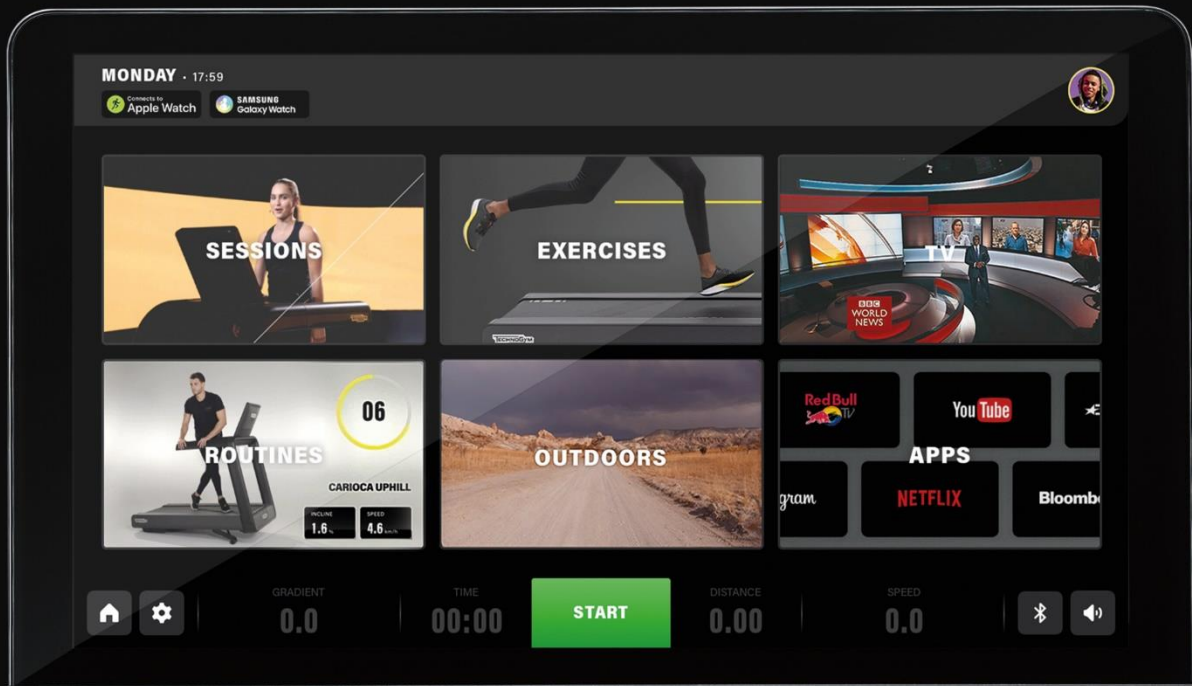


2020 HALF-YEARLY FINANCIAL REPORT



TECHNOGYM



TECHNOGYM GROUP

HALF-YEARLY FINANCIAL REPORT AS OF 30 JUNE 2020



The Wellness Company

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1. CORPORATE DATA

Registered office

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

Legal details

Authorised and subscribed share capital Euro 10,066,375
VAT number, Tax Code and CCIAA (Chamber of Commerce, Industry, Craft Trade and Agriculture) no.: 06250230965
Forlì Cesena Economic and Administrative Register, 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, Vremena Goda, Kutuzovsky Ave, 48

Saint Petersburg, Bolshoy prospekt P.S. 49/18

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

Marbella, Bulevard Principe Alfonso de Hohenlohe, Centro Comercial La Poveda locale

Madrid, Calle de Claudio Coello, 77

www.technogym.com

Investor relations

investor.relations@technogym.com

Press Office

pressoffice@technogym.com

2. CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

Chairman	Francesca Di Donato
Standing Auditors	Claudia Costanza
	Ciro Pietro Cornelli
Alternate Auditors	Laura Acquadro
	Stefano Sarubbi

Supervisory Body

Chairman	Andrea Ciani
	Giuliano Boccanegra
	Emanuele Scorsonetto

Officer in charge

Andrea Alghisi

Independent Auditors

PricewaterhouseCoopers S.p.A.

⁽¹⁾ Member of the Control and Risks Committee

⁽²⁾ Member of the Appointments and Remuneration Committee

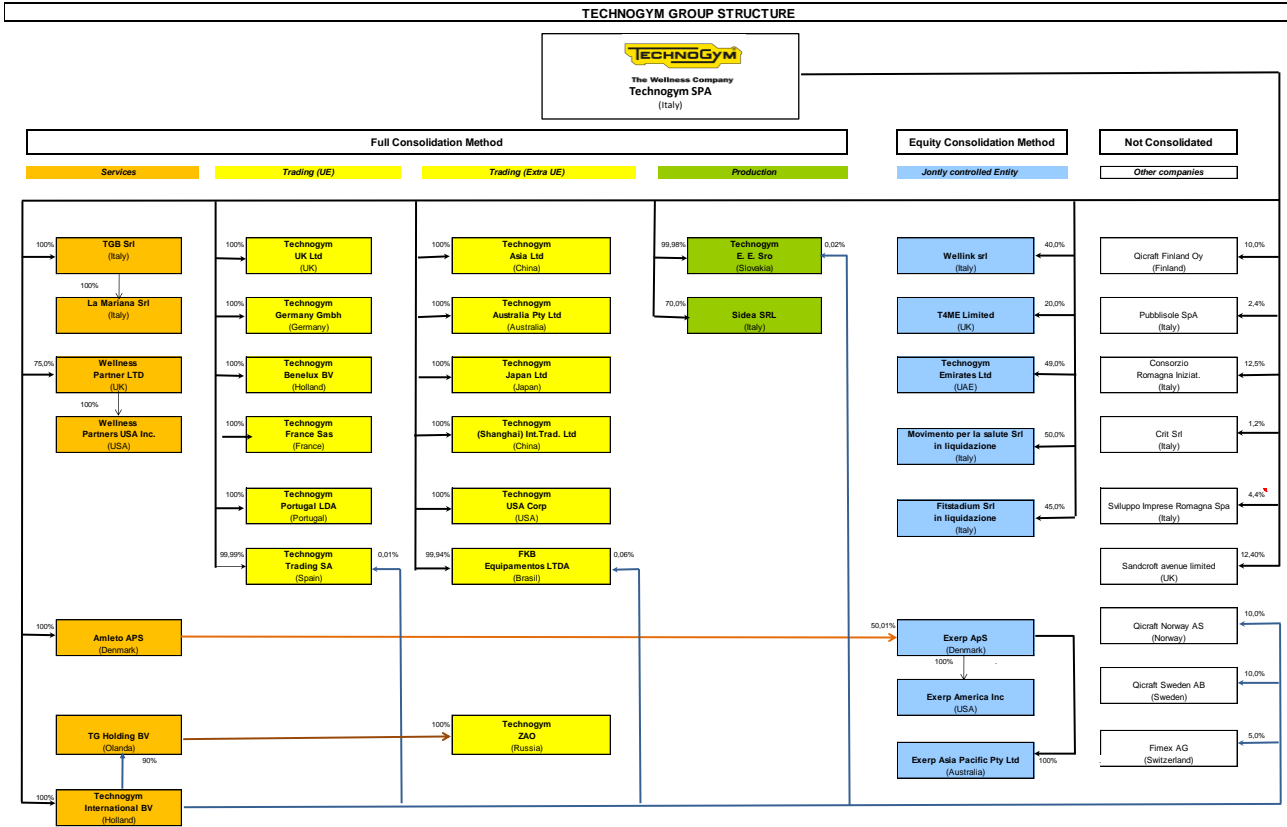
⁽³⁾ Member of the Related Party Transactions Committee

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

⁽⁵⁾ Lead Independent

⁽⁶⁾ Independent Director

3. GROUP ORGANIZATIONAL CHART AS OF 30 JUNE 2020



4. INTERIM BOARD OF DIRECTORS' REPORT

Covid-19 update

In view of the global economic scenario attributable to Covid-19, the Group has adopted a number of actions to limit the negative effects of the pandemic, in addition to measures taken by various governments worldwide to mitigate the negative economic and financial effects. The main actions taken are summarised below.

Digitalisation. The group upped the pace of its internal and market-focussed digital transformation, targeting important development and growth objectives. As regards the health emergency, the Mywellness Cloud platform was key for all operators to stay in contact with their customers and continue to develop activities. Having a digital ecosystem on hand enabled Technogym to acquire new customers and propose solutions in an innovative dimension. Growth recorded in the last few months is comparable to that of the last few years. At the same time, Technogym employees were able to benefit from the investments made by the Group in recent years in order to improve processes and an increasingly digital work strategy.

Home-Consumers. During the first half of 2020, demand from end consumers went up considerably for training solutions that could also be used in their homes. This trend was particularly significant during lockdown, affecting various areas worldwide to different extents, but it also continued at considerable levels after a return to normal activities. These results stem from the company's unwavering focus on the complementary nature of training in different places, with wellness-on-the-go and technological solutions developed over the years to achieve this objective.

Sales network. The sales network kept its focus on maintaining relations with all professional operators and above all on supporting growth, which was particularly significant in the Home & Consumer segment, through an extensive management of CRM and remote sales which enabled it to operate safely.

Production and distribution. Due to production at the Italian factory stopping for several weeks, some products dedicated to the consumer market were out of stock, however the logistics centres continued to operate with some limitations, and did not register any significant discontinuities. At present, all backlogs have been processed and the factory is in line with the delivery schedule.

Personnel. After lockdown, a strict health protocol was adopted to protect the health and safety of all employees, if required by local legal requirements. These protocols made it possible for personnel to gradually return to the workplace at different sites, which are now partly operative. The only exception is the Americas, where the current situation means that the offices cannot be fully operative.

Operating costs. As regards the management of operating costs, Technogym intensified the streamlining of activities already underway and carefully selected strategic activities to focus on. This process made it possible to reduce main expenditure items, thanks also to renegotiation with suppliers, which produced encouraging results.

Investments. Investments in technology, product innovation and digital solutions are strategic. During the year, investments necessary to guarantee the continual development of solutions enabling the company to meet the market's needs for increasingly innovative, top-quality solutions, were carefully selected.

Cash management. Considerable focus was placed on cash management, maximising *credit collection* activities, keeping stock levels in check and undersigning new *committed* credit lines, the majority of which are still undrawn.

This document contains the estimates and forecasts relative to future events that will affect the Group's operating, economic and financial results. These forecasts are based on current expectations and forecasts of the Group, however actual results could differ even significantly from statements made in this document, due to a number of variables, including the volatility and deterioration of capital and financial markets, changes in the prices of raw materials, changes in macro-economic conditions and economic growth and other changes in business conditions, in the legal and institutional context (both in Italy and abroad), and many other factors, the majority of which are beyond the Group's control.

Operating performance and comments on the economic and financial results

Macroeconomic scenario

“The contraction in international trade worsened in April. In recent weeks, there have been signs of a recovery, but the risks are still significant. Since May, the epidemic has intensified in some emerging economies and in the United States. The expansionary measures have helped to ease the strains on the financial markets, which nevertheless remain sensitive to news about the spread of contagion”.

This extract is taken from the latest Economic Bulletin published in July by the Bank of Italy, which immediately notes that the current year will be affected by the spread of the Covid-19 pandemic.

The severity of containment measures and their composition varied from country to country based on the severity of the epidemic, but also on the choices made by respective governments. In most cases, the aim was to reduce contact between people, while in Japan and South Korea diagnostic procedures to anticipate the spread of the contagion were used to a greater extent. These measures have had a significant impact on economic activity and global trade (international trade down by 11% in the first quarter), also affecting countries that adopted more moderate restrictions, such as Sweden.

Despite gradual signs of recovery appearing from May onwards, prospects for the international economic framework in which the Technogym Group operates appear weak. At the beginning of July, the effects of the pandemic had slowed down in Europe, but were accelerating in some US states and in many emerging countries. The pandemic caused a strong slowdown in activities in the first quarter, which became more accentuated in many countries during April, when industrial production fell by 10% on a monthly basis in the US and by 20% in the UK. In April, the PMI (purchasing managers' indexes) of manufacturing companies fell further in all countries, to reach record lows in Europe. After the gradual reopening of activities, these indexes partially went back up in May and June, going above the expansion threshold in the United States and in the United Kingdom. This context of considerable uncertainty was accompanied by a worsening in protectionist tensions between China and the United States that could further slow down the recovery of world trade.

Considering in more detail the macro-economic parameters of geographical areas where the company is involved to a greater extent, GDP fell slightly in Japan in the first quarter of the year (-2.2% YOY), without practically any inflation pressure (+0.1% YOY in May), to reach the lowest figures of the last four years. Despite the fact that initiatives to contain the pandemic stopped activities for a shorter time than other nations, Italy's GDP is expected to drop considerably in 2020 (-5.8%), followed by a partial recovery (+2.4%) in 2021, according to the latest estimates from the IMF.

In the United States, the Federal Government has delegated states to manage the pandemic and this has led to a varied change in GDP, considering the restrictions applied locally. However, in general, despite the emergency not yet being over and many states still being in lockdown, important signs of a recovery can be seen in the unemployment rate which, after reaching a record high of 14.7% in April, rapidly fell to 11.1% in June, demonstrating the strong flexibility of the domestic employment market. In this context, GDP in the United States fell by 5% YOY during the first quarter and, despite activities picking up in the last few months, estimates point to an 8% decrease in 2020, followed by a 4.5% growth in 2021 supported by an accommodating monetary policy adopted by the FED; despite the *helicopter money* decided by the White House to directly support families with the current inflation rate, equal to 0.1%, and the gradual reduction in the average hourly wage (today equal to USD 29.37, with a decrease of over 2% in just two months), it is unlikely that the FED's expansionary monetary policies will be changed.

