
Financial Results
H1 2017

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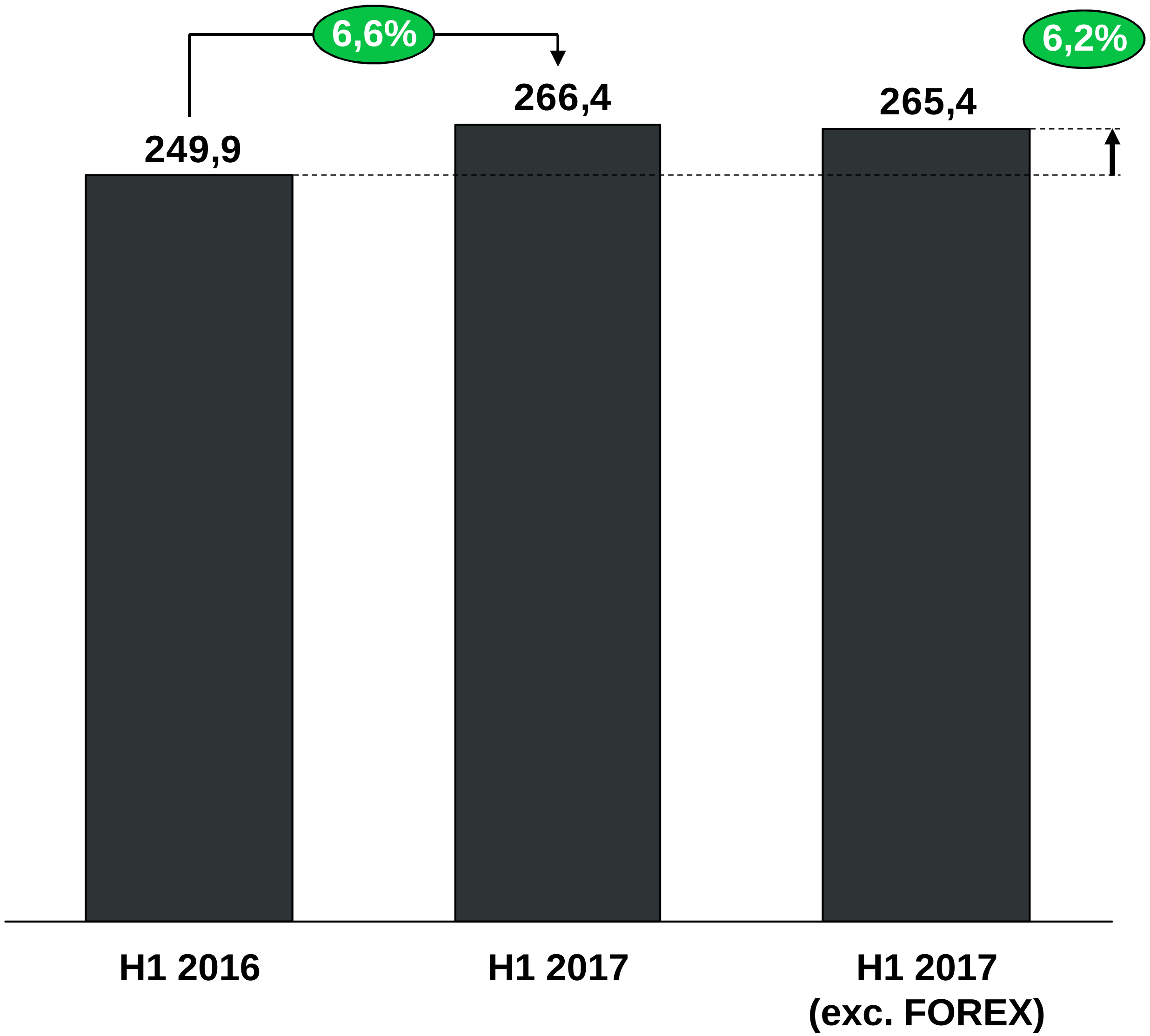
Stefano Zanelli, the Manager in charge of preparing the corporate accounting documents, declares that, pursuant to art. 154-bis, paragraph 2, of the Legislative Decree no. 58 of February 24, 1998, the accounting information contained herein correspond to document results ,books and accounting records.

Revenues showing mid single-digit growth

Revenues (€m)



