

HALF-YEARLY FINANCIAL REPORT 2018



TECHNOGYM GROUP

HALF-YEARLY FINANCIAL REPORT AS OF JUNE 30, 2018



The Wellness Company

INDEX

1. CORPORATE DATA	4
Registered office.....	4
Legal data	4
Technogym stores.....	4
2. CORPORATE OFFICERS.....	5
3. GROUP ORGANIZATIONAL CHART AS OF JUNE 30, 2018	6
4. INTERIM BOARD OF DIRECTORS' REPORT	7
Operating performance and comments on the economic and financial results	7
Risk factors	13
Research, innovation and development	15
Investments and acquisitions	17
Related party transactions.....	18
Information on shares	19
Significant events after the close of the period	20
Outlook	20
Other information	21
5. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	25
Consolidated statement of financial position.....	25
Consolidated income statement	26
Consolidated statement of comprehensive income	27
Consolidated statement of cash flow	28
Consolidated statement of change in equity	30
Notes to the Condensed interim consolidated financial statements	31
Attestation of the half-year condensed consolidated financial statements pursuant to article 81-ter of the Consob regulation 11971 of May 14, 1999 as amended.....	55

1. CORPORATE DATA

Registered office

Technogym S.p.A.

Via Calcinaro, 2861

47521 Cesena (FC) - Italy

Legal data

Authorized and subscribed share capital Euro 10,050,250

VAT number, Tax Code and CCIAA (Chamber of Commerce, Industry, Craft Trade and Agriculture) no.:
06250230965

Registered in the R.E.A. (Economic and Administrative Index) of Forlì Cesena at no. 315187

Technogym stores

Cesena , Via Calcinaro 2861

Milan, Via Durini 1

New York, Greene Street, 70

Moscow, Red Square 3, GUM, 3rd floor/3rd line

Moscow, Crocus City Mall, km 66 MKAD, Showroom 163

Moscow, Rublevo-Uspenskoe sh. 85/1

London, c/o Harrods, Brompton Road 87-135

2. CORPORATE OFFICERS

Board of Directors

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

Board of Statutory Auditors

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

Supervisory Body

Chairman	Andrea Ciani
	Giuliano Boccanegra
	Emanuele Scorsonetto

Officer in charge

	Stefano Zanelli
--	-----------------

Independent Auditors

	PricewaterhouseCoopers S.p.A.
--	-------------------------------

⁽¹⁾ Member of the Control and Risks Committee

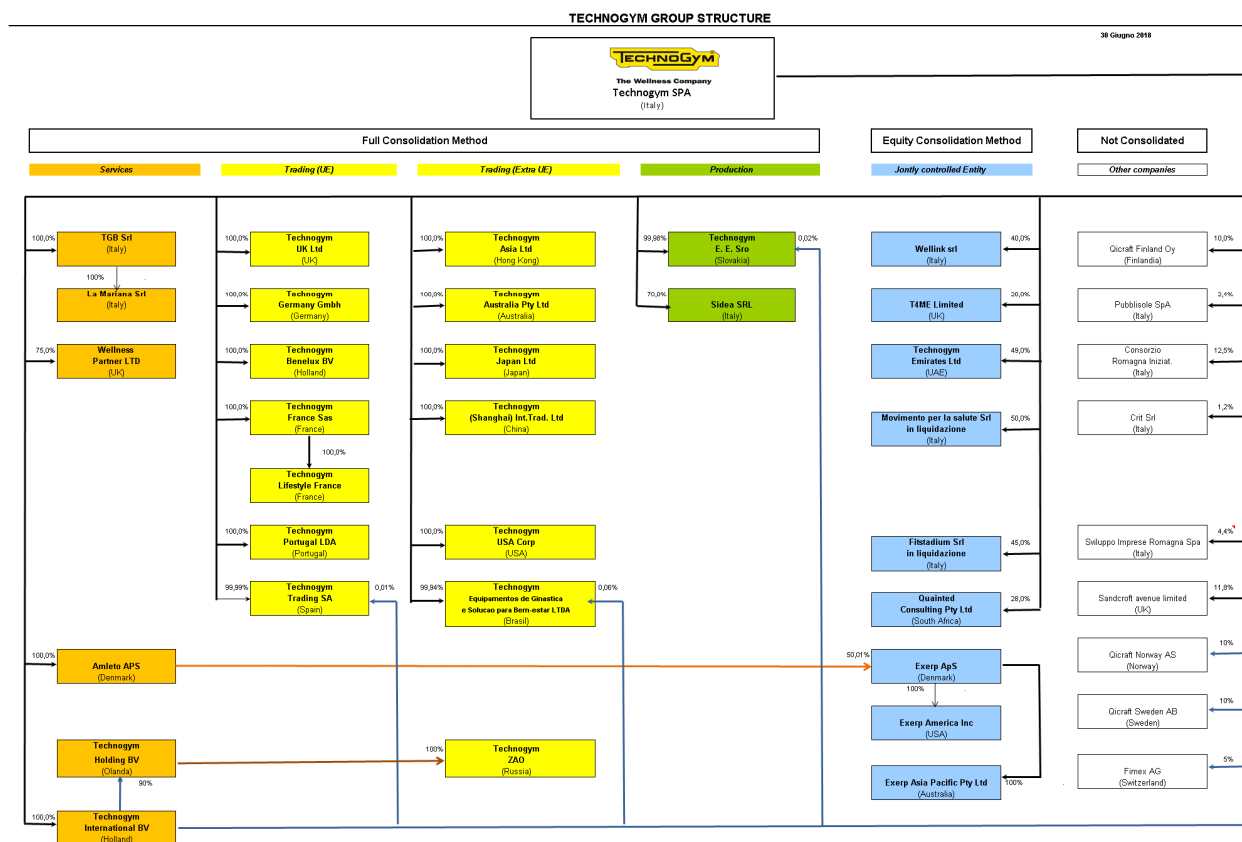
⁽²⁾ Member of the Appointments and Remuneration Committee

⁽³⁾ Member of the Related Party Transactions Committee

⁽⁴⁾ Director Responsible for the Internal Audit and Risk Management System

⁽⁵⁾ Lead Independent

3. GROUP ORGANIZATIONAL CHART AS OF JUNE 30, 2018



4. INTERIM BOARD OF DIRECTORS' REPORT

Operating performance and comments on the economic and financial results

Macroeconomic scenario

“Short-term prospects for the global economy are still favourable overall, but world trade has decelerated. Significant risk factors are due to heightened trade tensions connected with the US government’s focus on protectionism. Besides having a direct impact on trade, these tensions could affect the confidence and investment plans of companies operating on international markets”.

As stated in the opening lines of the Economic Bulletin published in July by the Bank of Italy.

Thus the macro-economic framework in which the Technogym Group operates is expected to remain buoyant, despite the global slowdown registered in the first quarter of the year and in particular in Europe in the last few months. The expected consequences of a worsening in trade tensions between the United States and main economic players worldwide may have a negative impact on global trade, slowing down exports, however this will not change the overall scenario in which a general growth in consumption and companies’ growing interest in investments are still envisaged.

A more detailed look at the macro-economic parameters for geographic areas in which the company is most heavily committed, shows how the slowdown in the first quarter, which was particularly noticeable above all in Japan (-0.6% YOY in the first quarter compared to +1% in the last quarter of 2017) did not affect the positive expectations for upcoming quarters.

As for the United States, an employment rate which still stood at around 4% (June) and growth in disposable income of households were behind a robust increase in GDP in the second quarter, equal to 4% (from +2% in the first quarter), registering the best performance of the last four years, making it even more likely that the present growth estimate for the current year (+3%) will be reached. Moreover, the growth in hourly salaries (+2.7% in terms of the annual average), does not seem to be sufficient to have a permanent impact on inflation, partly warding off the threat of the FED adopting a more restrictive monetary policy. World financial markets have recently proven to be particularly sensitive to forecasts of increases in US rates, resulting in major corrections (in February 2018) to all asset classes, after an initial two forecasts of an increase in rates in 2018 (made at the start of the year), went up to three/four.

In the United Kingdom and Japan, macro-economic indicators continued to point to a positive trend in GDP, with an expected growth of 1.4% (compared to +1.3% of previous estimates) and 1.2% (compared to a previous figure of +1.5%).

Of emerging countries, growth was solid in the first quarter of 2018 in China (+6.8%) and India (+7.7%), although the latest information points to a moderate slowdown in the second quarter, which should not however jeopardise growth expected for the year (+6.7% and +7.4% respectively, compared to the latest OECD estimates). Economic forecasts for Russia, with a 1.8% growth in GDP expected for 2018, continued to gradually improve, while the situation in Brazil was still fragile; following a 1.2% rise in the first quarter, prospects for economic growth in 2018 in the country were revised downwards (to +2.0% from +2.2%).

Moving on to the euro area, which accounts for 60% of the Technogym Group’s overall turnover, the outlook is still positive, despite a slowdown in growth (an annual rate of +2.1% in the second quarter) compared to +2.5% in 2017. Inflation is increasing (approximately 2% in June), however the base component is still at moderate levels and uncertainty over the robustness of the current economic recovery is still high. On this basis, the Executive Committee of the European Central Bank (ECB) has planned to end net acquisitions of equity, however it will maintain its highly accommodative monetary policy stance in the long term, and does not expect to raise interest rates until the end of summer 2019.

Credit expansion continued in favour of businesses (+4.7% credit to non-financial businesses in the euro area), supporting further investments, and households (+3.2%), with property investments picking up, benefiting from interest rates that are still at record lows (an average 1.8% in May).

In Italy, where the Parent Company Technogym is based and which accounts for less than 10% of turnover, growth was still particularly modest (+0.2% in the second quarter) and down on the figure of +0.3% registered in the first quarter, making it even harder to reach the 1.4% expected by the OECD for 2018.

The main uncertainty over growth comes from the impact on world trade of the trade war between the United States and some important business partners, which has seen a 25% increase in import duties on Chinese products exported to the US and new duties on imports of steel and aluminium from the EU, Mexico and Canada. These unilateral actions were then followed up by initiatives taken by affected countries.

As regards international financial markets, returns on government bonds of many countries rose during the period, driven by dynamics that differed depending on the specific geographical area. For developed countries, the growth in rates can be connected to a general improvement in the macro-economic framework and consequent increase in medium-term rates expected. On the contrary, in emerging countries, rates increased not so much because of improved economic conditions, but because of a direct correlation with the US dollar of numerous issues over the last few years intended to attract international investors. In addition, specific geopolitical tensions may increase volatility, and there have been significant variations in stock prices, even over a limited timeframe.

After the Italian stock market's positive performance in the first quarter (+11% at the end of April), there was a significant correction in May, resulting in a negative performance for the first half of the year (-1.5%). However, this result was still an improvement on the -3.2% registered by the Stoxx 600, the index of main European capitalisation companies. In this context of a general weakness, the Technogym share registered growth of more than +22.8% from the start of the year and up to June 30.

Currency market

Movements on the currency market during the period were affected by the decoupling of leading nations' monetary policies, with the United States, on the one hand, starting the process to normalise monetary policies which is expected to continue gradually, and the euro area and Japan, on the other hand, which still do not appear ready for a rapid change in monetary policies.

Based on the above, the euro depreciated during the first half of the year by 2.7% against the USD, by 0.5% against the GBP and by 8.7% against the JPY, mainly as a result of market movements during the second quarter.

Industry scenario

In the first half of 2018, technology was confirmed as the main industry trend: in particular, connectivity between personal devices and exercise machines, able to provide individual end-users with a unique and integrated fitness experience, was the element that combined product innovation, solutions and services throughout the industry. The other main industry trend relates to physical activity in preventing illness. In fact, the high level of political and institutional attention paid by governments throughout the world to the prevention of illness and recognition of physical activity as a necessary ingredient for achieving the correct lifestyle and staying healthy continued.

Global business for all fitness equipment manufacturers is expected to grow by 3.9% in the year and this trend was confirmed in the first half of the year. At a geographical level, North America and Europe are the biggest markets; however they are mature, so they also have the lowest rates of growth at approximately 2.5%, while emerging areas such as APAC and LATAM should continue to record growth rates >6%.

Lastly, it should be noted that the bulk of business in this sector is concentrated in a few large industry operators, operating in both the B2B (business to business) and B2C (business to client) segments.