In the United Kingdom, affected by a considerable spread of the pandemic and by an ongoing uncertainty over the finalisation of Brexit, business confidence fell to record lows, with the manufacturing sector PMI reaching 32.6 in April, the lowest figure of recent years, despite this indicator quickly recovering with the re-opening of numerous economic activities in May and June. GDP fell by 8.5% during the first quarter, also driven by a drop in consumption (-4.3%) and the decrease on an annual basis is expected to be -10.2%, followed by a considerable recovery (+6.3%) in 2021. With inflation at around 0.5% and necessary support for the economy, the Bank of England in its June meeting increased the amount of new purchases of government bonds and non-financial company bonds by 100 billion GBP (to reach 745 billion in July), in order to support financial markets. Moreover, quotations of futures on overnight rates point to possible negative values in the near future.

Among emerging countries, growth declined in China (-6.8% in the first quarter), following the Covid-19 pandemic affecting the country mainly in the first few months of the year. Despite this, industrial production recovered from as early on as April and continued to consolidate in May and June, thus expectations of growth picking up by the end of the year (+1% expected for 2020) are realistic, despite unknown factors relative to a possible new worsening in trade tensions with the US that could hamper recovery. In India, growth slowed down in the first quarter compared to the last quarter of 2019 (+3.1% vs. +4.1%), following the first signs of the pandemic spreading; in July the pandemic was still spreading with a considerable impact on economic activities, with the expected effect of a 4.5% drop in GDP in 2020. However, a recovery is expected in 2021 (+6.0%). Russia and the country most affected by the pandemic - Brazil - are also expected to report significant downturns in their economy in 2020 (-6.6% and -9.1% respectively), while only a partial recovery is expected for 2021 (+4.1% and +3.6% respectively).

Moving on to the Euro area, which accounts for more than 50% of the Technogym Group's overall turnover, the approval of extraordinary measures to support the economy and actions taken by the central bank have made it possible to guarantee the solidity of the banking and financial system and therefore to plan recovery from 2021 onwards. During the first quarter, GDP in the Euro area fell by 3.8% and is expected to decrease by 10.2% in 2020, followed by a recovery of 6.0% in 2021. Inflation on an annual basis was still very low (0.3% in June), thus supporting the recent decisions of the ECB in the meeting of 4 June to consolidate the programme to purchase public and private securities for the pandemic (Pandemic Emergency Purchase Programme, PEPP), increasing the figure to 1,350 billion and extending the minimum duration. Net purchases will continue until the pandemic crisis has ended, with the possibility of adapting the various tools to developments in the emergency.

Thanks to support from the central bank, the credit system continued to grant credit to companies, thus the cost of funding was kept substantially low. In the three months ending in May, Banks in the Euro area disbursed €261 billion, with a 23.1% increase YOY, to support liquidity needs related to the Covid-19 crisis. Instead, loans to families fell (-0.5% YOY in May) related to a general decrease in spending and in property transactions in all Euro area countries.

In Italy, where Technogym has its headquarters and which accounted for less than 10% of turnover for the half year period, the impact of the lockdown measures decided by the government to contain the pandemic should have mainly had an effect in the second quarter of the year, for which a decrease of around 10.0% is expected, after the 5.3% fall recorded in the first quarter. This negative performance was mainly due to the downturn in domestic demand (-4.7% YOY in the first quarter), household spending (-6.6%) and exports (-8.0%).

As regards international financial markets, the tensions caused by the spread of the pandemic gradually eased off starting from the end of March and above all during the second quarter, although markets are still highly sensitive of how the contagion is trending in different areas worldwide. Since the beginning of April, long-term returns have basically stayed the same in main advanced economies. In the first few days of July, returns on ten-year government bonds amounted to 0.7% in the US, 0.0% in Japan, 0.1% in the United Kingdom and -0.5% in Germany. The differentials in return with German ten-year bonds decreased slightly in all peripheral countries, including Italy (-25 basis points). From April onwards, share prices picked up considerably, buoyed by a greater risk appetite of investors, in view of the stimulation plans launched by governments and central banks, and a significant reduction in volatility; during the pandemic, the VIX that measures the volatility of the S&P 500 reached a level higher than that of the great financial crisis of 2008. In this context, the historic difference in terms of returns between European and US share prices worsened. While in Europe the Eurostoxx 50 was still recording a decrease of more than 10 percentage points, at the end of July, the S&P 500 and Nasdaq indices in the US were positive thanks to a considerable contribution from technological securities.

In Italy, the share market (FTSE All Shares) recorded a performance of -19% from the start of the year to 30 June, slightly below the -14% of the Stoxx 600, the index representing main European companies by capitalisation. In this context of general weakness, the Technogym share registered a decrease of 36% from the start of the year up to 30 June.

Currency market

Currency market movements in the period were affected by the spread of the pandemic and by the expansionary policies adopted by central banks as well as governments, to limit the impact on the economy. In the first half of the year, the average exchange rate of the euro went up by 3.4% against the GBP, while it fell 1.7% against the USD; its depreciation against the Japanese Yen was more euro marked (-2.0% in the period). The continuation of an emergency situation, such as Covid-19 in the US, along with the approval of important measures to support the economy by the European Authorities (Next Generation EU), considerably consolidated the Euro in July against the three main currencies indicated above.

Industry scenario

Connectivity between personal devices and exercise machines, able to provide end users with a unique and integrated fitness experience, thanks to dedicated software has been a common theme for years at Technogym, uniting product innovation, solutions and services, and leading the way for the entire industry during the first half of the year, following the Covid-19 pandemic. The lockdown implemented in most countries worldwide has increased end users' interest in virtual training content that can support training from home and other places, boosting and consolidating the on-the-go strategy that has always been at the heart of Technogym's development and innovation plans. In this scenario, B2B operators such as Clubs have begun to note an improvement in their capacity to retain members, thanks also to training content that is accessible from anywhere.

The other main sector *trend* - physical exercise as a means of prevention and maintaining health is expected to register an increase following the Covid-19 pandemic, with a greater level of political/institutional attention paid by governments worldwide.

Global business for all *fitness equipment manufacturers* is expected to grow by 3.5% (source: Allied Market Research) in the 2020-2027 period. At a geographical level, North America and Europe should be confirmed as the biggest markets; however they are more mature, so rates will be lower, while emerging areas should record higher growth rates, such as APAC with +7.6%.

Lastly, North America and Europe are confirmed as the main markets, at a geographical level, and should represent around 67% of the market in 2020.

Comments on the economic and financial results

2019 was the year that IFRS 16 was first adopted, so the financial results in this section are commented on, including the effect of this standard, unless otherwise indicated.

The economic data recorded by the Group in the first half of 2020 are summarized below, and compared with the first half of the previous year:

	Half year ended 30 June		Changes	
	2020	2019	2020 vs 2019	%
<i>(In thousands of Euro and ratios)</i>				
Revenues	222,448	295,261	(72,813)	(24.7%)
Adjusted EBITDA ⁽¹⁾	37,268	50,353	(13,085)	(26.0%)
Adjusted EBITDA Margin ⁽¹⁾	16.8%	17.1%	(0.3%)	(1.8%)
Adjusted net operating income ⁽²⁾	17,850	34,208	(16,358)	(47.8%)
Profit for the period <i>adjusted</i> ⁽³⁾	11,400	25,239	(13,839)	(54.8%)

⁽¹⁾ The Group defines:

- *adjusted* EBITDA as the net operating income, adjusted by the following income statement items: (i) net provisions; (ii) depreciation, amortisation and impairment losses and (iii) non-recurring income/(expenses);

- *margin adjusted* EBITDA as the ratio between adjusted EBITDA and total revenues.

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

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

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

<i>(In ratios)</i>	Half year ended 30 June	
	2020	2019
ROS Adjusted	8.0%	11.6%

Total revenues came to Euro 222,448 thousand, down by Euro 72,813 thousand (-24.7%) compared to Euro 295,261 thousand in the first half of 2019. This decrease was due to the Covid-19 pandemic and the strict measures put in place by governments worldwide, to limit the spread of the virus, which led to lower sales volumes, partially offset by the increase in home consumer sales and services, related above all to the digital segment.

With constant exchange rates, total revenues as of 30 June 2020 would have been equal to Euro 221,671 thousand (-24.9% compared to the first half of 2019).

Adjusted EBITDA was equal to Euro 37,268 thousand, down by Euro 13,085 thousand (-26.0%) compared to Euro 50,353 thousand in the first half of 2019, affected to a considerable extent by the decrease in turnover despite the considerable reduction in operating costs.

Overall, the Group maintained an Adjusted EBITDA margin in line with the previous half year. The adjusted EBITDA margin as of 30 June 2020 was equal to 16.8%, (17.1% as of 30 June 2019), thanks to the considerable reduction in operating costs.

Adjusted ROS for the half year ended 30 June 2020 was affected by the spread of Covid-19 and the strict measures adopted by local authorities to contain it. At the same time, higher depreciation and amortisation were recorded compared to the previous year, following greater investments made to boost the digitalisation process and due to new technologies used to develop content.

In this regard, it should be noted that the trend of revenues in the different quarters of the year is linked primarily to customers' tendency to make their purchases in the second half of the year.

Adjusted net operating income came to Euro 17,850 thousand, down by 16,358 thousand (-47.8%) compared to 34,208 thousand in the first half of 2019, negatively affected by the decrease in sales volumes, which was partially offset by activities put in place to keep costs down. Net operating income in the first half of 2020 was also affected by higher amortisation and depreciation compared to the first half of 2019, equal to Euro 2,475 thousand, and higher provisions for risks, amounting to Euro 798 thousand.

Profit for the period adjusted was equal to Euro 11,400 thousand, down by Euro 13,839 thousand (-54.8%) compared to Euro 25,239 thousand in the first half of 2019. The change is mainly affected by the Net operating income above mentioned.

In the half year ended 30 June 2020, non-recurring expenses equal to Euro 5,332 thousand were recorded, mainly attributable to the write-down of the investment of Euro 2,468 thousand, Euro 1,000 thousand donated to the intensive care units of hospitals in Romagna for the Covid-19 emergency and non recurring taxes. As of 30 June 2019, non-recurring expenses amounted to Euro 48 thousand.

The table below shows the consolidated statement of financial position in condensed and reclassified form, which reports the structure of invested capital and sources of financing as of 30 June 2020 and as of 31 December 2019.

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Loans		
Net Fixed Capital ⁽⁴⁾	245,885	243,845
Net Operating Capital ⁽⁵⁾	5,395	12,578
Net Invested Capital	251,280	256,423
Sources		
Equity	265,381	260,089
Net financial position (Cash) ⁽⁶⁾	(14,101)	(3,666)
Total sources of financing	251,280	256,423

⁽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⁾ The net financial position consists of: (i) Current financial assets, (ii) Financial derivative assets, (iii) Cash and cash equivalents, (iv) Non-current financial liabilities, (v) Current financial liabilities and (vi) Financial derivative liabilities.

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

<i>(In ratios)</i>	As of and for the half year ended 30 June	As of and for the year ended 31 December
	2020	2019
ROE	27.8%	32.0%
ROI	35.1%	42.3%
Adjusted ROI	37.3%	43.9%
Net Financial Indebtedness /EBITDA ratio	0.12	0.02

Net fixed capital came to Euro 245,885 thousand, up by Euro 2,040 thousand compared to Euro 243,845 thousand for the year ended 31 December 2019. This increase is primarily due to the normal activities of investment in new product development.

Net operating capital came to Euro 5,395 thousand, down by Euro 7,183 thousand compared to Euro 12,578 thousand in the year ended 31 December 2019, mainly due to the decrease in working capital, as a result of the decrease in the balances of the items “Trade receivables” (Euro -58,635), as a result of actions taken by the group for credit collection activities and careful credit risk monitoring.

The item “trade payables” was down by Euro -38,813 thousand, while the balances of the items “Inventories” increased by Euro 14,622 thousand. To this end, it should be noted that: (i) the average days of inventories in stock rose from 60 for the year ended 31 December 2019 to 80 for the half year ended 30 June 2020, while the inventory turnover ratio fell from 6.1 to 4.6; this effect is due to normal seasonal trends of the business, partly accentuated by the health emergency; (ii) the average days of collection of trade receivables fell from 59 for the year ended 31 December 2019 to 35 for the half year ended 30 June 2020, with the trade receivables turnover ratio went up from 6.2 to 10.4, further reflecting the excellent credit management performance of the first half of 2020; (iii) the average days of payment of trade payables went down from 112 for the year ended 31 December 2019 to 89 for the half year ended 30 June 2020, with the trade payables turnover ratio going up from 3.2 to 4.1.

The **Net financial position** was positive by Euro 14,101 thousand, up by 10,435 thousand compared to 3,666 thousand for the year ended 31 December 2019. This improvement is due to the group's ability to generate cash flows despite the pandemic. The net financial position amounted to Euro 50,229 thousand negative as of 30 June 2019.

