LifeFit Group MidCo GmbH

Group quarterly interim unaudited report

Q4/FY2023 report

as of and for the interim period started 1 November 2022 ended 31 October 2023

CONTENT

1 Key Figures / Financial Summary

EURm	Oct-23 LTM AC pre IFRS16	Oct-23 LTM Impact of IFRS16	Oct-23 LTM AC under IFRS16	Q4/FY2023 AC pre IFRS16	Q4/FY2023 Impact IFRS16	Q4/FY2023 AC under IFRS16	Q4/FY2023 REPORTED AC IFRS16
KPIs							
# of Clubs[1]	121			121			
Members ['000]	324			324			
Joiner Yield [EUR]	43.8			42.1			
ARPM [EUR]	47.1			47.6			
Retention % (annualised)	74.1			74.1			
Profit/Loss							
Revenue	169.8			45.8			50.6
EBITDA[2]	21.8	27.9	49.8	8.1	10.2	18.3	16.0
- Adjustments	1.8			0.3			
Adjusted EBITDA	**23.6**			**8.4**			
Depreciation & amortisation	-22.3	-19.2	-41.5	-9.3	-4.1	-13.4	-13.4
Exceptionals/One-off charges	-3.5			-2.1			
Operating Profit/Loss	**-4.0**		**4.8**	**-3.3**		**2.8**	**2.6**
Income from at equity investments	-0.1			0.0			0.1
Total Finance costs	-15.9	-18.0	-33.9	-4.9	-4.3	-9.2	-9.2
Total Tax	1.6			0.7			0.7
Net Profit/Loss	**-18.5**		**-27.7**	**-7.6**		**-5.8**	**-5.8**
Cash Flow							
EBITDA[2]	21.8			8.1			
Working capital	-1.6			1.0			
Exceptionals & provisions	-2.6			0.1			
Interest paid	-6.2			-1.8			
Tax	0.0			0.0			
OPERATING CASH FLOW	**11.5**			**7.4**			**7.4**
Cash flow from investing activities	-18.0			-1.7			-1.7
FREE CASH FLOW	**-6.5**			**5.8**			**5.8**
Cash flow from financing activities	18.9			-1.1			-1.1
NET CASH FLOW	**12.4**			**4.7**			**4.7**

Notes
[1] excluding franchise clubs
[2] exluding exceptionals/one-off charges

For the reason for using pro forma information we refer to section 2.3. Pro forma considers the period of 12 months from Aug 1, 2022 to Jul 31, 2023 and the business activities of all group companies regardless of the acquisition date.

EURm	Oct-23 LTM						Q4/FY2023					
	LifeFit Group	Fitness First	elbgym	smile X	In Shape	FitnessLOFT	LifeFit Group	Fitness First	elbgym	smile X	In Shape	FitnessLOFT
KPIs												
# of Clubs1	121	61	7	13	13	27	121	61	7	13	13	27
Members ['000]	324.1	204.0	5.5	32.2	18.8	63.6	324.1	204.0	5.5	32.2	18.8	63.6
Joiner Yield [EUR]	43.8	51.1	71.8	31.1	41.7	28.2	42.1	46.2	71.8	32.7	45.8	25.2
ARPM [EUR]	47.1	54.3	95.5	30.9	49.9	29.5	47.6	55.2	92.2	28.0	47.9	30.2
Retention % (annualised)	74.1	80.0	64.7	81.7	66.0	57.1	74.1	80.0	64.7	81.7	66.0	57.1
Profit/Loss												
Revenue	169.8	119.4	6.1	11.3	10.6	22.5	45.8	33.1	1.5	2.7	2.7	5.9
EBITDA²	21.8	13.2	0.9	2.2	1.2	4.4	8.1	5.7	0.2	0.6	0.3	1.2
- Adjustments	1.8	1.8	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0
Adjusted EBITDA	**23.6**	**15.0**	**0.9**	**2.2**	**1.2**	**4.4**	**8.4**	**6.1**	**0.2**	**0.6**	**0.3**	**1.2**
Depreciation & amortisation	-22.3	-10.6	-0.6	-5.6	-1.6	-4.0	-9.3	-4.5	-0.1	-3.9	-0.7	0.0
Exceptionals/One-off charges	-3.5	-3.0	0.0	-0.1	-0.3	-0.2	-2.1	-1.7	0.0	-0.1	-0.1	-0.2
Operating Profit/Loss	**-4.0**	**-0.3**	**0.3**	**-3.6**	**-0.6**	**0.2**	**-3.3**	**-0.5**	**0.1**	**-3.4**	**-0.5**	**1.0**
Income from at equity investments	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Finance costs	-15.9	-15.4	0.0	0.0	-0.2	-0.4	-4.9	-4.8	0.0	0.0	0.0	-0.1
Total Tax	1.6	0.0	0.0	1.6	0.1	-0.2	0.7	0.0	0.0	1.1	0.0	-0.5
Net Profit/Loss	**-18.5**	**-15.8**	**0.3**	**-2.0**	**-0.6**	**-0.3**	**-7.6**	**-5.3**	**0.1**	**-2.2**	**-0.5**	**0.4**
Cash Flow												
EBITDA²	21.8	13.2	0.9	2.2	1.2	4.4	8.1	5.7	0.2	0.6	0.3	1.2
Working capital	-1.6	-1.3	-0.1	0.0	0.0	-0.2	1.0	0.7	0.1	0.2	0.1	-0.1
Exceptionals & provisions	-2.6	-2.5	0.0	0.0	-0.2	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Interest paid	-6.2	-6.2	0.0	0.0	0.0	0.0	-1.8	-1.8	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPERATING CASH FLOW	**11.5**	**3.3**	**0.8**	**2.2**	**1.1**	**4.1**	**7.4**	**4.8**	**0.3**	**0.8**	**0.4**	**1.1**
Cash flow from investing activities	-18.0	-22.0	-0.1	-0.2	-0.2	4.5	-1.7	-0.8	-0.1	-0.1	-0.1	-0.6
FREE CASH FLOW	**-6.5**	**-18.7**	**0.7**	**2.0**	**0.9**	**8.6**	**5.8**	**4.0**	**0.2**	**0.7**	**0.4**	**0.5**
Cash flow from financing activities	18.9	19.4	-0.1	-0.3	-0.2	0.0	-1.1	-1.0	0.0	0.0	0.0	0.0
NET CASH FLOW	**12.4**	**0.7**	**0.6**	**1.7**	**0.7**	**8.6**	**4.7**	**3.0**	**0.2**	**0.7**	**0.3**	**0.5**

