LifeFit Group MidCo GmbH
Munich

Short-form audit report
Consolidated financial statements and group management report
31 October 2019

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Translation from the German language

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Note:

We have issued the audit opinion presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use".

Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German

Independent auditor's report

To LifeFit Group MidCo GmbH

Opinions

We have audited the consolidated financial statements of LifeFit Group MidCo GmbH, Munich, (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 October 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 13 March to 31 October 2019, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of LifeFit Group MidCo GmbH for the fiscal year from 13 March to 31 October 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetz-buch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 October2019, and of its financial performance for the fiscal year from 13 March to 31 October 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 opinions on the consolidated financial statements and on the group management report.

Responsibilities of the executive directors for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Eschborn/Frankfurt am Main, 26 February 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)	(signed)
Enzenhofer Wirtschaftsprüfer [German Public Auditor]	Jaber Wirtschaftsprüfer [German Public Auditor]

Translation from the German language

LIFEFIT GROUP MIDCO GMBH, MUNICH

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2019

Translation from the German language

GENERAL INFORMATION

For the year ended 31 October 2019

GENERAL PARTNER

LifeFit Group MidCo GmbH

REGISTERED OFFICE

Munich

INDEPENDENT AUDITOR

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Mergenthalerallee 3-5
65760 Eschborn/Frankfurt am Main

Translation from the German language

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2019

	Notes	03/13/2019(*) - 10/31/2019 EUR k
Revenue	3.1	**43,330**
Other operating income	3.2	682
Cost of materials	3.3	2,270
Personnel expenses	3.4	13,613
Other operating expenses	3.7	15,828
Amortization and depreciation of intangible assets and property, plant and equipment	3.6	10,249
Operating profit or loss		**2,052**
Finance income		142
Finance costs		4,630
Finance cost, net	5.5	**-4,488**
Profit or loss for the period before taxes		**-2,436**
Income taxes	3.8	144
Profit or loss for the period		**-2,292**
Thereof attributable to:		
- equity holders of the parent		-2,292
Profit or loss for the period		**-2,292**
Reconciliation to the consolidated statement of comprehensive income		
Profit or loss for the period		**-2,292**
Total comprehensive income		**-2,292**

(*) LifeFit Group MidCo GmbH was incorporated on 13 March 2019 and entered in the commercial register at the Munich local court on 9 April 2019. Its operative business has begun from the date of purchase of three subsidiaries, 1 July 2019 (Fitness First Germany GmbH, Elbgym GmbH and Barry's Bootcamp GmbH).

Translation from the German language

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Notes	10/31/2019 EUR k
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	4.2	38,792
Property, plant and equipment	4.1	44,041
Right-of-use-assets	7.1	120,571
Investment in joint venture		17
		203,421
CURRENT ASSETS		
Inventories	6.1	703
Trade receivables	6.2	2,909
Receivables from related parties	7.4	633
Current income tax assets	6.3	74
Other non-financial assets	6.4	1,931
Cash and cash equivalents	6.5	26,191
		32,441
TOTAL ASSETS		**235,862**
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	5.1	26
Capital reserves	5.1	99,521
Other reserves	5.1	-108,533
		-8,986
NON- CURRENT LIABILITIES		
Financial liabilities	5.2	38,001
Shareholder debt	5.3	31,670
Other non-financial liabilities	6.7	28
Other financial liabilities	6.8	1,484
Other provisions	7.2	4,244
Lease liabilities	7.1	121,019
Deferred tax liabilities	3.8	2,048
		198,494
CURRENT LIABILITES		
Trade payables	6.6	16,792
Other non-financial liabilities	6.7	5,150
Other financial liabilities	6.8	1,280
Other provisions	7.2	2,981
Lease liabilities	7.1	19,841
Income tax liabilities	7.3	310
		46,354
TOTAL EQUITY AND LIABILITIES		**235,862**

Translation from the German language

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2019

		Equity attributable to equity holders of the parent			
	Notes	Subscribed capital EUR k	Capital reserves EUR k	Other reserves EUR k	Consolidated equity EUR k
As at 13 March 2019 (formation)		**25**			**25**
Capital increase		1			1
Loss for the year				- 2,292	- 2,292
Total comprehensive income/ loss		1		- 2,292	- 2,292
Capital increase (contribution in kind)			99,521		99,521
Fair value measurements of shareholder loans	5.3			5,024	5,024
First-time consolidation of FFG, Elbgym and Barry's Bootcamp ("pooling of interest method")	4.4			- 111,265	- 111,265
As at 31 October 2019	5.1	**26**	**99,521**	**- 108,533**	**- 8,986**

Translation from the German language

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2019

	2019 EUR k
Cash flows from operating activities	
Profit or loss for the period from continuing operations	-2,292
Amortization and depreciation (+)/write-ups (-) of non-current assets	10,249
Other non-cash expenses (+)/income (-)	
Finance costs, net	4,488
Deferred tax expenses (+)/ deferred tax income (-)	-241
Other	-232
Gain (-)/loss (+) on disposals of non-current assets	213
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-2,917
Increase (+)/decrease (-) in trade payables and other liabilities	1,202
Increase (+)/decrease (-) in provisions	-822
Interest paid	-616
Net cash flows from operating activities	**9,032**
Cash flows from investing activities	
Cash paid for investments in property, plant and equipment	-6,063
Cash paid for investments in intangible assets	-29
Cash paid for business acquisitions net of cash acquired	-24,986
Cash paid for investments in associated companies	-17
Net cash proceeds from business combinations under common control	8,602
Net cash flows used in investing activities	**-22,493**
Cash flows from financing activities	
Cash received from borrowings	38,056
Cash received from shareholder loans	9,519
Cash received from capital injections	1,419
Repayment of lease liabilities	-9,367
Net cash flows from financing activities	**39,627**
Net increase in cash and cash equivalents	26,166
Cash and cash equivalents as of 13 March 2019	25
Cash and cash equivalents as of 31 October 2019	**26,191**

Translation from the German language

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 October 2019

1. Corporate and group information

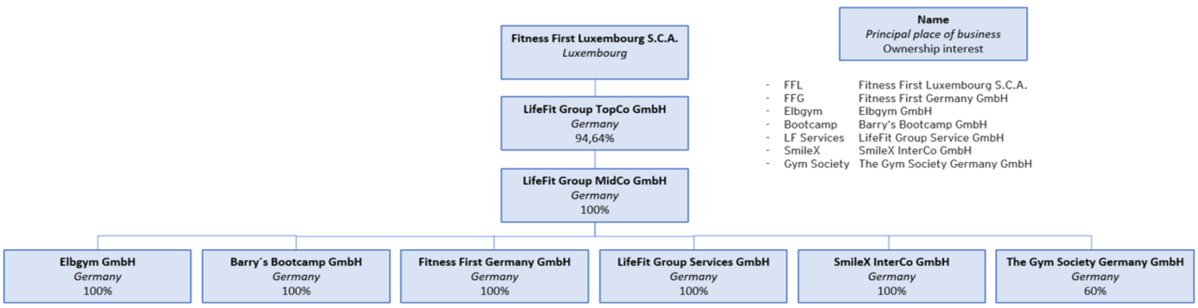
LifeFit Group MidCo GmbH (hereafter the “Company” or “MidCo”) was incorporated on 13 March 2019 and organized under the laws of Germany as a “Gesellschaft mit beschränkter Haftung” for an unlimited period. It was acquired by LifeFit Group TopCo GmbH (“TopCo”) on 31 May 2019 and was renamed LifeFit Group MidCo GmbH (previously INOS 10-016 GmbH). The parent of MidCo (100% share) is hence LifeFit Group TopCo GmbH, Munich, and the ultimate parent of the group is Fitness First Luxembourg S.C.A., which has its registered office in Luxembourg.

The registered office of the Company is established in Munich, the business address is Hanauer Landstraße 148a, 60314 Frankfurt am Main, and the commercial register number is HRB no. 248092 in Munich. The financial year of the Company starts on 1 November and ends on 31 October. The first financial year starts on 13 March 2019 and ends on 31 October 2019. However, the results for this year refers primarily to the period from 1 July to 31 October 2019, since the material operative business began from the date of purchase of three subsidiaries on 1 July 2019 (Fitness First Germany GmbH, Elbgym GmbH and Barry’s Bootcamp GmbH).

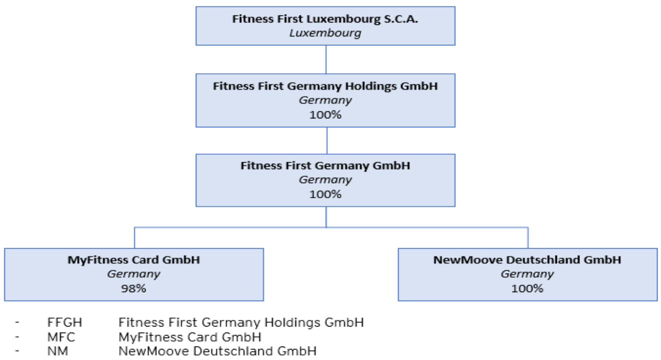
Reorganization of the Fitness First Luxembourg S.C.A., Luxembourg (hereafter: LifeFit Group)

During restructuring that occurred before the financial year end of 31 October 2019, the LifeFit Group acquired several new entities, created new intermediary holding companies (TopCo and MidCo) to run newly acquired businesses and sold two companies.

Structure chart after restructuring:



Structure chart before restructuring (as of 31 October 2018 – essentially also valid until 30 June 2019):



Translation from the German language

Timeline of restructuring

28 Dec. 2018	FFGH acquired 100% of shares of Elbgym GmbH, Hamburg, Germany from Wilhelm Schröter for EUR 3,551k.
04 Mar. 2019	FFGH founded the Barry's Bootcamp GmbH with the shareholder's equity of EUR 25k.
13 Mar. 2019 **31 Mar. 2019**	FFG acquired 0.5% of shares of MFC from Ralph Siebold for EUR 50k and 1.5% shares from Andreas Schröder for EUR 300k. Consequentially, FFG has 100% shares of MFC as of 31. March 2019.
05 Apr. 2019	FFG sold 100% of shares in MFC and NM to FFL for EUR 7,923k.
11 Apr. 2019	The acquired shares in MFC and NM were sold to the Profession Fit BGF GmbH, of which 54% of its shares belong to FFL.
24 May 2019	FFL acquired 100% shares of a shell company named INOS 19-015 GmbH from INOS24 Holding GmbH for a purchase price of EUR 27.8k. The INOS 19-015 GmbH was renamed LifeFit Group TopCo GmbH.
31 May 2019	TopCo acquired 100% shares of a shell company named INOS 19-016 GmbH from INOS24 Holding GmbH for a purchase price EUR 27.8k. The INOS 19-016 GmbH was renamed LifeFit Group MidCo GmbH.
30 Jun. 2019	MidCo acquired 100% shares of FFG, Barry's Bootcamp and Elbgym for a purchase price EUR 118,968k. This transaction was not settled in cash, but through assignments.
29 Jul. 2019	MidCo acquired 100% shares of a shell company named INOS 19-036 GmbH from INOS24 Holding GmbH for a purchase price EUR 27.8k. The INOS 19-036 GmbH was renamed LifeFit Group Services GmbH.
08 Aug. 2019	MidCo acquired 100% shares in SmileX InterCo GmbH and its subsidiaries for a purchase price of EUR 33,312k.
15 Oct. 2019	MidCo set up a joint venture with The Gym Society International B.V., Arnhem, Netherlands by acquiring 60% shares of a shell company named INOS 19-034 GmbH from INOS24 Holding GmbH for a purchase price of EUR 16.7k. The INOS 19-034 GmbH was renamed The Gym Society Germany GmbH.

All acquired subsidiaries mentioned above were consolidated for the first time in accordance with IFRS 3 as LifeFit Group MidCo gained control over them in this financial year.

With 66 clubs and more than 215,000 members at the end of October 2019, Fitness First Germany GmbH is one of the leading fitness and health service provider in Germany. Fitness First focuses on the needs of professionals in major cities and aims to offer a very high standard of training and services in the wellness area.

Elbgym operates three fitness clubs in Hamburg city and is known in the region for its CrossFit training, wellness area and intensive personal advice.

Translation from the German language

The “Barry’s Bootcamp” group segment stands for high-intensity interval training. The workout switches between treadmill and weight training and burns up to 1,000 calories per hour making it one of the most strenuous and effective workouts in the world. A highly motivating atmosphere, darkened red light and dedicated coaches push the participants of a class to peak performance. The opening of the first studio in Germany is planned for summer 2020.