Key comments

Positive volume effect primarily coming from

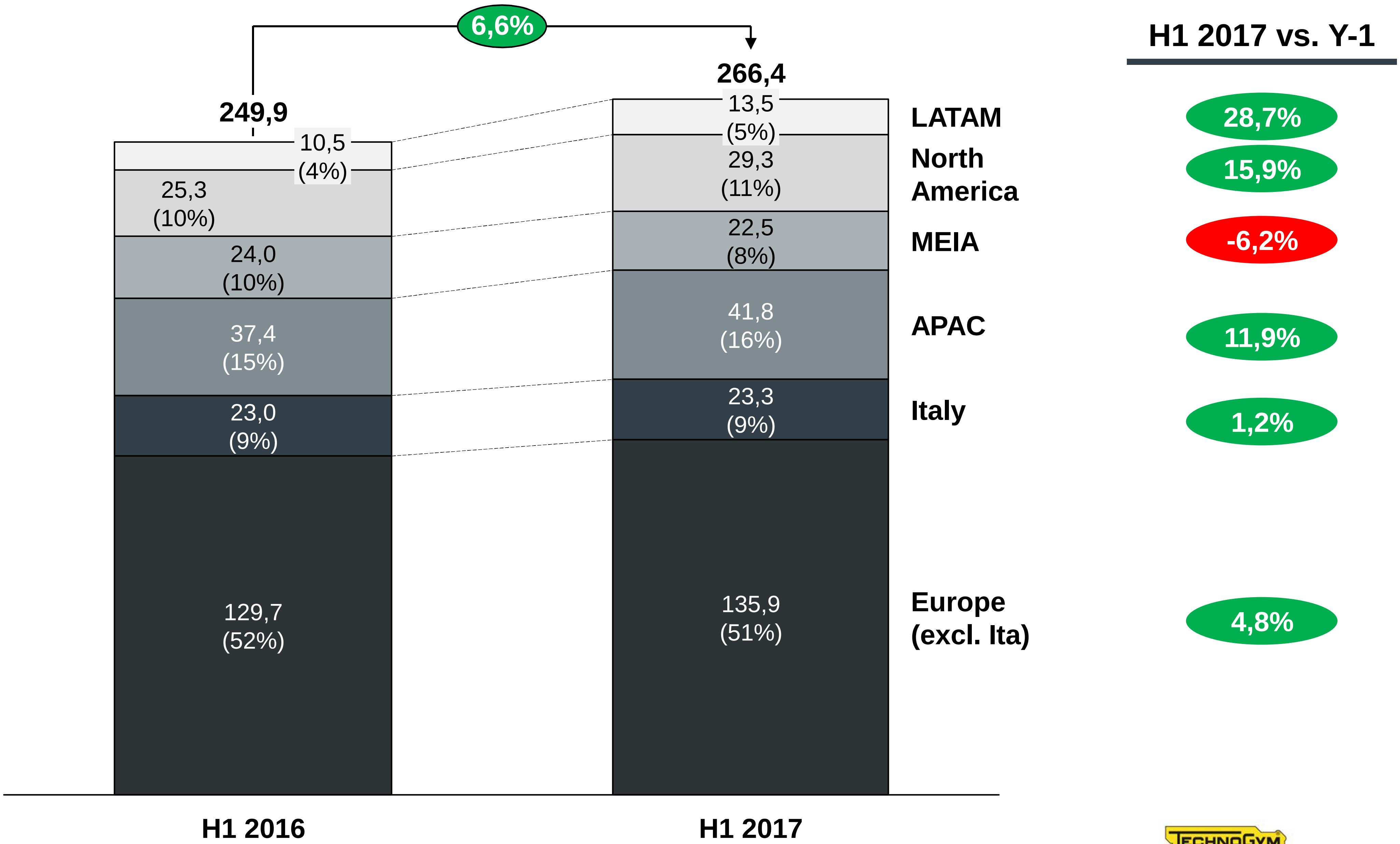
- Overseas market (NA, APAC, LATAM)
- Club, in particular KA business
- New product launches (14% on total revenues): Group Cycle, My Cycling, Skill line, Climb.