Comments on the economic and financial results

The economic data recorded by the Group in the first half of 2018 are summarized below, and compared with the first half of the previous year:

(In thousands of Euro and ratios)	Half year ended June 30		Changes	
	2018	2017 Restated (*)	2018 vs 2017	%
Revenues	272,884	263,351	9,533	3.6%
EBITDA ⁽¹⁾	44,865	42,860	2,005	4.7%
Adjusted EBITDA ⁽¹⁾	44,865	43,033	1,833	4.3%
EBITDA Margin ⁽¹⁾	16.4%	16.3%	0.2%	1.0%
Adjusted EBITDA Margin ⁽¹⁾	16.4%	16.3%	0.1%	0.6%
Adjusted net operating income ⁽²⁾	33,578	30,086	3,492	11.6%
Net operating income ⁽²⁾	33,578	29,914	3,665	12.3%
Profit for the period	37,692	18,959	18,733	98.8%

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

(1) The Group defines:

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

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

(In ratios)	Half year ended June 30	
	2018	2017 Restated (*)
ROS	12%	11%
Adjusted ROS	12%	11%

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

Total revenues came to Euro 272,884 thousand, up by Euro 9,533 thousand (+3.6%) compared to Euro 263,351 thousand in the first half of 2017. The increase is due to both the growth in sales volumes, and the net effect of the change in prices.

With constant exchange rates, Total revenues would increase by Euro 285,191 thousand (+8.3% over the first half of 2017).

Adjusted EBITDA came to Euro 44,865 thousand, up by Euro 1,833 thousand (+4.3%) compared to Euro 43,033 thousand in the first half of 2017. Consistently with the change in revenues, this increase is primarily attributable: (i) to the increase in profit margins related to the rise in sales; (ii) to the restructuring of industrial operations which positively impacted the direct costs of production.

In the half year ended June 30, 2018, no significant non-recurring expenses were recorded (a positive Euro 172 thousand as of June 30, 2017).

On the whole the incidence of adjusted *EBITDA* on Revenues (**Adjusted EBITDA Margin**) was equal to 16.4% as of June 30, 2018, in line with the previous half year (16.3% as of June 30, 2017).

Net operating income came to Euro 33,578 thousand, up by Euro 3,665 thousand (+12.3%) compared to Euro 29,214 thousand in the first half of 2017. This performance is mainly due to (i) the increase in profit margins related to the rise in sales; (ii) the restructuring of industrial operations which positively impacted direct production costs.

ROS for the half year ended June 30, 2018 was affected by the typical seasonal nature of the fitness equipment market. In this regard, it should be noted that the increase in revenues in the different quarters of the year is linked primarily to customers' tendency to make their purchases in the second half, following the most important industry trade fairs that are traditionally held in the first half.

Adjusted net operating income came to Euro 33,578 thousand, up by Euro 3,492 thousand (+11.6%) compared to Euro 30,086 thousand in the first half of 2017.

Profit attributable to the owners of the parent came to Euro 37,692 thousand, up by Euro 18,733 thousand (+98.8%) compared to Euro 18,959 thousand in the first half of 2017. This increase mainly relates to: (i) the increase in the aforementioned Net operating income; (ii) the effects of the patent box agreement, explained in the section on "Income taxes".

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 June 30, 2018 and as of December 31, 2017:

(In thousands of Euro)	As of June 30	As of December 31 Restated (*)
	2018	2017
Loans		
Net Fixed Capital ⁽⁴⁾	201,794	193,893
Net operating capital ⁽⁵⁾	13,196	(19,507)
Net invested capital	214,990	174,386
Sources		
Equity	153,448	133,067
Net financial indebtedness ⁽⁶⁾	61,542	41,319
Total sources of financing	214,990	174,386

⁽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 summarizes the main financial indicators used by the Group:

(In ratios)	For the half year ended June 30	As of and for the year ended December 31
	2018	2017 Restated (*)
ROE	51.9%	45.8%
ROI	44.0%	52.2%
Adjusted ROI	44.1%	52.3%
Net Financial Indebtedness / EBITDA ratio	(0.51)	(0.34)

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

Net fixed capital came to Euro 201,794 thousand, up by Euro 7,091 thousand compared to Euro 193,893 thousand for the year ended December 31, 2017. This increase is primarily due to the normal activities of investment in new product development and the launch of the project to implement the new company management system (ERP).

Net operating capital came to Euro 13,196 thousand, up by Euro 32,703 thousand compared to a negative Euro 19,507 thousand in the year ended December 31, 2017, mainly due to the net effect of the increase in the balances of the items “Inventory” (+Euro 12,056 thousand) and “Other current assets” (Euro 11,693 thousand) and decrease in “Trade receivables” (Euro -9,030 thousand). To this end, it should be noted that: (i) the average days of inventories in stock rose from 58 for the year ended December 31, 2017 to 64 for the half year ended June 30, 2018, while the inventory turnover ratio fell from 6.3 to 5.7 (5.5 as of June 30, 2017); this decrease was also due to the implementation of core offering policies in overseas countries which allowed sustainable growth; (ii) the average days of collection of trade receivables rose from 58 for the year ended December 31, 2017 to 59 for the half year ended June 30, 2018; the trade receivables turnover ratio went from 6.3 to 6.2 (7.9 at June 30, 2017); (iii) the DPO went from 123 for the year ended December 31, 2017 to 113 for the half year ended June 30, 2018, the trade payables turnover ratio went from 3 to 3.2 (3.7 at June 30, 2017). The trend of the above indicators is due to the new information system implementation and it is going to be offset.

Net Financial indebtedness came to Euro 61,542 thousand, up by Euro 20,223 thousand compared to Euro 41,319 thousand in the year ended December 31, 2017. This increase is mainly due to the seasonal nature of the business described above. Net financial indebtedness amounts to Euro 109,600 thousand as of June 30, 2017.

Group equity totaled Euro 153,448 thousand, up by Euro 20,381 thousand (+15.3%) compared to Euro 133,067 thousand in the year ended December 31, 2017. This increase is primarily due to the recognition of profit for the period of Euro 37,692 thousand, reduced by the payment of dividends of Euro 18,090 thousand in May 2018 following the approval of the 2017 financial statements.

Segment information

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

The approach to the market is adopted through 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.

At an operational level, the Group’s organization is based upon a matrix structure in relation to the different functions/activities of the value chain, alternatively by distribution channel and geographic area, an organization that also identifies a strategic vision of the business.

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

Technogym ended the first half improving its performance over the previous year (+3.6%), in line overall with the sector’s growth rate. This performance was affected by a temporary extension in deliveries, related to the initial stage of the roll-out of the new IT system and consequently the processing of some important orders was deferred. However this was offset in July and August.

Performance was considerably affected by unfavourable FOREX trends: in fact, with constant exchange rates, actual growth would have been equal to +8.3%.

A breakdown of revenues by geographical area is provided below:

(In thousands of Euro and percentage of total revenues)	Half year ended June 30		Changes	
	2018	2017 Restated (*)	2018 vs 2017	%
Europe (without Italy)	138,262	132,948	5,314	4.0%
APAC	44,343	41,790	2,553	6.1%
North America	33,620	29,325	4,295	14.6%
Italy	25,595	23,332	2,263	9.7%
MEIA	21,241	22,472	(1,231)	-5.5%
LATAM	9,822	13,483	(3,661)	-27.2%
Total revenues	272,884	263,351	9,533	3.6%

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

In geographic terms, growth was driven by high-potential markets: *North America* (+15%) thanks to robust growth in the US (+29% in local currency, +52% in the Club segment, +40% in the Home segment) and *APAC* (+6%) due to an excellent performance in Japan (+24% in local currency, +150% in the HCP segment) and in China (+22% in local currency, +35% in the H&R segment, +80% in the Home segment).

Growth in *Italy* was nearly double digit (+9.7%, +31% in the Club segment), despite a stable, mature market. Whereas the market share in *Europe* went up, thanks to a performance that outstripped the market growth rate, a slight fall in *MEIA* was reported, mainly relative to the distributors channel, and in *LATAM*, with overall figures affected by the slowdown in turnover in Brazil, which is in considerable economic/political difficulties, impacting the sustainability of local business.

A breakdown of revenues by geographical area is provided below:

(In thousands of Euro and percentage of total revenues)	Half year ended June 30		Changes	
	2018	2017 Restated (*)	2018 vs 2017	%
Field sales	198,158	181,278	16,880	9.3%
Wholesale	54,852	59,208	(4,355)	-7.4%
Inside sales	16,941	20,173	(3,232)	-16.0%
Retail	2,932	2,692	241	8.9%
Total revenues	272,884	263,351	9,533	3.6%

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

In terms of distribution channels, growth was nearly double digit in field sales (+9%) where the company focused its main investments on human resources in order to increase its market and area coverage. Performance was also good on the retail channel (+9%), in line with its strategic focus to develop the Home segment, driven above all by growth on the Russian and European markets.

At the same time, delays on the wholesale channel in MEIA and APAC were registered, with a strong recovery expected during Q3 and Q4. The inside sales channel also recorded a negative performance, referring only to some geographical areas in Europe.

In accordance with IFRS 8, paragraph 34, for the periods ended June 30, 2018 and December 31, 2017, the Group did not have any clients generating more than 10% of total revenues of the Group.

Risk factors

Financial risks

Financial markets continued to be volatile during the first half of 2018. In this scenario, the Group implemented policies to monitor and mitigate potential risks, while avoiding the adoption of speculative financial positions.

Credit risk

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

Interest rate risks

Interest rate risk is related to the use of short and medium/long-term credit lines. Variable rate loans expose the Group to the risk of fluctuations of cash flows due to interest. In order to mitigate the exposure to said type of risk, during the first half, the Group negotiated an Interest Rate Swap (IRS) in order to convert part of its bank debt from variable rate to fixed rate.

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 JPY.

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

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

With the exception of six specific instruments, the hedges in place as of June 30, 2018, despite being operational hedges, do not satisfy the conditions for hedge accounting. Consequently, fair value changes as of June 30, 2018 are charged to the income statement. On the contrary, the six hedges mentioned above, of which four on the GBP currency for a total notional value of GBP 4.5 million and two on the USD currency for a total notional value of USD 3 million, given that the conditions of IAS 39 are met, are instead recognised according to hedge accounting rules. Therefore, the fair value changes at the end of the period were booked directly to equity.

Liquidity risk and change in cash flows

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

Price risk

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

Non-financial risks

Internal risks - effectiveness of processes

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

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

The 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.

Research, innovation and development

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

The first half of 2018 saw the successful continuation of the circulation of **Technogym Ecosystem** on the market, the first and only cloud based platform in the wellness sector; it allows individual users to access their personal data and training programs and provides a complete range of (consumer and professional) apps to access their individual wellness programs, including via mobile devices. The platform makes it possible to connect final users, professional operators and Technogym products ("Wellness on the Go") in real-time and in any environment, by aiming to offer, on the one hand, greater personalization 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 2018, in line with sector trends focusing on training and sporting performance, TECHNOGYM unveiled at the most important trade shows of the year - **IHRSA (San Diego – USA)** and **FIBO (Cologne - Germany)** - the new **SKILLRUN** - the first-ever running product that combines cardio and strength training in a single solution. Thanks to the exclusive **MULTIDRIVE TECHNOLOGY** (patent pending), SKILLRUN offers cardio and resistance training at the same time, to increase strength. Through the interactive display **UNITY**, users can access a highly customised training experience.

In line with its mission to reinvent the way people access wellness, fitness and health, TECHNOGYM also showcased its technological innovations for the first time at IHRSA, introducing a number of remarkable new digital services. These include:

- **APPLE WATCH integration:** After the first use of the Apple GymKit at a fitness center in November 2017, Technogym now has a base of over 5,000 Apple GymKit enabled products installed.
- **MYWELLNESS APP:** fully re-engineered based on feedback from millions of users and operators, the app now has a new, more editorial approach, for clubs to showcase their services, classes and training programmes via a simple, new interface and also create open communications channels with their clients.

During the European trade show for fitness, wellness and health **FIBO**, held in Cologne, the company launched **BIOCIRCUIT**, the new circuit-based product offering clients bespoke training to meet their goals in a short time. The guided programme guarantees a thrilling experience with no waiting times or adjustments to make, as the exercises, loads, exercise/rest times and pace are all defined and supplemented in customised programmes.

In June 2018, during the Italian trade show **Rimini Wellness**, TECHNOGYM unveiled **SKILLATHLETIC TRAINING**, the new training method to improve athletic performance based on Technogym's experience in the world of sport.

SKILLATHLETIC TRAINING is the new training method created thanks to Technogym's experience as Official Sponsor of the last 7 editions of the Olympic Games and its partnership with the best teams and sports' champions the world over.

The method - developed by Technogym's research center partnered by numerous coaches and trainers - targets the improvement of athletic performance and offers an extensive range of training programmes based on SKILLATHLETIC TRAINING's 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. The dedicated APP lets users connect during the entire experience, from booking their class online to tracking their results and sharing them online and on social media.