Notes

[1] excluding franchise clubs

² exluding exceptionals/one-off charges

2 Management Commentary

2.1 Business overview and strategy

LifeFit Group ("LFG") with its different brands owns market leading positions with high barriers to entry. LFG is the leading health and fitness platform 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 LFG is operating seven brands in three segments:

i. Fitness First Red is a leading full-service-best-price fitness concept with focus on offering a high value for money fitness experience to a broad customer base. The brand consists of 78 fitness clubs located both in urban as well as rural areas.
ii. Fitness First Black offers a high-end health and wellness/performance oriented fitness experience for metropolitan areas. Personalized services, state of the art equipment, a wide portfolio of classes as well as high end wellness and physio areas are a crucial part of the brand. There are currently 33 Fitness First Black clubs .
iii. Hamburg-based premium brand Elbgym with 7 clubs (thereof 1 conversion) was acquired in December 2018 as a first step in developing the Group's multi-brand offering
iv. LFG has an exclusive master franchise agreement with US-based boutique chain Barry's to run clubs in Germany and Austria; Germany's first Barry's opened in Jun 21 in Frankfurt, the second one in Berlin opened in Sep 21, with a total potential of up to 12 clubs
v. For the Dutch based The Gym Society a first boutique site opened in July 2020 in Cologne (currently relocating)
vi. Since November 2019 LFG has a master franchise agreement with Xponential Fitness, USA, in order to set up selected boutique fitness concept in Germany as well as Austria and Netherlands with the brands Club Pilates and YogaSix. A first Club Pilates site opened in Frankfurt in May 23. A YogaSix site will open in spring 2024.

The Group currently has around 345,000 members across more than 121 corporate owned clubs, around 215,000 members workout in 78 FSBP clubs, more than 130,000 members train in the 40 premium locations, whereas Barry's operates as pay-as-you-go.

Through the above mentioned segmentation, which was implemented in Apr-22, clubs were shifted from mid-market to the corresponding FSBP/Premium segment. The stronger differentiation between clubs as well as best practice sharing throughout the group parties led to a more adapted pricing strategy and a stronger focus on 24 month contracts. This resulted in a total of currently 58% long-term contracts in existing member base and around 70% share of long-term contracts within new joiners. Due to the positive effect on contract mix the average initial contract length is 19 months. Retention rate increased from 66% in FY22 to 74% in FY23 (best in class levels in the industry being approximately 70%).

As part of best practice sharing, the pricing system was changed in late 2019 from monthly to weekly payments. This enabled prices to be increased overall despite downgrading of FSBP clubs (former mid-market clubs). Therefore, joiner yield increased from 39.2 EUR in FY19 to 43.8 EUR in FY23. A dynamic pricing strategy ensures that the joiner yield develops in line with inflation. Price adjustments are contractually agreed and made annually for existing member base.

The group's strategy is to enable attractive ROI in growth segments of the German fitness market utilising best in class brands. The 120+ corporate owned & managed clubs are at the core of the proposition in the full service best price and premium segments whereas franchise will play the main role in the high end boutique studio market. In the segregated fitness landscape regional M&A represents the dominant opportunity to further strengthen the network.

LifeFit Group's long-tenured and highly experienced management team has a proven track record on transforming the company into a leading force in the German fitness market, supported by a very strong digital-driven organization and ready to execute the next growth chapter.

Head of LFG Martin Seibold, who was appointed CEO in 2017, successfully repositioned Fitness First UK from 2011 to 2016, subsequently driving its sale to DW Sports. With 80+ years of combined experience Martin Seibold has built up a successful and passionate top level management team with proven capabilities to drive growth, operate multiple brands, concepts and franchise licenses. They managed to boost membership base by 80%+, to increase size of portfolio by 140%+ and to improve EBITDA run rate by 150%+ in the time period from Feb-18 to Oct-23.

2.2 Current market situation

The German Fitness Market is a highly attractive multi-billion euro market with continued growth across all fitness segments driven by a multitude of sustainable growth drivers. The fragmented market landscape offers high potential to further consolidate the market.

According to the last industry study of German fitness market (Deloitte "The German fitness market", 20th edition), by the end of 2022, total revenue stood at 89.1% and total closing memberships at 88.0% compared to 2019, characterising the strong recovery of German fitness market. LFG has managed to recover even better than the general German fitness market with membership and total revenue recovery reached in early 2023.

The German fitness market has grown at a 4% CAGR since 2019 until 2023, 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 continued in 2022.