Excluding FX impact, revenue growth would have been 6,2%

- Major positive impact from RUB, BRL and US $

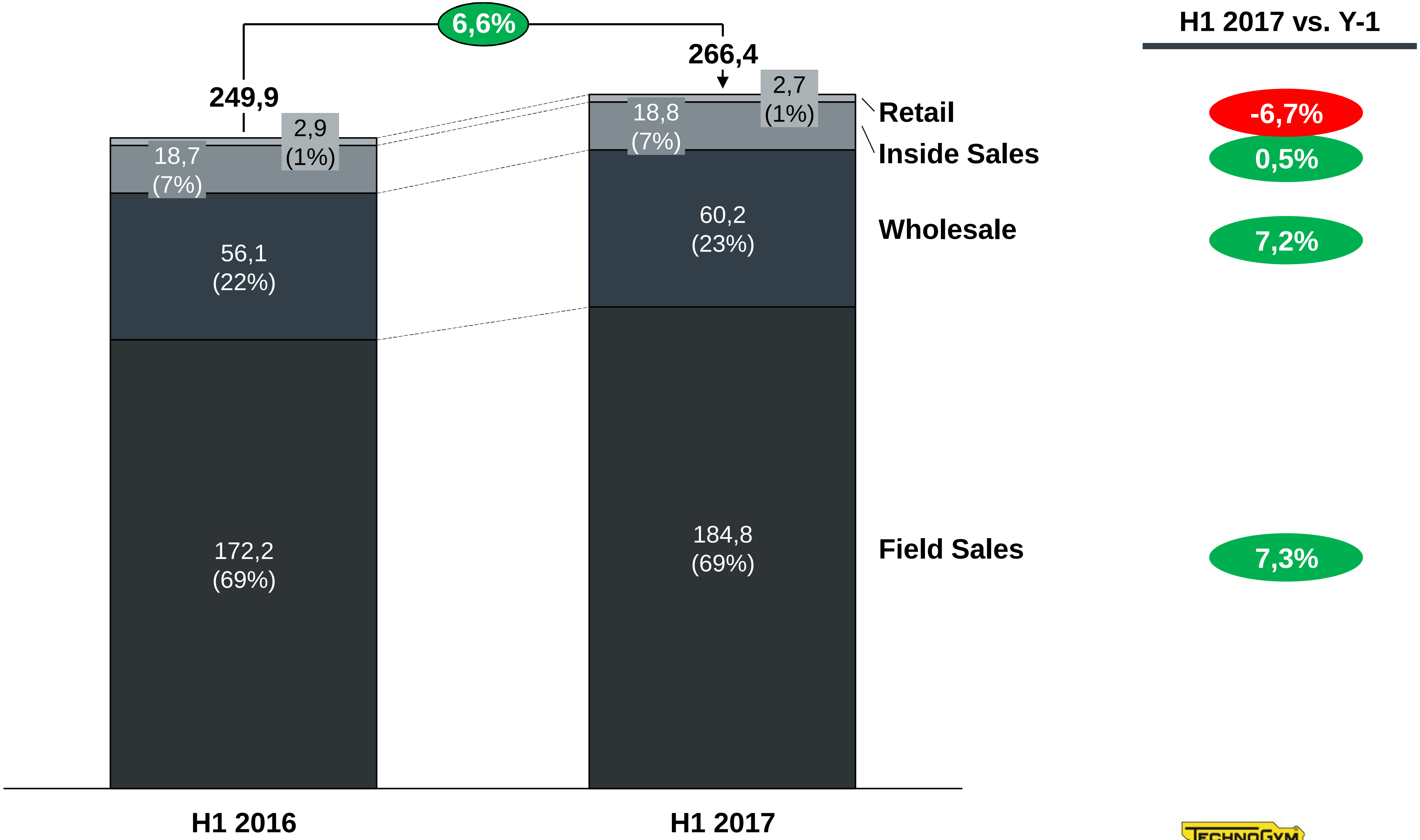
Revenue growth driven primarily by LATAM, NA & APAC

Revenue breakdown by geography - €m, percentage incidence & change



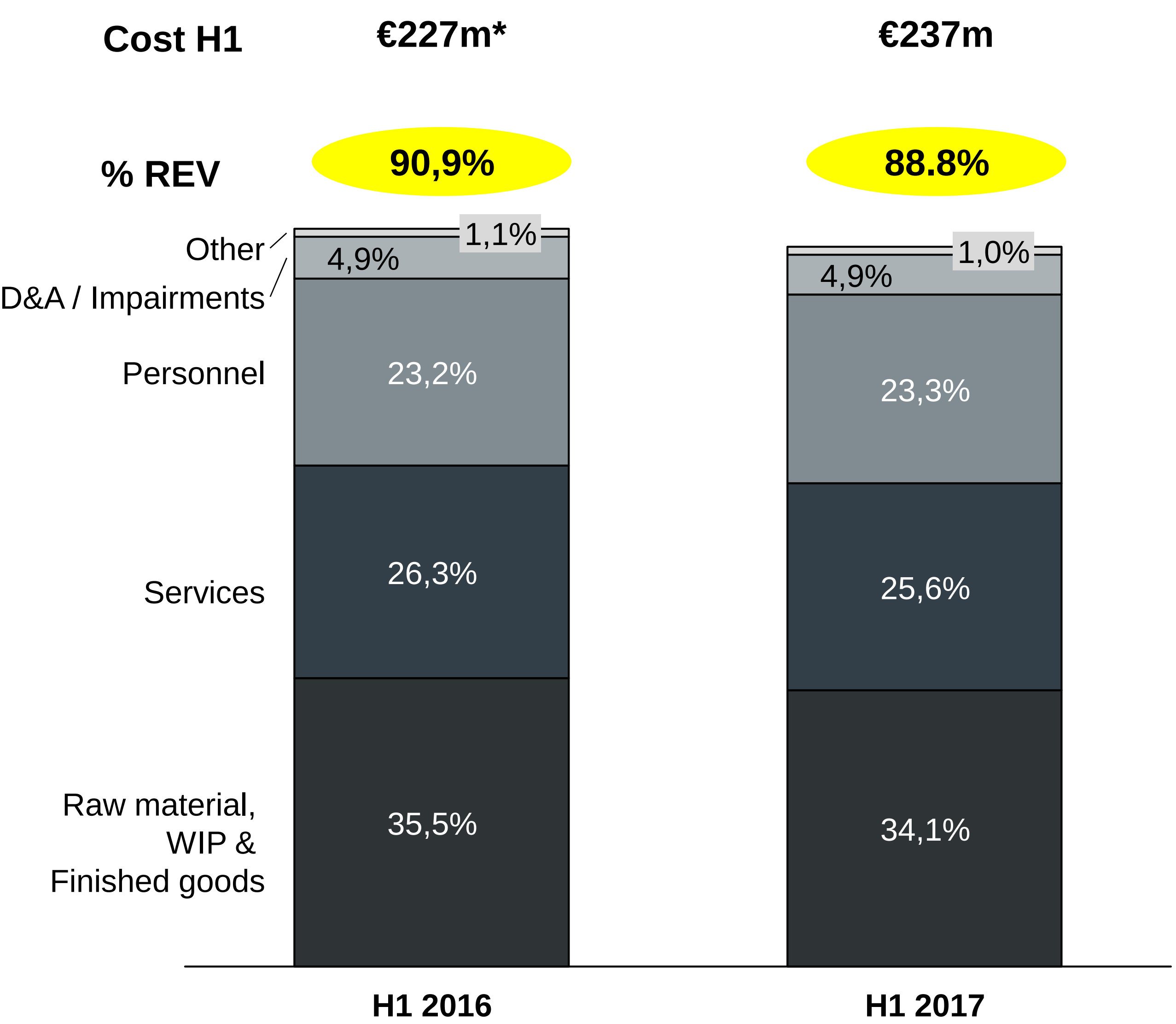
High single-digit growth on wholesale and field sales

