfer took place, these non-controlling interests will no longer be represented in consolidated data.

Therefore, the accounting treatment of put options on shares of subsidiaries can be summarised as follows:

- › if the non-controlling interests do not have to be represented in the financial statements as the related risks and rewards have been transferred to the parent, the liability relative to the put option will be recognised:
  - with the contra-item goodwill, if the put option is recognised for the seller as part of a business combination to acquire the contract; or
  - with the contra-item equity attributable to non-controlling interests and, for the surplus, the equity pertaining to the group, if the contract is entered into outside this context; conversely,
- › if the risks and rewards were not transferred, the contra-item for recognition of the above liability will always be equity attributable to the Parent.

#### **(iv) Associates**

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

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

The procedure for adopting the equity method is described below:

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

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

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

- › the fair value of any residual investment kept and the income arising from the sale of the shares; and
- › the carrying amount of the investment on the date when the net equity method was no longer used.

#### **(v) Joint arrangements**

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

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to its net assets.

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

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

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

## **(vi) Translation of the financial statements of foreign operations**

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

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

<i>Currency</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
USD	1.123	1.145
GBP	0.851	0.895
JPY	121.940	125.850
CHF	1.085	1.127
AUD	1.600	1.622
AED	4.126	4.205
CNY	7.821	7.875
RUB	69.956	79.715
HKD	8.747	8.968
BRL	4.516	4.444
ZAR	15.777	16.459
SGD	1.511	1.559
DKK	7.472	7.467

<i>Currency</i>	<b>Average for the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
USD	1.120	1.181
GBP	0.878	0.885
JPY	122.006	130.396
CHF	1.112	1.155
AUD	1.611	1.580
AED	4.111	4.337
CNY	7.736	7.808
RUB	72.455	74.042
HKD	8.772	9.256
BRL	4.413	4.309
ZAR	16.176	15.619
SGD	1.527	1.593
DKK	7.466	7.453

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****Property, plant and equipment**

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

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

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

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

## AMORTISATION METHODS AND PERIODS

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

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

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

### Intangible assets

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

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

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

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

### DEVELOPMENT COSTS

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

## AMORTISATION METHODS AND PERIODS

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

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

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

## IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

### Intangible and tangible assets with a finite useful life

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

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

An impairment loss is recognised in profit or loss if the carrying amount of the asset, or its relative CGU, is greater than its recoverable value. Impairment of CGUs is first recognised as a reduction of the carrying amount of goodwill attributed to the unit, and therefore, as a reduction of other assets, in proportion to their accounting value and within the limits of the relative recoverable value. If the conditions for a previous impairment no longer apply, the carrying amount of the asset is reinstated with recognition in separate profit or loss, up to the net carrying amount that the asset would have had without impairment, and if the relative amortisation/depreciation had been carried out.

## **Leased assets**

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

When entering into each contract, the Group:

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

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

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

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

For impacts relating to the application of IFRS 16, see paragraph 2.6 on first-time application.

## **Financial assets**

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

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

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

### **FINANCIAL ASSETS MEASURED AT AMORTISED COST**

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

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

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

### **FINANCIAL ASSETS MEASURED AT FAIR VALUE AND RECOGNISED IN COMPREHENSIVE INCOME**

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

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

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

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

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

## **FINANCIAL ASSETS MEASURED AT FAIR VALUE AND RECOGNISED IN PROFIT OR LOSS**

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

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

On the date of first recognition, financial assets valued at fair value affecting profit and loss are recorded at fair value without considering the costs or income of settlement which are directly attributable to the instrument itself. On the next reporting dates, the assets are recognised at fair value and the effects are recognised in profit or loss.

## **Impairment of financial assets**

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

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

- › an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes;
- › the time value of money; and
- › reasonable and supportable information available without excessive costs or effort at the end of the reporting period about past events, current conditions and reasonable and supportable forecasts of future economic conditions.

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

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

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

## **Derecognition of financial assets and liabilities**

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

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

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

## **Offsetting of financial assets and liabilities**

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

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



## **Inventories**

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

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

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

## **Public grants**

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

## **Cash and cash equivalents**

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

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

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

## **Financial liabilities and trade payables**

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

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

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

## **Provisions for risks and charges**

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

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

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

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

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

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

## **Employee benefits**

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

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

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

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

## **Share-based payments**

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

## Measurement of fair value

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

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

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

## Measurement of the fair value of financial instruments

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

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

- › Level 1: Quoted prices (active market): the data used in measurements are represented by quoted prices on markets where assets or liabilities identical to those being measured are exchanged;
- › Level 2: The use of parameters observable on the market (for example derivatives, exchange rates identified by the Bank of Italy, market rate curves, volatility provided by Bloomberg, credit spreads calculated based on credit default swaps, etc.) other than level 1 quoted prices;
- › Level 3: The use of parameters that are not observable on the market (internal assumptions, for example, cash flows, spreads adjusted for risk, etc.).

## Financial derivative instruments

Financial derivative instruments are recognised in accordance with IFRS 9.

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

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

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

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

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

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

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

## CONSOLIDATED INCOME STATEMENT

### Recognition of revenues

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

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

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

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

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

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

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

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

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

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

In the case of contracts with customers in which the supply of assets is also related to buy back clauses to exercise at fair value for the purchase of a new machine, the Group adjusts sales revenues based on the historical probability of the activation of this clause.

## **Recognition of costs**

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

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

## **Transactions in currency**

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

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

## **Dividends**

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

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

## **Income taxes**

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

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

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

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

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

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

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

## **Earnings per share**

### **BASIC EARNINGS PER SHARE**

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



## DILUTED EARNINGS PER SHARE

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

## Related parties

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

## 2.5

## RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

Accounting standard/amendment	Approved by the EU	Effective from
IFRS 17 Insurance Contracts	NO	Annual reporting periods beginning on or after 1 January 2021
Amendment to IFRS 3 Business Combinations	NO	Annual reporting periods beginning on or after 1 January 2021
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)	NO	N.A.

No significant impact from the application of these standards is expected, according to the Group's preliminary analysis.

Accounting standards, amendments and interpretations approved by the EU but not yet adopted.

On the date of approval of these Consolidated Financial Statements, the competent bodies of the European Union had approved the adoption of the following accounting standards and amendments, which were not adopted in advance by the Group:

**"Definition of Material  
(Amendments to IAS 1 and IAS  
8)"**

On 31 October 2018, the IASB published the "Definition of material (Amendments to IAS 1 and IAS 8)". That document introduced changes to the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Its aim was to make the definition of "material" more specific, and to introduce the concept of "obscured information" along with the concept of admitted or inaccurate information, which were already present in the two amended standards. The amendment clarified that information is "obscured" if it has been described in such a way that produces, for the primary readers of financial statements, an effect similar to what would have occurred if that information had been omitted or was inaccurate. The amendments were approved on 29 November 2019 and apply to all transactions after 1 January 2020.

**"Amendment to References to  
the Conceptual Framework in  
IFRS Standards"**

On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for years starting on or after 1 January 2020, but early adoption is permitted. The Conceptual Framework defines the basic concepts of financial reporting and guides the Board in elaborating the IFRS standards. The document helps to ensure that the standards are conceptually coherent and that similar transactions are dealt with in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in elaborating accounting standards when no IFRS applies to a specific transaction. In general it also helps the parties to understand and interpret the standards. The amendments were approved on 29 November 2019 and apply to all transactions after 1 January 2020.

**Amendments to IFRS 9, IAS  
39 and IFRS 7: Interest Rate  
Benchmark Reform**

On 26 September 2019, the IASB published the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amended IFRS 9 Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement as well as IFRS 7 – Financial Instruments: Disclosures. The amendment changed some of the requirements for the application of hedge accounting, by introducing temporary derogations to mitigate the impact of the uncertainty of the IBOR reform (which is still in progress) on future cash flows in the period preceding its completion. The amendment also requires companies to report additional information about their hedging relations that are directly affected by the uncertainties of the reform, to which these derogations apply. The amendments came into force from 1 January 2020, but early application is permitted. The amendments were approved on 15 January 2020 and apply to all transactions after 1 January 2020.

This section describes the effects of the adoption of the new accounting standard IFRS 16 Leases.

### **a) IFRS 16 Leases**

IFRS 16 was published in January 2016 and replaces IAS 17 Leasing, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27. Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases in the financial statements on the basis of a single model similar to the one used to account for finance leases in accordance with IAS 17. IFRS 16 came into force on 1 January 2019.

IFRS 16 requires companies to recognise the right of use of leased assets and relative financial liabilities corresponding to the obligation to make lease payments in the financial statements.

These assets and liabilities arising from lease agreements are measured based on their present value. As 2019 is the year of first-time adoption, the effects on the results of the half year are specifically identified in the following tables.

### **Effects of the transition on the financial statements**

During the initial adoption of IFRS 16, the Technogym Group recognised assets for the right of use at 1 January 2019 equal to Euro 20,971 thousand and lease liabilities equal to Euro 20,971 thousand, using a simplified approach without retrospective adoption.

The lease agreements stipulated by the Group basically refer to property leases and leases for vehicles and fork lift trucks.

Any extension periods covered by the renewal option have been included in the contract duration, when it is assumed with reasonable certainty that the option will be exercised, based on historical evidence and business development plans, subject to any plans to dispose of leased assets or clear indications that it would be reasonable to expect that the renewal option would not be exercised.

The Group also excluded short-term contracts from the application of this standard (including leases of less than 12 months from the initial adoption date), and contracts in which the underlying asset is of modest value.

When measuring lease liabilities, the Group discounted lease payments due using the marginal lending rate at 1 January 2019. The rate was defined considering the duration of the lease agreements, the currency of denomination, and characteristics of the economic environment in which they are stipulated.

The impact arising from the adoption of IFRS 16 on balance sheet items is indicated below:

(In thousands of Euro)	At 1 January 2019		At 1 January 2019		At 31 December 2019	
	excluding IFRS 16	IFRS 16	including IFRS 16	excluding IFRS 16	IFRS 16	including IFRS 16
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	142,593	20,971	163,563	146,451	21,468	167,919
Intangible assets	35,884	–	35,884	43,445	–	43,445
Deferred tax assets	16,808	–	16,808	15,543	–	15,543
Investments in joint ventures and associates	18,047	–	18,047	18,063	–	18,063
Non-current financial assets	2,881	–	2,881	2,930	–	2,930
Other non-current assets	40,202	–	40,202	49,590	–	49,590
<b>TOTAL NON-CURRENT ASSETS</b>	<b>256,413</b>	<b>20,971</b>	<b>277,384</b>	<b>276,022</b>	<b>21,468</b>	<b>297,490</b>
<b>Current assets</b>	<b>–</b>					<b>–</b>
Inventories	89,540	–	89,540	76,831	–	76,831
Trade receivables	151,469	–	151,469	127,472	–	127,472
Current financial assets	67	–	67	84	–	84
Assets for derivative financial instruments	148	–	148	–	–	–
Other current assets	20,103	–	20,103	22,295	–	22,295
Cash and cash equivalents	78,503	–	78,503	114,413	–	114,413
<b>TOTAL CURRENT ASSETS</b>	<b>339,831</b>	<b>–</b>	<b>339,831</b>	<b>341,096</b>	<b>–</b>	<b>341,096</b>
<b>TOTAL ASSETS</b>	<b>596,244</b>	<b>20,971</b>	<b>617,215</b>	<b>617,119</b>	<b>21,468</b>	<b>638,587</b>
<b>EQUITY AND LIABILITIES</b>	<b>–</b>					<b>–</b>
<b>Equity</b>	<b>–</b>					<b>–</b>
Share capital	10,050	–	10,050	10,050	–	10,050
Share premium reserve	4,990	–	4,990	4,990	–	4,990
Other reserves	19,196	–	19,196	26,930	(6)	26,923
Retained	80,519	–	80,519	132,827	–	132,827
Profit (loss) attributable to owners of the parent	93,030	–	93,030	83,405	(201)	83,204

	At 1 January 2019		At 1 January 2019		At 31 December 2019	
	excluding IFRS 16	IFRS 16	including IFRS 16	excluding IFRS 16	IFRS 16	including IFRS 16
Equity attributable to owners of the parent	207,786	-	207,786	258,202	(207)	257,995
Capital and reserves attributable to non-controlling interests	1,054	-	1,054	1,553	-	1,553
Profit (loss) attributable to non-controlling interests	438	-	438	541	-	541
Equity attributable to non-controlling interests	1,491	-	1,491	2,094	-	2,094
<b>TOTAL EQUITY</b>	<b>209,277</b>	<b>-</b>	<b>209,277</b>	<b>260,296</b>	<b>(207)</b>	<b>260,089</b>
Non-current liabilities	-	-	-	-	-	-
Non-current financial liabilities	53,389	15,652	69,042	40,832	15,163	55,996
Deferred tax liabilities	420	-	420	294	10	304
Employee benefit obligations	3,001	-	3,001	3,066	-	3,066
Non-current provisions for risks and charges	13,592	-	13,592	15,218	-	15,218
Other non-current liabilities	29,826	-	29,826	35,058	-	35,058
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>100,229</b>	<b>15,652</b>	<b>115,882</b>	<b>94,467</b>	<b>15,174</b>	<b>109,641</b>
Current liabilities	-	-	-	-	-	-
Trade payables	143,910	-	143,910	127,537	-	127,537
Current tax liabilities	8,097	-	8,097	5,078	-	5,078
Current financial liabilities	60,121	5,318	65,439	48,322	6,501	54,823
Liabilities for derivative financial instruments	80	-	80	13	-	13
Current provisions for risks and charges	14,058	-	14,058	12,718	-	12,718
Other current liabilities	60,471	-	60,471	68,687	-	68,687
<b>TOTAL CURRENT LIABILITIES</b>	<b>286,738</b>	<b>5,318</b>	<b>292,056</b>	<b>262,356</b>	<b>6,501</b>	<b>268,857</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>596,244</b>	<b>20,971</b>	<b>617,215</b>	<b>617,119</b>	<b>21,468</b>	<b>638,587</b>

The impact arising from the adoption of IFRS 16 on income statement items is indicated below:

<i>(In thousands of Euro)</i>	Year ended 31 December 2019	Impacts	Year ended 31 December 2019
	excluding IFRS 16	IFRS 16	including IFRS 16
<b>REVENUES</b>			
<b>Revenues</b>	<b>666,418</b>	<b>-</b>	<b>666,418</b>
Other revenues and income	2,513	-	2,513
<b>Total revenues</b>	<b>668,931</b>	<b>-</b>	<b>668,931</b>
<b>OPERATING COSTS</b>			<b>-</b>
Purchases and use of raw materials, work in progress and finished goods	(219,270)	-	(219,270)
<i>of which non-recurring income/(expenses)</i>	<i>(143)</i>	<i>-</i>	<i>(143)</i>
Cost of services	(168,339)	4,753	(163,585)
<i>of which non-recurring income/(expenses)</i>	<i>(1,283)</i>	<i>-</i>	<i>(1,283)</i>
Personnel expenses	(137,694)	1,537	(136,157)
<i>of which non-recurring income/(expenses)</i>	<i>(2,403)</i>	<i>-</i>	<i>(2,403)</i>
Other operating costs	(7,332)	-	(7,332)
<i>of which non-recurring income/(expenses)</i>	<i>(411)</i>	<i>-</i>	<i>(411)</i>
Share of net result from joint ventures	999	-	999
Depreciation, amortisation and impairment losses / (write-backs)	(25,222)	(5,892)	(31,114)
Net provisions	(4,120)	-	(4,120)
<b>NET OPERATING INCOME</b>	<b>107,954</b>	<b>399</b>	<b>108,352</b>
Financial income	8,739	-	8,739
Financial expenses	(10,481)	(609)	(11,091)
<b>Net financial expenses</b>	<b>(1,742)</b>	<b>(609)</b>	<b>(2,351)</b>
Income/(expenses) from investments	402	-	402
<b>PROFIT BEFORE TAX</b>	<b>106,614</b>	<b>(211)</b>	<b>106,404</b>
Income taxes	(22,669)	10	(22,659)
<i>of which non-recurrent income taxes</i>	<i>2,238</i>	<i>-</i>	<i>2,238</i>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>83,946</b>	<b>(201)</b>	<b>83,745</b>
<b>Profit/(loss) attributable to non-controlling interests</b>	<b>(541)</b>	<b>-</b>	<b>(541)</b>
<b>Profit (loss) attributable to owners of the parent</b>	<b>83,405</b>	<b>(201)</b>	<b>83,204</b>
<b>EARNINGS PER SHARE</b>	<b>0.41</b>		<b>0.41</b>

# 3

## Estimates and assumptions

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

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

Cases where a greater subjectivity by management is required in processing estimates are indicated below:

- › **Measurement of receivables:** the provision for bad debts reflects the estimates of the expected losses for the Group's receivables. Provisions for expected losses on receivables have been made, estimated based on past experience with reference to receivables with a similar credit risk, current and past amounts unpaid, as well as careful monitoring of the quality of receivables and current and estimated conditions of the economy and reference markets. The estimates and assumptions are reviewed periodically and the effects of each change are recognised in profit or loss as they occur.
- › **Measurement of inventories:** inventories that are obsolescent are periodically measured and written down if the net realisable value is lower than the carrying amount. Write-downs are calculated based on management's assumptions and estimates, arising from management's experience and past results achieved.
- › **Measurement of deferred taxes:** deferred taxes are measured based on expectations of taxable income expected in future years. The measurement of expected taxable income depends on factors that could vary in time and have significant effects on the measurement of deferred tax assets.
- › **Income taxes:** different laws on income tax in numerous jurisdictions apply to the Group. The determination of the Group's tax liabilities requires management to use measurements for transactions whose tax implications are uncertain on the reporting date. The Group recognises liabilities that could arise from future audits by tax authorities based on the estimate of taxes due. If the outcome of the above audits differs from that estimated by management, significant effects on current and deferred taxes could be possible.
- › **Development costs:** the Group capitalises costs for the development of new products and processing procedures. Costs are capitalised based on management's judgement, which confirms the technical, financial and commercial feasibility of development projects. In determining the amounts to capitalise, management makes certain assumptions as to the generation of the project's expected future cash flows, the discount rates to apply, and the expected useful life of the capitalised costs. At 31 December 2019, the net carrying amount of capitalised development costs was equal to Euro 14,336 thousand (Euro 11,405 thousand at 31 December 2018).
- › **Impairment of assets:** assets are impaired when events or changes in circumstances lead to the assumption that the carrying amount in the financial statements can no longer be

recovered. Events that may cause an impairment of an asset include changes in industrial plans, changes in market prices, a reduced use of plants. The decision to write-down an asset and quantify the write-down depends on management's evaluations of complex and highly uncertain factors, including the future trend of prices, the impact of inflation and technological progress on production costs, production profiles and conditions of demand and supply. The write-down is determined by comparing the carrying amount with the relative recoverable value, represented by the higher of the fair value, net of disposal costs, and value in use determined by discounting expected cash flows arising from use of the asset. Expected cash flows are quantified in the light of information available at the time of the estimate based on subjective judgements of the trend of future variables, such as prices, costs, rates of growth in demand, production profiles, and are discounted using a rate that takes into account the implied risk of the asset concerned.

- › **Business combinations:** the recognition of business combinations implies attributing the difference between the purchase cost and net carrying amount to the assets and liabilities of the acquired company. For most assets and liabilities, the difference is attributed by recognising assets and liabilities at their fair value. The part which is not attributed, if positive, is recognised as goodwill, or if negative, recognised in profit or loss. In this process, the Group uses the available information and, for more significant business combinations, external valuations.
- › **Useful life of tangible and intangible assets with a finite useful life:** the depreciation is calculated based on the useful life of the asset. Useful life is determined when the asset is recognised in the financial statements. Valuations of the duration of useful life are based on past experience, market conditions and expectations of future events that could have an effect on the useful life, including technological changes. Consequently, the actual useful life may differ from the estimated useful life.
- › **Employee benefits:** defined benefit plans are measured based on uncertain events and actuarial assumptions that include, among others, discount rates, expected returns on assets serving plans (if existing), the level of future remuneration, mortality rates, retirement age and future trends of covered health expenses. The main assumptions used to quantify defined benefit plants are determined as follows: (i) the discount and inflation rates that represent the rates based on which obligations to employees could actually be carried out, are based on the rates that accrue on high-quality bonds and inflation expectations; (ii) the level of future remuneration is determined based on elements such as inflation expectations, productivity, career progress and seniority; (iii) the future cost of healthcare is determined based on elements such as the present and past trend of healthcare costs, including assumptions concerning the inflation trend of costs, and changes in the health conditions of entitled parties; (iv) demographic assumptions that reflect the best estimate of the trend in variables, such as mortality, turnover and disability, and other variables relative to the entitled population. The differences in the value of net liabilities (assets) of employee benefit plans arising from changes in the actuarial assumptions used and the difference between actuarial assumptions previously adopted and those actually used occur normally and are defined as actuarial gains or losses. Actuarial gains and losses relative to defined benefit plans are recognised in other comprehensive income. The actuarial assumptions are also adopted to determine obligations relative to other long-term benefits; for this purpose, the effects arising from changes to actuarial assumptions or characteristics of the benefit are recognised in full in profit or loss.
- › **Measurement of provisions for risks:** the Group recognises a liability for disputes and lawsuits in progress when it is considered probable that there will be a financial outflow and when the amount of the resulting loss can be reasonably estimated. In the event a financial outflow is possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements. The causes may relate to complex legal and tax issues that are subject to different level of uncertainty, against which it is possible that the value of the funds may vary as a result of future developments in the ongoing



proceedings. The Group monitors the status of pending litigation and consults with its own legal advisors and experts. Moreover, when selling the product, the Group makes provisions relating to estimated costs for product warranties. The estimate of this fund is calculated on the basis of historical information on the nature, frequency and average cost of warranty claims.

- › **Fair value of financial instruments:** the fair value of unlisted financial instruments is determined according to commonly used financial valuation techniques that require basic assumptions and estimates. These assumptions might not occur according to expected times and procedures. Therefore Group estimates could deviate from final data.
- › **Share-based payments:** the fair value of share-based payments is estimated by determining the most appropriate measurement model, which depends on the terms and conditions of the plan. This estimate also requires the determination of the most appropriate input for the measurement model, including the expected duration of the option or granted right, the volatility and return of dividends and assumptions made.
- › **Estimate of variable considerations relative to returns and discounts on volumes:** the Group estimates variable considerations to include in the transaction price for the sale of products with the right to return them. The Group has developed a statistical model for expected returns on sales. This model is based on historical data relative to each product, to obtain the percentages of expected returns. The percentages obtained are applied to determine the expected value of the variable consideration. Any future change compared to past experience will affect the expected return percentages estimated by the Group.

# 4

## Segment reporting

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

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

However, for the purposes of segment reporting and the associated analysis, Company management considers the geographical areas and distribution channels to be important aspects.

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

(In thousands of Euro and percentage of total revenues)	Year ended 31 December		Changes	
	2019	2018	2019 vs. 2018	%
Europe (without Italy)	330,333	324,893	5,440	1.7%
MEIA	49,885	45,395	4,490	9.9%
APAC	118,319	101,893	16,426	16.1%
Italy	58,692	63,827	-5,135	-8.0%
North America	87,716	77,334	10,382	13.4%
LATAM	23,986	20,796	3,190	15.3%
<b>Total revenues</b>	<b>668,931</b>	<b>634,138</b>	<b>34,793</b>	<b>5.5%</b>

(In thousands of Euro and percentage of total revenues)	Year ended 31 December		Changes	
	2019	2018	2019 vs. 2018	%
Field sales	491,843	468,300	23,543	5.0%
Wholesale	129,312	121,400	7,912	6.5%
Inside sales	39,525	37,800	1,725	4.6%
Retail	8,252	6,638	1,614	24.3%
<b>Total revenues</b>	<b>668,931</b>	<b>634,138</b>	<b>34,793</b>	<b>5.5%</b>

The following table gives a breakdown of non-current assets, excluding deferred tax assets, by geographical area for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	EUROPE (excluding Italy)		MEIA		APAC		ITALY		NORTH AMERICA		LATAM	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Property, plant and equipment	29,426	14,926	0	0	1,396	779	131,869	125,599	3,926	803	1,302	486
Intangible assets	1,432	1,667	0	0	19	12	41,961	34,161	0	0	34	44
Investments in joint ventures and associates	16,018	17,052	0	0	0	0	2,045	995	0	0	0	0
Other non-current assets	16,859	10,935	0	0	1,333	990	27,657	24,925	3,303	2,955	438	397
Non-current financial assets	2,730	2,681	0	0	0	0	200	200	0	0	0	0
<b>Total</b>	<b>66,465</b>	<b>47,260</b>	<b>0</b>	<b>0</b>	<b>2,748</b>	<b>1,781</b>	<b>203,732</b>	<b>185,879</b>	<b>7,228</b>	<b>3,759</b>	<b>1,774</b>	<b>927</b>

\* The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes

For full information, please note that in accordance with IFRS 8, paragraph 34, for the years ended 31 December 2019 and 2018, the Group had no customers that generated revenues of more than 10% of the total revenues.

# 5 Notes to the statement of financial position

## 5.1 PROPERTY, PLANT AND EQUIPMENT

The item "Property, plant and equipment" amounted to Euro 167,919 thousand at 31 December 2019 (Euro 142,593 thousand at 31 December 2018).

The following table shows the amounts and movements of "Property, plant and equipment" for the years ended 31 December 2019 and 2018.

<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
<b>Historical cost at 1 January 2018</b>	<b>12,132</b>	<b>130,392</b>	<b>22,252</b>	<b>58,601</b>	<b>21,045</b>	<b>2,383</b>	<b>246,805</b>
Investments	242	1,222	3,044	4,252	2,678	6,721	18,159
Disposals	-	-	(81)	(177)	(355)	(312)	(924)
Impairment losses	-	-	-	-	-	-	-
Reclassifications	-	463	771	1,681	157	(3,071)	0
Exchange rate differences	-	84	-	1	(64)	-	21
Change in scope of consolidation	-	-	-	-	-	-	-
<b>Historical cost at 31 December 2018</b>	<b>12,374</b>	<b>132,161</b>	<b>25,986</b>	<b>64,358</b>	<b>23,461</b>	<b>5,721</b>	<b>264,061</b>
<b>Accumulated depreciation at 1 January 2018</b>	<b>-</b>	<b>(31,400)</b>	<b>(13,959)</b>	<b>(47,264)</b>	<b>(15,143)</b>	<b>-</b>	<b>(107,766)</b>
Depreciation	-	(5,180)	(1,866)	(5,017)	(2,101)	-	(14,165)
Disposals	-	-	50	167	269	-	486
Reclassifications	-	-	-	(498)	498	-	0
Impairment losses	-	-	-	-	-	-	-
<b>Accumulated depreciation at 31 December 2018</b>	<b>-</b>	<b>(36,613)</b>	<b>(15,775)</b>	<b>(52,608)</b>	<b>(16,473)</b>	<b>-</b>	<b>(121,469)</b>
<b>Net values at 31 December 2018</b>	<b>12,374</b>	<b>95,548</b>	<b>10,211</b>	<b>11,749</b>	<b>6,988</b>	<b>5,721</b>	<b>142,592</b>
<b>Historical cost at 1 January 2019</b>	<b>12,374</b>	<b>132,161</b>	<b>25,986</b>	<b>64,358</b>	<b>23,461</b>	<b>5,721</b>	<b>264,061</b>
First-time adoption IFRS 16	-	21,307	-	-	6,070	-	27,377
Investments	15	3,215	1,105	11,989	3,198	1,812	21,333
Disposals	-	(140)	(1,004)	(148)	(1,060)	(445)	(2,797)

<i>(In thousands of Euro)</i>	<b>Land</b>	<b>Buildings and leasehold improvements</b>	<b>Plant and machinery</b>	<b>Production and commercial equipment</b>	<b>Other assets</b>	<b>Assets under construction and advances</b>	<b>Total</b>
Impairment losses	-	-	-	-	(58)	-	(58)
Reclassifications	688	2,155	302	1,093	-	(4,220)	18
Exchange rate differences	-	133	-	46	258	-	437
<b>Historical cost at 31 December 2019</b>	<b>13,077</b>	<b>158,832</b>	<b>26,389</b>	<b>77,338</b>	<b>31,870</b>	<b>2,867</b>	<b>310,372</b>
<b>Accumulated amortisation at 1 January 2019</b>	<b>-</b>	<b>(36,613)</b>	<b>(15,775)</b>	<b>(52,608)</b>	<b>(16,473)</b>	<b>-</b>	<b>(121,469)</b>
First-time adoption IFRS 16	-	(4,127)	-	-	(1,782)	-	(5,909)
Depreciation	-	(5,320)	(1,829)	(6,273)	(2,587)	-	(16,009)
Disposals	-	152	398	99	563	-	1,212
Reclassifications	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Exchange rate differences	-	(36)	-	(28)	(214)	-	(278)
<b>Accumulated depreciation at 31 December 2019</b>	<b>-</b>	<b>(45,944)</b>	<b>(17,207)</b>	<b>(58,810)</b>	<b>(20,494)</b>	<b>-</b>	<b>(142,453)</b>
<b>Net values at 31 December 2019</b>	<b>13,077</b>	<b>112,888</b>	<b>9,182</b>	<b>18,528</b>	<b>11,376</b>	<b>2,867</b>	<b>167,919</b>

The category "Buildings and leasehold improvements" mainly includes buildings used for production and commercial activities and the associated installations also at the complex called "Technogym Village", used as corporate headquarters. "Plant and machinery" mainly includes production line assembly plants. "Production and commercial equipment" mainly refers to molds used for production and equipment used for machine assembly operations. "Assets under construction" mainly relate to investments in production lines at the Group's production sites that have not yet been placed in service at the end of the year and molds not yet available for use.

Investments for the year ended 31 December 2019 amounted to Euro 21,333 thousand. Investments in assets under construction (Euro 1,812 thousand), mainly refer to the renovation of production lines; investments in industrial and commercial equipment (Euro 11,989 thousand) mainly refer to the purchase of moulds for the continual expansion and renovation of production lines; investments in plant and machinery (Euro 1,105) chiefly concern the implementation of new production lines. Lastly, part of the investments in buildings and leasehold improvements refer to a warehouse at the production site in Slovakia, which is being used to expand the logistics operations.

Net disposals of property, plant and equipment for the year ended 31 December 2019 amount to Euro 1,585 thousand, whereas at 31 December 2018 they are not of a significant amount. At 31 December 2019 and 2018, there was no real estate or instrumental assets that were subject to any kind of guarantee for third parties, nor fixed assets managed under financial leases.

## 5.2

## INTANGIBLE ASSETS

The item "Intangible assets" amounted to Euro 43,445 thousand at 31 December 2019 (Euro 35,884 thousand at 31 December 2018). The following table shows the amounts and movements of intangible assets for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Development costs</b>	<b>Patents and intellectual property rights</b>	<b>Concessions, licenses, trademarks and similar rights</b>	<b>Intangibles under development and advances</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Net values at 01 January 2018</b>	<b>11,238</b>	<b>4,000</b>	<b>470</b>	<b>12,949</b>	<b>276</b>	<b>28,933</b>
<b>Historical cost at 01 January 2018</b>	<b>35,712</b>	<b>11,320</b>	<b>1,241</b>	<b>12,949</b>	<b>972</b>	<b>62,194</b>
Investments	3,081	6,118	186	5,629	50	15,064
Disposals	(16,539)	(2,832)	(1)	-	(137)	(19,509)
Impairment losses	-	-	-	(10)	-	(10)
Reclassifications	1,733	9,094	-	(10,839)	12	(0)
Exchange rate differences	-	154	-	(45)	0	109
<b>Historical cost at 31 December 2018</b>	<b>23,986</b>	<b>23,855</b>	<b>1,426</b>	<b>7,684</b>	<b>897</b>	<b>57,848</b>
<b>Accumulated depreciation at 01 January 2018</b>	<b>(24,474)</b>	<b>(7,320)</b>	<b>(771)</b>	<b>-</b>	<b>(696)</b>	<b>(33,261)</b>
Depreciation	(4,646)	(2,857)	(157)	-	(168)	(7,827)
Disposals	16,539	2,549	7	-	137	19,232
Reclassifications	-	0	-	-	0	0
Exchange rate differences	-	(108)	-	-	(0)	(108)
Impairment losses	-	-	-	-	-	-
<b>Accumulated depreciation at 31 December 2018</b>	<b>(12,581)</b>	<b>(7,735)</b>	<b>(921)</b>	<b>-</b>	<b>(727)</b>	<b>(21,964)</b>
<b>Net values at 31 December 2018</b>	<b>11,405</b>	<b>16,119</b>	<b>506</b>	<b>7,684</b>	<b>170</b>	<b>35,884</b>
<b>Historical cost at 01 January 2019</b>	<b>23,986</b>	<b>23,855</b>	<b>1,426</b>	<b>7,684</b>	<b>897</b>	<b>57,848</b>
Investments	4,725	6,835	192	4,974	35	16,761
Disposals	(1,194)	(2,037)	(73)	-	(41)	(3,344)
Impairment losses	-	-	-	(11)	-	(11)
Reclassifications	3,330	1,115	-	(4,464)	-	(18)
Exchange rate differences	-	163	-	-	0	164
<b>Historical cost at 31 December 2019</b>	<b>30,847</b>	<b>29,931</b>	<b>1,546</b>	<b>8,183</b>	<b>891</b>	<b>71,398</b>
<b>Accumulated depreciation at 01 January 2019</b>	<b>(12,581)</b>	<b>(7,735)</b>	<b>(921)</b>	<b>-</b>	<b>(727)</b>	<b>(21,964)</b>
Depreciation	(5,095)	(3,780)	(177)	-	(74)	(9,126)
Disposals	1,166	1,989	73	-	41	3,269
Reclassifications	-	-	-	-	-	-
Exchange rate differences	-	(122)	-	-	(10)	(132)
Impairment losses	-	-	-	-	-	-
<b>Accumulated depreciation at 31 December 2019</b>	<b>(16,510)</b>	<b>(9,647)</b>	<b>(1,025)</b>	<b>-</b>	<b>(771)</b>	<b>(27,953)</b>
<b>Net values at 31 December 2019</b>	<b>14,337</b>	<b>20,284</b>	<b>521</b>	<b>8,183</b>	<b>121</b>	<b>43,445</b>

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

Investments for the year ended 31 December 2019 amounted to Euro 16,761 thousand. Investments in intangible assets under development and advances (Euro 4,974 thousand) mainly relate to the development of new products and product lines, as well as to software and software applications; investments in patents and intellectual property rights (Euro 6,835 thousand) mainly refer to the upgrade and implementation of the new ERP SAP system, and upgrades to software used by the Group; investments in development costs (Euro 4,725 thousand) mainly refer to costs incurred in updating and extending the range of products and services.

Net disposals of intangible assets for the years ended 31 December 2019 and 2018 are not significant.

During 2019, the Group recognised impairment losses on intangible assets for a negligible amount.