Medical and scientific research

In terms of scientific research, Technogym is involved in numerous ongoing projects in collaboration with Italian and international universities, research centers and scientific organizations. Over the last year, research projects and validation tests have been conducted on Technogym products and solutions at the Universities of Loughborough (UK), Florida State (US), Perugia, Padova, Udine and Roma Tor Vergata. In particular, Technogym partnered up with the international project '*Exercise is Medicine*' promoted by the American College of Sports Medicine (ACSM). Studies have also been published in well-known scientific journals, and representatives of our Scientific Department have also spoken at national and international conventions.

Investments and acquisitions

During the first half of 2018, the Group made investments in property, plant and equipment and intangible assets totaling Euro 12,652 thousand. Management believes that these investments contributed positively to the growth in revenues and margins during the six-month period ended June 30, 2018 and, at the same time, strengthened the Group's market position both in Italy and overseas.

The amounts of investments made by the Group in the half year ended June 30, 2018 and in the year ended December 31, 2017 are shown below, broken down by type:

<i>(In thousands of Euro)</i>	Half year ended June 30	Year ended December 31
	2018	2017
Property, plant and equipment	7,429	9,757
Intangible assets	5,222	15,326
Total investments	12,652	25,083

The increase in property, plant and equipment and intangible assets for the half year ended June 30, 2018 reflects ordinary investment levels.

The table below shows the amounts of investments made by the Group in the half year ended June 30, 2018 and in the year ended December 31, 2017, relating to the item "Property, plant and equipment", broken down by category:

<i>(In thousands of Euro)</i>	Half year ended June 30	Year ended December 31
	2018	2017
Land	241	-
Buildings and leasehold improvements	52	491
Plant and machinery	209	1,676
Production and commercial equipment	2,290	3,212
Other assets	1,742	2,287
Assets under construction and advances	2,895	2,091
Total investments in property, plant and equipment	7,429	9,757

The table below shows the amounts of investments made by the Group in the half year ended June 30, 2018 and in the year ended December 31, 2017, relating to the item “Intangible assets”, broken down by category:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Investments in intangible assets		
Development costs	997	4,267
Patents and intellectual property rights	322	2,451
Concessions, licenses, trademarks and similar rights	48	162
Intangibles under development and advances	3,850	8,337
Other intangible assets	5	109
Total investments in intangible assets	5,222	15,326

Related party transactions

There were no related party transactions that had a significant impact on the financial position or results of the Group as of and for the half year ended June 30, 2018, as such to require prior approval by the Board of Directors.

Related party transactions were settled on an arm’s length basis, and were valued and performed in respect of the appropriate internal procedure (which can be consulted on the website <http://corporate.technogym.com/it>, Governance section), which defines their terms and methods of verification and monitoring.

Information on relations with related parties, as required by Consob Communication no. DEM/6064293 of July 28, 2006, is presented in the financial statements and in the note “related party transactions” of the condensed interim consolidated financial statements as of June 30, 2018.

Information on shares

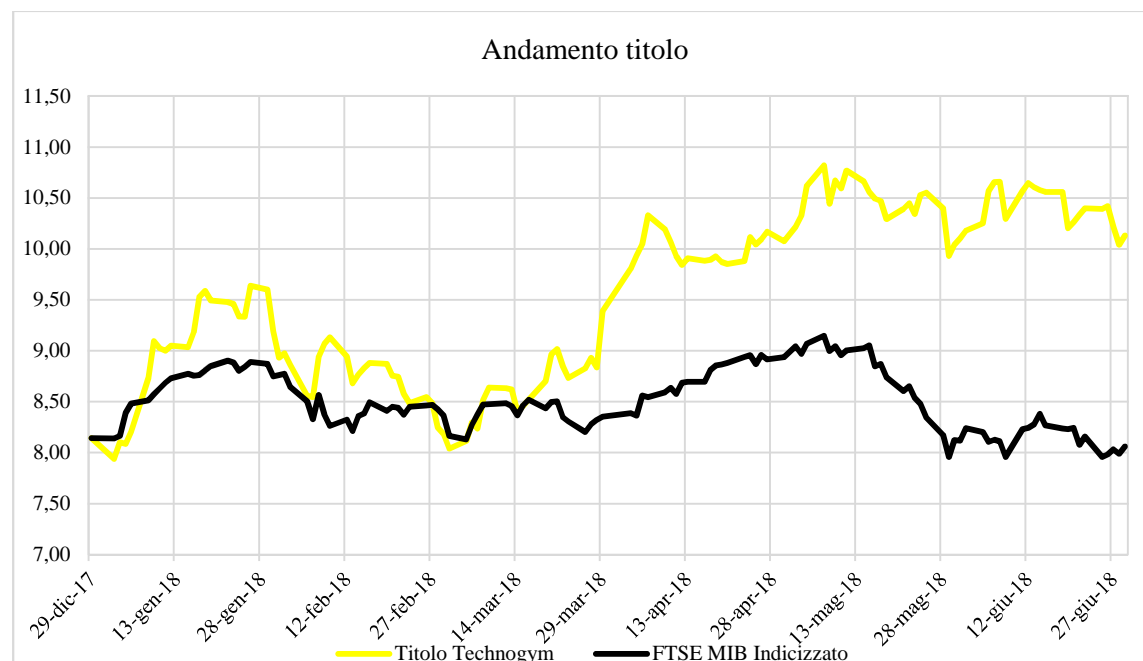
In this scenario, Technogym shares recorded a 22.8% growth in the first half of the year, with one of the best performances of Italian mid-cap companies.

The company does not own nor did it hold, during the period, neither through third parties nor trust companies, treasury shares or shares or holdings in parent companies. During the period, no significant events occurred changing the shareholder base of the Company.

Share performance

The diagram below summarizes the performance of the Technogym share:

Main stock market indicators (Euro)	
<i>Shares listing</i>	
Official price as of January 2, 2018	7.94
Official price as of June 30, 2018	10.13
Minimum closing price (January-June)	7.94
Minimum price in absolute terms	7.82
Maximum closing price (January-June)	10.82
Maximum price in absolute terms	10.99
<i>Stock market capitalization</i>	
Stock market capitalization as of January 2, 2018	1,595,457,087
Stock market capitalization as of June 30, 2018	2,036,220,851
<i>Ordinary shares</i>	
No. shares outstanding	201,005,000



Shareholding structure

Shown below are the shareholders who, pursuant to art. 120 of the Italian Consolidated Law on Finance (TUF), hold a significant shareholding as of June 30, 2018:

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

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

Significant events after the close of the period

There were no significant events after the close of the half year ended as at June 30, 2018.

Outlook

In the second half of the year, Technogym continued to pursue its growth strategy, targeting the uniqueness of its product range, the design, digital ecosystem and position of its brand on the luxury market.

Product innovation will still be a core commitment, with Technogym launching SKILLBIKE on the market in the second half of the year, to complete its SKILL range - the innovative assortment of products dedicated to athletic performance, creating a new category on both the consumer market and in fitness clubs.

In the digital innovation sector, Technogym has confirmed the key role of its MyWellness platform, the only fully comprehensive ecosystem in the sector that can give users a customised training experience with Technogym products and outdoors, thanks to a dedicated app. Today, some 15,000 fitness clubs worldwide are connected to Technogym, with around 10 million end users connected to the service. By focusing on this infrastructure, Technogym will up its investments in its media division, targeting the development of training programs and content covering different areas and passions, to use both at home and in the gym.

From a macro-economic viewpoint and despite the ongoing risk of a slowdown in major economies worldwide, Technogym's management expect a revenues growth scenario, profitability in line with plans, continuing the expansion in key markets such as North America, Europe and Asia, through the development of all distribution channels ("omni-channel strategy"), and especially of Field Sales and Inside Sales Channels.

Other information

Events and references

Key events during the half year

Technogym was a key player in numerous international events during the first half of the year, in all of the market segments in which it operates. The most significant of these include:

- The World Economic Forum (WEF) in Davos, one of the most important institutional events on a worldwide level. In the context of the event Technogym President Nerio Alessandri is a permanent member of the Health Community and the Consumer Innovation Community.
- IHRSA - the most important global fitness and wellness event that was held in San Diego, California in 2018 – where Technogym presented Skillrun and a raft of applications and contents of the Technogym Ecosystem.
- FIBO – the most important European fitness and wellness event, held in Cologne in Germany.
- Milan Furniture Fair - the key reference event in the design world.
- Rimini Wellness – the reference industry trade fair for the Italian market.

References

Technogym products are present in the most prestigious hotels throughout the world and in 2018 too, the brand was a key reference for luxury hotels. During the first half of the year, numerous supplies were made to leading hotels in all continents including the Four Seasons George V in Paris, the Jumeirah Saadiyat Island Resort in Abu Dhabi, the W Hotel in Xian and St. Regis Zuhai in China, the Soho House in Amsterdam, the Hard Rock Hotel in Atlantic City, the Aria Resort & Casino Hotel Las Vegas, and the Sea Island Resort on the coast of Georgia in the United States.

Technogym has also been selected for some of the best and most prestigious residential projects, including the Battersea Power Station -London, Roseland in Boston and the luxury real estate project Rock Rose in New York City, as well as leading Country Clubs such as the Mizner Country Club at Delray beach and Ocean Reef Country Club at Key Largo in Florida.

The most prestigious cruise ships chose Technogym as partner for their on-board gyms; in early 2018, Technogym was awarded the contract as Exclusive Supplier of Disney Resorts and Cruise Line at a global level and of Virgin Voyages's first ship with her maiden voyage planned for 2020, as well as MSC Seaview, which made her maiden voyage in June.

In the corporate wellness sector, where Technogym has prestigious customers such as Facebook and Google in Silicon Valley, numerous corporate wellness centers were installed during 2018, including venues at Goldman Sachs in Japan, the central offices of the Spanish Group INDITEX, which manages fashion brands like Zara, Massimo Dutti, Bershka, Pull and Bear (among others), the headquarters of Banco Santander in Madrid, the new NATO headquarters in Brussels, Bosch in Germany, the head offices of Merrill Lynch in Japan and of GSK in England.

In 2018, the company forged a partnership with Nuffield Health, the United Kingdom's leading provider of wellness and medical services that manages 111 fitness and wellness centers and 31 hospitals, for the supply of Technogym equipment and digital technologies to implement a new "connected wellness & healthcare" solution encompassing both medical and fitness aspects.

In the medical sector, Technogym developed a training and rehabilitation center for the world's most important hospital, the Memorial Sloan Kettering Cancer Centre of Manhattan, New York, starting a scientific project to analyze the positive impact of physical exercise on cancer survivors.

Technogym continued to grow in the “core” system of gyms, at an international level, with new, prominent partnerships. Thanks to an extensive range and the superior reliability of its machines, Technogym has a considerable share of supplies to Clever Fit, the largest fitness center chain in Germany. Technogym is also consolidating its presence outside Europe, signing an important supply agreement with IAMGYM, a leading chain of fitness centers in China.

It is also involved in numerous innovative projects with cutting-edge boutique studios that have opted for the SKILL range, such as 1Rebel and Sweat It in London, and Reboot in Moscow.

Partnerships

In February 2018 TECHNOGYM was the Official Sponsor of the Winter Olympics in PyeongChang, South Korea. This is the company’s 7th Olympic experience, following on from Sydney 2000, Athens 2004, Turin 2006, Beijing 2008, London 2012 and Rio 2016.

Technogym was also official sponsor of the Commonwealth Games held on Australia’s Gold Coast in April 2018, and was Official Sponsor of the Russian and Brazilian teams in their preparation for the FIFA World Cup 2018 in Russia.

For many years now, the world’s most prestigious sports clubs have worked with Technogym on the physical training of their athletes. Technogym continues its football partnerships with Juventus, Inter, Milan, Paris Saint Germain as well as numerous national teams, including Brazil and Italy. In basketball, Technogym continued its collaboration with EA7 Armani in 2018. Sports’ champions partnering Technogym include Rafael Nadal, Fernando Alonso, the NBA star Marco Belinelli, the triathlete Francisco Javier Gómez Noya, the world skiing champion Peter Fill and Olympic champion Marcel Hirscher, alongside the entire Austrian winter sports’ team. Plus Technogym has partnered the Formula 1 Ferrari and McLaren Technology teams for many years.

Human resources and Organization

The average number of employees on the Group’s workforce for the half year ended June 30, 2018 was 1,944 units (1,904 for the year ended December 31, 2017), of which 662 blue-collar, 1,221 white-collar and 61 managers.