Moreover, the group undersigned some committed credit lines, to support investments and cover any cash needs, which are mainly undrawn at present, as detailed below:

<i>(In thousands of Euro)</i>	Cash credit lines	Self-liquidating credit lines	Financial credit lines	Total
As of 30 June 2020				
Credit lines	7,382	17,751	271,359	296,492
Utilisations	-	-	(55,833)	(55,833)
Credit lines available at 30 June 2020	7,382	17,751	215,526	240,659

Moreover, the group did not benefit from any loans which were part of the measures to support businesses approved by the Italian government or provided by the banking system with state guarantees, in the reporting period.

Group shareholders' equity came to Euro 265,381 thousand, up by Euro 5,292 thousand (+2.03%) compared to Euro 260,089 thousand in the year ended 31 December 2019. This increase is primarily due to the recognition of profit for the period of Euro 6,068 thousand.

Segment reporting

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

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

Technogym ended the first half of the year with a sales performance that was down over the previous year (-24.7%). A breakdown of revenues by geographical area is provided below:

<i>(In thousands of Euro and percentage of total revenues)</i>	Half year ended 30 June			
	2020	2019	2020 vs 2019	%
Europe (without Italy)	105,956	139,393	(33,437)	(24.0%)
APAC	39,163	53,092	(13,929)	(26.2%)
North America	28,329	41,810	(13,481)	(32.2%)
Italy	25,740	25,834	(94)	(0.4%)
MEIA	17,641	24,193	(6,552)	(27.1%)
LATAM	5,619	10,940	(5,321)	(48.6%)
Total revenues	222,448	295,261	(72,813)	(24.7%)

In geographical terms, the overall result was mainly affected by the following drivers:

- **Europe (-24.0%)** negatively affected by accumulated delays in the UK and France and in markets covered by the distribution channel.
- **North America (-32.2%)** due to a downturn in volumes of KA Clubs and the impacts of Covid-19 on the Hospitality & Residential segment.
- **APAC (-26.2%)** due to a weak performance in China, Japan and in markets covered by the distribution channel.

The result in Italy was basically in line with the previous half year period, unlike the Group average, while a downturn was recorded in MEIA and LATAM (in particular, the fall in Brazil was due to the health emergency and repositioning of the company on the local market).

A breakdown of revenues by sales channel is provided below:

(In thousands of Euro and percentage of total revenues)	Half year ended 30 June			
	2020	2019	2020 vs 2019	%
Field sales	143,174	210,994	(67,820)	(32.1%)
Wholesale	46,045	61,062	(15,017)	(24.6%)
Inside sales	28,355	19,389	8,966	46.2%
Retail	4,874	3,816	1,058	27.7%
Total revenues	222,448	295,261	(72,813)	(24.7%)

As regards sales channels, the following is reported:

- **Inside Sales (+46.2%)**, that benefited from the increase in demand from the Home & Consumer segment, following the Covid-19 pandemic.
- **Retail (+27.7%)** also supported by the growing demand for home training solutions, with highly significant performances by all the group's flagship stores.
- **Wholesale (-24.6%)**, due mainly to delays in the emerging regions APAC, MEIA and LATAM.

The result of Field Sales was also down, due to the impact of lockdown on international sales activities during the second quarter of the year.

Risk factors

Financial risks

Financial markets continued to be volatile during the first half of 2020. In this scenario, the Group implemented policies to monitor and mitigate potential risks, in line with group policies, 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. Variable rate loans expose the Group to the risk of fluctuations of cash flows due to interest. The Company does not use derivative instruments to hedge interest rate risks.

Exchange rate risk

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

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

- “*natural hedging*”, i.e. a risk management strategy that pursues the objective of combining both economic-financial flows (revenues-costs, collections-payments) and balance sheet assets and liabilities that are denominated in the same foreign currency and that have a consistent 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*)

Liquidity risk and change in cash flows

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

Price risk

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

Non-financial risks

Internal risks - effectiveness of processes

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

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

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

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

External risks - markets, country risk

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

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

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 2020 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 personalisation and general improvement in the wellness experience for users and, on the other, new opportunities for professional operators to widen their customer base and retain customers.

As part of Technogym Ecosystem, TECHNOGYM presented the new Mywellness app 5.0 during 2020 - the app which enables sector operators (fitness clubs and trainers) to live stream the training content and programmes of their facilities

to customers at home or wherever they are. This new application was highly successful during lockdown, when fitness clubs were subject to restrictions in many areas worldwide.

Subsequently, during post-lockdown re-opening, Technogym developed a complete project for operators, to support them in introducing new digital functions for the Mywellness app, to book various club services including access management, booking and consequently managing the capacity of various areas.

In the home segment, during the first 6 months of 2020, Technogym continued its launch of the TECHNOGYM BIKE in main European countries, following the promotion of the product in Italy and the UK at the end of 2019.

In June, the company also launched a new solution for the hospitality market that combines hotel wellness centres with a new in-room solution, for a modular wellness solution for hotel rooms that can include the Technogym Bike, My Run and the new Technogym Case, an exclusive bag with a complete range of exercise bands and accessories.

Lastly, the Pure Strength line - for plate-loaded training - was expanded with the launch of 5 new products.

Medical and scientific research

A scientific approach is an integral part of TECHNOGYM's product development, and the company works with many experts in the field as well as with numerous Italian and international universities. These partnerships focus on the biomechanical and physiological analysis of products being developed, in order to certify their security and effectiveness and study the benefits for sport and health.

Since the start of the year, Technology has set up a new lab, called a "motion room" within the Technogym Lab, dedicated to analysing movement. The motion room is equipped with the latest technologies and is used both to test elite athletes and analyse Technogym products in the development process.

The relationship with the Universities of Loughborough (UK) and University of South Florida should be noted in particular, with which the company is conducting validation tests on products and solutions. In Italy, there are ongoing structured partnerships with the Universities of Padua, Udine and IUSM in Rome, and with the Hospital S. Raffaele Pisana, Rome. A new partnership was started with the Department of the Physical Mechanics of Human Locomotion, Milan University, for the independent analysis of new products. Scientific research in the area continues, with publications of scientific studies in indexed journals and the participation of Scientific Department managers at national and international conferences as speakers.

Investments and acquisitions

During the first half of 2020, the Group made investments in property, plant and equipment and intangible assets totalling Euro 8,635 thousand, down on the figure for the first half of 2019, thanks to a careful selection of strategic investments designed to develop the business, deferring investments not considered as urgent.

The data in this section do not include the recognition of the right of use arising from the adoption of IFRS 16.

The amounts of investments made by the Group in the half year ended 30 June 2020 and in the year ended 31 December 2019 are shown below, broken down by type:

<i>(In thousands of Euro)</i>	Half year ended 30 June	Year ended 31 December
	2020	2019
Property, plant and equipment	2,651	21,333
Intangible assets	5,985	16,761
Total investments	8,636	38,094

The table below shows the amounts of investments made by the Group in the half year ended 30 June 2020 and in the year ended 31 December 2019, relating to the item “Property, plant and equipment”, broken down by category:

<i>(In thousands of Euro)</i>	Half year ended 30 June	Year ended 31 December
	2020	2019
Land	-	15
Buildings and leasehold improvements	258	3,215
Plant and machinery	119	1,105
Production and commercial equipment	1,104	11,989
Other assets	476	3,198
Assets under construction and advances	693	1,812
Total investments in property, plant and equipment	2,651	21,333

The table below shows the amounts of investments made by the Group in the half year ended 30 June 2020 and in the year ended 31 December 2019, relating to the item “Intangible assets”, broken down by category:

<i>(In thousands of Euro)</i>	Half year ended 30 June	Year ended 31 December
	2020	2019
Development expenditure	1,287	4,725
Patents and intellectual property rights	1,895	6,835
Concessions, licenses, trademarks and similar rights	44	192
Intangibles under development and advances	2,679	4,974
Other intangible assets	80	35
Total investments in intangible assets	5,985	16,761

Investments in property, plant and equipment include the purchase of new dies and equipment for production sites.

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

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 30 June 2020, 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 Half-Yearly Consolidated Financial Statements as of 30 June 2020.

Possibility to not disclose information in the case of non-material transactions

Pursuant to Article 70, paragraph 8, and Article 71, paragraph 1-bis of the Issuers Regulation, the Issuer opted to defer the obligation to disclose information in cases indicated in Articles 70, paragraph 6, and 71, paragraph 1 of the Issuers Regulation.

Information on shares

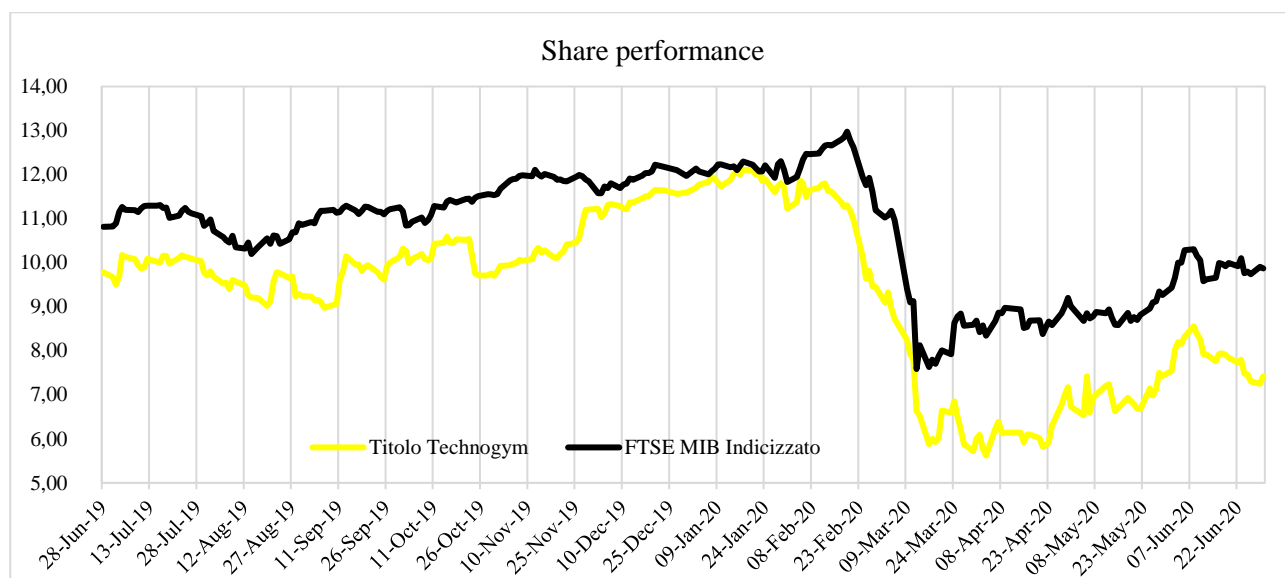
In this scenario, Technogym shares recorded a -36.6% decrease in the first half of the year.

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

Share performance

The diagram below summarizes the performance of the Technogym share:

Main stock market indicators (Euro)	
<i>Shares listing</i>	
Official price as of 2 January 2020	11.70
Official price as of 30 June 2020	7.42
Minimum closing price (January-June)	5.62
Minimum price in absolute terms	5.41
Maximum closing price (January-June)	12.11
Maximum price in absolute terms	12.19
<i>Stock market capitalisation</i>	
Stock market capitalisation as of 2 January 2020	2,355,531,750
Stock market capitalization as of 30 June 2020	1,493,850,050
<i>Ordinary shares</i>	
No. outstanding shares	201,327,500



Shareholding structure

Shown below are the shareholders who, pursuant to art. 120 of the Italian Consolidated Law on Finance (T.U.F.), hold a significant shareholding as of 30 June 2020:

Main shareholders	Number of shares	Share	Voting rights
TGH S.r.l.*	80,000,000	39.80%	56.94%

*company set up following the partial, proportional demerger of Wellness Holding S.r.l., which became effective on 14 May 2020.

Share capital as of 30 June 2020 amounted to Euro 10,066,375, divided into 201,327,500 ordinary shares with no par value. On 17 June 2020, the Board of Directors of the Issuer approved an increase in capital for a total of Euro 16,125.00 to service the “2017-2019 Performance Shares Plan” for the management of the Company and its subsidiaries.

On 6 February 2020, an Accelerated Bookbuilding procedure was completed by Wellness Holding S.r.l. (the company holding the investment in the Issuer up to 14 May 2020), for the sale of 10,000,000 shares of the Issuer.

On 14 May 2020, Wellness Holding S.r.l. carried out the demerger, with the newco Wellness Holding S.r.l. being set up, (VAT registration number 04508790401), renamed TGH S.r.l. on 29 May 2020, which became the holder of the entire investment in the Issuer’s share capital, as a result of the demerger.

Therefore, at the date of publication of this Financial Report, TGH S.r.l. held 39.80% of the Issuer’s share capital (representing 56.94% of total voting rights), while the remaining 60.20% of the Issuer’s share capital is free float on the MTA market managed by Borsa Italiana S.p.A.

Significant events after the reporting period

During Technogym Innovation Outlook held on 28 July 2020, the company launched the Technogym Live Console, an interface that can offer a new, engaging training experience that enables users to access an assortment of live and on-demand training videos from Technogym products and from the new Mywellness app. Technogym Live is also an open platform that combines content developed by Technogym with training content created by fitness clubs to offer end users an unprecedented variety and level of customisation.

