

FINANCIAL YEAR 32

2018

ANNUAL REPORT

EXERP APS

COPENHAGEN

CVR NO. 10 50 11 48

Approved at the annual general meeting of shareholders

Copenhagen 17/05/2019



Nicola De Cesare

Chairman

exerp®

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Statement by management on the annual report

Today, the Executive and Supervisory Boards have discussed and approved the annual report of Exerp ApS for the financial year 1 January - 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2018 and of the results of its operations for the financial year 1 January - 31 December 2018.

In our opinion, Management's Review includes a fair review of the matters dealt with in the Management's review.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 18 April 2019

Director

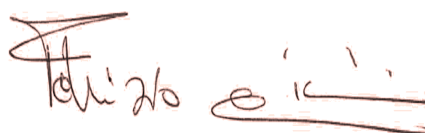


Rémi Paul Nodet
CEO

Supervisory board:



Nicola de Cesare



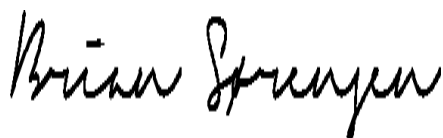
Fabrizio Giudici



Andrea Alghisi



Laurent Michael Czinczenheim



Brian Sørensen

Independent Auditor's Report

To the Shareholders of Exerp ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Exerp ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ["financial statements"].

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management

either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 18 April 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Leif Ulbæk Jensen
State Authorised Public Accountant
MNE23327

Company details

The company

Exerp ApS
Rued Langgaardsvej 8, 2. Sal
2300 Copenhagen S

CVR No.: 10 50 11 48
Financial year: 1 January – 31 December
Founded: 1 September 1986
Home: Copenhagen

Supervisory board

Nicola de Cesare
Fabrizio Giudici
Andrea Alghisi
Laurent Michael Czinczenheim
Brian Sørensen

Director

Rémi Paul Nodet, CEO

Auditors

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
Strandvejen 44, 2900 Hellerup, Denmark
Telefon +45 39 45 39 45

Management's review

The company's core activities

The core activities consist of development, sale and support of IT software for operation of fitness centers.

Business review

The company has over the years been in a positive trend of steady growth. The trend continued in 2018 with further growth in North-America through the subsidiary exerp America Inc. Exerp signed a major contract with the second largest US operator, now serving 2 of the top 4 operators in North-America.

Exerp continued investing in its software platform and worked on a range of new optional features: data warehouse, courses and kids camps management, mobile apps for the trainers and the members as well as extending the integration with Technogym's My Wellness Cloud. The company also continued to modernize its IT infrastructure and technical stack.

The company has also extended its range of consulting services towards its enterprise clients to assist them optimizing their use of the Exerp platform and ultimately optimizing their business.

In 2018, the company's group revenue increased with approximately 15 % and the operating profit increased by 121% to 8.2 million DKK in 2018 compared to 3.7 million DKK in 2017.

The income statement for 2018 shows a net profit of 6.2 million DKK against 2.6 million DKK last year, and the balance sheet at 31 December 2018 shows equity of 17 million DKK.

Capital resources

The balance sheet of the company per 31 December 2018 shows equity of 17 million DKK, current assets of 25.4 million DKK and short term liabilities of 8.7 million DKK. Based hereon the capital resources are sufficient to finance the company's plans for the upcoming period.

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Income statement for the year ended 31 December

	<u>Notes</u>	<u>2018</u> DKK	<u>2017</u> DKK
Gross Margin		53.521.633	43.456.082
Staff costs	2	<u>-44.859.224</u>	<u>-38.935.119</u>
Profit before depreciations		8.662.409	4.520.963
Depreciations of tangible and intangible assets	3	<u>-499.517</u>	<u>-835.503</u>
Operating profit		8.162.892	3.685.460
Finance income		3.000	0
Finance expenses		<u>-231.780</u>	<u>-327.646</u>
Profit before tax		7.934.112	3.357.814
Tax for the year	4	<u>-1.752.132</u>	<u>-786.691</u>
Profit for the year		<u>6.181.980</u>	<u>2.571.123</u>
 Appropriation of the profit			
Recommended appropriation of the profit for the year			
Dividend paid for the year		0	0
Proposed dividend		15.000.000	0
Retained earnings		<u>-8.818.020</u>	<u>2.571.123</u>
		<u>6.181.980</u>	<u>2.571.123</u>