The subsidiary SmileX Interco GmbH is a parent of 14 fitness clubs primarily located in the South-East of Germany and operating under the brand name SMILEFITNESSCLUB. In addition, franchise licenses have been granted to three clubs. The SmileX clubs provide a basic offering of fitness training and motivating courses.

The Gym Society Germany GmbH (“Gym Society”) is a joint venture between MidCo and The Gym Society International B.V. The concept of GymSociety is personalized consultancy for healthy life with a luxurious boutique environment with experienced trainers. The opening of the first studio in Germany is planned for mid-2020.

The consolidated financial statements of LifeFit Group MidCo GmbH for the short financial year from 13 March to 31 October 2019 are expected to be authorized for issue in accordance with a resolution of the General Partner on 26 February 2020. Under German law the financial statements are approved by the shareholders at the Annual General Meeting.

2. Significant accounting policies

This section provides additional information about the overall basis of preparation that the directors consider to be useful and relevant to understanding these financial statements.

2.1 Basis of preparation

The consolidated financial statements of MidCo and its subsidiaries (hereafter the “Group”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union for the period beginning on or after 1 January 2019.

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which have been measured at fair value. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR k) except where otherwise indicated.

The consolidated financial statements cover a short financial year and only include the period since the formation of the group parent company, LifeFit Group MidCo GmbH, on 13 March 2019 until 31 October 2019.

2.2 Basis of consolidation and consolidated companies

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 October 2019. Subsidiaries are all entities over which the Group has control. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Translation from the German language

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

Besides MidCo, the continuing business operations relate to the following subsidiaries included in the consolidated financial statements as of the reporting date:

Name	**Registered office**	**Share in capital (%)**
Fitness First Germany GmbH	Frankfurt am Main	100%
Barry’s Bootcamp GmbH	Frankfurt am Main	100%
Elbgym GmbH	Hamburg	100%
LifeFit Group Services GmbH	Frankfurt am Main	100%
smile X Nürnberg 1 GmbH	Frankfurt am Main	100%
smile X Stuttgart 1 GmbH	Frankfurt am Main	100%
smile X Stuttgart 2 GmbH	Frankfurt am Main	100%
smile X Pforzheim 1 GmbH	Frankfurt am Main	100%
smile X Trier 3 GmbH	Frankfurt am Main	100%
smile X Esslingen 1 GmbH	Frankfurt am Main	100%
smile X Freiburg 1 GmbH	Frankfurt am Main	100%
Smile X InterCo GmbH	Saarbrücken	100%
Smilefit BaKr GmbH & Co.KG	Bad Kreuznach	100%
Smilefit BK GmbH & Co.KG	Saarbrücken	100%
Smilefit Homburg GmbH	Saarbrücken	100%
Smile I-O GmbH & Co.KG	Idar-Oberstein	100%
Smilefit I-O GmbH & Co.KG	Idar-Oberstein	100%
Smile X KN GmbH & Co.KG	Kirn	100%
MKS Sport GmbH	Saarbrücken	100%
MKS Sport 4 GmbH & Co. KG	Saarbrücken	100%
MKS Sport 2 GmbH	Pirmasens	100%
Smilefit SLS GmbH & Co. KG	Saarlouis	100%
MKS Sport 3 GmbH	Trier	100%
MKS Sport 7 GmbH & Co.KG	Trier	100%
MKS Sport 5 GmbH & Co.KG	Zweibrücken	100%
Smile Konzept GmbH	Homburg	100%
Vivasport GmbH	Idar-Oberstein	100%
Smilefit Verwaltungs GmbH	Homburg	100%
Smile Verwaltungs GmbH 2	Homburg	100%
Smile Verwaltungs GmbH 4	Homburg	100%

The Gym Society Germany GmbH (“Gym Society”) is a joint venture and is included in the consolidated financial statement in accordance with the equity method.

Translation from the German language

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Translation from the German language

b) Going concern

After making enquiries, and in consideration of the foregoing, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Cash flows have been projected out until October 2022 and are expected to remain positive for the existing businesses.

In the fiscal year, consolidated equity amounted to -EUR 9.0m. Including the subordinated shareholder loans (presented under “shareholder debt” in the consolidated statement of financial position) with an amount of EUR 31.7m, the equity ratio came to 9.6%. The terms of the subordinated shareholder loan are: interest rate of 7.0% p.a., repayment of principal and interest accrued upon maturity on 31 January 2024.

The negative equity mainly results from the specific accounting and consolidation implications according to IFRS (“transactions under common control”). By consolidating FFG, EG and Barry’s Bootcamp as of 1 July 2019, the difference between acquisition costs of FFG (EUR 119m) and the book value of net assets acquired (EUR 8m) had to be accounted for in group reserves, impacting them negatively by EUR 111m. Had the transaction been occurred as business combination at fair values in accordance with IFRS 3, this difference would have been allocated to tangible and intangible assets leading to a significant step-up of net assets and equity.

Overindebtness is tested at the level of the entity LifeFit Group MidCo GmbH. As of the reporting date, in its statutory financial statements according to German GAAP LifeFit Group MidCo GmbH shows a positive equity of EUR 97.7m.

c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d) Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the Group's share of the results of operations of joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

Translation from the German language

Upon loss of significant influence over joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

e) Revenue from contracts with customers

The Group derives its income principally from the sale of fitness club memberships and associated joining and administration fees, with secondary income from the sale of related food, beverages, energy products and personal training.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue stream	**Accounting treatment**
Membership fee	The monthly paid transaction price from the customer fully represents the performance obligation (deployment of fitness facilities for that specific month). Membership revenues have been recognized on a monthly basis over the contract term and continue to be recognized.
Joining fee	At the beginning of the membership, the customer is given a health check, equipment briefing, training plan and a membership card, for which a one-time joining fee is charged. Under IFRS 15, this one-time fee is a separate performance obligation as the group companies provide services in return. This means that the revenue is recognized in the month in which the contract is concluded. The customer regularly undergoes a new fitness check (quarterly or semi-annually), on the basis of which their individual training plan is updated. Under IFRS 15, these fees are also a separate performance obligation as the group companies provide services in return and the fees are recognized in profit or loss in the month in which the service is provided.
Personal trainer revenue	The group companies offer independent personal trainers the opportunity to provide personal training support to customers. In return, the trainers conclude a license agreement with the relevant company for a monthly license fee payment. The corresponding revenue is recognized monthly in profit or loss. The hourly charge for the training is billed directly between the customer and the trainer and is not recognized by the Company.
Revenues from sales of goods	The transaction price is paid directly in exchange of the performance obligation. In general, these revenues are recognized daily, at once.

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite life are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Other software assets

Costs to acquire computer software licenses and bring them into use by the Group are capitalized and amortized over their estimated useful lives (three years).

Brand and customer bases

Brand and customer bases acquired in a business combination are recognized at fair value at the acquisition date. Brands and customer bases have a useful life of four years and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method.

Customer bases have an economic life of four years and are carried at cost less any accumulated amortization on a straight-line basis.

g) Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is charged on all assets, except for freehold land, based on cost less estimated residual value in equal annual instalments over the estimated useful lives of the assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Useful lives
Land and buildings (as well as rights of use under rental and lease agreements)	over the term of the lease
Furniture, fittings and equipment	2 to 15 years
Fitness equipment	5 to 6 years
Computer equipment	3 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The appropriateness of depreciation rates is reviewed on an annual basis. Any change in the estimated useful life, or residual value, is adjusted through the depreciation rates on a prospective basis.

h) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. A growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 October and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the profit or loss for the year.

i) Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost is defined as being that expenditure that has been incurred in the normal course of business in bringing the product or service to its present location and condition. This expenditure should include the cost of purchase and such costs of conversion as are appropriate.

Translation from the German language

Net realizable value is the actual or estimated proceeds from the sale of inventory (net of trade discounts, but before settlement discounts) less all further costs to completion and less all costs to be incurred in marketing, selling and distributing directly related to the inventory in question.

Where the net realizable value is less than cost, inventory should be written down immediately through the current income statement.

j) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

k) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has lease contracts for various items of buildings (studios, offices and warehouses), vehicles and fitness equipment. Leases of buildings generally have a non-cancelable lease term of 15 to 20 years, while vehicle and machinery leases have a lease term of 3 to 5 years.

Lessee accounting

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (details further discussed below). The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-financial assets.

Translation from the German language

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. The recognition exemption for leases of low value assets is adopted on a lease-by-lease basis.

Lease payments on short- term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

As the current year presented is also the first year of transition to IFRS 16 for the group companies acquired as part of the common control transaction it has to be noted that also contracts that had as of 1 January 2019 only a remaining term of less than one year have been treated as short term lease as allowed under the transition rules of IFRS 16.

iv) Non-lease components

Contracts often combine different kinds of obligations of the supplier, which might be a combination of lease components or a combination of lease and non-lease components. For a contract that contains a lease component and additional lease and non-lease components, such as the lease of an asset and the provision of a maintenance service, the Group has decided that the components do not need to be separated, except for property lease contracts. No service-related components have to be included in the calculation of the lease liability for the asset class of buildings.

Translation from the German language

v) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its building leases, to lease the assets for additional terms of five years (sometimes, several 5-year extension options exist). The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group assessed the renewal period for leases of buildings within the next five years according to the profitability and significance stated in their business plan. The renewal options for leases of fitness equipment and vehicles were not included as part of the lease term because the Group has a policy of leasing such assets for not more than five years and hence not exercising any renewal options.

l) Provision

A provision is recognized if, as a result of a past event, the Group has a present, legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect is material, the obligation is discounted to present value using a pre-tax rate that reflects current market assessments of the time value of money. A risk-free rate is used as cash flows are already adjusted for risk. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Onerous contract provisions

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

The value of the provision is determined based on the expected unavoidable future costs of the contract and the expected period during which these costs will continue to be incurred. Management estimates the expected period during which these costs will be incurred on a lease by lease basis, based on the current contract status, historical experience of resolving similar contracts, and knowledge of the local rental markets.

Restoration provisions

Provision is made for costs of restoration to reinstate lease sites to their original condition at the end of the lease term where there is a contractual or constructive obligation and it is probable that the costs will be incurred. Costs of restoration are recognized as additions to property, plant and equipment incurred in fitting out the site at the inception of the lease and provision is made for the liability that is expected to arise. The additions are depreciated over the period of the lease term.

Restructuring provisions

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan’s main features.

m) Financial instruments

Financial assets

<u>Initial recognition and measurement</u>

Financial assets are generally classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets in form of a debt instrument at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The business model of the group is only based on generating contractual cash flows (interest over term and repayment) With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (d) Revenue from contracts with customers.

<u>Subsequent measurement</u>

For purposes of subsequent measurement, the Group currently classifies financial assets in two categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through profit or loss

Translation from the German language

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group’s financial assets at amortized cost includes trade receivables, loans to associates and loans to directors included under other non-current financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category currently includes only derivative instruments.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

Financial liabilities

<u>Initial recognition and measurement</u>

Financial liabilities are generally classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments (currently only contingent consideration and bifurcated embedded derivatives).

Translation from the German language

Subsequent measurement

For purposes of subsequent measurement, the group currently classifies financial liabilities in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group as well as separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

n) Share-based payments

The Group has established a management participation plan, which is governed by IFRS 2, Share-Based Payment. Under the plan, two former direct shareholders of SmileX receive remuneration in the form of share-based payments for services provided to Fitness First Group. The plan is classified as equity-settled.

The costs of equity-settled transactions have to be recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The Group measures the cost of that equity-settled share-based payment transaction by reference to the fair value of the equity instruments at the date at which they are granted.

o) Tax

The tax expense represents the sum of the corporation tax currently payable (“Körperschaftssteuer”, “Gewerbesteuer”, “Solidaritätszuschlag”) and deferred tax.

Corporation tax

Corporation tax payable is based on taxable profit for the year using current tax rates that have been enacted or substantively enacted. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss)
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in Joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized

Translation from the German language

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or if outside the measurement period, it is recognized in the statement of profit or loss and other comprehensive income.

2.4 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in question in future periods.

Consolidation of acquired subsidiaries during reorganization

On 1 July 2019, the company acquired 100% of shares of the three subsidiaries (Elbgym GmbH, Fitness First Germany GmbH and Barry’s Bootcamp GmbH) from Fitness First Germany Holding GmbH, of which Fitness First Luxembourg S.C.A. owns 100% shares. This transaction is defined as a business combination under common control, as FFL is ultimate parent company of FFG and FFGH. The company applies the pooling of interest method for business combination under common control. The company as the entity obtaining control of the business of the three entities recognized the assets and liabilities of the acquired subsidiaries, when control was obtained at the carrying amounts recognized by FFGH and made no adjustments to reflect fair values or recognized any new assets or liabilities at the date of the combination that would otherwise be done under the acquisition method.

Accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Measurement and Step ups of non-current assets recognized form the acquisition of Elbgym GmbH and SmileX InterCo GmbH

Effective 12 November 2018, Fitness First Germany Holdings GmbH had acquired 100% of the equity interests in Elbgym GmbH and 100% of the shares in SmileX InterCo GmbH on the effective date of 8 August 2019. Due to these acquisitions, the purchase price had to be allocated to the acquired assets at their relative fair values at the date of purchase as required by IFRS 3. For the measurement methods used in this connection see the comments in note 2.3. This measurement required extensive assumptions to be made in order to determine the acquisition-date fair values. In addition, estimates had to be made in order to determine the economic useful life of the non-current assets (see notes Section 4).

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Accounting estimates

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognized at the balance sheet date:

Useful economic lives

The useful economic lives, as mentioned in current accounting policy in note 2.3 g), are assessed on annual basis based on latest available information. Management believe that the useful economic lives being used currently are still appropriate. Current year's depreciation and amortization charge is shown in note 3.6.

Impairment of intangible assets, property, plant and equipment and right-of-use-assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, based on a value in use or fair value less costs to sell calculation.

Translation from the German language

The recoverable amounts of property, plant and equipment and goodwill are determined based on value in use calculations. The recoverable amounts are then compared to the carrying values of the assets. An impairment loss is recognized whenever the carrying amount exceeds the recoverable amount.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in note 4.3.

When considering whether impairment charges can be reversed, management assesses whether an improvement has occurred that is both significant and sustained which involves estimation.

Provision for onerous property lease contracts

When implementing IFRS 16, the Group made use of the transitional provisions and did not recognize various lease agreements relating to closed locations because these leases had a residual term of less than one year at the date of conversion. The payments still to be made include the regular lease payments as well as penalty payments for premature cancellation.

The value of the provision is determined based on the expected unavoidable future costs of the contract and the expected period during which these costs will continue to be incurred. Management estimates the expected period during which these costs will be incurred on a lease by lease basis, based on the current contract status, historical experience of resolving similar contracts, and knowledge of the local rental markets.

Fair value measurement of financial instruments

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (see Notes 4.4 for details).

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, amortizing structure of liability versus bullet repayment). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Translation from the German language

2.5 Standards which have been issued but are not yet effective and have also not been voluntarily adopted early

The Group reasonably expects the following standards and interpretations issued but not yet effective to have no or only an immaterial impact on its disclosures and/or assets, liabilities, financial position and financial performance when applied at a future date:

- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 3 “Business Combinations”
- IFRS 17 “Insurance Contracts”
- Amendments to references to the IFRS Conceptual Framework
- Interest Rate Benchmark Reform (Amendments to IFRS 7, IFRS 9 and IAS 39)

3. Results for the year

This section presents the disclosure of operating segments and the notes related to times in the income statement (except for finance income and costs).

- Information about key items comprising operating profit/ loss (Note 3.1 – 3.7)
- The calculation of income tax (Note 3.8)

As already mentioned in the section 1, results for this short financial year primarily refer to the period **from 1 July to 31 October 2019**, as the material operative business has begun from the first acquisition of the three subsidiaries; Fitness First Germany GmbH, Elbgym GmbH and Barry’s Bootcamp GmbH.

Translation from the German language

3.1 Revenue

3.1.1 Disaggregated revenue information

In the following table, revenue is disaggregated by revenue type and by brand name:

Type of goods or service	2019 EUR k
Fitness revenue	
Membership fee	39,430
Joining fee	733
Personal training fee	622
Other revenue	
Food and drink	967
Fitness-related products	318
Miscellaneous	1,260
Total	**43,330**

Brand name	2019 EUR k
Fitness First	39,791
SmileX	2,680
Elbgym	859
Total	**43,330**

3.2 Other operating income

	2019 EUR k
Recharges	106
Net gain on disposal of assets	99
Dunning charges	56
Insurance reimbursements	46
Miscellaneous	375
Total	**682**

Translation from the German language

3.3 Cost of materials

Type of goods or service	2019 EUR k
Outsourced services	1,474
Food and beverage	716
Merchandising	62
Other	18
Total	**2,270**

3.4 Personnel expenses

	2019 EUR k
Salaries and wages	11,306
Social security contributions	2,307
Total	**13,613**

In Germany company pensions in the Group are defined contribution plans under which the Company pays contributions to the relevant public pension insurance scheme on the basis of statutory requirements. The Company does not have any other benefit obligations beyond the payment of contributions Current contributions are recognized as an expense in the relevant year. They amounted to EUR 650k. As of 31 October 2019, 1,890 people were employed by the Group. Of these, 1,732 people worked in the clubs and 158 employees in the service center.

3.5 Share-based payments

Management Incentive Plan

The management incentive plan (MIP) scheme is designed to incentivize Mr. Christian Müller and Mr. Boris Köninger. Mr. Müller as a managing director of SmileX InterCo GmbH and Mr. Köninger as a consultant for SmileX InterCo GmbH entered into a management incentive agreement with LifeFit TopCo in form of a bonus, that is payable in cash by completion of an Exit and in certain situations in which employment is terminated. The grant date, at which the company, Mr. Müller and Mr. Köninger agreed to a share-based payment arrangement, falls on 28 May 2019. The management incentive program constitutes an equity-settled share-based payment transaction within the consolidated and separate financial statements of MidCo.

The fair value of the payment is determined based on the principles of IFRS 2 and in line with the formula for determining the payment amount. Under all probable scenarios the fair value as of grant date is zero or very close to zero. As a result, the fair value of the awarded benefits amounts to EUR 0 and no expenses were recognized in the consolidated financial statements.

Translation from the German language

3.6 Depreciation, amortization and impairment charges

	2019 EUR k
Depreciation of property, plant and equipment	3,482
Amortization of other intangible assets	674
Amortization of right-of-use assets	6,093
Total	**10,249**

No impairment losses were recognized in the short financial year. Before the transfer of Fitness First Germany GmbH, Elbgym GmbH and Barry's Bootcamp GmbH, impairment losses of EUR 5.3m were recognized in their separate financial statements. However, they only affected the acquisition balance sheet (and thus the acquired net assets).

3.7 Other operating expenses

	2019 EUR k
Premises and land costs	7,263
Maintenance costs	1,833
Advertisement, marketing & travel expenses	1,492
Legal, audit & advisory fees	1,443
Administration expenses	1,383
Club closure	612
License & royalty fees	481
Telephone	324
Parking	308
Loss on disposal of assets	213
Seminars & fairs	193
Car expenses	188
Other	95
Total	**15,828**

Translation from the German language

3.8 Income tax and deferred income tax

Taxes on income paid or due as well as deferred taxes are stated as income taxes. The tax expense and income attributable to income taxes breaks down by origin as follows:

	2019 EUR k
Consolidated statement of profit or loss and other comprehensive income	
Income tax expense	
Current income tax:	
Current income tax charge	97
Deferred income tax:	
Relating to origination and reversal of temporary differences	-241
Income tax income recognized in profit or loss	**-144**

The reconciliation between the income taxes disclosed and the expected income taxes for fiscal year 2019 is as follows:

	2019 EUR k
Loss before taxes	-2,436
Theoretical tax income (-) on the basis of the current tax rate of 31.93%	-778
Effect from unrecognized deferred tax assets arising from the current loss in the fiscal year	600
Effect from smile X tax rate (29.80%)	16
Other	18
Income taxes (effective tax rate: 31 Oct 2019: 5.93%)	**-144**

As of 31 October 2019, the Group had the following significant tax loss carryforwards to reduce future taxable income:

	2019 EUR k
LifeFit Group MidCo (corporate income and trade tax)	1,806
Barry's Bootcamp (corporate income and trade tax)	72
Total tax loss carryforwards	**1,878**

The tax loss carryforwards can be use indefinitely.

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilized.

Translation from the German language

Deferred taxes classified by their type of temporary differences and due to unused tax losses are presented below:

	31.10.2019 EUR k	
	Deferred tax assets	**Deferred tax liabilities**
Trade receivables	0	318
Other assets	0	27
Intangible assets	9	3,318
Property, plant and equipment	0	5,308
Right-of-use assets	0	35,558
Deferred income	0	218
Other financial liabilities	0	13
Trade payables	24	0
Other financial liabilities	0	336
Lease liability	41,478	-1
Provision	1,536	0
	43,047	45,095
Offsetting	-43,047	-43,047
Consolidated statement of financial position	0	2,048

Deferred tax assets and deferred tax liabilities are offset against each other when the Group has an enforceable right to offset the current tax assets against the current tax liabilities and these assets and liabilities relate to income taxes levied by the same tax authority for the same taxable entity.

Under German tax law, income taxes are composed of corporate income tax (15%), trade tax and solidarity surcharge (0.625%). The effective trade tax rate differs depending on where the Company is registered. In the financial year it amounts to 16.1%.

4. Non-current assets

This section discloses the Group's non-current assets. This section contains:

- Reconciliations of movements of significant capital balances (Notes 4.1 and 4.2)
- Information regarding impairment testing of long-term, non-financial assets (Notes 4.3)
- Business combinations (Notes 4.4)

Translation from the German language

4.1 Property, plant and equipment

The movement in property, plant and equipment during the years was as follow:

	Land and buildings	Other equipment, furniture and fixtures	Prepayments and assets under construction	**Total**
	EUR k	EUR k	EUR k	**EUR k**
Costs				
as of 13.03.2019	**0**	**0**	**0**	**0**
Additions from business combinations under common control	23,022	15,228	1,894	**40,144**
Additions from business combination SmileX	34	1,505	0	**1,539**
Additions	1,324	998	3,741	**6,063**
Reclassifications	3,689	705	-4,394	**0**
Disposals	-188	-60	0	**-248**
Costs as of 31.10.2019	**27,881**	**18,376**	**1,241**	**47,498**
Depreciation and impairment losses				
as of 13.03.2019	**0**	**0**	**0**	**0**
Additions during the period	2,397	1,085	0	**3,482**
Disposals	-22	-3	0	**-25**
Depreciation and impairment losses as of 31 10. 2019	**2,375**	**1,082**	**0**	**3,457**
Net carrying amounts				
per 31 October 2019	**25,506**	**17,294**	**1,241**	**44,041**

No impairment charges have been booked in the period.

The Group tests at least annually whether there are any indicators of impairment of property, plant and equipment by considering whether any clubs are underperforming relative to their carrying value or in decline. For clubs with an indicator of impairment, a full impairment review is performed to compare the carrying value of assets against predicted future performance resulting in impairments of assets comprising continuing operations. See Note 4.3 for further disclosures.

Translation from the German language

4.2 Intangible assets

The movement in intangible assets during the year was as follow:

	Goodwill	Customer bases and contracts/ brand name	Licenses, software and other	Prepayments	**Total**
	EUR k	EUR k	EUR k	EUR k	**EUR k**
Costs					
as of 13.03.2019	**0**	**0**	**0**	**0**	**0**
Additions from business combination under common control	3,096	277	1,254	0	**4,627**
Additions from business combination SmileX	23,360	11,359	91		**34,810**
Additions	0	0	29	0	**29**
Costs as of 31.10.2019	**26,456**	**11,636**	**1,374**	**0**	**39,466**
Amortization and impairment losses					
as of 13.03.2019	**0**	**0**	**0**	**0**	**0**
Additions during the period	0	523	151	0	**674**
Amortization and impairment losses as of 31 10. 2019	**0**	**523**	**151**	**0**	**674**
Net carrying amounts					
per 31 October 2019	**26,456**	**11,113**	**1,223**	**0**	**38,792**

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combination. An amount of EUR 3,096k was allocated to the CGU Elbgym and EUR 23,360k to the CGU SmileX.

In current year, the recoverable amounts of the CGUs were determined from value in use calculations and/or expected fair value less costs to sell. The recoverable amount of LifeFit Group has been determined from value in use calculations. The value in use calculations were subject to a number of key assumptions, being the discount rates, growth rates and expected changes to selling prices and direct costs. The determination of these assumptions required significant judgement and reflected, amongst other things, the Group’s cost of capital and management’s perspectives relating to the economic environment, the time value of money and risks specific to the CGUs. The cash flow projections were based on industry forecasts and made assumptions regarding the Group’s future performance, particularly regarding the Group’s ability to attract new members and to retain existing members, and that there was no significant change to the economic, political, legal or social environment in which the Group operates. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts using the most recent financial budgets approved by management for the next three years and extrapolated on a perpetuity basis using an estimated long-term growth rate. In 2019, this growth rate was 1.0%. Discount rates were based on the Group's weighted average cost of capital adjusted to reflect management's assessment of specific risks related to the cash generating unit. The pre-tax discount rate applied to the cash flow projections is 10.3%. A return on government bonds of 0.0%. was used to determine the appropriate discount rate. The discount rates used in 2019 was 7.0%.