The following table details the average and exact number of employees, broken down by category for the half year ended June 30, 2018 and the year ended December 31, 2017:

	Half year ended June 30		Year ended December 31	
	2018		2017	
(In number)	Average	Year-end	Average	Year-end
Number of employees				
Managers	61	61	58	61
White-collar	1272	1294	1,196	1,231
Blue-collar	662	662	650	655
Total number of employees	1,995	2,017	1,904	1,947

As part of the project to implement the new “Human Capital Management” system, the Recruiting Model was consolidated at the start of the year; this platform will manage the entire recruitment process, facilitating internal mobility. In the first half of 2018, the model was rolled out and training was held for all Group branches. The Succession module was also implemented, for a structured, global management of company succession plans, guaranteeing organizational sustainability now and in the future, as well as the Development module, to manage the Development Plans of staff with an approach that combines skills, appraisals and career paths. During the half year, training was held and the process launched at all branches.

In early June, a Top Management Leadership program was started, with individual coaching. Team workshops will be held in the second half of the year.

The training plan mainly concerns language training, storytelling, teamwork, negotiation skills, project management and training to develop technical skills and internal training to raise awareness of company culture and know how.

The Corporate Wellness project has continued in 2018, with a complete program for staff's health and wellbeing, in line with the corporate mission, which offers annual medical screening, access to the corporate gym with a personalized wellness program and free seminars on health, prevention of illness and sports, besides a wide range of services and benefits for participants and their families.

To guarantee a better workplace and company climate not only at the Technogym Village, a number of activities and initiatives for staff's wellness were also held at some group branches in the first half of 2018.

Social responsibility, environment and safety

Technogym is known throughout the world as 'The Wellness Company' and in parallel with its business model (based on technology, software and services in support of physical activity, sports, health and prevention of illness) the Company has a strong sense of corporate social responsibility, centered on the idea of exercise as medicine and promotion of the Wellness lifestyle as an important concept and opportunity for all social actors (governments, businesses and individual citizens).

Exercise is Medicine

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

Technogym's involvement in the initiative included the publication of new documents, participation in the annual convention held in Denver in Colorado and the organization of events in Italy and other parts of the world to train doctors and trainers.

Let's move for a better world

Following the success of the previous editions, in the first half of 2018, Technogym organized the fourth edition of its social campaign "Let's move for a better world". The campaign, which leverages the functionality of Technogym's digital offering, 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 new edition in 2018 allowed a higher number of participants to win and donate a piece of Technogym equipment to an association of their choice, thanks to the new award system which allows all participating clubs to win by reaching predefined movement targets. 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 organizations with a view to educating people regarding healthy lifestyles. More than 180,000 people at 1000 fitness clubs in 29 countries across the globe took part in the 2018 edition.

Wellness Valley

The 'Wellness Valley' project is promoted by the Wellness Foundation and supported by Technogym; the aim of the project is to transform the Romagna region into a center for wellness and healthy living and improve the quality of life of its citizens, building on the economic, intellectual and cultural capital already present in Romagna, an area well known for its love of living well. In support of the initiative, Technogym has granted access to its competencies and structures and organized concrete activities as well as meetings and thematic discussions to facilitate networking among all the stakeholders in the area.

On May 17, 2018, during the annual workshop held with local stakeholders, a new Memorandum of Understanding was signed by the region of Emilia-Romagna, the Wellness Foundation and Alma Mater Studiorum - Università degli Studi di Bologna (Bologna University) for development of the Wellness Valley Project in the 2018 - 2021 period. The Memorandum emphasizes the social and economic benefits the project will bring to the

area and outlines the objectives and programs that will be developed. These include the following initiatives in the sector of health and the prevention of chronic disease: integration of the regional electronic health file with a module dedicated to an active lifestyle and physical activity and exercise; the promotion of the region's system of gyms and associations supporting health; the promotion of teaching on the value and effects of physical exercise as part of courses run at Bologna University (part of biomedical science); the review of and updates to memoranda on disease-specific physical exercise. In the sector of sustainable economic development and education: awareness programmes in local companies and the adoption of healthy lifestyles, and a pilot project to take place at selected high schools in the Romagna area that will combine digital technology with an increase in the number of hours of physical exercise during school hours.

The fourth edition of the Wellness Week was held from May 18 to 27, 2018, the Week of Movement and healthy lifestyles which offered more than 300 wellness, sports and health events, with over 300,000 residents and tourists taking part. In 2018, Technogym supported the “Muoviti che ti fa bene” (Move yourself, it's good for you) project promoted by the Wellness Foundation that saw 15,000 people participate in an extensive free physical exercise program held from May to September in the parks of Cesena.

During the same period, the Wellness Foundation together with Technogym promoted the “inWellness” project at Forlì, Ravenna, Rimini and another 30 venues in the Romagna area; the aim was to tackle obesity and encourage an active lifestyle, through an extensive program of free, physical exercise in everyday places (parks, town centers, beaches, etc.), offering different formats (wellness activities in parks, wellness walks, wellness for kids), designed to involve the entire population.

Environment and safety

Technogym is known throughout the world as “The Wellness Company” and without doubt environmental considerations are key to the wellness lifestyle and the Company's philosophy of promoting sustainable socio-economic development; environmental themes and ecological sustainability have always been central to the Company's strategy and processes.

The Company continued to follow “Technogym Green” and UNI ISO 14001 certified practices throughout the 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 reusable packaging.

Consistent with the above, “Technogym Village”, the Company's new headquarters and production site was constructed according to bio-architecture principles and criteria, which aim to protect the environment and save energy, and as a result was awarded “Titoli di Efficienza Energetica” (Italian energy efficiency certificates). The Company also holds the OHSAS 18001 Occupational Health and Safety standard certification.

5. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

(In thousands of Euro)	Notes	As of June 30		As of December 31	
		2018	of which from related parties	2017 Restated (*)	of which from related parties
ASSETS					
Non-current assets					
Property, plant and equipment	5.1	139,682		139,037	
Goodwill		17		20	
Intangible assets	5.2	30,189		28,913	
Deferred tax assets		17,684		15,366	
Investments in joint ventures and associates	5.3	17,849		17,720	
Non-current financial assets		2,661		2,638	
Other non-current assets		42,158		35,385	
TOTAL NON-CURRENT ASSETS		250,241		239,079	
Current assets					
Inventory		79,058		67,002	
Trade receivable		114,276	1,548	111,652	542
Current financial assets		127	-	13	-
Assets for derivative financial instruments	5.4	69		75	
Other current assets		25,236	2,488	13,543	3,339
Cash and cash equivalents		58,060		77,847	
TOTAL CURRENT TAXES		276,827		270,131	
TOTAL ASSETS		527,068		509,210	
EQUITY AND LIABILITIES					
Equity					
Share		10,050		10,050	
Share premium reserve		4,990		4,990	
Other reserves		18,309		23,752	
Retained		81,230		32,345	
Profit (loss) attributable to owners of the parent		37,692		60,949	
Equity attributable to owners of the parent		152,271		132,086	
Capital and reserves attributable to non-controlling interests		951		688	
Profit (loss) attributable to non- controlling interests		225		293	
Equity attributable to non- controlling interests		1,176		981	
TOTAL EQUITY	5.5	153,448		133,067	
Non-current liabilities					
Non-current financial liabilities	5.6	62,073		84,464	
Deferred tax liabilities		522		543	
Employee benefit obligations		3,142		3,115	
Non-current provisions	5.7	19,325		19,637	
Other non-current liabilities		25,457		21,890	
TOTAL NON-CURRENT LIABILITIES		110,519		129,649	
Current liabilities					
Trade payable		114,208	597	123,238	769
Current tax liabilities		11,001		8,568	
Current liabilities	5.6	57,037		34,664	
Liabilities for derivative financial instruments	5.8	689		126	
Current provisions	5.7	11,616		14,642	
Other current liabilities		68,549		65,256	
TOTAL CURRENT LIABILITIES		263,101		246,494	
TOTAL EQUITY AND LIABILITIES		527,068		509,210	

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

Consolidated income statement

(In thousands of Euro)	Notes	Half year ended June 30			
		2018	of which from related parties	2017 Restated (*)	of which from related parties
REVENUES					
Revenues	5.9	272,329	4,656	263,127	3,970
Other operating income		555	6	224	6
Total revenues		272,884		263,351	
OPERATING COSTS					
Raw materials, work in progress and finished goods	5.10	(85,109)	(23)	(87,298)	(19)
Cost of services	5.11	(74,888)	(1,163)	(68,004)	(727)
of which non-recurring income/(expenses)		-		-	
Personnel expenses	5.12	(65,621)	11	(61,957)	(18)
of which non-recurring income/(expenses)		-		-	
Other operating costs		(2,506)	(2)	(2,504)	(67)
of which non-recurring income/(expenses)		-		(172.3)	
Share of net result from joint ventures		105		(556)	
Depreciation, amortization and impairment losses		(10,352)		(11,433)	
Provisions		(935)		(1,514)	
NET OPERATING INCOME		33,578		30,086	
Financial income		3,830		3,793	
Financial expenses		(4,034)		(6,375)	
Net financial expenses		(204)		(2,582)	
Income/(expenses) from investments		26		(246)	
PROFIT BEFORE TAX		33,400		27,259	
Income taxes	5.13	4,518		(8,235)	
of which non-recurrent income taxes		12,497		-	
PROFIT/(LOSS) FOR THE PERIOD		37,918		19,024	
Profit/(loss) attributable to non-controlling interests		(225)		(65)	
Profit (loss) attributable to owners of the parent		37,692		18,959	
EARNINGS PER SHARE	5.14	0.19		0.09	

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

Consolidated statement of comprehensive income

	Notes	Half year ended June 30	
		2018	2017 Restated (*)
<i>(In thousands of Euro)</i>			
Profit (loss) for the period (A)		37,918	19,024
Actuarial income/(loss) of post-employment benefit obligations and Non-Competition Agreements		-	-
Tax effect on actual income/loss of post-employment benefit obligations and Non-Competition Agreements		-	-
Total items that will not be reclassified to profit or loss (B1)		-	-
Exchange rate differences on translation of foreign operations		(537)	(819)
Exchange rate differences for the evaluation of entities accounted for using the equity method		(1)	(284)
Gains (losses) on cash flow hedges (hedge accounting)		44	20
Total items that may be reclassified to profit or loss (B2)		(494)	(1,083)
Total Other comprehensive income, net of tax (B)=(B1)+(B2)		(494)	(1,083)
Total comprehensive income for the period (A)+(B)		37,424	17,941
of which attributable to Owners of the parent		37,228	17,899
of which attributable to Non-controlling interests		196	42

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

Consolidated statement of cash flow

(In thousands of Euro)	Notes	Half year ended June 30	
		2018	2017 Restated (*)
Cash flows from operating activities			
Profit for the period		37,918	19,024
Adjustments for:			-
Income taxes	5.13	(4,518)	8,235
Income/(expenses) from investments		(26)	246
Financial income/(expenses)		204	2,582
Depreciation, amortization and impairment losses		10,352	11,433
Provisions		935	1,514
Use of provisions		-	-
Use of personnel provision		-	-
Share of net result from joint ventures		(105)	556
Cash flows from operating activities before changes in working capital		44,760	43,588
Change in inventory		(11,823)	(5,464)
Change in trade receivables		(4,794)	5,891
Change in trade payables		(9,118)	(27,185)
Change in other operating assets and liabilities		(5,771)	(12,787)
Non-recurrent fiscal collection/(payment)		-	-
Income taxes paid		(3,372)	(6,924)
Net cash inflow from operating activities (A)		9,881	(2,880)
<i>of which from related parties</i>		<i>3,157</i>	<i>2,849</i>
Cash flows from investing activities			
Investments in property, plant and equipment	5.1	(7,429)	(4,544)
Disposals of property, plant and equipment		-	-
Investments in intangible assets	5.2	(5,222)	(7,626)
Disposals of intangible assets		0	-
Dividends attributable to non-controlling interests		-	-
Dividends received from other entities		0	138
Dividends from investments in Joint Ventures		-	-
Minority Interests		-	-
Investments in subsidiaries, associates and other entities	5.3	0	(326)
Disposal of subsidiaries, associates and other entities		-	-
Net cash inflow (outflow) from investing activities (B)		(12,651)	(12,358)
<i>of which from related parties</i>		<i>-</i>	<i>-</i>
Cash flows from financing activities			
Proceeds from new borrowings		-	-
Repayment of borrowings		(28,626)	(10,882)
Net increase (decrease) of current financial assets		29,683	26,973
Dividends paid to shareholders		(18,090)	(13,000)
Payments of net financial expenses		(585)	(1,467)
Net cash inflow (outflow) from financing activities (C)		(17,618)	1,623
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)		(20,388)	(13,614)