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 in terms of total revenue, 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 negative financial impact of covid-19, changed framework conditions as a result of the war in Ukraine (e.g. increased energy cost) and inflation is now leading to a consolidation phase in the fitness industry. Due to LFG's established position as a proven natural consolidation platform in combination with our experienced and entrepreneurial leadership, we benefit first-hand from this development proven by our latest acquisitions In Shape and Fitness Loft.

In addition to consolidation opportunities, the combination of our nationwide brand awareness and our well-negotiated aggregator network allows us to penetrate a previously untapped customer group seeking for more flexibility and variety leading to even higher growth potential.

The fitness and health industry in Germany is a future market with increasing importance for keeping the German population healthy. The number of employees in the fitness and health industry is increasing. The overall market has seen a positive development in members and the industry achieved a strong increase in turnover in 2022.

The study "Eckdaten 2023" by the DSSV (Employers' Association of Fitness and Health Facilities) shows that the value of health has once again become significantly more important in people's lives. Two-thirds of operators in all market segments are of the opinion that their economic situation will improve or tend to improve in the next twelve months, also showing a forward-looking trend.

2.3 Business development / Financial performance of the period

The result of the fourth quarter 2022/2023 refers to the period from 1 August 2023 until 31 October 2023. For a better understanding of the financial results of the whole group we present pro forma information considering the 12 months period from 1 November till 31 October and the business activities of all group companies regardless of the acquisition date (especially In Shape and FitnessLOFT group, which were acquired in May 22, respectively Dec 22).

LTM pro forma revenue of the group amounts to EUR 169.8m. LTM pro forma EBITDA of the group amounts to EUR 21.8m (b/f adjustments). Considering IFRS 16 effects LTM pro forma EBITDA of the group amounts to EUR 49.8m.

Operational and financial KPIs have shown significant growth over the last months. After consistent monthly additions in the LTM period, current quarter comes along with another strong increase of +8.9k net members (incl. equivalents) despite summer seasonality, resulting in 346.6k members at the end of Oct-23, which means further increase post full membership recovery compared to pre-covid levels (like-for-like) in Apr-23. Therefore, total LTM revenues in core business increased by 24.9% compared to FY22 to EUR 169.8m (already clearly above pre-covid levels), despite LTM revenues are faced with fade out of governmental support packages (nothing remaining in the LTM period). Aggregator income continuously improves with month-by-month growth rates at ~7% in FY23. Successful increase of existing member pricing results in EUR +500k add. revenue run-rate from Sep 22 onwards (thereof EUR 100k from Jan-23 onwards and another EUR 100k added from May-23 onwards).

Underlying adjusted EBITDA shows strong and consistent monthly growth and after returning to break-even in Oct 22, now shows a monthly run-rate of around EUR 2.3m in Oct-23, which means LTM EBITDA recovery, and which gives an attractive run-rate projection of EUR 27m+. Initiated business transformation program and cost actions (esp. reduced electricity consumption) were able to mitigate rent, energy (during peaks) and other cost increase in the short term and will give the chance for sustainable increase in profitability long-term. Adjusted EBITDA in core business increases to EUR 23.6m in the LTM period (EUR +7.4m vs. previous quarter).

Net Cash Flow for Q4/FY23 was EUR +4.7m, which is primary characterised by monthly increasing EBITDA (EUR +8.1m; includes non-recurring year end items of around EUR 1.1m) and positive working capital impacts (especially from deferred revenue and aggregator prepayment; EUR +1.0m) The group’s cash position amounts to EUR 20.8m in Oct-23, month-by-month improving free cash flow will be used for earn-outs, vendor loan repayments, net debt redemption as well as product and facility investment.

2.4 Ownership and funding

LifeFit Group MidCo GmbH is a wholly owned subsidiary of LifeFit Group TopCo GmbH, the parent company of the Group and majority-owned by funds controlled by Oaktree Capital Management, L.P., a global alternative investment management firm with AUM in excess of EUR 100bn. Oaktree has more than 950 employees and offices in Los Angeles (HQ), New York, London, Paris, Frankfurt, Hong Kong, Beijing, Sydney, etc. Oaktree's European Principal group combines special situations investing with more traditional middle-market private equity. Oaktree has owned the global Fitness First operations since 2012. Since then Oaktree has successfully created two multi-brand fitness groups around Fitness First and Barry's Bootcamp: Fitness & Lifestyle Group (the leading multi-brand operator in Australia) and Evolution Wellness (Asia-Pacific's leading multi-brand fitness group). In addition to this, Fitness First UK was successfully repositioned and sold.

On 30 June 2019 Fitness First Germany GmbH, subsidiaries and affiliates (the "Company") were acquired by LifeFit Group MidCo GmbH ("LFM", collectively the "Group"). LFM restructured the Group's finances such that as at 26. July 2019, the Company issued Senior Secured Callable Floating Rate Bonds ("the bond") amounting to EUR 40 million for which LFM and certain subsidiaries are guarantors.

On 6 August 2019, the Group acquired smile X Group. The acquisition was financed through the funds raised from the issuance of the bond and was motivated by smile X's strong operational track record and excellent strategic fit for the Group and offers a complementary service offering and synergy potential in network efficiencies and better purchasing power. The acquisition of smile X will allow the Group to broaden its offering and differentiate itself even more from other middle-market players within the strongly growing value segment.

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.

In November 2019 LifeFit Group and Xponential Fitness, the curator of eight outstanding boutique fitness brands, have announced the signing of a Master Franchise Agreement in order to set up selected boutique fitness concepts in Germany. The first Club Pilates opened in May-23 and YogaSix is set to open in Spring 24. The agreement also includes the flexibility to introduce further brands in Germany. The first Club Pilates franchise club opened in Oct-23, benefitting from an already well-filled franchisee pipeline.