Upon review of the performance of SmileX and Elbgym no impairment was recognized in 2019.

The main critical parameters in the impairment tests used are the long-term growth rate and the discount rate. As the group is very young and the acquisitions (with goodwill included) have only been achieved recently, there is no historical basis with regard to plan fulfilment. Nevertheless, it is clear to management that a change in those named parameters (i.e. increase of discount rate or reduction in growth rate or a combination of both) could have a negative impact and would reduce the recoverable amount below the carrying amount. This is currently especially true for the CGU Elbgym where already smaller changes could result in an impairment.

4.3 Impairment losses

The impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment testing is required to be made on the level of individual assets or on the level of identified CGUs /groups of CGUs, if a trigger event occurs. Since each club generates separable cash inflows to the Group, the individual club is defined as the smallest identifiable CGU and the clubs form the level on which impairment test is performed.

However, prior to calculation of recoverable amount, company assesses whether there is any indication that an asset may be impaired, and only if any such indication would exist, the recoverable amount of the asset would be estimated. The impairment review according to the internal policy is to be performed for the clubs, whose current year's cash EBITDA amounts to below EUR 150k and / or there is a decline in membership of 3%.

The recoverable amount of the CGU was calculated using the value in use because of the lack of a market price on the reporting date and was subsequently compared with the carrying amount of the CGU. The calculation of value in use is based on the lease contract period for lease term and is limited to a maximum of 5 years, unless a longer period can be justified.

For the Group, the total impairment loss as of 1 July 2019 amounting to EUR 6,933k is recognized in opening balance retained earnings as those relate to clubs acquired during the common control transactions. Since the CGUs are individual clubs, goodwill is not included, but only tested on a higher level. Therefore, the impairment loss is to be allocated proportionally to fixed assets (EUR 920k as of 30 June 2019) and to the right of use assets (EUR 5,876k as of 30 June 2019).

Translation from the German language

4.4 Business combinations

Acquisition of shares in Elbgym GmbH

On 12 November 2018, Fitness First Germany Holdings GmbH signed an agreement on the acquisition of all the shares of Elbgym GmbH, which is based in Straßenbahnring 8, Hamburg, Germany. Elbgym operates three fitness clubs in Hamburg city and is well known in the region for offering their own cross-fit training, wellness area and intensive personal advice.

Elbgym was purchased below the ultimate parent (FFL) by FFGH on 12 November 2018. The acquisition was accounted for using the acquisition method. As a result of the restructuring and the acquisition by MidCo on 1 July 2019, the continuation of Elbgym GmbH at the MidCo level will be occurred at amortized carrying amount. We refer to "Acquisition of Shares in Fitness First Germany GmbH, Elbgym GmbH and Barry's Bootcamp GmbH".

In the opening balance of this group, the book values of the acquired companies are continued from the perspective of the ultimate parent (FFL). More about the individual transactions in the following.

The consideration transferred breaks down as follows:

	EUR k
Fixed Cash Purchase Price	1,350
Effective Date Cash	1
Effective Date Financial Debt (plus 1 MEUR)	28
Total cash paid	1,379
Bank loans settled by Fitness Fitness First Holdings GmbH	972
Consideration transferred	**2,351**
Contingent consideration liability	1,200
Total consideration transferred	**3,551**

The purchase price for all shares and assets is comprised of the fixed cash purchase price amounting to EUR 1,350k plus effective date cash and minus effective date financial debt. EUR 1,379k was paid to the seller on 27 December 2018 according to our internal estimation of purchase price.

In addition to the transfer of cash and cash equivalents, Fitness First Germany Holdings GmbH also took over financial liabilities EUR 972k, which were repaid before the reporting period.

As part of the purchase agreement with the previous owner of Elbgym GmbH, a contingent consideration has been agreed upon, which relates to obligations from a purchase price adjustment clause that is linked to the subsidiary achieving certain financial performance indicators, after beneficial ownership has been transferred. The amount of the purchase price adjustment is capped at EUR 1,200k.

As of 30 April 2019, the fair value of the contingent consideration was estimated at EUR 1,200k, as the key performance indicators (revenue for financial year 2020) of the three fitness studios show that it is highly probable that the target will be achieved due to an extensive refurbishment of the fitness equipment and studios and more active promotions. The fair value is determined using the DCF method.

Translation from the German language

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Elbgym GmbH as of 12 November 2018 were:

	Carrying amount	Step-up	EUR k Fair value
Assets			
Intangible assets	2	274	276
Fixed assets	921	296	1,217
Inventories	2		2
Trade receivables	2		2
Other current assets	4		4
Cash	1		1
Total assets acquired	**932**	**570**	**1,502**
Liabilities			
Other provisions	60		60
Trade payables	2		2
Prepayments received	656		656
Other current liabilities	147		147
Deferred tax		182	182
Total liabilities assumed	**865**	**182**	**1,047**
Net assets	67	388	455
Goodwill arising on acquisition			3,096
Purchase consideration transferred			**3,551**

The allocation of the purchase price to the significant tangible and intangible assets and liabilities was analyzed in accordance with international financial reporting standards.

The fair value of the trade receivables resulted in EUR 2k as of the acquisition date, which is equal to the gross amount of receivables. None of the other trade receivables had been impaired and it was expected that the full contractual amounts can be collected.

The purchase price allocation primarily identified the following fair value step-ups:

- In accordance with IFRS 3 in conjunction with IAS 38, the customer relationships of Elbgym were identified as intangible assets with a definite useful life and valued using the relief from royalty method. This valuation resulted in a fair value of EUR 274k, compared to a carrying amount of zero prior to the purchase price allocation.
- In general, longer useful life in accordance with IFRS than in accordance with the German GAAP is leading to a fair value step-up of EUR 296k on property, plant and equipment.
- In addition, the effects mentioned above resulted in deferred tax liabilities of EUR 182k.

For all other statement of financial position items, there was no significant difference between the fair value and the carrying amount.

The goodwill, which is allocated to the legal entity, of EUR 3,096k comprises the value of expected synergies arising from the acquisition and advantages from the already established equipment and know-how of all staffs, which is not separately recognized. This acquisition will allow offer more different fitness services than one which has been provided by fitness clubs of Fitness First not only in Hamburg city, but also nationwide.

Translation from the German language

For the period 1 July to 31 October 2019, the revenue of the acquired Elbgym amounts to EUR 859k. It made a loss of EUR 234k.

Acquisition of Shares in Fitness First Germany GmbH, Elbgym GmbH and Barry's Bootcamp GmbH

On 30 June 2019, the company acquired 100% of shares of the following three subsidiaries from Fitness First Germany Holding GmbH, of which Fitness First Luxembourg S.C.A. owns 100%:

- Fitness First Germany GmbH in Frankfurt am Main,
- Elbgym GmbH in Hamburg, and
- Barry's Bootcamp GmbH in Frankfurt am Main

These three subsidiaries are engaged in providing fitness and health services in Germany. The Company acquired these three subsidiaries because it could significantly increase the market share in German fitness branch by utilizing the already established branding and concept, so that the Company fulfills diverse needs of different target groups in Germany.

Since Fitness First Luxembourg S.C.A. has been titled as the ultimate parent company of FFG and FFGH, this transaction is defined as a business combination under common control. For business combinations under common control and has been accounted for using the pooling of interest method.

This restructuring is purely internal below ultimate parent, with no external parties being involved and the transaction is not conducted at fair value. Consequently, the company has not applied the acquisition method in the consolidated financial statements. The company as the entity obtaining control of the businesses of the three entities:

- recognized the assets and liabilities of the three acquired entities, when control was obtained at the carrying amounts recognized by Fitness First Germany Holdings GmbH;
- made no adjustments to reflect fair values, or recognized any new assets or liabilities at the date of the combination that would otherwise be done under the acquisition method;
- recognized no additional goodwill as a result of the business combination under common control. The only goodwill that is recognized is any existing goodwill relating to either one of the combining parties. Any difference between the consideration transferred and the acquired net assets was recognized as capital reserve;
- reflects the results of the three entities after obtaining control;
- did not restate financial information for periods prior to the business combination under common control;
- eliminated the effects of all transactions within the Group that occurred before the Company obtained control.

Translation from the German language

As a result of the above-mentioned acquisition of three entities on 30 June 2019 respectively the following assets and liabilities were included in the consolidated financial statements of LifeFit Group MidCo GmbH as of 30 June 2019:

		EUR k As at 30 June 2019
Assets		
Intangible assets		4,616
Property, plant and equipment		40,192
Right of use assets		120,576
Deferred tax assets		1,099
Inventories		654
Trade receivables		829
Other current assets		1,145
Cash and short-term deposits		8,602
Total assets acquired		**177,713**
Liabilities		
Other current liabilities		8,915
Other provisions		8,126
Trade payables		13,342
Other non-current liabilities		54
Lease liabilities		139,573
Total liabilities assumed		**170,010**
Net assets stated at values in the predecessor's accounting books		7,703
Effect on capital reserves of first-time consolidation based on the business combination under common control	-	111,265
Purchase price paid		118,968

Acquisition of LifeFit Group Services GmbH

On 29 July 2019, the Company acquired all shares of a shell company named INOS 19-036 GmbH from INOS24 Holding GmbH for EUR 27.8k. The whole purchase price was paid in cash. The INOS 19-036 GmbH was renamed LifeFit Group Services GmbH. The shell company was acquired to provide management services, commercial, accounting and other services to affiliated companies and corporations.

Acquisition of SmileX InterCo GmbH

On 8 August 2019 the Company acquired all shares of SmileX InterCo GmbH and its subsidiaries for EUR 33,312k. The shares were sold by Mr. Christian Müller, Mr. Boris Köninger, Mrs. Sonja Sattler and Mr. Ralf Sattler (SmileX-Shareholders). SmileX is a parent of 14 fitness clubs primarily located in the South-West of Germany and operating under the brand name SMILEFITNESSCLUB. Due to the acquisition, LifeFit Group can provide more various fitness training types with different concepts than with “Fitness First” to the various customer groups in Germany.

Translation from the German language

The consideration transferred breaks down as follows:

	EUR k
Enterprise Value	33,888
Effective Date Cash	62
Effective Date Indebtedness	-258
Net Working Capital	-380
Consideration transferred	**33,312**

Previously, MidCo paid for SmileX a purchase price liability to the SmileX-Shareholders resulting from the purchase of shares of the subsidiaries. The Company settled the share purchase by assuming the purchase price liability of EUR 33,312k. EUR 26,649k of the consideration was paid in cash and EUR 5,330k by issuing new MidCo shares. The remaining liability of EUR 1,332k was granted as a loan from the SmileX-Shareholders.

The new issued MidCo shares of SmileX-Shareholders were sold to LifeFit Group TopCo GmbH, the parent of MidCo. In return, the SmileX-Shareholders received newly issued TopCo-shares. Accordingly, TopCo again holds all shares of MidCo and former SmileX-Shareholders have non-controlling interest in LifeFit Group TopCo GmbH.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of SmileX InterCo GmbH as of 31 July 2019 were:

	Carrying amount	Step-up	EUR k Fair value
Assets			
Intangible assets	91	11,359	11,450
Fixed assets	1,539	-	1,539
Right-of-use assets	6,132		6,132
Inventories	116	-	116
Trade receivables	443	-	443
Other current assets	147	-	147
Cash	1,667	-	1,667
Total assets acquired	**10,135**	**11,359**	**21,494**
Liabilities			
Other provisions	61	-	61
Trade payables	767	-	767
Other current liabilities	1,103	-	1,103
Lease liabilities	6,132		6,132
Deferred tax	-	3,388	3,388
Total liabilities assumed	**8,063**	**3,388**	**11,451**
Net assets acquired	2,072	7,971	10,043
less intangible assets already recognized	-	-	- 91
Goodwill arising on acquisition	-	-	23,360
Purchase consideration transferred			**33,312**

Translation from the German language

The purchase price allocation primarily identified the following fair value step-ups:

- The fair value of the customer relationships amounts to EUR 6,688k (EUR 6,133k for All-X customer with 24-month and EUR 555k for Basic customers with 12-month contract duration) at the acquisition date. The value of the customer base was determined using the multi-period excess earnings method based on future income and expenses allocable to the customer base. The projection is based on planning figures for the corresponding years.
- Using the relief from royalty method, the SMILEFITNESSCLUB brand was measured at a value of EUR 4,671k as of the acquisition date (8 August 2019). A royalty rate of 4% was located at the lower bound of comparable royalty rates for fitness clubs and used based on the revenue of the company expected as of the acquisition date in accordance with the budgets and forecasts. The brand is an asset with an useful life of 15 years.
- In addition, the effects mentioned above resulted in deferred tax liabilities of EUR 3,388k.