Cash and cash equivalents at the beginning of the year	77,847	53,146
Net increase (decrease) in cash and cash equivalents from January 1 to June 30	(20,387)	(13,614)
Effects of exchange rate differences on cash and cash equivalents	601	(562)
Cash and cash equivalents at the end of the period	58,060	38,970

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

Consolidated statement of change in equity

(In thousands of
Euro)

	Share	Share premium reserve	Other reserves	Retained	Profit (loss) attributa ble to owners of the parent	Equity attributabl e to owners of the parent	Capital and reserves attribut able to non- controll ing interest s	Profit (loss) attribut able to non- controll ing interest s	Total equity
As of December 31, 2016	10,000	-	26,136	7,709	43,085	86,930	576	134	87,640
Change in accounting standards (IFRS 15)					(1,393)	(1,393)			(1,393)
Restated as of December 31, 2016	10,000	-	26,136	7,709	41,692	85,536	576	134	86,247
Profit for the previous year	-	-	4,063	39,022	(43,085)	(0)	134	(134)	(0)
Total comprehensive income for the period	-	-	(1,070)	-	18,969	17,899	(23)	65	17,941
Dividends paid	-	-	-	(13,000)	-	(13,000)	-	-	(13,000)
Other movements	-	-	(16)	(26)	(0)	(42)	(0)	-	(42)
Capital transactions with non-controlling interests	-	-	-	-	-	-	-	-	-
Stock option plan	-	-	550	-	-	550	-	-	550
Total transactions with owners of the parent	-	-	-	-	-	-	-	-	-
As of June 30, 2017	10,000	-	29,663	33,705	17,576	90,943	687	65	91,695

As of December 31, 2017	10,050	4,990	23,754	33,738	61,198	133,729	689	293	134,710
Change in accounting standards (IFRS 15)				(1,393)	(249)	(1,643)			(1,643)
Restated as of December 31, 2017	10,050	4,990	23,754	32,344	60,949	132,086	689	293	133,067
Change in accounting standards (IFRS 9)				710		710			710
Restated as of January 1, 2018	10,050	4,990	23,754	33,055	60,949	132,796	689	293	133,778
Profit for the previous year	-	0	(5,317)	66,266	(60,949)	0	293	(293)	0
Total comprehensive income for the year	-	-	(465)	-	37,692	37,228	(29)	225	37,424
Dividends paid	-	-	-	(18,091)	-	(18,091)	-	-	(18,091)
Other movements	-	-	(1)	-	-	(1)	-	-	(1)
Capital transactions with non-controlling interests	-	-	-	-	-	-	-	-	-
Stock option plan	-	-	339	-	-	339	-	-	339
Total transactions with owners of the parent	-	-	-	-	-	-	-	-	-
As of June 30, 2018	10,050	4,990	18,310	81,230	37,692	152,271	952	225	153,448

Notes to the Condensed interim consolidated financial statements

General information

Technogym S.p.A. (hereinafter, “**Technogym**” or the “**Company**” or the “**Parent company**” and, jointly with its subsidiaries, the “**Group**” or the “Technogym Group”) is a legal entity established in Italy, and it is organized and governed under the Italian Law.

The Technogym Group is one of the leaders in the international fitness equipment market in terms of sales volumes and market shares. In addition, the Company 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 fitness equipment market and to the overall wellness industry, and is characterized by technological innovations and attention to design and finishes. These solutions can be personalized and adapted to the specific needs of end users and professional operators. The Technogym Group’s offer includes equipment that has been highly regarded by end users and professional operators and has contributed, over time, to the positioning of the Technogym brand in the high-end bracket of the international market.

Basis of preparation

The condensed interim consolidated financial statements as of June 30, 2018 of the Technogym Group (the “**Condensed Interim Consolidated Financial Statements**”) were drafted on the basis of the going concern assumption and in compliance with the “*International Financial Reporting Standards*” (IFRS) issued by the “*International Accounting Standards Board*” (IASB) and approved by the European Union, as well as the legislative and regulatory provisions in force in Italy.

The Condensed Interim Consolidated Financial Statements were prepared in compliance with the provisions of IAS 34 “Interim Financial Reporting”. As permitted by said standard, the Condensed Interim Consolidated Financial Statements do not include all the information requested by IFRS for the drafting of the annual consolidated financial statements and, therefore, must be read together with the consolidated financial statements of the Technogym Group as of and for the year ended December 31, 2017 (the “**Consolidated financial statements**”).

The Condensed Interim Consolidated Financial Statements are composed of the statement of financial position, the income statement and statement of comprehensive income, the statement of cash flow, the statement of change in equity and related notes. In presenting these statements, the comparative data required by IAS 34 were reported (December 31, 2017 for the statement of financial position, June 30, 2017 for the change in equity, income statement, statement of comprehensive income and statement of cash flow). The notes reported hereunder are shown in summary form and, therefore, do not include all the information requested for annual financial statements.

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

Accounting standards

The accounting standards and criteria adopted to prepare the half-yearly financial report as at June 30, 2018 conform to those used to draft the financial report as at December 31, 2017, to which reference should be made for more information, with the exception of the information indicated below, further to IFRS 15 and IFRS 9 coming into force on January 1, 2018.

During the first half of 2018, certain cost items were reclassified for a better representation of the profit and loss statement.

IFRS 15 (Revenues from Contracts with Customers)

The IFRS was issued in May 2014 and introduces a new 5-step model which will apply to revenues deriving from contracts with customers, and replaces the current requirements of IFRS regarding the recognition of revenues (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). IFRS 15 requires revenues to be recognized for an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer.

In its transition to the new standard, Technogym has opted for adoption on a full retrospective basis, therefore the 2017 comparative financial statements have been restated.

Following an assessment of the impact of IFRS 15 on commercial activities and contracts belonging to main revenues stream identified at Group level, the Group identified the following affected areas

(a) Sale with Buy-Back clauses

In compliance with IFRS 15, the Group recognised the effects of contracts with customers in which the sale of assets is related to buy back clauses, to be exercised in the case of the purchase of a new machine. Because of the obligation to buy back the used machine, at a set value that approximates the fair value, the item revenues had to be adjusted by Euro 4,283 thousand in profit or loss (with the contra-item other non-current liabilities) for the first half of 2017, based on the past likelihood of the buy back clause being adopted, thus increasing the item other non-current assets (with the contra-item purchases and changes of finished goods) by the same amount. Overall, these adjustments had no effect on the result for the period or on Group equity.

(b) Revenue recognition

The provisions in IFRS 15 identify the recognition of revenues following the possibility for the customer to benefit in full from contract clauses. In this context and in some cases, Technogym, besides supplying equipment, also transports and installs it, so it identifies this stage, in accordance with IFRS 15, as the time when revenues accrue.

The Technogym Group therefore reversed all sales for which transport and installation had not yet been carried out (with the contra-item trade receivables), recognising machines as closing inventory (with the contra-item cost to sell). This led to a reduction in equity as of January 1, 2017 of Euro 1,393 thousand, a positive impact on profit or loss for the first half of 2017 of Euro 475 thousand and a negative impact on equity as of June 30, 2017 of Euro 918 thousand.

The effect of IFRS 15 on equity as of December 31, 2017 was instead negative by Euro 1,642 thousand.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB completed its project to review standards on financial instruments, issuing the complete version of IFRS 9 “Financial instruments” (hereinafter “IFRS 9”). The new provisions of IFRS 9: (i) amend the model to classify and measure financial assets; (ii) introduce a new way to write off financial assets that takes into account expected credit losses; (iii) change provisions on hedge accounting. The provisions of IFRS 9, adopted by the European Commission with Regulation (EU) 2016/2067 of 22 November 2016, come into force on or after 1 January 2018 and retrospective adoption is required without however the obligation to restate comparative data. As allowed by the standard, the Technogym Group therefore determined the effects of adopting the new standard as from January 1, 2018, without changing the 2017 comparative period.

As regards measurement and classification, the Group reviewed its financial assets and liabilities, substantially concluding that the adoption of this standard would have no impact on data, apart from the information reported below. In particular, the company analyzed investments below 20% reclassifying them from IAS 39 Available for sale (AFS) to the category established by the new standard Fair value through profit or loss (FVTPL)

Moreover, as regards the investments held by the Technogym Group in its own distributors, directors reviewed the way that fair value is determined, concluding that the best approximation of fair value would be represented by the equity method, given the reference context and type of company. This had a positive impact on equity as of January 1, 2018, equal to Euro 710 thousand and a reduction on the effect on consolidated profit as of June 30, 2018, of Euro 396 thousand, due to the reversal of dividends distributed in the first half of 2018 by these investees.

Main effects on future years of the accounting standards still not applied

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 will come into force for years starting on or after January 1, 2019. Early application is permitted, but not before the entity has adopted IFRS 15. A lessee may choose to apply the principle by using a fully retrospective approach or a modified retrospective approach.

The Group is analyzing the impacts the application of this standard may have on its financial statements.

Scope and basis of consolidation

A list of the companies included in the scope of consolidation is provided below, including information about the method of consolidation, as of June 30, 2018:

Entity name	Half year ended June 30, 2018				
	Registered office	% of control Jun-2018	% of control Dec-2017	Currency	Share
Subsidiaries - consolidated using the line-by-line method					
Technogym SpA	Italy	Parent company	Parent company	EUR	10,000,000
Technogym E.E. SRO	Slovakia	100%	100%	EUR	15,033,195
Technogym International BV	Holland	100%	100%	EUR	113,445
Technogym Germany Gmbh	Germany	100%	100%	EUR	1,559,440
Technogym France Sas	France	100%	100%	EUR	500,000
Technogym UK Ltd	United Kingdom	100%	100%	GBP	100,000
Technogym Trading SA	Spain	100%	100%	EUR	2,499,130
Technogym Usa Corp.	United States	100%	100%	USD	3,500,000
Technogym Benelux BV	Holland	100%	100%	EUR	2,455,512
Technogym Japan Ltd	Japan	100%	100%	JPY	320,000,000
Technogym Shanghai Int. Trading Co. Ltd	China	100%	100%	CNY	132,107,600
Technogym Asia Ltd	Hong Kong	100%	100%	HKD	16,701,750
Technogym Australia Pty Ltd	Australia	100%	100%	AUD	11,350,000
Technogym Portugal Unipessoal Lda	Portugal	100%	100%	EUR	5,000
Technogym Equipamentos de Ginastica e Solucao para Bem-Estar LTDA	Brazil	100%	100%	BRL	80,268,457
Sidea S.r.l	Italy	70%	70%	EUR	150,000
Technogym ZAO	Russia	90%	90%	RUB	10,800,000
TG Holding BV	Holland	90%	90%	EUR	300,000
Wellness Partners Ltd	United Kingdom	75%	75%	GBP	290,000
TGB Srl	Italy	100%	100%	EUR	96,900
La Mariana Srl	Italy	100%	100%	EUR	76,500
Amleto Aps	Denmark	100%	100%	DNK	60,000
Technogym Lifestyle FRANCE	France	100%	0%	EUR	200,000
Associates - Jointly controlled entities, consolidated using the equity method					
Fitstaduim Srl	Italy	45%	45%	EUR	13,506
Wellink Srl	Italy	40%	40%	EUR	60,000
Movimento per la Salute Srl	Italy	50%	50%	EUR	10,000
Technogym Emirates LLC	United Arab Emirates	49%	49%	AED	300,000
T4ME Limited	United Kingdom	20%	20%	GBP	100
Exerp Aps	Denmark	50%	50%	DNK	186,966
Exerp America Inc	USA	50%	50%	USD	1,000
Exerp Asia Pacific Pty Ltd	Australia	50%	50%	AUD	100
Quainted Pty Ltd	South Africa	28%	28%	ZAR	4,440,937

In relation to the scope of consolidation, no changes occurred in the first half of 2018 with respect to December 31, 2017, apart from the company Technogym Lifestyle France being incorporated, which is not operative at present.

The basis of consolidation adopted for drafting the Condensed Interim Consolidated Financial Statements conform to those used to prepare the Consolidated Financial Statements. The exchange rates used in the translation of the financial statements of subsidiaries are as follows:

Currency	As of June 30		As of December 31
	2018	2017	2017
USD	1.166	1.141	1.199
GBP	0.886	0.879	0.887
JPY	129.040	127.750	135.010
CHF	1.157	1.093	1.170
AUD	1.579	1.485	1.535
AED	4.281	4.189	4.404
CNY	7.717	7.739	7.804
RUB	73.158	67.545	69.392
HKD	9.147	8.907	9.372
BRL	4.488	3.760	3.973
ZAR	16.048	14.920	14.805
DKK	7.453	7.437	7.445

Currency	Average for the period ended June 30		Average for the year ended December 31
	2018	2017	2017
USD	1.211	1.083	1.129
GBP	0.880	0.861	0.876
JPY	131.607	121.780	126.655
CHF	1.170	1.077	1.112
AUD	1.569	1.436	1.473
AED	4.447	3.976	4.146
CNY	7.710	7.445	7.626
RUB	71.966	62.806	65.888
HKD	9.490	8.420	8.801
BRL	4.140	3.443	3.604
ZAR	14.887	14.306	15.043
DKK	7.448	7.437	7.439

Accounting policies

The accounting policies adopted for drafting the Condensed Interim Consolidated Financial Statements conform to those used to prepare the Consolidated Financial Statements, with the exception of the international accounting standards that came into force on January 1, 2018, outlined in the previous section “Accounting standards”.