At the same time as the digital event, the new EXCITE range was presented, already featuring an innovative digital console to give users a fully customised training experience based on their passions and goals. Thanks to its innovative design and digital training content, Excite combines fun, performance and results, adapting perfectly to the needs of each user. The new Excite is based on 4 key concepts - variety of training content, connectivity, compact design and eco-sustainability - to give users an engaging and customised training experience, and to guarantee sector operators added value and the possibility to innovate the business model.

Outlook

In view of the severity of the economic/social impacts of the Covid-19 pandemic and continuing uncertainty as to its duration and evolution in the various geographical areas where the Group operates, it is hard to specifically estimate the economic trend of 2020. Technogym has already demonstrated a remarkable ability to adapt to adverse, shifting scenarios, as happened during the 2009 crisis, and once again, in this new situation management acted promptly to take all initiatives to protect the company and its profitability, while also safeguarding the development of new products and solutions that will enable the company to maintain its leadership position in the field of innovation. Despite these actions, management believes it is inevitable that the continuation of the pandemic and related degree of considerable uncertainty will have negative impacts on 2020 results compared to the previous year.

Other information

Events and references

Key events during the half year

In the first half of the year, Technogym organised over 200 digital events to keep in contact with its customers and stakeholders, also during the health emergency caused by Covid-19, in the absence of traditional, annual sector trade shows.

Events covered the most important topics of the fitness and wellness sector, in 4 macro-categories:

- **Education:** events dedicated to training for Technogym products;
- **Digital Solutions:** training on digital solutions for the sector;
- **Technogym Experts:** a selection of speeches by international experts on health, fitness and sports.
- **Virtual products presentations:** sessions dedicated to the launch and further development of new Technogym solutions.

The most significant digital events include the webinar held by the legendary Michael Johnson, Olympic 200 m, 400 m and hurdle gold medallist and eight times world champion - who spoke on the topic “developing a winning mentality in adverse times” and the talk by Ken Hughes, an international expert on consumer culture and human behaviour who spoke of “the new normal of consumers and opportunities for fitness centres”.

References

Fitness and Wellness Clubs

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

Fitness and Wellness Clubs were without a doubt the hardest hit by the Covid-19 emergency and in many countries local regulations required fitness clubs to stay shut for a certain period.

On their reopening, consumers gradually returned to centres and their confidence as regards safety grew. Just a few weeks after reopening, attendance was at 80% compared to pre-Covid 19 levels, but there are still some situations which are struggling.

Confidence in the sector as regards medium/long term projects has not been affected, while major customers are confirming plans to open new locations, while in the short term, customers are being more prudent over purchases related to more tactical renewal projects.

The growing use of digital instruments has been a significant market trend, enabling operators to remain connected with their customer base, even remotely, with the aim of keeping customer loyalty levels high, and in some cases of monetising these solutions with pay-for-training sessions. This scenario was boosted considerably during lockdown, but is still growing, with an increasing use of apps featuring live and on-demand content. In this dimension, Technogym has been at the forefront in giving operators concrete support with dedicated apps and digital solutions.

The signing of an agreement for the supply of Mywellness software for Belgium’s second biggest chain, with 26 clubs, JIMS, confirms the importance of digital products for operators. Negotiations continued for the supply of smart equipment with various leading chains on the European, US and Middle Eastern markets.

HCP (Health, Corporate & Performance)

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

In the corporate wellness sector, Technogym is a partner of prestigious companies including Facebook, Google and Apple in the Silicon Valley, with a facility recently renovated at the Culver City campus. During the first half of 2020, the company set up numerous company wellness centres including at the new Allianz headquarters in Milan and main headquarters in Trieste, as well as 4 Honda sites in America and at the Disney offices in Florida.

During the first half of the year, Technogym also created corporate wellness projects for Mercedes Benz - Daimler at numerous locations on the German market, for the Cisco offices in Benelux, America and the UK, as well as at the headquarters of Banco Santander in Spain.

In the Education sector, the best universities and business schools relied on Technogym for the promotion of the right lifestyles to young talent. During the first few months of 2020, projects were set up at the Oxford High School in the UK, at Wisconsin University, Oklahoma State University and New Mexico University in America, and at Deakin University in Australia. In Brazil, the well-known training institute “Servico Social Do Comercio - Sesc Sao Paulo” chose Technogym for its educational youth sports programme in over 200 centres in the country.

In the Sport Performance sector, Technogym was chosen as supplier during the first few months of the year for the prestigious Real Tennis Club in Barcelona, the Australian Institute of Sports, INSEP - the acclaimed French National Institute for sport, performance and physical exercise, the Formula E Mahindra Racing Team training centre and the North Bondi Surf Club in Australia.

In the medical sector, Technogym was chosen as partner by the Maastricht University Medical Center, the Take Physical conditioning facility in Kitayama, Japan, the Holy Name Hospital in New Jersey and the Lawrence J. Ellison Institute for Transformative Medicine of South California University.

Hospitality & Residential

Technogym products are already present in the most prestigious hotels throughout the world, and in 2020 the brand remained a key reference for luxury hotels. In the Hospitality & Residential channel, TECHNOGYM is a partner of the most prestigious global groups, including Mandarin Oriental, Four Seasons, Marriott / Starwood, Hilton, Accor Hyatt and many more.

Technogym supplied numerous hotels worldwide in the first half of the year, including Il Cheval Blanc La Samaritaine, Paris, managed by LVMH, Nobu Portman Square, London, W Hotel, Philadelphia and W Hotel Algarve, as well as the Hilton – Hotel Curio in Coronado San Diego.

Some of the most prestigious residential projects in 2020 include St. James White City, London, and Six Senses, New York City, that partnered up with Technogym to create Wellness areas for their residents.

The most prestigious cruise ships chose Technogym as partner for their on-board gyms; in the first few months of 2020, Technogym was awarded the contract as Supplier of the Cosa Firenze and Viking Venus.

Home & Consumer

TECHNOGYM is present in more than 300,000 private homes.

During the first half of 2020, with the lockdown in many countries worldwide, demand for Technogym products and services for the home increased considerably.

In terms of products, the company consolidated its strategy of creating bespoke solutions for the home based on the space and service level requested by the customer, including the professional Artis and Skill ranges for customers with more space who can set up their own home gym, the Personal design range for users who want to add one or two products that blend in perfectly with their home furnishings, as well as compact products such as MyRun for customers with less space.

Plus, the Technogym Bike is the leading product of the Technogym Live platform, giving users the chance to follow spinning classes held by studios the world over.

Partnerships

For many years now, the world's most prestigious sports clubs have worked with TECHNOGYM on the physical training of their athletes.

In Italy, TECHNOGYM continues its football partnerships with Juventus, Inter, Milan and the Italian National Team. With the goal of expanding its partnerships abroad, especially in key markets, in 2020 the company confirmed its collaboration with top international clubs and the Russian and Brazilian national teams. In basketball, TECHNOGYM also continued its collaboration with Olimpia Milano in 2020. Thanks to its wide range of products, which are perfect for athletic training in all sports disciplines, top sports persons collaborating with TECHNOGYM include Rafael Nadal, the NBA star Marco Belinelli, the racer Andrea Dovizioso and highly successful teams such as Ferrari and McLaren in Formula 1. In sailing, Technogym was chosen by Luna Rossa, while in golf it is an Official Partner of the PGA (Professional Golfers Association), the organisation that manages the main professional golf tours in the United States. During 2020, Technogym was also selected as the Official Global Fitness Partner of Ironman and will be involved in the 2020 IRONMAN World Championships in Kailua-Kona, Hawaii, and in the IRONMAN World Championships 70.3 2020 at Taupō, New Zealand - scheduled to take place in October and November.

Human Resources and Organization

TECHNOGYM recognizes the fundamental importance of human resources, their health, training, motivation and incentives. Development of their qualities and skills is considered essential for the implementation of the corporate strategy. In the first half of 2020, Technogym employed on average 2,120 staff, of whom 60 managers, 1,376 office staff and 684 blue-collar workers.

	Half year ended 30 June		Year ended 31 December	
	2020		2019	
<i>(in number)</i>	Average	Year-end	Average	Year-end
Number of employees				
Managers	60	60	60	60
White-collar	1,376	1,342	1,380	1,382
Manual workers	684	660	695	680
Total number of employees	2,120	2,062	2,135	2,122

During the period, activities continued to disseminate the Technogym Leadership Model, involving company management in the «My Responsibility» training programme featuring workshops and individual coaching.

With a view to developing strategic company expertise, an international training plan has been devised, with a focus on e-learning and remote training.

In line with the previous year, training activities financed by interprofessional funds for both office and production areas took place.

The 'W4W' project (Working 4 Wellness) continued. This complete programme of activities and services for employees puts health and well-being centre stage through Corporate Wellness, and the company restaurant, also making available a wide range of special offers and rates to Technogym staff and their families for healthcare, cultural and leisure services at external facilities.

In this regard, the services offered were expanded, including a summer centre for the children of staff, managed by operators, with recreational activities overseen by specialists. Besides providing premises, Technogym gave employees a bonus equal to half the amount of the weekly attendance fee.

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, centred 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 tenth 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.

Let's move for a better world

Each year, Technogym is the highly successful organiser of the social campaign “Let’s Move for a Better World”, which uses Technogym Ecosystem, Technogym’s digital offering, to attract people at fitness and wellness clubs where they can donate their physical movement to a good cause.

Considering the emergency situation in the first 6 months of the year, the 2020 social campaign was replaced by a global virtual event dedicated to the entire fitness community in over 100 countries: Let's Move for a Better World Day, which took place on 16 May.

The event brought together thousands of people the world over who were able to take part from their homes in a collective exercise day, thanks to the various appointments on Technogym’s Instagram channel.

Traditionally, the Let's Move for a Better World campaign is a unique way for fitness clubs to forge stronger customer ties, and boost the motivation and participation of members, thanks to the appeal of the event.

Even with this different approach, the Let's Move for a Better World Day was a great opportunity for fitness clubs and facilities the world over to bring their communities together remotely, to connect with members and motivate them in an event focussed on fitness, while waiting for the clubs and facilities to reopen.

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 centre 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.

During the first half of 2020, as a consequence of the health emergency, activities took place in 3 different stages. In January and February, numerous training activities were held for the development of new expertise related to the Wellness sector; in March and May, initiatives for the entire population were planned to combat the side effects of lockdown, while in May and June activities were dedicated to promoting the reopening of the region.

Training in the first stage of the year targeted health and promoting the local area, including the “Wellness Lifestyle and Exercise Is Medicine” course for students on the Pharmacy Degree course, the training course on Wellness for Tourism for tourist guides, in partnership with the Rimini province trade organisations Confguide - Confcommercio; the course on “Principles of Wellness Hospitality” for students on the “Marketing 4.0, tourism and territory” course and “Managers of hospitality facilities” of the “Tourism and Wellbeing” high school course.

During lockdown, the social campaign #acasamiuovo (“I exercise at home”) was promoted to raise awareness of the importance of physical exercise for health and mental wellbeing for people at home. The campaign was run throughout the Romagna area with 43 free training videos on social media, produced in partnership with fitness operators in Romagna.

During stage 2, when physical activity outdoors resumed, the Wellness Valley app was created. This official app of the Wellness Valley project lists all the exercise and sports courses held in the parks of towns in the Romagna area. The initiative is designed to help the population return to a healthy, active lifestyle.

For the population with chronic illnesses, in particular people with type-2 diabetes, specific training programmes were created and put on the Wellness Valley app.

During Stage 3, with the reopening of economic activities related to tourism, the “Wellness Waterfront Rimini” social project was promoted, fostering a Wellness lifestyle culture and its individual and collective benefits through the new facilities of the Mare di Rimini Park. This innovative project stems from a partnership of various Wellness Valley stakeholders, with Technogym and the Wellness Foundation at the forefront in improving the quality of life of both residents and tourists.

Wellness Week 2020 - one of the key events for the Wellness Valley, hosting initiatives targeting wellness, health and sport - has been rescheduled to take place at the end of September, with a “Special edition” that will emphasize the wellness opportunities and services for quality of life in the local area, and enable events to take place safely.

Environment and safety

The environment is a fundamental element of the Wellness lifestyle, the Company’s philosophy aimed at promoting sustainable socio-economic development. Environmental and ecological sustainability themes have always been central to Technogym’s strategy and processes. UNI ISO 14001 and UNI EN ISO 50001 certified activities also continued in the financial year just ended, in order to achieve products and processes that are environmentally compatible in terms of renewable resources, product longevity and durability, energy efficiency and recovery, and packaging reuse.

In line with these parameters, Technogym Village was built according to bio-architecture principles and criteria aimed at protecting the environment and saving energy, which has earned the company white certificates. The company also holds certification for the ISO 45001 occupational health and safety system, for the UNI EN ISO 9001 management system for Wellness equipment design, production, installation and assistance, and UNI EN ISO 14385 certification for functional rehabilitation equipment design, production, installation and assistance.

5. CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

<i>(In thousands of Euro)</i>	Notes	As of 30 June		As of 31 December	
		2020	<i>of which from related parties</i>	2019	<i>of which from related parties</i>
ASSETS					
Non-current assets					
Property, plant and equipment	5.1	162,554	9,240	167,919	7,135
Intangible assets	5.2	44,257		43,445	
Deferred tax assets		17,392		15,543	
Investments in joint ventures and associates	5.3	15,970		18,063	
Non-current financial assets		2,955		2,930	
Other non-current assets		52,479	0	49,590	4
TOTAL NON-CURRENT ASSETS		295,607		297,490	
Current assets					
Inventories		91,453		76,831	
Trade receivables	5.4	68,837	213	127,472	525
Current financial assets		25		84	
Financial derivative assets	5.6	-		-	
Other current assets		21,024	1,128	22,295	1,597
Cash and cash equivalents		120,582		114,413	
TOTAL CURRENT ASSETS		301,922		341,096	
TOTAL ASSETS		597,529		638,587	
EQUITY AND LIABILITIES					
Equity					
Share capital		10,066		10,050	
Share premium reserve		4,990		4,990	
Other reserves		30,509		26,923	
Retained earnings		211,568		132,827	
Profit (loss) attributable to owners of the parent		6,068		83,204	
Equity attributable to owners of the parent		263,201		257,995	
Capital and reserves attributable to non-controlling interests		2,016		1,553	
Profit (loss) attributable to non-controlling interests		164		541	
Equity attributable to non-controlling interests		2,180		2,094	
TOTAL EQUITY	5.5	265,381		260,089	
Non-current liabilities					
Non-current financial liabilities	5.6	70,098	8,270	55,996	6,420
Deferred tax liabilities		288		304	
Employee benefit obligations		3,023		3,066	
Non-current provisions for risks and charges	5.7	11,509		15,218	
Other non-current liabilities		34,902		35,058	
TOTAL NON-CURRENT LIABILITIES		119,820		109,641	
Current liabilities					
Trade payables	5.8	88,723	431	127,536	636
Current tax liabilities		8,717		5,078	
Current financial liabilities	5.6	36,409	2,088	54,823	1,439
Financial derivative liabilities	5.6	-		13	
Current provisions for risks and charges	5.7	8,254		12,718	
Other current liabilities		70,225		68,688	
TOTAL CURRENT LIABILITIES		212,328		268,857	
TOTAL EQUITY AND LIABILITIES		597,529		638,587	

Consolidated income statement

<i>(In thousands of Euro)</i>	Notes	Half year ended 30 June			
		2020	<i>of which from related parties</i>	2019	<i>of which from related parties</i>
REVENUES					
Revenues	5.9	222,044	4,177	294,602	4,675
Other revenues and income		404	104	659	90
Total revenues		222,448		295,261	
OPERATING COSTS					
Purchases and use of raw materials, work in progress and finished goods	5.10	(69,015)	(36)	(96,341)	(27)
<i>of which non-recurring income/(expenses)</i>		(323)		(137)	
Cost of services	5.11	(60,306)	(358)	(80,690)	(545)
<i>of which non-recurring income/(expenses)</i>		(719)		(624)	
Personnel expenses	5.12	(54,843)	6	(67,011)	6
<i>of which non-recurring income/(expenses)</i>		(435)		(643)	
Other operating costs		(3,916)	(7)	(2,749)	(13)
<i>of which non-recurring income/(expenses)</i>		(1,091)		0	
Share of net result from joint ventures		(2,137)		480	
<i>of which non-recurring income/(expenses)</i>		(2,468)		-	
Depreciation, amortisation and impairment losses / (write-backs)		(17,222)	(782)	(14,747)	(733)
Net provisions		(2,196)		(1,398)	
NET OPERATING INCOME		12,813		32,804	
Financial income		5,390		4,763	
Financial expenses		(6,945)	(74)	(5,788)	(71)
Net financial expenses		(1,555)		(1,025)	
Income/(expenses) from investments		261		400	
PROFIT BEFORE TAX		11,520		32,180	
Income taxes	5.13	(5,288)		(6,763)	
<i>of which non-recurrent income taxes</i>		(295)		1,452	
PROFIT/(LOSS) FOR THE PERIOD		6,232		25,416	
Profit/(loss) attributable to non-controlling interests		(164)		(129)	
Profit (loss) attributable to owners of the parent		6,068		25,287	
EARNINGS PER SHARE	5.14	0.03		0.13	

Consolidated statement of comprehensive income

<i>(In thousands of Euro)</i>	Notes	Half year ended 30 June	
		2020	2019
Profit (loss) for the period (A)		6,232	25,416
Actuarial gains/(losses) on post-employment benefit obligations and Non-Compete Agreements		-	-
Tax effect on actuarial gains/losses on post-employment benefit obligations and Non-Compete Agreements		-	-
Total items that will not be reclassified to profit or loss (B1)		-	-
Exchange rate differences on the translation of foreign operations		(726)	881
Exchange rate differences for valuation of entities accounted for using the equity method		44	(17)
Gains (losses) on cash flow hedges (hedge accounting)		0	(5)
Total items that will be reclassified to profit or loss (B2)		(682)	859
Total Other comprehensive income, net of tax (B)=(B1)+(B2)		(682)	859
Total comprehensive income for the period (A)+(B)		5,550	26,275
of which attributable to owners of the parent		5,464	26,094
of which attributable to non-controlling interests		86	181

Consolidated Statement of Cash Flows

<i>(In thousands of Euro)</i>	Notes	Half year ended 30 June	
		2020	2019
Cash flows from operating activities			
Profit (loss) for the period		6,232	25,416
<i>Adjustments for:</i>		-	-
Income taxes	5.13	5,288	6,763
Income/(expenses) from investments		(261)	(400)
Financial income/(expenses)		1,555	1,025
Depreciation, amortisation and impairment losses		17,222	14,747
Net provisions		2,196	1,398
Share of net result from joint ventures		2,137	(480)
Cash flows from operations before changes in working capital		34,368	48,469
Change in inventories		(15,615)	(5,068)
Change in trade receivables		55,234	33,201
Change in trade payables		(39,458)	(17,351)
Change in other assets and liabilities		(3,992)	1,289
Income taxes paid		(5,467)	(3,362)
Net cash inflow from operations (A)		25,072	57,179
<i>of which from related parties</i>		<i>3,311</i>	<i>3,974</i>
Cash flows from investing activities			
Investments in property, plant and equipment	5.1	(2,650)	(14,033)
Disposals of property, plant and equipment		472	1,368
Investments in intangible assets	5.2	(5,985)	(7,074)
Disposals of intangible assets		56	-
Dividends from investments in joint ventures		-	1,004
Investments in subsidiaries, associates and other entities	5.3	0	-
Net cash inflow (outflow) from investing activities (B)		(8,106)	(18,736)
<i>of which from related parties</i>		<i>-</i>	<i>-</i>
Cash flows from financing activities			
Reimbursement of leasing costs (IFRS 16)		(3,392)	(2,908)
Non-current financial liabilities (including current portion)		-	863
Repayment of borrowings (including the current portion)		(6,194)	(6,253)
Net increase (decrease) of current financial liabilities		(496)	236
Dividends paid to shareholders		-	(36,181)
Payments of net financial expenses		45	(172)
Net cash inflow (outflow) from financing activities (C)		(10,037)	(44,415)
<i>of which from related parties</i>		<i>(856)</i>	<i>(804)</i>
Net increase (decrease) in cash and cash equivalents (D)=(A)+(B)+(C)		6,929	(5,972)
Cash and cash equivalents at the beginning of the year		114,413	78,503
Net increase (decrease) in cash and cash equivalents from 1 January to 30 June		6,929	(5,972)
Effects of exchange rate differences on cash and cash equivalents		(760)	1,582
Cash and cash equivalents at the end of the period		120,582	74,113

Consolidated statement of change in equity

(In thousands of Euro)

	Share capital	Share premium reserve	Other reserves	Retained earnings	Profit (loss) attributable to owners of the parent	Equity attributable to owners of the parent	Capital and reserves attributable to non-controlling interests	Profit (loss) attributable to non-controlling interests	Total equity
As of 1 January 2019	10,050	4,990	19,197	80,519	93,029	207,786	1,054	436	209,276
Profit for the previous year	-	-	4,542	88,489	(93,030)	(0)	438	(438)	(0)
Total comprehensive income for the year	-	-	807	-	25,287	26,094	52	129	26,275
Dividends paid	-	-	-	(36,181)	-	(36,181)	-	-	(36,181)
Other movements	-	-	7	(0)	0	7	-	-	7
Incentive plan (LTIP)	-	-	716	-	-	716	-	-	716
As of 30 June 2019	10,050	4,990	25,269	132,827	25,286	198,422	1,544	128	200,094
As of 1 January 2020	10,050	4,990	26,925	132,827	83,203	257,995	1,554	540	260,089
Profit for the previous year	-	-	4,463	78,741	(83,204)	(0)	541	(541)	(0)
Total comprehensive income for the year	-	-	(604)	-	6,068	5,464	(78)	164	5,550
Dividends paid	-	-	-	0	-	0	-	-	0
Increase in capital	16	-	-	-	-	16	-	-	16
Other movements	-	-	(0)	0	(0)	(0)	-	-	(0)
Incentive plan (LTIP)	-	-	(274)	-	-	(274)	-	-	(274)
As of 30 June 2020	10,066	4,990	30,510	211,568	6,067	263,201	2,017	164	265,381

Notes to the Condensed Half-Yearly Consolidated Financial Statements

General information

Technogym S.p.A. (hereinafter, “**Technogym**” or the “**Company**” or the “**Parentcompany**” 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 presentation

The condensed half-yearly consolidated financial statements as of 30 June 2020 of the Technogym Group (the “**Condensed Half-Yearly 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 Half-Yearly Consolidated Financial Statements were prepared in compliance with the provisions of IAS 34 “Interim Financial Reporting”. As permitted by this standard, the Condensed Half-Yearly 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 31 December 2019 (the “**Consolidated financial statements**”).

The Condensed Half-Yearly 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 (31 December 2019 for the statement of financial position, 30 June 2019 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 Half-Yearly 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 30 June 2020 conform to those used to draft the financial report as at 31 December 2019, to which reference should be made for more information.

During the first half of 2020, certain financial statement line items were reclassified for a better representation.

The amendments to and interpretations of accounting standards in force from 1 January 2020 are described below:

- Amendments to the references to the conceptual framework in IFRS

- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform
- Amendments to IFRS 3 - Definition of a company asset

Accounting standards issued but not yet in force

The main standards and interpretations already issued at the reporting date, but not yet in force, are indicated below:

- Amendment to IFRS16 – Covid-19 related rent concessions
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts—Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- IFRS 17 – Insurance contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

During the year, the Group will evaluate the amendments to IFRS16 – Covid-19 related rent concessions. The Group does not expect significant impacts on the financial position and performance arising from the adoption of these standards.

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 30 June 2020:

Entity name	Year ended 30 June 2020				
	Registered office	% of control Jun-2020	% of control Dec-2019	Currency	Share capital
Subsidiaries - consolidated using the line-by-line method					
Technogym SpA	Italy	Parent company	Parent company	EUR	10,066,375
Technogym E.E. SRO	Slovakia	100%	100%	EUR	15,033,195
Technogym International BV	Netherlands	100%	100%	EUR	113,445
Technogym Germany Gmbh	Germany	100%	100%	EUR	1,559,440
Technogym France Sas	France	100%	100%	EUR	500,000
Technogym UK Ltd	United Kingdom	100%	100%	GBP	100,000
Technogym Trading SA	Spain	100%	100%	EUR	2,499,130
Technogym Usa Corp.	United States	100%	100%	USD	3,500,000
Technogym Benelux BV	Netherlands	100%	100%	EUR	2,455,512
Technogym Japan Ltd	Japan	100%	100%	JPY	320,000,000
Technogym Shanghai Int. Trading Co. Ltd	China	100%	100%	CNY	132,107,600
Technogym Asia Ltd	Hong Kong	100%	100%	HKD	16,701,750
Technogym Australia Pty Ltd	Australia	100%	100%	AUD	11,350,000
Technogym Portugal Unipessoal Lda	Portugal	100%	100%	EUR	5,000
FBK Equipamentos LTDA	Brazil	100%	100%	BRL	121,795,019
Sidea S.r.l	Italy	70%	70%	EUR	150,000
Technogym ZAO	Russia	90%	90%	RUB	10,800,000
TG Holding BV	Netherlands	90%	90%	EUR	300,000

Wellness Partners Ltd	United Kingdom	75%	75%	GBP	386,667
Wellness Partners USA Inc	United States	75%	75%	USD	1,000
TGB S.r.l.	Italy	100%	100%	EUR	96,900
La Mariana S.r.l.	Italy	100%	100%	EUR	76,500
Amleto Aps	Denmark	100%	100%	DKK	60,000
Associates - jointly controlled entities, consolidated using the equity method					
Fitstadium Srl	Italy	45%	45%	EUR	13,506
Wellink S.r.l.	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%	DKK	186,966
Exerp America Inc	USA	50%	50%	USD	1,000
Exerp Asia Pacific Pty Ltd	Australia	50%	50%	AUD	100

In relation to the scope of consolidation, no changes occurred in the first half of 2020 with respect to 31 December 2019.