Goodwill of EUR 23,360k primarily related to synergy effects and advantage from an enhanced product portfolio by offering various concepts of fitness trainings for various customer groups.

Since the acquisition date, the SmileX acquired on 8 August 2019 has contributed around EUR 2,680k to revenue and a positive contribution of EUR 511k to consolidated loss before taxes.

Joint venture arrangement The Gym Society Germany GmbH

On 15 October 2019, MidCo has entered into a joint venture with The Gym Society International B.V. The companies acquired a shell company named INOS 19-034 GmbH from INOS24 Holding GmbH and renamed it into The Gym Society Germany GmbH. MidCo acquired 60% of the nominal amount of EUR 15k for EUR 16,7k. The shell company was acquired to operate fitness centers and leisure facilities of all kinds, the provision of digital fitness and health services as well as consumer goods, in particular e-commerce, and all related activities.

Even though MidCo has 60% of shares of GymSociety, joint control is shared with The Gym Society International B.V. together, since decisions about the relevant activities require the unanimous consent of the parties sharing control.

5. Capital and debt structure

This section includes notes related to financing items such as equity, borrowings financial risk management and financial instruments. Related items such as financial costs, are included in this section.

5.1 Equity

See the presentation in the consolidated statement of equity for information on the development of total equity.

Subscribed capital

The fully paid in share capital is held in full by LifeFit Group TopCo GmbH, Munich, and in form of 26,416 single shares.

Capital reserves

On 31 October 2019, the capital reserve amounted to EUR 99,521k. The entire amount was contributed during the year by contribution in kind.

Other reserves

The other reserves attributable to the owners of the parent amount to -EUR 108,533k. These primarily are a result of the accounting for the common control acquisition as pooling of interest resulting in a negative entry in equity of EUR 111,265k and the loss of the current period of EUR 2,292k. This was partly compensated by the equity portion of the shareholder loans provided amounting to EUR 5,024k (see Note 5.3 for further information).

5.2 Borrowings

	Interest rate	Maturity	2019 EUR k
2019			
Current interest-bearing loans and borrowings			
Lease liabilities	4.35%	2020	19,841
Total current interest-bearing loans and borrowings			**19,841**
Non-current interest-bearing loans and borrowings			
Lease liabilities	4.45% - 7.20%	2021 - 2032	121,019
Bond	7.5% + 3M EURIBOR	26 July 2023	37,338
Embedded derivative	Floor at 0% and prepayment option included in bond		663
Total non-current interest-bearing loans and borrowings			**159,020**

Lease liabilities

Regarding the interest rates for the lease liabilities (current portion) an average rate is presented. For the non-current-portion the range of interest rates (depending on the lease terms) is given.

Bond

The bond (senior secured callable floating rate bond) has to be repaid fully as of 26 July 2023. The Group is obliged to pay the interest on a quarterly basis. The quarterly paid interest consists of a fixed margin of 7.50% p.a. and the 3M EURIBOR applicable at the begin of the interest periods. If the latter is below 0%, an interest rate floor takes effect, so that the floating part is set at 0%.

The bonds are recognized on the balance sheet as a financial liability and subsequently measured at amortized cost. The book value of the financial liability on 31 October 2019 amounts to EUR 37,338k.

Translation from the German language

In the host debt contract embedded derivatives in the form of prepayment options as well as an interest floor with a strike of 0% were identified.

The exercise price of the prepayment option changes over time. The Company has separated the identified embedded derivatives as the condition of the prepayment option was not considered to be clearly and closely related. For the valuation of the prepayment options, the floating interest rate was not taken into account, as the forward rates as of inception and as of balance sheet date were below 0% and therefore not applicable due to the interest rate floor included in the bond. As the interest floor included is also based on the same risk the interest floor was also bifurcated and both derivatives are accounted as one single instrument going forward.

Subsequently, the interest rate used for the valuation consists only of the margin of 7.5%. As the sum is negative, the embedded derivatives are recognized as a financial liability on the balance sheet and subsequently measured at fair value. Initial valuation was EUR 805k.

In the reporting period the fair value of embedded derivatives changed by an amount of EUR 142k and they were valued as of the balance sheet date at EUR 663k.

The Company has the possibility to expand the nominal amount of the bond at one or more occasions after the initial issue up to a total nominal of EUR 120,000k. Such subsequent bond issue would take place under the same terms and conditions but is dependent on certain preconditions and only available for certain investments. There is no commitment fee charged for the amount of the bond that is not issued.

5.3 Shareholder debt

	2019 **EUR k**	**2019** **EUR k**
Principal Shareholder Loan (FFL to MidCo), nominal	23,548	
Recognition in equity of the portion bearing interest at a below-market rate	-3,415	
Accrued interest (effective interest method)	644	20,777
Principal Shareholder Loan (TopCo to MidCo)	10,000	
Recognition in equity of the portion bearing interest at a below-market rate	-1,419	
Accrued interest (effective interest method)	205	8,786
Principal Shareholder Loan (TopCo to MidCo)	1,332	
Recognition in equity of the portion bearing interest at a below-market rate	-188	
Accrued interest	27	1,171
Loan from FFGH to Barrry's Bootcamp		936
Total		**31,670**

Effective 30 June 2019 Fitness First Luxembourg S.C.A., Luxemburg granted MidCo a subordinated loan in the amount of EUR 23,548k. The loan has a term until the expiry of 31 January 2024. The loan is repayable at the end of its term. Repayments and/or interest payments before the end of the term are not permitted. The loan bears interest at a rate of 7% p.a. Interest is payable retroactively at the end of the term with the repayment of the loan. The interest itself does not create additional interest.

Translation from the German language

In addition, effective 27 July 2019 TopCo granted MidCo a further subordinated loan in the amount of EUR 10,000k. The loan has a term until the expiry of 31 January 2024. The loan is repayable at the end of its term. Repayments and/or interest payments before the end of the term are not permitted. The loan bears interest at a rate of 7% p.a. Interest is payable retroactively in full at the end of the term with the repayment of the loan. The interest itself does not create additional interest.

Effective 6 August 2019 TopCo granted MidCo a further subordinated loan in the amount of EUR 1,332k. This loan was settled through an assignment of the vendor loan by the Smile X shareholders. The loan has a term until the expiry of 31 January 2024. The loan is repayable at the end of its term. Repayments and/or interest payments before the end of the term are not permitted. The loan bears interest at a rate of 7% p.a. Interest is payable retroactively in full at the end of the term with the repayment of the loan. The interest itself does not create additional interest.

The above-mentioned loans constitute loans that were granted due to the shareholder relationship. This has the following effects on the statement of financial position and the statement of comprehensive income:

For accounting purposes, the loans are split into a loan granted on regular terms and a shareholder contribution. The present value of the interest benefit is transferred to the capital reserves. These differences are subsequently charged to the financial result using the effective interest method over the term of the loans (until 31 January 2024). As of inception date the market interest rate was determined at 9.83% which was used for discounting purposes and now reflects the EIR. The difference between nominal amount and present value calculated in an amount of EUR 5,024k has been recorded in equity as contribution.

The lender steps back with all its claims against the borrower under and in connection with the shareholder loan, in particular with its claims for repayment and interest payments and its other accessory claims (the “Subordinated Claims”), behind all claims under the “Senior Secured Callable Bond”.

5.4 Financial instruments and financial risk management

Capital management

The capital structure of the Group consists of external debt, related party debt, cash and cash equivalents and equity reserves.

The Group monitors capital on the basis of Borrowings and other financial instruments divided by the Total Assets:

	2019 EUR k
Total borrowings	210,531
Less: cash and cash equivalents	-26,191
Net debt	**184,340**
Total equity	-8,986
Total assets	235,862
Ratio total equity to total assets	**-3.8%**

Treasury policy and financial risk management

The Group's financial instruments, other than derivative financial instruments, comprise external loans, related party debt, cash and cash and liquid resources and various other items, such as trade receivables and payables and prepayments by customers.

Derivative financial instruments will not be used for any purposes at present.

The main risks arising from the Group's financial instruments are liquidity and funding risks, cash flow interest rate risks and credit risks. The Company's management decides on strategies and procedures for managing specific risk types. These are presented below.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Group could be unable to settle or meet its obligations as they fall due. The Group finances its operations through a combination of cash generated from operations, external and related party borrowings, leasing and equity resources. The Group monitors the maturity of financial liabilities to avoid the risk of a shortage of funds.

There are no financial covenants to the related party debt.

The following table sets out the contractual maturity of financial liabilities:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
2019						
Bond	0	750	2,250	48,250	0	**51,250**
Lease liabilities	0	6,975	20,707	89,557	62,257	**179,496**
Related party debt	0	0	0	46,236	0	**46,236**
Trade payables	16,792	0	0	0	0	**16,792**
Other financial liabilities	0	336	944	1,484	0	**2,764**
Total	**16,792**	**8,061**	**23,901**	**185,527**	**62,257**	**296,538**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The related party debt is at a fixed rate and therefore has no exposure to fluctuations in interest rates.

Currently, only the bond used by the Group and the embedded derivatives resulting from the bond and recognized separately are subject to an interest rate risk. However, considering the interest rate level and the effect of the interest floor, the bond effectively has a fixed interest rate. Changes in the interest rate level that would actually have an effect on interest expenses are not expected at present, so sensitivities are not presented.

However, changes in the interest rate level theoretically affect the valuation of the separately recognized embedded derivatives. Should the interest rate decrease, however, there would be no material effect on profit and loss or equity as the changes in values of the cancellation option and the floor would level each other out. In the case of an interest rate increase the value of floor would decrease (become less negative) whereas the value of the cancellation option would decrease. This scenario also would not result in any material effect on profit and loss and equity.

Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the Group. This concerns both trade and other receivables and financial assets.

The Group is exposed to credit risk attributed to trade and other receivables. The Directors do not consider the risk to be significant to the Group as the risk is spread across a large number of parties.

Credit risk also arises from other financial assets of the Group, primarily cash and cash equivalents, through the default of a counterparty. The maximum exposure is equal to the carrying amount of these instruments.

The Group manages these risks by maintaining its cash and cash equivalents and derivative financial instruments across a range of counterparties and monitoring the credit ratings of these institutions. The Directors believe credit risk on these financial instruments is limited as the Group predominantly deals with banks with high credit ratings.

The Group is also exposed to the risk of withdrawal of the undrawn committed facilities in the event that any of the Group’s banks suffer financial difficulties. The risk is mitigated by the Group having a range of counterparties in the provision of these facilities.

There are currently no overdue receivables.

In the ordinary course of the business impairment of trade receivables are very unlikely because customer payments are collected by credit cards or through direct debit. In cases of reverse debits such receivables are directly reserved for by 100% and the contract with the customer will be terminated immediately.

Other trade receivables, e.g. through sale of clubs or assets are reserved for on an individual basis if indications exist that these receivables become doubtful.

Translation from the German language

Fair value of financial assets and financial liabilities

	Amortized cost	Fair value through profit and loss	Total book value	Fair value
	EUR k	EUR k	EUR k	EUR k
2019				
Financial assets				
Cash and cash equivalents	26,191	0	26,191	26,191
Trade receivables	2,909	0	2,909	2,909
Financial liabilities				
Lease liabilities	-140,860	0	-140,860	-140,860
Trade payables	-16,792	0	-16,792	-16,792
Shareholder loans	-31,670	0	-31,670	-31,670
Bond	-37,338	-663	-38,001	-40,800
Earn-out liability Elbgym	0	-1,200	-1,200	-1,200
	-197,560	**-1,863**	**-199,423**	**-202,222**

The fair value of cash and cash equivalents, trade payables, trade receivables and the current portion of the lease liabilities are equal to book value as they are short term in nature.

Apart from the contingent consideration of EUR 1,200k in connection with the acquisition of Elbgym and derivatives embedded into the bond, the Group does not have any financial instruments held at fair value through the profit and loss.