### 5.3

### DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

“Deferred tax assets” amounted to Euro 15,543 thousand at 31 December 2019 (Euro 16,808 thousand at 31 December 2018), while the item “Deferred tax liabilities” amounted to Euro 304 at 31 December 2019 (Euro 420 thousand at 31 December 2018).

The following table shows the amounts and movements of deferred tax assets and liabilities for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Values at 1 January 2018</b>	<b>Provisions</b>	<b>Utilisations</b>	<b>Reclas-sifications</b>	<b>Values at 1 January 2019</b>	<b>Provisions</b>	<b>Utilisations</b>	<b>Reclas-sifications</b>	<b>Values at 31 December 2019</b>
<b>Deferred tax assets</b>									
Inventory write-down provision	3,570	119	(361)	-	3,328	-	(253)	-	3,075
Warranties provision	1,852	1,381	(1,145)	-	2,088	1,634	(1,563)	-	2,159
Accumulated amortisation of trademarks	53	-	(53)	-	0	174	(31)	-	143
Other provisions for risks	2,966	18	(396)	-	2,589	32	(135)	-	2,485
Bad debt provision	395	154	(107)	-	441	353	(128)	-	666
Accruals provision	9	-	(1)	-	9	-	(9)	-	0
Unrealised exchange losses	(9)	116	-	-	107	-	(17)	-	90
Post-employment benefits	137	39	-	-	176	93	-	-	269
Other	498	279	-	-	777	-	(629)	-	148
PNC provision	283	82	(47)	-	317	83	(14)	-	386
Intercompany stock profit provision	5,611	1,365	-	-	6,976	-	(855)	-	6,122
<b>Total deferred tax assets</b>	<b>15,366</b>	<b>3,553</b>	<b>(2,110)</b>	<b>-</b>	<b>16,808</b>	<b>2,370</b>	<b>(3,635)</b>	<b>-</b>	<b>15,544</b>
<b>Deferred tax liabilities</b>									
Unrealised exchange gains	108	-	(103)	-	5	36	-	-	41
Others	435	52	(72)	-	415	38	(191)	-	262
<b>Total deferred tax liabilities</b>	<b>543</b>	<b>52</b>	<b>(175)</b>	<b>-</b>	<b>420</b>	<b>74</b>	<b>(191)</b>	<b>-</b>	<b>304</b>



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

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

In addition, the Group had tax losses carried forward that were not recognised in deferred tax assets of Euro 14,483 thousand at 31 December 2019.

## 5.4 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The item "Investments in joint ventures and associates" amounted to Euro 18,063 thousand at 31 December 2019 (Euro 18,047 thousand at 31 December 2018).

The following table shows the amounts and movements of investments in joint ventures and associates for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Joint ventures</b>	<b>Associates</b>	<b>Total</b>
<b>Values at 31 December 2017</b>	<b>17,563</b>	<b>157</b>	<b>17,720</b>
Investments	-	-	-
Impairment losses	-	-	-
Dividends	-	-	-
Net result	315	(59)	257
Exchange rate differences	(5)	75	70
<b>Values at 31 December 2018</b>	<b>17,874</b>	<b>173</b>	<b>18,047</b>
Investments	-	-	-
Impairment losses	-	-	-
Dividends	(1,004)	-	(1,004)
Net result	935	69	1,004
Exchange rate differences	16	(0)	16
<b>Values at 31 December 2019</b>	<b>17,821</b>	<b>242</b>	<b>18,063</b>

Details of movements relating to joint ventures are provided below.

<i>(In thousands of Euro)</i>	<b>Values at 31 December 2018</b>	<b>Exchange rate differences</b>	<b>Dividends</b>	<b>Net result</b>	<b>Values at 31 December 2019</b>
Exerp Aps	17,045	(9)	(1,004)	(56)	15,975
Technogym Emirates LLC	828	25	-	992	1,845
<b>Total</b>	<b>17,873</b>	<b>16</b>	<b>(1,004)</b>	<b>935</b>	<b>17,820</b>

At 31 December 2019 and 2018, the category “Joint ventures” referred to the stakes held in Technogym Emirates LLC (49%), which was set up by the Group with a company in the United Arab Emirates in order to facilitate the distribution and sale of the products and services in that area, and in Exerp Aps (50.01%), which specializes in the development and marketing of operating software for fitness clubs.

At 31 December 2019, the category “Associates” mainly referred to the 40% shareholding in Wellink S.r.l., an Italian company operating in the development and implementation of personalised projects for wellness centres.

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

(In thousands of Euro)	Technogym Emirates LLC		Exerp Aps	
	At 31 December		At 31 December	
	2019	2018	2019	2018
Equity	5,646	3,132	1,772	2,284
Total revenues	21,806	22,584	12,332	11,208
Profit/(loss) for the period	2,481	3,006	1,501	829

## 5.5 OTHER NON-CURRENT ASSETS

The item “Other non-current assets” amounts to Euro 49,590 thousand At 31 December 2019 (Euro 40,202 thousand on 31 December 2018).

The following table provides details of “Other non-current assets” on 31 December 2019 and 2018.

(In thousands of Euro)	At 31 December	
	2019	2018
<b>Other non-current assets</b>		
Transferred trade receivables due after 12 months	16,152	15,772
Provisions for transferred receivables - due after 12 months	(1,046)	(1,101)
Income tax receivables due after 12 months	433	433
Security deposits	1,837	1,305
Other receivables	1,252	1,521
Investments in other entities	3,264	2,539
Receivables for buy backs - due after 12 months	27,698	19,733
<b>Total other non-current assets</b>	<b>49,590</b>	<b>40,202</b>

“Transferred trade receivables due after 12 months” net of the relative bad debt provision, equal to Euro 15,107 thousand and Euro 14,671 thousand at 31 December 2019 and 2018 respectively, include the non-current portion of receivables arising from the sale of goods which, although transferred to third party financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for their derecognition

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

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

"Security deposits" of Euro 1,837 thousand as at 31 December 2019 are recognised in respect of property leases, lease agreements for vehicles, and utilities.

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

The following table shows the details of investments in other entities for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Registered office</b>	<b>% of control</b>	<b>Currency</b>	<b>At 31 December</b>	
				<b>2019</b>	<b>2018</b>
<b>Entity name</b>					
Sandcroft Avenue Ltd	United Kingdom	12%	GBP	2,395	1,812
Qicraft Sweden AB	Sweden	10%	SEK	173	68
Pubblisole S.p.A.	Italy	2%	EUR	100	100
Qicraft Norway AS	Norway	10%	NOK	205	154
Qicraft Finland OY	Finland	10%	EUR	105	121
Crit S.r.l.	Italy	1%	EUR	26	26
Fimex SA	Switzerland	5%	CHF	229	229
Other investments	n.a.	n.a.	n.a.	30	29
<b>Total investments in other entities</b>				<b>3,264</b>	<b>2,539</b>

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

## 5.6

## INVENTORIES

The item "Inventories" amounts to Euro 76,831 thousand at 31 December 2019 (Euro 89,540 thousand At 31 December 2018). The following table gives a breakdown of this item of 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Inventories</b>		
Raw materials (gross value)	14,818	18,514
Write-down provision	(1,482)	(1,306)
<b>Total raw materials</b>	<b>13,336</b>	<b>17,208</b>
Work in progress (gross value)	1,180	1,467
Write-down provision	(143)	(221)
<b>Total work in progress</b>	<b>1,036</b>	<b>1,245</b>
Finished goods (gross value)	76,086	83,134
Write-down provision	(13,627)	(12,047)
<b>Total finished goods</b>	<b>62,459</b>	<b>71,086</b>
<b>Total inventories</b>	<b>76,831</b>	<b>89,540</b>

The reduction in Inventories compared to 31 December 2018 is mainly due to careful stock management, despite the increase in overseas sales. This reduction in the balance of inventories resulted in the successful resolution of all the issues resulting from the 2018 implementation of the new ERP system; the average stock turnover has been reduced from 70 days for the year ending 31 December 2018, to 60 days for the year ending 31 December 2019.

The following table shows the amounts and movements of inventory write-down provision for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Raw materials</b>	<b>Work in progress</b>	<b>Finished goods</b>	<b>Total inventory write-down provision</b>
<b>Values at 01 January 2018</b>	<b>5,599</b>	<b>264</b>	<b>9,014</b>	<b>14,877</b>
Net provisions	(28)	(1)	5,842	5,813
Utilisations	(4,266)	(41)	(2,774)	(7,081)
Reclassifications	(0)	–	(15)	(15)
Exchange rate differences	–	–	(20)	(20)
<b>Values at 31 December 2018</b>	<b>1,306</b>	<b>221</b>	<b>12,047</b>	<b>13,574</b>
Net provisions	7	–	2,012	2,019
Utilisations	(433)	(78)	112	(399)
Reclassifications	602	–	(602)	–
Exchange rate differences	–	–	57	57
<b>Values at 31 December 2019</b>	<b>1,482</b>	<b>143</b>	<b>13,627</b>	<b>15,252</b>

## 5.7

## TRADE RECEIVABLES

The item "Trade receivables" amounted to Euro 127,472 thousand on 31 December 2019 (Euro 151,469 thousand on 31 December 2018) net of the bad debt provision.

The following table contains a breakdown of trade receivables at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Trade receivables</b>		
Trade receivables (gross value)	120,775	141,791
Bad debt provision	(3,106)	(2,501)
Transferred trade receivables	9,966	12,371
Bad debt provision	(163)	(193)
<b>Total trade receivables</b>	<b>127,472</b>	<b>151,469</b>

The decrease in "Trade receivables" during the current year is mainly the result of the elimination of the inefficiencies in credit management that occurred in 2018 due to the implementation of the new company ERP system, with particular reference to the British, Italian, German, Dutch and Spanish markets. The entire Group has made great efforts to restore and improve the credit management workflows in order to lay the right foundations for the coming years.

The transferred trade receivables, net of the relative provision, of Euro 9,803 thousand at 31 December 2019, and Euro 12,178 thousand at 31 December 2018, respectively, refer to the current portion of receivables arising from the sale of goods which, although transferred to financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for derecognition from assets.

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

The following table contains a breakdown of trade receivables by maturity, as of 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Not overdue</b>	<b>Up to 30 days past due</b>	<b>Between 31 and 90 days past due</b>	<b>Between 91 and 180 days past due</b>	<b>Between 181 and 360 days past due</b>	<b>More than 360 days past due</b>	<b>Total</b>
<b>At 01 January 2018</b>	<b>91,751</b>	<b>9,207</b>	<b>6,679</b>	<b>1,697</b>	<b>1,311</b>	<b>1,007</b>	<b>111,652</b>
Trade receivables (gross value)	97,802	15,319	13,481	9,058	4,712	1,419	141,791
Bad debt provision	(168)	(74)	(155)	(67)	(955)	(1,082)	(2,501)
Transferred trade receivables	12,372	0	(0)	(0)	0	-	12,372
Bad debt provision	(193)	-	-	-	-	-	(193)
<b>At 31 December 2018</b>	<b>109,813</b>	<b>15,245</b>	<b>13,326</b>	<b>8,991</b>	<b>3,757</b>	<b>337</b>	<b>151,469</b>
Trade receivables (gross value)	98,915	10,902	5,070	1,723	1,809	2,356	120,775
Bad debt provision	-	(71)	(211)	(265)	(1,228)	(1,330)	(3,105)
Transferred trade receivables	9,966	-	-	-	-	-	9,966
Bad debt provision	(163)	-	-	-	-	-	(163)
<b>At 31 December 2019</b>	<b>108,717</b>	<b>10,831</b>	<b>4,859</b>	<b>1,458</b>	<b>581</b>	<b>1,026</b>	<b>127,472</b>

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

The following table reports the amounts and changes in the bad debt provision for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Bad debt provision</b>
<b>Values at 01 January 2018</b>	<b>1,794</b>
Net provisions	1,731
Utilisations	(753)
Reclassifications	(71)
Exchange rate differences	(8)
<b>Values at 31 December 2018</b>	<b>2,694</b>
Net provisions	1,164
Utilisations	(613)
Reclassifications	-
Exchange rate differences	24
<b>Values at 31 December 2019</b>	<b>3,269</b>

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

## 5.8 CURRENT FINANCIAL ASSETS

The item "Current financial assets" amounted to Euro 84 thousand at 31 December 2019 (Euro 67 thousand at 31 December 2018). This item mainly includes a non-interest-bearing loan to a non-consolidated company.

## 5.9 ASSETS FOR DERIVATIVE FINANCIAL INSTRUMENTS

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

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

(In thousands of Euro)	At 31 December	
	2019	2018
USD	-	29
GBP	-	100
AUD	-	19
<b>Total</b>	<b>-</b>	<b>148</b>

## 5.10 OTHER CURRENT ASSETS

The item "Other current assets" amounts to Euro 22,295 thousand at 31 December 2019 (Euro 20,103 thousand At 31 December 2018). The following table contains a breakdown of the other current assets at 31 December 2019 and 2018:

(In thousands of Euro)	At 31 December	
	2019	2018
<b>Other current assets</b>		
VAT receivables	7,308	6,048
Prepaid expenses	6,033	5,361
Advances to suppliers	1,290	1,393
Tax receivables	6,000	3,844
Accrued income	362	398
Receivables from employees	198	119
Other receivables	1,105	2,938
<b>Total other current assets</b>	<b>22,295</b>	<b>20,103</b>

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

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

“Advances to suppliers” relate to advances and deposits paid for supplies yet to be received. Tax receivables relate mainly to the payment of advances for taxes, and Patent Box credits relating to know-how, on 2017 and 2018 income, giving a total of Euro 2,238 thousand. The balance of the item “Other current assets” mainly refers to receivables for dividends from joint ventures.

## 5.11 CASH AND CASH EQUIVALENTS

The item “Cash and cash equivalents” amounted to Euro 114,513 thousand at 31 December 2019 (Euro 78,503 thousand at 31 December 2018).

The following table shows the amounts of cash and cash equivalents at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash and cash equivalents</b>		
Bank deposits	110,229	73,790
Checks	400	700
Cash and cash equivalents	17	25
Term bank deposits within 3 months	3,768	3,988
<b>Total cash and cash equivalents</b>	<b>114,413</b>	<b>78,503</b>

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

“Term bank deposits within 3 months” at 31 December 2019 represent temporary uses of surplus cash.

The following table shows the breakdown by currency of the item “Cash and cash equivalents” at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
EUR	60,080	43,698
USD	20,065	12,178
GBP	9,426	8,586
AUD	2,327	1,567
CNY	7,917	3,971
JPY	8,520	2,814
BRL	270	445
OTH	5,808	5,244
<b>Total</b>	<b>114,413</b>	<b>78,503</b>



At 31 December 2019 and 2018 there were no restrictions or limitations on the use of the Group's bank deposits, cheques and cash and cash equivalents on hand.

## 5.12 EQUITY

The item "Equity" amounted to Euro 260,089 thousand at 31 December 2019 (Euro 209,277 thousand at 31 December 2018). The following table reports the details of equity at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Equity</b>			
Share capital	10,050	10,050	10,050
Share premium reserve	4,990	4,990	4,990
Other reserves	26,923	19,196	23,752
Retained	132,827	80,519	32,345
Profit (loss) attributable to owners of the parent	83,204	93,030	60,949
<b>Equity attributable to owners of the parent</b>	<b>257,995</b>	<b>207,786</b>	<b>132,086</b>
Capital and reserves attributable to non-controlling interests	1,553	1,054	688
Profit (loss) attributable to non-controlling interests	541	438	293
<b>Equity attributable to non-controlling interests</b>	<b>2,094</b>	<b>1,491</b>	<b>981</b>
<b>Total equity</b>	<b>260,089</b>	<b>209,277</b>	<b>133,067</b>

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

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves					Retained earnings	Profit (loss) attributable to owners of the parent	Equity attributable to owners of the parent	Capital and reserves attributable to non-controlling interests	Profit (loss) attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
			Translation reserve	Reserve for the adoption of IAS/IFRS	IAS 19 reserve	Stock grant plan reserve	Other							
<b>At 1 January 2018 Restated</b>	10,050	4,990	2,519	2,407	169	473	18,186	33,055	60,948	132,797	689	293	981	133,778
Profit for the previous year	-	-	0	(1,414)	0	0	3,902	66,266	(60,949)	0	293	(293)	(0)	0
Total comprehensive income for the year	-	-	(697)	0	(58)	0	8	0	93,030	92,283	73	436	508	92,792
Dividends paid	-	-	-	-	-	-	-	(18,090)	-	(18,090)	0	-	0	(18,090)
Increase in capital	-	-	-	-	-	-	-	0	-	0	-	-	-	-
Other movements	-	-	-	-	-	0.00	0.00	(710)	-	(710)	0	-	0	(710)
Incentive plan (LTIP)	0	(0)	0	0	0	1,508	-	-	-	1,508	-	-	-	1,508
<b>At 31 December 2018</b>	10,050	4,990	1,822	993	111	1,981	14,291	80,519	93,030	207,786	1,054	436	1,491	209,277
<b>Profit for the previous year</b>	-	-	-	(15)	-	-	4,556	88,489	(93,030)	(0)	438	(438)	-	(0)
<b>Total comprehensive income for the year</b>	-	-	1,326	-	(188)	-	7	-	83,204	84,351	62	541	603	84,954
Dividends paid	-	-	-	-	-	-	-	(36,181)	-	(36,181)	-	-	-	(36,181)
Increase in capital	-	-	-	-	-	-	0	-	-	0	(0)	-	(0)	(0)
Other movements	-	-	-	-	-	-	1,604	(0)	0	1,604	(0)	-	(0)	1,604
Option for the purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive plan (LTIP)	-	-	-	-	-	436	-	-	-	436	-	-	-	436
<b>At 31 December 2019</b>	10,050	4,990	3,149	978	(77)	2,416	20,458	132,827	83,203	257,995	1,554	540	2,093	260,089

At 31 December 2019, the "Share capital" of Euro 10,050 thousand, fully subscribed and paid in cash, amounted to 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 Euro.

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

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

The cash flow hedge reserve, which is included in Other reserves, basically refers to the effective component of interest rate hedging transactions, and refers to the only interest rate swap (IRS) taken out for the medium/long-term loan granted on 9 April 2015 by Unicredit S.p.A., for a total of Euro 30,000 thousand (see note 5.13 below). This financial derivative was recognised with the hedge accounting method. In line with the hedge accounting method, the negative fair value of 31 December 2018 was fully recognised on the income statement in 2019.

<i>(In thousands of Euro)</i>	<b>CFH reserve</b>
<b>Balance at 31 December 2017</b>	<b>(15)</b>
Hedging instruments / Cash flow hedges	10
Tax effect – Hedging instruments / Cash flow hedges	(3)
<b>Balance at 31 December 2018</b>	<b>(7)</b>
Hedging instruments / Cash flow hedges	–
Tax effect – Hedging instruments / Cash flow hedges	–
<b>Balance at 31 December 2019</b>	<b>–</b>

To reflect the discharge of this hedging operation, the value of the reserve stated on 31 December 2018 was fully recognised on the income statement net of the related fiscal effects, for Euro 7 thousand.

### **Stock grant plan reserve**

At 31 December 2019, three incentive plans were in place for Technogym management: (i) the 2017-2019 Performance Shares Plan, the 2018-2020 Performance Shares Plan, and the 2019-2021 Performance Shares Plan (the "Incentive Plans"), which were approved by the Board of Directors on 6 March 2017, 28 March 2018 and 27 March 2019 respectively.

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

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

The Incentive Plans refer to 2017-2019, 2018-2020 and 2019-2021, and are based on assigning the right to receive free shares if certain Company performance objectives are met. These incentive plans have:

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

The shares are assigned to the beneficiaries, subject to the conditions in the Incentive Plans being met, no later than 60 days following the approval of the Group's Consolidated Financial Statements for 31 December 2019, 31 December 2020 and 31 December 2021.

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

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

Specifically, the cost of the Incentive Plans was determined at a total of Euro 5,048 thousand, of which Euro 436 thousand attributable to the year 2019.

The plan was valued at fair value by a third-party independent expert. The quota for the year was recognised with a contra-item in Equity, as the plan can be classified as "equity settled" according to IFRS 2.

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

<i>(In thousands of Euro)</i>	<b>2019</b>		<b>2018</b>	
	<b>Equity</b>	<b>Profit</b>	<b>Equity</b>	<b>Profit</b>
<b>Equity and result as reported in the Parent company's financial statements</b>	<b>284,253</b>	<b>72,332</b>	<b>247,846</b>	<b>92,642</b>
	-	-		
Effect of consolidation of subsidiaries	126,667	21,763	114,064	17,192
Alignment of accounting policies of consolidated companies	39,408	6,346	30,965	2,101
Effect of elimination of values of investments	(185,329)	(6,639)	(178,688)	(4,225)
Elimination of intercompany dividends	(4,909)	(10,058)	(4,909)	(14,243)
<b>Equity pertaining to minority interests</b>	<b>(2,094)</b>	<b>(541)</b>	<b>(1,491)</b>	<b>(438)</b>
<b>Group equity and results</b>	<b>257,995</b>	<b>83,204</b>	<b>207,786</b>	<b>93,030</b>

## 5.13

## FINANCIAL LIABILITIES

The items "Non-current financial liabilities" and "Current financial liabilities amounted to Euro 55,996 thousand and Euro 54,823 thousand at 31 December 2019 respectively Euro 53,389 thousand and Euro 60,121 thousand at 31 December 2018 respectively). The following table shows the amounts of financial liabilities, current and non-current, at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Non-current financial liabilities</b>		
Bank loans due after 12 months – non-current portion	24,680	37,617
Non-current liabilities due to other lenders	–	–
Other non-current financial liabilities	16,152	15,772
IFRS 16 Non-current financial liabilities	15,163	–
<b>Total non-current financial liabilities</b>	<b>55,996</b>	<b>53,389</b>
<b>Current financial liabilities</b>		
Bank loans due after 12 months – current portion	12,486	18,420
Other short-term borrowings	25,633	29,075
Current liabilities due to other lenders	9,966	12,371
Financial payables to subsidiaries	237	254
IFRS 16 Financial liabilities - Current	6,501	–
<b>Total current financial liabilities</b>	<b>54,823</b>	<b>60,121</b>

At 31 December 2019 the Group's financial debt was entirely with variable interest rates.

### Medium/long-term bank loans

The following table shows the movements of bank loans for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Bank loans due after 12 months – non-current portion</b>	<b>Bank loans due after 12 months – current portion</b>	<b>Total bank loans</b>
<b>Values at 31 December 2017</b>	<b>70,238</b>	<b>23,580</b>	<b>93,818</b>
Obtainment of loans	–	–	–
Repayments	(14,201)	(23,580)	(37,781)
Reclassification from long-term to short-term	(18,420)	18,420	–
<b>Values at 31 December 2018</b>	<b>37,617</b>	<b>18,420</b>	<b>56,037</b>
Obtainment of loans	16,666	8,334	25,000
Repayments	(25,454)	(18,417)	(43,871)
Reclassification from long-term to short-term	(4,149)	4,149	–
<b>Values at 31 December 2019</b>	<b>24,680</b>	<b>12,486</b>	<b>37,166</b>

The following shows the details of bank loans at 31 December 2019 and 2018.

(In thousands of Euro)	Due date	Interest rate	At 31 December			
			2019	of which current	2018	of which current
Bank loans						
Unicredit S.p.A.	2022	Variable	25,067	8,399	34,814	11,815
Banca Popolare dell'Emilia-Romagna S.p.A.*	2022	Variable	12,099	4,087	16,180	4,096
Banco Popolare	2020	Fixed	-	-	5,043	2,510
Total bank loans			37,166	12,486	56,037	18,420

\* Includes the loan from Sidea of Euro 155.5 thousand

The following table shows the details of medium/long-term bank loans at 31 December 2019 by maturity date.

(In thousands of Euro)	Residual debt	Current portion	2020	2021	2022	2023
Unicredit S.p.A.	25,067	8,399	8,399	8,334	8,334	-
Banca Popolare dell'Emilia-Romagna S.p.A.*	12,099	4,087	4,087	4,000	4,012	-
<b>Total</b>	<b>37,166</b>	<b>12,486</b>	<b>12,486</b>	<b>12,334</b>	<b>12,347</b>	<b>-</b>

Reflecting the financial performance recorded in 2019, the Group has repaid the following loans early:

- › Unicredit S.p.A. 2020: The medium-long term loan granted by Unicredit S.p.A. on 9 April 2015 for a total of Euro 30,000 thousand, with maturity on 9 April 2020, was repayable in twenty equal quarterly instalments of Euro 1,500 thousand each. The loan was paid off early on 15 July 2019, with a residual value of Euro 6,000 thousand. At the same time, the interest rate swap agreement taken out to cover the Group against the interest rate risk on that loan using the mark to market liquidation of Euro 9 thousand, was also paid off early;
- › Unicredit S.p.A. 2023: The medium-long term loan granted by Unicredit S.p.A. on 15 April 2016 for a total of Euro 40,000 thousand, with maturity on 15 April 2023, is repayable in fourteen equal six-monthly instalments of Euro 2,857 thousand each. The loan was paid off early on 9 August 2019, with a residual value of Euro 22,857 thousand;
- › Banca Popolare S.p.A. 2020: The loan granted by Banco Popolare S.p.A. on 31 October 2016, for a total of Euro 10,000 thousand, with maturity on 31 December 2020, was repayable in sixteen deferred quarterly instalments. The loan was paid off early on 16 December 2019, with a residual value of Euro 3,159 thousand.

The medium-long term loan granted on 17 July 2017 by Banca Popolare dell'Emilia-Romagna S.p.A.,

- › for a total of Euro 20,000 thousand was repayable in 10 equal six-monthly instalments of Euro 2,000 thousand each,

- › expiring on 17 July 2022. The loan agreement requires the Company to comply with the following financial covenant: consolidated "Net financial position/EBITDA" ratio of no higher than 3.8, verified annually.

For the year ended 31 December 2019, the covenant was met.

The medium-long term loan granted by Unicredit S.p.A. on 9 August 2019 for a total of Euro 25,000 thousand, with maturity on 29 July 2022, is repayable in six equal six-monthly instalments of Euro 4,166 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. For the year ended 31 December 2019, the covenant was met.

## Other short-term borrowings

The following table shows the details of other short-term borrowings at 31 December 2019 and 2018.

(In thousands of Euro)	Currency	At 31 December	
		2019	2018
Other short-term borrowings			
Unicredit S.p.A.	EUR	-	4,500
Banca Nazionale del Lavoro	EUR	25,023	-
Banca Popolare di Sondrio	EUR	-	14,000
Cassa di Risparmio di Parma e Piacenza	EUR	-	10,000
Banco ITAU	BRL	508	-
BPER Lussemburgo	EUR	66	575
Other short-term borrowings	EUR	36	-
Total other short-term borrowings		25,633	29,075

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

## Liabilities due to other lenders

Current and non-current liabilities from other lenders refers to financing transactions guaranteed by the transfer of receivables arising from the sale of goods that, although transferred to third financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for derecognition from assets. See also note 5.5 "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 3,066 thousand at 31 December 2019 (Euro 3,001 thousand at 31 December 2018).

The following table shows the amounts and movements of employee benefit obligations for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Employee benefit obligations</b>
<b>Values at 01 January 2018</b>	<b>3,115</b>
Provisions	127
Financial expenses	40
Actuarial (gains)/losses	(76)
Utilisations	(205)
<b>Values at 31 December 2018</b>	<b>3,001</b>
Provisions	70
Financial expenses	43
Actuarial (gains)/losses	181
Utilisations	(228)
<b>Values at 31 December 2019</b>	<b>3,066</b>

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



## 5.16

## PROVISIONS FOR RISKS AND CHARGES

The item "Provisions" at 31 December 2019 amounts to Euro 15,218 thousand for non-current financial liabilities and Euro 12,718 thousand for current financial liabilities (respectively, Euro 13,592 thousand and Euro 14,058 thousand at 31 December 2018). The following table shows the details of provisions for risks and charges, current and non-current, at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Non-current provisions for risks and charges</b>		
Warranties provision	5,217	4,917
Agents provision	990	839
Non-Competition Agreement provision	1,784	1,523
Rebates provision	5,210	5,030
Other provisions for risks and charges	2,016	1,233
Ongoing lawsuits provision	–	50
<b>Total non-current provisions for risks and charges</b>	<b>15,218</b>	<b>13,592</b>
<b>Current provisions for risks and charges</b>		
Warranties provision	6,187	5,854
Free Product Fund provision	772	2,361
Other provisions for risks and charges	5,759	5,843
<b>Total current provisions for risks and charges</b>	<b>12,718</b>	<b>14,058</b>

The following table shows the amounts and movements of provisions for risks and charges, current and non-current, for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Warranties provision</b>	<b>Agents provision</b>	<b>Non-Competition Agreement provision</b>	<b>Rebates provision</b>	<b>Other provisions for risks and charges</b>	<b>Ongoing lawsuits provision</b>	<b>Non-current provisions for risks and charges</b>	<b>Warranties provision</b>	<b>Free Product Fund provision</b>	<b>Other provisions for risks and charges</b>	<b>Current provisions for risks and charges</b>
<b>Values at 01 January 2018</b>	<b>4,694</b>	<b>1,108</b>	<b>1,408</b>	<b>3,355</b>	<b>7,751</b>	<b>195</b>	<b>19,637</b>	<b>5,792</b>	<b>1,424</b>	<b>7,426</b>	<b>14,642</b>
Net provisions	1,645	(163)	168	4,872	3,087	50	9,286	3,199	2,115	5,390	10,704
Reclassifications	-	-	-	(3,151)	(7,788)	-	(10,939)	-	(91)	(4)	(95)
Exchange rate differences	(9)	-	-	(46)	(825)	-	(1,144)	(8)	(5)	11	(2)
Financial expenses	-	-	18	-	-	-	18	-	-	-	-
Actuarial (gains)/losses	-	(42)	152	-	-	-	110	-	-	-	-
Utilisations	(1,413)	(63)	(224)	-	(992)	(195)	(2,642)	(3,129)	(1,082)	(6,980)	(11,190)
<b>Values at 31 December 2018</b>	<b>4,917</b>	<b>839</b>	<b>1,523</b>	<b>5,030</b>	<b>1,233</b>	<b>50</b>	<b>13,593</b>	<b>5,854</b>	<b>2,361</b>	<b>5,843</b>	<b>14,059</b>
Net provisions	3,288	151	261	388	2,912	-	6,999	4,243	695	4,778	9,716
Reclassifications	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences	34	-	-	244	6	-	285	61	9	-	70
Financial expenses	-	-	-	-	-	-	-	-	-	-	-
Utilisations	(3,022)	-	-	(452)	(2,134)	(50)	(5,658)	(3,971)	(2,293)	(4,863)	(11,127)
<b>Values at 31 December 2019</b>	<b>5,217</b>	<b>990</b>	<b>1,784</b>	<b>5,210</b>	<b>2,016</b>	<b>-</b>	<b>15,218</b>	<b>6,187</b>	<b>772</b>	<b>5,759</b>	<b>12,718</b>

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

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

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

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

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

Allocations to provisions for risks and charges refer mainly to the Brazilian IPI tax which was prudentially allocated, pending the outcome of the dispute with the Brazilian Government.

Net provisions for the period refer mainly to the Brazilian IPI tax which was prudentially allocated pending the outcome of the dispute with the Brazilian Government.

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

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

The main demographic assumptions used by the actuary in the years ended 31 December 2019 and 2018 are the following: (i) the probability of death is obtained by using tables determined by ISTAT in 2000 and reduced by 25%; (ii) the probability of disability/invalidity as those adopted in the INPS model; (iii) the retirement age for the general working population is assumed at achieving the first retirement requirement applicable for the Mandatory General Insurance; (iv) the probability of leaving employment for reasons other than death was determined from the probability of turnover in line with the historical evolution of the phenomenon and, in particular, the annual rate of 5.00% was considered for the year 2019, unchanged with respect to 2018 (4.50%); (v) for the probability of early retirement it is applied an annual rate of 3% based on the history of the phenomenon and a percentage equal to 80% of the provision accumulated at the date of the request.

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

	At 31 December	
	2019	2018
Annual technical discount rate	0.70%	1.55%
Annual inflation rate	1.50%	1.50%
Annual rate of TFR increase	2.62%	2.62%
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)

	At 31 December					
	2019			2018		
	-0.50% change	Carrying amount	0.50% change	-0.50% change	Carrying amount	0.50% change
Employee benefit obligations	142	3,066	(133)	146	3,001	(134)
Non-Competition Agreement provision	102	1,784	(93)	84	1,523	(77)
<b>Total</b>	<b>244</b>	<b>4,850</b>	<b>(226)</b>	<b>230</b>	<b>4,524</b>	<b>(211)</b>

As regards the discounting of the Agents provision according to IAS 37, the hypothesis of "closed group" was considered during the time framework. The evaluations were conducted by quantifying future payments through the projection of the agents' provision accrued at the valuation date of the agents working for the Company until the estimated time (unpredictable) of termination of the contract with the company; once again the method used is the MAGIS. Regarding the demographic assumptions, for the 2018-2019 period the ISTAT 2011 mortality rates were considered; for disability, the INPS tables by age and gender, whereas for the retirement age, the requirement established by ENASARCO was used. The possibility of release of agents as a result of the termination of their contract with the Company or for other causes was determined by using estimates of annual frequency according to company data. The financial assumptions essentially refer to the discount rate which, at 31 December 2019 was chosen as the yield from the Iboxx Corporate AA index with a duration of 5-7 years, consistent with the duration of the collective agreement of 0.15%.

## 5.17 OTHER NON-CURRENT LIABILITIES

The item "Other non-current liabilities" amounts to Euro 35,058 thousand on 31 December 2019 (Euro 29,826 thousand at 31 December 2018).

Other non-current liabilities mainly include:

- › deferred income, amounting to Euro 7,249 thousand, related to revenues associated to long-term contracts for technical assistance. This item was recognised as contractual liabilities in accordance with IFRS 15;
- › liabilities for sales with return rights, equal to Euro 27,698 thousand, identified pursuant to IFRS 15, in order to represent suspended costs associated with these sales.

## 5.18 TRADE PAYABLES

The item "Trade payables" amounted to Euro 127,537 thousand at 31 December 2019 (Euro 143,910 thousand at 31 December 2018). Trade payables are mainly related to transactions for the purchase of raw materials, components and shipping services, manufacturing and technical assistance. These transactions are part of ordinary procurement management.

**5.19****CURRENT TAX LIABILITIES**

The item "Current tax liabilities" amounted to Euro 5,078 thousand at 31 December 2019 (Euro 8,097 thousand at 31 December 2018). The item income tax receivables amounted to Euro 6,000 thousand at 31 December 2019 (Euro 3,844 thousand at 31 December 2018) (see note 5.10).

**5.20****LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS**

The item "Liabilities for derivative financial instruments" amounted to Euro 13 thousand at 31 December 2019 (Euro 80 thousand at 31 December 2018).