At the time of preparation of the Condensed Interim Consolidated Financial Statements, current income taxes in the half year were calculated on the basis of the existing taxable income on the date of the close of the period. Income tax receivables and payables for current income taxes are recognized at the value that is expected to be paid to/recovered from the tax authorities, in application of the tax regulations in force or essentially approved on the date of the close of the period and the rates estimated on an annual basis.

Use of estimates

With reference to the description of the use of accounting estimates, please refer to the Consolidated Financial Statements as of December 31, 2017. It should be noted that certain valuation processes, especially the more complex ones such as the calculation of any impairment of non-current assets, are generally only carried out at the time of drafting of the annual financial statements, when all the necessary information is available, except for cases where there are indicators of impairment that call for an immediate valuation of any losses in value.

Segment information

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

The approach to the market is adopted through 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.

At an operational level, the Group’s organization is based upon a matrix structure in relation to the different functions/activities of the value chain, alternatively by distribution channel and geographic area, an organization that also identifies a strategic vision of the business.

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

Technogym ended the first half improving its performance over the previous year (+3.6%), in line overall with the sector’s growth rate. This performance was affected by a temporary extension in deliveries, related to the initial stage of the roll-out of the new IT system and consequently the processing of some important orders was deferred. However this was offset in July and August.

Performance was considerably affected by unfavourable FOREX trends: in fact, with constant exchange rates, actual growth would have been equal to +8.3%.

A breakdown of revenues by geographical area is provided below:

<i>(In thousands of Euro and percentage of total revenues)</i>	Half year ended June 30		Changes	
	2018	2017 Restated (*)	2018 vs 2017	%
Europe (without Italy)	138,262	132,948	5,314	4.0%
APAC	44,343	41,790	2,553	6.1%
North America	33,620	29,325	4,295	14.6%
Italy	25,595	23,332	2,263	9.7%
MEIA	21,241	22,472	(1,231)	-5.5%
LATAM	9,822	13,483	(3,661)	-27.2%
Total revenues	272,884	263,351	9,533	3.6%

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section “Accounting standards” of the notes.

In geographic terms, growth was driven by high-potential markets: *North America* (+15%) thanks to robust growth in the US (+29% in local currency, +52% in the Club segment, +40% in the Home segment) and *APAC* (+6%) due to an excellent performance in Japan (+24% in local currency, +150% in the HCP segment) and in China (+22% in local currency, +35% in the H&R segment, +80% in the Home segment).

Growth in *Italy* was nearly double digit (+9.7%, +31% in the Club segment), despite a stable, mature market. Whereas the market share in *Europe* went up, thanks to a performance that outstripped the market growth rate, a slight fall in *MEIA* was reported, mainly relative to the distributors channel, and in *LATAM*, with overall figures affected by the slowdown in turnover in Brazil, which is in considerable economic/political difficulties, impacting the sustainability of local business.

A breakdown of revenues by geographical area is provided below:

(In thousands of Euro and percentage of total revenues)	Half year ended June 30		Changes	
	2018	2017 Restated (*)	2018 vs 2017	%
Field sales	198,158	181,278	16,880	9.3%
Wholesale	54,852	59,208	(4,355)	-7.4%
Inside sales	16,941	20,173	(3,232)	-16.0%
Retail	2,932	2,692	241	8.9%
Total revenues	272,884	263,351	9,533	3.6%

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

In terms of distribution channels, growth was nearly double digit in field sales (+9%) where the company focused its main investments on human resources in order to increase its market and area coverage. Performance was also good on the retail channel (+9%), in line with its strategic focus to develop the Home segment, driven above all by growth on the Russian and European markets.

At the same time, delays on the wholesale channel in MEIA and APAC were registered, with a strong recovery expected during Q3 and Q4. The inside sales channel also recorded a negative performance, referring only to some geographical areas in Europe.

In accordance with IFRS 8, paragraph 34, for the years ended June 30, 2018 and December 31, 2017, the Group did not have any clients generating more than 10% of total revenues of the Group.

Season-related aspects

As described in previous years, the Group's results are impacted by the typical seasonal nature of the fitness equipment market, while there were no specific season-related aspects concerning Group operations.

The trend in revenues in the different quarters of the year is linked primarily to customers' tendency to make their purchases in the second half, following the most important industry trade fairs that are traditionally held in the first half (including CES in Las Vegas (United States) in January, IHRSA also in the United States in March, FIBO in Europe in April and Rimini Wellness in Italy in June). Traditionally, many important key account customers also tend to concentrate their purchases in the second half of the year in particular, also in view of new openings in January in the following year.

Unlike revenues, Group operating costs are uniformly distributed over the year. Therefore, the incidence of costs on revenues varies considerably over the quarters and, consequently, the operating profit margin changes, generally higher in the second half of the year. Consequently, the interim results do not make a uniform contribution to the results for the year and only partially represent the trend in Group activities. These aspects also determine an imbalance in terms of net financial indebtedness, which is lower at the end of the year compared to the interim figure, also based on the different requirements.

Notes to the statement of financial position

5.1 PROPERTY, PLANT AND EQUIPMENT

The item “Property, plant and equipment” amounts to Euro 139,682 thousand as of June 30, 2018 (Euro 139,037 thousand as of December 31, 2017).

The following table reports the details of property, plant and equipment as of June 30, 2018 and December 31, 2017:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Property, plant and equipment		
Land	12,374	12,133
Buildings and leasehold improvements	96,901	98,993
Plant and machinery	9,077	8,292
Production and commercial equipment	12,256	11,336
Other assets	6,333	5,900
Assets under construction and advances	2,742	2,383
Total property, plant and equipment	139,682	139,037

The table below shows the amounts of investments made by the Group in the half year ended June 30, 2018 and in the year ended December 31, 2017, relating to the item “Property, plant and equipment”, broken down by category:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Property, plant and equipment		
Land	241	-
Buildings and leasehold improvements	52	491
Plant and machinery	209	1,676
Production and commercial equipment	2,290	3,212
Other assets	1,742	2,287
Assets under construction and advances	2,895	2,091
Total property, plant and equipment	7,429	9,757

5.2 INTANGIBLE ASSETS

The item “Intangible assets” amounts to Euro 30,189 thousand as of June 30, 2018 (Euro 28,913 thousand as of December 31, 2017).

The following table reports the details of intangible assets as of June 30, 2018 and December 31, 2017:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Intangible assets		
Development costs	11,575	11,237
Patents and intellectual property rights	12,448	4,000
Concessions, licenses, trademarks and similar rights	446	470
Intangibles under development and advances	5,527	12,948
Other intangible assets	194	257
Total Intangible assets	30,189	28,913

The table below shows the amounts of investments made by the Group in the half year ended June 30, 2018 and in the year ended December 31, 2017, relating to the item “Intangible assets”, broken down by category:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Investments in intangible assets		
Development costs	997	4,267
Patents and intellectual property rights	322	2,451
Concessions, licenses, trademarks and similar rights	48	162
Intangibles under development and advances	3,850	8,337
Other intangible assets	5	109
Total investments in intangible assets	5,222	15,326

5.3 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The item “Investments in joint ventures and associates” amounts to Euro 17,849 thousand as of June 30, 2018 (Euro 17,720 thousand as of December 31, 2017).

The following table details the composition and changes in investments in joint ventures and associates for the half year ended June 30, 2018:

<i>(In thousands of Euro)</i>	% of ownership	Value	Investments	Disinvestments	Revaluations/(Impairment losses)	Net result	Exchange gains / (losses)	Value
		31-Dec-2017						30-Jun-2018
Exerp Aps	50.01%	17,337	-	-	-	(148)	(18)	17,171
Exerp America LLC	50.01%	0	-	-	-	(0)	(0)	(0)
Exerp Asia Pacific Pty	50.01%	5	-	-	-	69	(0)	74
T4ME limited	20.00%	(1)	-	-	25	(25)	-	(1)
Movimento per la salute Srl	50.00%	-	-	-	-	-	-	-
Quainted consulting Ltd	28.00%	-	-	-	-	-	-	-
Fistadium Srl	45.00%	-	-	-	-	-	-	-
Wellink srl	40.00%	152	-	-	-	15	-	168
Technogym Emirates LLC	49.00%	226	-	-	-	195	17	437
Total		17,720	-	-	25	105	(1)	17,849

5.4 ASSETS FOR DERIVATIVE FINANCIAL INSTRUMENTS

The item “Derivative financial instruments” in assets amounts to Euro 69 thousand as of June 30, 2018 (Euro 75 thousand as of December 31, 2017).

The following table reports the derivative financial instruments broken down by currency:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
CNY	9	-
BRL	-	-
AUD	11	-
GBP	43	-
JPY	-	38
USD	7	37
Total	69	75

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

Forward contracts in place as of June 30, 2018 and December 31, 2017 are summarized below.

<i>(In thousands of Euro)</i>	As of June 30, 2018			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	1,299	CNY	10,000
Forward	EUR	833	AUD	1,300
Forward	GBP	4,000	EUR	4,563
Forward	EUR	4,746	JPY	620,000
Forward	EUR	13,054	USD	16,000
Forward (*)	EUR	5,111	GBP	4,500
Forward (*)	EUR	2,564	USD	3,000
Situation as of 30.06.2018				
<i>(In thousands of Euro)</i>	As of December 31, 2017			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	2,289	CNY	18,000
Forward	EUR	2,600	AUD	4,050
Forward	GBP	6,000	EUR	6,809
Forward	EUR	3,943	JPY	527,000
Forward	EUR	5,851	USD	7,000
Situation as of 31.12.2017				

(*) Recognised with the hedge accounting method

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

As of June 30, 2018, only six derivative contracts had been recognised using hedge accounting:

- 4 contracts for a notional total of GBP 4.5 million (3 for GBP 1 million each, and 1 for GBP 1.5 million) equal to a total of EUR 5.1 million;
- 2 contracts for a notional total of USD 3 million (1 for USD 2 million, 1 for USD 1 million) equal to a total of EUR 2.6 million

The positive fair value as of June 30, 2018 amounts to Euro 29 thousand as reported in the table below.

<i>(In thousands of Euro)</i>	As of June 30	As of December 31	As of June 30	As of December 31
	2018 assets	2017 assets	2018 liabilities	2017 liabilities
Exchange rate hedging:				
Exchange rate hedges (current) – cash flow hedge	41	-	-	-
Tax effect – Exchange rate hedges (current) – cash flow hedge	(12)	-	-	-
Interest rate hedges:				
Interest rate hedges (current) – cash flow hedge	-	-	-	(20)
Tax effect - Interest rate hedges (current) – cash flow hedge	-	-	-	5
Total	29	-	-	(15)

All currency derivatives in place as of June 30, 2018 mature within 12 months.

5.5 EQUITY

The item “Equity” amounts to Euro 153,448 thousand as of June 30, 2018 (Euro 133,067 thousand as of December 31, 2017).

The following table reports the details of equity as of June 30, 2018 and December 31, 2017:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017 Restated (*)
Equity		
Share	10,050	10,050
Share premium reserve	4,990	4,990
Other reserves	18,309	23,752
Retained	81,230	32,345
Profit (loss) attributable to owners of the parent	37,692	60,949
Equity attributable to owners of the parent	152,271	132,086
Capital and reserves attributable to non-controlling interests	951	688
Profit (loss) attributable to non- controlling interests	225	293
Equity attributable to non- controlling interests	1,176	981
Total equity	153,448	133,067

Based on the resolution of the shareholders’ meeting of May 8, 2018, the profit for the year 2017 reported in the financial statements of the Parent company Technogym S.p.A. was allocated as follows:

- Euro 1,414 thousand to the reserve for the adoption of IAS/IFRS;
- Euro 18,090 thousand to payables due to shareholders - profits to be paid;
- Euro 3,250 thousand for the establishment of the reserve for exchange gains;
- Euro 34,012 thousand to the profits of previous years.

As of June 30, 2018, the fair value reserve refers essentially to the effective component of active hedges with sale contracts.