5.5 Finance cost, net

The table below shows the breakdown of finance cost, net:

	2019
	EUR k
Interest expenses from leases (IFRS 16)	2,788
Effective interest on bond	964
Effective interest expenses for shareholder loan	876
Income from fair-value adjustment on embedded derivatives	-142
Other	2
Total	**4,488**

Translation from the German language

6. Working capital

This section provides additional information that the directors consider is most relevant in understanding the composition and management of the Group's working capital:

- Inventories (Notes 6.1)
- Trade receivables (Notes 6.2)
- Current income tax assets (Notes 6.3)
- Other non-financial assets (Notes 6.4)
- Cash and cash equivalents (Notes 6.5)
- Trade payables (Notes 6.6)
- Other non-financial liabilities (Note 6.7)
- Other financial liabilities (Note 6.8)

6.1 Inventories

The composition of the inventories is as follows:

	2019 EUR k
Food and beverages	602
Merchandising	103
Other	57
Write-downs	-59
Total	**703**

6.2 Trade receivables

	2019 EUR k
Trade receivables	3,749
Bad debt allowances	-840
Total	**2,909**

The fair value of the receivables approximates the book value. The carrying amounts of the Group's trade and other receivables are all denominated in euros.

The allowance account developed as follows:

	EUR k
As of 13 March 2019	**-**
Additions from business combination under common control	616
Additions from business combination SmileX	100
Additions	131
Utilization/ reversal	-7
As of 31 October 2019	**840**

Translation from the German language

Membership dues and joining fees are collected via direct debit, so in general there are no material overdue receivables in the normal course of the business.

Allowances on receivables are principally set up on other receivables, e.g. from sale of assets (clubs), if these receivables are likely not to be collectible. No general allowances are set up.

6.3 Current income tax assets

Current income tax assets mainly include capital gains taxes.

6.4 Other non-financial assets

	2019 **EUR k**
Prepaid expenses	739
Ancillary costs	585
Deposits	229
Advances to employees	59
VAT refund claims	2
Miscellaneous other non-financial receivables	317
Total	**1,931**

6.5 Cash and cash equivalents

The composition of cash and cash equivalents is as follows:

	2019 **EUR k**
Cash in bank and on hand	26,186
Cash in transit	5
Total	**26,191**

Translation from the German language

6.6 Trade payables

	2019 EUR k
Trade payables	16,792
Total	**16,792**

Trade payables are non-interest bearing and are generally on a maximum of 60 days' terms.

6.7 Other non-financial liabilities

	2019 EUR k
Deferred income	2,706
Payroll payable	809
Social security contributions	541
Vacation obligation	539
Wage and church tax	467
VAT payable	30
Legal and consulting fees	14
Other	72
Total	**5,178**

Contract liabilities relate to contractual arrangements whereby members can pay their membership fees up to two years in advance. This means that the amounts shown here are recognized as revenue over the next two years.

EUR 28k of liabilities have a maturity of more than one year and are classified under non-current liabilities. All other current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

Translation from the German language

6.8 Other financial liabilities

	2019 EUR k
Earn-out liability Elbgym	1,200
Payments received on accounts of orders	944
Deposits	284
Other	336
Total	**2,764**

Other financial liabilities include EUR 192k accrued interest on the bond. The earn-out liabilities Elbgym of EUR 1,200k and the deposits of EUR 284k have a maturity over one year and are classified under non-current liabilities.

7. Other

This section provides additional information about various other disclosures including some disclosures that the directors of the Group consider to be less significant to the users of the financial statements. These include:

- Leasing (Note 7.1)
- Provisions (Note 7.2)
- Income tax liabilities (Note 7.3)
- Related party transactions (Note 7.4)
- Auditor’s fees (Note 7.5)
- Events after reporting date (Note 7.6)

7.1 Leasing

Set our below are the carrying amounts or right-of-use assets recognized and the movements during the period:

	Land and buildings EUR k	Other equipment, furniture and fixtures EUR k	Total EUR k
As of 1 July 2019	**115,450**	**5,127**	**120,577**
Additions	5,443	644	6,087
Depreciation expense	- 5,529	- 564	- 6,093
As of 31 October 2019	**115,364**	**5,207**	**120,571**

Translation from the German language

Lease Liability of leased assets per asset class, as follows:

	7/1/2019 EUR k	10/31/2019 EUR k
Building	134,446	135,613
Other equipment, furniture and fixtures	5,127	5,247
	139,573	**140,860**

Maturity analysis of lease liabilities as of 31.10.2019	
Current (within one year)	19,841
Non-current (more than one year)	121,019

The lease liability at the date of initial recognition was calculated using an average IBR of 5.90%.

The following are the amounts recognized in profit or loss:

	2019 EUR k
Depreciation expenses of right-of-use assets	6,093
Interest expense on lease liabilities	2,788
Total amount recognized in profit or loss	**8,881**

The Group had total cash outflows for leases of EUR 9,367k for the period from 1 July 2019 until 31 October 2019.

Leases not yet commenced

The Group has signed new lease contracts before 31 October 2019 which will only start after balance sheet date. Those will lead to a future total cash outflow of EUR 5,552k.

Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see Note 2.3k).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are currently not included in the lease term:

	Within five years	More than five years
Extension options expected not to be exercised	13,449	154,664

Translation from the German language

7.2 Provisions

The composition of the provisions is as follows:

	EUR k
Club restoration provision	3,707
Onerous leases provision	1,479
Litigation	1,457
Restructuring	519
Other provisions	63
	7,225
Of which:	
Current portion of provisions (< 1year)	2,981
Non-current portion of provisions (> 1year)	4,244
	7,225

The movement in provisions during this year was as follows:

	Club restoration provisions EUR k	*Onerous leases provisions EUR k*	*Litigation EUR k*	*Restruc-turing EUR k*	*Other provisions EUR k*	***Total EUR k***
As of 13 March 2019	**0**	**0**	**0**	**0**	**0**	**0**
Additions from first-time consolidation	3,644	2,930	818	519	135	**8,046**
Utilization	0	1,738	0	0	72	**1,810**
Reversal	0	0	0	0	0	**0**
Allocation	63	287	639	0	0	**989**
As of 31 October 2019	**3,707**	**1,479**	**1,457**	**519**	**63**	**7,225**
Current as of 31 Oct. 2019	445	498	1,457	519	62	**2,981**
Non-Current as of 31 Oct. 2019	3,262	981	0	0	1	**4,244**

Club restoration provisions

The club restoration provisions relate to estimated costs to reinstate lease sites to their original condition at the end of the lease term.

Provisions for closed locations

The provisions closed locations represent amounts recognized in connection with closed clubs. These contracts were thus treated as short-term leases. A provision for onerous contracts was recognized accordingly. The provision covers the lease payment still due and penalty payments for premature cancellation.

Translation from the German language

7.3 Income tax liabilities

	2019 EUR k
Trade tax	182
Corporate income tax	121
Other	7
Total	**310**

7.4 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

Total remuneration of management comprises a fixed remuneration and variable performance-linked remuneration component. With reference to Section 286 (4) HGB details concerning the remuneration granted to active members of the management are not disclosed.

The following persons were members of the management of the Group's parent in the reporting period and after the reporting date:

- Mrs. Ines Oldenburg, Munich until 31 May 2019
- Mr. Martin Seibold, Pool, United Kingdom since 1 June 2019
- Mr. Jürgen Schaubel, Oberägeri, Switzerland from 1 June 2019 to 11 December 2019

Profit absorption Fitness First Holdings GmbH, Frankfurt am Main

Between FFG and its former shareholder Fitness First Holdings GmbH, Frankfurt am Main until 30 June 2019 a profit and loss transfer agreement was in place. This agreement was terminated due to the restructuring of the Group. For the period from 1 November 2018 until 30 June 2019 FFG realized a profit of EUR 558k.

Sale of investments in MyFitness Card GmbH, Munich and New Moove Deutschland GmbH, Munich to Fitness First Luxembourg S.C.A., Luxemburg

Effective 5 April 2019 FFG sold its former investments in MyFitness Card GmbH, Munich (100% of shares) and New Moove Deutschland GmbH, Munich (100% of shares) to Fitness First Luxembourg S.C.A., Luxemburg. The purchase price amounted to EUR 7,923k. FFG realized a gain of sale of investments of EUR 637k.

Translation from the German language

Receivables from related parties

	2019 EUR k
Receivables from former SmileX shareholder	319
Recharges to LifeFit Group TopCo GmbH	281
Recharges to Fitness First Holdings	10
Other	23
Total	**633**

Shareholder debt

Effective 30 June 2019 Fitness First Luxembourg S.C.A., Luxemburg granted MidCo a loan in the amount of EUR 23,548k. The loan has a term until the expiry of 31 January 2024. The loan is repayable at the end of its term. Repayments and/or interest payments before the end of the term are not permitted. The loan bears interest at a rate of 7% p.a. Interest is payable retroactively at the end of the term with the repayment of the loan.

In addition, effective 27 July 2019 TopCo granted MidCo a loan in the amount of EUR 10,000k. The loan has a term until the expiry of 31 January 2024. The loan is repayable at the end of its term. Repayments and/or interest payments before the end of the term are not permitted. The loan bears interest at a rate of 7% p.a. Interest is payable retroactively at the end of the term with the repayment of the loan.

Effective 6 August 2019 TopCo granted MidCo a loan in the amount of EUR 1,332k. The loan has a term until the expiry of 31 January 2024. The loan is repayable at the end of its term. Repayments and/or interest payments before the end of the term are not permitted. The loan bears interest at a rate of 7% p.a. Interest is payable retroactively at the end of the term with the repayment of the loan.

The above-mentioned loans constitute loans with a below-market interest rate. This has the following effects on the statement of financial position and the statement of comprehensive income:

The below-market rate portions of the utilized credit facilities are separated from the nominal liability and recognized as an increase in equity. These differences are charged to the financial result using the effective interest method over the term of the loan (until 31 January 2024) and the loans are written up to their nominal amounts successively. In the reporting period, an interest rate of 9.83% was used.

Total interest expenses for the above-mentioned loans amounted to EUR 876k.

The lender steps back with all its claims against the borrower under and in connection with the shareholder loan, in particular with its claims for repayment and interest payments and its other accessory claims (the “Subordinated Claims”), behind all claims under the “Senior Secured Callable Bond”.

Translation from the German language

Vendor loan "SmileX"

Effective 8 August 2019 the former shareholders of SmileX Interco GmbH

- Mr. Christian Müller, Trier
- Mr. Boris Köninger, Homburg
- Mr. Ralf Sattler, Homburg
- Mrs. Sonja Sattler, Homburg

granted MidCo loans through conversion of a part of the consideration from the share contribution agreement dated 7 June 2019 by which the lenders agreed to contribute all their shares in SmileX Interco GmbH into MidCo.

Mr. Christian Müller and Mr. Boris Köninger each granted a loan of EUR 444k. Mr. Ralf Sattler and Mrs. Sonja Sattler each granted a loan of EUR 222k. Each of the above-mentioned loans has a term until the expiry of 31 January 2024. The loans are repayable at the end of its term. Repayments and/or interest payments before the end of the term are not permitted. The loans bear interest at a rate of 7% p.a. Interest is payable retroactively at the end of the term with the repayment of the loan.

On the same date all loans were sold by the lenders to the parent company of MidCo to LifeFit Group TopCo GmbH. Interest expense amounted to EUR 23k.

Consultancy agreement between SmileX Interco GmbH and Boris Köninger

Effective 6 August 2019 Mr. Boris Köninger concluded a consultant agreement with SmileX Interco GmbH. He receives a minimum payment for his services.

Managing director service agreement between SmileX Interco GmbH and Christian Müller

Effective 6 August 2019 Mr. Christian Müller concluded a managing director service agreement with SmileX Interco GmbH. He serves as SmileX managing director (SmileX CEO). For his services Mr. Christian Müller receives a fixed salary and an annual performance-based bonus.

7.5 Changes in liabilities arising from financing activities

	As at 13 March 2019	Additions from business combinations	Cash inflows	Cash outflows	Additions/ revaluations	(Accrued) interest	As at 31 October 2019
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Shareholder loans	0	0	9,519	0	19,856	876	30,251
Capital injection	0	0	1,419	0	0	0	1,419
Bond (including derivatives)	0	0	38,056	-616	-142	703	38,001
Lease liabilities	0	145,705	0	-9,367	1,734	2,788	140,860
	0	**145,705**	**48,994**	**-9,983**	**21,448**	**4,367**	**210,531**

Translation from the German language

7.6 Auditor’s fees

In the fiscal year, the total auditor’s fees for the consolidated annual financial statements broke down as follows:

	2019 **EUR k**
Audit services	369
Tax services	9
Other services	797
Total	**1,175**

7.7 Events after the reporting date

Dismissal of managing director

The shareholders’ meeting on 11 December 2019 decided that Mr. Jürgen Schaubel would be dismissed from his position as managing director with immediate effect. He was given discharge. The entry in the commercial register was made on 8 January 2020.

Master Franchise Agreement Xponential Fitness

In November 2019 LifeFit Group and Xponential Fitness, Irvine, California, USA, the curator of eight outstanding boutique fitness brands, have announced the signing of a strategic cooperation within a joint venture in order to set up selected boutique fitness concepts in Germany. Starting with Club Pilates and Pure Barre the first studios are set to debut in Germany in the summer. The agreement also includes the flexibility to introduce further brands in Germany.