Revenue breakdown by channel - €m, percentage incidence & change



Cost base impact substantially in line with Y-1 performance excluding non-recurring costs

Cost base evolution (% REV)



(*) excluding non recurrent costs

Key comments

D&A / Impairments
- In line with Y-1

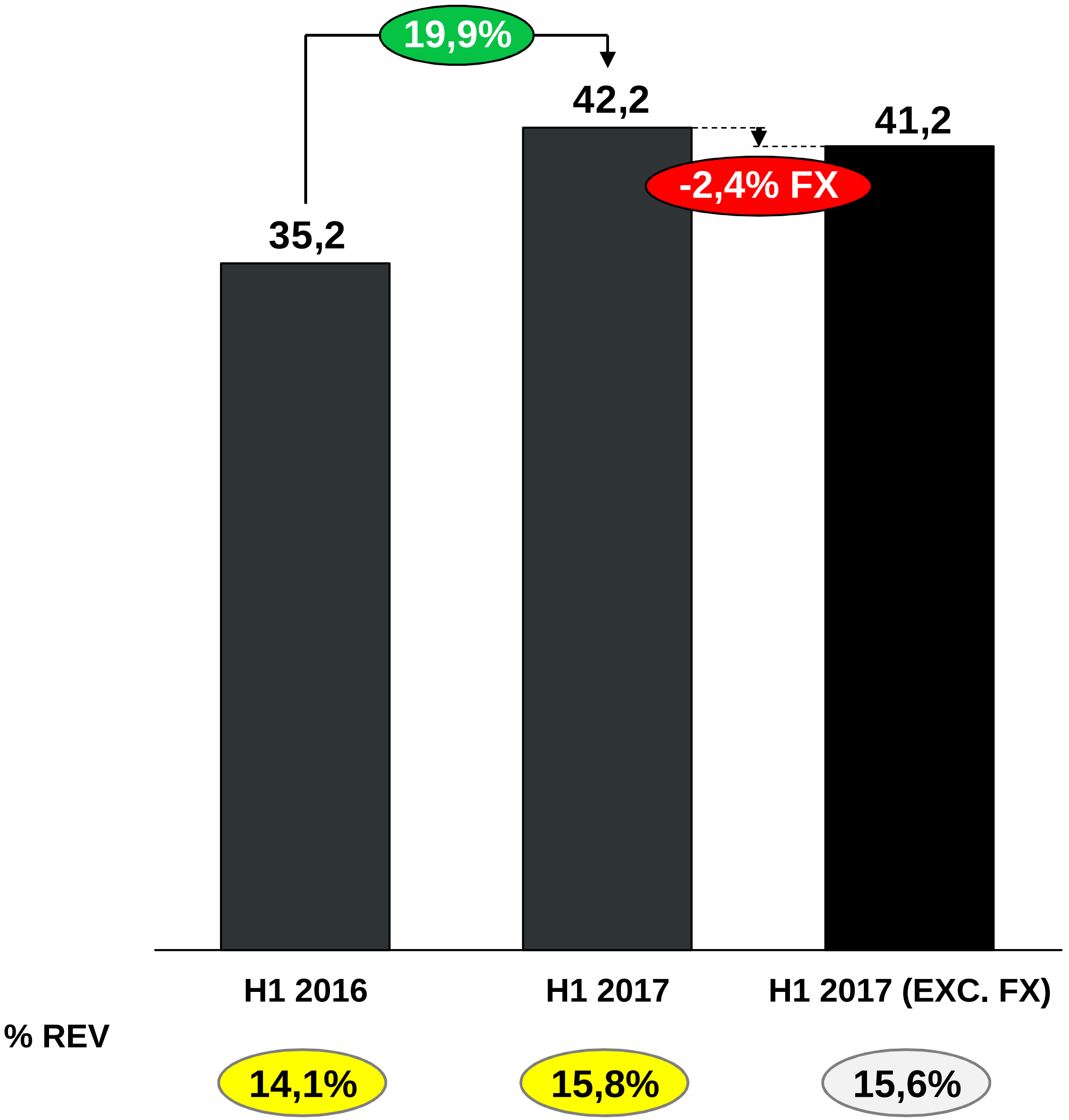
Personnel cost
- Incidence mainly in line with Y-1