The following table shows the liabilities for derivative financial instruments by currency at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Forward</b>		
AUD	13	–
CNY	–	22
JPY	–	45
Interest rate swaps	–	13
<b>Total</b>	<b>13</b>	<b>80</b>

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

The early discharge on 15 July 2019, of the medium-long-term loan granted on 9 April 2015 by Unicredit S.p.A., totalling Euro 30,000 thousand and maturing on 9 April 2020 was followed by the unwinding of the IRS hedge contract which had been taken out in order to cover the group against the risk of the loan. The settled mark to market was Euro 9 thousand.

The liabilities for derivative financial instruments at 31 dicembre 2019 are related to the positive differences resulting from the fair value of the forward contracts used to hedge exposure to currency risk. Forward contracts in place at 31 December 2019 and 2018 are summarised below.

(In thousands of Euro)	At 31 December 2019			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	612	AUD	1,000
<b>Situation at 31.12.2019</b>				

(In thousands of Euro)	At 31 December 2018			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	2,577	JPY	330,000
Forward	EUR	2,160	AUD	3,500
Forward	EUR	8,432	GBP	7,500
Forward	EUR	10,436	USD	12,000
Forward	EUR	1,368	CNY	11,000
<b>Situation at 31.12.2018</b>				

The exposure to exchange rate risk is mainly managed using contracts for the forward sale of currency denominated in the sale currency of some markets in which the Group operates. However, at 31 December 2019, these contracts were not recorded on a hedge accounting basis.

At 31 December 2019, no hedge accounting transactions for currency risk were in place.

On 31 December 2019 the Group did not hold any derivatives treated according to hedge accounting rules.

(In thousands of Euro)	At 31 December			
	2019 assets	2018 assets	2019 liabilities	2018 liabilities
<b>Interest rate hedges:</b>				
Interest rate hedges (current) – cash flow hedge	-	-	-	(10)
Tax effect - Interest rate hedges (current) – cash flow hedge		-	-	5
<b>Total</b>	-	-	-	(7)

At 31 December 2018 the cash flow hedge reserve basically referred to the effective component of interest rate hedging transactions with reference to the only interest rate swap stipulated regarding the medium/long-term loan granted on 9 April 2015 by Unicredit S.p.A. for a total of Euro 30,000 thousand (see note 5.13 below).

This financial instrument, which was recognised using the hedge accounting rules, was discharged early, on 15 July 2019 in line with the early termination of the loan underlying the hedge transaction. The settled mark to market was Euro 9 thousand.

To reflect the discharge of this hedging operation, the value of the reserve stated on 31 December 2018 was fully recognised on the income statement net of the related fiscal effects, for Euro 7 thousand.

<i>(In thousands of Euro)</i>	<b>CFH reserve</b>
<b>Balance at 31 December 2017</b>	<b>(15)</b>
Hedging instruments / Cash flow hedges	10
Tax effect – Hedging instruments / Cash flow hedges	(3)
<b>Balance at 31 December 2018</b>	<b>(7)</b>
Hedging instruments / Cash flow hedges	–
Tax effect – Hedging instruments / Cash flow hedges	–
<b>Balance at 31 December 2019</b>	<b>–</b>

## 5.21 OTHER CURRENT LIABILITIES

The item “Other current liabilities” amounted to Euro 68,687 at 31 December 2019 (Euro 60,471 thousand at 31 December 2018). The following table shows the amounts of other current liabilities at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Other current liabilities</b>		
Deferred income	22,023	19,410
Advances from clients	15,871	13,307
Payables to employees	11,427	10,001
VAT payables	9,661	7,310
Social security payables	4,998	4,744
Other liabilities	3,556	4,532
Accrued expenses	1,151	1,167
<b>Total other current liabilities</b>	<b>68,687</b>	<b>60,471</b>

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

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

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

"Other liabilities" at 31 December 2019 and 2018 mainly relate to income taxes withheld on income from employment and self-employment to be paid in the following year.

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



# 6 Notes to the income statement

## 6.1 REVENUES

The item "Revenues" amounts to Euro 666,418 thousand for the year ended 31 December 2019 (Euro 632,919 thousand for the year ended 31 December 2018).

The following table contains a breakdown of the revenues for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2019	2018
<b>Revenues</b>		
Revenues from the sale of products, spare parts, hardware and software	560,982	536,911
Revenues from transport and installation, after-sale and rental assistance	105,436	96,008
<b>Total revenues</b>	<b>666,418</b>	<b>632,919</b>

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

## 6.2 OTHER REVENUES AND INCOME

The item "Other revenues and income" amounted to Euro 2,513 thousand for the year ended 31 December 2019 (Euro 1,219 thousand for the year ended 31 December 2018). Other income and revenues consist mainly of rental income, and income from suppliers for compensation.

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

This item amounted to Euro 219,270 thousand for the year ended 31 December 2019 (Euro 200,470 thousand for the year ended 31 December 2018).

The following table reports the amounts of raw materials, semi-finished and finished goods for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
<b>Purchases and use of raw materials, work in progress and finished goods</b>		
Purchase and change in inventory of raw material	127,125	133,766
Purchase and change in inventory of finished goods	90,031	65,929
Purchase of packaging and costs for custom duties	2,360	299
Change in inventory of work in progress	(247)	477
<b>Total raw material, consumables and goods</b>	<b>219,270</b>	<b>200,470</b>

## 6.4 COST OF SERVICES

The item "Cost of services" amounted to Euro 163,585 thousand for the year ended 31 December 2019 (Euro 162,531 thousand for the year ended 31 December 2018).

The following table shows the amounts of cost of services for the years ended 31 December 2019 and 2018 restated.

(In thousands of Euro)	Year ended 31 December	
	2019*	2018
<b>Cost of services</b>		
Transport of sales, customs duties and installation	50,895	47,120
Technical assistance	22,335	22,383
Advertising	17,985	20,750
Rentals	6,589	9,887
Agents	11,287	9,704
Consulting services	10,651	11,395
Transport of purchases	11,262	11,871
Travel and business expenses	1,071	1,140
Outsourcing costs	2,598	3,124
Utilities	3,104	2,986
Maintenance costs	5,456	4,301
Other services	20,353	17,871
<b>Total cost of services</b>	<b>163,585</b>	<b>162,531</b>

\* The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes.

“Other services” mainly relate to costs for managing external deposits, insurance and remuneration of external directors, the board of statutory auditors and independent auditors. The following table shows the details of audit fees to the independent auditors for services provided to the Company for the years ended 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2019	2018
<b>Audit fees</b>		
Auditing of the accounts	918	999
Other services	109	197
<b>Total audit fees</b>	<b>1,027</b>	<b>1,196</b>

## 6.5 PERSONNEL EXPENSES

The item “Personnel expenses” amounted to Euro 136,157 thousand for the year ended 31 December 2019 (Euro 133,837 thousand for the year ended 31 December 2018).

The following table shows the amounts of personnel expenses for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2019*	2018
<b>Personnel expenses</b>		
Wages and salaries	93,112	90,713
Social security contributions	25,485	23,631
Provisions for employee benefit obligations	2,770	2,746
Other costs	14,789	16,747
<b>Total personnel expenses</b>	<b>136,157</b>	<b>133,837</b>

\* The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section “Accounting standards” of the notes.

The following table shows the average number of employees and the exact number of employees at the year-end broken down by category for the years ended 31 December 2019 and 2018.

<i>(In number)</i>	Year ended 31 December			
	2019		2018	
	Average	Year-end	Average	Year-end
<b>Number of employees</b>				
Managers	60	60	62	61
White-collar	1,380	1,382	1,313	1,366
Manual workers	695	680	673	706
<b>Total number of employees</b>	<b>2,135</b>	<b>2,122</b>	<b>2,048</b>	<b>2,133</b>

## 6.6 OTHER OPERATING COSTS

The item "Other operating costs" amounted to Euro 7,332 thousand for the year ended 31 December 2019 (Euro 6,140 thousand for the year ended 31 December 2018).

The following table reports the amounts of other operating costs for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Other operating costs</b>		
Other taxes and indirect taxes	5,176	4,181
Net provisions on transferred trade receivables	(85)	200
Other expenses	2,241	1,758
<b>Total other operating costs</b>	<b>7,332</b>	<b>6,140</b>

"Other operating expenses" mainly relate to membership fees, donations, and giveaways of products distributed for promotional and communication activities. The item taxes and indirect taxes mainly includes the Brazilian IPI allocation relating to the dispute with the Brazilian Government described in point 5.16.

## 6.7 SHARE OF NET RESULT FROM JOINT VENTURES

The item "Share of net result from joint ventures" amounted to Euro 999 thousand for the year ended 31 December 2019 (Euro 257 thousand for the year ended 31 December 2018). The share of net result from joint ventures is the share of net profit achieved by subsidiaries or joint ventures attributable to the Group (see note 5.4).

## 6.8 DEPRECIATION, AMORTISATION AND IMPAIRMENT / (WRITE-BACKS)

The item "Depreciation, amortisation and impairment losses/(write-backs)" amounted to Euro 31,114 thousand for the year ended 31 December 2019 (Euro 22,002 thousand for the year ended 31 December 2018).

The following table shows the amounts of depreciation, amortisation and impairment losses/(write-backs) for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019*	2018
<b>Depreciation, amortisation and impairment losses/(revaluations)</b>		
Depreciation of property, plant and equipment	21,919	14,165
Amortisation of intangible assets	9,126	7,827
Impairment losses of property, plant and equipment	58	-
Impairment losses of intangible assets	11	10
<b>Total depreciation, amortisation and impairment losses (write-backs)</b>	<b>31,114</b>	<b>22,002</b>

\* The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes.

For the tables of details regarding the breakdown of and changes in "Property, plant and equipment" and "Intangible assets" for the years ended 31 December 2019 and 2018, see notes 5.1 and 5.2.

## 6.9 NET PROVISIONS

The item "Net provisions" amounted to Euro 4,120 thousand for the year ended 31 December 2019 (Euro 2,562 thousand for the year ended 31 December 2018).

The following table shows the amounts of net provisions for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
<b>Net provisions</b>		
Inventory write-down net provisions	760	(41)
Bad debt net provisions	2,944	1,654
Warranties net provisions	535	282
Other net provisions for risks and charges	(69)	678
Ongoing lawsuits net provisions	(50)	(11)
<b>Total net provisions</b>	<b>4,120</b>	<b>2,562</b>

The item "Bad debt net provisions" includes non-trade receivables totalling Euro 1,259 thousand.

## 6.10 FINANCIAL INCOME

The item "Financial income" amounted to Euro 8,739 thousand for the year ended 31 December 2019 (Euro 10,262 thousand for the year ended 31 December 2018).

The following table shows the amounts of financial income for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
<b>Financial income</b>		
Realised exchange gains	7,433	8,235
Unrealised exchange gains	656	1,332
Other financial income	174	116
Bank interest receivable	476	579
<b>Total financial income</b>	<b>8,739</b>	<b>10,262</b>

## 6.11 FINANCIAL INCOME

The item "Financial expenses" amounted to Euro 11,091 thousand for the year ended 31 December 2019 (Euro 9,733 thousand for the year ended 31 December 2018).

The following table shows the amounts of financial expenses for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019*	2018
<b>Financial expenses</b>		
Realised exchange losses	7,062	7,667
Unrealised exchange losses	2,080	761
Bank interest on financial loans	517	756
Provision for the write-down of financial receivables	-	-
Bank interest and fees	333	315
Other financial expenses	1,098	235
<b>Total financial expenses</b>	<b>11,091</b>	<b>9,733</b>

(\*) The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes

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

## 6.12 INCOME/(EXPENSES) FROM INVESTMENTS

The item "Income/(expenses) from investments" amounted to Euro 402 thousand for the year ended 31 December 2019 (Euro 74 thousand for the year ended 31 December 2018).

## 6.13

## INCOME TAXES

The item "Income taxes" amounts to Euro 22,659 thousand for the year ended 31 December 2019 (Euro 13,988 thousand for the year ended 31 December 2018).

The following table shows the amounts of income taxes for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
<b>Income taxes</b>		
Current taxes	24,000	25,236
Deferred taxes	1,280	(1,267)
<b>Total income taxes for the year</b>	<b>25,281</b>	<b>23,969</b>
Income taxes relating to prior years	(2,622)	(9,981)
<b>Total income taxes</b>	<b>22,659</b>	<b>13,988</b>

During 2019, the Group signed an agreement with the Italian Revenue Agency, to access tax relief relative to the Patent Box optional tax scheme, allowing for tax relief on know-how for five years (2017-2021). This is a one-off tax break as it refers to past years (2017-2018), and it amounted to Euro 2,238 thousand. With regard to the year ended 31 December 2019, the Patent Box for the brand and know-how amounted to Euro 5,201 thousand.

The following table shows the reconciliation between the theoretical tax rate and the actual tax rate for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December			
	2019	%	2018	%
<b>Profit before tax</b>	<b>106,404</b>		<b>107,906</b>	
<b>Income tax calculated with theoretical tax rate</b>	<b>25,537</b>	<b>24.0%</b>	<b>25,897</b>	<b>24.0%</b>
Effect of difference between local tax rate and theoretical tax rate	1,156	1.1%	(1,197)	(1.1%)
Effect of non-deductible expenses	1,388	1.3%	3,247	3.0%
Tax losses carried forward that are not recognised in deferred tax assets.	(41)	(0.0%)	(394)	(0.4%)
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)	2,347	2.2%	4,060	3.8%
Write-down of deferred tax assets	-	0.0%	-	0.0%
Effect of Patent Box Technogym Spa 2015-2017	-	0.0%	(9,908)	(9.2%)
Effect of Patent Box Technogym Spa 2017-2018	(2,238)	(2.1%)	-	0.0%
Effect of Patent Box Technogym Spa 2019	(5,201)	(4.9%)	(4,923)	(4.6%)
Effect of deferred tax assets USA	-	0.0%	(2,589)	(2.4%)
Income taxes of previous years	(289)	(0.3%)	(205)	(0.2%)
<b>Total</b>	<b>22,659</b>	<b>21.3%</b>	<b>13,988</b>	<b>13.0%</b>

Non-recurrent income taxes mainly refer to the tax benefit, relative to the optional Patent Box tax scheme adopted by Technogym during the 2019 financial year, allowing for tax relief on know-how for five years (2017-2021). The final amount for the 2017-2018 period is equal to Euro 2,238 thousand, and is considered non-recurrent as it relates to previous years. The specific quantification of the tax relief for the 2019 financial year amounted to Euro 5,201 thousand (Euro 4,923 thousand for the year ended 31 December 2018).

Net of this non-recurrent tax break, the tax rate has changed from 13.0% to 21.3%.

## 6.14 EARNINGS PER SHARE

The following table shows the calculation of basic earnings per share.

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2019	2018
<b>Earnings per share</b>		
Profit for the period	83,204	93,030
Number of shares (in thousand of euro)	201,005	201,005
<b>Total earnings per share (in Euro)</b>	<b>0.41</b>	<b>0.46</b>



# 7 Indebtedness

The following table shows the details of net indebtedness of the Group at 31 December 2019 and 2018, determined in accordance with Consob communication of 28 July 2006 and in conformity with the recommendations contained in document no. 319 drafted by ESMA in 2013.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Net financial indebtedness</b>		
A. Cash	114,413	78,503
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
<b>D. Liquidity (A) + (B) + (C)</b>	<b>114,413</b>	<b>78,503</b>
<b>E. Current financial receivables</b>	<b>84</b>	<b>215</b>
F. Current bank debt	(25,633)	(29,075)
G. Current portion of non-current debt	(12,486)	(18,420)
H. Other current financial debt	(16,717)	(12,705)
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>(54,836)</b>	<b>(60,201)</b>
<b>J. Net current financial indebtedness (I) + (E) + (D)</b>	<b>59,662</b>	<b>18,518</b>
K. Non-current bank loans	(24,680)	(37,617)
L. Bonds issued	-	-
M. Other non-current financial liabilities	(31,316)	(15,772)
<b>N. Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(55,996)</b>	<b>(53,389)</b>
<b>O. Net financial indebtedness (J) + (N)</b>	<b>3,666</b>	<b>(34,871)</b>

Net financial indebtedness includes other financial payables relative to financing transactions guaranteed by the transfer of receivables arising from the sale of goods that, although they are transferred to third financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for their derecognition from assets.

Net financial indebtedness, without considering the impact of IFRS 16, would have been equal to Euro 25,330 thousand at 31 December 2019.

At 31 December 2019 there are no restrictions or limitations to the use of the cash of the Group, except for minor amounts relating to specific circumstances closely linked to commercial operations of certain Group entities.

# 8

# Financial risk management

The main financial risks to which the Group is subject to are:

- › credit risk, arising from commercial transactions or financing activities;
- › liquidity risk, related to the availability of financial resources and access to the credit market;
- › market risk, in particular:
  - currency risk, related to operations in areas using currencies other than the functional currency;
  - interest rate risk, related to the Group's exposure to financial instruments that accrue interests;
  - price risk, associated with changes in the prices of commodities.

## Credit risk

The operational management of credit risk is assigned to Credit Management, which operates on the basis of a credit policy that regulates: (i) customer credit scoring, using an in-house risk score rating system, in order to manage credit limits and requests for adequate bank or insurance guarantees to support the granting of extended payment terms; (ii) the involvement of institutionalised Credit Committees on any operation with terms other than those normally applied by the company; (iii) the adoption of credit insurance policies; (iv) the monitoring of the balance of receivables and their due dates, to ensure that the amount of outstanding positions is not significant; (v) monitoring of the related expected cash flows; (vi) the issuance of reminders; (vii) debt recovery actions. The bad debt provision is calculated on percentages of past due, based on historical insolvency, with the exception of provision on specific credits in litigation. In relation to the breakdown of receivables by maturity, please see the Note "Trade receivables". For financing activities related to temporary excess of liquidity or for the stipulation of financial instruments (derivatives), the Group deals exclusively with counterparties with high credit standing. The amount of trade receivables represents the maximum theoretical exposure to credit risk of the Group at year-end.

## Liquidity risk

The Group's liquidity risk is closely monitored by the parent company. In order to minimise the risk, the Group has implemented centralised treasury management with specific procedures that aim to optimise the management of financial resources and the needs of the Group companies. In particular, a set of policies and processes was adopted aimed at optimising the management of financial resources that reduce liquidity risk: (i) maintenance of an adequate level of available liquidity; (ii) obtaining adequate credit lines; (iii) monitoring future liquidity in relation to the business planning process. For this type of risk, in the net

financial indebtedness, the Group tends to finance investments and current commitments with both cash flow generated by operation and short time credit lines.

The following table shows the amounts of credit lines available and used at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Cash credit lines</b>	<b>Self-liquidating credit lines</b>	<b>Financial credit lines</b>	<b>Total</b>
<b>As of 31 December 2019</b>				
Credit lines	7,382	18,751	137,219	<b>163,352</b>
Utilisations	–	–	(62,000)	<b>(62,000)</b>
<b>Credit lines available at 31 December 2019</b>	<b>7,382</b>	<b>18,751</b>	<b>75,219</b>	<b>101,352</b>
<b>At 31 December 2018</b>				
Credit lines	7,382	20,682	143,796	<b>171,859</b>
Utilisations	–	–	(84,254)	<b>(84,254)</b>
<b>Credit lines available at 31 December 2018</b>	<b>7,382</b>	<b>20,682</b>	<b>59,541</b>	<b>87,605</b>

The table below contains the breakdown and maturity dates of the liability items to 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Within 1 year</b>	<b>Between 1 and 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
<b>Values at 31 December 2019</b>				
Non-current financial liabilities	–	55,996	–	<b>55,996</b>
Other non-current liabilities	–	35,058	–	<b>35,058</b>
Trade payables	127,537	–	–	<b>127,537</b>
Current tax liabilities	5,078	–	–	<b>5,078</b>
Current financial liabilities	54,823	–	–	<b>54,823</b>
Liabilities for derivative financial instruments	13	–	–	<b>13</b>
Other current liabilities	68,687	–	–	<b>68,687</b>
<b>Total</b>	<b>256,138</b>	<b>91,053</b>	<b>–</b>	<b>347,572</b>
<b>Values at 31 December 2018</b>				
Non-current financial liabilities	–	53,389	–	<b>53,389</b>
Other non-current liabilities	–	29,826	–	<b>29,826</b>
Trade payables	143,910	–	–	<b>143,910</b>
Current tax liabilities	8,097	–	–	<b>8,097</b>
Current financial liabilities	60,121	–	–	<b>60,121</b>
Liabilities for derivative financial instruments	80	–	–	<b>80</b>
Other current liabilities	60,471	–	–	<b>60,471</b>
<b>Total</b>	<b>272,679</b>	<b>83,216</b>	<b>–</b>	<b>355,895</b>

At 31 December 2019, the Technogym Group had approximately Euro 101.4 million of undrawn credit lines, liquidity amounting to Euro 114.4 million and trade receivables for 127.5 million, for a total of Euro 343.3 million, against payables and current commitments totalling Euro 256.1 million.

## MARKET RISK

### Exchange rate risk

The Group operates internationally and it is subject to currency risk in regards to commercial and financial transactions, especially in US dollars, GBP, JPY and AUD. To limit the exposure to exchange risk, the Group usually enters into forward contracts to cover between 70% and 80% of transactions in these currencies. In the year ending 31 December 2019, no exchange rate hedging derivative contract was recognised using the hedge accounting method.

Investments in foreign subsidiaries are not covered, as the currency positions are considered long-term.

The following table shows the trade receivables and payables, cash and cash equivalents and current financial liabilities broken down by currency at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	EUR	GBP	USD	CNY	AUD	JPY	Other currencies	Total
<b>Trade receivables</b>								
At 31 December 2019	53,405	22,640	20,482	2,134	2,618	8,007	18,185	127,472
At 31 December 2018	68,555	40,020	23,400	3,118	2,830	8,008	5,537	151,469
<b>Cash and cash equivalents</b>								
At 31 December 2019	59,868	9,661	19,736	7,918	2,235	709	14,287	114,413
At 31 December 2018	42,648	8,586	12,178	3,971	1,567	2,814	6,739	78,503
<b>Current financial liabilities</b>								
At 31 December 2019	53,718	308	232	-	-	-	565	54,823
At 31 December 2018	59,395	-	255	-	-	-	471	60,121
<b>Trade payables</b>								
At 31 December 2019	102,714	8,666	9,191	394	1,103	-	5,469	127,537
At 31 December 2018	115,246	7,867	14,817	183	697	112	4,987	143,910

For the purposes of the exchange rate sensitivity analysis, the non-Euro asset and liability items in the statement of financial position were identified. For the purposes of the analysis, two scenarios were considered that reflect an increase and a decrease respectively of 5% in the exchange rate between the currency of the balance sheet item and the Euro.

The following table shows the results of the analysis for the years ended 31 December 2019 and 2018.

	2019 - Exchange risk					
	+5%			-5%		
	Carrying amount	of which subject to exchange risk	Gains / (losses)	Other movements in sales invoice ledger (RFV)	Gains / (losses)	Other movements in sales invoice ledger (RFV)
<b>Financial assets</b>						
Cash and cash equivalents	114,413	52,548	(2,502)	-	2,766	-
Trade receivables	127,472	60,144	(2,864)	-	3,165	-
Non-current financial assets	2,930	114	(5)	-	6	-
Current financial assets	84	83	(4)	-	4	-
Assets for derivative financial instruments	-	-	-	-	-	-
Tax effect		-	1,498	-	(1,656)	-
			<b>(3,877)</b>	<b>-</b>	<b>4,285</b>	<b>-</b>
<b>Financial liabilities</b>						
Non-current financial liabilities	55,996	-	-	-	-	-
Current financial liabilities	54,823	627	30	-	(33)	-
Trade payables	127,537	1,048	50	-	(55)	-
Liabilities for derivative financial instruments	13	21,903	1,043	-	(1,153)	-
Tax effect			-	-	-	-
			1,123	-	(1,241)	-
<b>Total increases (decreases) 2019</b>			<b>(2,755)</b>		<b>3,045</b>	

	2018 - Exchange risk					
	+5%			-5%		
	Carrying amount	of which subject to exchange risk	Gains / (losses)	Other movements in sales invoice ledger (RFV)	Gains / (losses)	Other movements in sales invoice ledger (RFV)
<b>Financial assets</b>						
Cash and cash equivalents	78,503	35,855	(1,707)	-	1,887	-
Trade receivables	151,469	77,976	(3,713)	-	4,104	-
Current financial assets	67	0	(0)	-	0	-
Assets for derivative financial instruments	148	-	-	-	-	-
Tax effect			1,512	-	(1,672)	-
			<b>(3,908)</b>	<b>-</b>	<b>4,320</b>	<b>-</b>
<b>Financial liabilities</b>						
Non-current financial liabilities	53,389	-	-	-	-	-
Current financial liabilities	60,121	255	12	-	(13)	-
Trade payables	143,910	26,574	1,143	-	(1,263)	-
Liabilities for derivative financial instruments	80	-	-	-	-	-
Tax effect			(322)	-	356	-
			<b>833</b>	<b>-</b>	<b>(920)</b>	<b>-</b>
<b>Total increases (decreases) 2018</b>			<b>(3,075)</b>		<b>3,399</b>	

## Interest rate risk

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

For the purposes of the interest rate sensitivity analysis, items in the financial position (assets and liabilities) subject to fluctuations in interest rates were identified. For the purposes of the analysis, two scenarios were considered which reflect an increase and a decrease respectively of 20 basis points in the interest rate.

The following table shows the results of the analysis for the years ended 31 December 2019 and 2018.

	2019 - Interest Rate Risk					
	+ 20 bp			-20 bp		
	Carrying amount	of which subject to Interest Rate Risk	Gains / (losses)	Other movements in sales invoice ledger (RFV)	Gains / (losses)	Other movements in sales invoice ledger (RFV)
<b>Financial assets</b>						
Cash and cash equivalents	114,413	91,535	183	-	(183)	-
Trade receivables	127,472	-	-	-	-	-
Tax effect			(57)	-	57	-
			<b>126</b>	<b>-</b>	<b>(126)</b>	<b>-</b>
<b>Financial liabilities</b>						
Non-current financial liabilities	55,996	89,197	(178)	-	178	-
Current financial liabilities	54,823	48,247	(196)	-	196	-
Trade payables	127,537	-	-	-	-	-
Tax effect			117	-	(117)	-
			<b>(257)</b>	<b>-</b>	<b>257</b>	<b>-</b>
<b>Total increases (decreases) 2019</b>			<b>(131)</b>	<b>-</b>	<b>131</b>	<b>-</b>

(In thousands of Euro)		2018 - Interest Rate Risk				
		+ 20 bp			-20 bp	
	Carrying amount	of which subject to Interest Rate Risk	Gains / (losses)	Other movements in sales invoice ledger (RFV)	Gains / (losses)	Other movements in sales invoice ledger (RFV)
<b>Financial assets</b>						
Cash and cash equivalents	78,503	58,017	116	-	(116)	-
Trade receivables	151,469	-	-	-	-	-
Tax effect			(36)	-	36	-
			80	-	(80)	-
<b>Financial liabilities</b>						
Non-current financial liabilities	53,389	89,190	(178)	-	178	-
Current financial liabilities	60,121	48,247	(175)	-	175	-
Trade payables	143,910	-	-	-	-	-
Tax effect			111	-	(111)	-
			(242)	-	242	-
<b>Total increases (decreases) 2018</b>			(162)	-	162	-

The parameters applied were identified as reasonable possible changes in interest rate, with all other variables remaining the same.

### Price risk

The Group supplies worldwide and is subject to the common risk of changes in commodity prices, though not to a significant extent.

### Capital risk management

The Group manages its capital with the aim of supporting the core business and maximising the value to shareholders, by maintaining a proper capital structure and reducing the cost of capital. The following table shows the gearing ratio, calculated as the ratio of net indebtedness and equity:

(In thousands of Euro)		At 31 December	
		2019	2018
Net financial indebtedness (A)		(3,666)	34,871
Total equity (B)		260,089	209,277
<b>Total capital (C)=(A)+(B)</b>		<b>256,423</b>	<b>244,148</b>
<b>Gearing ratio (A)/(C)</b>		<b>-1.4%</b>	<b>14.3%</b>



## 8.1

## FINANCIAL RISK MANAGEMENT

At 31 December 2019 and 2018, the carrying amount of financial assets and liabilities is the same as their fair value. IFRS 7 outlines three levels of fair value for the measurement of financial instruments recognised in the statement of financial position: (i) Level 1: quoted prices in an active market; (ii) Level 2: inputs other than quoted prices included within Level 1, that are observable directly (prices) or indirectly (derived from prices) in the market; (iii) Level 3: inputs not based on observable market data. During the year, there were no transfers between the three levels of fair value indicated in IFRS 7.

### Financial instruments by category

The following tables show the financial assets and liabilities by category of financial instrument, in accordance with IFRS 9 and the fair value hierarchy level at 31 December 2019 and 2018.

2019 (In thousands of Euro)	Financial assets	Financial assets	Financial assets	Total	Level 1	Level 2	Level 3	Total
	Amortised cost	FV vs OCI	FV vs P&L					
Other non-current assets	46,327	-	3,264	49,590	-	-	3,264	3,264
Non-current financial assets	2,930	-	-	2,930	-	-	-	-
<b>Non-current financial assets</b>	<b>49,256</b>	<b>-</b>	<b>3,264</b>	<b>52,520</b>	<b>-</b>	<b>-</b>	<b>3,264</b>	<b>3,264</b>
Trade receivables	127,472	-	-	127,472	-	-	-	-
Cash and cash equivalents	114,413	-	-	114,413	-	-	-	-
Assets for derivative financial instruments	-	-	-	-	-	-	-	-
Current financial assets	84	-	-	84	-	-	-	-
Other current assets	22,195	-	-	22,195	-	-	-	-
<b>Current financial assets</b>	<b>264,165</b>	<b>-</b>	<b>-</b>	<b>264,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2018 (In thousands of Euro)	Loans and receivables	Available for sale	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortised cost	FV vs OCI	FV vs P&L					
Other non-current assets	46,190	-	2,539	48,729	-	-	2,539	2,539
Non-current financial assets	2,881	-	-	2,881	-	-	-	-
<b>Non-current financial assets</b>	<b>49,070</b>	<b>-</b>	<b>2,539</b>	<b>51,609</b>	<b>-</b>	<b>-</b>	<b>2,539</b>	<b>2,539</b>
Trade receivables	151,469	-	-	151,469	-	-	-	-
Cash and cash equivalents	78,503	-	-	78,503	-	-	-	-
Assets for derivative financial instruments	-	-	148	148	-	148	-	148
Current financial assets	67	-	-	67	-	-	-	-
Other current assets	20,103	-	-	20,103	-	-	-	-
<b>Current financial assets</b>	<b>250,142</b>	<b>-</b>	<b>148</b>	<b>250,290</b>	<b>-</b>	<b>148</b>	<b>-</b>	<b>148</b>

2019 (In thousands of Euro)	Financial liabilities	Financial liabilities carried at fair value	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortised cost	FV vs OCI	FV vs P&L					
Non-current financial liabilities	55,996	-	-	55,996	-	-	-	-
Other non-current liabilities	35,058	-	-	35,058	-	-	-	-
<b>Non-current financial liabilities</b>	<b>91,054</b>	<b>-</b>	<b>-</b>	<b>91,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current financial liabilities	54,823	-	-	54,823	-	-	-	-
Trade payables	127,537	-	-	127,537	-	-	-	-
Liabilities for derivative financial instruments	13	-	80	93	-	80	-	80
Other current liabilities	68,687	-	-	68,687	-	-	-	-
<b>Current financial liabilities</b>	<b>251,061</b>	<b>-</b>	<b>80</b>	<b>251,141</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>80</b>

2018 (In thousands of Euro)	Financial liabilities	Financial liabilities carried at fair value	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortised cost	FV vs OCI	FV vs P&L					
Non-current financial liabilities	53,389			53,389	-	-	-	-
Other non-current liabilities	29,826			29,826	-	-	-	-
<b>Non-current financial liabilities</b>	<b>83,216</b>	<b>-</b>	<b>-</b>	<b>83,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current financial liabilities	60,121			60,121	-	-	-	-
Trade payables	143,910			143,910	-	-	-	-
Liabilities for derivative financial instruments	80	10	126	216	-	136	-	136
Other current liabilities	60,471			60,471				
<b>Current financial liabilities</b>	<b>264,582</b>	<b>10</b>	<b>126</b>	<b>264,719</b>	<b>-</b>	<b>136</b>	<b>-</b>	<b>136</b>

## 9

# Related party transactions

The Group's transactions with related parties, identified based on criteria defined by IAS 24 – Related party disclosures – are carried out under normal market conditions.

The following table shows the amounts of related party transactions for the years ended 31 December 2019 and 2018 and the incidence on the related item in the financial statement.