The basis of consolidation adopted for drafting the Condensed Half-Yearly 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 30 June		As of 31 December
	2020	2019	2019
USD	1.120	1.138	1.123
GBP	0.912	0.897	0.851
JPY	120.660	122.600	121.940
CHF	1.065	1.111	1.085
AUD	1.634	1.624	1.600
AED	4.113	4.179	4.126
CNY	7.922	7.819	7.821
RUB	79.630	71.598	69.956
HKD	8.679	8.887	8.747
BRL	6.112	4.351	4.516
ZAR	19.443	16.122	15.777
SGD	1.565	1.540	1.511
DKK	7.453	7.464	7.472

Currency	Average for the period ended 30 June		Average for the year ended 31 December
	2020	2019	2019
USD	1.101	1.129	1.120
GBP	0.874	0.891	0.878
JPY	119.207	122.081	122.006
CHF	1.064	1.117	1.112

AUD	1.678	1.626	1.611
AED	4.045	4.148	4.111
CNY	7.748	7.794	7.736
RUB	76.683	72.403	72.455
HKD	8.548	8.838	8.772
BRL	5.417	4.360	4.413
ZAR	18.332	16.475	16.176
SGD	1.541	1.539	1.527
DKK	7.465	7.467	7.466

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 1 January 2020, outlined in the previous section “Accounting standards”.

The economic result for the period is presented net of taxes recognised based on the best estimate of the average weighted rate expected for the entire year.

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 31 December 2019. 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 reporting

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

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

Technogym ended the first half of the year with a performance that was down over the previous year (-24.7%). A breakdown of revenues by geographical area is provided below:

<i>(In thousands of Euro and percentage of total revenues)</i>	Half year ended 30 June			
	2020	2019	2020 vs 2019	%
Europe (without Italy)	105,956	139,393	(33,437)	(24.0%)
APAC	39,163	53,092	(13,929)	(26.2%)
North America	28,329	41,810	(13,481)	(32.2%)
Italy	25,740	25,834	(94)	(0.4%)
MEIA	17,641	24,193	(6,552)	(27.1%)
LATAM	5,619	10,940	(5,321)	(48.6%)
Total revenues	222,448	295,261	(72,813)	(24.7%)

In geographical terms, the overall result was mainly affected by the following drivers:

- **Europe (-24.0%)** negatively affected by accumulated delays in the UK and France and in markets covered by the distribution channel.
- **North America (-32.2%)** due to a downturn in volumes of KA Clubs and the impacts of Covid-19 on the Hospitality & Residential segment.
- **APAC (-26.2%)** due to a weak performance in China, Japan and in markets covered by the distribution channel.

The result in Italy was basically in line with the previous half year period, unlike the Group average, while a downturn was recorded in MEIA and LATAM (the fall in Brazil was due to the health emergency and repositioning of the company on the local market).

A breakdown of revenues by sales channel is provided below:

(In thousands of Euro and percentage of total revenues)	Half year ended 30 June			
	2020	2019	2020 vs 2019	%
Field sales	143,174	210,994	(67,820)	(32.1%)
Wholesale	46,045	61,062	(15,017)	(24.6%)
Inside sales	28,355	19,389	8,966	46.2%
Retail	4,874	3,816	1,058	27.7%
Total revenues	222,448	295,261	(72,813)	(24.7%)

As regards sales channels, the following is reported:

- **Inside Sales (+46.2%)**, that benefited from the increase in demand from the Home & Consumer segment, following the Covid-19 pandemic.
- **Retail (+27.7%)** also supported by the growing demand for home training solutions, with highly significant performances by all the group's flagship stores.
- **Wholesale (-24.6%)**, due mainly to delays in the emerging regions APAC, MEIA and LATAM.

The result of Field Sales was also down, due to the impact of lockdown on international sales activities during the second quarter of the year.

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.

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.

In detail, revenues in the first half of 2019 amounted to 44% of annual revenues, while the remaining 56% was generated in the second half. Moreover, net operating income for the first half of 2019 was equal to 30%, while it totalled 70% in the second half of the year.

Impacts of Covid-19 and business continuity

The first half of 2020 was affected by the spread of Covid-19 in all areas where the group operates, with various levels of restrictions and social distancing measures being adopted, affecting gyms extensively.

In this context, the sector where Technogym operates recorded a considerable drop in demand from professional customers, which was offset by an unexpected increase in demand from end users.

In such a dramatic context, the financial position and performance in the first half of the year, although registering a significant decrease over the previous year, enabled the Technogym Group to maintain an important profitability level and to realise cash flows. Therefore, considering the prospects for the end of 2020, despite the uncertainty due to the duration and intensity of the Covid-19 pandemic, no critical aspects regarding the recoverability of the value of Net Invested Capital were identified, also bearing in mind that no intangible assets with an indefinite useful life were recognised. This is confirmed by the Technogym Group’s capacity to generate sufficient income to cover, even in the first 6 months of 2020, most of the value of recognised intangible assets, as indicated by the percentage of Adjusted EBITDA accounting for intangible assets, which came to approximately 85% as of 30 June 2020.

However, following the effects of the Covid-19 emergency on the business, which is considered as a trigger event, the group conducted a preliminary qualitative analysis of all financial statement items (also bearing in mind that intangible assets with an indefinite useful life are not recognised in the financial statements), in order to identify any impairment losses. Where considered necessary, based on this preliminary quantitative analysis, an impairment test was conducted. This analysis led to the recognition in the financial statements of a write-down in an investment in a Joint Venture, as well as an increase in the provision for bad debts of approximately 2 million in order to take into account the increased risk of the current market situation. Reference is made to paragraphs 5.3 and 5.4 for further details. As of 31 December 2020, the group will further update these analyses.

During the first half of the year, the Group benefitted from employment support measures, where permitted by local legislation, which often resulted in economic and/of financial benefits. At the same time, Technogym selected strategic investments designed to develop the business, while postponing non-urgent investments.

Considering the Group’s net financial position as of 30 June 2020, which was positive by 14.1 million and includes cash and cash equivalents of 120.6 million, as well as undrawn credit lines of approximately 240 million, and considering the Group’s future prospects in relation to both products and markets, the directors believe there is no uncertainty as to the Group being a going concern. Technogym is ready to seize new opportunities to continue to meet its customers’ expectations and achieve its mission of fostering a wellness culture worldwide.

Notes to the statement of financial position

The main line items of the financial statements are presented below and, with particular reference to assets, no accounting adjustments were considered necessary, following assessments made, in addition to those already representing the current situation and context. The company may review these assessments when preparing the 2020 Financial Statements, if there are significant changes in the external context, besides those known at present or that are reasonably foreseeable.

5.1 PROPERTY, PLANT AND EQUIPMENT

The item “Property, plant and equipment” amounted to Euro 162,554 thousand at 30 June 2020 (Euro 167,919 thousand at 31 December 2019).

The following table reports the details of property, plant and equipment as of 30 June 2020 and 31 December 2019:

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Property, plant and equipment		
Land	13,078	13,077
Buildings and leasehold improvements	111,573	112,888
Plant and machinery	8,412	9,182
Production and commercial equipment	15,775	18,528
Other assets	10,420	11,376
Assets under construction and advances	3,297	2,867
Total property, plant and equipment	162,554	167,919

The table below shows the amounts of investments made by the Group in the half year ended 30 June 2020 and in the year ended 31 December 2019, relating to the item “Property, plant and equipment”, broken down by category, net of IFRS 16:

<i>(In thousands of Euro)</i>	Half year ended 30 June	Year ended 31 December
	2020	2019
Land	-	15
Buildings and leasehold improvements	258	3,215
Plant and machinery	119	1,105
Production and commercial equipment	1,104	11,989
Other assets	476	3,198
Assets under construction and advances	693	1,812
Total investments in property, plant and equipment	2,651	21,333

Investments in property, plant and equipment mainly include the purchase of new dies and equipment for production sites.

Some detailed information relative to IFRS 16 is provided below for a greater clarity and understanding of the financial statements.

The table below shows the impact of IFRS 16 on the consolidated financial position and performance for the half year ended 30 June 2020 and the year ended 31 December 2019

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Rights of use		
Buildings	18,482	17,180
Equipment	1,377	1,204
Cars	3,153	3,084
Others	-	-
Total rights of use	23,012	21,468

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Lease liabilities		
IFRS 16 Financial liabilities - Current	5,633	6,501
IFRS 16 Non-current financial liabilities	17,678	15,163
Total lease liabilities	23,311	21,664

The table below shows the impact of IFRS 16 on the consolidated financial position for the half year ended 30 June 2020 and 30 June 2019.

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Depreciation of rights of use		
Buildings	(2,243)	(1,972)
Equipment	(140)	(63)
Cars	(868)	(774)
Others	-	-
Total depreciation	(3,251)	(2,809)

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Payment reversals		
Buildings	2,538	2,109
Equipment	47	153
Cars	806	646
Others	-	-
Total payment reversals	3,392	2,908

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Interest		
Interest expense	(297)	(274)
Total interest	(297)	(274)

5.2 INTANGIBLE ASSETS

The item “Intangible assets” amounted to Euro 44,257 thousand at 30 June 2020 (Euro 43,445 thousand at 31 December 2019).

The following table reports the details of intangible assets as of 30 June 2020 and 31 December 2019:

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Intangible assets		
Development expenditure	13,356	14,337
Patents and intellectual property rights	19,926	20,284
Concessions, licenses, trademarks and similar rights	489	521
Intangibles under development and advances	10,277	8,183
Other intangible assets	209	121
Total Intangible assets	44,257	43,445

The table below shows the amounts of investments made by the Group in the half year ended 30 June 2020 and in the year ended 31 December 2019, relating to the item “Intangible assets”, broken down by category:

<i>(In thousands of Euro)</i>	Half year ended 30 June	Year ended 31 December
	2020	2019
Development expenditure	1,287	4,725
Patents and intellectual property rights	1,895	6,835
Concessions, licenses, trademarks and similar rights	44	192
Intangibles under development and advances	2,679	4,974
Other intangible assets	80	35
Total investments in intangible assets	5,985	16,761

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

5.3 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The item “Investments in *joint ventures* and associates” amounts to Euro 15,970 thousand as of 30 June 2020 (Euro 18,063 thousand as of 31 December 2019). The following table details the composition and changes in investments in *joint ventures* and associates for the half year ended 30 June 2020:

<i>(In thousands of Euro)</i>	% of Owner -ship							Exchange gains / (losses)	Value
		Value	Investments	Disinvestments	Revaluations/(Impairment losses)	Dividends	Net result		
		31/12/2019						30/06/2020	
	50.01								
Exerp Aps	%	15,975	-	-	(2,468)	-	(2)	41	13,545
Exerp America LLC	50.01 %	31	-	-	-	-	34	-	65
Exerp Asia Pacific Pty	50.01 %	12	-	-	-	-	5	-	17
	20.00								
T4ME limited	%	-	-	-	-	-	(0)	-	-
Movimento per la salute Srl	50.00 %	-	-	-	-	-	-	-	-
	45.00								
Fistadium Srl	%	-	-	-	-	-	-	-	-
	40.00								
Wellink srl	%	199	-	-	-	-	22	-	221
Technogym Emirates LLC	49.00 %	1,845	-	-	-	-	273	3	2,122
	%								
Total		18,063	-	-	(2,468)	-	331	44	15,970

The reduction in the value of joint ventures in the first half of 2020, compared to the same period of the previous year, is mainly attributable to Exerp. Based on the results of the development plan prepared by management, the Group updated the impairment test for the investee, which resulted in the recognition of a write-down of Euro 2,468 thousand in the financial statements. As of 31 December 2020, the Group will further update these analyses.

5.4 TRADE RECEIVABLES

The item “Trade receivables” amounted to Euro 68,837 thousand on 30 June 2020 (Euro 127,472 thousand on 31 December 2019) net of the bad debt provision. The following table contains a breakdown of trade receivables as of 30 June 2020 and 31 December 2019:

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Trade receivables		
Trade receivables (gross value)	64,514	120,775
Bad debt provision	(4,695)	(3,106)
Transferred trade receivables	9,630	9,966
Bad debt provision	(611)	(163)
Total trade receivables	68,837	127,472

Transferred trade receivables net of the relative provision equal to Euro 9,019 thousand at 30 June 2020, and Euro 9,803 thousand at 31 December 2019 refer to the current portion of receivables arising from the sale of goods which, although they are transferred to financial institutions, are retained in the financial statements as they do not meet all the conditions required by IAS 9 for derecognition from assets.

The decrease in the item “Trade receivables” is due to the significant drop in turnover, and to actions taken by the group to collect receivables due, as well as careful credit risk monitoring.

However, besides the normal evaluation of credit recoverability, following the effects of the Covid-19 emergency on the business, considered a trigger event, the Group specifically analysed trade receivables in order to take into account the increased risk of the current market situation. The combined result of these evaluations increased the provision for bad doubts by Euro 1,589 thousand and the provision for sold receivables by Euro 448 thousand respectively compared to 31 December 2019.

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

5.5 EQUITY

The item “Equity” amounted to Euro 265,381 thousand at 30 June 2020 (Euro 260,089 thousand at 31 December 2019).