Services cost
- Improvement of logistics and warehousing
- Lower incidence of operational fixed costs (e.g. consulting services, external providers)

Raw Material, WIP & Finished Goods
- Optimization operation activity (e.g. inbound logistics)
- Sourcing optimization (2,1m€)

EBITDA adjusted growing at ~20% vs Y-1 with positive impact on profitability (15,8% vs 14,1% of Y-1)

EBITDA evolution (€m)



Key comments

EBITDA adjusted margin increase:

- Positive price effect, especially thanks to cardio products family
- Improving product mix due to higher weight of cardio family
- Labor direct costs improving thanks to production processes optimization
- Raw material direct costs benefiting by improving purchasing negotiation and product re-engineering

Trade Working Capital at 11,5% on revenues from 10,4% of Y-1

Working Capital (€m)

€m	Jun 2016	Jun 2017
Inventories	68,0	75,7
Trade receivables	88,6	89,6
Trade payable	(100,8)	(99,4)
Trade Working Capital	**55,9**	**65,9**
% LTM of total revenue	*10,4%*	*11,5%*
Other current assets/(liabilities)	(26,8)	(45,3)
Current tax liabilities	(4,4)	(4,6)
Provisions	(16,4)	(12,7)
Net Working Capital	**8,4**	**3,3**
% LTM of total revenue	*1,6%*	*0,6%*
Inventory Turnover 1	*6,0*	*5,6*
Days Sales Outstanding (DSO) 2	*50,5*	*48,0*
Days Payables Outstanding (DPO) 3	*104,4*	*98,5*

Key comments

Inventories
- Mainly formed by finished products (60,2m€) and raw production materials (15,5m€)

Trade receivables
- Slightly increasing vs. June 2016 (1m€)
- Good quality of trade receivables in each country
- Improving DSO (-2,5 days vs. Y-1)

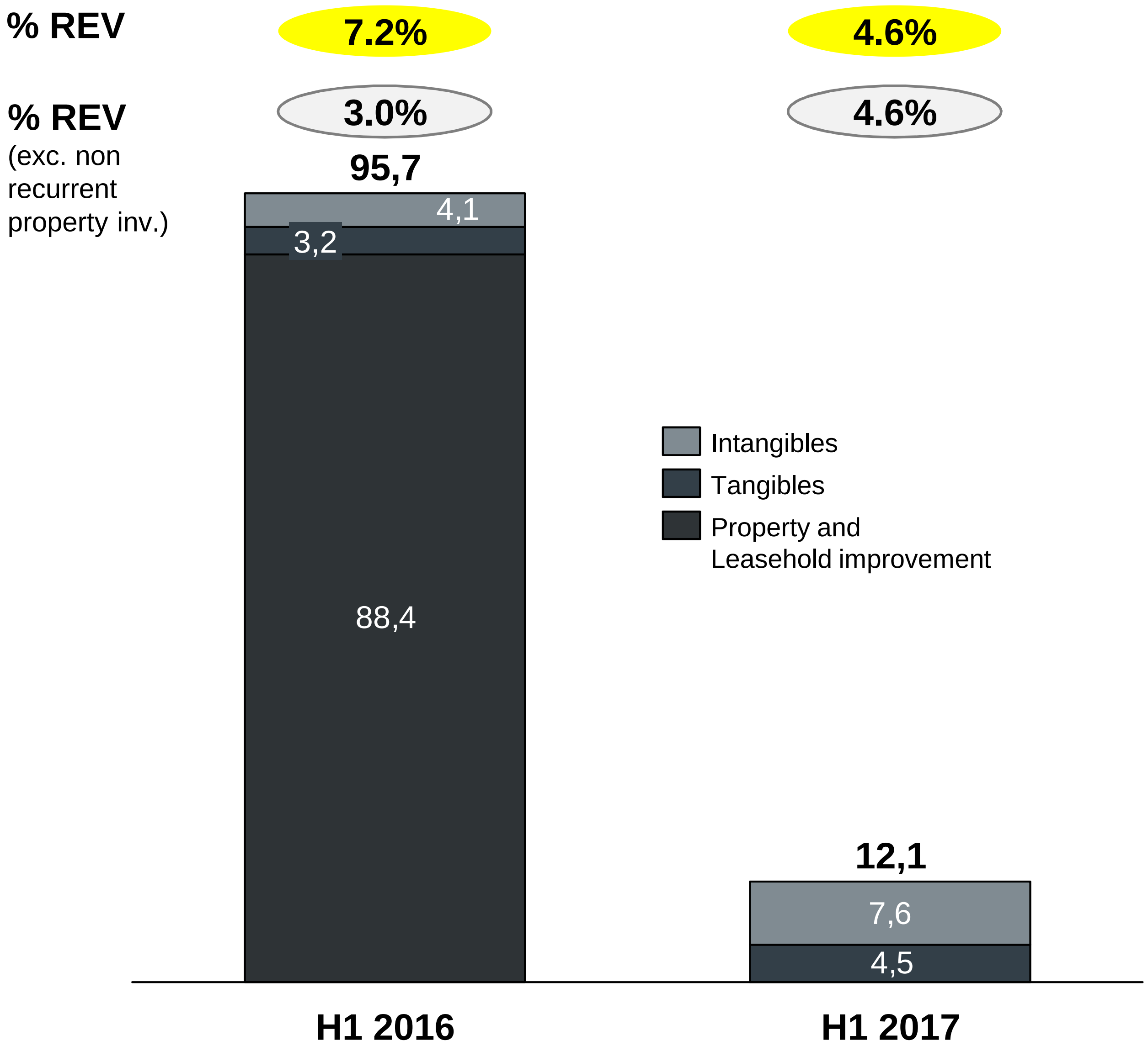
Trade payables
- Slightly decreasing vs. Y-1, mainly due to production plant suppliers
- DPO lower compared to Y-1 (-6 days vs Y-1)
- Higher incidence of services purchase showing lower DPO