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, including open studios and international. 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.

With the acquisition of the two elbgym franchise studios in Munich und Hamburg in Nov 2021, LifeFit is focusing on further growth in the premium performance market and now owns seven elbgym clubs, with one additional opening planned in fall 2024.

LifeFit Group has acquired the 13 club strong network In Shape in the south-west of Germany in May 22, which will strengthen the metro area Stuttgart and will create more opportunities in that region.

In December 2022 LifeFit Group acquired the 27 club (+ 1 franchise) strong group Fitness LOFT, a leading operator in the FSBP segment with high quality interior design focused on northern Germany.

In Oct-23 the former separate brands Smile X, In Shape as well as Fitness LOFT have been rebranded to Fitness First Red and Fitness First Black. As a result, synergies have slightly been and will continue to be realised. Areas that have already been integrated, such as e.g. join online process for new joiners and marketing initiatives, operational structure and processes, faster data availability and analysis options, as well as favourable effects on the desired membership contract mix.

2.5 Significant events after reporting period

LFG is currently in the process to acquire 19 FSBP clubs with around 40,000 members in the Stuttgart metropolitan area (Project Smart; SPA signed in Nov-23). In combination with our existing club portfolio in the respective area, we will occupy a dominant position in the market by then with more than 40 clubs in Baden-Württemberg. The acquisition is expected to be closed in Feb-24.

2.6 Outlook

Membership, Revenue and EBITDA have fully recovered and show consistent growth. Last month's key drivers generate confidence for further growth. In the long-term LFG is confident that health and fitness will be even more focused in the society.

LifeFit Group follows an attractive growth plan driven by both organic penetration of white spots and M&A. As a leading fitness and health platform LFG aims to continue positioning as a natural go-to partner for other market players that want to sell their business. The vast experience in managing different brands in various segments combined with efficient and scalable central services qualifies LFG as a central future player in the German fitness industry. The group's already well-filled M&A pipeline experiences month-by-month growth with great opportunities.

In addition to that LifeFit set up for franchise growth in the Boutique segment, currently operating Xponential concept Club Pilates. The first franchise studio in Königstein/Taunus opened in Oct-23, benefitting from an already well-filled franchisee pipeline. Negotiations regarding opening the second Xponential concept YogaSix next door to Club Pilates in Frankfurt are in full progress and will give further growth potential.

Regarding the highly volatile energy prices of the past two years and the continuing uncertainty in this area, LFG managed to change from SPOT market to tranche procurement and to fix the energy purchasing price for 2024 at business plan level. The presently secured tranche (full year 2024) minimises risk and enables a more stable planning approach.

Finally, strong progress of LifeFit in aligning the FSBP studios re product offering, marketing and pricing as well as supporting processes enabled the rebranding into Fitness First in Oct-23. The streamlining of the individual brands provides opportunities to further increase returns in future.

2.7 Other information

Audit
This report has not been subject to review by the Group's auditors.

Contact information

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Financial calendar
The quarterly interim unaudited report for Q1 FY2023/24 is planned to be published on 29 Mar 2024.

Assurance
The Board of Directors and CEO hereby confirm that this interim report for the fourth quarter 2022/2023 provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and that it describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Frankfurt am Main, 29 Dec 2023

Martin Seibold	Jonathan Kreuter	Wolfgang Cyriax
CEO and Member of the Board	Director Controlling	Director Finance

3 Condensed Consolidated Financial Statements

3.1 Condensed Consolidated Statement of Comprehensive Income

		4th Quarter - unaudited -			Year-to-Date - unaudited -		
in EUR k	Note	2022/2023	2021/2022	change	2022/2023	2021/2022	change
Revenue	3.5.3.1	47.798	33.576	14.223	166.348	104.710	61.638
State Aid	3.5.3.2	0	2.922	-2.922	0	8.291	-8.291
Other operating income	3.5.3.2	2.796	-1.713	4.509	4.685	2.245	2.440
Cost of materials		2.697	2.147	4.410	9.659	8.145	1.515
Personnel expenses	3.5.3.3	11.742	9.525	9.594	45.175	33.548	11.626
Other operating expenses		20.122	12.729	7.393	67.927	55.829	12.098
Amortisation and depreciation	3.5.3.4	13.391	13.144	248	39.705	32.565	7.140
Operating profit		**2.642**	**-2.760**	**-5.835**	**8.567**	**-14.840**	**23.407**
Income from at-equity		133	-89	222	0	-276	276
Finance income		74	18	56	97	341	-244
Finance costs		9.297	5.574	3.724	32.570	23.972	8.598
Financial result	3.5.3.5	**9.223**	**5.556**	**3.667**	**32.473**	**23.631**	**8.842**
Loss before taxes		**-6.448**	**-8.405**	**-9.281**	**-23.906**	**-38.747**	**14.841**
Income taxes		653	213	439	1.688	2.354	-666
Net loss for the period		**-5.795**	**-8.192**	**-8.842**	**-22.218**	**-36.393**	**14.175**