The following table reports the details of equity as of 30 June 2020 and 31 December 2019:

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Equity		
Share capital	10,066	10,050
Share premium reserve	4,990	4,990
Other reserves	30,509	26,923
Retained earnings	211,568	132,827
Profit (loss) attributable to owners of the parent	6,068	83,204
Equity attributable to owners of the parent	263,201	257,995
Capital and reserves attributable to non-controlling interests	2,016	1,553
Profit (loss) attributable to non-controlling interests	164	541
Equity attributable to non-controlling interests	2,180	2,094
Total equity	265,381	260,089

Based on the resolution of the shareholders’ meeting of 23 April 2020, the profit for 2019 reported in the financial statements of the Parent Company Technogym S.p.A., equal to Euro 72,332 thousand, was allocated to profit carried forward. Moreover, an amount equal to Euro 4,475 thousand of profit carried forward was allocated as follows:

- Euro 4,614 thousand to the extraordinary reserve;
- Euro 139 thousand to the exchange gains reserve.

On 17 June 2020, an increase in capital without consideration for Euro 16,125 was approved, through the issue of ordinary shares released by the allocation and transition to capital of the item recognised in the financial statements under the “Stock grant plan” and assigned to employees that are beneficiaries of the “2017-2019 Performance Shares Plan”.

5.6 FINANCIAL LIABILITIES AND FINANCIAL DERIVATIVE INSTRUMENTS

The items “Non-current financial liabilities” and “Current financial liabilities” totalled Euro 70,098 thousand and Euro 36,409 thousand respectively as of 30 June 2020 and Euro 55,996 thousand and Euro 54,823 thousand as of 31 December 2019.

The following table reports the financial liabilities, current and non-current, as of 30 June 2020 and 31 December 2019.

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Non-current financial liabilities		
Bank loans due after 12 months – non-current portion	35,168	24,680
Non-current liabilities due to other lenders	-	-
Other non-current financial liabilities	17,252	16,152
IFRS 16 Non-current financial liabilities	17,678	15,163
Total non-current financial liabilities	70,098	55,996
Current financial liabilities		
Bank loans due after 12 months – current portion	20,805	12,486
Other short-term borrowings	12	25,633
Current liabilities due to other lenders	9,630	9,966
Other current liabilities	329	237
IFRS 16 Financial liabilities - Current	5,633	6,501
Total current financial liabilities	36,409	54,823

The effect of IFRS 16 on non-current and current financial liabilities was equal to Euro 17,678 thousand and Euro 5,633 thousand respectively.

Medium/long-term bank loans

The following table reports the movements of bank loans for the half year ended 30 June 2020.

<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 at 1 January 2020	24,680	12,486	37,166
Proceeds	-	-	-
Repayments	-	(6,194)	(6,194)
Reclassification from long-term to short-term	(6,180)	6,180	-
Conversion of hot money loans	16,668	8,333	25,001
Values at 30 June 2020	35,168	20,805	55,973

The following table reports the details of medium/long-term bank loans as of 30 June 2020:

<i>(In thousands of Euro)</i>	Due date	Interest rate	As of 30 June		As of 31 December	
			2020	of which current	2019	of which current
Bank loans						
Unicredit S.p.A.	2020-2023	Variable	20,890	8,390	25,067	8,399
BPER Banca S.p.A. (*)	2022	Variable	10,061	4,061	12,099	4,087
Banca Nazionale del Lavoro S.p.A.	2022	Variable	25,022	8,354	-	-
Total bank loans			55,973	20,805	37,166	12,486

(*) Includes the loan from Sidea of Euro 49 thousand

The following table reports the details of medium/long-term bank loans as of 30 June 2020 by maturity date:

<i>(In thousands of Euro)</i>	Residual debt	Of which current (H1-2021)	H1-2022	H1-2023	H1-2024	H1-2025	H1-2026
Unicredit S.p.A.	20,890	8,390	8,333	4,167	-	-	-
BPER Banca S.p.A.(*)	10,061	4,061	4,000	2,000	-	-	-
Banca Nazionale del Lavoro S.p.A	25,022	8,354	8,334	8,333	-	-	-
Total	55,973	20,805	20,668	14,500	-	-	-

(*) Includes the loan from Sidea of Euro 49 thousand

For the above loans, no guarantees have been given.

As of 31 December 2019, all financial covenants relating to the loans in place, where applicable, were respected. Financial covenants did not have to be met as of 30 June 2020, as the testing date is the end of the year.

As of the date of this document, it is not believed that there are any factors that could have negative repercussions resulting in a breach of covenants in the next 12-18 months, with reference to the parameters in question.

Other short-term borrowings

The following table reports the details of other short-term borrowings as of 30 June 2020 and 31 December 2019:

<i>(In thousands of Euro)</i>	Currency	As of 30 June	As of 31 December
		2020	2019
Other short-term borrowings			
Banca Nazionale del Lavoro	EUR	-	25,023
BPER Luxembourg	EUR	-	66
Banco ITAU	BRL	-	508
Other short-term borrowings	EUR	12	36
Total other short-term borrowings		12	25,633

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.

Financial derivative assets/liabilities

As of 30 June 2020, the Group did not have derivative contracts giving rise to financial derivative liabilities, while the item “Financial derivative liabilities” amounted to Euro 13 thousand as of 31 December 2019.

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

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Forward		
AUD	-	13
Interest rate swaps		
IRS	-	-
Total	-	13

Financial derivative liabilities refer to differences arising from the fair value of derivatives used to hedge exposure to currency risk.

Forward contracts in place as of 30 June 2020 and 31 December 2019 are summarized below.

<i>(In thousands of Euro)</i>	As of 30 June 2020			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	-	AUD	-
Situation as of 30.06.2020				
<i>(In thousands of Euro)</i>	As of 31 December 2019			
	Currency	Currency inflow	Currency	Currency outflow
Forward	EUR	612	AUD	1,000
Situation as of 31.12.2019				

On 30 June 2020 the Group did not hold any derivatives treated according to hedge accounting rules.

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December	As of 30 June	As of 30 June
	2020 assets	2019 assets	2020 liabilities	2019 liabilities
Interest rate hedges:				
Interest rate hedges (current) – cash flow hedge	-	-	-	(7)
Tax effect - Interest rate hedges (current) – cash flow hedge	-	-	-	2
Total	-	-	-	(5)

5.7 PROVISIONS FOR RISKS AND CHARGES

The items “Provisions non-current risks and charges” and “Provisions for current risks and charges” amounted to Euro 11,509 thousand and Euro 8,254 thousand as of 30 June 2020 (Euro 15,218 thousand and Euro 12,718 thousand respectively as of 31 December 2019).

The following table reports the details of provisions, current and non-current, as of 30 June 2020 and 31 December 2019:

<i>(In thousands of Euro)</i>	As of 30 June	As of 31 December
	2020	2019
Non-current provisions for risks and charges		
Warranties provision	4,824	5,217
Agents provision	1,012	990
Non-Competition Agreement provision	1,811	1,784
Rebates provision	2,261	5,210
Ongoing lawsuits provision	272	-
Other provisions for risks and charges	1,328	2,016
Total non-current provisions for risks and charges	11,509	15,218

Current provisions for risks and charges		
Warranties provision	5,484	6,187
Free Product Fund provision	698	772
Other provisions for risks and charges	2,071	5,759
Total current provisions for risks and charges	8,254	12,718

The decrease in provisions compared to 31 December 2019 is mainly due to the decrease in the provision for staff bonuses for Euro 3,524 thousand, the decrease in the rebates provision due to fewer purchases by customers for Euro 2,949 thousand and the reduction in the warranties provision of Euro 1,000 thousand related to the decrease in turnover.

5.8 TRADE PAYABLES

The item “Trade payables” amounted to Euro 88,723 thousand at 30 June 2020 (Euro 127,536 thousand at 31 December 2019). Trade payables are mainly related to transactions for the purchase of raw materials, components and shipping services, manufacturing and technical assistance. These transactions are part of ordinary procurement activities, as no significant request for an advance payment, following the health emergency, was received from suppliers.

The considerable decrease is due to the reduction in purchases related to the health emergency.

Notes to the income statement

5.9 REVENUES

In the half year ended 30 June 2020, the item “Revenues” totalled Euro 222,044 thousand (Euro 294,602 thousand in the half year ended 30 June 2019).

The following table reports the amounts of revenues for the half year ended 30 June 2020 and the half year ended 30 June 2019:

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Revenues		
Revenues from the sale of products, spare parts, hardware and software	178,290	245,499
Revenues from transport and installation, after-sale and rental assistance	43,754	49,103
Total revenues	222,044	294,602

For further information on the identification of the operating segments and the allocation of revenues by distribution channel and geographical 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 30 June 2020, the item “Raw materials, work in progress and finished goods” totalled Euro 69,015 thousand (Euro 96,341 thousand in the half year ended 30 June 2019).

The following table provides details of purchases and changes in raw materials, work in progress and finished goods for the half year ended 30 June 2020 and the half year ended 30 June 2019:

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Purchases and changes in raw materials, work in progress and finished goods		
Purchases and changes in raw materials	51,278	62,820
Purchases and changes in finished goods	16,226	31,825
Purchase of packaging and costs for custom duties	1,837	2,186
Change in inventory of work in progress	(326)	(490)
Total purchases and changes in raw materials, work in progress and finished goods	69,015	96,341

5.11 COST OF SERVICES

In the half year ended 30 June 2020, the item “Cost of services” totalled Euro 60,306 thousand (Euro 80,690 thousand for the half year ended 30 June 2019).

The following table reports the amounts of costs of services for the half year ended 30 June 2020 and the half year ended 30 June 2019:

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Cost of services		
Transport of sales, customs duties and installation	19,838	23,416
Technical assistance	6,984	11,551
Marketing expenses	6,262	11,498
Rentals	2,479	3,365
Agents	3,883	4,461
Consulting services	3,764	5,645
Transport of purchases	3,847	5,937
Travel and business expenses	463	625
Outsourcing costs	1,156	1,163
Utilities	1,573	1,482
Maintenance costs	2,290	2,415
Other services	7,767	9,132
Total cost of services	60,306	80,690

As can be seen from the above table, the reduction in revenues, and all activities to keep costs down and select expenses adopted by the Group made it possible to achieve an overall reduction compared to the same period of the previous year of Euro 20,384 thousand, further confirming the group’s ability to adapt to market contexts.

5.12 PERSONNEL EXPENSES

In the half year ended 30 June 2020, the item “Personnel expenses” totalled Euro 54,843 thousand (Euro 67,011 thousand in the half year ended 30 June 2019).

The following table reports the amounts of personnel expenses for the half year ended 30 June 2020 and the half year ended 30 June 2019:

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Personnel expenses		
Wages and salaries	39,278	46,242
Social security contributions	10,740	12,348
Provisions for employee benefit obligations	1,396	1,274
Other costs	3,429	7,148
Total personnel expenses	54,843	67,011

As regards personnel expenses, the considerations already made concerning costs for services apply, as well as the contributions from support measures adopted by various governments above all in Europe, the reduction in employee premiums and decrease in transfer costs.

The following table reports the average and exact number of employees, broken down by category for the half year ended 30 June 2020 and the half year ended 30 June 2019:

<i>(in number)</i>	Half year ended 30 June		Year ended 31 December	
	2020		2019	
	Average	Year-end	Average	Year-end
Number of employees				
Managers	60	60	60	60
White-collar	1,376	1,342	1,380	1,382
Manual workers	684	660	695	680
Total number of employees	2,120	2,062	2,135	2,122

5.13 INCOME TAXES

In the half year ended 30 June 2020, the item “Income tax expenses” totalled Euro 5,288 thousand (Euro 6,763 thousand in the half year ended 30 June 2019).

The following table reports the amounts of Income taxes for the half year ended 30 June 2020 and the half year ended 30 June 2019:

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Income taxes		
Current taxes	6,868	6,952
Deferred taxes	(1,861)	72
Total income taxes for the year	5,007	7,024
Income taxes relating to prior years	281	(261)
Total income taxes	5,288	6,763
<i>of which non-recurrent income taxes</i>	<i>(295)</i>	<i>1,452</i>

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 taxes as of 30 June 2020 amounted to Euro 295 thousand and refer to a foreign subsidiary.

In the first half of 2020, the group did not benefit from the optional tax regime, Patent Box on the Brand, signed during 2018 and valid up until 31 December 2019.

Moreover, the worsening in the tax rate compared to the previous year is due to the above benefit no longer applying, and to some non-recurrent circumstances that had a negative effect, as they concern permanent, non-deductible changes; these effects are considered temporary and consequently are not deemed to be long-term structural effects.

5.14 EARNINGS PER SHARE

The following table reports the calculation of basic earnings per share for the half year ended 30 June 2020 and the half year ended 30 June 2019:

<i>(In thousands of Euro)</i>	Half year ended 30 June	
	2020	2019
Earnings per share		
Profit for the period	6,068	25,287
Number of shares	201,328	201,005
Total earnings per share (in Euro)	0.03	0.13

As concerns changes in the number of shares, reference is made to the paragraph “Information on shares” in the interim board of directors' report.

5.15 NET FINANCIAL POSITION

The following table reports the details of net indebtedness of the Group as of 30 June 2020 and 31 December 2019, 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 30 June	As of 31 December
	2020	2019
Net financial position		
A. Cash	120,582	114,413
B. Other cash equivalents	-	-
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	120,582	114,413
E. Current financial receivables	25	84
F. Current bank debt	(12)	(25,633)
G. Current portion of non-current debt	(20,805)	(12,486)
H. Other current financial debt	(15,591)	(16,717)
I. Current financial debt (F) + (G) + (H)	(36,409)	(54,836)
J. Net current financial indebtedness (I) + (E) + (D)	84,199	59,662
K. Non-current bank loans	(52,420)	(40,832)
L. Bonds issued	-	-
M. Other non-current loans	(17,678)	(15,163)
N. Non-current financial indebtedness (K) + (L) + (M)	(70,098)	(55,996)
O. Net financial indebtedness (J) + (N)	14,101	3,666

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.