Other assets and liabilities (June 2017)
- Mainly impacted by:
  - VAT tax receivables (5,5m€)
  - Advances to suppliers and accruals (5m€)
  - Payables to employees (10m€)
  - Advances from customers (18,3m€)

1. Calculated as revenues for products, spares parts, hardware e software divided by gross inventory;
2. Calculated as trade receivables net of VAT (~11%) divided by revenues; 3. Calculated as trade payables net of VAT (~7%) divided by cost of products and cost of service

Excluding non recurrent property investment, CAPEX would be higher than Y-1

Capex analysis (€m)



Key comments

Tangibles
- Investment in industrial tools, molds and production lines

Intangibles
- New ERP project impacting for ca. 2,5m€
- Investments for innovation activities and research and development of new products

Property and leasehold
- In 2016 acquisition of TG Village for ~€86m

Net Financial Debt

Net Financial Debt (€m)

€m	30 Jun 2016	30 Jun 2017
Cash & cash equivalent	**(53,1)**	**(39,0)**
Current financial receivables	(0,4)	(0,6)
Current bank debt	77,5	46,6
of which granted by Committed Credit facilities	*41*	*15,0*
of which granted by Uncommitted Credit facilities	*36,5*	*31,6*
Current portion of non current debt	24,8	19,6
Other current financial debt	7,9	6,8
Net current financial debt	**110,2**	**73,0**
Non current financial debt	**88,5**	**76,2**
Financial net debt	**145,2**	**109,6**
NFD / EBITDA (LTM12m)	*1,54x*	*1,02x*