<i>(In thousands of Euro)</i>	Trade receivables		Current financial assets		Other current assets		Trade payables		Other current liabilities	
Values at 31 December	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Technogym Emirates LLC	344	615	-	-	1,546	2,038	220	235	-	-
PUBBLISOLE S.P.A.	-	-	-	-	-	-	43	43	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	51	25	16	0	-	-
ASSO.MILANO DURINI DESIGN	-	-	-	-	-	-	-	-	-	-
MPS MOVIMENTO PER LA SALUTE	-	-	-	-	-	-	-	-	-	-
FUNKY BOTS LLC	-	-	-	-	-	-	-	-	-	-
FITSTADIUM S.R.L.	-	-	-	-	-	-	-	-	-	-
WELLINK S.R.L.	-	-	-	-	-	-	87	139	-	-
WELLNESS HOLDING S.R.L.	114	1	-	-	-	-	145	227	-	-
VIA DURINI 1 S.R.L.	-	-	-	-	-	-	(67)	(66)	-	-
SALHOUSE HOLDING SARL	-	-	-	-	-	-	-	-	-	-
FATTORIA DEI GESSI S.r.l. ALTAVIT	-	-	-	-	-	-	-	-	-	-
AEDES S.S.	-	-	-	-	-	-	15	65	-	-
STARPOOL S.R.L.	-	-	-	-	-	-	4	1	-	-
ONE ON ONE S.R.L.	66	2	-	-	-	-	172	116	-	-
SOBEAT S.R.O.	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>525</b>	<b>618</b>	<b>-</b>	<b>-</b>	<b>1,597</b>	<b>2,063</b>	<b>636</b>	<b>760</b>	<b>-</b>	<b>-</b>
<b>Total Financial Statements</b>	<b>127,472</b>	<b>151,469</b>	<b>84</b>	<b>67</b>	<b>22,295</b>	<b>20,103</b>	<b>127,537</b>	<b>143,910</b>	<b>68,687</b>	<b>60,471</b>
% on financial statements item	0.4%	0.4%	0.0%	0.0%	7.2%	10.3%	0.5%	0.5%	0.0%	0.0%

(In thousands of Euro)	Revenues		Other revenues and income		Raw materials and work in progress		Cost of services		Personnel expenses		Other operating costs		Financial income		Financial expenses	
Values at 31 December	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Technogym Emirates LLC	11,738	9,915	178	146	(82)	(79)	(3)	(38)	(1)	21	0	(5)	0	(0)	0	0
PUBBLISOLE S.P.A.	0	0	0	0	0	0	(35)	(31)	0	0	0	0	0	0	0	0
CONSORZIO ROMAGNA INIZIATIVE	0	0	0	0	0	0	(29)	(28)	0	0	0	0	0	0	0	0
Asso.Milano Durini Design	0	0	0	0	0	0	0	0	0	0	(3)	0	0	0	0	0
FUNKY BOTS LLC	0	0	0	0	0	0	0	0	0	0	0	0	0	15	0	0
WELLINK SRL	0	1	0	2	0	0	(379)	(450)	(23)	0	(0)	0	0	0	0	0
WELLNESS HOLDING S.R.L.	0	0	0	0	0	0	(250)	(250)	(15)	(10)	0	0	0	0	0	0
VIA DURINI 1 S.R.L.	0	0	0	0	0	0	(63)	(860)	0	0	(9)	(7)	0	0	(134)	0
STARPOOL S.R.L.	2	0	0	0	0	0	(5)	(1)	0	0	0	0	0	0	0	0
ONE ON ONE S.R.L.	55	45	0	0	0	0	(576)	(283)	(2)	0	(0)	0	0	0	0	0
ENERVIT S.P.A.	16	0	0	0	0	0	(1)	(0)	0	0	0	0	0	0	0	0
ALNE SOC. AGR. S.R.L.	0	0	0	0	0	0	0	0	(1)	0	(7)	0	0	0	0	0
AEDES S.S.	0	0	0	0	0	0	(66)	(63)	0	0	0	(1)	0	0	0	0
Sobeat s.r.o.	0	0	0	0	0	0	(670)	(662)	0	0	0	0	0	0	0	0
<b>Total</b>	<b>11,813</b>	<b>9,961</b>	<b>178</b>	<b>147</b>	<b>(82)</b>	<b>(79)</b>	<b>(2,077)</b>	<b>(2,666)</b>	<b>(43)</b>	<b>11</b>	<b>(19)</b>	<b>(13)</b>	<b>0</b>	<b>15</b>	<b>(134)</b>	<b>0</b>
<b>Total Financial Statements</b>	<b>666,418</b>	<b>632,919</b>	<b>2,513</b>	<b>1,219</b>	<b>(219,270)</b>	<b>(200,470)</b>	<b>(163,585)</b>	<b>(162,531)</b>	<b>(136,157)</b>	<b>(133,837)</b>	<b>(7,332)</b>	<b>(6,140)</b>	<b>8,739</b>	<b>10,262</b>	<b>(11,091)</b>	<b>(9,733)</b>
% on financial statements item	1.8%	1.6%	7.1%	12.1%	0.0%	0.0%	1.3%	1.6%	0.0%	0.0%	0.3%	0.2%	0.0%	0.1%	1.2%	0.0%

(\*) The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes

The relationship between the Group and related parties as of and for the years ended 31 December 2019 and 2018 are mainly commercial. Technogym Emirates LLC is a joint venture established by the Group with a company in the UAE, in order to facilitate the distribution and sale of the Group's products and services in the UAE. Specifically, relations with this company are regulated by a series of agreements under which Technogym Emirates LLC has been delegated exclusive rights to distribute the Company's products in the UAE. In addition, Technogym Emirates LLC is required to respect certain conditions relating to marketing, distribution and sales and after-sales policies established by the Group. The transactions are regulated by orders issued from time to time based on an agreed product list that is updated periodically by the parties.

The relationship with Via Durini 1 S.r.l. is related to a lease agreement signed by the Group on 31 March 2010, for the lease of a building located in Via Durini 1, Milan, venue of the Group's showroom. The relationship with One on One S.r.l. is related to collaborations aimed to implement and manage corporate wellness areas. For instance, the Group occasionally receives the support of One on One S.r.l. in order to offer a complete service to the end customers.

Transactions between the Group and One on One S.r.l. are regulated by agreements arranged from time to time based on the requests and needs of the end customer.

## Remuneration of directors and key management

The total amount of compensation and the related costs of the Board of Directors of the Company amounted to Euro 2,448 thousand for the year ended 31 December 2019 (Euro 2,379 thousand for the year ended 31 December 2018).

The total amount of compensation paid to key management amounted to Euro 2,014 thousand for the year ended 31 December 2019 (Euro 2,986 thousand for the year ended 31 December 2018). The following table shows the amounts of revenues for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Fees for office	1,651	1,650
Non-monetary benefits	46	28
Bonuses and other incentives	222	724
Other fees	95	584
<b>Total</b>	<b>2,014</b>	<b>2,986</b>

# 10 **Contingent liabilities**

At 31 December 2019 there were no ongoing legal or tax proceedings against any Group companies and therefore, no particular provisions for risks and charges have been recognised, with the exception of the following described.

It should be noted that an assessment notice for an amount of around Euro 10 million was received in the first half of 2017 relating to the company Technogym Equipamentos de Ginastica e Solucao para bem estar Ltda, for alleged formal irregularities in the import customs declarations relating to years prior to 2015, also in the name of Technogym Fabricacao de Equipamento de Ginastica Ltda, now incorporated in Technogym Equipamentos de Ginástica e Solução para bem estar Ltda.

The company, supported by its local tax advisors and lawyers, opposed the presumptions of the local administration and the first ruling, as it believes that it has always operated in full compliance with local tax and customs provisions. Consequently, it did not consider it appropriate to allocate any provision, as the risk of being the losing party is not deemed to be likely.

# Commitments and guarantees

At 31 December 2019 the Group issued guarantees to credit institutions on behalf of subsidiaries for Euro 3,810 thousand (Euro 5,959 thousand at 31 December 2018) and on behalf of related parties for Euro 3,647 thousand (Euro 3,416 thousand at 31 December 2018). The guarantees issued by the Group in favour of public institutions and other third parties amounted to Euro 2,200 thousand (Euro 2,522 thousand at 31 December 2018).

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**

During 2019, the Group did not carry out any significant non-recurring transactions.

In the year ended 31 December 2019, the Group posted non-recurring costs of 4,240 thousand, which were mainly higher operating costs due to inefficiencies caused by the restructuring of several commercial branches.

# Significant events after 31 December 2019

On 27 January 2020, the Tokyo 2020 Olympic Organising Committee appointed Technogym as the Official and Exclusive Supplier of equipment and digital technologies for athletic training for the Olympics and Paralympics. This is the eighth appointment to this role for Technogym following Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012, Rio 2016 and Pyeongchang 2018.

Following the Accelerated Bookbuilding procedure concluded on 6 February 2020 by Wellness Holding S.r.l. for the sale of 10,000,000 Issuer's shares, on the date of publication of this Annual Report, Wellness Holding S.r.l. held 39.80% of the Issuer's capital (56.94% of the total voting rights), while the remaining 60.20% of the Issuer's share capital is free float on the MTA market managed by Borsa Italiana S.p.A.

The early part of this year was affected by the spread of Covid-19 (Coronavirus), which is a "subsequent event" and has not resulted in any changes to the figures on the financial statements to 31 12 2019; the duration and scope of the epidemic is still uncertain and therefore it is not possible to make forward-looking estimates of the impact on the 2020 financial year, particularly in relation to those items that require estimates.

Technogym has taken all the necessary steps to minimise the health and financial risks.

Technogym has confirmed its commitment to product innovation, with a special focus on improving the user experience, thanks to digital services supported by the mywellness® open platform and the launch of Technogym Live on smart equipment. This will allow end users to access new training content wherever they are, thus achieving another step in the Wellness on the Go strategy; this strategy is now key for Technogym and for all its stakeholders, given the current scenario.

## **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

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### **Report on the Audit of the Consolidated Financial Statements**

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#### **Opinion**

We have audited the consolidated financial statements of Technogym SpA (the “Company”) and its subsidiaries (the “Group” or the “Technogym Group”), which comprise the consolidated statement of financial position as of 31 December 2019, 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 the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Technogym Group as of 31 December 2019 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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#### **PricewaterhouseCoopers SpA**

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## Key Audit Matters

## Auditing procedures performed in response to key audit matters

### Revenue recognition

*See notes to the consolidated financial statements, paragraph "Accounting policies" and note 6.1 – Revenues*

Revenues of Technogym Group for the year ended as at 31 December 2019 amounted to Euro 666.4 million.

Such financial statements item includes revenues from sales of wellness equipments, accessories, services and digital solutions made by Technogym Group in several segments, distribution channels and geographical areas.

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

As part of our audit of the consolidated financial statements as of 31 December 2019, we focused our attention on this financial statements area not only because of the magnitude of the amount, but because it is particularly complex and requires an in-depth analysis to ascertain the correct application of the revenues cut-off principle. This is due to the fact that a single contract may include components of a different nature (for instance, the sale of a product and the provision of the maintenance service), with the consequent need to allocate to the single contractual obligations the total price inferable from the contract/sale order, and due to the existence, in contracts with specific international customers, of buy back clauses (i.e. sales with the obligation to buy back second-hand goods against the sale of a new machine), with the need to estimate, on a historical/statistic basis, the probability of their implementation by the customers.

With reference to the Revenue line item, our audit approach preliminarily provided for the update of our understanding and evaluation of the internal control system of the various companies of Technogym Group in relation to the sale process as well as, where deemed as efficient in the circumstances, the validation of its adequacy through tests on a sample basis on the effectiveness of the key controls implemented by the various companies of the Group.

We also updated our understanding and analysed the general terms of sale and the main contractual clauses used and negotiated with customers, considering the related effects for the purpose of the appropriate revenue recognition through analysis of the documentation and discussion with management of the Group.

In order to verify the existence of the sale revenues as well as the correct application of the cut-off principle and considering what emerged from the activities summarised above, we selected a sample of contracts/sale orders concluded during the year, we analysed the contractual clauses relevant in the circumstances and we verified the correct recognition and measurement of revenues from sales related to the selected transactions. Furthermore, we selected a sample of transactions recognised as revenues during the year and near the end of the reporting period, we obtained the supporting documentation (contracts/orders, transports documents, invoices) and we verified the correct revenue recognition and measurement. In particular, we focused our audit activity on the type of contracts that envisage, in addition to the sale of a product, also the provision of a service, in order to verify the appropriate method for the allocation of the total price under the contract to each performance obligation agreed with the customer.

We also performed the external confirmations procedures on a sample basis in order to acquire evidence supporting trade revenues and receivables recognised in the consolidated financial statements in relation to the sale of products or the provision of services.

In addition, we analysed the reasonableness of the estimate of the year-end monetary awards recognised to distributors as well as that of the non-monetary awards (i.e. free products) that the Group recognises to customers as a result of the achievement of specific sale volumes.

Furthermore, we verified on a sample basis the invoices to be issued and the credit notes to be issued allocated in the financial statements, as well as the credit notes issued at the beginning of 2020, in order to ascertain that the sums allocated as increases in and adjustments to the revenues earned by the Group at year-end were correctly recognised within the cut-off date.

Moreover, we reviewed the assumptions underlying the estimate prepared by the Group to determine the probability to implement the buy back clauses by customers, testing the correctness of the calculation and the accurate adjustment to the revenue from sale in order to consider the buy back obligation undertaken by the Group.

Finally, we verified the accuracy and completeness of the information reported in the notes to the consolidated financial statements as of 31 December 2019.

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### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements***

The directors of Technogym SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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

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

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

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

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

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

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

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

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

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

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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#### ***Report on Compliance with other Laws and Regulations***

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##### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998***

The directors of Technogym SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Technogym Group as of 31 December 2019, 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. 58/1998, with the consolidated financial statements of Technogym Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Technogym Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

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

The directors of Technogym SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement. Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Bologna, 1 April 2020

PricewaterhouseCoopers SpA

*Signed by*  
Roberto Sollevanti  
(Partner)

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





**CERTIFICATION OF THE FINANCIAL STATEMENTS OF THE  
TECHNOGYM GROUP PURSUANT TO ARTICLE 81 OF THE CONSOB  
REGULATION 11971 OF 14 MAY 1999 AS AMENDED**

1. The undersigned, Nerio Alessandri, in his capacity as the Chief Executive Officer of Technogym S.p.A. and Andrea Alghisi as Financial Reporting Officer of Technogym S.p.A.'s financial statements, pursuant to Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of February 24, 1998, hereby certify:
  - › the financial statements are adequate, in relation to the characteristics of the company and
  - › the administrative and accounting procedures have been effectively applied in the preparation of the consolidated financial statements from 1 January 2019 to 31 December 2019.
2. We also confirm that the Consolidated Financial Statements:
  - a) has been drawn up in accordance with the international accounting standards recognised in the European Union under Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  - b) are consistent with the entries in the accounting books and records;
  - c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.
3. The Report on operations includes a reliable operating and financial review of the Company and of the Group, as well as a description of the main risks and uncertainties to which they are exposed.

Cesena, 17 March 2020



# SEPARATE FINANCIAL STATEMENTS 31 DECEMBER 2019

# TECHNOGYM S.P.A. FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

	At 31 December				
	Notes	2019	of which from related parties	2018	of which from related parties
ASSETS					
Non-current assets					
Property, plant and equipment	1	73,144,394	26,422,667	43,449,636	
Intangible assets	2	41,540,206		33,534,594	
Deferred tax assets	3	7,674,617		7,652,007	
Equity investments	4	181,885,838		175,246,597	
Non-current financial assets	5	37,679,537	37,479,537	39,118,165	38,918,165
Other non-current assets	5	47,470,486	58,936	41,417,553	402,713
TOTAL NON-CURRENT ASSETS		389,395,077		340,418,551	
Current assets					
Inventories	6	31,538,432		42,355,845	
Trade receivables	7	69,775,343	32,897,017	93,115,517	47,041,510
Current financial assets	8	12,271,301	12,187,576	18,284,719	18,217,466
Assets for derivative financial instruments	9	–		148,199	
Other current assets	10	15,502,896	2,411,379	14,288,171	3,537,497
Cash and cash equivalents	11	81,053,560		51,387,221	
TOTAL CURRENT ASSETS		210,141,533		219,579,672	
TOTAL ASSETS		599,536,610		559,998,223	

	At 31 December				
	Notes	2019	of which from related parties	2018	of which from related parties
EQUITY AND LIABILITIES					
Equity					
Share capital		10,050,250		10,050,250	
Other reserves		73,485,047		68,688,030	
Retained earnings		123,395,242		71,476,075	
Profit/(loss) for the period		72,332,475		92,641,582	
TOTAL EQUITY	12	284,252,764		247,845,688	
Non-current liabilities				-	
Non-current financial liabilities	13	63,799,519	21,909,133	53,302,051	
Employee benefit obligations	14	2,865,768		2,870,347	
Non-current provisions for risks and charges	15	6,495,018		5,938,037	
Other non-current liabilities	16	28,898,873		23,966,794	
TOTAL NON-CURRENT LIABILITIES		102,059,178		86,077,228	
Current liabilities				-	
Trade payables	17	103,420,536	22,236,172	125,963,571	23,583,726
Current tax liabilities	18	1,654		4,628,349	
Current financial liabilities	13	85,872,877	37,851,351	71,607,764	12,331,823
Liabilities for derivative financial instruments	19	13,310		79,830	
Current provisions for risks and charges	15	9,853,527	123,551	10,678,334	191,715
Other current liabilities	20	14,062,764	597,461	13,117,458	588,992
TOTAL CURRENT LIABILITIES		213,224,668		226,075,307	
TOTAL EQUITY AND LIABILITIES		599,536,610		559,998,223	

## INCOME STATEMENT

<i>(In thousands of Euro)</i>					
		Year ended 31 December			
	Notes	2019	of which from related parties	2018	of which from related parties
<b>REVENUES</b>					
Revenues	21	436,484,060	246,298,151	440,060,952	256,789,413
Other revenues and income	22	13,623,559	12,607,839	10,419,124	9,711,634
<b>Total revenues</b>		<b>450,107,619</b>		<b>450,480,076</b>	
<b>OPERATING COSTS</b>					
Purchases and use of raw materials, work in progress and finished goods	23	(222,252,442)	(66,145,079)	(211,489,411)	(57,260,743)
<i>of which non-recurring expenses:</i>		(5,055)		-	
Cost of services	24	(61,869,040)	(3,653,701)	(70,184,973)	(8,154,159)
<i>of which non-recurring expenses:</i>		(53,083)		(1,987,529)	
Personnel expenses	25	(56,291,439)	(980,637)	(60,057,984)	(976,339)
<i>of which non-recurring expenses:</i>		(896,610)		(1,015,377)	
Other operating costs	26	(4,679,391)	(3,204,630)	(4,409,563)	(2,304,015)
Share of net result from joint ventures		-		(619,608)	
Depreciation, amortisation and impairment / (write-backs)	27	(24,342,037)	(4,742,824)	(16,153,823)	-
Net provisions	28	(9,836,723)	(7,590,507)	(385,562)	(38,096)
<i>of which non-recurring expenses:</i>		(7,590,507)	(7,590,507)		
<b>NET OPERATING INCOME</b>		<b>70,836,548</b>	<b>-</b>	<b>87,798,761</b>	
Financial income	29	8,371,303	721,705	9,737,128	836,791
Financial expenses	30	(9,128,613)	(750,079)	(10,058,820)	(314,448)
<b>Net financial expenses</b>		<b>(757,310)</b>		<b>(321,692)</b>	
Income/(expenses) from investments	31	16,777,078	10,057,583	15,093,292	10,868,778
<b>PROFIT BEFORE TAX</b>		<b>86,856,315</b>		<b>102,570,360</b>	
Income taxes	32	(14,523,841)		(9,928,778)	
<i>of which non-recurrent income taxes</i>		2,238,233		9,907,944	
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>72,332,475</b>		<b>92,641,582</b>	
<b>EARNINGS PER SHARE</b>	<b>33</b>	<b>0.36</b>		<b>0.46</b>	

## STATEMENT OF COMPREHENSIVE INCOME

<i>(in Euro)</i>	<b>Notes</b>	<b>Year ended 31 December</b>	
		<b>2019</b>	<b>2018</b>
<b>Profit/(loss) for the year (A)</b>		<b>72,332,475</b>	<b>92,641,582</b>
Actuarial gains/(losses) on post-employment benefit obligations	14	(180,837)	75,780
Tax effect on actual income/loss of post-employment benefit obligations		43,401	(18,187)
Actuarial (gains)/losses for the PNC provision	15	(65,914)	(152,365)
Tax effect on actual income/loss of N.C.A.		15,819	36,568
<b>Total items that will not be reclassified to profit or loss (B1)</b>		<b>(187,530)</b>	<b>(58,205)</b>
Gains (losses) on cash flow hedges	9	-	-
Tax effect - Gains (losses) on cash flow hedges		-	-
Gains (losses) on cash flow hedging instruments (IRS)		9,866	10,401
Tax effects - Gains (losses) on cash flow hedging instruments (IRS)		(2,368)	(2,496)
<b>Total items that will be reclassified to profit or loss (B2)</b>		<b>7,498</b>	<b>7,905</b>
<b>Total Other comprehensive income, net of tax (B)=(B1)+(B2)</b>		<b>(180,032)</b>	<b>(50,300)</b>
<b>Total comprehensive income for the year (A)+(B)</b>		<b>72,152,442</b>	<b>92,591,282</b>



## STATEMENT OF CASH FLOWS

(In thousands of Euro)	Notes	Year ended 31 December	
		2019	2018
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period	12	72,332,475	92,641,582
Adjustments for:		-	-
Income taxes	32	14,523,841	9,928,778
Income/(expenses) from investments	31	(16,777,078)	(15,093,292)
Financial income/(expenses)	29-30	757,310	321,692
Depreciation, amortisation and impairment losses	27	24,342,037	16,153,823
Net provisions	28	9,836,723	385,562
<b>Cash flows from operations before changes in working capital</b>		<b>105,015,308</b>	<b>104,338,146</b>
Change in inventory	6	10,693,348	(11,001,357)
Change in trade receivables	7	12,881,274	(25,405,796)
Change in trade payables	17	(22,707,842)	26,378,948
Change in other operating assets and liabilities	10-15- 16-17-20	1,330,780	(8,155,364)
Income taxes paid	3-14-18- 32	(21,508,597)	(11,305,469)
<b>Net cash inflow from operations (A)</b>		<b>85,704,271</b>	<b>74,849,106</b>
<b>Cash flows from investing activities</b>		<b>-</b>	<b>-</b>
Investments in property, plant and equipment	1	(12,834,435)	(9,877,354)
Disposals of property, plant and equipment	1	703,523	117,214
Investments in intangible assets	2	(16,650,014)	(14,826,636)
Disposals of intangible assets	2	84,576	282,858
Dividends received from other entities	31	9,053,172	10,868,778
Dividends from investments in Joint Ventures	31	1,004,412	-
Investments in subsidiaries, associates and other entities	4-5	0	(929,001)
<b>Net cash inflow/(outflow) from investing activities (B)</b>		<b>(18,638,766)</b>	<b>(14,364,139)</b>

(In thousands of Euro)	Notes	Year ended 31 December	
		2019	2018
<b>Cash flows from financing activities</b>			
Reimbursement of leasing costs (IFRS 16)		(5,541,892)	-
Non-current financial liabilities (including the current portion)	13	25,000,000	-
Repayment of non-current financial liabilities (including the current portion)	13	(43,754,245)	(37,713,000)
Net increase (decrease) of current financial liabilities	12	23,305,223	(3,873,787)
Dividends paid to shareholders	9-30-31	(36,180,900)	(18,090,450)
Payments of net financial expenses		100,277	668,537
<b>Net cash inflow (outflow) from financing activities (C)</b>		<b>(37,071,536)</b>	<b>(59,008,700)</b>
<i>of which from related parties:</i>		-	-
<b>Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)</b>		<b>29,410,836</b>	<b>1,476,267</b>
		-	-
<b>Cash and cash equivalents at the beginning of the year</b>		<b>51,387,221</b>	<b>48,439,135</b>
Net increase / (decrease) in cash and cash equivalents from 1 January to 31 December		29,410,836	1,476,267
Effects of exchange rate differences on cash and cash equivalents		255,502	1,471,819
<b>Cash and cash equivalents at the end of the period</b>		<b>81,053,560</b>	<b>51,387,221</b>

## STATEMENT OF CHANGES IN EQUITY

(In thousands of Euro)	Other reserves												
	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Reserve for the adoption of IAS / IFRS	IAS 19 reserve	Stock grant plan reserve	IRS Hedge Account reserve	Unrealised exchange differences reserve	Other reserves (*)	Retained earnings	Profit/(loss) for the period	Total equity
At 1 January 2018	10,050,250	4,989,750	2,000,000	14,938,011	52,774,458	(75,768)	473,239	(15,403)	3,272,728	-	31,767,347	51,662,488	171,837,100
Profit for the previous year	-	-	10,050	(661,982)	(1,414,173)	-	-	-	(3,250,161)	(820,423)	57,799,178	(51,662,488)	-
Total comprehensive income for the year	-	-	-	-	-	(58,205)	-	7,905	-	-	-	92,641,582	92,591,282
Dividends paid	-	-	-	-	-	-	-	-	-	-	(18,090,450)	-	(18,090,450)
Incentive plan (LTIP)	-	-	-	-	-	-	1,507,755	-	-	-	-	-	1,507,755
At 31 December 2018	10,050,250	4,989,750	2,010,050	14,276,028	51,360,285	(133,972)	1,980,994	(7,498)	22,567	(820,423)	71,476,075	92,641,582	247,845,688
Profit for the previous year	-	-	-	3,619,056	(14,697)	-	-	-	116,733	820,423	88,100,067	(92,641,582)	-
Total comprehensive income for the year	-	-	-	-	-	(187,531)	-	7,498	-	-	-	72,332,475	72,152,442
Dividends paid	-	-	-	-	-	-	-	-	-	-	(36,180,900)	-	(36,180,900)
Incentive plan (LTIP)	-	-	-	-	-	-	435,534	-	-	-	-	-	435,534
At 31 December 2019	10,050,250	4,989,750	2,010,050	17,895,085	51,345,587	(321,503)	2,416,528	(0)	139,300	0	123,395,242	72,332,475	284,252,764

# NOTES TO THE FINANCIAL STATEMENTS

## General information

Technogym S.p.A. (hereinafter, "Technogym" or the "Company") is a legal entity established in Italy, with registered office located in Via Calcinaro 2861, Cesena (Forlì-Cesena); it is governed by Italian law.

The Company is among the world's top players in the fitness equipment industry, offering integrated solutions for the personal wellness (consisting mainly in equipment, services, and digital solutions) that can be personalised and adapted to specific needs of end users and professional operators. The Company offers a wide range of wellness, physical exercise and rehabilitation solutions to the major segments of fitness equipment market and to the overall wellness industry, and is characterised by technological innovations and attention to design and finishes. The Company's offer includes equipment that is highly regarded by end users and professional operators and has contributed, over time, to the positioning of the Technogym brand in the high-end bracket of the international market.

At 31 December 2019, 44.78% of the Issuer's share capital was held by Wellness Holding S.r.l., a legal entity incorporated under Italian law, whose share capital is 75%-owned by Oiren S.r.l. and 25%-owned by Apil S.r.l. The remaining 55.22% was free float on Borsa Italiana's MTA (screen-based stock exchange).

Following the Accelerated Bookbuilding procedure concluded on 6 February 2020 by Wellness Holding S.r.l. for the sale of 10,000,000 Issuer's shares, on the date of publication of this Annual Report, Wellness Holding S.r.l. held 39.80% of the Issuer's capital (56.94% of the total voting rights), while the remaining 60.20% of the Issuer's share capital is free float on the MTA market managed by Borsa Italiana S.p.A.

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

\* \* \* \* \*

These Financial Statements were approved by the Company's Board of Directors on 17 March 2020 and audited in full by PricewaterhouseCoopers S.p.A.

# Summary of accounting standards

This section describes the most significant accounting standards adopted for the preparation of these Financial Statements for the year ended 31 December 2019 (hereinafter the "Financial Statements"). These standards have been adopted for all the financial years presented, unless otherwise indicated.

## Basis of presentation

### (i) Compliance with EU-IFRS

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

The Financial Statements have also been prepared:

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

### (ii) Historical cost approach

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

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

## **Form and content**

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

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

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

- › the statement of financial position was prepared by classifying the assets and liabilities according to the “current and non-current” criterion;
- › The statement of comprehensive income classifies costs and revenues according to their nature and indicates the profit or loss; it is supplemented by items which, as provided for by EU-IFRS, are directly recognised as equity, other than those relating to operations with the shareholders of the Company;
- › the statement of cash flows has been prepared by presenting cash flows from operating activities according to the “indirect method”.

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

## **Distinction between current and non-current assets and liabilities**

The Company classifies an asset as current when:

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

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

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

All other liabilities are classified as non-current.

## Accounting policies

The accounting standards used in preparing the Financial Statements are the same as those used for preparing the Consolidated Financial Statements (paragraph 2.4) where applicable, except for the measurement of investments in subsidiaries and associates and dividends, as indicated below.

## STATEMENT OF FINANCIAL POSITION

### Equity investments

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

Subsidiaries are entities in which the Company holds the control, whether directly or indirectly, as stated in IFRS 10 – “Consolidated Financial Statements”. Thus, control exists when the company has all three of the following:

- › power over the investee;
- › exposure or rights to variable returns from its involvement with the investee;
- › the ability to use its power over the investee to affect the amount of the investor’s returns.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, and therefore interests in the jointly controlled company.

Associates are those entities over which the Company 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 the strategic financial and operating decisions.

At each reporting date, the Company reviews the carrying value of investments to determine if there are any indications of a loss of value and, in that case, performs an impairment test.

If there is objective evidence of loss of value, the recoverability is tested by comparing the carrying value of the asset with its recoverable value, represented by the higher value between the fair value (net of disposal costs) and the determined value of use.

The Company writes back the value of investments if the reasons for their write-down no longer apply.

Dividends are recognised at the date of resolution of the shareholder’s meeting and are recorded in the income statement, even if they result from the distribution of retained earnings generated prior to the acquisition date. The distribution of retained earnings may represent a loss in value and, therefore, raise the need to verify the recoverability of the carrying amount of the investment.

## RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

Accounting standard/amendment	Approved by the EU	Effective from
IFRS 17 Insurance Contracts	NO	Annual reporting periods beginning on or after 1 January 2021
Amendment to IFRS 3 Business Combinations	NO	Annual reporting periods beginning on or after 1 January 2021
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)	NO	N.A.

No significant impact from the application of these standards is expected, according to the Group's preliminary analysis.

### Accounting standards, amendments and interpretations approved by the EU but not yet adopted

On the date of approval of these Financial Statements, the competent bodies of the European Union had approved the adoption of the following accounting standards and amendments, which were not adopted in advance by the Group:

#### **"Definition of Material (Amendments to IAS 1 and IAS 8)"**

On 31 October 2018, the IASB published the "Definition of material (Amendments to IAS 1 and IAS 8)". That document introduced changes to the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Its aim was to make the definition of "material" more specific, and to introduce the concept of "obscured information" along with the concept of admitted or inaccurate information, which were already present in the two amended standards. The amendment clarified that information is "obscured" if it has been described in such a way that produces, for the primary readers of financial statements, an effect similar to what would have occurred if that information had been omitted or was inaccurate. The amendments were approved on 29 November 2019 and apply to all transactions after 1 January 2020.



### **"Amendment to References to the Conceptual Framework in IFRS Standards"**

On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for years starting on or after 1 January 2020, but early adoption is permitted. The Conceptual Framework defines the basic concepts of financial reporting and guides the Board in elaborating the IFRS standards. The document helps to ensure that the standards are conceptually coherent and that similar transactions are dealt with in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in elaborating accounting standards when no IFRS applies to a specific transaction. In general it also helps the parties to understand and interpret the standards. The amendments were approved on 29 November 2019 and apply to all transactions after 1 January 2020.

### **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**

On 26 September 2019, the IASB published the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amended IFRS 9 Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement as well as IFRS 7 – Financial Instruments: Disclosures. The amendment changed some of the requirements for the application of hedge accounting, by introducing temporary derogations to mitigate the impact of the uncertainty of the IBOR reform (which is still in progress) on future cash flows in the period preceding its completion. The amendment also requires companies to report additional information about their hedging relations that are directly affected by the uncertainties of the reform, to which these derogations apply. The amendments came into force from 1 January 2020, but early application is permitted. The amendments were approved on 15 January 2020 and apply to all transactions after 1 January 2020.

## **FIRST-TIME ADOPTION OF NEW ACCOUNTING STANDARDS**

### **IFRS 16 Leases**

IFRS 16 was published in January 2016 and replaces IAS 17 Leasing, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27. Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the financial statements on the basis of a single model similar to the one used to account for finance leases in accordance with IAS 17. IFRS 16 came into force on 1 January 2019.

IFRS 16 requires companies to recognise the right of use of leased assets and relative financial liabilities corresponding to the obligation to make lease payments in the financial statements.

These assets and liabilities arising from lease agreements are measured based on their present value. As 2019 is the year of first-time adoption, the effects on the results of the half year are specifically identified in the following tables.

## **Effects of the transition on the financial statements**

During the initial adoption of IFRS 16, Technogym S.p.A. recognised assets at 1 January 2019 for the right of use equal to Euro 20,841 thousand and lease liabilities equal to Euro 20,841 thousand, using a simplified approach without retrospective adoption.

The lease agreements basically refer to property leases and leases for vehicles and fork lift trucks.

Any extension periods covered by the renewal option have been included in the contract duration, when it is assumed with reasonable certainty that the option will be exercised, based on historical evidence and business development plans, subject to any plans to dispose of leased assets or clear indications that it would be reasonable to expect that the renewal option would not be exercised.

Technogym S.p.A. also excluded short-term contracts (including leases of less than 12 months from the initial date of application), and contracts in which the underlying asset is of modest value.

When measuring lease liabilities, the Group discounted lease payments due using the marginal lending rate at 1 January 2019. The rate was defined considering the duration of the lease agreements, the currency of denomination, and characteristics of the economic environment in which they are stipulated.