Xponential Fitness is a thriving franchise organization offering diversified fitness concepts in eight verticals with over 1,325 studio locations open, for a total of more than 3,000 licenses sold. Xponential’s portfolio of brands includes Club Pilates, CycleBar, StretchLab, Row House, AKT, YogaSix, Pure Barre and Stride, covering key industry verticals and focused on accelerating growth domestically and internationally.

Munich, 26 February 2020

Martin Seibold
General Manager

Translation from the German language

Group management report of LifeFit Group MidCo GmbH, Munich, for the fiscal year from 13 March 2019 to 31 October 2019

<u>**TABLE OF CONTENTS**</u>

A. BACKGROUND OF THE GROUP

1. GROUP BUSINESS MODEL

The LifeFit MidCo Group

LifeFit Group MidCo GmbH (hereafter the "Company" or "MidCo") was incorporated on 13 March 2019 and organized under the laws of Germany as a "Gesellschaft mit beschränkter Haftung" for an unlimited period. It was acquired by LifeFit Group TopCo GmbH ("TopCo") on 31 May 2019 and was renamed into LifeFit Group MidCo GmbH (previously INOS 10-016). The parent of MidCo (100% share) is hence LifeFit Group TopCo GmbH, Munich, and the ultimate parent of the Group is Fitness First Luxembourg S.C.A., which has its registered office in Luxembourg.

The registered office of the Company is established in Munich, the business address is Hanauer Landstraße 148a, 60314 Frankfurt am Main, and the commercial register number is HRB no. 248092 in Munich. The financial year of the Company starts on 1 November and ends on 31 October. The first financial year starts with the entry in the commercial register on 9 April 2019 and ends on 31 October 2019. However, the results for this year refer primarily to the period from 1 July to 31 October 2019, since the material operative business began from the date of the purchase of three subsidiaries effective on 1 July 2019 (Fitness First Germany GmbH, Elbgym GmbH and Barry's Bootcamp GmbH). Moreover, the joint venture The Gym Society Germany GmbH was founded in the reporting period.

MidCo is a wholly-owned subsidiary of LifeFit Group TopCo GmbH, Munich, the parent company of the Group and majority-owned by funds controlled by Oaktree Capital Management, L.P.

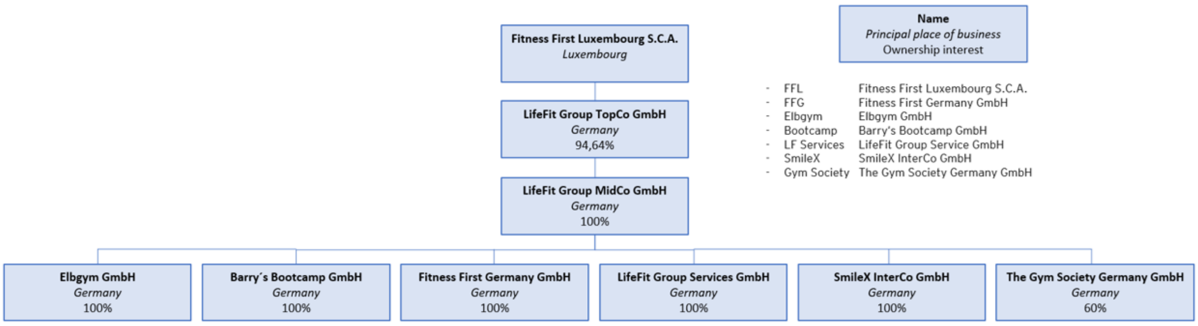
Oaktree is a leader among global alternative investment management firms. As of 31 December 2019, the company had assets under management of USD 125b. The company takes a value-based and risk-controlled approach to investing in credit, private equity, assets and listed equities.

The company has more than 950 employees and offices in 18 cities worldwide. For more information, see the company's website oaktreecapital.com.

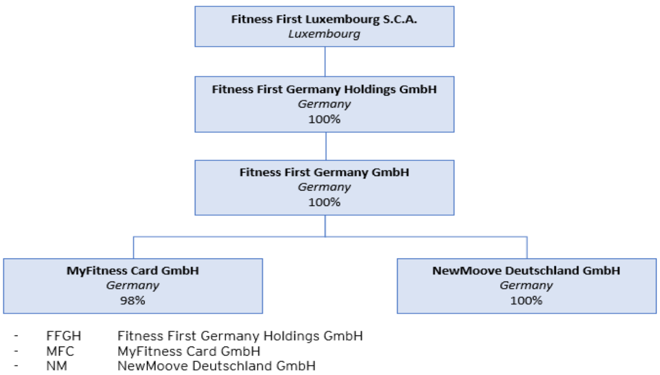
Reorganization of the LifeFit Group

During restructuring that occurred before the financial year end of 31 October 2019, the LifeFit Group acquired several new entities, created new intermediary holding companies (TopCo and MidCo) to run newly acquired businesses and sold two companies.

Structure chart after restructuring:



Structure chart before restructuring (as of 31 October 2018 – essentially also valid until 30 June 2019):



MidCo with its different brands owns market leading positions with high barriers to entry. MidCo is among the leading fitness offering operators in Germany, with a portfolio of brands that are market leaders in their respective segments and regions. The Group operates a subscription-based business model which results in high customer stickiness and revenue visibility; the average member stays with the Group for more than 4 years. The multi-brand portfolio creates operational flexibility and allows for club rebranding to react to e.g. changes in customer preference.

Currently MidCo is operating five brands:

i. The group is built around Fitness First Germany ("FFG") which constitutes the core of operations with its 66 clubs
ii. Hamburg-based premium brand Elbgym with 3 clubs was acquired in December 2018 as a first step in developing the Group's multi-brand offering
iii. Value operator smileX with 17 clubs (of which 3 franchises) is representing MidCo's strategic move into the mid-range segment
iv. MidCo has an exclusive master franchise agreement with US-based boutique chain Barry's Bootcamp to run clubs in Germany and Austria; 5 clubs are to be opened during the next two years, with a total potential of up to 12 clubs
v. For TheGymSociety we are in final discussions for a first site opening in summer 2020

The Group is present in all major German cities, including Berlin, Munich, Frankfurt, Hamburg and Cologne; its long-term leases in prime inner city locations act as a significant barrier to entry for competitors. The Group has more than 250,000 members across 82 clubs.

The Group's strategy is to continue expansion, as well as driving the operational and financial performance of its existing gym estate.

2. GOALS AND STRATEGIES

Goals and strategies primarily involve developing attractive fitness clubs and expanding the product range (multi-brand fitness offering in different market segments), increasing customer satisfaction, boosting market share as well as the overall aim of the Company generating operating profits for the benefit of employees and shareholders. In the reporting period, we made good progress in all abovementioned areas.

The financial strategy remains rigorously focused on ensuring the Group's ability to act in both strategic and operational terms at all times. The shareholders of the Group have made necessary financing available. In addition, a bond-financing was accomplished, which was primarily used for acquisition financing. Following the completion of restructuring, balanced liquidity, a robust capital structure taking into account direct and indirect external borrowing as well as results of operations with a focus on profitability remain the cornerstones for the Group in the coming years.

In the opinion of management, the results of operations are currently developing in line with the three-year plan updated in summer 2019.

3. CONTROLLING SYSTEM

Management's controls for the Group include reliable and informative monthly reports, a separate liquidity reporting process as well as a corporate planning tool. Monthly reports contain all management-related indicators, comparable to a balanced scorecard, to manage and control the entire Company. This involves regularly comparing actual figures against monthly and annual budget figures and taking any steps where necessary. Depending on the department, certain performance indicators from the monthly reports are tied to the performance-based remuneration for executives.

The financial performance indicators typically used include statistical indicators such as Membership (joiners and leavers), joiners and leaver's yield, average membership fees and dues, attrition and retention rates as well as financial indicators such as revenues, adjusted and unadjusted EBITDA (margin) and free cash flow.

Liquidity reporting for a three-month period is updated on a weekly basis and contains all the Group's expected cash payments and receipts. The corporate planning model sets out the medium and long-term financial targets as well as any performance indicators.

B. ECONOMIC REPORT

1. MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

According to the DIW's forecast, GDP in Germany will grow by 0.5% in 2019 compared to the previous year. A change in gross domestic product of 1.4% compared to 2019 is forecast for 2020 (source: statista 2019).

An average annual growth in sales of 3.2% and memberships of 5.1% over the past five years testifies to a sustained positive development in the German fitness industry.

As of December 31, 2018, 11.1 million members were registered in 9,343 commercial fitness studios in Germany. Compared to the previous year, this means an increase in membership of 3.7% with a 4.0% increase in the number of studios. Average growth over the past 5 years has been 6.1%. The market penetration rate in Germany is now 13.4%. Significantly higher penetration rates in Europe - for example Sweden with 21.1% and Norway with 19.2% - suggest further growth potential. Despite a lower average membership fee, total sales in the fitness industry in Germany rose by 4.5% to EUR 5.33 billion. Analogous to other industries, digitization is becoming increasingly important in the fitness market; At the end of the year, approximately 563,000 customers were registered with online fitness providers.

The German fitness market has displayed consistent growth over the past decade, even recording an increase in fitness center memberships during the 2007-2009 financial crisis, with the number of fitness memberships growing by an average of 8.7% p.a. during the crisis compared with a 2.4% annual contraction in GDP. Players across the spectrum, from budget to premium, registered growth in member numbers.

The German fitness market has grown at a 3.2% CAGR since 2014 until 2018, driven by chains and studios at the expense of the large base of independent operators. The growth within the studio category is driven by a shift in preference towards varied, specialized fitness experiences (e.g. cycling, boxing, yoga). Fitness chains have experienced strong growth in recent years due to increased consolidation among centers and consumers seeking out established chains with a reputable brand. Independent operators have struggled to match the larger chains' value proposition and have thus seen their base erode. This development will continue in 2019.

The German fitness market is the largest in Europe and has grown in line with other markets, following a global health and wellness trend. Despite increasing by nearly half since 2010, fitness center penetration (# of centers/population) in Germany remains low compared to other developed markets such as the UK and Scandinavia. New concept and center development, persistent interest in health and wellness and social media provide a strong basis for further growth.

The above presented data presented is based on an Deloitte market report ("The German fitness market", 16th edition).

2. BUSINESS DEVELOPMENT

The result of the financial year refers to the period from 13 March to 31 October 2019. The material operative business has started from the date of acquisition of the three subsidiaries Fitness First Germany GmbH, Elbgym GmbH and Barry's Bootcamp GmbH on 1 July 2019. As the consolidated financial statements were prepared for the first time for the short financial year of LifeFit Group Midco GmbH, no comparative figures are available.

In general, operational and financial KPIs outperformed our expectation in mostly all areas.

3. FINANCIAL PERFORMANCE

The key performance indicator is consolidated operating profit or loss before interest, taxes, depreciation and amortization (EBITDA), as calculated below for the Group:

in EUR m	13.03.2019 - 31.10.2019
Revenue	43.3
Cost of materials	-2.3
Personnel expenses	-13.6
Other operating expenses less other opertaing income	-15.1
Amortization and depreciation	-10.2
Finance cost, net	-4.4
Income taxes	0.1
Consolidated loss	-2.2
Income taxes	-0.1
Finance cost, net	4.4
Amortization and depreciation	10.2
Consolidated EBITDA	12.3

The Group generated revenue of EUR 43.3m which breaks down as follows:

in EUR m	13.03.2019 - 31.10.2019
By type of goods and service	
Joining fee	0.7
Membership fee	39.4
Personal training fee	0.6
Fitness revenue	**40.7**
Food and drink	1.0
Fitness-related products	0.3
Miscellaneous	1.3
Other revenue	**2.6**
Total	**43.3**
By brand name	
Fitness First	39.8
SmileX	2.7
Elbgym	0.8
Total	**43.3**

Amortization of intangible assets amounted to EUR 10.2m and is almost entirely attributable to the amortization of the capitalized right-of-use assets (EUR 6.1m) and depreciation of property, plant and equipment (EUR 3.5m).

Other operating expenses less other operating income amounted to approximately EUR 15.1m. This position mainly includes ancillary costs for premises and land (EUR 7.3m), maintenance expenses (EUR 1.8m), legal, audit & advisory fees (EUR 1.5m), administration expenses (EUR 1.4m) and advertisement, marketing and travel expenses (EUR 1.5m).

Finance costs, net comprise expenses for leases (EUR 2.8m), coupon on bonds (EUR 0.8) and interest expenses for shareholder loans (EUR 0.9).