Key comments

Solid cash position despite €13m dividend pay out

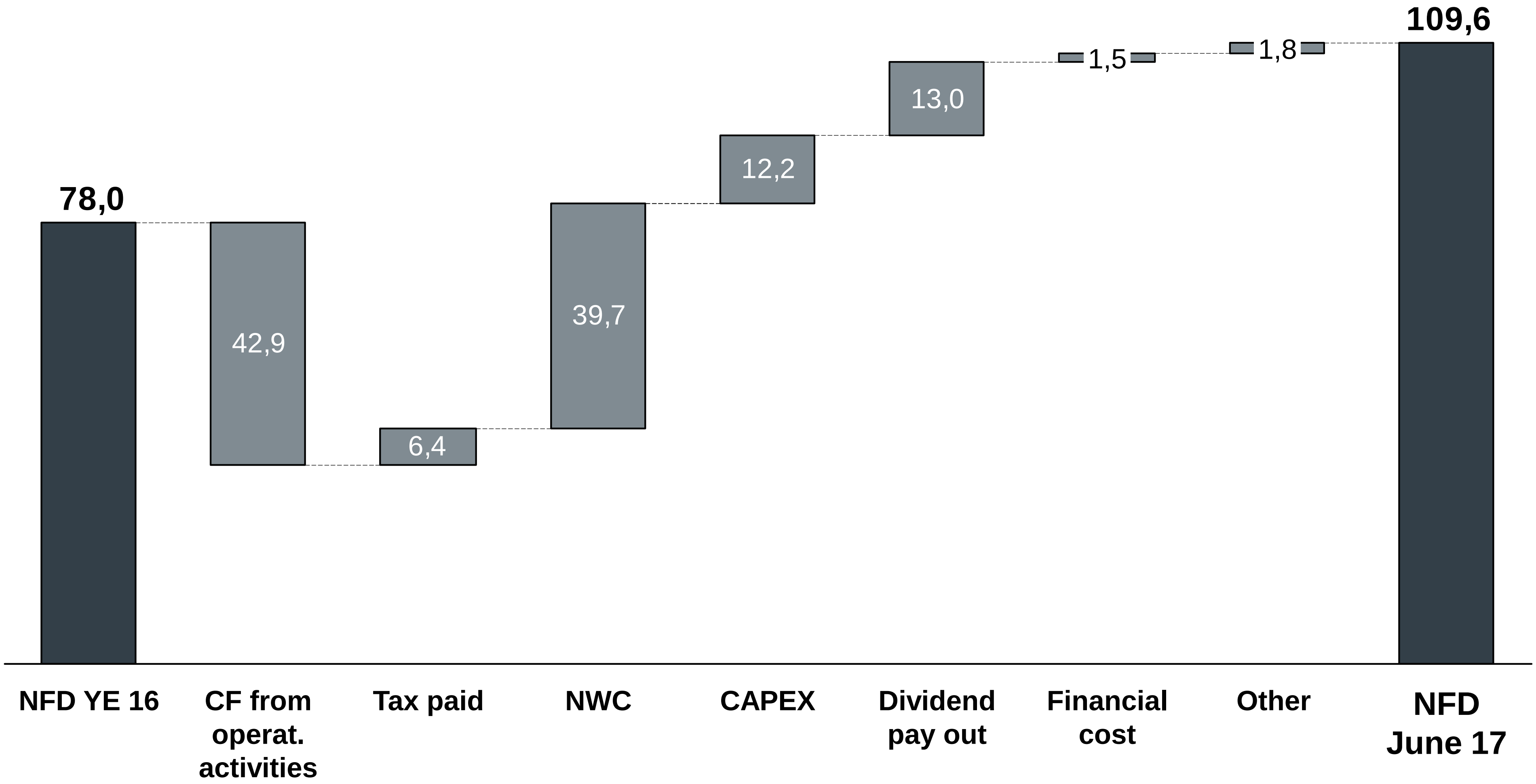
Current bank debt

- Mainly composed of credit lines stand-by and short-term financing. As of 30/06/2017
  - Lines of credit and overdrafts uncommitted for ~76€m of which €31,6m drawn (revocable / floating rate: EURIBOR + spread)
  - Committed credit line (medium-long term) for ~€45m o/w €15m drawn (floating: EURIBOR + spread)

Current portion of non-current debt / Non current financial debt

- Flexible financial structure based on bank amortizing loans with ~2,1y duration (floating: EURIBOR + spread)
- During H1-17 one amortizing loan has been hedged with a plain vanilla interest swap (Notional: 18m€, maturity 2020)

Net Financial Debt walk



Annexes

Profit and Loss statement

€m	Jun 2016	Jun 2017	Jun 2016 vs Jun 2017 Δ %
Total revenue	**250,0**	**266,4**	***6,6%***
Cost or raw, ancillary and consumable materials and goods for resale	(88,6)	(90,9)	*2,6%*
Service, Rentals and leases	(67,9)	(68,1)	*0,3%*
of which (cost) not recurrent	*(2,2)*	*(0,0)*	
Personnel cost	(58,1)	(62,0)	*6,7%*
of which (cost) not recurrent	*(0,1)*	*(0,0)*	
Depreciations, amortisations and write-downs	(10,7)	(11,4)	*6,6%*
Provision for risk and charges	(1,6)	(1,5)	*(4,2%)*
Other operations cost	(5,3)	(2,5)	*(52,3%)*
of which (cost) not recurrent	*(2,7)*	*0,2*	
Share of result joint venture	0,1	(0,6)	*(514,5%)*
Net operating income	**17,9**	**29,4**	***64,6%***
Margin (%)	*7,2%*	*11,0%*	
Financial income and (expenses)	(1,1)	(2,8)	*160,9%*
Profit (loss) before tax	**16,8**	**26,6**	***58,4%***
Taxes	(7,6)	(8,0)	*5,9%*
Profit (loss) before minority interest	**9,2**	**18,6**	***101,8%***
Margin (%)	*3,7%*	*7,0%*	
Profit (loss) for the year of minority interests	(0,1)	(0,1)	*(25,9%)*
Profit for the year	**9,1**	**18,5**	***103,0%***

Key comments

Net operating income

- Non recurring items not present in 1H 2017
- Increase both in sales volume and sales price
- Optimization of production processes with positive impact on manufacturing direct costs
- Lower opex despite increase in sales

Positive FX impact driven primarily by USD, RUB and BRL partially compensated by negative impact of GBP (vs 1H2016)

- +€1,5m on revenues
- +€1,0m on EBITDA ADJ
- +€1,0m on NET RESULT

Tax rate

- Italian tax rate (IRES) reduced from 27,5% H1 2016 to 24% H1 2017
- Subsidiary earning harmonization