The impact arising from the adoption of IFRS 16 on balance sheet items is indicated below:

(In thousands of Euro)	At 1 January 2019		At 1 January 2019		At 31 December 2019	
	excluding IFRS 16	IFRS 16	including IFRS 16	excluding IFRS 16	IFRS 16	including IFRS 16
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	43,450	20,841	64,291	45,083	28,061	73,144
Intangible assets	33,535	–	33,535	41,540	–	41,540
Deferred tax assets	7,652	–	7,652	7,675	–	7,675
Investments in joint ventures and associates	175,247	–	175,247	181,886	–	181,886
Non-current financial assets	39,118	–	39,118	37,680	–	37,680
Other non-current assets	41,418	–	41,418	47,470	–	47,470
<b>TOTAL NON-CURRENT ASSETS</b>	<b>340,419</b>	<b>20,841</b>	<b>327,725</b>	<b>321,613</b>	<b>28,061</b>	<b>389,395</b>
<b>Current assets</b>	<b>–</b>					<b>–</b>
Inventories	42,356	–	42,356	31,538	–	31,538
Trade receivables	93,116	–	93,116	69,775	–	69,775
Current financial assets	18,285	–	18,285	12,271	–	12,271
Assets for derivative financial instruments	148	–	148	–	–	–
Other current assets	14,288	–	14,288	15,403	–	15,503
Cash and cash equivalents	51,387	–	51,387	81,054	–	81,054
<b>TOTAL CURRENT ASSETS</b>	<b>219,580</b>	<b>–</b>	<b>219,580</b>	<b>210,042</b>	<b>–</b>	<b>210,042</b>
<b>TOTAL ASSETS</b>	<b>559,998</b>	<b>20,841</b>	<b>547,305</b>	<b>529,935</b>	<b>28,061</b>	<b>599,537</b>
<b>EQUITY AND LIABILITIES</b>	<b>–</b>					<b>–</b>
<b>Equity</b>	<b>–</b>					<b>–</b>
Share capital	10,050	–	10,050	10,050	–	10,050
Share premium reserve	4,990	–	4,990	4,990	–	4,990
Other reserves	68,688	–	68,688	73,485	0	73,485
Retained earnings	71,476	–	71,476	123,395	–	123,395
Profit (loss)	92,642	–	92,642	72,521	(189)	72,332
<b>TOTAL EQUITY</b>	<b>247,846</b>	<b>–</b>	<b>247,846</b>	<b>284,442</b>	<b>(189)</b>	<b>284,253</b>

<i>(In thousands of Euro)</i>	At 1 January 2019		At 1 January 2019		At 31 December 2019	
	excluding IFRS 16	IFRS 16	including IFRS 16	excluding IFRS 16	IFRS 16	including IFRS 16
Non-current liabilities	–					–
Non-current financial liabilities	53,302	15,770	69,072	40,819	22,980	63,799
Employee benefit obligations	2,870	–	2,870	2,866	–	2,866
Non-current provisions for risks and charges	5,938	–	5,938	6,495	–	6,495
Other non-current liabilities	23,967	–	23,967	28,899	–	28,899
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>86,077</b>	<b>15,770</b>	<b>101,847</b>	<b>79,079</b>	<b>22,980</b>	<b>102,059</b>
Current liabilities	–					–
Trade payables	125,964	–	125,964	103,421	–	103,421
Current tax liabilities	4,628	–	4,628	2	–	2
Current financial liabilities	71,608	5,071	76,679	80,603	5,270	85,873
Liabilities for derivative financial instruments	80	–	80	13	–	13
Current provisions for risks and charges	10,678	–	10,678	9,854	–	9,854
Other current liabilities	13,117	–	13,117	14,063	–	14,063
<b>TOTAL CURRENT LIABILITIES</b>	<b>226,075</b>	<b>5,071</b>	<b>231,147</b>	<b>207,955</b>	<b>5,270</b>	<b>213,225</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>559,998</b>	<b>20,841</b>	<b>580,839</b>	<b>571,476</b>	<b>28,061</b>	<b>599,537</b>

The impact arising from the adoption of IFRS 16 on income statement items is indicated below:

<i>(In thousands of Euro)</i>	Year ended 31 December 2019	Impacts	Year ended 31 December 2019
	excluding IFRS 16	IFRS 16	including IFRS 16
<b>REVENUES</b>			
Revenues	436,484	-	436,484
Other revenues and income	13,624	-	13,624
<b>Total revenues</b>	<b>450,108</b>	<b>-</b>	<b>450,108</b>
<b>OPERATING COSTS</b>			<b>-</b>
Purchases and use of raw materials, work in progress and finished goods	(222,252)	-	(222,252)
<i>of which non-recurring income/(expenses)</i>	<i>(5)</i>	<i>-</i>	<i>(5)</i>
Cost of services	(66,983)	5,114	(61,869)
<i>of which non-recurring income/(expenses)</i>	<i>(53)</i>	<i>-</i>	<i>(53)</i>
Personnel expenses	(56,720)	428	(56,291)
<i>of which non-recurring income/(expenses)</i>	<i>(897)</i>	<i>-</i>	<i>(897)</i>
Other operating costs	(4,679)	-	(4,679)
<i>of which non-recurring income/(expenses)</i>	<i>-</i>	<i>-</i>	<i>-</i>
Share of net result from joint ventures	-	-	-
Depreciation, amortisation and impairment losses / (write backs)	(19,057)	(5,285)	(24,342)
Net provisions	(9,837)	-	(9,837)
<i>of which non-recurring income/(expenses)</i>	<i>(7,591)</i>	<i>-</i>	<i>(7,591)</i>
<b>NET OPERATING INCOME</b>	<b>70,580</b>	<b>257</b>	<b>70,837</b>
Financial income	8,371	-	8,371
Financial expenses	(8,682)	(446)	(9,129)
<b>Net financial expenses</b>	<b>(311)</b>	<b>(446)</b>	<b>(757)</b>
Income/(expenses) from investments	16,777	-	16,777
<b>PROFIT BEFORE TAX</b>	<b>87,046</b>	<b>(189)</b>	<b>86,856</b>
Income taxes	(14,524)	-	(14,524)
<i>of which non-recurrent income taxes</i>	<i>2,238</i>	<i>-</i>	<i>2,238</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>72,522</b>	<b>(189)</b>	<b>72,332</b>
<b>EARNINGS PER SHARE</b>	<b>0.36</b>		<b>0.36</b>

## Estimates and assumptions

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

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

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

- › **Measurement of receivables:** the provision for bad debts reflects the estimates of the expected losses for the Company's receivables. Provisions for expected losses on receivables have been made, estimated based on past experience with reference to receivables with a similar credit risk, current and past amounts unpaid, as well as careful monitoring of the quality of receivables and current and estimated conditions of the economy and the reference markets. The estimates and assumptions are reviewed periodically and the effects of each change are recognised in profit or loss as they occur.
- › **Measurement of inventories:** inventories that are obsolescent are periodically measured and written down if the net realisable value is lower than the carrying amount. Write-downs are calculated based on management's assumptions and estimates, arising from management's experience and past results.
- › **Measurement of advance taxes:** advance taxes are based on taxable income expected in future years. The measurement of expected taxable income depends on factors that may vary over time and have significant effects on the measurement of deferred tax assets.
- › **Income taxes:** The determination of the Group's tax liabilities requires management to use measurements for transactions whose tax implications are uncertain on the reporting date. The Company recognises liabilities that could arise from future audits by tax authorities based on the estimate of taxes due. If the outcome of the above audits differs from that estimated by management, significant effects on current and deferred taxes could be possible.
- › **Development costs:** The Company capitalises the costs of developing new products and processes. Costs are capitalised based on management's judgement, which confirms the technical, financial and commercial feasibility of development projects. In determining the amounts to capitalise, management makes certain assumptions as to the generation of the project's expected future cash flows, the discount rates to apply, and the expected useful life of the capitalised costs. At 31 December 2019, the net carrying amount of capitalised development costs was equal to Euro 14,336 thousand (Euro 11,409 thousand at 31 December 2018).
- › **Impairment of assets:** assets are impaired when events or changes in circumstances lead to the assumption that the carrying amount in the financial statements can no longer be recovered. Events that may cause an impairment of an asset include changes in industrial plans, changes in market prices or a reduced use of plant. The decision to write down an asset and quantify the write-down depends on management's evaluations of complex and highly uncertain factors, including future price trends and the impact of inflation and technological advances on the costs and models of production, and the conditions of demand and supply. The write-down is determined by comparing the carrying amount with the relative recoverable value, represented by the higher of the fair value, net of disposal costs, and value in use determined by discounting the expected cash flows arising from use of the asset. The expected cash flows are quantified in the

light of information available at the time of the estimate based on subjective judgements of the trend of future variables, such as prices, costs, rates of growth in demand and production profiles, and are discounted using a rate that takes into account the implied risk of the asset concerned.

- › **Useful life of tangible and intangible assets with a finite useful life:** depreciation is calculated based on the useful life of the asset. Useful life is determined when the asset is recognised in the financial statements. Valuations of the duration of useful life are based on past experience, market conditions and expectations of future events that could have an effect on the useful life, including technological changes. Consequently, the actual useful life may differ from the estimated useful life.
- › **Employee benefits:** defined-benefit plans are measured based on uncertain events and actuarial assumptions that include discount rates, the expected returns on assets serving plans (if existing), the level of future remuneration, mortality rates, retirement ages and future trends in health expenses. The main assumptions used to quantify defined benefit plans are determined as follows: (i) the discount and inflation rates that represent the rates based on which obligations to employees could actually be carried out, are based on the rates that accrue on high-quality bonds and inflation expectations; (ii) the level of future remuneration is determined based on elements such as inflation expectations, productivity, career progress and seniority; (iii) the future cost of healthcare is determined based on elements such as the present and past trend of healthcare costs, including assumptions concerning the inflation trend of costs, and changes in the health conditions of entitled parties; (iv) demographic assumptions that reflect the best estimate of the trend in variables, such as mortality, turnover and disability, and other variables relative to the entitled population. The differences in the value of net liabilities (assets) of employee benefit plans arising from changes in the actuarial assumptions used and the difference between actuarial assumptions previously adopted and those actually used occur normally and are defined as actuarial gains or losses. Actuarial gains and losses relative to defined benefit plans are recognised in other comprehensive income. The actuarial assumptions are also adopted to determine obligations relative to other long-term benefits; for this purpose, the effects arising from changes to actuarial assumptions or characteristics of the benefit are recognised in full in profit or loss.
- › **Measurement of provisions for risks:** the Company recognises a liability for disputes and lawsuits in progress when it is considered probable that there will be a financial outflow and when the amount of the resulting loss can be reasonably estimated. In the event a financial outflow is possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements. The causes may relate to complex legal and tax issues that are subject to different level of uncertainty, against which it is possible that the value of the funds may vary as a result of future developments in the ongoing proceedings. The Company monitors the status of pending litigation and consults with its own legal advisors and experts. Moreover, when selling a product, the Company makes provisions to cover the estimated costs of product warranties. The estimate of this fund is calculated on the basis of historical information on the nature, frequency and average cost of warranty claims.
- › **Fair value of financial instruments:** the fair value of unlisted financial instruments is determined according to commonly used financial valuation techniques that require basic assumptions and estimates. These assumptions might not occur according to expected times and procedures. Therefore Company estimates could deviate from final data.
- › **Share-based payments:** the fair value of share-based payments is estimated by determining the most appropriate measurement model, which depends on the terms and conditions of the plan. This estimate also requires the determination of the most appropriate input for the measurement model, including the expected duration of the option or granted right, the volatility and return on dividends, and the related assumptions.
- › **Estimate of variable considerations relative to returns and discounts on volumes:** the

Company estimates variable considerations to include in the transaction price for the sale of products with the right to return them. The Company has developed a statistical model for expected returns on sales. This model is based on historical data relative to each product, to obtain the percentages of expected returns. The percentages obtained are applied to determine the expected value of the variable consideration. Any future change compared to past experience will affect the expected return percentages estimated by the Company.

- › **Leasing:** Following the entry into force of the new accounting standard IFRS 16, from 1 January 2019 leasing contracts are recognised on the basis of a single accounting model similar to the provisions of IAS 17 on the recognition of financial leases.

When entering into each contract, the company:

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

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

The assets are depreciated according to a period represented by the term of the lease contract, unless its duration is less than the useful life of the asset based on the rates applied to tangible assets, and there is the reasonable certainty of the ownership of the leased asset being transferred on the natural contractual expiry date. In such a case the depreciation period will be calculated on the basis of the criteria and rates indicated for tangible assets. For lease contracts whose duration ends within 12 months from the date of initial application and for which there are no renewal options, and for contracts with low-value underlying assets, the lease charges are recognised on the income statement on a straight line basis throughout the duration of the respective contracts.



# Notes to the statement of financial position

## 1 Property, plant and equipment

The item "Property, plant and equipment" amounted to Euro 61,632 thousand at 31 December 2019 (Euro 43,450 thousand at 31 December 2018).

The following table shows the amounts and movements of "Property, plant and equipment" for the years ended 31 December 2019 and 2018.

<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 at 1 January 2018	3,105	32,836	15,111	50,712	13,829	875	116,468
Investments	-	195	3,025	4,270	1,733	579	9,801
Disposals	-	-	(79)	(27)	(305)	-	(411)
Reclassifications	-	14	689	0	(0)	(689)	14
Historical cost at 31 December 2018	3,105	33,045	18,746	54,955	15,258	764	125,873
Accumulated depreciation at 1 January 2018	-	(13,689)	(7,818)	(42,684)	(9,546)	-	(73,738)
Amortisation	-	(2,384)	(1,490)	(4,084)	(1,020)	-	(8,979)
Disposals	-	-	50	26	217	-	294
Reclassifications	-	-	(42)	1,175	(1,133)	-	-
Accumulated depreciation at 31 December 2018	-	(16,073)	(9,299)	(45,568)	(11,482)	-	(82,423)
Net values at 31 December 2018	3,105	16,972	9,447	9,387	3,775	764	43,450
Historical cost at 01 January 2019	3,105	33,045	18,746	54,955	15,258	764	125,873
First-time adoption IFRS 16	-	31,166	-	-	2,181	-	33,346
Investments	-	237	831	9,596	740	1,413	12,817
Disposals	-	-	(1,004)	(141)	(278)	-	(1,423)
Reclassifications	-	-	302	111	-	(394)	18
Historical cost at 31 December 2019	3,105	64,448	18,875	64,521	17,900	1,783	170,631
Accumulated depreciation at 01 January 2019	-	(16,073)	(9,299)	(45,568)	(11,482)	-	(82,423)

<i>(In thousands of Euro)</i>	<b>Land</b>	<b>Buildings and leasehold improvements</b>	<b>Plant and machinery</b>	<b>Production and commercial equipment</b>	<b>Other assets</b>	<b>Assets under construction and advances</b>	<b>Total</b>
First-time adoption IFRS 16	-	(4,743)	-	-	(543)	-	(5,286)
Amortisation	-	(2,416)	(1,531)	(5,267)	(1,283)	-	(10,497)
Disposals	-	-	398	98	223	-	719
<b>Accumulated depreciation at 31 December 2019</b>	<b>-</b>	<b>(23,232)</b>	<b>(10,433)</b>	<b>(50,736)</b>	<b>(13,086)</b>	<b>-</b>	<b>(97,487)</b>
<b>Net values at 31 December 2019</b>	<b>3,105</b>	<b>41,215</b>	<b>8,442</b>	<b>13,785</b>	<b>4,814</b>	<b>1,783</b>	<b>73,144</b>

The category "Buildings and leasehold improvements" mainly includes buildings used for production and commercial activities and the associated installations also at the complex called "Technogym Village", used as corporate headquarters. "Plant and machinery" mainly includes production line assembly plants. "Production and commercial equipment" mainly refers to moulds used for production and equipment used for machine assembly operations. "Assets under construction" mainly relate to investments in production lines at the Company's production sites that have not yet been placed in service at the end of the year and moulds not yet available for use.

Much of the change compared to the previous year is due to the IFRS 16 effect, which led to a net increase of Euro 28,060 thousand. The lease agreements basically refer to property leases with subsidiaries, and leases for vehicles and fork lift trucks.

Investments for the year ended 31 December 2019 amounted to Euro 12,817 thousand. Investments in assets under construction (Euro 1,413 thousand), mainly refer to the renovation of production lines; investments in industrial and commercial equipment (Euro 9,596 thousand) mainly refer to the purchase of moulds for the continual expansion and renovation of production lines; investments in plant and machinery (Euro 831 thousand) chiefly concern the implementation of new production lines.

Net disposals of plant, property and equipment at 31 December 2019 were equal to Euro 704 thousand (Euro 117 thousand at 31 December 2018).

At 31 December 2019 and 2018, there was no property or instrumental asset that was subject to any kind of guarantee provided to a third party.

## 2 Intangible assets

The item "Intangible assets" amounted to Euro 41,540 thousand at 31 December 2019 (Euro 33,535 thousand at 31 December 2018). The following table shows the amounts and movements of intangible assets for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Development costs</b>	<b>Patents and intellectual property rights</b>	<b>Concessions, licences, trademarks and similar rights</b>	<b>Intangibles under development and advances</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Historical cost at 1 January 2018</b>	<b>35,460</b>	<b>5,616</b>	<b>1,227</b>	<b>12,949</b>	<b>360</b>	<b>55,611</b>
Investments	3,081	5,914	186	5,598	48	14,827
Disposals	(16,539)	(2,832)	(7)	-	(137)	(19,515)
Impairment losses	-	-	-	(10)	-	(10)
Reclassifications	1,733	9,094	-	(10,853)	12	(14)
<b>Historical cost at 31 December 2018</b>	<b>23,734</b>	<b>17,792</b>	<b>1,406</b>	<b>7,684</b>	<b>283</b>	<b>50,898</b>
<b>Accumulated depreciation at 1 January 2018</b>	<b>(24,223)</b>	<b>(4,229)</b>	<b>(761)</b>	<b>-</b>	<b>(217)</b>	<b>(29,430)</b>
Amortisation	(4,641)	(2,319)	(153)	-	(51)	(7,165)
Disposals	16,539	2,549	7	-	137	19,232
<b>Accumulated depreciation at 31 December 2018</b>	<b>(12,325)</b>	<b>(3,999)</b>	<b>(908)</b>	<b>-</b>	<b>(130)</b>	<b>(17,363)</b>
<b>Net values at 31 December 2018</b>	<b>11,409</b>	<b>13,793</b>	<b>498</b>	<b>7,684</b>	<b>152</b>	<b>33,535</b>
<b>Historical cost at 01 January 2019</b>	<b>23,734</b>	<b>17,792</b>	<b>1,406</b>	<b>7,684</b>	<b>283</b>	<b>50,898</b>
Investments	4,725	6,754	189	4,965	35	16,668
Disposals	(1,194)	(2,031)	(73)	-	(41)	(3,338)
Impairment losses	-	-	-	(11)	-	(11)
Reclassifications	3,330	1,115	-	(4,446)	-	(18)
<b>Historical cost at 31 December 2019</b>	<b>30,595</b>	<b>23,631</b>	<b>1,522</b>	<b>8,174</b>	<b>276</b>	<b>64,198</b>
<b>Accumulated depreciation at 1 January 2019</b>	<b>(12,325)</b>	<b>(3,999)</b>	<b>(908)</b>	<b>-</b>	<b>(130)</b>	<b>(17,363)</b>
Amortisation	(5,091)	(3,211)	(173)	-	(74)	(8,548)
Disposals	1,156	1,984	73	-	41	3,254
<b>Accumulated depreciation at 31 December 2019</b>	<b>(16,259)</b>	<b>(5,226)</b>	<b>(1,008)</b>	<b>-</b>	<b>(165)</b>	<b>(22,658)</b>
<b>Net values at 31 December 2019</b>	<b>14,336</b>	<b>18,405</b>	<b>514</b>	<b>8,174</b>	<b>112</b>	<b>41,540</b>

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

Investments for the year ended 31 December 2019 amounted to a total of Euro 16,668 thousand. Investments in intangible assets under development and advances (Euro 4,965 thousand) mainly relate to the development of new products and product lines, as well as to software and software applications; investments in patents and intellectual property rights (Euro 6,754 thousand) mainly refer to the upgrade and implementation of the new ERP SAP system, and upgrades to software used by the Group; investments in development costs (Euro 4,725 thousand) mainly refer to costs incurred in updating and extending the range of products and services.

Net disposals of plant, property and equipment at 31 December 2019 were Euro 84 thousand (Euro 283 thousand at 31 December 2018).

During 2019, the Company recognised impairment losses on intangible assets for a negligible amount.

# 3 Deferred tax assets

The item "Intangible assets" amounted to Euro 7,675 thousand at 31 December 2019 (Euro 7,652 thousand at 31 December 2018).

The following table shows the amounts and movements of intangible assets for the years ended 31 December 2019 and 2018.

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

<i>(In thousands of Euro)</i>	Values at 1 January 2018	Provisions	Utilisations	Reclassifications	Values at 31 December 2018	Provisions	Utilisations	Values at 31 December 2019
<b>Deferred tax assets</b>								
Inventory write-down provision	3,778	915	(1,605)	-	3,088	132	(147)	3,073
Warranties provision	1,889	1,300	(1,105)	-	2,084	1,584	(1,476)	2,192
PNC provision	273	82	(47)	-	307	83	(14)	376
Accumulated amortisation of trademarks	57	-	-	(57)	0	174	(31)	143
Other provisions for risks	2,665	1,550	(1,781)	(109)	2,324	1,387	(1,730)	1,982
Provisions for Depreciation of other Receivables	416	135	(107)	-	444	353	(107)	690
Employee benefits obligations	61	-	(21)	-	40	47	-	87
<b>Total deferred tax assets</b>	<b>9,139</b>	<b>3,982</b>	<b>(4,667)</b>	<b>(166)</b>	<b>8,288</b>	<b>3,761</b>	<b>(3,505)</b>	<b>8,544</b>

<i>(In thousands of Euro)</i>	Values at 1 January 2018	Provisions	Utilisations	Reclassifications	Values at 31 December 2018	Provisions	Utilisations	Values at 31 December 2019
Bad debt provision	-	-	-	-	-	(114)	-	(114)
Net unrealised exchange losses	(237)	(33)	254	-	(16)	(118)	-	(134)
Other liabilities	(1,126)	-	340	166	(620)	(2)	-	(622)
<b>Total deferred tax liabilities</b>	<b>(1,362)</b>	<b>(33)</b>	<b>594</b>	<b>166</b>	<b>(636)</b>	<b>(234)</b>	<b>-</b>	<b>(869)</b>
<b>Total</b>	<b>7,776</b>	<b>3,949</b>	<b>(4,073)</b>	<b>-</b>	<b>7,652</b>	<b>3,527</b>	<b>(3,505)</b>	<b>7,675</b>

## 4

# Equity investments

The item "Equity" amounted to Euro 181,886 thousand at 31 December 2019 (Euro 175,247 thousand at 31 December 2018). The following table shows the amounts and movements of investments in joint ventures and associates for the years ended 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Equity investments</b>		
<b>Investments in subsidiaries</b>		
Investments in subsidiaries (gross value)	248,797	248,796
Provision for write-down of investments in subsidiaries	(66,969)	(73,608)
<b>Total investments in subsidiaries</b>	<b>181,828</b>	<b>175,188</b>
Investments in joint ventures and associates (gross value)	945	1,271
Provision for write-down of investments in joint ventures and associates	(887)	(1,212)
<b>Total investments in joint ventures and subsidiaries</b>	<b>58</b>	<b>58</b>
<b>Total investments</b>	<b>181,886</b>	<b>175,247</b>

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

<i>(In thousands of Euro)</i>	Gross values at 1 January 2018	Investments	Disposals	Gross values at 31 December 2018	Investments	Disposals	Gross values at 31 December 2019
<b>Subsidiaries</b>							
Technogym UK Ltd	28,995	-	-	28,995	-	-	28,995
Technogym Germany Gmbh	16,843	-	-	16,843	-	-	16,843
Technogym E.E. SRO	15,024	-	-	15,024	-	-	15,024
Technogym Benelux BV	12,503	-	-	12,503	-	-	12,503
Technogym USA Corp.	38,159	-	-	38,159	-	-	38,159
Technogym Shanghai Int. Trading Co. Ltd.	15,800	-	-	15,800	-	-	15,800
Technogym Australia Pty Ltd	7,621	-	-	7,621	-	-	7,621
Mywellness S.r.l.	-	-	-	-	-	-	-
Technogym Japan Ltd.	3,069	-	-	3,069	-	-	3,069
Technogym International BV	3,000	-	-	3,000	-	-	3,000
Technogym Trading SA	2,869	-	-	2,869	-	-	2,869
Technogym Equipamentos de Ginástica e Solução para Bem-Estar LTDA	35,666	-	-	35,666	-	-	35,666
Laserpro S.r.l.	-	-	-	-	-	-	-
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 S.r.l.	42,354	-	-	42,354	-	-	42,354
Amleto Aps	22,442	-	-	22,442	-	-	22,442
Wellness Partner Ltd	370	434	-	804	-	-	804
<b>Total subsidiaries</b>	<b>248,363</b>	<b>434</b>	<b>-</b>	<b>248,797</b>	<b>-</b>	<b>-</b>	<b>248,797</b>
<b>Joint ventures and associates</b>							
Technogym Emirates LLC	29	-	-	29	-	-	29
Fitstadium S.r.l	363	-	-	363	-	-	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	-	(326)	-
<b>Total joint ventures and associates</b>	<b>1,271</b>	<b>-</b>	<b>-</b>	<b>1,271</b>	<b>-</b>	<b>(326)</b>	<b>945</b>

There were no investments in the current year. The only change relates to the closure of the investment in Quainted Consulting PTY Ltd.



The following table shows the amounts and movements in the investments write-down provision for the years ended 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	Write-down provision at 1 January 2018	Provisions	Releases	Write-down provision at 31 December 2018	Provisions	Releases	Write-down provision at 31 December 2019
Technogym USA Corp.	(27,353)	-	3,418	(23,935)	-	3,830	(20,105)
Technogym Shanghai Int. Trading Co. Ltd.	(10,337)	-	1,158	(9,179)	-	1,223	(7,956)
Technogym Australia Pty Ltd	(3,448)	-	83	(3,365)	-	1,290	(2,075)
Technogym Equipamentos de Ginástica e Solução para Bem-Estar LTDA	(35,666)	-	-	(35,666)	-	-	(35,666)
Technogym Asia Ltd	(660)	-	-	(660)	-	297	(363)
Wellness Partner Ltd	(369)	(434)	-	(803)	-	-	(803)
<b>Total subsidiaries</b>	<b>(77,833)</b>	<b>(434)</b>	<b>4,658</b>	<b>(73,608)</b>	<b>-</b>	<b>6,639</b>	<b>(66,969)</b>
Joint ventures and associates							
Fitstadium S.r.l	(363)	-	-	(363)	-	-	(363)
MPS Movimento per la Salute	(123)	-	-	(123)	-	-	(123)
T4ME Limited	(400)	-	-	(400)	-	-	(400)
Quainted Consulting PTY Ltd	(326)	-	-	(326)	-	326	-
<b>Total joint ventures and associates</b>	<b>(1,212)</b>	<b>-</b>	<b>-</b>	<b>(1,212)</b>	<b>-</b>	<b>326</b>	<b>(887)</b>

The following table lists the investments at 31 December 2019, with detailed information:

Entity name	Registered office	Stake held	Currency	Share capital at 31 December 2019 (in local currency)	Equity at 31 December 2019 (in local currency)	Profit/(loss) for the year at 31 December 2019 (in local currency)	Equity pro-quota at 31 December 2019 (€)	Net value in the financial statements at 31 December 2019 (€)
<b>Subsidiaries</b>								
Technogym E.E. SRO	Slovakia	99.98%	EUR	15,033,195	18,407,047	2,754,695	18,403,365	15,024,000
Technogym Asia Ltd.	China	100.00%	HKD	16,701,750	11,492,694	1,927,592	1,313,856	1,313,856
Technogym Shanghai Int. Trading Co. Ltd.	China	100.00%	CNY	132,107,600	61,342,558	9,201,248	7,843,815	7,843,815
Technogym Australia Pty Ltd	Australia	100.00%	AUD	11,350,000	8,870,964	1,967,204	5,546,086	5,546,086
Technogym Portugal Unipessoal Lda	Portugal	100.00%	EUR	5,000	305,929	130,893	305,929	5,000
Technogym International B.V.	Netherlands	100.00%	EUR	113,445	3,334,206	186,361	3,334,206	3,000,000
Technogym Equipamentos de Ginástica e Solução para Bem-Estar LTDA	Brazil	99.94%	BRL	121,795,019	4,641,824	(21,109,550)	1,027,313	-
Wellness Partner Ltd	United Kingdom	75.00%	GBP	386,667	65,987	(40,878)	58,169	-
Sidea S.r.l	Italy	70.00%	EUR	150,000	3,740,813	1,244,574	2,618,569	699,500
Technogym Germany GmbH	Germany	100.00%	EUR	1,559,440	4,106,465	2,120,242	4,106,465	16,843,000
Technogym UK Ltd	United Kingdom	100.00%	GBP	100,000	7,887,442	2,917,788	9,270,618	28,995,000
Technogym France Sas	France	100.00%	EUR	500,000	1,971,671	996,038	1,971,671	1,267,424
Technogym Benelux BV	Netherlands	100.00%	EUR	2,455,512	3,182,715	727,203	3,182,715	12,503,000
Technogym USA Corp.	United States	100.00%	USD	3,500,000	20,281,799	3,994,840	18,053,943	18,053,943
Technogym Trading S.A.	Spain	99.99%	EUR	2,499,130	4,151,532	652,575	4,151,117	2,869,130
Technogym Japan Ltd.	Japan	100.00%	JPY	320,000,000	1,498,029,667	186,459,044	12,284,973	3,068,792
TGB S.r.l.	Italy	100.00%	EUR	96,900	16,161,961	1,205,493	16,161,961	42,354,077
Amleto Aps	Denmark	100.00%	DKK	60,000	164,423,540	7,560,783	22,006,764	22,440,866
<b>Total subsidiaries</b>								<b>181,827,489</b>
<b>Joint ventures and associates</b>								
MPS Movimento per la Salute	Italy	50.00%	EUR	10,000	-	-	-	-
Technogym Emirates LLC	United Arab Emirates	49.00%	AED	300,000	23,292,713	10,124,500	2,766,422	28,188
Fitstadium S.r.l	Italy	45.00%	EUR	113,506	-	-	-	-
Wellink S.r.l.	Italy	40.00%	EUR	60,000	346,412	79,157	138,565	30,161
T4ME Limited	Italy	20.00%	GBP	400,100	-	-	-	-
<b>Total joint ventures and associates</b>								<b>58,349</b>

Equity investments are impairment-tested when there are indications of specific impairments, mainly where there is a significant loss for the year.

For investments with net carrying values exceeding the value of the relative share of equity, no indications of possible impairment were identified. In particular, for the subsidiaries Technogym Germany GmbH, Technogym UK Ltd and Technogym Beleux BV, the 2019 final balance was higher than the Plan forecasts. For TGB S.r.l., it was verified that the difference between the cost of recognition and the share of equity was justified by the higher value of Technogym Village.

In line with IAS 36, impairment testing was carried out by comparing the recoverable value, net of the net financial position (NFP) at 31 December 2019 ("economic value") with the relative carrying amounts of the investments at 31 December 2019.

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

The calculation method is reported below:

#### **Equity Value = V-PFN**

where:

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

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):

where:

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

FCFn = cash flow sustainable beyond the explicit forecast time horizon;

g = growth rate of the business beyond the hypothesised plan period;

WACC = weighted average cost of capital.

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

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

The growth rate  $g$  used was prudentially equal to zero.

If the Company had carried out impairment testing on analysed flow forecasts, adopting a higher discounting rate than that used by management in the estimate, the results of the test would have been considerably different compared to recognised results.

On 31 December 2019 an impairment test was carried out in the subsidiary Technogym Equipamentos de Ginástica e Solução para Bem-Estar LTDA. Although there were no trigger events, impairment tests were conducted on the jointly-controlled company Exerp, which is held by the vehicle company Amleto.

The test revealed that Exerp required no write-down, whereas the test done on Technogym Equipamentos de Ginástica e Solução para Bem-Estar LTDA revealed the need for a write-down of intercompany receivables of approximately Euro 7.5 mln, as shown in paragraph 7. For EXERP, the WACC used was equal to 7.40%, with a  $g$  equal to 0, whereas for Technogym Equipamentos de Ginastica e Solucao para Bem-Estar LTDA the WACC was 12% and the  $g$  was 0.

For the investments in Technogym USA Corp., Technogym Shanghai Int. Trading Co. Ltd and Technogym Australia Pty Ltd, a partial write-back was made, totalling Euro 6,639 thousand, as the reasons for their write-down no longer applied.

# 5 Non-current assets

The item "Non-current financial assets" amounted to Euro 37,680 thousand at 31 December 2019 (Euro 39,118 thousand at 31 December 2018). The item "Other non-current assets" amounted to Euro 47,470 thousand at 31 December 2019 (Euro 41,418 thousand at 31 December 2018).

The following table contains a breakdown of the "Non-current financial assets" and "Other non-current assets" as of 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Non-current financial assets</b>		
Loans to subsidiaries due after 12 months	37,680	39,118
<b>Total non-current financial assets</b>	<b>37,680</b>	<b>39,118</b>
<b>Other non-current assets</b>		
Transferred trade receivables due after 12 months	16,152	15,772
Provision for transferred trade receivables due after 12 months	(1,046)	(1,101)
Income tax receivables due after 12 months	433	433
Other receivables	891	1,323
Investments in other entities	2,660	1,996
Security deposits	30	39
Receivables for buy backs - due after 12 months	28,350	22,955
<b>Total other non-current assets</b>	<b>47,470</b>	<b>41,418</b>

"Transferred trade receivables due after 12 months" net of the relative bad debt provision, equal to Euro 15,106 thousand and Euro 14,671 thousand at 31 December 2019 and 2018 respectively, include the non-current portion of receivables arising from the sale of goods which, although transferred to third party financial institutions, are retained in the financial statements as they do not meet all the conditions required by IAS 9 for their derecognition from assets. The financial liabilities include the amounts received from financial institutions in the form of advances for these transfers.

Income tax receivables due after 12 months refer to the IRES credit arising from the application for a rebate for non-deduction of IRAP on personnel costs in previous years.

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

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

The following table shows the details of investments in other entities for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Registered office</b>	<b>% of control</b>	<b>Currency</b>	<b>At 31 December</b>	
				<b>2019</b>	<b>2018</b>
Entity name					
Sandcroft Avenue Ltd	United Kingdom	11.8%	GBP	2,395	1,812
Pubblisole S.p.A.	Italy	2.4%	EUR	100	100
Qicraft Finland OY	Finland	10.0%	EUR	105	25
Crit S.r.l.	Italy	1.2%	EUR	26	26
Other investments	n.a.	n.a.	n.a.	34	33
<b>Total investments in other entities</b>				<b>2,660</b>	<b>1,996</b>

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

# 6 Inventories

The item "Inventories" amounts to Euro 31,538 thousand as of 31 December 2019 (Euro 42,356 thousand as of 31 December 2018).

The following table gives a breakdown of this item of 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
Inventories		
Raw materials (gross value)	11,153	15,113
Write-down provision	(1,432)	(1,264)
<b>Total raw materials</b>	<b>9,721</b>	<b>13,849</b>
Work in progress (gross value)	317	470
Write-down provision	(140)	(216)
<b>Total work in progress</b>	<b>177</b>	<b>254</b>
Finished goods (gross value)	31,083	37,843
Write-down provision	(9,443)	(9,590)
<b>Total finished goods</b>	<b>21,640</b>	<b>28,253</b>
<b>Total inventories</b>	<b>31,538</b>	<b>42,356</b>

The reduction in "Inventories" of Euro 10,818 thousand is mainly due to careful stock management, despite the increase in overseas sales.

Average days of inventory rotation went down from 50 for the year ended 31 December 2018 to 41 for the year ended 31 December 2019.

The following table shows the amounts and movements of inventory write-down provision for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Raw materials</b>	<b>Work in progress</b>	<b>Finished goods</b>	<b>Total inventory write-down provision</b>
<b>Values at 31 December 2017</b>	<b>5,572</b>	<b>262</b>	<b>7,705</b>	<b>13,539</b>
Net provisions	-	-	3,329	3,329
Utilisations	(4,308)	(47)	(1,444)	(5,799)
Reclassifications	(0)	-	(0)	(0)
Exchange rate differences	-	-	-	-
<b>Values at 31 December 2018</b>	<b>1,264</b>	<b>216</b>	<b>9,590</b>	<b>11,069</b>
Net provisions	-	-	1,073	1,073
Utilisations	(433)	(76)	(619)	(1,127)
Reclassifications	602	-	(602)	-
Exchange rate differences	-	-	-	-
<b>Values at 31 December 2019</b>	<b>1,432</b>	<b>140</b>	<b>9,443</b>	<b>11,015</b>

The balance of the bad debt provision for the year ended 31 December 2019 is essentially in line with the figure for the previous year, as it is not directly related to the reduction in inventories which are mainly finished products intended for sale.



# 7 Trade receivables

The item "Trade receivables", net of the bad debt provision, amounts to Euro 69,775 thousand as of 31 December 2019 (Euro 93,116 thousand as of 31 December 2018).

The following table contains a breakdown of the trade receivables as of 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Trade receivables</b>		
Trade receivables (gross value)	68,237	81,460
Bad debt provision	(8,264)	(523)
Transferred trade receivables	9,966	12,371
Bad debt provision	(163)	(193)
<b>Total trade receivables</b>	<b>69,775</b>	<b>93,116</b>

The reduction in the balance of "Trade receivables" of Euro 23,341 thousand, is mainly due to the elimination of inefficiencies in credit management that occurred in 2018 resulting from the implementation of the new company ERP system.