<i>(In thousands of Euro)</i>	CFH reserve
Balance as of January 1, 2017	(20)
Hedging instruments / Cash flow hedges	8
Tax effect – Hedging instruments / Cash flow hedges	(2)
Balance as of December 31, 2017	(15)
Hedging instruments / Cash flow hedges	61
Tax effect – Hedging instruments / Cash flow hedges	(17)
Balance as of June 30, 2018	29

5.6 FINANCIAL LIABILITIES

The items “Non-current financial liabilities” and “Current financial liabilities” amounted to Euro 62,073 and Euro 57,037 as of June 30, 2018 and Euro 84,464 thousand and Euro 34,664 thousand as of December 31, 2017 respectively.

The following table reports the financial liabilities, current and non-current, as of June 30, 2018 and December 31, 2017.

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Non-current financial liabilities		
Bank loans due after 12 months - non-current portion	46,770	70,238
Non-current liabilities due to other lenders	15,303	14,225
Other non-current liabilities	(0)	(0)
Total non-current financial liabilities	62,073	84,464
Current liabilities		
Bank loans due after 12 months - current portion	18,425	23,580
Other short-term borrowings	30,904	2,194
Current liabilities due to other lenders	7,465	8,652
Other current liabilities	243	238
Total current financial liabilities	57,037	34,664

Medium/long-term bank loans

The following table reports the movements of bank loans for the half year ended June 30, 2018.

<i>(In thousands of Euro)</i>	Bank loans due after 12 months - non- current portion	Bank loans due after 12 months - current portion	Total bank loans
Values as of January 1, 2018	70,238	23,580	93,818
Proceeds	-	-	-
Repayments	(23,469)	(5,155)	(28,624)
Reclassification from long-term to short-term	-	-	-
Values as of June 30, 2018	46,770	18,425	65,195

The following table reports the details of medium/long-term bank loans as of June 30, 2018:

<i>(In thousands of Euro)</i>	Due date	Interest rate	As of June 31		As of December 31	
			2018	of which current	2017	of which current
Bank loans						
Unicredit S.p.A.	2023	Variable	28,666	5,807	46,558	11,844
Unicredit S.p.A.	2020	Variable	12,021	6,021		
Cassa di Risparmio di Parma e Piacenza S.p.A.	E.A. 2018	Variable			7,522	3,022
Banca Popolare dell'Emilia Romagna S.p.A.	2022	Variable	18,028	4,025	20,256	4,100
Banca Popolare dell'Emilia Romagna S.p.A. (*)	2021	Variable	192	72		
Banca Popolare di Sondrio S.p.A.	E.A. 2018	Variable			11,953	2,125
Banco Popolare	2020	Fixed	6,287	2,500	7,536	2,490
Total bank loans			65,194	18,425	93,825	23,580
(E.A.) Early repayment						
(*) Sidea loan						

The following table reports the details of medium/long-term bank loans as of June 30, 2018 by maturity date:

<i>(In thousands of Euro)</i>	Residual debt	Current portion	H1-2019	H1-2020	H1-2021	H1-2022	H1-2023
Unicredit S.p.A.	28,666	5,807	5,807	5,715	5,715	5,715	5,715
Unicredit S.p.A.	12,021	6,021	6,021	6,000			
Banca Popolare dell'Emilia Romagna S.p.A.	18,028	4,025	4,025	4,000	4,000	4,000	2,000
Banca Popolare dell'Emilia Romagna S.p.A.(*)	192	72	72	72	48	-	
Banco Popolare	6,287	2,500	2,500	2,520	1,268	-	
Total	65,194	18,425	18,425	18,307	11,031	9,715	7,715

(*) Sidea loan

In the first half of 2018, two loans were repaid in advance:

- Banca Popolare di Sondrio Spa: repayment date 26 February 2018, outstanding amount paid Euro 11.4 million
- Cassa di Risparmio di Parma e Piacenza: repayment date 11 May 2018, outstanding amount paid Euro 6 million

For the above loans, no guarantees have been given.

As of June 30, 2018, all financial covenants relating to the loans in place, where applicable, were respected. As of the date of this document, it is not believed that there are any factors that could have had negative repercussions on the parameters in question.

Other short-term borrowings

The following table reports the details of other short-term borrowings as of June 30, 2018 and December 31, 2017:

<i>(In thousands of Euro)</i>	Currency	As of June 30	As of December 31
		2018	2017
Other short-term borrowings			
Intesa San Paolo	EUR	-	2,055
Banca Nazionale del Lavoro	EUR	5,000	-
Banca Popolare dell'Emilia Romagna	EUR	-	4
Cassa di Risparmio di Parma e Piacenza	EUR	10,000	-
Cassa dei Risparmi di Forlì e della Romagna	EUR	10,000	-
Banca Popolare di Vicenza	EUR	4,500	-
BPER Luxembourg	EUR	-	135
Other minor banks		1,404	
Total other short-term borrowings (*)		30,904	2,194

Short-term bank borrowings mainly include stand-by credit lines, short-term loans (generally called “hot money”) and bank overdrafts.

Liabilities due to other lenders

Current and non-current liabilities from other lenders refers to financing transactions guaranteed by the transfer of receivables arising from the sale of goods that, although they are transferred to third financial institutions, they are retained in the financial statements as they do not meet all the conditions required by IAS 39 for their derecognition from assets.

5.7 PROVISIONS

The items “Provisions” as of June 30, 2018 amounts to Euro 19,325 thousand for non-current financial liabilities and Euro 11,616 thousand for current financial liabilities (respectively, Euro 19,637 thousand and Euro 14,642 thousand as of December 31, 2017).

The following table reports the details of provisions, current and non-current, as of June 30, 2018 and December 31, 2017:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Non-current provisions		
Warranties provision	4,907	4,694
Agents provision	1,101	1,108
Non-Competition Agreement provision	1,359	1,408
Rebates provision	3,367	3,355
Other provisions for risks and charges	7,729	7,751
Ongoing lawsuits provision	0	195
Long-term FOC provision	862	1,126
Total non-current provisions	19,325	19,637
Current provisions		
Warranties provision	5,880	5,792
Free Product Fund provision	1,108	1,424
Other provisions for risks and charges	4,428	7,202
Short-term FOC provision	199	224
Total current provisions	11,616	14,642

5.8 LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

The item “Liabilities for derivative financial instruments” amounts to Euro 689 thousand as of June 30, 2018 (Euro 126 thousand as of December 31, 2017).

The following table reports the liabilities for derivative financial instruments broken down by currency:

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Forward		
CNY	-	9
AUD	-	22
GBP	43	68
JPY	57	-
USD	568	-
Interest rate swaps		
IRS	22	27
Total	689	126

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

Forward contracts as of June 30, 2018 and December 31, 2017 are reported in note 5.9 “Derivative financial instruments”.

Notes to the income statement

5.9 REVENUES

In the half year ended June 30, 2018, the item “Revenues” totaled Euro 272,329 thousand (Euro 263,127 thousand in the half year ended June 30, 2017).

The following table reports the amounts of revenues for the half year ended June 30, 2018 and the half year ended June 30, 2017:

(In thousands of Euro)	Half year ended June 30	
	2018	2017 Restated (*)
Revenues		
Revenues from the sale of products, spare parts, hardware and software	230,399	232,209
Revenues from transport and installation, after-sale and rental assistance	41,929	30,918
Total revenues	272,329	263,127

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section “Accounting standards” of the notes.

For further information on the identification of the operating segments and the allocation of revenues by distribution channel and geographic area, see the section “Operating performance and comments on the economic and financial results” in the Interim Board of Directors’ Report.

5.10 PURCHASES AND CHANGES IN RAW MATERIALS, WORK IN PROGRESS AND FINISHED GOODS

In the half year ended June 30, 2018, the item “Raw materials, work in progress and finished goods” totaled Euro 85,109 thousand (Euro 87,298 thousand in the half year ended June 30, 2017).

The following table provides details of purchases and changes in raw materials, work in progress and finished goods for the half year ended June 30, 2018 and the half year ended June 30, 2017:

(In thousands of Euro)	Half year ended June 30	
	2018	2017 Restated (*)
Raw materials, work in progress and finished goods		
Purchases and changes in raw materials	62,764	58,364
Purchases and changes in finished goods	19,277	23,431
Purchase of packaging and cost for custom duties	3,167	5,242
Change in inventory of work in progress	(99)	261
Total raw materials, work in progress and finished goods	85,109	87,298

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section “Accounting standards” of the notes.

The decrease in purchases and changes in finished goods is due primarily to production efficiencies and the effects of the product/price mix described previously.

5.11 COST OF SERVICES

In the half year ended June 30, 2018, the item “Cost of services” totaled Euro 74,888 thousand (Euro 68,004 thousand in the half year ended June 30, 2017).

The following table reports the amounts of costs of services for the half year ended June 30, 2018 and the half year ended June 30, 2017:

<i>(In thousands of Euro)</i>	Half year ended June 30	
	2018	2017 Restated (*)
Cost of services		
Transport of sales, customs duties and installation	19,356	20,607
Technical assistance	10,805	10,395
Advertising	11,389	10,313
Rentals	5,182	2,898
Agents	4,535	4,054
Consulting services	5,013	3,549
Transport of purchases	4,618	3,102
Travel and representative expenses	509	1,144
Outsourcing costs	2,033	1,743
Utilities	1,604	1,364
Maintenance costs	1,627	1,638
Other services	8,216	7,196
Total cost of services	74,888	68,004

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section "Accounting standards" of the notes.

5.12 PERSONNEL EXPENSES

In the half year ended June 30, 2018, the item "Personnel expenses" totaled Euro 65,621 thousand (Euro 61,957 thousand in the half year ended June 30, 2017).

The following table reports the amounts of personnel expenses for the half year ended June 30, 2018 and the half year ended June 30, 2017:

<i>(In thousands of Euro)</i>	Half year ended June 30	
	2018	2017
Personnel expenses		
Wages and salaries	44,578	40,932
Social security contributions	11,411	11,263
Provisions for employee benefit obligations	1,251	1,027
Other costs	8,381	8,734
Total personnel expenses	65,621	61,957

The following table reports the average and exact number of employees, broken down by category for the half year ended June 30, 2018 and the half year ended June 30, 2017:

<i>(In number)</i>	Half year ended June 30		Year ended December 31	
	2018		2017	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	61	61	58	61
White-collar	1272	1294	1,196	1,231
Blue-collar	662	662	650	655
Total number of employees	1,995	2,017	1,904	1,947

5.13 INCOME TAXES

In the half year ended June 30, 2018, the item “Income taxes” totaled Euro 4,519 thousand (Euro 8,235 thousand in the half year ended June 30, 2017).

The following table reports the amounts of Income taxes for the half year ended June 30, 2018 and the half year ended June 30, 2017:

(In thousands of Euro)	Half year ended June 30	
	2018	2017 Restated (*)
Income taxes		
Current taxes	6,883	10,833
Deferred taxes	(1,449)	(2,068)
Total income taxes for the year	5,434	8,765
Income taxes relating to prior years	(9,952)	(530)
Total income taxes	(4,518)	8,235
<i>of which non-recurrent income taxes</i>	<i>12,497</i>	

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section “Accounting standards” of the notes.

Current income taxes in the half are calculated on the basis of the existing taxable income on the date of the close of the period, in application of the tax regulations in force or essentially approved on the date of the close of the period itself.

Non-recurrent income taxes mainly refer to the tax benefit, relative to the optional tax regime *Patent Box* signed by Technogym during the 2018 financial year, allowing for tax relief for five years (2015-2019). The final amount for the 2015-2017 period is equal to Euro 9,908 thousand, and is considered as recurrent as it is referable to previous years. Specific quantification of the tax relief relative to the 2018 financial year was included in the Parent Company’s tax calculation.

The remaining amount of Euro 2,589 thousand refers to the official recognition of tax losses of the subsidiary Technogym USA equal to Euro 5,000 thousand, for which the group, on a prudential basis, had not recognised deferred tax assets as their recovery was uncertain.

Net of the above non-recurrent tax relief, the tax rate improved from 30.7% to 23.6% due to the recognition of the patent box tax saving for the first half of 2018 equal to Euro 2,843 thousand.

5.14 EARNINGS PER SHARE

The following table reports the calculation of basic earnings per share for the half year ended June 30, 2018 and the half year ended June 30, 2017:

(In thousands of Euro)	Half year ended June 30	
	2018	2017 Restated (*)
Earnings per share		
Profit for the period	37,692	18,959
Number of shares	201,005	201,005
Total earnings per share (in Euro)	0.19	0.09

(*) 2017 data have been restated, indicating the effects of the retroactive adoption of the new accounting standard IFRS 15, as described in the section “Accounting standards” of the notes.