EBITDA Reconciliation

€m	Jun 2016	Jun 2017	Jun 2016 vs Jun 2017 Δ %
Net operating income	**17,9**	**29,4**	***64,6%***
LTMIP before 2015			
Restructuring costs	0,6	(0,0)	
Consultancies costs			
IPO Cost	2,3	(0,2)	
Brasil tax (previous year)	2,1	0,0	
China WH litigations			
Total not recurring items	**5,0**	**(0,2)**	***(103,5)%***
Adjusted Net operating income	**22,9**	**29,3**	***27,9%***
Depreciations, amortisations and write-downs	(10,7)	(11,4)	*6,6%*
Provision for risk and charges	(1,6)	(1,5)	*(4,2%)*
EBITDA adjusted	**35,2**	**42,2**	***20,0%***
Margin %	***14,1%***	***15,8%***	
Non recurring	5,0	(0,2)	
EBITDA	**30,2**	**42,4**	
Margin %	***12,1%***	***15,9%***	

Cash Flow statement

€m	Jun 2016	Jun 2017	Jun 2016 vs Jun 2017 Δ ass.	Jun 2016 vs Jun 2017 Δ %
Profit for the year	**9,2**	**18,6**	**9,4**	***101,8%***
Depreciation, amortization and impairment losses	10,7	11,4		
Provisions	1,6	1,5		
Share of net result from joint ventures	(0,1)	0,6		
Net financial expenses	1,2	2,6		
Income/(expenses) from investments	(0,1)	0,2		
Income tax expenses	7,6	8,0		
Cash flows from operating activities before changes in working capital	**30,0**	**42,9**	**12,9**	***42,9%***
Change in inventory	(7,8)	(3,7)		
Change in trade receivables	(1,3)	2,5		
Change in trade payables	7,7	(26,8)		
Change in other operating assets and liabilities	(9,5)	(11,4)		
Non-recurrent fiscal payment	(12,0)	0,0		
Income taxes paid	(17,1)	(6,4)		
Net cash inflow from operating activities (A)	**(10,0)**	**(2,9)**	**7,2**	***(71,5)%***
Investments in property, plant and equipment	(24,9)	(4,5)		
Disposals of property, plant and equipment	0,0	0,0		
Investments in intangible assets	(4,1)	(7,6)		
Disposals of intangible assets	0,0	0,0		
Dividends received from associates	0,0	0,0		
Dividends received from other entities	0,1	0,1		
Dividends received from joint ventures	0,7	0,0		
Minority Interest	0,0	(0,0)		
Investments in subsidiaries, associates and other entities	(19,0)	(0,3)		
Disposal of subsidiaries, associates and other entities	0,0	0,0		
Net cash inflow (outflow) from investing activities (B)	**(47,3)**	**(12,4)**	**34,9**	***(73,8)%***
Proceeds from new borrowings	97,9	0,0		
Repayment of borrowings	(9,2)	(10,9)		
Net increase (decrease) of current financial assets and liabilities	(43,9)	27,0		
Dividends paid	0,0	(13,0)		
Payments of net financial expenses	(3,2)	(1,5)		
Net cash inflow (outflow) from financing activities (C)	**41,5**	**1,6**	**(39,9)**	***(96,1)%***
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)	**(15,8)**	**(13,6)**	**2,2**	***(13,9)%***

Balance Sheet

€m	Jun 2016	% on Revenues	Jun 2017	% on Revenues
Inventories	68,0	*27,2%*	75,7	*28,4%*
Trade receivables	88,6	*35,4%*	89,6	*33,6%*
Trade payables	(100,8)	*(40,3%)*	(99,4)	*(37,3%)*
Trade Working Capital	**55,9**	***22,4%***	**65,9**	***24,7%***
Other current assets/(liabilities)	(26,8)	*(10,7%)*	(45,3)	*(17,0%)*
Current tax liabilities	(4,4)	*(1,7%)*	(4,6)	*(1,7%)*
Provisions	(16,4)	*(6,5%)*	(12,7)	*(4,8%)*
Net Working Capital	**8,4**	***3,3%***	**3,3**	***1,2%***
Property, plant and equipment	141,9	*56,8%*	141,5	*53,1%*
Intangible assets	21,5	*8,6%*	27,1	*10,2%*
Investments in joint ventures	22,3	*8,9%*	20,5	*7,7%*
Employee benefit obligations	(3,1)	*(1,3%)*	(3,2)	*(1,2%)*
Other non current asset and (liabilities)	7,8	*3,1%*	12,9	*4,8%*
Net Fixed Capital	**190,3**	***76,1%***	**198,9**	***74,7%***
Net Invested Capital	**198,7**	***79,5%***	**202,2**	***75,9%***
Shareholders' Equity	53,5		92,6	
Financial Net Debt	145,2	*58,1%*	109,6	*41,1%*
Total Source of Funding	**198,7**	***79,5%***	**202,2**	***75,9%***