Balance sheet at 31 December

Assets

	Notes	2018 DKK	2017 DKK
Fixed assets			
Finished development projects		0	96.952
Total intangible assets	5	0	96.952
Plant and equipment		481.774	618.040
Leased assets to customers		23.832	0
Total plant and equipment	6	505.606	618.040
Total fixed assets		505.606	714.992
Financial assets			
Investments in subsidiaries		7.180	7.180
Total financial assets	7	7.180	7.180
Current assets			
Inventories of consumables		63.941	40.667
Inventories		63.941	40.667
Trade receivables		6.688.464	4.694.328
Intercompany receivables		4.516.378	6.692.032
Other receivables		1.246.052	1.091.265
Prepayments		2.165.040	1.374.644
Total receivables		14.615.934	13.852.270
Cash and cash equivalents		10.688.382	5.398.581
Total current assets		25.368.256	19.291.517
Total assets		25.881.043	20.013.689

Balance sheet at 31 December

Equity and Liabilities

	<u>Notes</u>	<u>2018</u> DKK	<u>2017</u> DKK
Equity			
Share capital		186.966	186.966
Retained earnings		1.838.779	10.656.801
Proposed dividend		<u>15.000.000</u>	<u>0</u>
Total equity	8	<u>17.025.746</u>	<u>10.843.768</u>
Deferred tax	4	<u>185.744</u>	<u>60.846</u>
Total provisions		<u>185.744</u>	<u>60.846</u>
Prepayments from customers		60.000	248.080
Trade payables		1.937.420	1.050.236
Intercompany payables		0	223.637
Income taxes payable		147.143	849.459
Other payables		<u>6.524.990</u>	<u>6.737.664</u>
Short-term liabilities		<u>8.669.553</u>	<u>9.109.076</u>
Total liabilities		<u>8.669.553</u>	<u>9.109.076</u>
Total equity and liabilities		<u>25.881.043</u>	<u>20.013.689</u>
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Notes to the financial statement

Significant Accounting policies

The annual report of Exerp ApS is presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the company are consistent with those of last year.

Referring to Danish Financial Statement act §112, stk. 1 no consolidated accounts are prepared.

Reporting currency

Amounts stated in the annual report are denominated in Danish kroner.

Currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Recognition and measurement in general

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Moreover, expenses incurred to generate earnings for the year are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals resulting from changed accounting estimates of amounts that used to be recognised in the income statement.

Assets are recognised in the statement of financial position when it is probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when they are probable and the value can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Subsequent to initial recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, in which case constant effective interest is recognised over the life of the asset or liability. Amortised cost is determined as original cost less repayments, if any, with the addition of or net of the accumulated amortisation of the difference between cost and nominal amount.

For recognition and measurement purposes, due consideration is given to predictable losses and risks arising before the annual report is presented and proving or disproving conditions existing at the reporting period end date.

Income statement

Revenue

Referring to the Danish Financial Statements Act § 32, revenue is not disclosed in the annual report.

Net revenue

Revenue is recognized in the income statement if delivery and transfer of ownership have taken place before year end. Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Cost of sales

Cost of sales includes the consumption of consumables used to achieve net revenue.

Staff cost

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Depreciations

Depreciations include amortization and impairment of intangible and tangible fixed assets.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

Balance sheet

Intangible assets

Development projects are measured at cost less accumulated depreciations. Development costs are amortized straight-line basis over the contract period, which is estimated at 5 years.

There is performed yearly assessment of depreciation periods and residual values.

Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The depreciation, which is calculated at cost less any residual value, straight line basis over their estimated useful lives, as follows:

Plant and equipment	3-8 years
Leasehold improvements	5 years
Leased assets to customers	1 year

There is performed yearly assessment of depreciation periods and residual values.

Investment in subsidiaries

Investments in subsidiaries are measured at cost. Cost is written down to net realisable value whenever the cost exceeds the net realisable value.

Inventories

Inventories are measured at cost using the FIFO method. Where the net realizable value is lower than cost, the inventory is written down to this lower value.

The cost of trade goods includes the purchase price plus transportation costs.

The net realizable value of inventories is calculated as the selling price less costs of completion and costs to be incurred to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Write downs are made to the lower of the net realizable value and the carrying amount.