The net financial position as of 30 June 2020, which includes the effects of adopting IFRS 16, was positive by Euro 14,101 thousand, improving on the figure of Euro 3,666 thousand as of 31 December 2019, due to the effect of a reduction in non-current financial debt.

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

As of 30 June 2020 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.

The following table shows the amounts of credit lines available and used as of 30 June 2020 and 31 December 2019.

<i>(In thousands of Euro)</i>	Cash credit lines	Self-liquidating credit lines	Financial credit lines	Total
As of 30 June 2020				
Credit lines	7,382	17,751	271,359	296,492
Utilisations	-	-	(55,833)	(55,833)
Credit lines available at 30 June 2020	7,382	17,751	215,526	240,659
As of 31 December 2019				
Credit lines	7,382	18,751	137,219	163,352
Utilisations	-	-	(62,000)	(62,000)
Credit lines available at 31 December 2019	7,382	18,751	75,219	101,352

Moreover, the group did not benefit from any loans which were part of the measures to support businesses approved by the Italian government or provided by the banking system with state guarantees, in the reporting period.

5.16 FAIR VALUE DISCLOSURE

As of 30 June 2020 and 31 December 2019, 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 30 June 2020 and 31 December 2019.

2020 (In thousands of Euro)	Financial assets	Financial assets at fair value	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortised cost	FV vs OCI	FV vs P&L					
Other non-current assets	49,121	-	3,358	52,479	-	-	3,358	3,358
Non-current financial assets	2,955	-	-	2,955	-	-	-	-
Non-current financial assets	52,076	-	3,358	55,434	-	-	3,358	3,358
Trade receivables	68,837	-	-	68,837	-	-	-	-
Cash and cash equivalents	120,582	-	-	120,582	-	-	-	-
Financial derivative assets	-	-	-	-	-	-	-	-
Current financial assets	25	-	-	25	-	-	-	-
Other current assets	21,024	-	-	21,024	-	-	-	-
Current financial assets	210,468	-	-	210,468	-	-	-	-

2019 (In thousands of Euro)	Financial assets	Financial assets at fair value	Financial assets at fair value	Total	Level 1	Level 2	Level 3	Total
	Amortised cost	FV vs OCI	FV vs P&L					
Other non-current assets	46,327	-	3,264	49,590	-	-	3,264	3,264
Non-current financial assets	2,930	-	-	2,930	-	-	-	-
Non-current financial assets	49,256	-	3,264	52,520	-	-	3,264	3,264
Trade receivables	127,472	-	-	127,472	-	-	-	-
Cash and cash equivalents	114,413	-	-	114,413	-	-	-	-
Financial derivative assets	-	-	-	-	-	-	-	-
Current financial assets	84	-	-	84	-	-	-	-
Other current assets	22,295	-	-	22,295	-	-	-	-
Current financial assets	264,265	-	-	264,265	-	-	-	-

2020 (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
	Amortised cost	FV vs OCI	FV vs P&L					
Non-current financial liabilities	70,098	-	-	70,098	-	-	-	-
Other non-current liabilities	34,902	-	-	34,902	-	-	-	-
Non-current financial liabilities	105,000	-	-	105,000	-	-	-	-
Current financial liabilities	36,409	-	-	36,409	-	-	-	-
Trade payables	88,723	-	-	88,723	-	-	-	-
Financial derivative liabilities	-	-	-	-	-	-	-	-
Other current liabilities	70,225	-	-	70,225	-	-	-	-
Current financial liabilities	195,357	-	-	195,357	-	-	-	-

2019 (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
	Amortised cost	FV vs OCI	FV vs P&L					
Non-current financial liabilities	55,996	-	-	55,996	-	-	-	-
Other non-current liabilities	35,058	-	-	35,058	-	-	-	-
Non-current financial liabilities	91,054	-	-	91,054	-	-	-	-
Current financial liabilities	54,823	-	-	54,823	-	-	-	-
Trade payables	127,536	-	-	127,536	-	-	-	-
Financial derivative liabilities	-	-	13	13	-	-	-	-
Other current liabilities	68,688	-	-	68,688	-	-	-	-
Current financial liabilities	251,047	-	13	251,061	-	-	-	-

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 30 June 2020 and 31 December 2019.

(In thousands of Euro)	Property, plant and equipment		Other non-current assets		Trade receivables		Other current assets		Non-current financial liabilities		Trade payables		Current financial liabilities	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun
TECHNOGYM Emirates LLC	-	-	4	-	344	173	1,546	1,056	-	-	220	212	-	-
PUBBLISOLE S.P.A.	-	-	-	-	-	-	-	4	-	-	43	-	-	-
CRIT SRL	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	-	-	51	40	-	-	16	-	-	-
SVILUPPO IMPRESA ROMAGNA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asso.Milano Durini Design	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SANDCROFT AVENUE LIMITED	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FITKEY SOUTH AFRICA PTY LTD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WELLINK SRL	-	-	-	-	-	-	-	-	-	-	87	18	-	-
ALFIN SRL	-	-	-	-	114	1	-	-	-	-	145	139	-	-
VIA DURINI 1 S.R.L.	5,140	4,735	-	-	-	-	-	28	4,420	4,028	(67)	57	780	790
STARPOOL S.R.L.	-	-	-	-	-	1	-	-	-	-	4	4	-	-
ONE ON ONE S.R.L.	-	-	-	-	66	39	-	-	-	-	172	1	-	-
ENERVIT S.P.A.	-	-	-	-	-	-	-	-	-	-	0	-	-	-
ALNE SOC. AGR. S.R.L.	-	-	-	-	0	-	-	-	-	-	-	-	-	-
AEDES S.S.	-	-	-	-	-	-	-	-	-	-	15	-	-	-
SOBEAT S.R.O.	1,995	4,504	-	-	-	-	-	-	2,001	4,241	-	-	659	1,298
Total	7,135	9,240	4	-	525	213	1,597	1,128	6,420	8,270	636	431	1,439	2,088
Total Financial Statements	167,919	162,554	49,590	52,479	127,472	68,837	22,295	21,024	55,996	70,098	127,536	88,723	54,823	36,409
% on financial statements item	4.2%	5.7%	0.0%	0.0%	0.4%	0.3%	7.2%	5.4%	11.5%	11.8%	0.5%	0.5%	2.6%	5.7%

Trade receivables and other current assets due to joint ventures refer mainly 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 figures for the companies Via Durini S.r.l and Sobeat S.r.o mainly refer to the adoption of IFRS 16 concerning property leased in favour of the group.

The table below details the income statement balances of Related Party Transactions as of 30 June 2020 and 30 June 2019:

<i>(In thousands of Euro)</i>	Revenues		Other revenues and income		Raw materials and work in progress		Cost of services		Personnel expenses		Other operating costs		Amortisation		Financial expenses	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun	Jun
TECHNOGYM Emirates LLC	4,655	4,170	90	101	(27)	(35)	(3)	(2)	9	6	-	-	-	-	-	-
PUBBLISOLE S.P.A.	-	-	-	-	-	-	(10)	(0)	-	-	-	-	-	-	-	-
CRIT SRL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONSORZIO ROMAGNA INIZIATIVE	-	-	-	-	-	-	(7)	-	-	-	-	-	-	-	-	-
SVILUPPO IMPRESA ROMAGNA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asso.Milano Durini Design	-	-	-	-	-	-	-	-	-	-	(2)	(2)	-	-	-	-
SANDCROFT AVENUE LIMITED	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FITKEY SOUTH AFRICA PTY LTD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WELLINK SRL	0	-	-	-	-	-	(62)	(84)	-	-	(0)	(0)	-	-	-	-
ALFIN SRL	-	-	-	-	-	-	(125)	(125)	(2)	-	-	-	-	-	-	-
VIA DURINI I S.R.L.	-	-	-	-	-	-	(34)	(87)	-	-	(4)	(4)	(406)	(411)	(69)	(60)
STARPOOL S.R.L.	2	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
ONE ON ONE S.R.L.	1	8	-	2	-	(1)	(252)	(117)	-	-	(0)	(0)	-	-	-	-
ENERVIT S.P.A.	16	-	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-
ALNE SOC. AGR. S.R.L.	-	-	-	-	-	-	-	-	(1)	-	(7)	-	-	-	-	-
AEDES S.S.	-	-	-	-	-	-	(50)	(8)	-	-	-	(1)	-	-	-	-
SOBEAT S.R.O.	-	-	-	-	-	-	0	65	-	-	-	-	(327)	(371)	(2)	(14)
Total	4,675	4,177	90	104	(27)	(36)	(545)	(358)	6	6	(13)	(7)	(733)	(782)	(71)	(74)
Total Financial Statements	294,602	222,044	659	404	(96,341)	(69,015)	(80,690)	(60,306)	(67,011)	(54,843)	(2,749)	(3,916)	(14,747)	(17,222)	(5,788)	(6,945)
% on financial statements item	1.6%	1.9%	13.6%	25.6%	0.0%	0.1%	0.7%	0.6%	0.0%	0.0%	0.5%	0.2%	5.0%	4.5%	1.2%	0.9%

The figures for the companies Via Durini S.r.l and Sobeat S.r.o mainly refer to the adoption of IFRS 16 concerning property leased in favour of the group.

Remuneration of directors and key management

The total amount of compensation of the Board of Directors of the Company amounted to Euro 1,277 thousand for the half year ended 30 June 2020 (Euro 1,227 thousand for the half year ended 30 June 2019). The total amount of compensation for key management amounted to Euro 1,498 thousand for the half year ended 30 June 2020 (Euro 1,230 thousand for the half year ended 30 June 2019).

5.19 CONTINGENT LIABILITIES

As of 30 June 2020 there were 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.

It should be noted that an assessment notice for an amount of around Euro 10 million was received in the first half of 2017 relating to the company FBK Equipamentos Ltda for alleged formal irregularities in the import customs declarations relating to years prior to 2015, also in the name of Technogym Fabricação de Equipamento de Ginástica Ltda, now incorporated in BK Equipamentos Ltda.

The company, supported by its local tax advisors and lawyers, opposed the presumptions of the local administration and the first rulings against it, 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.

5.20 COMMITMENTS AND GUARANTEES

As of 30 June 2020 the Company issued guarantees to credit institutions on behalf of subsidiaries for Euro 3,836 thousand (Euro 3,956 thousand as of 30 June 2019), and on behalf of related parties for Euro 3,658 thousand (Euro 3,599 thousand as of 30 June 2019). The guarantees issued by the Group in favour of public institutions and other third parties amount to Euro 2,591 thousand (Euro 2,444 thousand as of 30 June 2019).

5.21 NON-RECURRING EVENTS AND TRANSACTIONS

In the half year ended 30 June 2020, non-recurring expenses equal to Euro 5,332 thousand were recorded, mainly attributable to the write-down of the investment of Euro 2,468 thousand, Euro 1,000 thousand donated to the intensive care units of hospitals in Romagna for the Covid-19 emergency and non recurring taxes. As of 30 June 2019, non-recurring expenses amounted to Euro 48 thousand.

5.22 POSITIONS OF TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

The Group did not complete any atypical or unusual operations pursuant to Consob Communication no. DEM/6064293 of July 28, 2006.

5.23 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

During Technogym Innovation Outlook held on 28 July 2020, the company launched the Technogym Live Console, an interface that can offer a new, engaging training experience that enables users to access an assortment of live and on-demand training videos from Technogym products and from the new Mywellness app. Technogym Live is also an open platform that combines content developed by Technogym with training content created by fitness clubs to offer end users an unprecedented variety and level of customisation.

At the same time as the digital event, the new EXCITE range was presented, already featuring an innovative digital console to give users a fully customised training experience based on their passions and goals. Thanks to its innovative design and digital training content, Excite combines fun, performance and results, adapting perfectly to the needs of each user. The new Excite is based on 4 key concepts - variety of training content, connectivity, compact design and eco-sustainability - to give users an engaging and customised training experience, and to guarantee sector operators added value and the possibility to innovate the business model.

Certification of the half-yearly 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 Chairman of the Board of Directors and Chief Executive Officer, and Andrea Alghisi as Financial Reporting Officer of Technogym S.p.A., pursuant to Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 24 February 1998, hereby certify:

- the adequacy of administrative and accounting procedures in relation to the characteristics of the company and
- the effective implementation of the administrative and accounting procedures for the preparation of the half-yearly condensed consolidated financial statements, during the first half of 2020.

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

3. It is also certified that:

3.1 The Half-Yearly Condensed Financial Statements:

- a) have been drawn up in accordance with the international accounting standards recognised in the European Union under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) are consistent with the entries in the accounting books and records;
- c) provide 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-yearly condensed 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, 9 September 2020

CHAIRMAN
OF THE BOARD DIRECTORS
AND CHIEF EXECUTIVE OFFICER
Nerio Alessandri

FINANCIAL
REPORTING
OFFICER
Andrea Alghisi



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 2020, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flow and the 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

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June 2020 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, 9 September 2020

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

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