3.2 Condensed Consolidated Balance Sheet

in EUR k	Note	-unaudited - 31.10.2023	31.10.2022
NON-CURRENT ASSETS			
Goodwill	3.5.4.2	59.592	32.943
Intangible assets	3.5.4.2	6.886	8.558
Property, plant and equipment	3.5.4.3	46.833	43.794
Right-of-use-assets	3.5.4.4	100.150	89.535
Non-current trade receivables		1.553	1.871
Investments / Joint venture		0	1
Deferred tax assets		5.389	5.262
		220.403	181.963
CURRENT ASSETS			
Inventories		773	698
Trade receivables		1.972	1.839
Receivables from related parties		715	700
Current income tax assets		380	171
Other non-financial assets		2.863	3.285
Other financial assets		3.333	988
Cash and cash equivalents	3.5.4.5	20.788	8.404
		30.825	16.085
TOTAL ASSETS		**251.227**	**198.048**
EQUITY	3.5.4.6	-119.096	-96.878
NON- CURRENT LIABILITIES			
Financial liabilities	3.5.4.7	55.981	0
Shareholder debt	3.5.4.8	56.718	43.790
Other non-financial liabilities		188	0
Other financial liabilities	3.5.4.9	2.529	46
Other provisions		2.869	2.639
Lease liabilities	3.5.4.10	119.660	112.651
Deferred tax liabilities		0	0
		237.946	159.126
CURRENT LIABILITIES			
Financial liabilities	3.5.4.7	10.375	49.853
Trade payables		15.133	13.789
Other non-financial liabilities		8.614	4.457
Other financial liabilities	3.5.4.9	73.325	50.264
Payables to related parties		2.892	0
Other provisions		528	719
Lease liabilities	3.5.4.10	21.210	16.619
Income tax liabilties		301	99
		132.377	135.800
TOTAL EQUITY AND LIABILITIES		**251.227**	**198.049**

3.3 Condensed Consolidated Cash Flow Statement

in EUR k	4th Quarter - unaudited -			Year-to-Date - unaudited -		
	2022/2023	**2021/2022**	**change**	**2022/2023**	**2021/2022**	**change**
Operating cash flow	7.429	5.581	1.848	19.269	28.864	-9.595
Investing cash flow	-1.667	-2.644	977	-18.013	-18.132	119
Financing cash flow	-1.094	-4.952	3.858	11.128	-25.368	36.496
Cash flow for the period	**4.668**	**-2.016**	**6.684**	**12.384**	**-14.636**	**27.020**
Beginning cash	16.120	10.421		8.404	23.040	
Closing cash	**20.788**	**8.405**		**20.788**	**8.404**	

The investing cash flow for the period 01.11.22 – 31.10.23 mainly comprises of EUR 12.5m for the acquisition of FitnessLoft group.

The cash flow from financing for the period 01.11.22 – 31.10.23 includes proceeds from the Bond Top-Up (EUR 13.4m) and an additional shareholder loan (EUR 10.0m). Contrary, EUR 35.6m (prior period: EUR 27.5m) had to be paid for leases.

3.4 Condensed Consolidated Statement of changes in Equity

	Equity attributable to equity holders of the parent			
	Subscribed capital EUR k	**Capital reserves EUR k**	**Other reserves EUR k**	**Consolidated equity EUR k**
As of 31 October 2021	**26**	**99.521**	**-160.029**	**-60.482**
Profit / loss for the year			-36.394	-36.394
Total conprehensive income/ loss	**0**	**0**	**-36.394**	**-36.394**
As of 31 October 2022	**26**	**99.521**	**-196.423**	**-96.878**
Profit / loss for the year			-22.218	-22.218
Total conprehensive income/ loss	**26**	**99.521**	**-22.218**	**-22.218**
As of 31 October 2023	**26**	**99.521**	**-218.642**	**-119.096**

3.5 Explanatory Notes to the Condensed Consolidated Interim Financial Statements

3.5.1 General 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. 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 was established in Munich and changed to Frankfurt am Main in 2022, the business address is Hanauer Landstraße 148a, 60314 Frankfurt am Main, and the commercial register number is HRB no. 128865 in Frankfurt am Main. The financial year of the Company started on 1 November and ends on 31 October.

These interim consolidated financial statements have been prepared in accordance with the currently applicable International Financial Reporting Standards ('IFRS') of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC); especially in accordance with IAS 34 (Interim Financial Reporting).

3.5.2 Basis of preparation and changes to the Group's accounting policies

3.5.2.1 Basis of preparation

These interim consolidated financial statements of MidCo and its subsidiaries (hereafter the "Group") have been prepared in accordance with the currently applicable International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Group 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.

3.5.2.2 Basis of consolidation and consolidated companies

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 October 2023 with comparative figures as at 31 October 2022 for the income statement and the cash flow statement and as at 31 October 2022 for the balance sheet. Subsidiaries are all entities over which the Group has control. The comparative "Year-to-Date" figures for the income statement and the cash-flow-statement comprise the time period from 1 November 2022 to 31 October 2023. 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.

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.

3.5.2.3 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, the group continues to adopt the going concern basis in preparing the quarterly financial statements.

Cash balances have been projected out until April 2025 and are expected to remain positive based on the current framework conditions.

3.5.3 Results for the year

3.5.3.1 Revenue

Revenue relates wholly to sales in Germany. In the following table, revenue is disaggregated by revenue type and by brand name:

in EUR k	4th Quarter - unaudited -			Year-to-Date - unaudited -		
Brand Name	**2022/2023**	**2021/2022**	**change**	**2022/2023**	**2021/2022**	**change**
Fitness First	33.268	25.714	7.554	115.778	83.842	31.936
SmileX	3.298	2.617	681	11.478	10.842	636
Elbgym	1.769	1.212	557	6.155	4.043	2.112
InShape	3.059	4.033	-974	10.646	5.983	4.663
FirnessLoft	6.405	0	6.405	22.291	0	22.291
TOTAL	**47.798**	**33.576**	**14.222**	**166.348**	**104.710**	**61.638**

As in the prior period over 90% of revenue is attributable to membership fees, joining fees and fees for personal trainers. The remaining revenue is attributable to food and beverages as well as fitness-related products.