The increase in the item "Bad debt provisions" is mainly linked to the write-down in trade receivables towards a subsidiary, in the amount of Euro 7,591 thousand. The remainder of the provision, of Euro 673 thousand, relates to doubtful receivables for which legal debt recovery proceedings have been started, and for some receivables due from customers with a lower likelihood of collection.

Transferred trade receivables net of the relative provision equal to Euro 9,966 thousand at 31 December 2019, and Euro 12,371 thousand at 31 December 2018 refer to the current portion of receivables arising from the sale of goods which, although they are transferred to financial institutions, are retained in the financial statements as they do not meet all the conditions required by IAS 9 for derecognition from assets.

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

The following table contains a breakdown of trade receivables broken down by maturity as of 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	<b>Not overdue</b>	<b>Up to 30 days past due</b>	<b>Between 31 and 90 days past due</b>	<b>Between 91 and 180 days past due</b>	<b>Between 181 and 360 days past due</b>	<b>More than 360 days past due</b>	<b>Total</b>
<b>At 31 December 2017</b>	<b>58,338</b>	<b>2,964</b>	<b>2,891</b>	<b>3,009</b>	<b>(4,393)</b>	<b>1,721</b>	<b>64,530</b>
Trade receivables (gross value)	69,000	6,247	3,284	2,048	593	286	81,460
Bad debt provision	(38)	(19)	(12)	(47)	(168)	(239)	(523)
Transferred trade receivables	12,371	-	-	-	-	-	12,371
Bad debt provision	(193)	-	-	-	-	-	(193)
<b>At 31 December 2018</b>	<b>81,141</b>	<b>6,228</b>	<b>3,272</b>	<b>2,002</b>	<b>425</b>	<b>47</b>	<b>93,116</b>
Trade receivables (gross value)	53,389	4,343	2,477	3,616	3,306	1,106	68,237
Bad debt provision	(2,029)	(301)	(785)	(1,421)	(2,698)	(1,030)	(8,264)
Transferred trade receivables	9,966	-	-	-	-	-	9,966
Bad debt provision	(163)	-	-	-	-	-	(163)
<b>At 31 December 2019</b>	<b>61,163</b>	<b>4,043</b>	<b>1,692</b>	<b>2,194</b>	<b>608</b>	<b>76</b>	<b>69,775</b>

The following table reports the amounts and changes in the bad debt provision for the years ended 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	<b>Bad debt provision</b>
Values at 31 December 2017	499
Net provisions	775
Utilisations	(751)
Reclassifications	-
Exchange rate differences	-
Values at 31 December 2018	523
Net provisions	8,738
Utilisations	(997)
Reclassifications	-
Exchange rate differences	-
Values at 31 December 2019	8,264

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

## Main customers

In accordance with IFRS 8, paragraph 34, for the years ended 31 December 2019 and 2018, the Company did not have any clients generating more than 10% of total revenues.

# 8 Current financial assets

The item "Current financial assets" amounted to Euro 12,271 thousand at 31 December 2019 (Euro 18,285 thousand at 31 December 2018).

The following table shows the amounts of current financial liabilities at 31 December 2019 and 2018:

(In thousands of Euro)	At 31 December	
	2019	2018
<b>Current financial assets</b>		
Financial receivables from subsidiaries	12,188	18,217
Financial receivables from associates	-	-
Other financial receivables	83	68
<b>Total current financial assets</b>	<b>12,271</b>	<b>18,285</b>

The following table shows the details of financial receivables from subsidiaries at 31 December 2019 and 2018:

(In thousands of Euro)	At 31 December	
	2019	2018
<b>Financial receivables from subsidiaries</b>		
Cash pooling	9,888	18,017
Loans receivable	2,300	200
<b>Total financial receivables from subsidiaries</b>	<b>12,188</b>	<b>18,217</b>

The following table provides details of cash pooling arrangements at 31 December 2019 and 2018:

(In thousands of Euro)	Currency	At 31 December	
		2019	2018
<b>Cash pooling</b>			
Technogym UK Ltd	EUR	-	10,722
Technogym Trading SA	EUR	8,381	7,296
Technogym Benelux BV	EUR	577	-
Technogym Germany GMBH	EUR	930	-
<b>Total cash pooling</b>		<b>9,888</b>	<b>18,017</b>

The following table shows the details of loans granted at 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	Currency	Interest rate	At 31 December	
			2019	2018
<b>Loans receivable</b>				
Technogym Brazil	EUR	Variable	2,100	-
Sidea S.r.l	EUR	Variable	200	200
<b>Total loans granted</b>			<b>2,300</b>	<b>200</b>

# 9 Assets for derivative financial instruments

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

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
USD	-	29
GBP	-	100
AUD	-	19
<b>Total</b>	<b>-</b>	<b>148</b>

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

# 10 Other current assets

The item "Other current assets" amounts to Euro 15,503 thousand as of 31 December 2019 (Euro 14,288 thousand as of 31 December 2018). The following table contains a breakdown of the other current assets as of 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Other current assets</b>		
VAT receivables	6,015	4,273
Prepaid expenses	3,143	3,213
Advances to suppliers	289	279
Tax receivables	4,245	2,343
Accrued income	129	155
Other receivables	1,682	4,026
<b>Total other current assets</b>	<b>15,503</b>	<b>14,288</b>

"VAT receivables" were offset with the related liabilities in order to present the net amount.

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

"Advances to suppliers" relate to advances and deposits paid for supplies yet to be received. Tax receivables relate mainly to the payment of advances for taxes, of Euro 2,007 thousand, and to Patent Box credits relating to know-how on 2017 and 2018 income, giving a total of Euro 2,238 thousand. These receivables may be partially due, or may be offset in 2020.

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

# Cash and cash equivalents

The item "Cash and cash equivalents" amounted to Euro 81,054 thousand at 31 December 2019 (Euro 51,387 thousand at 31 December 2018).

The following table shows the amounts of cash and cash equivalents at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash and cash equivalents</b>		
Bank deposits	81,048	51,366
Checks	-	12
Cash and cash equivalents	6	9
<b>Total cash and cash equivalents</b>	<b>81,054</b>	<b>51,387</b>

"Bank deposits" represent temporary cash surpluses on current accounts of the Company at year-end. At 31 December 2019 and 2018 there were no restrictions or limitations to the use of the cash of the Company.

# 12 Equity

The item "Equity" amounted to Euro 284,253 thousand at 31 December 2019 (Euro 247,846 thousand at 31 December 2018). The following table reports the details of equity at 31 December 2019 and 2018.

(In thousands of Euro)	At 31 December	
	2019	2018
<b>Equity</b>		
Share capital	10,050	10,050
Share premium reserve	4,990	4,990
Other reserves	73,485	68,688
Retained earnings	123,395	71,476
Profit/(loss) for the period	72,332	92,642
<b>Total equity</b>	<b>284,253</b>	<b>247,846</b>

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

(In thousands of Euro)	Share capital	Share premium reserve	Other reserves								Retained earnings	Profit/ (loss) for the period	Total equity
			Legal reserve	Extraordinary reserve	Reserve for the adoption of IAS/ IFRS	IAS 19 reserve	Stock grant plan reserve	IRS Hedge Account reserve	Unrealised exchange differences reserve	Other reserves (*)			
At 01 January 2018	10,050,250	4,989,750	2,000,000	14,938,011	52,774,458	(75,768)	473,239	(15,403)	3,272,728	-	31,767,347	51,662,488	171,837,100
Profit for the previous year	-	-	10,050	(661,982)	(1,414,173)	-	-	-	(3,250,161)	(820,423)	57,799,178	(51,662,488)	-
Total comprehensive income for the year	-	-	-	-	-	(58,205)	-	7,905	-	-	-	92,641,582	92,591,282
Dividends paid	-	-	-	-	-	-	-	-	-	-	(18,090,450)	-	(18,090,450)
Incentive plan (LTIP)	-	-	-	-	-	-	1,507,755	-	-	-	-	-	1,507,755
At 31 December 2018	10,050,250	4,989,750	2,010,050	14,276,028	51,360,285	(133,972)	1,980,994	(7,498)	22,567	(820,423)	71,476,075	92,641,582	247,845,688
Profit for the previous year	-	-	-	3,619,056	(14,697)	-	-	-	116,733	820,423	88,100,067	(92,641,582)	-
Total comprehensive income for the year	-	-	-	-	-	(187,531)	-	7,498	-	-	-	72,332,475	72,152,442
Dividends paid	-	-	-	-	-	-	-	-	-	-	(36,180,900)	-	(36,180,900)
Incentive plan (LTIP)	-	-	-	-	-	-	435,534	-	-	-	-	-	435,534
At 31 December 2019	10,050,250	4,989,750	2,010,050	17,895,085	51,345,587	(321,503)	2,416,528	(0)	139,300	0	123,395,242	72,332,475	284,252,764

At 31 December 2019, the "Share capital" of Euro 10,050 thousand, fully subscribed and paid in cash, amounted to 201,005,000 ordinary shares with no nominal value.

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



## STOCK GRANT PLAN RESERVE

At 31 December 2019, three incentive plans were in place for Technogym management: (i) the 2017-2019 Performance Shares Plan, the 2018-2020 Performance Shares Plan, and the 2019-2021 Performance Shares Plan (the "Incentive Plans"), which were approved by the Board of Directors on 6 March 2017, 28 March 2018 and 27 March 2019 respectively.

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

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

The Incentive Plans refer to 2017-2019, 2018-2020 and 2019-2021, and are based on assigning the right to receive free shares if certain Company performance objectives are met. These incentive plans have:

- › pre-determined performance objectives which are identified in the Company's economic/ financial performance;
- › an adequate vesting period (three years);
- › constraints on the transfer of shares, equal to 6 months from the date when they are assigned.

The shares are assigned to the beneficiaries, subject to the conditions in the Incentive Plans being met, no later than 60 days following the approval of the Group's Consolidated Financial Statements for 31 December 2019, 31 December 2020 and 31 December 2021.

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

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

Specifically, the cost of the Incentive Plans was determined at a total of Euro 5,048 thousand, of which Euro 436 thousand is attributable to the year 2019.

The plan was valued at fair value by a third-party independent expert. The quota for the year was recognised with a contra-item in Equity, as the plan can be classified as "equity settled" according to IFRS 2.

At 31 December 2018 the cash flow hedge reserve basically referred to the effective component of interest rate hedging transactions with reference to the only interest rate swap stipulated regarding the medium/long-term loan granted on 9 April 2015 by Unicredit S.p.A. for a total of Euro 30,000 thousand (see note 13 below).

This financial instrument, which was recognised using the hedge accounting rules, was discharged early, on 15 July 2019 in line with the early termination of the loan underlying the hedge transaction, as per note 13. The settled mark to market was Euro 9 thousand.

To reflect the discharge of this hedging operation, the value of the reserve stated on 31 December 2018 was fully recognised on the income statement net of the related fiscal effects, for Euro 7 thousand.

<i>(In thousands of Euro)</i>	
	<b>Cash flow hedge reserve</b>
<b>Balance at 31 December 2017</b>	<b>-15</b>
Hedging instruments / Cash flow hedges	10
Tax effect – Hedging instruments / Cash flow hedges	-2
<b>Balance at 31 December 2018</b>	<b>-7</b>
Hedging instruments / Cash flow hedges	0
Tax effect – Hedging instruments / Cash flow hedges	0
<b>Balance at 31 December 2019</b>	<b>0</b>

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

<i>(In thousands of Euro)</i>	<b>At 31 December 2019</b>	<b>Possible use</b>	<b>Quota available</b>
<b>Equity</b>			
Share capital	10,050	B	10,050
Share premium reserve	4,990	A-B-C	4,990
Other reserves			
- Legal reserve	2,010	B	2,010
- Extraordinary reserve	17,895	B	17,895
- Reserve for the adoption of IAS	51,346	B	51,346
- IAS 19 reserve - TFR	(249)	B	0
- IAS 19 reserve - PNC	(72)		0
- Exchange Hedge Account reserve	0	---	0
- IRS Hedge Account reserve	0	---	0
- Net exchange gains reserve	139	A-B	139
- Stock grant reserve	2,417	B	2,417
- Other reserves	0		0
Retained earnings	123,395	A-B-C	123,395
Profit for the year	72,332	A-B-C*	72,332
<b>Total equity</b>	<b>284,253</b>		
<b>Of which non-distributable</b>			<b>88,641</b>
<b>Of which distributable</b>			<b>195,612</b>

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

\*The profit for the period is distributable in the amount of Euro 67,870 thousand, as the difference makes up the necessary reserves.

# 13 Financial liabilities

The items "Non-current financial liabilities" and "Current financial liabilities amounted to Euro 52,018 thousand and Euro 85,873 thousand at 31 December 2019 respectively Euro 53,302 thousand and Euro 71,608 thousand at 31 December 2018 respectively). The following table shows the amounts of financial liabilities, current and non-current, at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Non-current financial liabilities</b>		
Bank loans due after 12 months – non-current portion	24,667	37,530
Non-current liabilities due to other lenders	–	–
Other non-current financial liabilities	16,152	15,772
IFRS 16 Non-current financial liabilities	22,980	–
<b>Total non-current financial liabilities</b>	<b>63,799</b>	<b>53,302</b>
<b>Current financial liabilities</b>		
Bank loans due after 12 months – current portion	12,408	18,343
Other short-term borrowings	25,059	28,555
Current liabilities due to other lenders	9,966	12,371
Financial payables to subsidiaries	33,170	12,338
IFRS 16 Financial liabilities - Current	5,270	–
<b>Total current financial liabilities</b>	<b>85,873</b>	<b>71,608</b>

At 31 December 2019 the Company's financial debt was entirely with variable interest rates.

## MEDIUM/LONG-TERM BANK LOANS

The following table shows the movements of bank loans for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Bank loans due after 12 months - non-current portion</b>	<b>Bank loans due after 12 months - current portion</b>	<b>Total bank loans</b>
<b>Values at 01 January 2018</b>	<b>70,077</b>	<b>23,510</b>	<b>93,586</b>
Obtainment of loans	-	-	-
Repayments	(14,204)	(23,510)	(37,714)
Reclassification from long-term to short-term	(18,343)	18,343	-
<b>Values at 31 December 2018</b>	<b>37,530</b>	<b>18,343</b>	<b>55,873</b>
Obtainment of loans	16,666	8,334	25,000
Repayments	(25,455)	(18,343)	(43,798)
Reclassification from long-term to short-term	(4,074)	4,074	-
<b>Values at 31 December 2019</b>	<b>24,667</b>	<b>12,408</b>	<b>37,075</b>

The following shows the details of bank loans at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Due date</b>	<b>Interest rate</b>	<b>At 31 December</b>			
			<b>2019</b>	<b>of which current</b>	<b>2018</b>	<b>of which current</b>
<b>Bank loans</b>						
Unicredit S.p.A.	2020-2023	Variable	25,067	8,399	34,814	11,815
Banca Popolare dell'Emilia Romagna S.p.A.	2021	Variable	12,008	4,008	16,019	4,019
Banco Popolare	2020	Fixed	-	-	5,040	2,510
<b>Total bank loans</b>			<b>37,075</b>	<b>12,408</b>	<b>55,873</b>	<b>18,344</b>

The following table shows the details of medium/long-term bank loans at 31 December 2019 by maturity date.

<i>(In thousands of Euro)</i>	<b>Residual debt</b>	<b>Of which current</b>	<b>2021</b>	<b>2022</b>
Unicredit S.p.A.	25,067	8,399	8,334	8,334
Banca Popolare dell'Emilia Romagna S.p.A.	12,008	4,008	4,000	4,000
<b>Total</b>	<b>37,075</b>	<b>12,407</b>	<b>12,334</b>	<b>12,334</b>

Reflecting the financial performance recorded in 2019, the Company has repaid the following loans early:

- › Unicredit S.p.A. 2020: The medium-long term loan granted by Unicredit S.p.A. on 9 April 2015 for a total of Euro 30,000 thousand, with maturity on 9 April 2020, was repayable in twenty equal quarterly instalments of Euro 1,500 thousand each. The loan was paid off early on 15 July 2019, with a residual value of Euro 6,000 thousand. The interest rate swap agreement taken out to cover the Group against the interest rate risk on that loan using the mark to market liquidation of Euro 9 thousand, was also paid off early.
- › Unicredit S.p.A. 2023: The medium-long term loan granted by Unicredit S.p.A. on 15 April 2016 for a total of Euro 40.00 thousand, with maturity on 15 April 2023, is repayable in fourteen equal six-monthly instalments of Euro 2,857 thousand each. The loan was paid off early on 9 August 2019, with a residual value of Euro 22,857 thousand.
- › Banco Popolare S.p.A. 2020: The loan granted by Banco Popolare S.p.A. on 31 October 2016, for a total of Euro 10,000 thousand, with maturity on 31 December 2020, was repayable in sixteen deferred quarterly instalments. The loan was paid off early on 16 December 2019, with a residual value of Euro 3,159 thousand.

The medium-long term loan granted by Banca Popolare dell'Emilia Romagna S.p.A. on 17 July 2017 for a total of Euro 20,000 thousand, with maturity on April 17 July 2022, is repayable in 10 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.

For the year ended 31 December 2019, the covenant was met.

The medium-long term loan granted by Unicredit S.p.A. on 9 August 2019 for a total of Euro 25,000 thousand, with maturity on 29 July 2022, is repayable in six equal six-monthly instalments of Euro 4,166 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. For the year ended 31 December 2019, the covenant was met.

For the above loans, no guarantees have been given. At 31 December 2019, all financial covenants described above had been met.

## OTHER SHORT-TERM BORROWINGS

The following table shows the details of other short-term borrowings at 31 December 2019 and 2018.

(In thousands of Euro)	Currency	At 31 December	
		2019	2018
Other short-term borrowings			
Unicredit S.p.A.	EUR	-	4,500
Banca Nazionale del Lavoro	EUR	25,023	-
Banca Popolare di Sondrio	EUR	-	14,000
Cassa di Risparmio di Parma e Piacenza	EUR	-	10,000
Other short-term borrowings	EUR	36	55
Total other short-term borrowings		25,059	28,555

Other short-term borrowings mainly include stand-by credit lines, short-term loans (generally "hot money") and bank overdrafts.

## FINANCIAL PAYABLES TO SUBSIDIARIES

The following table shows the details of financial payables to subsidiaries at 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	At 31 December	
	2019	2018
<b>Financial payables to subsidiaries</b>		
Cash pooling	31,670	10,838
Loans payable	1,500	1,500
<b>Total financial payables to subsidiaries</b>	<b>33,170</b>	<b>12,338</b>

The following table provides details of cash pooling arrangements at 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	Currency	At 31 December	
		2019	2018
Cash pooling			
Technogym UK Ltd	GBP	9,492	-
Technogym Germany Gmbh	EUR	-	808
Technogym Benelux BV	EUR	-	876
Technogym USA Corp.	USD	19,302	8,364
Technogym France	EUR	2,876	790
Total cash pooling		31,670	10,838

The following table shows the details of loans received at 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	Currency	Rate	At 31 December	
			2019	2018
<b>Loans payable</b>				
Technogym Benelux BV	EUR	Variable	1,500	1,500
<b>Total loans received</b>			<b>1,500</b>	<b>1,500</b>

#### LIABILITIES DUE TO OTHER LENDERS

Current and non-current liabilities to other lenders refers to financing transactions guaranteed by the transfer of receivables arising from the sale of goods that, although transferred to third financial institutions, are retained in the financial statements as they do not meet all the conditions required by IFRS 9 for derecognition from assets. See also note 5 "Other non-current assets" and note 7 "Trade receivables".



# 14 Employee benefit obligations

The item "Employee benefit obligations" amounts to Euro 2,866 thousand at 31 December 2019 (Euro 2,870 thousand at 31 December 2018).

The following table shows the amounts and movements of employee benefit obligations for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Employee benefit obligations</b>
<b>Values at 01 January 2018</b>	<b>3,052</b>
Provisions	-
Financial expenses	40
Utilisations	(146)
Actuarial (gains)/losses	(76)
<b>Values at 31 December 2018</b>	<b>2,870</b>
Provisions	-
Financial expenses	43
Utilisations	(228)
Actuarial (gains)/losses	181
<b>Values at 31 December 2019</b>	<b>2,866</b>

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

# 15 Provisions for risks and charges

The item "Provisions" at 31 December 2019 amounts to Euro 6,495 thousand for non-current financial liabilities and Euro 9,854 thousand for current financial liabilities (respectively, Euro 5,938 thousand and Euro 10,678 thousand at 31 December 2018). The following table shows the details of provisions for risks and charges, current and non-current, at 31 December 2019 and 2018.

(In thousands of Euro)	At 31 December	
	2019	2018
<b>Non-current provisions for risks and charges</b>		
Warranties provision	3,929	3,735
Agents provision	782	630
Non-Competition Agreement provision	1,784	1,523
Ongoing lawsuits provision	-	50
<b>Total non-current provisions for risks and charges</b>	<b>6,495</b>	<b>5,938</b>
<b>Current provisions for risks and charges</b>		
Warranties provision	3,929	3,735
Free Product Fund provision	566	1,781
Provision to cover losses in investments	87	87
Other provisions for risks and charges	5,272	5,075
<b>Total current provisions for risks and charges</b>	<b>9,854</b>	<b>10,678</b>

The following table shows the amounts and movements of provisions for risks and charges, current and non-current, for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Warranties provision	Agents provision	Non-Competition Agreement provision	Wellness Cloud-FOC provision	Ongoing lawsuits provision	Non-current provisions for risks and charges	Warranties provision	Free Product Fund provision	Wellness Cloud-FOC provision	Provision to cover losses in investments	Other provisions for risks and charges	Current provisions for risks and charges
<b>Values at 01 December 2018</b>	3,386	607	1,408	1	195	5,597	3,386	1,046	4	87	6,645	11,168
Net provisions	2,329	87	168	-	50	2,634	2,329	1,690	-	-	3,684	7,704
Financial expenses	-	-	18	-	-	18	-	-	-	-	-	-
Actuarial (gains)/ losses	-	-	152	-	-	152	-	-	-	-	-	-
Utilisations	(1,980)	(64)	(223)	(1)	(195)	(2,464)	(1,980)	(955)	(4)	-	(5,254)	(8,194)
<b>Values at 31 December 2018</b>	<b>3,735</b>	<b>630</b>	<b>1,523</b>	<b>-</b>	<b>50</b>	<b>5,938</b>	<b>3,735</b>	<b>1,781</b>	<b>0</b>	<b>87</b>	<b>5,075</b>	<b>10,678</b>
Net provisions	2,839	152	261	-	-	3,252	2,839	566	-	-	4,784	8,189
Utilisations	(2,645)	-	-	-	(50)	(2,695)	(2,645)	(1,781)	-	-	(4,587)	(9,013)
<b>Values at 31 December 2019</b>	<b>3,929</b>	<b>782</b>	<b>1,784</b>	<b>-</b>	<b>0</b>	<b>6,495</b>	<b>3,929</b>	<b>566</b>	<b>0</b>	<b>87</b>	<b>5,272</b>	<b>9,854</b>

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

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

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

The net provisions for the period mainly refer to employee bonuses, of which the amount has not yet been defined. Actuarial valuation of employee benefit obligations and Non-Competition Agreement provision according to IAS 19 and agents’ provision according to IAS 37.

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

The main demographic assumptions used by the actuary in the years ended 31 December 2019 and 2018 are the following: (i) the probability of death is obtained by using tables determined by ISTAT in 2000 and reduced by 25%; (ii) the probability of disability/invalidity as those adopted in the INPS model; (iii) the retirement age for the general working population is assumed at achieving the first retirement requirement applicable for the Mandatory General Insurance; (iv) the probability of leaving employment for reasons other than death was determined from the probability of turnover in line with the historical evolution of the phenomenon and, in particular, the annual rate of 5.00% was considered for the year 2019, unchanged with respect to 2018 (4,50%); (v) for the probability of early retirement it is applied an annual rate of 3% based on the history of the phenomenon and a percentage equal to 80% of the provision accumulated at the date of the request.

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

	At 31 December	
	2019	2018
Annual technical discount rate	0.70%	1.55%
Annual inflation rate	1.50%	1.50%
Annual rate of TFR increase	2.62%	2.62%
Annual rate of commissions increase (for the evaluation of N.C.A.)	3.00%	3.00%

As for the annual technical discount rate of 0.70%, the Iboxx Corporate AA was selected as the benchmark for the Eurozone, with duration consistent with the average duration of the collective agreement.

A sensitivity analysis was also performed upon a change in the main actuarial assumptions included in the calculation model in relation to the variation of 0.5% of annual technical discount rate. The following results were obtained:

<i>(In thousands of Euro)</i>	<b>At 31 December</b>					
	<b>2019</b>			<b>2018</b>		
	<b>-0.50% change</b>	<b>Carrying amount</b>	<b>0.50% change</b>	<b>-0.50% change</b>	<b>Carrying amount</b>	<b>0.50% change</b>
Employee benefit obligations	142	2866	(133)	146	2870	(134)
Non-Competition Agreement provision	102	1784	(93)	84	1523	(77)
<b>Total</b>	<b>244</b>	<b>4651</b>	<b>(226)</b>	<b>230</b>	<b>4393</b>	<b>(211)</b>

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

The evaluations were conducted by quantifying future payments through the projection of the agents' provision accrued at the valuation date of the agents working for the Company until the estimated time (unpredictable) of termination of the contract with the company; once again the method used is the MAGIS. Regarding the demographic assumptions, for the 2018-2019 period the ISTAT 2011 mortality rates were considered; for disability, the INPS tables by age and gender, whereas for the retirement age, the requirement established by ENASARCO was used. The possibility of release of agents as a result of the termination of their contract with the Company or for other causes was determined by using estimates of annual frequency according to company data. The financial assumptions essentially refer to the discount rate which, at 31 December 2019 was chosen the yield from the Iboxx Corporate AA index with a duration of 5-7 years, consistent with the duration of the collective agreement of 0.15%.

# Other non current liabilities

The item "Other non-current liabilities" amounted to Euro 28,899 thousand on 31 December 2019 (Euro 23,967 thousand as of 31 December 2018).

Other non-current liabilities mainly include:

- › deferred income, amounting to Euro 549 thousand, related to revenues associated to long-term contracts for technical assistance. This item was recognised as contractual liabilities in accordance with IFRS 15;
- › liabilities for sales with return rights, equal to Euro 28,350 thousand, identified pursuant to IFRS 15, in order to represent suspended costs associated with these sales.

# Trade payables

The item "Trade payables" amounted to Euro 103,421 thousand at 31 December 2019 (Euro 125,964 thousand at 31 December 2018). Trade payables are mainly related to transactions for the purchase of raw materials, components and shipping services, manufacturing and technical assistance. These transactions are part of ordinary procurement management.

# 18 **Current tax liabilities**

The item "Current tax liabilities" amounted to Euro 2 thousand at 31 December 2019 (Euro 4,628 thousand at 31 December 2018). The item income tax receivables amounted to Euro 4,145 thousand at 31 December 2019 (Euro 2,343 thousand at 31 December 2018) (see note 10).

# 19 Liabilities for derivative financial instruments

The item "Liabilities for derivative financial instruments" amounted to Euro 13 thousand at 31 December 2019 (Euro 80 thousand at 31 December 2018).

The following table shows the liabilities for derivative financial instruments by currency at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
Liabilities for derivative financial instruments		
Forward		
AUD	13	–
CNY	–	22
JPY	–	45
IRS		
IRS	–	13
<b>Total</b>	<b>13</b>	<b>80</b>

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

The early discharge on 15 July 2019, of the medium-long-term loan granted on 9 April 2015 by Unicredit S.p.A., totalling Euro 30,000 thousand and maturing on 9 April 2020 was followed by the unwinding of the IRS hedge contract which had been taken out in order to cover the group against the risk of the loan. The settled mark to market was Euro 9 thousand.

The liabilities for financial derivatives are related to the positive differences resulting from the fair value of "forward" contracts used to hedge the exposure to currency risk. The forward contracts in place at 31 December 2019 and 2018 are summarised below.



<i>(In thousands of Euro)</i>	At 31 December 2019			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	612	AUD	1,000
<b>Situation at 31.12.2019</b>				

<i>(In thousands of Euro)</i>	At 31 December 2018			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	2,577	JPY	330,000
Forward	EUR	2,160	AUD	3,500
Forward	EUR	8,432	GBP	7,500
Forward	EUR	10,436	USD	12,000
Forward	EUR	1,368	CNY	11,000
<b>Situation at 31.12.2018</b>				

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. However, at 31 December 2019, these contracts were not recorded on a hedge accounting basis.

At 31 December 2019, no hedge accounting transactions for currency risk were in place.

# 20 Other current liabilities

The item "Other current liabilities" amounted to Euro 14,063 at 31 December 2019 (Euro 13,117 thousand at 31 December 2018). The following table shows the amounts of other current liabilities at 31 December 2019 and 2018.

(In thousands of Euro)	At 31 December	
	2019	2018
Other current liabilities		
Deferred income	2,066	1,317
Advances from clients	822	582
Payables to employees	3,737	3,849
VAT payables	-	-
Social security payables	3,291	3,302
Other liabilities	3,940	3,886
Accrued expenses	207	182
<b>Total other current liabilities</b>	<b>14,063</b>	<b>13,117</b>

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

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

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

"Other liabilities" at 31 December 2019 and 2018 mainly relate to income taxes withheld on income from employment and self-employment to be paid in the following year.

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

# Notes to the income statement

## 21 Revenues

Total revenues of TG S.p.A. came to Euro 450,108 thousand, down by Euro 372 thousand (0.1%) compared to Euro 450,480 thousand in 2018. Revenues, and the whole of the income statement, have been adversely affected by the subsidiaries' careful stock management policy; they have bought less from the parent company.

The following table contains a breakdown of the revenues for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2019	2018
Revenues		
Revenues from the sale of products, spare parts, hardware and software	436,484	440,061
Revenues from transport and installation, after-sale and rental assistance	13,624	10,419
<b>Total revenues</b>	<b>450,108</b>	<b>450,480</b>

The following table shows the breakdown of revenues by geographical area for the years ended 31 December 2019 and 2018:

<i>(In thousands of Euro and percentage of total revenues)</i>	Year ended 31 December		Changes	
	2019	2018	2019 vs. 2018	%
Europe (without Italy)	212,252	215,004	(2,752)	-1.3%
MEIA	53,977	48,632	5,344	11.0%
APAC	68,244	67,396	848	1.3%
Italy	58,692	63,827	(5,135)	-8.0%
North America	41,357	40,658	699	1.7%
LATAM	15,585	14,963	623	4.2%
<b>Total revenues</b>	<b>450,108</b>	<b>450,480</b>	<b>(372)</b>	<b>-0.1%</b>

# 22 Other revenues and income

The item "Other revenues and income" amounted to Euro 13,624 thousand for the year ended 31 December 2019 (Euro 10,419 thousand for the year ended 31 December 2018). Other income and revenues consist mainly of rental income, and income from suppliers for compensation.

# 23 Purchases and use of raw materials, work in progress and finished goods

This item amounted to Euro 222,252 thousand for the year ended 31 December 2019 (Euro 211,489 thousand for the year ended 31 December 2018).

The following table reports the amounts of raw materials, semi-finished and finished goods for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Purchases and use of raw materials, work in progress and finished goods		
Purchase and change in inventory of raw material	122,562	131,969
Purchase and change in inventory of finished goods	101,451	88,279
Purchase and use of packaging and costs for custom duties	(1,837)	(8,855)
Change in inventory of work in progress	76	97
<b>Total raw materials, consumables and goods</b>	<b>222,252</b>	<b>211,489</b>

# 24 Cost of services

The item "Cost of services" amounted to Euro 61,869 thousand for the year ended 31 December 2019 (Euro 70,185 thousand for the year ended 31 December 2018).

The following table contains a breakdown of the cost of services for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019*	2018
Cost of services		
Transport of sales, customs duties and installation	11,892	12,062
Technical assistance	3,342	3,734
Advertising	7,853	10,449
Rentals	4,028	8,607
Agents	4,664	4,877
Consulting services	5,045	5,656
Transport of purchases	5,226	6,929
Travel and business expenses	129	111
Outsourcing costs	3,235	3,513
Utilities	1,580	1,409
Maintenance costs	4,456	3,442
Other services	10,419	9,396
<b>Total cost of services</b>	<b>61,869</b>	<b>70,185</b>

(\*) The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes

"Other services" mainly relate to royalties paid, costs for managing external deposits, insurance and remuneration of external directors, the board of statutory auditors and independent auditors.

The following table shows the details of audit fees to the independent auditors for services provided to the Company for the years ended 31 December 2019 and 2018:

(In thousands of Euro)	Year ended 31 December	
	2019	2018
Audit fees		
Auditing of the accounts	291	310
Other services	77	178
<b>Total audit fees</b>	<b>368</b>	<b>488</b>

# 25 Personnel expenses

The item "Personnel expenses" amounted to Euro 56,291 thousand for the year ended 31 December 2019 (Euro 60,058 thousand for the year ended 31 December 2018).

The following table shows the amounts of personnel expenses for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019*	2018
Personnel expenses		
Wages and salaries	37,793	40,350
Social security contributions	11,477	11,649
Provisions for employee benefit obligations	2,239	2,135
Other costs	4,783	5,924
<b>Total personnel expenses</b>	<b>56,292</b>	<b>60,058</b>

(\*) The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes

The following table shows the average number of employees and the exact number of employees at the year-end broken down by category for the years ended 31 December 2019 and 2018.

(In number)	Year ended 31 December			
	2019		2018	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	47	47	49	48
White-collar	490	491	467	479
Manual workers	276	273	278	279
<b>Total number of employees</b>	<b>813</b>	<b>811</b>	<b>794</b>	<b>806</b>

## 26 Other operating costs

The item "Other operating costs" amounted to Euro 4,679 thousand for the year ended 31 December 2019 (Euro 4,410 thousand for the year ended 31 December 2018).

The following table reports the amounts of other operating costs for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2019	2018
<b>Other operating costs</b>		
Other taxes and indirect taxes	358	647
Other expenses	4,406	3,562
Net provisions on transferred trade receivables	(85)	200
<b>Total other operating costs</b>	<b>4,679</b>	<b>4,410</b>

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



# 27 Depreciation, amortisation and impairment/ (write-backs)

The item "Depreciation, amortisation and impairment losses/(revaluations)" amounted to Euro 24,342 thousand for the year ended 31 December 2019 (Euro 16,154 thousand for the year ended 31 December 2018).

The following table shows the amounts of depreciation, amortisation and impairment losses/(write-backs) for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Year ended 31 December</b>	
	<b>2019*</b>	<b>2018</b>
<b>Depreciation, amortisation and impairment losses/(revaluations)</b>		
Depreciation of property, plant and equipment	15,782	8,979
Amortisation of intangible assets	8,548	7,165
Impairment losses of property, plant and equipment	–	–
Impairment losses of intangible assets	12	10
<b>Total depreciation, amortisation and impairment losses (revaluations)</b>	<b>24,342</b>	<b>16,154</b>

(\*) The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes.