Prepayments

Prepaid expenses recognized as assets include expenses related to subsequent financial years.

Income tax

Current tax payables and receivables are recognized in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Deferred tax is calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortizable goodwill.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

Other payables

Other payables are measured at net realizable value.

Notes to the financial statement

	<u>2018</u>	<u>2017</u>
	DKK	DKK
2 Staff costs		
Salaries	44.249.667	38.476.318
Pensions	59.896	29.358
Other social security costs	<u>549.661</u>	<u>429.443</u>
	<u>44.859.224</u>	<u>38.935.119</u>
Average number of employees	<u>75</u>	<u>60</u>
3 Depreciations of tangible and intangible assets		
Depreciations of intangible assets	96.952	355.200
Depreciations of tangible assets	<u>402.565</u>	<u>480.303</u>
Total depreciations	<u>499.517</u>	<u>835.503</u>
comprising:		
Finished development projects	96.952	355.200
Plant and equipment	380.899	463.371
Leased assets to customers	<u>21.666</u>	<u>16.932</u>
Total	<u>499.517</u>	<u>835.503</u>

Notes to the financial statement

	<u>2018</u>	<u>2017</u>
	DKK	DKK
4 Tax for the year		
Current tax	1.649.143	855.204
Adjustment related to prior year and foreign tax	-21.910	30.144
Deferred tax	<u>124.899</u>	<u>-98.657</u>
Total tax in the income statement	<u>1.752.132</u>	<u>786.691</u>
Deferred tax related to:		
Property, plant and equipment	-120.375	-117.779
Intangible assets	0	21.330
Prepaid expenses	<u>306.119</u>	<u>157.295</u>
Total deferred tax liability	<u>185.744</u>	<u>60.846</u>

Deferred tax is calculated with 22 % tax rate.

Notes to the financial statement

	Finished development projects	
5 Intangible assets		
Cost at 1 Januar 2018		20.925.998
Additions in the year		0
Cost at 31 December 2018		20.925.998
Depreciations at 1 Januar 2018		20.829.046
Depreciations in the year		96.952
Depreciations at 31 December 2018		20.925.998
Carrying amount at 31 December 2018		0
6 Property, plant and equipment	<u>Equipment</u>	<u>Leased assets to customers</u>
Cost at 1 Januar 2018	2.624.602	143.260
Additions in the year	261.419	45.500
Disposals in the year	-18.312	-7.647
Cost at 31 December 2018	2.867.709	181.113
Depreciations at 1 Januar 2018	2.006.562	143.260
Depreciations in the year	380.899	21.668
Reversal of depreciation on disposals	-1.526	-7.647
Depreciations at 31 December 2018	2.385.935	157.281
Carrying amount at 31 December 2018	481.774	23.832
7 Financial assets	<u>2017</u>	<u>2017</u>
Investments in subsidiaries:	DKK	DKK
Cost at 1 Januar	7.180	6.686
Additions in the year	0	494
Cost at 31 December	7.180	7.180
Carrying amount at 31 December	7.180	7.180
Company:	Ownership:	
Exerp America Inc	100%	
Exerp Asia-Pacific	100%	

Notes to the financial statement

8 Equity	Share capital	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 Januar 2018	186.966	10.656.800	0	10.843.766
Dividends paid for the year				0
Transfers				0
Distributed dividend				0
Profit for the year		6.181.980		6.181.980
Proposed dividend		-15.000.000	15.000.000	0
Equity 31 December 2018	186.966	1.838.780	15.000.000	17.025.746

9 Contingencies and commitments

Contingencies

The company has signed a lease agreement for office facilities that can be terminated latest 15 June 2020 equivalent to a lease obligation of TDKK 2.921.

The company has signed a company charge agreement with Handelsbanken of TDKK 1.400 to cover the overdraft facility.

The company has signed a parent company guarantee of TUSD 66 to Exerp America Inc. to cover for trading partner obligations.

Exerp ApS is jointly taxed with Amleto ApS. The total amount for corporate taxes payable is presented in the Annual Report for Amleto ApS as the the joint taxation administration company. The Danish companies in the Group will be jointly and individually liable for Danish withholding taxes covering dividend tax, royalty tax and interest tax.

Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability.

10 Related parties

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Technogym S.p.A.	Via Calcinaro 2861 Cesena (FO) CAP 47521 Italia	http://corporate.technogym.com