LFG experiences a small degree of seasonality. The majority of members join at the start of the calendar year, and joiner rates also increase after the summer break. Seasonality is generally positively driven by consumers' desire to improve their fitness at the start of the year and the start of new university and school terms, and is negatively driven by Christmas and summer holidays. Marketing expenditure is generally focused around peak joining periods.

3.5.3.2 Other operating income and State Aid

in EUR k	4th Quarter - unaudited -			Year-to-Date - unaudited -		
	2022/2023	**2021/2022**	**change**	**2022/2023**	**2021/2022**	**change**
State Aid	0	2.922	-2.922	0	8.291	-8.291
Miscellaneous	2.796	-1.713	4.509	4.685	2.245	2.440
TOTAL	**2.796**	**1.209**	**1.587**	**4.685**	**10.536**	**-5.851**

Other income mainly comprises of gains on sales of assets, recharges and income from vehicle use.

3.5.3.3 Personnel expenses

in EUR k	4th Quarter - unaudited -			Year-to-Date - unaudited -		
	2022/2023	**2021/2022**	**change**	**2022/2023**	**2021/2022**	**change**
Salaries and wages	9.517	8.207	1.310	37.044	28.047	8.997
Social security contributions	2.225	1.317	908	8.131	5.501	2.630
TOTAL	**11.742**	**9.524**	**2.218**	**45.175**	**33.548**	**11.627**

The increase in personnel expenses mainly results from the fact that in the FY 22/23 the Group's expenses include InShape and FitnessLoft. In addition, no more Covid-19 effects dilute this expense position.

3.5.3.4 Amortization, depreciation and impairment charges of intangible assets, property, plant and equipment and right-of-use-assets

in EUR k	4th Quarter - unaudited -			Year-to-Date - unaudited -		
	2022/2023	**2021/2022**	**change**	**2022/2023**	**2021/2022**	**change**
Depreciation of property, plant and equipment	2.879	3.248	-369	11.195	10.619	576
Amortisation of other intangible assets	4.240	848	3.392	8.529	2.671	5.858
Amortisation of right-of-use assets	6.273	9.049	-2.776	19.982	22.021	-2.039
Reversal of impairment charges	0	0	0	0	-2.746	2.746
TOTAL	**13.392**	**13.145**	**247**	**39.706**	**32.565**	**7.141**

3.5.3.5 Finance costs

The table below shows the breakdown of finance costs:

in EUR k	4th Quarter - unaudited -			Year-to-Date - unaudited -		
	2022/2023	2021/2022	change	2022/2023	2021/2022	change
Interest expenses from leases (IFRS 16)	3.968	2.697	1.271	16.678	15.871	807
Interest expenses for shareholder loan	1.949	955	994	5.254	3.686	1.568
Coupon on bond	2.612	1.537	1.075	8.949	3.812	5.137
Other	694	367	327	1.592	262	1.330
TOTAL	**9.223**	**5.556**	**3.667**	**32.473**	**23.631**	**8.842**

3.5.4 Balance Sheet

3.5.4.1 Business Combinations

Acquisition of In Shape

In May 2022 (effective January 2022) LifeFit Group Midco GmbH acquired Shape InterCo GmbH, which then acquired 8 club operating companies from the original founders of the In Shape group. The fix purchase price amounted to EUR 4.0m and EUR 2.7m were deferred as “ear-out”. The difference between purchase price and net assets amounted to EUR 7.1m. It was allocated to EUR 1.1m (net of taxes) to customer contracts and EUR 6.0m goodwill.

The In Shape Group operates 13 clubs in the Stuttgart metropolitan area.

For IFRS accounting although economic transfer was already guaranteed to MidCo beginning January 2022 first-time consolidation according to IFRS accounting rules was to be placed as at 1st May 2022.

Acquisition of FitnessLoft

In December 2022 LifeFit Group Midco GmbH acquired LOFT Holding GmbH. The FitnessLoft group operates 27 (+1 franchise) clubs in the north-western area.

The fix purchase price amounted to EUR 7.3m, EUR 2.4m were deferred as loan and EUR 15.4m were deferred as “earn-out”. The difference between purchase price and net assets amounted to EUR 31.0m. It was allocated to EUR 5.0m (net of taxes) to customer contracts and EUR 26.0m goodwill.

The first-time consolidation was placed as at 1st January 2023.

3.5.4.2 Intangible assets

The movement in intangible assets during the current fiscal period was as follows:

	Goodwill EUR k	Customer bases and contracts/ brand name EUR k	Licenses, software and other EUR k	**Total EUR k**
Cost				
as of 1 November 2022	**33.843**	**13.276**	**3.192**	**50.311**
Additions from business combinations	26.674	7.003	36	33.713
Additions / Deletions	0	0	-207	-207
Costs as of 31 October 2023	**60.517**	**20.279**	**3.021**	**83.817**
Amortization and impairment losses				
as of 1 November 2022	**900**	**6.741**	**1.170**	**8.810**
Additions during the period	25	7.227	1.277	8.529
Amortization and impairment losses as of 31 October 2023	**925**	**13.968**	**2.447**	**17.339**
Net carrying amounts 1 November 2022	**32.943**	**6.535**	**2.022**	**41.501**
Net carrying amounts 31 October 2023	**59.592**	**6.311**	**574**	**66.478**

Additions of intangible assets in the amount of approx. EUR 33.0m are due to the first-time consolidation of the FitnessLoft group. They mainly relate to EUR 7.0m customer lists and EUR 26.0m goodwill.