For details regarding the breakdown of and changes in "Property, plant and equipment" and "Intangible assets" for the years ended 31 December 2019 and 2018, see note 4.

# 28 Net provisions

The item “Net provisions” amounted to Euro 9,837 thousand for the year ended 31 December 2019 (Euro 386 thousand for the year ended 31 December 2018).

The following table shows the amounts of net provisions for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
<b>Net provisions</b>		
Net provisions for assets held by third parties	124	(517)
Bad debt net provisions	9,148	31
Warranties net provisions	389	698
Other net provisions for risks and charges	226	124
Ongoing lawsuits net provisions	(50)	50
<b>Total net provisions</b>	<b>9,837</b>	<b>386</b>

The item “Bad debt net provisions” includes non-trade receivables totalling Euro 1,259 thousand, plus an amount of Euro 7,591 thousand for intercompany receivables which were fully written down.

For details of the breakdown and changes in these items, see paragraphs “7. Trade receivables” and “10. Other current assets”.

# 29 Financial income

The item "Financial income" amounted to Euro 8,371 thousand for the year ended 31 December 2019 (Euro 9,737 thousand for the year ended 31 December 2018).

The following table shows the amounts of financial income for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
<b>Financial income</b>		
Realised exchange gains	7,020	7,601
Unrealised exchange gains	402	1,097
Other financial income	753	902
Bank interest receivable	196	136
<b>Total financial income</b>	<b>8,371</b>	<b>9,737</b>

# 30 Financial expenses

The item "Financial expenses" amounted to Euro 9,129 thousand for the year ended 31 December 2019 (Euro 10,059 thousand for the year ended 31 December 2018).

The following table shows the amounts of financial expenses for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	Year ended 31 December	
	2019 (*)	2018
<b>Financial expenses</b>		
Realised exchange losses	6,888	7,543
Unrealised exchange losses	732	1,254
Bank interest on financial loans	517	756
Bank interest and fees	87	56
Other financial expenses	905	450
Provisions for the write-down of other financial receivables	-	-
<b>Total financial expenses</b>	<b>9,129</b>	<b>10,059</b>

(\*) The 2019 data include the effects of the adoption of the new accounting standard IFRS 16, as described in the section "Accounting standards" of the notes

# 31 Income/(expenses) from investments

The item "Income/(expenses) from investments" amounted to Euro 16,777 thousand for the year ended 31 December 2019 (Euro 15,093 thousand for the year ended 31 December 2018).

The following table shows the amounts of financial income / (expenses) for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Income/(expenses) from investments		
Other income/(expenses) from investments	10,058	10,869
Revaluations/(impairment losses) investments	6,719	4,225
<b>Total income/(expenses) from investments</b>	<b>16,777</b>	<b>15,093</b>

The following table shows details of dividends from investments for the years ended 31 December 2019 and 2018:

<i>(In thousands of Euro)</i>	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Dividends from investments</b>		
Technogym UK Ltd	-	5,132
Amleto Aps	1,005	-
Technogym Germany Gmbh	4,200	-
Technogym Benelux BV	2,346	-
Technogym Trading	378	1,067
Technogym Portugal Unipessoal Lda	-	194
Technogym E.E. Sro	1,779	1,800
Technogym France Sas	350	1,400
TGB S.r.l.	-	1,276
<b>Total dividends from investments</b>	<b>10,058</b>	<b>10,869</b>

For details of the breakdown and changes in the item "Investments" for the years ended 31 December 2019 and 2018, see note 4.

# 32 Income taxes

The item "Income taxes" amounts to Euro 12,805 thousand for the year ended 31 December 2019 (Euro 9,929 thousand for the year ended 31 December 2018).

The following table shows the amounts of income taxes for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
<b>Income taxes</b>		
Current taxes	16,989	19,674
Deferred taxes	34	140
<b>Total income taxes for the year</b>	<b>17,023</b>	<b>19,814</b>
Income taxes relating to prior years	(2,499)	(9,885)
<b>Total income taxes</b>	<b>14,524</b>	<b>9,929</b>

Taxes for the previous year refer mainly to the non-recurring effect of the Patent Box, as per note 10.

The following table shows the reconciliation between the theoretical tax rate and the actual tax rate for the years ended 31 December 2019 and 2018.

(In thousands of Euro)	Year ended 31 December					
	2019	%	2018	%	2017	%
<b>Profit before tax</b>	<b>86,856</b>		<b>102,570</b>		<b>61,911</b>	
<b>Income tax calculated with theoretical tax rate</b>	<b>20,846</b>	<b>24.0%</b>	<b>24,617</b>	<b>24.0%</b>	<b>17,026</b>	<b>27.5%</b>
Permanent decrease differences	(11,194)	(12.9%)	(15,286)	(14.9%)	(4,117)	(6.7%)
Permanent increase differences	4,971	5.7%	7,123	6.9%	2,021	3.3%
Other income taxes (IRAP)	2,813	3.2%	3,061	3.0%	3,294	5.3%
CFC tax	-	0.0%	-	0.0%	-	0.0%
Income taxes relating to prior years	(2,498)	(2.9%)	(9,568)	(9.3%)	(1,796)	(2.9%)
Other taxes	(414)	(0.5%)	(17)	(0.0%)	(24)	(0.0%)
<b>Total</b>	<b>14,524</b>	<b>16.7%</b>	<b>9,929</b>	<b>9.7%</b>	<b>16,387</b>	<b>26.5%</b>

# 33 Earnings per share

The following table shows the calculation of basic earnings per share.

(In thousands of Euro)	Year ended 31 December	
	2019	2018
<b>Earnings per share</b>		
Profit for the period	72,332	92,642
Number of shares	201,005	201,005
<b>Total earnings per share (in Euro)</b>	<b>0.36</b>	<b>0.46</b>

The basic earnings per share coincide with the diluted earnings per share.

## Indebtedness

The following table shows the details of net indebtedness of the Group at 31 December 2019 and 2018, determined in accordance with the Consob communication of 28 July 2006 and in conformity with the recommendations contained in document no. 319 drafted by ESMA in 2013.

(In thousands of Euro)	At 31 December	
	2019	2018
<b>Net indebtedness</b>		
A. Cash	81,054	51,387
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
<b>D. Liquidity (A) + (B) + (C)</b>	<b>81,054</b>	<b>51,387</b>
<b>E. Current financial receivables</b>	<b>12,271</b>	<b>18,433</b>
F. Current bank debt	(56,837)	(39,399)
G. Current portion of non-current debt	(12,408)	(18,343)
H. Other current financial debt	(16,641)	(13,946)
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>(85,886)</b>	<b>(71,688)</b>
<b>J. Net current financial indebtedness (I) + (E) + (D)</b>	<b>7,439</b>	<b>(1,867)</b>
K. Non-current bank loans	(24,667)	(37,530)
L. Bonds issued	-	-
M. Other non-current financial liabilities	(39,132)	(15,772)
<b>N. Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(63,799)</b>	<b>(53,302)</b>
<b>O. Net financial indebtedness (J) + (N)</b>	<b>(56,360)</b>	<b>(55,170)</b>

# Financial risk management

The main financial risks to which the Company is exposed to are:

- credit risk, arising from commercial transactions or financing activities;
- liquidity risk, related to the availability of financial resources and access to the credit market;
- market risk, in particular:
  - a) Currency risk, related to operations in areas using currencies other than the functional currency;
  - b) Interest rate risk, related to the Company's exposure to financial instruments that accrue interest;
  - c) Price risk, associated with changes in the prices of commodities.

## Credit risk

The operational management of the credit risk is assigned to the Credit Management, which operates on the basis of a credit policy that regulates: (i) customer credit scoring, using an in-house risk score rating system, in order to manage credit limits and requests for adequate bank or insurance guarantees to support the granting of extended payment terms; (ii) the involvement of institutionalised Credit Committees on any operation with terms other than those normally applied by the company; (iii) the adoption of credit insurance policies; (iv) the monitoring of the balance of receivables and their due dates, to ensure that the amount of outstanding positions is not significant; (iv) monitoring of the related expected cash flows; (vi) the issuance of reminders; (vii) debt recovery actions.

The bad debt provision is calculated on percentages of past due, based on historical insolvency, with the exception of provision on specific credits in litigation. In relation to the breakdown of receivables by maturity, please see the Note "Trade receivables". For financing activities related to temporary excess of liquidity or for the stipulation of financial instruments (derivatives), the Company deals exclusively with counterparties with high credit standing. The amount of trade receivables represents the 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 minimise the risk, has led to a centralised treasury management with specific procedures that aim to optimise the management of financial resources and the needs of the Technogym companies. In particular, a set of policies and processes was adopted aimed at optimising the management of financial resources that reduce liquidity risk: (i) maintenance of an adequate level of available liquidity; (ii) obtaining adequate credit lines; (iii) monitoring future liquidity in relation to the business planning process. For this type of risk, in the net financial indebtedness, the Company tends to finance investments and current commitments with both cash flow generated by operation and short time credit lines.

The following table shows the amounts of credit lines available and used at 31 December 2019 and 2018.



Credit lines	Cash credit lines	Self-liquidating credit lines	Financial credit lines	Total
<b>At 31 December 2019</b>				
Credit lines	7,382	18,751	137,219	163,352
Utilisations	-	-	(62,000)	(62,000)
<b>Credit lines available at 31 December 2019</b>	<b>7,382</b>	<b>18,751</b>	<b>75,219</b>	<b>101,352</b>
<b>At 31 December 2018</b>				
Credit lines	7,382	20,682	143,796	171,859
Utilisations	-	-	(84,254)	(84,254)
<b>Credit lines available at 31 December 2018</b>	<b>7,382</b>	<b>20,682</b>	<b>59,541</b>	<b>87,605</b>

The table below contains the breakdown and maturity dates of the liability items to 31 December 2019 and 2018:

	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
<b>Values at 31 December 2019</b>				
Non-current financial liabilities	-	63,799	-	63,799
Other non-current liabilities	549	28,350	-	28,899
Trade payables	103,421	-	-	103,421
Current tax liabilities	-	-	-	-
Current financial liabilities	85,873	-	-	85,873
Liabilities for derivative financial instruments	-	13	-	13
Other current liabilities	14,063	-	-	14,063
<b>Total</b>	<b>203,905</b>	<b>92,162</b>	<b>-</b>	<b>296,067</b>
<b>Values at 31 December 2018</b>				
Non-current financial liabilities	-	53,302	-	53,302
Other non-current liabilities	-	23,966	-	23,966
Trade payables	125,964	-	-	125,964
Current tax liabilities	4,628	-	-	4,628
Current financial liabilities	71,608	-	-	71,608
Liabilities for derivative financial instruments	79	-	-	79
Other current liabilities	13,117	-	-	13,117
<b>Total</b>	<b>215,398</b>	<b>77,268</b>	<b>-</b>	<b>292,666</b>

On 31 December 2019, the company can rely on approximately Euro 101.4 million of undrawn credit lines, liquidity of Euro 81.1 million and trade receivables of 69 million, giving a total of Euro 203.9 million.

# Market risk

## Exchange rate risk

The Company operates internationally and is exposed to currency risk in regards to commercial and financial transactions, especially in US dollars, GBP, JPY and AUD. To limit its exposure to exchange risk, the Group usually enters into spot or volume forward contracts to cover, on average, 70% and 80% of transactions in these currencies. In the year ending 31 December 2019, no exchange rate hedging derivative contract was recognised using the hedge accounting method.

Investments in foreign subsidiaries are not covered, as the currency positions are considered long-term.

The following table shows the trade receivables and payables, cash and cash equivalents and current financial liabilities broken down by currency at 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	EUR	GBP	USD	CNY	AUD	JPY	Other currencies	Total
<b>Trade receivables</b>								
At 31 December 2019	37,884	3,943	11,892	3,662	302	4,504	7,589	69,775
At 31 December 2018	49,378	9,071	19,502	2,896	3,043	7,204	2,023	93,116
<b>Current financial assets</b>								
At 31 December 2019	12,189	20	62	-	0	-	-	12,271
At 31 December 2018	7,496	10,731	57	-	0	-	-	18,285
<b>Cash and cash equivalents</b>								
At 31 December 2019	50,752	9,171	17,434	1,166	1,807	709	15	81,054
At 31 December 2018	33,444	5,169	10,795	1,197	763	19	-	51,387
<b>Other current assets</b>								
At 31 December 2019	13,507	28	(13)	-	-	-	1,881	15,403
At 31 December 2018	13,776	35	565	-	-	-	(88)	14,288
<b>Non-current financial liabilities</b>								
At 31 December 2019	63,799	-	-	-	-	-	-	63,799
At 31 December 2018	53,302	-	-	-	-	-	-	53,302
<b>Current financial liabilities</b>								
At 31 December 2019	57,079	9,492	19,302	-	-	-	0	85,873
At 31 December 2018	63,244	-	8,364	-	-	-	(0)	71,608
<b>Trade payables</b>								
At 31 December 2019	93,948	626	7,073	1,045	77	110	541	103,421
At 31 December 2018	110,757	1,176	12,476	680	63	161	651	125,964
<b>Other current liabilities</b>								
At 31 December 2019	13,343	0	103	0	597	0	19	14,063
At 31 December 2018	12,368	(45)	98	78	593	1	25	13,117

For the purposes of the exchange rate sensitivity analysis, the non-Euro asset and liability items in the statement of financial position were identified. For the purposes of the analysis, two scenarios were considered that reflect an increase and a decrease respectively of 5% in the exchange rate between the currency of the balance sheet item and the Euro.

The following table shows the results of the analysis for the years ended 31 December 2019 and 2018.

2019 - Exchange risk				
			+ 5%	- 5%
Description	Carrying amount	of which subject to exchange risk	Gains / (losses)	Gains / (losses)
<b>Financial assets</b>				
Non-current financial assets	37,680	57	(3)	547
Cash and cash equivalents	81,054	30,301	(1,443)	1,595
Trade receivables	69,775	31,892	(1,519)	1,679
Current financial assets	12,271	83	(4)	4
Assets for derivative financial instruments	0	0	0	0
Tax effect			828	(1,067)
			<b>(2,140)</b>	<b>2,758</b>
<b>Financial liabilities</b>				
Non-current financial liabilities	63,799	0	0	0
Current financial liabilities	85,873	28,794	1,371	(1,515)
Trade payables	103,421	9,472	451	(499)
Liabilities for derivative financial instruments	13	0	0	0
Tax effect			(508)	562
			<b>1,314</b>	<b>(1,452)</b>
<b>Total increases (decreases)</b>			<b>(826)</b>	<b>1,306</b>

2018 - Exchange risk					
			+ 5%		- 5%
Description	Carrying amount	of which subject to exchange risk	Gains / (losses)	Other movements in sales invoice ledger (RFV)	Gains / (losses)
Financial assets					
Non-current financial assets	39,118	55	0		335
Cash and cash equivalents	51,387	17,943	(854)		944
Trade receivables	93,116	43,738	(2,083)		2,302
Current financial assets	18,285	10,788	(514)		568
Assets for derivative financial instruments	148	0	0		0
Tax effect			963		(1,064)
			(2,488)	0	2,750
Financial liabilities					
Non-current financial liabilities	53,302	0	0		0
Current financial liabilities	71,608	8,364	398		(440)
Trade payables	125,964	15,207	724		(800)
Liabilities for derivative financial instruments	80	0	0		0
Tax effect			(313)		346
			809	0	(894)
Total increases (decreases)			(1,679)	0	1,856

The parameters applied were identified as reasonable possible changes in foreign currency exchange, with all other variables remaining the same.

## Interest rate risk

Interest rate risk is related to the use of short and medium/long-term credit lines. Loans at variable rates expose the Company to the risk of fluctuations of cash flows due to the interests. The Company does not use derivative instruments to hedge interest rate risk, except for the IRS described in note 19 "Liabilities for financial derivatives".

For the purposes of the sensitivity analysis on changes in interest rate, items in the financial position (assets and liabilities) subject to fluctuations in interest rates were identified. For the purposes of the analysis, two scenarios were considered which reflect an increase and a decrease respectively of 20 basis points in the interest rate.

The following table shows the results of the analysis for the years ended 31 December 2019 and 2018.

2019 - Interest Rate Risk							
Description	Carrying amount	of which subject to exchange risk	Gains / (losses)	+ 20 bp on € rate risk		- 20 bp on € rate risk	
				+ 20 bp on \$ rate risk		- 20 bp on \$ rate risk	
				Other movements in sales invoice ledger (RFV)	Gains / (losses)		Other movements in sales invoice ledger (RFV)
Financial assets							
Cash and cash equivalents	81,054	81,054	-	162	-	-	- 162
Trade receivables	69,775	-	-	-	-	-	-
Current financial assets	12,271	12,271	-	25	-	-	-25
Assets for derivative financial instruments	-	-	-	-	-	-	-
Tax effect				- 52			52
				135			(135)
Financial liabilities							
Non-current loans payable	63,799	63,799	-	(128)	-	-	128
Current loans payable	85,873	85,873	-	(172)	-	-	172
Trade payables	103,421	-	-	0	-	-	-
Other current liabilities	13	13	-	-	-	-	-
Tax effect				84			(84)
				(216)			216
Total increases (decreases)				(81)			81

2018 - Interest Rate Risk							
Description	Carrying amount	of which subject to exchange risk	Gains / (losses)	+ 20 bp on € rate risk		- 20 bp on € rate risk	
				+ 20 bp on \$ rate risk		- 20 bp on \$ rate risk	
					Other movements in sales invoice ledger (RFV)	Gains / (losses)	Other movements in sales invoice ledger (RFV)
<b>Financial assets</b>							
Cash and cash equivalents	51,387	51,387	-	103	-	-	-103
Trade receivables	93,116	-	-	-	-	-	-
Current financial assets	18,285	18,285	-	37	-	-	- 37
Assets for derivative financial instruments	148	-	-	-	-	-	-
Tax effect				- 39			39
				101			(101)
<b>Financial liabilities</b>							
Non-current loans payable	53,302	50,772	-	(102)	-	-	102
Current loans payable	71,608	69,098	-	(138)	-	-	138
Trade payables	125,964	-	-	0	-	-	-
Other current liabilities	80	66	-	-	-	-	-
Tax effect				67			(67)
				(173)			173
<b>Total increases (decreases)</b>				<b>(72)</b>			<b>72</b>

The parameters applied were identified as reasonable possible changes in interest rate, with all other variables remaining the same.

# Price Risk

The Company supplies worldwide and is therefore exposed to the normal risk of changes in commodity prices, though not to a significant extent.

## Capital risk management

The Company manages its capital with the aim of supporting the core business and maximising the value to shareholders, by maintaining a proper capital structure and reducing the cost of capital. The following table shows the gearing ratio, calculated as the ratio of net indebtedness and equity.

<i>(In thousands of Euro)</i>	<b>At 31 December</b>	
	<b>2019</b>	<b>2018</b>
Net financial indebtedness (A)	56,360	55,170
Equity (B)	284,253	247,846
<b>Total capital (C)=(A)+(B)</b>	<b>340,613</b>	<b>303,015</b>
<b>Gearing ratio (A)/(C)</b>	<b>16.5%</b>	<b>18.2%</b>

# Financial risk management

At 31 December 2019 and 2018, the carrying amount of financial assets and liabilities is the same as their fair value. IFRS 7 outlines three levels of fair value for the measurement of financial instruments recognised in the statement of financial position: (i) Level 1: quoted prices in an active market; (ii) Level 2: inputs other than quoted prices included within Level 1, that are observable directly (prices) or indirectly (derived from prices) in the market; (iii) Level 3: inputs not based on observable market data. During the year, there were no transfers between the three levels of fair value indicated in IFRS 7.

## Financial instruments by category

The following tables show the financial assets and liabilities by category of financial instrument, in accordance with IFRS 9 and the fair value hierarchy level at 31 December 2019 and 2018.

2019 (In thousands of Euro)	Amortised cost	FV vs OCI	FV vs P&L	Total	Level 1	Level 2	Level 3	Total
Other non-current assets	44,810	-	2,660	47,470	-	-	2,660	2,660
Non-current financial assets	37,680	-	-	37,680	-	-	-	-
<b>Non-current financial assets</b>	<b>82,490</b>	<b>-</b>	<b>2,660</b>	<b>85,150</b>	<b>-</b>	<b>-</b>	<b>2,660</b>	<b>2,660</b>
Trade receivables	69,775	-	-	69,775	-	-	-	-
Cash and cash equivalents	81,054	-	-	81,054	-	-	-	-
Current financial assets	12,271	-	-	12,271	-	-	-	-
Assets for derivative financial instruments		-	-	-	-	-	-	-
Other current assets	15,403	-	-	15,403				
<b>Current financial assets</b>	<b>178,503</b>	<b>-</b>	<b>-</b>	<b>178,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2018 (In thousands of Euro)	Amortised cost	FV vs OCI	FV vs P&L	Total	Level 1	Level 2	Level 3	Total
Other non-current assets	39,422	-	1,996	41,418	-	-	1,996	1,996
Non-current financial assets	39,118	-	-	39,118	-	-	-	-
<b>Non-current financial assets</b>	<b>78,540</b>	<b>-</b>	<b>1,996</b>	<b>80,536</b>	<b>-</b>	<b>-</b>	<b>1,996</b>	<b>1,996</b>
Trade receivables	93,116	-	-	93,116	-	-	-	-
Cash and cash equivalents	51,387	-	-	51,387	-	-	-	-
Current financial assets	18,285	-	-	18,285	-	-	-	-
Assets for derivative financial instruments		-	148	148	-	148	-	148
Other current assets	14,288	-	-		-	-	-	-
<b>Current financial assets</b>	<b>177,076</b>	<b>-</b>	<b>148</b>	<b>162,936</b>	<b>-</b>	<b>148</b>	<b>-</b>	<b>148</b>



2019 (In thousands of Euro)	Amortised cost	FV vs OCI	FV vs P&L	Total	Level 1	Level 2	Level 3	Total
Non-current financial liabilities	63,799	-	-	63,799	-	-	-	-
Other non-current liabilities	28,899	-	-	28,899	-	-	-	-
<b>Non-current financial liabilities</b>	<b>92,698</b>	<b>-</b>	<b>-</b>	<b>92,698</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current financial liabilities	85,873	-	-	85,873	-	-	-	-
Trade payables	103,421	-	-	103,421	-	-	-	-
Liabilities for derivative financial instruments		-	13	13	-	13	-	13
Other current liabilities	14,063	-	-	14,063	-	-	-	-
<b>Current financial liabilities</b>	<b>203,357</b>	<b>-</b>	<b>13</b>	<b>203,370</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>13</b>

2018 (In thousands of Euro)	Amortised cost	FV vs OCI	FV vs P&L	Total	Level 1	Level 2	Level 3	Total
Non-current financial liabilities	53,302	-	-	53,302	-	-	-	-
Other non-current liabilities	23,967	-	-	23,967	-	-	-	-
<b>Non-current financial liabilities</b>	<b>77,269</b>	<b>-</b>	<b>-</b>	<b>77,269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current financial liabilities	71,608	-	-	71,608	-	-	-	-
Trade payables	125,964	-	-	125,964	-	-	-	-
Liabilities for derivative financial instruments		10	70	80	-	80	-	80
Other current liabilities	13,117	-	-	13,117	-	-	-	-
<b>Current financial liabilities</b>	<b>210,689</b>	<b>10</b>	<b>70</b>	<b>210,769</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>80</b>

# Related party transactions

The Company's transactions with related parties, identified based on criteria defined by IAS 24 – Related party disclosures – are carried out under normal market conditions.

## Subsidiaries

The following table provides details of the transactions between the Company and its subsidiaries for the years ended 31 December 2019 and 2018, and the incidence on the related item in the financial statements.

(In thousands of Euro)	Property, plant and equipment		Non-current financial assets		Other non-current assets		Trade receivables		Current financial assets		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities		Current provisions for risks and charges		Other current liabilities	
Values at 31 December	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Technogym Spain	-	-	-	-	6	35	(269)	2,698	8,381	7,296	69	-	-	-	72	39	-	-	-	-	-	-
Technogym France	-	-	-	-	-	39	2,400	2,308	-	-	-	-	-	-	117	70	2,877	791	-	-	-	-
Technogym China	-	-	-	-	5	31	3,662	2,896	-	-	59	-	-	-	2,723	2,075	-	-	-	-	-	-
Technogym Japan	-	-	-	-	5	4	4,505	7,204	-	-	-	-	-	-	110	274	-	-	-	-	-	-
Technogym Asia	-	-	-	-	-	-	860	1,447	-	-	-	-	-	-	119	437	-	-	47	67	-	-
Technogym Australia	-	-	-	-	5	35	302	3,043	-	-	69	-	-	-	56	48	-	-	-	-	597	589
Technogym Portugal	-	-	-	-	-	-	2,189	1,672	-	-	194	194	-	-	5	21	-	-	-	-	-	-
Technogym Russia	-	-	-	-	5	35	330	650	-	-	69	-	-	-	6	56	-	-	-	-	-	-
Technogym Manno	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	8	-	-	-	-	-	-
Technogym U.K.	-	-	-	-	6	40	3,635	8,705	-	10,722	79	-	-	-	507	857	9,492	-	24	28	-	-
Technogym Germany	-	-	-	-	4	35	4,616	2,846	930	-	-	-	-	-	339	412	-	808	-	-	-	-
Technogym Benelux	-	-	-	-	5	2	1,850	2,992	577	-	-	-	-	-	154	289	1,500	2,376	52	96	-	-
Technogym Usa	-	-	-	-	11	80	6,646	6,509	-	-	158	-	-	-	1,433	951	19,302	8,364	-	-	-	-
Technogym E.E.	-	-	-	-	-	-	1,343	782	-	-	-	-	-	-	14,340	16,614	-	-	1	1	-	-
Technogym Brasil Com	-	-	-	-	4	38	-	2,023	2,100	-	-	-	-	-	176	248	-	-	-	-	-	-
Sidea S.r.l	-	-	300	500	-	-	16	38	200	200	-	-	-	-	393	278	(4)	(6)	-	-	-	-
TGB	21,283	-	37,180	38,418	-	-	306	625	-	-	116	1,281	17,489	-	1,183	347	3,906	-	-	-	-	-
<b>Total</b>	<b>21,283</b>	<b>-</b>	<b>37,480</b>	<b>38,918</b>	<b>55</b>	<b>373</b>	<b>32,391</b>	<b>46,436</b>	<b>12,188</b>	<b>18,217</b>	<b>815</b>	<b>1,475</b>	<b>17,489</b>	<b>-</b>	<b>21,743</b>	<b>23,025</b>	<b>37,072</b>	<b>12,332</b>	<b>124</b>	<b>192</b>	<b>597</b>	<b>589</b>
% on financial statements item	29%	0%	99%	99%	0.1%	1%	46%	50%	99%	100%	5%	10%	27%	0%	21%	18%	43%	17%	1%	2%	4%	4%

(In thousands of Euro)	Revenues		Other revenues and income		Purchases and use of raw materials, work in progress and finished goods		Cost of services		Personnel expenses		Other operating costs		Amortisation		Provisions		Financial income		Financial expenses		Dividends from investments	
Values at 31 December	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Technogym Spain	19,407	22,424	295	244	500	530	2	12	-	-	2,283	668	-	-	-	-	58	40	3	-	378	1,067
Technogym France	29,593	28,574	292	241	724	522	43	-	-	-	258	899	-	-	-	-	3	0	0	0	350	1,400
Technogym China	10,102	9,704	2,620	1,110	86	43	273	324	228	161	-	-	-	-	-	-	-	-	-	-	-	-
Technogym Japan	18,740	20,740	866	714	262	333	56	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technogym Asia	1,503	1,164	808	217	6	4	11	5	435	386	-	0	-	-	-	-	-	-	-	-	-	-
Technogym Australia	10,761	11,592	141	110	147	139	133	99	-	-	-	721	-	-	-	-	-	-	-	-	-	-
Technogym Portugal	2,977	2,512	19	79	58	51	-	5	-	-	555	-	-	-	-	-	-	-	-	-	-	194
Technogym Russia	12,203	11,388	167	110	46	66	-	(48)	-	-	-	-	-	-	-	-	0	-	0	-	-	-
Technogym Manno	-	-	-	-	-	-	1	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technogym U.K.	44,171	51,409	538	4,476	2,952	2,004	53	9	210	179	-	-	-	-	-	-	15	138	26	140	-	5,132
Technogym Germany	24,102	24,094	2,207	465	517	495	288	397	-	-	-	-	-	-	-	-	7	0	0	0	4,200	-
Technogym Benelux	17,891	18,618	351	588	611	420	42	52	233	422	79	-	-	-	-	-	1	3	16	15	2,346	-
Technogym Usa	34,657	41,462	3,350	562	841	673	685	574	-	(0)	-	-	-	-	-	-	16	-	290	165	-	-
Technogym E.E.	2,967	590	464	387	58,606	50,946	302	255	(168)	(183)	-	0	-	-	-	-	-	-	-	-	1,779	1,800
Technogym Brasil Com	5,521	2,769	207	157	(80)	132	4	10	-	-	-	-	-	-	7,591	-	2	-	-	-	-	-
Sidea S.r.l	8	3	105	104	785	837	18	81	-	-	1	0	-	-	-	-	11	16	-	-	-	-
TGB	-	-	-	-	-	-	276	4,346	-	-	9	3	3,923	-	-	-	609	625	278	-	-	1,276
AMLETO APS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,004	-
FUNKY BOTS LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38	-	15	-	-	-	-
Total	234,603	247,043	12,430	9,564	66,063	57,194	2,186	6,150	939	966	3,186	2,291	3,923	-	7,591	38	722	837	614	321	10,058	10,869
% on financial statements item	54%	56%	91%	92%	30%	27%	4%	9%	2%	2%	68%	52%	24%	0%	0%	0%	9%	9%	7%	3%	60%	72%

## Joint ventures and associates

The following table provides details of the transactions between the Company and joint ventures and associates for the years ended 31 December 2019 and 2018, and the impact on the related item in the financial statements.

<i>(In thousands of Euro)</i>	Property, plant and equipment		Non-current financial assets		Other non-current assets		Trade receivables		Current financial assets		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities		Current provisions for risks and charges		Other current liabilities	
<i>Values at 31 December</i>	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Technogym Emirates LLC	-	-	-	-	4	30	325	602	-	-	1,546	2,038	-	-	20	34	-	-	-	-	-	-
EXERP APS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	-	-	-	-	-	-	-
WELLINK S.R.L.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87	139	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	4	30	325	602	-	-	1,546	2,038	-	-	115	173	-	-	-	-	-	-
% on financial statements item	0%	0%	0%	0%	0.1%	0.5%	1%	0%	0%	10%	14%	0%	0%	0%	0.1%	0%	0%	0%	0%	0%	0%	4%

<i>(In thousands of Euro)</i>	Revenues		Other revenues and income		Purchases and use of raw materials, work in progress and finished goods		Cost of services		Personnel expenses		Other operating costs		Amortisation		Provisions		Financial income		Financial expenses		Dividends from investments	
<i>Values at 31 December</i>	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Technogym Emirates LLC	11,620	9,701	178	146	82	67	6	38	-	-	-	5	-	-	-	-	-	0	-	-	-	-
EXERP APS	-	-	-	-	-	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WELLINK S.R.L.	0	1	-	2	-	-	379	450	23	-	0	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	11,621	9,702	178	147	82	67	393	488	23	-	0	5	-	-	-	-	-	0	-	-	-	-
% on financial statements item	2.7%	2.2%	1.3%	1.4%	0.0%	0.0%	0.6%	0.7%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Relations with Wellink S.r.l. refer mainly to collaborations aimed at implementing personalised projects for wellness centres.

## Other related parties

The following table provides details of the transactions between the Company and “Other related parties” for the years ended 31 December 2019 and 2018, and the incidence on the related item in the financial statements:

<i>(In thousands of Euro)</i>	Property, plant and equipment		Non-current financial assets		Other non-current assets		Trade receivables		Current financial assets		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities		Current provisions for risks and charges		Other current liabilities	
<i>Values at 31 December</i>	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
PUBBLISOLE S.P.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43	43	-	-	-	-	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	-	-	-	-	-	-	51	25	-	-	16	0	-	-	-	-	-	-
WELLNESS HOLDING S.R.L.	-	-	-	-	-	-	114	1	-	-	-	-	-	-	145	227	-	-	-	-	-	-
VIA DURINI 1 S.R.L.	5,140	-	-	-	-	-	-	-	-	-	-	-	4,420	-	(67)	(66)	780	-	-	-	-	-
STARPOOL S.R.L.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1	-	-	-	-	-	-
POLO TECNOLOGICO S.R.L.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ONE ON ONE S.R.L.	-	-	-	-	-	-	66	2	-	-	-	-	-	-	172	116	-	-	-	-	-	-
ENERVIT S.P.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0)	-	-	-	-	-	-	-
AEDES S.S.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15	65	-	-	-	-	-	-
ALNE SOC. AGR. S.R.L.	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WF S.R.L.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-	-
<b>Total</b>	<b>5,140</b>	<b>-</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>25</b>	<b>4,420</b>	<b>-</b>	<b>379</b>	<b>386</b>	<b>780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
% on financial statements item	8%	0%	0%	0%	0%	0%	0.3%	0.0%	0%	0%	0.3%	0.2%	8%	0%	0.4%	0.3%	1%	0%	0%	0%	0%	0%

<i>(In thousands of Euro)</i>	Revenues		Other revenues and income		Purchases and use of raw materials, work in progress and finished goods		Cost of services		Personnel expenses		Other operating costs		Amortisation		Provisions		Financial income		Financial expenses		Dividends from investments	
<i>Values at 31 December</i>	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
PUBBLISOLE S.P.A.	-	-	-	-	-	-	35	31	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	-	-	29	28	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asso.Milano Durini Design	-	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-
FITKEY SOUTH AFRICA PTY LTD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	(6)	-	-
WELLNESS HOLDING S.R.L.	-	-	-	-	-	-	250	250	15	10	-	-	-	-	-	-	-	-	-	-	-	-
VIA DURINI 1 S.R.L.	-	-	-	-	-	-	63	860	-	-	9	7	820	-	-	-	-	-	134	-	-	-
STARPOOL S.R.L.	2	-	-	-	-	-	5	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ONE ON ONE S.R.L.	55	45	-	-	-	0	576	283	2	-	0	-	-	-	-	-	-	-	-	-	-	-
ENERVIT S.P.A.	16	-	-	-	-	-	1	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AEDES S.S.	-	-	-	-	-	-	66	63	-	-	-	1	-	-	-	-	-	-	-	-	-	-
ALNE SOC. AGR. S.R.L.	-	-	-	-	-	-	-	-	1	-	7	-	-	-	-	-	-	-	-	-	-	-
WF S.R.L.	-	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>74</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>1,075</b>	<b>1,516</b>	<b>18</b>	<b>10</b>	<b>19</b>	<b>8</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>(6)</b>	<b>-</b>	<b>-</b>
% on financial statements item	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%	1.7%	2.2%	0.0%	0.0%	0.4%	0.2%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	-0.1%	0.0%	0.0%

The relationship with Via Durini 1 S.r.l. is related to a lease agreement signed by the Company on 31 March 2010, for the lease of a building located in via Durini 1, Milan, venue of the Company's showroom. On 29 February 2016, the Company signed a new lease agreement relating to the expansion of the showroom area.