The basic earnings per share coincide with diluted earnings per share.

5.15 NET INDEBTEDNESS

The following table reports the details of net indebtedness of the Group as of June 30, 2018 and December 31, 2017, determined in accordance with Consob communication of July 28, 2006 and in conformity with the recommendations contained in document no. 319 drafted by ESMA in 2013.

<i>(In thousands of Euro)</i>	As of June 30	As of December 31
	2018	2017
Net Indebtedness		
A. Cash	58,060	77,847
B. Cash equivalents	-	-
C. Trading securities	-	-
D. Liquidity (A) + (B) + (C)	58,060	77,847
E. Current Financial Receivables	197	88
F. Current Bank debt	(30,904)	(2,190)
G. Current portion of non-current debt	(18,425)	(23,580)
H. Other current financial debt	(8,398)	(9,020)
I. Current Financial Debt (F) + (G) + (H)	(57,727)	(34,790)
J. Net Current Financial Indebtedness (I) + (E) + (D)	530	43,144
K. Non-current Bank loans	(46,770)	(70,238)
L. Bonds Issued	-	-
M. Other non-current loans	(15,303)	(14,225)
N. Non-current Financial Indebtedness (K) + (L) + (M)	(62,073)	(84,464)
O. O. Net Financial Indebtedness (J) + (N)	(61,542)	(41,319)

As described in the section “Operating performance and comments on the economic and financial results” in the Interim Board of Directors' Report, the net financial position was also affected by seasonal trends impacting the Group.

Short-term bank borrowings mainly include stand-by credit lines, short-term loans (generally called “hot money”) and bank overdrafts.

As of June 30, 2018 there are no restrictions or limitations to the use of the cash of the Group, except for not relevant amounts relating to specific circumstances closely linked to commercial operations of some entities of the Group.

5.16 FAIR VALUE DISCLOSURE

As of June 30, 2018 and December 31, 2017, the book value of financial assets and liabilities is the same as their fair value.

IFRS 7 outlines three levels of fair value for the measurement of financial instruments recognized in the statement of financial position: (i) Level 1: quoted prices in an active market; (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) in the market; (iii) Level 3: inputs not based on observable market data.

During the period, there were no transfers between the three levels of fair value indicated in IFRS 7.

5.17 RISK DISCLOSURE

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:
 - a) currency risk, related to operations in areas using currencies other than the functional currency;
 - b) interest rate risk, related to the Group's exposure to financial instruments that accrue interests;
 - c) price risk, associated with changes in the prices of commodities.

For more information on the policies and processes for risk management, please refer to the section "Risk factors" in the Interim Board of Directors' Report.

Financial instruments by category

The following tables report the financial assets and liabilities by category of financial instrument and their level of fair value as of June 30, 2018 and December 31 2017.

2018 (In thousands of Euro)	Loans and receivables	Financial assets at fair value	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Other non-current assets	39,619	-	2,539	42,158	-	-	2,539	2,539
Total non-current	39,619	-	2,539	42,158	-	-	2,539	2,539
Trade receivable	114,276	-	-	114,276	-	-	-	-
Cash and cash equivalents	58,060	-	-	58,060	-	-	-	-
Assets for derivative financial instruments		-	69	69	-	69	-	69
Total current	172,337	-	69	172,406	-	69	-	69

2017 (In thousands of Euro)	Loans and receivables	Financial assets at fair value	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Other non-current assets	35,385	-	-	35,385	-	-	1,299	1,299
Total non-current	35,385	-	-	35,385	-	-	1,299	1,299
Trade receivable	111,652	-	-	117,129	-	-	-	-
Cash and cash equivalents	77,847	-	-	77,847	-	-	-	-
Assets for derivative financial instruments		-	75	75	-	75	-	75
Total current	194,976	-	75	195,051	-	75	-	75

2018 (In thousands of Euro)	Financial liabilities	Financial liabilities carried at fair value	Financial liabilities carried at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Non-current financial liabilities	62,073	-	-	62,073	-	-	-	-
Non-current financial liabilities	62,073	-	-	62,073	-	-	-	-
Current liabilities	57,037	-	-	57,037	-	-	-	-
Trade payable	114,208	-	-	114,208	-	-	-	-
Liabilities for derivative financial instruments		689	-	689	-	689	-	689
Current liabilities	171,245	689	-	171,935	-	689	-	689

2017 (In thousands of Euro)	Financial liabilities	Financial liabilities carried at fair value	Financial liabilities carried at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortized cost	FV vs OCI	FV vs P&L					
Non-current financial liabilities	84,464	-	-	84,464	-	-	-	-
Non-current financial liabilities	84,464	-	-	84,464	-	-	-	-
Current liabilities	34,664	-	-	34,664	-	-	-	-
Trade payable	123,238	-	-	123,514	-	-	-	-
Liabilities for derivative financial instruments		126	-	126	-	126	-	126
Current liabilities	158,177	20	106	158,303	-	126	-	126

5.18 RELATED PARTY TRANSACTIONS

The Group's transactions with related parties, (hereinafter also “**Related party transactions**”) identified based on criteria defined by IAS 24 – Related party disclosures, are primarily of a commercial nature and connected with transactions carried out on an arm's length basis.

The table below details the equity balances of Related Party Transactions as of June 30, 2018 and December 31, 2017.

<i>(In thousands of Euro)</i>	Trade receivable		Current financial assets		Other current assets		Trade payable		Other current liabilities	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun
TECHNOGYM Emirates LLC	512	1,548	-	-	3,289	2,352	226	233	0	-
PUBBLISOLE SPA	-	-	-	-	-	-	12	-	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	50	39	0	-	-	-
FUNKY BOTS LLC	23	-	-	-	-	-	-	-	-	-
FITSTADIUM SRL	-	-	-	-	-	-	-	-	-	-
WELLINK SRL	1	-	-	-	-	-	112	156	-	-
WELLNESS HOLDING SRL	-	-	-	-	-	-	308	161	-	-
VIA DURINI 1 SRL	-	-	-	-	-	96	38	23	-	-
FATTORIA DEI GESSI Srl ALTAVIT	-	-	-	-	-	-	19	-	-	-
STARPOOL SRL	5	-	-	-	-	-	(2)	(3)	-	-
ONE ON ONE SRL	0	0	-	-	-	-	56	27	0	-
SOBEAT S.R.O.	-	-	-	-	-	-	-	-	-	-
Total	542	1,548	-	-	3,339	2,488	769	597	0	-
Total Financial Statements	111,652	114,276	13	127	13,543	25,236	123,238	114,208	65,256	68,549
% on financial statements item	0.5%	1.4%	0.0%	0.0%	24.7%	9.9%	0.6%	0.4%	0.0%	0.0%

Trade receivables and other current assets due to joint ventures refer entirely to commercial relations in place with Technogym Emirates LLC, a joint venture established by the Group with a company in the UAE in order to facilitate the distribution and sale of products and services of the Group in UAE.

The table below details the income statement balances of Related Party Transactions as of June 30, 2018 and June 30, 2017:

(In thousands of Euro)	Revenues		Other operating income		Raw materials and work in progress		Cost of services		Personnel expenses		Other operating costs		Financial income	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun
TECHNOGYM Emirates LLC	3,957	4,614	-	6	(19)	(23)	(24)	(20)	-	-	(67)	11	-	(0)
PUBBLISOLE SPA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	-	-	-	-	(13)	-	-	-	-	-
FUNKY BOTS LLC	-	-	-	-	-	-	-	-	-	-	-	-	15	(23)
FITSTADIUM SRL	-	-	-	-	-	-	(1)	-	-	-	-	-	-	-
WELLINK SRL	-	1	5	0	-	-	(227)	(219)	-	-	-	-	-	-
WELLNESS HOLDING SRL	-	-	-	-	-	-	-	(134)	-	-	-	(0)	-	-
VIA DURINI 1 SRL	-	-	-	-	-	-	(415)	(411)	(5)	(2)	-	-	-	-
FATTORIA DEI GESSI Srl ALTAVIT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STARPOOL SRL	7	-	1	-	-	-	(3)	-	-	-	-	-	-	-
ONE ON ONE SRL	6	41	-	-	-	-	(57)	(49)	-	-	-	-	-	-
SOBEAT S.R.O.	-	-	-	-	-	-	-	(331)	-	-	-	-	-	-
Total	3,970	4,656	6	6	(19)	(23)	(727)	(1,163)	(18)	(2)	(67)	11	15	(23)
Total Financial Statements	263,127	272,329	224	555	(87,298)	(85,109)	(68,004)	(74,888)	(2,504)	(2,506)	(61,957)	(65,621)	3,793	3,830
% on financial statements item	1.5%	1.7%	2.4%	1.1%	0.0%	0.0%	1.7%	1.6%	0.7%	0.1%	0.1%	0.0%	0.4%	-0.6%

Remuneration of directors and key management

The total amount of compensation of the Board of Directors of the Company amounted to Euro 1,139 thousand for the half year ended June 30, 2018 (Euro 1,138 thousand for the half year ended June 30, 2017). The total amount of compensation of the key management amounted to Euro 1,537 thousand for the half year ended June 30, 2018 (Euro 1,778 thousand for the half year ended June 30, 2017).

5.19 CONTINGENT LIABILITIES

As of June 30, 2018 there are no ongoing legal or tax proceedings against any Group companies and therefore, no particular provisions have been recognized, with the exception of the following described.

As already reported, the assessment notice for an amount of around Euro 10 million received during 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 Ginastica e Solucao para bem estar Ltda, is still pending. The company, supported by its local tax advisors and lawyers, opposed the presumptions of the local administration 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.

A tax assessment was also conducted at the Parent Company, starting in early 2018 and as at July 2018, has resulted in a formal notice; based on this notice, there are no probable elements of risk making it advisable to recognise provisions in the financial statements.

5.20 COMMITMENTS AND GUARANTEES

As of June 30, 2018 the Company issued guarantees to credit institutions on behalf of subsidiaries for Euro 5,328 thousand (Euro 4,540 thousand as of June 30, 2017), and on behalf of related parties for Euro 3,514 thousand (Euro 3,591 thousand as of June 30, 2017). The guarantees issued by the Group in favor of public institutions and other third parties amount to Euro 2,598 thousand (Euro 2,556 thousand as of June 30, 2017).

As of June 30, 2018, the commitments assumed by the Group refer mainly to future payments deriving from lease agreements in place for the activities carried out.

5.21 NON-RECURRING EVENTS AND TRANSACTIONS

The Group did not complete any significant non-recurring transactions or atypical or unusual transactions pursuant to Consob Communication no. DEM/6064293 of July 28, 2006.

5.22 SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

There were no significant events after the close of the half year ended as at June 30, 2018.

Attestation of the half-year condensed consolidated financial statements pursuant to article 81-ter of the Consob regulation 11971 of May 14, 1999 as amended

1. The undersigned, Nerio Alessandri, in his capacity as the Chief Executive Officer of Technogym S.p.A. and Stefano Zanelli as Chief Financial Officer and executive responsible for the preparation 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 adequacy in relation to the characteristics of the company and
- the effective implementation of the administrative and accounting procedures for the preparation of half-year condensed consolidated financial statements, during the first half of 2018.

2. With regard to the above, there are no remarks.

3. It is also certified that:

3.1 the Half-year Condensed Consolidated Financial Statements:

- a) have been drawn up in accordance with the international accounting standards recognized in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of July 19, 2002;
- b) are consistent with the entries in the accounting books and records;
- c) provide an accurate and fair view of the assets and liabilities, profits and losses and financial position of the issuer and the group of companies included in the consolidation.

3.2 The half-year directors' report includes a reliable analysis of the significant events that took place in the first six months of the financial year and their impact on the half-year condensed consolidated financial statements, along with a description of the main risks and uncertainties for the Group.

The half-year directors' report also includes a reliable analysis of the significant transactions with related parties.

Cesena, 20 September 2018

CHAIRMAN
OF THE BOARD OF DIRECTORS
AND CHIEF EXECUTIVE OFFICER
Nerio Alessandri

OFFICER
IN CHARGE OF PREPARATION
OF THE COMPANY'S FINANCIAL
STATEMENTS
Stefano Zanelli



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Technogym SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Technogym SpA and its subsidiaries (Technogym Group) as of 30 June 2018, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flow and related notes. The directors of Technogym SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of Technogym Group as of 30

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.800.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12079880155 Iscritta al n° 110644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0713132311 - Bari 70122 Via Abate Giunna 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wahner 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccopietra 3 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Maresca Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Forchetti 20 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285029 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it



June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, 20 September 2018

PricewaterhouseCoopers SpA

Signed by
Edoardo Orlandoni
(Partner)

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



The Wellness Company