3.5.4.3 Property, plant and equipment

The movement in property, plant and equipment of the current fiscal year was as follows:

	Leasehold improvements EUR k	Other equipment, furniture and fixtures EUR k	Prepayments and assets under construction EUR k	**Total EUR k**
Cost				
as of 1 Novemer 2022	**39.962**	**24.984**	**8.436**	**73.382**
Additions	877	4.450	194	5.521
Additions from business combinations	0	8.656	280	8.937
Reclassifications	5.610	0	-5.610	0
Disposals	0	-740	0	-740
Costs as of 31 October 2023	**46.449**	**37.350**	**3.300**	**87.099**
Depreciation and impairment losses				
as of 1 November 2022	**18.381**	**11.207**	**0**	**29.587**
Additions during the period	4.785	6.410	0	11.195
Disposals	0	-517	0	-517
Depreciation and impairment losses as of 31 October 2023	**23.166**	**17.100**	**0**	**40.266**
Net carrying amounts 1 November 2022	**21.581**	**13.777**	**8.436**	**43.794**
Net carrying amounts 31 October 2023	**23.283**	**20.250**	**3.300**	**46.833**

Additions of property, plant and equipment in the amount of approx. EUR 8.9m are due to the first-time consolidation of the FitnessLoft group.

3.5.4.4 Right-of-use- assets

We refer to section 3.5.4.9 Leases of the explanatory notes.

3.5.4.5 Cash and short-term deposits

The composition of cash and cash equivalents is as follows:

	As of 31 October 2023 EUR k	**As of 31 October 2022 EUR k**
Cash in bank and on hand	20.758	8.390
Cash in transit	5	14
Total	**20.763**	**8.404**

3.5.4.6 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 2023, the capital reserve amounted to EUR 99,521k. There were no movements during the periods.

Group Reserves

The group reserves attributable to the owners of the parent amount to EUR -218,642k (31 October 2022: EUR -196,425k).

Total equity

In total, the consolidated equity of the group is negative. The equity position of the group has no legal impact. With approx. EUR 25m the equity of LifeFit Group MidCo GmbH (German GAAP) is positive. If the shareholder debt of EUR 56.7m were classified as equity, the consolidated equity of the group would amount to EUR -62.4m.

Besides the accumulated losses until 31 October 2023 the negative consolidated equity of the group results from the difference of the purchase price of the acquisition of shares in Fitness First Germany GmbH, Elbgym GmbH and Barry's Bootcamp GmbH by LifeFit Group MidCo GmbH and Fitness First Germany GmbH's book value of net assets. The transaction had to be accounted for as a "transaction under common control" and no hidden reserves of Fitness First Germany GmbH, such as brand name, customer contracts or goodwill were considered. Had the transaction happened under third parties, the consolidated equity of the group would be substantially positive.

3.5.4.7 Borrowings

	Interest rate	Maturity	As of 31 October 2023 kEUR	As of 31 October 2022 kEUR
Current interest-bearing loans and borrowings				
Lease liabilities	5% - 15%	2023 (PY.: 2022)	21.210	16.619
Revolving credit facility	3% +EURIBOR + (1,5% PIK from Feb 2021)	20 Sept 2024	10.375	10.263
Bond	7,5% + 3-Monats-EURIBOR + (2,0% PIK from Jan 2023)	(PY.: 26 July 2023)	0	39.590
Total current interest-bearing loans and borrowings			**31.585**	**66.472**
Non-current interest-bearing loans and borrowings				
Lease liabilities	5% - 15%	2023 - 2036	119.660	112.651
Bond	7.5% + 3M EURIBOR + (2,0% PIK)	26 Jan 2025	55.981	0
Total non-current interest-bearing loans and borrowings			**175.641**	**112.651**

Revolving credit facility

On 7 February 2020, Lifefit Group MidCo GmbH and Oldenburgische Landesbank Aktiengesellschaft concluded a “Super-Senior Revolving Facility Agreement”, which can be used for general business and operational purposes including investments. The facility provides for a total commitment of EUR 10.0 million and ends on 26 July 2023 (in accordance with the repayment date of the bond). The company must pay interest of 3% (plus EURIBOR) on all amounts that are drawn. If the EURIBOR goes negative, the rate is contractually fixed to 0.0%.

Since management expected that the Financial Covenants in the credit agreement with Oldenburgische Landesbank regarding a minimum EBITDA (calculated for the “last twelve months”) were unlikely to be achieved in the 2021 fiscal year, it acted quickly to start discussions with the finance providers and to request a so-called “Waiver Letter”. In the context of an amendment dated 26 February 2021, the originally agreed Financial Covenants regarding the testing were suspended until 30 April 2022 and replaced with a “Minimum Cash Covenant”. Under the covenant, the company must maintain a minimum amount of cash; this requirement was met at all times during the reporting period.

In the event of a breach of the loan agreements, the creditors could call in the relevant loans under certain conditions, regardless of the contractually agreed term.

In addition, an additional “PIK interest” of 1.5% was agreed in addition to the existing fixed interest rate of 3.0% p.a., with the accumulated amount becoming due on 31 October 2022.

As part of an amendment dated 15 December 2022, the credit line with an original end date of 31 October 2022, as well as the PIK interest that was due by 31 October 2022, were extended until 30 September 2024. The interest was adjusted to 4.5%. Interest must be paid quarterly.

Since the extension was only signed with legally binding effect in December 2022, the credit line was shown under short-term liabilities for the reporting year as of 31 October 2022.