The relationship with One on One S.r.l. is related to collaborations aimed at implementing and managing corporate wellness areas. For instance, the Company occasionally receives the support of One on One S.r.l. in order to offer a complete service to the end customers. Transactions between the Company and One on One S.r.l. are regulated by agreements arranged from time to time based on the requests and needs of the end customer.

## Remuneration of directors and key management

The total amount of compensation and the related costs of the Board of Directors of the Company amounted to Euro 2,448 thousand for the year ended 31 December 2019 (Euro 2,379 thousand for the year ended 31 December 2018).

The total amount of compensation paid to key management amounted to Euro 2,014 thousand for the year ended 31 December 2019 (Euro 2,986 thousand for the year ended 31 December 2018). The following table shows the amounts of revenues for the years ended 31 December 2019 and 2018.

<i>(In thousands of Euro)</i>	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Fees for office	1,651	1,650
Non-monetary benefits	46	28
Bonuses and other incentives	222	724
Other fees	95	584
<b>Total</b>	<b>2,014</b>	<b>2,986</b>

## Contingent liabilities

At 31 December 2019, there were no ongoing legal or tax proceedings against the Company and therefore, no particular provisions for risks and charges were recognised.

## Commitments and guarantees

At 31 December 2019, the Company issued guarantees to credit institutions on behalf of subsidiaries for Euro 3,810 thousand (Euro 5,959 thousand at 31 December 2018) and on behalf of related parties for Euro 3,647 thousand (Euro 3,578 thousand at 31 December 2018). The guarantees issued by the Company in favour of public institutions and other third parties amounts to Euro 2,200 thousand (Euro 2,619 thousand at 31 December 2018).

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

During 2019, the Company did not carry out any significant non-recurring transactions.

# Significant events after 31 December 2019

On 27 January 2020, the Tokyo 2020 Olympic Organising Committee appointed Technogym as the Official and Exclusive Supplier of equipment and digital technologies for athletic training for the Olympics and Paralympics. This is the eighth appointment to this role for Technogym following Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012, Rio 2016 and Pyeongchang 2018.

Following the Accelerated Bookbuilding procedure concluded on 6 February 2020 by Wellness Holding S.r.l. for the sale of 10,000,000 Issuer's shares, on the date of publication of this Annual Report, Wellness Holding S.r.l. held 39.80% of the Issuer's capital (56.94% of the total voting rights), while the remaining 60.20% of the Issuer's share capital is free float on the MTA market managed by Borsa Italiana S.p.A.

The first few months of this year have seen the spread of COVID-19 (Coronavirus), and there are currently still uncertainties regarding the duration and extent of this epidemic. Therefore, it would be premature to make any forecasts for the coming months. We are unable to make forward-looking estimates of the impact on the financial year, particularly in relation to those items that require estimates. Technogym has taken all the necessary steps to minimise the health and financial risks.

Technogym has confirmed its commitment to product innovation, with a special focus on improving the user experience, thanks to digital services supported by the mywellness® open platform and the launch of Technogym Live on smart equipment. This will allow end users to access new training content wherever they are, thus achieving another step in the Wellness on the Go strategy; this strategy is now key for Technogym and for all its stakeholders, given the current scenario.



# Proposal for approval of the financial statements and allocation of profit for the 2019 financial year

Dear Shareholders,

the Financial Statements at 31 December 2019 closed with a net profit of Euro 72,332,474.53.

The Board of Directors propose allocating the net profit for 2019, as per item one, as follows:

(i) Euro 72,332,474.53 to the retained earnings reserve.

As of the second point, considering the accounting effects during the year and in order to maintain a specific connection between the equity items and the allocation of the reserves, we propose allocating Euro 4,474,833.06 of the retained earnings reserve as follows:

(i) Euro 4,614,133.29 to the extraordinary reserve;

(ii) Euro 139,300.23 of the available exchange reserve as it has been released following the removal of the positive net exchange differences on the year-end date, to the retained earnings reserve.

As of the second point, considering accounting effects during the year and in order to maintain a specific connection between equity items and the allocation of reserves, we propose allocating Euro 4,474,833.06 of the retained earnings reserve as follows:

(i) Euro 4,614,133.29 to the extraordinary reserve;

(ii) Euro 139,300.23 to the retained earnings reserve.

As of the third point, we also propose allocating a part of the reserve for the adoption of the IAS, Euro 12,256.61, to the retained earnings reserve.

Please also note that there is no need to allocate part of the annual profits to the Legal Reserve as its amount has already reached one-fifth of the share capital as required by Article 2430 civil code.

For further information please see the Annual Financial Report which includes the financial statements and consolidated financial statements at 31 December 2019 approved by the Board of Directors on 17 March 2020, the Directors' Report on Operations, and the Certification required by Art. 154(a) para. 5 of Legislative Decree 58 of February 24, 1998, which will be filed and made available according to the legal requirements, along with the Report of the Board of Statutory Auditors and Report of the Independent Auditors.

In view of the above, we therefore propose the following motion:

The Shareholders' Meeting of Technogym S.p.A.,

- › having reviewed the Report on Operations;
- › the Reports of the Board of Statutory Auditors and Independent Auditors PricewaterhouseCoopers S.p.A.;
- › the Financial Statements at 31 December 2019, in the draft presented by the Board of Directors, with a net profit of Euro 72,332,474.53;
- › having reviewed the Report of the Board of Directors,

## **resolved**

- (i) to allocate the net profit for the year of Technogym S.p.A. equal to Euro 72,332,474.53 as follows:
  - (i) Euro 72,332,474.53 to the retained earnings reserve.
- (ii) moreover, considering the accounting effects during the year and in order to maintain a specific connection between the equity items and the allocation of reserves, we propose allocating Euro 4,474,833.06 of the retained earnings reserve as follows:
  - (i) Euro 4,614,133.29 to the extraordinary reserve;
  - (ii) Euro 139,300.23 of the available exchange reserve, as it has been released following the removal of the positive net exchange differences on the year-end date, to the retained earnings reserve.
- (iii) allocating a part of the reserve for the adoption of IAS Euro 12,256.61 to the retained earnings reserve.

**REPORT OF THE BOARD OF STATUTORY AUDITORS  
ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2019  
OF TECHNOGYM SPA,**

**PREPARED PURSUANT TO ART. 153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND ART.  
2429 OF THE ITALIAN CIVIL CODE**

Dear Shareholders,

Throughout the year ended on 31 December 2019 the Board of Statutory Auditors of Technogym SpA (hereinafter also only “Technogym” or “the Company”) performed the supervisory activity provided for by Art. 149 of the Italian Finance Consolidation Act (TUF), taking into account the Consob communications and recommendations on the subject of corporate controls and activities of the Board of Statutory Auditors (specifically, Communication no. DAC/RM 97001574 of 20 February 1997 and Communication no. DEM 1025564 of 6 April 2001, afterwards supplemented with Communication no. DEM/3021582 of 4 April 2003 and Communication no. DEM/6031329 of 7 April 2006), the principles of conduct of Boards of Statutory Auditors of listed companies recommended by the Italian accounting profession (CNDCEC), and the indications contained in the Code of Self-Governance of companies listed on the stock exchange.

With this Report, prepared pursuant to Art. 153 of Italian Legislative Decree 58/1998 and Art. 2429, paragraph 2 of the Italian Civil Code, this Board is giving you an account of the activities performed and of their results according to the requirements of aforementioned Consob Communication no. DEM/1025564 of 6 April 2001 as amended.

First of all, the Board of Statutory Auditors was appointed by the Shareholders’ Meeting held on 8 May 2019 and will remain in office until the financial statements at 31 December 2021 are approved.

The Board of Directors of the Company, in its current composition, consists of 11 members and was appointed by the Ordinary Shareholders’ Meeting on 8 May 2018 for a three-year period, and will remain in office until the date the financial statements at 31 December 2020 are approved.

The year ended 31 December 2019 showed a profit for the year of Euro 72,332,475, compared with the profit of the previous year of Euro 92,641,582.

The Board of Directors of the company approved the financial statements on 17 March 2020, along with the consolidated financial statements of the Technogym Group and the consolidated non-financial statement.

The Board of Statutory Auditors of Technogym performed its supervisory activity throughout the year 2019 in observance of the provisions of law, also taking into account Consob communications and recommendations on the subject of corporate controls and activities of the board of statutory auditors, the principles of conduct recommended by the Italian accounting profession and the indications contained in the Code of Self-Governance.

As pointed out by the Directors in the annual Report on Corporate Governance and Ownership for the year 2019, prepared pursuant to Art. 123-bis of Italian Legislative Decree 58/1998 and approved by the board on 17 March 2020, during 2019 the Board of Directors held 7 meetings, the Control and Risks Committee met 5 times, the Remuneration Committee met 3 times and the Related Party Transactions Committee met 2 times.

During 2019, the Board of Statutory Auditors met 9 times. The Board also attended:

- the only Shareholders' Meeting,
- all Board of Directors meetings, with the presence of at least two members of the Board of Statutory Auditors;
- all meetings of the Control and Risks Committee, with the presence of at least one member of the Board of Statutory Auditors;
- all meetings of the Appointments and Remuneration Committee, with the presence of at least one member of the Board of Statutory Auditors;

The Board of Statutory Auditors also met with the members of the Supervisory Body ("SB"), formed according to the provisions of Italian Legislative Decree 231/2001.

In most cases, the Board of Statutory Auditors held its meetings on the same day as those of the Control and Risks Committee and of the Supervisory Body, scheduling a section of topics discussed jointly in order to make the exchange and singleness of information between the parties having significant tasks on the subject of internal controls easier and to better have at their disposal corporate resources concerned. Pursuant to Art. 19 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors also performs the function of Internal Control and Audit Committee. As far as the regulatory audit tasks are concerned, they are presently carried out by the company PricewaterhouseCoopers S.p.A. (the "**Independent Auditors**" or "**PWC**"), appointed by a shareholders' meeting resolution on 16 February 2016, which took effect from commencement of negotiations for the nine-year period 2016-2024.

Most of the Technogym Group companies are subject to regulatory auditing, of a differentiated scope depending on their importance, by independent auditors belonging to the PWC network.

In its role of parent company, Technogym S.p.A. also prepares the consolidated financial statements.

As at the date of this report, the Company is a subsidiary of the company Wellness Holding S.r.l., which holds 39.80% of the share capital with approximately 56.94% of the voting rights, which is in turn is controlled, through the company Oiren Srl, by Nerio Alessandri, Chairman of the Board of Directors and Chief Executive Officer of the Company; the remaining 60.20% of the capital is floating on the electronic equity (MTA) market of Borsa Italiana.

The Company did not receive management guidelines such as to make the directors believe that the management and coordination pursuant to Art. 2497 of the Italian Civil Code exists, as was, on the other hand, confirmed at the Board of Directors meeting of 19 February 2020 and stated in the Corporate Governance Report, in which the non-existence of the activities in which management and coordination is typically exercised is certified.

As regards the activities performed during the year - also in observance of the aforementioned Communication DEM/1025564 of 6 April 2001 as amended - we report the following:

1. Based on the information received and on the specific analyses conducted, we have ascertained compliance with the law, with the articles of association and with the principles of correct administration of the transactions having greater impact on the financial position of the Company.  
We checked that said transactions were not plainly imprudent or risky, in potential conflict of interest, conflicting with the resolutions passed by the Shareholders' Meeting or such as to jeopardise the integrity of the assets of the Company.

The main operational transactions of the year are described by the Directors in the Report on Operations, to which you are referred for this purpose.

Specifically, during the year the Group made total investments in tangible and intangible assets amounting to about Euro 43 million, as broken down in the Report on Operations and in the Notes to the financial statements.

In the Report on Operations, the Directors also point out the main event that occurred after the end of the year: the uncertainty that formed for a large part of the Italian and world economy due to the Covid-19 epidemic (Coronavirus), whose duration and expansion are still today unforeseeable. As a result, they state that it is premature to make forecasts of the impacts during the months to come, in any case believing that short-term developments will not jeopardise the long-term business fundamentals and the continual and growing interest of all generations in wellness.

The scope of consolidation at 31 December 2019 underwent minimum changes compared to that at 31 December 2018, highlighting the entry of the newly-established Wellness Partners USA Inc. and the exit of the two liquidated companies Quainted Consulting Pty Ltd and At Home 360.

2. The Board of Statutory Auditors found no atypical or unusual transactions carried out with third parties or related parties (including Group companies) during the year 2019 and after it ended, also pursuant to the indications provided by CONSOB with its Communication no. DEM/6064293 of 28 July 2006 ("Corporate reporting of listed issuers and issuers having financial instruments distributed amongst the public pursuant to Art. 116 of the TUF - Requirements pursuant to Art. 114, paragraph 5 of Italian Legislative Decree 58/98").
3. The ordinary transactions initiated with Group companies and with related parties, described by the Directors in the Report on Operations and in the Notes, to which you are referred on this subject, are suitable and in accordance with the Company's interest.

To this regard, the Board of Statutory Auditors reminds you that in implementing provisions contained in CONSOB Communication no. 10078683 of 24 September 2010, the Company has adopted a procedure concerning transactions with related parties and appointed a special Related Party Transactions Committee within the Board of Directors on 15 May 2018.

The procedure establishes the criteria for identifying related parties and for distinguishing between transactions of greater and lesser importance, specifying the criteria and methods for the relevant procedural rules.

As stated in the Corporate Governance Report, during 2019 the Related Party Transactions Committee met 2 times to provide its unbinding opinion on the amendments to be introduced to the Related Party Transactions Procedure, then approved by the Board of Directors on 14 May 2019, and on a transaction of lesser importance, later approved by the Board of Directors on 11 December 2019.

With reference to the related party transactions, the Board considers the information provided by the Directors in the Report on Operations and in the Notes to be adequate.

4. The Independent Auditors today issued, pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of EU Reg. 537/2014, the reports for which it is responsible on the statutory financial statements and on the consolidated financial statements at 31 December 2019 of Technogym S.p.A., in which it states that the statutory and consolidated financial statements of the Group provide a truthful and correct representation of the state of affairs of at 31 December 2019, of the profit and loss and of the cash flows for the year ended on that date, in conformity with the International Financial Reporting Standards adopted by the European Union and with the measures issued to implement Art. 9 of Italian Legislative Decree no. 38/05, and that the Report on Operations and some specific information contained in the Report on Corporate Governance and Ownership indicated in Art. 123-bis, paragraph 4 of Italian Legislative Decree 58/1998 are consistent

with the statutory financial statements of Technogym S.p.A. and with the consolidated financial statements of the Group and are prepared in compliance with the rules of law.

The opinion on the statutory and consolidated financial statements provided in the aforesaid Reports is in line with what is indicated in the Additional Report prepared by PWC and addressed to the Board of Statutory Auditors pursuant to Art. 11 of EU Reg. 537/2014.

There are no findings or information requests, or statements issued pursuant to Art. 14, paragraph 2, letters d) and e) of Italian Legislative Decree 39/2010 in the aforesaid Reports of the Independent Auditors.

Also on today's date the Independent Auditors:

- sent to the Board of Statutory Auditors, in its capacity of Internal Control and Audit Committee, the aforementioned Additional Report required by Art. 11 of EU Reg. 537/2014;
- issued, pursuant to Art. 3, paragraph 10 of Italian Legislative Decree 254/2016 and Art. 5 of Consob Reg. 20267/2018, the certification of conformity, in all significant aspects, of the Consolidated Non-Financial Statement prepared by the Company based on the requirements of the above-mentioned decree and on the standards and methodologies under the GRI Standards selected by the Company in the technical form of limited audit. In this Report, the Independent Auditors stated that no elements leading it to assume that the Technogym Group Non-Financial Statement regarding the year ended at 31 December 2019 was not prepared, in all of its significant aspects, in compliance with the requirements set forth in Arts. 3 and 4 of the decree and with the selected GRI Standards had come to its attention.

In compliance with the provisions of Art. 19 of Italian Legislative Decree 39/2010, the Board periodically met with the Independent Auditors and started up a profitable exchange of information in compliance with the provisions of Art. 150 TUF. In particular, the audit plan for the statutory and consolidated financial statements, the methodology, the audit approach used for the different significant areas, and the application of the accounting standards were analysed. The Board informed the Independent Auditors about its activity and reported on the significant transactions to its knowledge.

As a whole no anomalies, critical issues or omissions and transactions considered reprehensible found in performing the statutory audit activity on the statutory and consolidated financial statements emerged from the exchange of information with the Independent Auditors.

The Board of Statutory Auditors checked and monitored the independence of the Independent Auditors and received confirmation in writing that, during the period from 1 January 2019 until the moment the statement was issued, it had not found situations that might jeopardise its independence from Technogym pursuant to Art. 6, paragraph 2, letter a) of EU Reg. 537/2014.

The Independent Auditors indicated in the Additional Report that during the audit of the statutory and consolidated financial statements of the Group ended 31 December 2019 no significant gaps in the internal control system for the financial reporting and/or in the accounting system were identified. They identified several areas of improvement in the internal control system with reference to some functions of the SAP computer system, discussed with company management that, however, are not significant gaps.

The Independent Auditors also specified in the Additional Report that they did not encounter significant difficulty in collecting the information necessary for auditing purposes and that they did not identify any significant uncertainty concerning the going concern status of the Company and of the Group to which it belongs.

The Independent Auditors notified the audit services and the services other than audit provided to the Company either directly or through entities belonging to its network, specifying the relevant remuneration and specifying that it had not provided any service prohibited to the auditor by legislation in force.

The fees for auditing services for the year paid by Technogym to the Independent Auditors PricewaterhouseCoopers S.p.A., which amounted to the total of Euro 918,000 gross of Consob contributions and expense, are provided in the Notes by the Directors.

Also taking into account:

- the declaration of independence issued by PricewaterhouseCoopers S.p.A. on 1 April 2020 pursuant to Art. 6, paragraph 2), letter a) of European Regulation 537/2014 and pursuant to paragraph 17 of ISA Italia 260,
- the appointments once granted by Technogym and by the Group companies,

the Board does not find that there are aspects to be pointed out concerning the independence of PWC.

5. The Board did not receive claims or complaints over the course of the year 2019, or afterwards from the beginning of the year 2020 and up until today's date.
6. Over the course of the year and then at its end, the Board of Statutory Auditors issued favourable opinions on (i) the work plan proposed by Internal Audit, (ii) the assessment by the Control and Risks Committee on correct use of the accounting standards and on their uniformity for the purpose of preparing the consolidated financial statements and on the impairment testing methodology adopted by the company in compliance with the instructions of the international accounting standards, (iii) regarding the assignation of the remuneration of the Chairman and Chief Executive Officer pursuant to Art. 2389 of the Italian Civil Code, (iv) regarding the award of two assistance assignments in connection with professional services other than the audit to the Independent Auditors.

With reference to foregoing point (iv), note that Technogym implemented an internal procedure to approve services to award to the Independent Auditors and their network during 2017; the Board of Statutory Auditors issued, where necessary, its prior authorisation for the activities performed in order to protect the independence requirement of the auditor.

7. The Board of Statutory Auditors examined and supervised, as far as its responsibility, observance of the principles of correct administration and the adequacy of the organisational structure of the Company and its operation through direct observations, attending meetings of the board and of the board committees, collection of information from the corporate function managers, meetings with the Internal Audit manager and with the Control and Risks Committee, and with the managers of the Independent Auditors and with the Supervisory Body pursuant to Italian Legislative Decree 231/2001.

During the board meetings, the obligations to periodically report to the Board of Directors and to the Board of Statutory Auditors provided for by Art. 2381 of the Italian Civil Code and Art. 150 of Italian Legislative Decree 58/1998 were met.

8. With particular regard to the organisational and procedural controls implemented pursuant to Italian Legislative Decree 231/2001, also based on the content of the Report on Corporate Governance prepared by the Directors, the Board of Statutory Auditors reports that the Supervisory Body pursuant to Italian Legislative Decree 231/2001 has been established since 28 May 2013. The Supervisory Body in its current composition was renewed by the Board of Directors on 15 May 2018 until approval of the statutory financial statements at 31 December 2020. The aforesaid Supervisory Body guaranteed adequate reporting on the activities carried out during the year 2019 without reporting events or situations that should be pointed out

in this Report. Over the course of 2019, the Organisational Model was updated in order to implement several of the new regulations introduced starting from 2016 and to make it more in keeping with the risk-based approach. However, with reference to the latest offences introduced starting from May 2019, the additional revision and simplification of the Organisation Model was started. Starting from a revision of the mapping of the areas and activities at risk of offence, it will allow not only the General Part, but also the Special Parts of the 231 Model to be adapted.

9. The Board of Statutory Auditors supervised, also in its capacity of Internal Control and Audit Committee, pursuant to Art. 19, paragraph 1b) of Italian Legislative Decree 39/2010, the adequacy and effectiveness of the internal control and audit system. The supervisory activity was conducted through (i) the information received during periodic meetings held with the Internal Audit Manager; (ii) the flows of information from the Control and Risks Committee (specifically, through the examination of the Report on the activity carried out, and on the adequacy of the internal control and risk management system; (iii) the information provided by the Supervisory Body established pursuant to Italian Legislative Decree 231/2001, with particular regard to that provided in the relevant periodic disclosure documents; (iv) the examination of the corporate documents and of the results of the work performed by the Independent Auditors.
10. The Board of Statutory Auditors reports that the Company (i) operates in compliance with the provisions introduced by Italian Law 262/2005, having appointed the Financial Reporting Officer and having adopted the relevant operating guidelines; (ii) has established the Internal Audit function, without ties of dependency on the operational functions, which is engaged in identifying any critical problems of the internal control system, promptly reporting them to the Control and Risks Committee.

The Company, which during the listing process had started up a process to define the integrated risk management model called ERM (Enterprise Risk Management) in order to spread the risk prevention and mitigation ethos within the company and to ensure transparency on the assumed risk profile, during 2018 had to redefine the scheduling of this project in conjunction with the start-up of the new SAP computer system in the Company and in the subsidiaries, involving many corporate functions. In any case, it sparked off an in-depth analysis and improvement of the corporate processes to, in fact, allow the major risks to be mitigated. During 2019, the Company continued the activities regarding the definition and implementation of the ERM system, by performing risk assessment activities that confirmed the methodology based on the three macro risk categories (strategic, business and operational risks).

The Directors report on the activities carried out to assess and manage risk profiles in the Report on Corporate Governance.

The above-mentioned risk profile analyses are conducted with the aid of Internal Audit. In its report, Internal Audit identifies several focus points unveiled during 2019 in the controls area pursuant to Italian Legislative Decree 262, and also points out several measures that allowed some critical issues discovered in the past to be resolved. The Compliance activity was carried out with the support of outside consultants, and concerned the periodic updating of the internal controls system for HQ and the legal entities with the relevant effectiveness tests. Furthermore, in 2019 a new resource was added to the compliance & audit function who will make management of the activities quicker and more efficient. In its report, the Control and Risks Committee explains the activity performed and the ongoing monitoring of the activities started up by the Company in order to improve the warehouse management and sales orders management process and the “Trade In” process. The Committee explains that some critical issues previously encountered have been resolved, while others are being monitored with respect to the procedures and remedy activities that the Company has implemented.



The circumstances and areas for improvement outlined above, to the extent of the Board's responsibility, have not pointed to elements such as to raise doubts concerning the adequacy and effectiveness of the internal control system considered as a whole.

11. The Board assessed and supervised the adequacy of the administrative-accounting system and the relevant reliability in correctly representing the operational transactions through (i) the information acquired during meetings held with the Financial Reporting Officer and examination of the certificates he issued on 17 March 2020 pursuant to Art. 154-bis, paragraph 5 of Italian Legislative Decree 58/1998 and Art. 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as amended ("Regulation for enacting Italian Legislative Decree no. 58 of 24 February 1998 concerning the rules and regulations of issuers", also called the "Issuers' Regulation"); (ii) the obtainment of information from the managers of the competent corporate functions; (iii) the examination of the corporate documents and results of the work performed by the Independent Auditors.

Together with the Control and Risks Committee, the Board continued to monitor implementation of the new computer system and management of the critical issues already emerged by requesting updates and analyses from the corporate functions involved in the project. The Board monitored the economic-financial impacts made by the problems that had emerged and the solutions undertaken, appreciating the massive corrective measures taken and the dedicated resources focused on solving the critical issues.

In light of the supervisory activity carried out, the Board deems, to the extent of its responsibility, that the administrative-accounting system is basically adequate and reliable for the purpose of correctly representing the operational transactions.

12. With particular reference to the supervisory activity concerning the financial reporting process pursuant to Art. 19, paragraph 1, letter a) of Italian Legislative Decree 39/2010, the Board of Statutory Auditors, in its capacity of Internal Control and Audit Committee, acknowledges that when exchanging information the Independent Auditors notified the Board that the checks performed on the internal control system regarding the aforesaid process pointed out no significant gaps worthy of mention in the Report pursuant to Art. 19, paragraph 3 of Italian Legislative Decree 39/2010.
13. The Board of Statutory Auditors supervised the adequacy of the instructions given by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of Italian Legislative Decree 58/1998, considering them suitable for meeting the reporting obligations established by law.
14. As previously reported, the Company complies with the Code of Self-Governance prepared by the Corporate Governance of Listed Companies Committee and promoted by Borsa Italiana.
15. The corporate governance system adopted by the Company is described in detail in the Report on Corporate Governance for the year 2019.

The Board of Statutory Auditors also reports that the Company Directors performed the annual verification of independence requirements, also in the presence of the Board of Statutory Auditors, during the Board of Directors meeting held on 11 December 2019. The results are provided in the Report on Corporate Governance, to which the reader is referred. The members of the Board of Statutory Auditors respected the limit placed on the accumulation of appointments laid down by Art. 144-terdecies of CONSOB Regulation no. 11971 of 14 May 1999 as amended.

The Board of Statutory Auditors deems it opportune to emphasise that it conducted the self-assessment process for the year 2019, at the end of which a summary document was produced. Said document favourably provides evidence of its results as concerns the independence requirements for the members of

the Control Body, the methods of performing the activities for which it is responsible and the object of the supervisory activity.

The Board reports that, as stated in the Report on Corporate Governance, the Company has adopted the organisational procedure on the subject of Internal Dealing (Delegated Regulation 522 and Delegated Regulation 523 of the European Commission) and the code of conduct that regulates the organisational procedure aimed at identifying the relevant parties, at determining the method of communicating with them on their identification and at regulating the associated disclosure obligations to the Company and the market.

Together with the Chairman of the Board of Directors, the Board of Statutory Auditors received the Recommendations formulated by the Chairman of the Committee for Corporate Governance of Borsa Italiana with a letter dated 19 December 2019. The Board of Directors was informed of them during its 19 February 2020 meeting and provided evidence that what had been recommended had been met. It also evaluated the possibility of adopting a specific sustainability policy, including in the policy on the subject of remuneration of the corporate bodies and key managers targets that consider medium to long-term sustainability. The Directors provided information on this in the Report on Corporate Governance.

Lastly, the Board of Statutory Auditors performed its checks on observance of the rules of law *pertaining to the preparation of the draft statutory financial statements and Group consolidated financial statements at 31 December 2019*, of the respective Notes and of the Report on Operations accompanying them, directly and with the assistance of function managers and through the information obtained from the Independent Auditors. Specifically, the Board of Statutory Auditors, on the basis of the controls exercised and the information provided by the Company, within the limits of its responsibility according to Art. 149 of Italian Legislative Decree 59/98 and it being understood that the Independent Auditors perform the statutory audit, acknowledges that to the extent of its responsibility the statutory financial statements and the consolidated financial statements of Technogym at 31 December 2019 were prepared in compliance with the provisions of law regulating their preparation and layout and with the International Financial Reporting Standards issued by the International Accounting Standards Board, based on the text published in the Official Journal of the European Union.

The statutory and consolidated financial statements are accompanied by the required declarations of conformity signed by the Chief Executive Officer and the Financial Reporting Officer.

The Board of Statutory Auditors also verified that the Company had met the obligations set forth in Italian Legislative Decree 254/2016 and that it had drawn up the Consolidated Non-Financial Statement as required by Arts. 3 and 4 of the same decree. On this point, the Board of Statutory Auditors reports that the Company availed itself of exemption of the obligation to prepare the Individual Non-Financial Statement provided for in Art. 6, paragraph 1 of Italian Legislative Decree 254/2016, since it had prepared the Consolidated Non-Financial Statement as required by Art. 4.

No significant events worthy of mention in this Report arose from the supervisory and control activity performed by the Board of Statutory Auditors.

Having acknowledged the draft financial statements at 31 December 2019, which ended with a profit for the year amounting to Euro 72,332,475, and the results of the work carried out by the Independent Auditors, considering everything contained in this Report, the Board of Statutory Auditors has no objections to make concerning approval of the draft financial statements and the resolution proposals submitted by the Board of Directors, including the proposal not to distribute a dividend for the net profit of the year 2019 in a prudential and conservative perspective in light of the uncertainties originating from the “Coronavirus” pandemic and in order to guarantee the best cash strength in order to meet the needs for correct and precise management and administration of the Company.

for the Board of Statutory Auditors  
the Chairman, Francesca di Donato

Rome, 1 April 2020

## **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

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### **Report on the Audit of the Financial Statements**

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#### **Opinion**

We have audited the financial statements of Technogym SpA (the "Company"), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income, the statement of change in equity and the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Technogym SpA as of 31 December 2019 and of the result of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/2005.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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#### **PricewaterhouseCoopers SpA**

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## Key Audit Matters

## Auditing procedures performed in response to key audit matters

### Revenue recognition

*See notes to the financial statements, paragraph "Accounting policies" and note 21 – Revenues*

Revenues of Technogym SpA for the year ended as at 31 December 2019 amounted to Euro 436.5 million.

Such financial statements item includes revenues from the sales of wellness equipments, accessories, services and digital solutions made by Technogym SpA in several segments, distribution channels and geographical areas.

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

As part of our audit of the financial statements as of 31 December 2019, we focused our attention on this financial statements area not only because of the magnitude of the amount, but because it is particularly complex and requires an in-depth analysis to ascertain the correct application of the revenues cut-off principle. This is due to the fact that a single contract may include components of a different nature (for instance, the sale of a product and the provision of the maintenance service), with the consequent need to allocate to the single contractual obligations the total price inferable from the contract/sale order, and due to the existence, in contracts with specific international customers, of buy back clauses (i.e. sales with the obligation to buy back second-hand goods against the sale of a new machine), with the need to estimate, on a historical/statistic basis, the probability of their implementation by the customers.

With reference to the Revenue line item, our audit approach preliminarily provided for the update of our understanding and evaluation of the internal control system of the Company in relation to the sale process, as well as the validation of its adequacy through tests on a sample basis on the effectiveness of the key controls implemented by the Company.

We also updated our understanding and analysed the general terms of sale and the main contractual clauses used and negotiated with customers, considering the related effects for the purpose of the appropriate revenue recognition through analysis of the documentation and discussion with management of the Company.

In order to verify the existence of the revenues from sales as well as the correct application of the cut-off principle considering what emerged from the activities summarised above, we selected a sample of contracts/sale orders concluded during the year, we analysed the contractual clauses relevant in the circumstances and we verified the correct recognition and measurement of revenue from sales related to the selected transactions. Furthermore, we selected a sample of transactions recognised as revenues during the year and near the end of the reporting period, we obtained the supporting documentation (contracts/orders, transports documents, invoices) and we verified the correct revenue recognition and measurement. In particular, we focused our audit activity on the type of contracts that envisage, in addition to the sale of a product, also the provision of a service, in order to verify the appropriate method for the allocation of the total price under the contract to each performance obligation agreed with the customer.

We also performed the external confirmation procedures on a sample basis in order to acquire

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evidence supporting trade revenues and receivables recognised in the financial statements in relation to the sale of products or the provision of services.

In addition, we analysed the reasonableness of the estimate of the year-end monetary awards recognised to distributors as well as that of the non-monetary awards (i.e. free products) that the Company recognises to customers as a result of the achievement of specific sale volumes.

Furthermore, we verified on a sample basis the invoices to be issued and the credit notes to be issued allocated in the financial statements, as well as the credit notes issued at the beginning of 2020, in order to ascertain that the sums allocated as increases in and adjustments to the revenues earned by the Company at year-end were correctly recognised within the cut-off date.

Moreover, we reviewed the assumptions underlying the estimate prepared by the Company to determine the probability to implement the buy back clauses by customers, testing the correctness of the calculation and the accurate adjustment to the revenue from sale in order to consider the buy back obligation undertaken by the Company.

Finally, we verified the accuracy and completeness of the information reported in the notes to the financial statements as of 31 December 2019.

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### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements***

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and

significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

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

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

On 16 February 2016, the shareholders of Technogym SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024. We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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#### ***Report on Compliance with other Laws and Regulations***

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##### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998***

The directors of the Company are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Technogym SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Technogym SpA as of 31 December 2019 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 2019 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 1 April 2020

PricewaterhouseCoopers SpA

*Signed by*  
Roberto Sollevanti  
(Partner)

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



**CERTIFICATION OF THE TECHNOGYM S.P.A. FINANCIAL STATEMENTS AND OF THE FINANCIAL STATEMENTS OF THE TECHNOGYM GROUP AS REQUIRED BY ART. 81 OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED**

The undersigned, Nerio Alessandri, in his capacity as the Chief Executive Officer of Technogym S.p.A. and Andrea Alghisi as Financial Reporting Officer of Technogym S.p.A.'s financial statements, pursuant to Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of February 24, 1998, hereby certify:

the effective application of the administrative and accounting procedures used in the preparation of the Company's separate financial statements and consolidated financial statements from 1 January 2019 to 31 December 2019.

We also confirm that the Separate and Consolidated Financial Statements:

- › were prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) No. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
- › correspond to the amounts shown in the Company's accounts, books and records;
- › provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The Report on operations includes a reliable analysis of the business performance and results, and of the situation of the issuer and all the companies in the consolidation area, as well as a description of the main risks and uncertainties to which the Group is exposed.

Cesena, 17 March 2020

Financial Reporting Officer

Andrea Alghisi

Chairman and CEO

Nerio Alessandri

# Corporate data

## REGISTERED OFFICE

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

## LEGAL DETAILS

Authorised and subscribed share capital Euro 10,050,250  
VAT number, Tax code and Chamber of Commerce number: 06250230965  
Registered with the Forlì Cesena Economic and Administrative Index number: 315187

## TECHNOGYM STORES

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**Moscow**, Vremena Goda, Kutuzovsky Ave, 48  
**Saint Petersburg**, Bolshoy prospekt P.S. 49/18  
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**Technogym S.p.A.**

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