The operating profit before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 12.3m.

4. ASSETS, LIABILITIES AND FINANCIAL POSITION

As of the reporting date, the Group's total assets amounted to EUR 235.8m.

The assets, liabilities and financial position of the Group are as follows:

in EUR m	31 Oct 2019
NON-CURRENT ASSETS	
Intangible assets	38.8
Property, plant and equipment	44.0
Right-of-use-assets	120.6
	203.4
CURRENT ASSETS	
Inventories	0.7
Trade receivables	2.9
Receivables from related parties	0.7
Other non-financial assets	1.9
Cash and cash equivalents	26.2
	32.4
TOTAL ASSETS	235.8
EQUITY AND LIABILITIES	
EQUITY	-9.0
NON- CURRENT LIABILITIES	
Financial liabilities	38.0
Shareholder debt	31.7
Other financial liabilities	1.5
Other provisions	4.2
Lease liabilities	121.0
Deferred tax liabilities	2.0
	198.4
CURRENT LIABILITES	
Trade payables	16.8
Other non-financial liabilities	5.2
Other financial liabilities	1.3
Other provisions	3.0
Lease liabilities	19.8
Income tax liabilities	0.3
	46.4
TOTAL EQUITY AND LIABILITIES	235.8

Intangible assets comprise of goodwill from business combinations (EUR 26.5m), customer lists/contracts and trademark (EUR 11.1m) and licenses and software (EUR 1.2m).

Property, plant and equipment amounted to EUR 44.0m and mainly include land and buildings (EUR 25.5m) and other equipment, furniture and fixtures of EUR 17.3m).

The right-of-use assets consist of leased buildings (EUR 115.4m), leased fitness equipment (EUR 4.8m) and cars (EUR 0.4m).

Regarding the Group's net equity, we refer to section 5. "Equity and going concern".

Net financial liabilities break down as follows:

in EUR m	31 Oct 2019
Bond	38.0
Shareholder debt	31.7
Lease liabilities	140.8
Less: cash and cash equivalents	-26.2
Net debt	**184.3**

In the reporting period MidCo has issued a bond and thereby was able to raise funds, mainly used for acquisition financing and CAPEX spending. The bond (senior secured callable floating rate bond) has to be repaid fully as of 26 July 2023. The Group is obliged to pay the interest on a quarterly basis. The quarterly paid interest consists of a fixed margin of 7.50% p.a. and the 3M EURIBOR applicable at the beginning of the interest periods (but no less than 0%).

Total shareholder loans including accrued interest in the amount of EUR 31.7m were granted in 2019, bearing an interest rate of 7.00%. These loans are to be repaid in full including accrued interest in January 2024.

The lease liabilities (long-term: EUR 121.0m); short-term: (EUR 19.8m) relate to leased buildings (EUR 135.6m), leased fitness equipment (EUR 4.8m) and cars (EUR 0.4m).

The Group's freely available cash amounts to EUR 26.2m.

Provisions (long-term: EUR 4.2m; short-term: EUR 3.0m) mainly are composed of club restoration provisions (EUR 3.7m), provisions for closed locations (EUR 1.5m) and provisions for litigation (EUR 1.5m).

Deferred tax liabilities amounted to EUR 2.0m and relate mainly to accounting differences in intangible assets from acquisitions (EUR 3.3m) and in property, plant and equipment (EUR 5.3m) which are offset by deferred tax assets, mainly resulting from accounting differences of lease accounting (EUR 5.9m).

The cash flow from operating activities amounted to EUR 9.0m in the reporting period.

The Group invested EUR 31.1m, mainly in the acquisition of smileX (EUR 25.0m net of cash acquired) and in property, plant and equipment (EUR 6.1m).

In the reporting period, the Group received cash from the issuance of a bond (EUR 38.0m; nominal value: EUR 40.0m), shareholder loans (EUR 11.0m). The Group made cash payments of around EUR 9.4m for interest and principal repayments in connection with lease payments.

In summary, the assets, liabilities, financial position and financial performance are shaped by a loss for the period of EUR 2.3m, negative equity of EUR 9.0m and a positive cash flow from operating activities of EUR 9.0m. The Group's liquidity is secured by a high level of cash and cash equivalents as of the reporting date (EUR 26.2m). Overall, the assets, liabilities, financial position and financial performance can be considered to be satisfactory.

5. EQUITY AND GOING CONCERN

After making enquiries, and in consideration of the foregoing, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Cash flows have been projected out until October 2022 and are expected to remain positive for the remaining businesses.

In the fiscal year, consolidated equity amounted to -EUR 9.0m. Including the subordinated shareholder loans (presented under "shareholder debt" in the consolidated statement of financial position) with an amount of EUR 31.7m, the equity ratio came to 9.6%. The terms of the subordinated shareholder loan are: interest rate of 7.0% p.a., repayment of principal and interest accrued upon maturity on 31 January 2024.

The negative equity mainly results from the specific accounting and consolidation implications according to IFRS ("transactions under common control"). By consolidating FFG as of 1 July 2019, the difference between acquisition costs of FFG (EUR 119.0m) and the book value of net assets acquired (EUR 7.7m) had to be accounted for in group reserves, impacting them negatively by EUR 111.3m. Had the transaction been occurred under at fair values in accordance with IFRS 3, this difference would have been allocated tangible and intangible assets leading to a significant step-up of net assets and equity.

Overindebtedness is tested at the level of the entity LifeFit Group MidCo GmbH. As of the reporting date, in its statutory financial statements according to German GAAP LifeFit Group MidCo GmbH shows a positive equity of EUR 97.7m.

6. NON-FINANCIAL PERFORMANCE INDICATORS

Employees

As of 31 October 2019, 1,890 people were employed by the Group. Of these, 1,732 people worked in the clubs and 158 employees in the service center. Employees receive regular further training based on systematic employee development planning. As part of the Group-wide Learning & Development program, all company employees from the receptionist to the managing director are continuously given interactive training with a view to improving service behavior. By actively collecting participant feedback, the training programs are continually improved.

The number of employees includes approx. 25 apprentices in the clubs and a further 5 apprentices in the service center. In addition to the classic training as a fitness economist as well as a sports and fitness clerk, the Group is also a partner in a dual course of study for International Sports Management BA. Due to the positive experience, a focus will also be on the training of Newcomers to the profession.

Our employees are well trained, efficient and motivated. To make sure it stays this way, we consider it important as a modern and responsible employer to offer our employees not only interesting and challenging work but also an attractive working environment and flexible working time models as well as performance-based remuneration and monetary and non-monetary benefits to an affordable extent.

Health and safety are likewise an important part of our HR policy. In this regard, our occupational health and safety management concentrates both on ensuring that safety procedures required by law are observed and that employees receive prevention and awareness training on work safety. Beyond performing the statutory examinations to be allowed to perform certain activities, we also regularly host various health promotion campaigns for our employees, such as medical checks.

Suppliers

We have long-term relationships many of our large variety and range of suppliers. As we have outsourced many of parts of our operations a close relationship and cooperation is vital and essential for us. As we regard our suppliers as an integral part of our sustainability strategy, our suppliers comply with our supplier code and code of conduct.

Members

The number of our members as of 31 October 2019 was 247,400. The average revenue from membership fees amounts to EUR 45.8 and the customer retention rate amounts to 73.4%.

Our members that work on their fitness and health in our clubs are given high priority to their needs, satisfaction and development. We therefore conduct regular surveys in order to improve customer satisfaction as well as to continuously improve our products and services.

Financial community

We pro-actively communicate transparently with our financial stakeholders such as investors, banks and other financial parties about our strategies, goals and financial performance ensuring that these parties receive accurate, timely and relevant information.

C. OUTLOOK, OPPORTUNITIES AND RISKS

1. OUTLOOK

The assumptions and estimates used in this forecast therefore entail uncertainty and may differ if the economic conditions change.

In 2020 it is planned to finalize the reorganization of the operating model to move to an efficient, effective multi-brand structure blending shared platform capabilities and individual brand teams. For some brands, we will expand a franchise concept.

Management will strongly focus on key revenue drivers such as joiner yield and retention, underpinning sustainable growth. Portfolio optimization will be more focused on best practice sharing within the Group and will result in higher club profitability. Multi-banner approach will result in additional M&A activities with further contributors and expanding existing concepts. Franchise concepts have started to roll out and will increase revenues and profitability of the Group long-term.

We continue to analyze potential locations to open new studios. At the same time, we consistently carry out portfolio optimizations in order to sustainably increase profitability.

For the 2019/2020 financial year, we expect a stable revenue development, on the basis of an extrapolation of consolidated revenue for the 4-month short financial year, coupled with moderate cost savings in the single-digit percentage point range. This will lead to a slight improvement in EBITDA in the lower single-digit percentage point range.

Our financing structure will fairly stay unchanged. Liquidity is ensured thanks to our strong operating cash flow as well as due to our long-term financial funds.

2. OPPORTUNITIES AND RISKS

The ’Company’s risk management system is part of the overall planning, control and reporting process of the Group. This ensures that the company management recognizes significant risks (especially competition risks) at an early stage and - if necessary - can take countermeasures at an early stage. In addition to the monthly reporting, the management maintains regular contact with the ’Group’s shareholder in order to discuss not only the corporate strategy and the current business development, but also questions of risk management.

The fitness market remains under strong competitive pressure. However, our measures for a clear positioning as a multi-brand provider and the permanent development and implementation of innovations counteract this ongoing market environment. The consistent implementation of the uniform Club concepts strengthens the distinctive brands impressions of the Group. In the future, our focus will continue to be on expanding high-quality brand perception, so that a long-term positive development of the Group’s earnings situation can be guaranteed.

A key success factor are highly motivated employees who look after our members. In order to meet the high requirements here, too, we carried out extensive personnel development measures. All employees (from the management to all temporary staff, including training for freelancers) are continuously trained on the same topics as part of the Learning & Development program: service requirements and new training offers. The area of learning and development will also be expanded in the future. At the same time, it is important to recruit suitable staff despite the increasing shortage of applicants.

We will also focus to continue to optimize business processes and structures. The expansion of central purchasing and the implementation of consistent cost monitoring have already led to considerable cost savings, which have had a positive impact on the results achieved.

Risks arise especially with a view to the increasing intensity of competition in the market. This will be achieved with the continuous sharpening of the brand presence, the expansion of the range of offerings to include online fitness services or fitness trainer training programs within the framework of the Fitness First Academy, participation in new business models, innovative products and a continuous improvement of the service standards. In addition, the recruitment of qualified and highly motivated personnel is demanding due to the labor market situation, which may result in operational risks. Based on current success indicators and extensive market observations, the Group continues to expect a positive business development.

By ensuring an efficient internal and external collection process, the risk of customer default is minimized.

Thanks to our long-term financial funds and strong operating cash flow our liquidity is secured for the coming years.

3. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The goal of the risk management system is to identify and eliminate risks at an early stage. All of the companies in the Group are committed to this goal. The Group's risk management system is set up in such a way that key risks can be systematically identified and measured. The Group also consistently enhances indicators for the timely identification of risks (e.g., by obtaining and collecting market data in the relevant core markets).

Another part of the risk management system for the entire Group is the internal control system. It includes all the necessary control and monitoring structures for ensuring the compliance of group financial reporting. The core elements are the principle of functional segregation, careful issuing of user rights and regular verification that these rights are necessary and compliance with the principle of dual control. Ad hoc analyses are performed to support the systematic control mechanisms.

In addition to the internal control system, another pillar of the risk management system is a detailed planning and budgeting process. Included in this process are a detailed sales plan, important steering elements such as controllable cost and direct personnel expenses as well as the planning of investments and asset management with regards to building leases. A detailed liquidity plan is derived on this basis. The management board of the Group monitors business performance in regular meetings.

Management has developed a system of KPIs to calculate the factors relevant for success, some on a monthly and others also on a weekly basis. The KPIs are regularly analyzed in management and advisory board meetings. If necessary, these bodies decide on corrective measures. Key financial indicators are net revenue and (adjusted) EBITDA. These analyses are supplemented by variance analyses. Liquidity indicators are also continuously monitored. Any deviations from budget targets are investigated.

General risks such as fire or other business disruptions are covered by appropriate insurance policies with sufficient coverage amounts.

Regarding "Events after the reporting date" we refer to the "Notes to the financial statements".

Munich, 26 Februar 2020

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Martin Seibold
General Manager

Translation from the German language

Engagement Terms, Liability and Conditions of Use

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB ["Handelsgesetzbuch": German Commercial Code]) for statutory audits, the audit opinion is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the audit opinion is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement letter for the audit of these financial statements including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on 1 January 2017.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the audit opinion to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.