Bond

Terms on the balance sheet date:

Prior to prolongation, the bond (prior-ranking, secured, callable and variable interest bond) had to be repaid in full by 26 July 2023 (see supplementary report). The Group is required to make quarterly interest payments. Quarterly interest consists of a fixed margin of 7.50% p.a. plus the 3-month EURIBOR that applies at the beginning of the interest period. If the 3-month EURIBOR is below 0%, an interest floor applies, so that the variable portion is set at 0%.

After the original issue, the company has the option of increasing the nominal value of the bond once or several times up to kEUR 120,000. Such a subsequent bond issue would be completed at the same terms, but it is dependent on certain criteria and is only available for some investments. No commitment fee is charged for the non-issued bond portion. The company also has the option to repay the entire or part of the bond before final maturity, whereby the strike price of this option does not roughly correspond to the amortised costs of the underlying contract on each exercise date.

The option granted to the company (which could lead to a higher issue volume), as well as the option to repay the already issued volume, are not closely tied to the underlying contract due to the design of the contract's terms and conditions, therefore they are stated separately from the contract. The recognition of these options as well as the lower interest threshold agreement regarding the 3-month

EURIBOR (to zero) were classified and reported as a derivative component or a financial derivative liability measured at the fair value, since these were not determined by different risks.

The underlying contract for the bond is entered as a financial liability and measured at amortised cost in subsequent periods. On 31 October 2022, the book value of the financial liability amounted to kEUR 39,590 (previous year: kEUR 38,644).

Accordingly, the interest rate used for the measurement consisted entirely of the margin of 7.5%. Since the sum was negative, the embedded derivatives were entered as a financial liability and measured at the fair value in subsequent periods. The initial measurement resulted in an amount of kEUR 805.

During the reporting period, the fair value of the embedded derivatives changed by kEUR 291 (previous year: kEUR 333), resulting in a book value of kEUR 0 (previous year: kEUR 291) on the balance sheet date.

In December 2022, an agreement for extending the term to 26 January 2025 was reached with the majority of the investors. In this context, the bond was increased by another EUR 15.0 million.

Since the extension was only signed with legally binding effect in December 2022, the bond was shown under short-term liabilities for the reporting year as of 31 October 2022.

3.5.4.8 Shareholder debt

	As of 31 October 2023 kEUR	As of 31 October 2022 kEUR
Principal Shareholder Loan (TopCo to MidCo), nominal	22.164	22.164
Recognition in equity of the portion bearing interest at a below-market rate	-3.214	-3.214
Accrued interest (effective interest method)	9.660	7.049
	28.610	**25.999**
Principal Shareholder Loan (TopCo to MidCo)	10.000	10.000
Recognition in equity of the portion bearing interest at a below-market rate	-1.419	-1.419
Accrued interest (effective interest method)	4.259	3.098
	12.840	**11.679**
Principal Shareholder Loan (TopCo to MidCo)	2.716	2.716
Recognition in equity of the portion bearing interest at a below-market rate	-386	-386
Accrued interest (effective interest method)	1.157	842
	3.487	**3.172**
Principal Shareholder Loan (TopCo to MidCo)	**2.004**	**2.004**
Recognition in equity of the portion bearing interest at a below-market rate	-200	0
Accrued interest (effective interest method)	158	0
	1.962	**2.004**
Principal Shareholder Loan (TopCo to MidCo)	**10.000**	**0**
Recognition in equity of the portion bearing interest at a below-market rate	-975	0
Accrued interest (effective interest method)	794	0
	9.819	**0**
Loan from FFGH to Barry's Bootcamp	**0**	**936**
Total	**56.718**	**43.790**

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.

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 original 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”.

In FY 21/22 the loans of EUR 23,548k and EUR 1,332k were reframed within its nominal amounts affecting also accrued interest and their respective equity portion. Combing these two together there was no effect on the principal, equity and interest expense.

With the contract dated 22 February 2023, the aforementioned shareholder loans were extended until 28 February 2025.

In addition EUR 2.0m and EUR 10.0m were granted in October 2022 and in December 2022 by the shareholder.

3.5.4.9 Other financial liabilities

Other financial liabilities mainly comprise of EUR 53.5m lockdown liabilities from received membership dues (previous year: EUR 45.9m, increase due to Fitness Loft) and earn-out liabilities re In Shape and Fitness Loft (EUR 17.3m; previous year: EUR 2.8m). With regard to the lockdown liabilities the refunds to members levelling off at around 50k per month, therefore the liability has not reduced significantly. The limitation period with regard to the membership dues received in 2020 ends at the end of 2023, the remaining at the end of 2024.

3.5.4.10 Leases

Regarding the reported period the company applies IFRS 16 *Leases*. IFRS 16 *Leases* supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

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.

Lease 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.

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.

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 Building Lease contracts. No service related components have to be included in the calculation of the Lease liability for the asset class of Buildings.

v) 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, when leases are not in the subsidiary's functional currency). 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).

vi) 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 years 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 vehicles for not more than five years and hence not exercising any renewal options.

Impact on Financials

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

	Leasehold improvements EUR k	Other equipment, furniture and fixtures EUR k	Total EUR k
As of 31 October 2021	**90.675**	**4.133**	**94.808**
Additions from business combinations	10.288	0	10.288
Additions / disposals	1.768	1.946	3.714
Amortization expense	-14.202	-2.144	-16.346
Reversals of impairments	2.746	0	2.746
Impairments	-5.675	0	-5.675
As of 31 October 2022	**85.600**	**3.935**	**89.535**
Additions from business combinations	15.286	0	15.286
Additions / disposals	14.597	714	15.311
Amortization expense	-17.638	-2.344	-19.982
As of 31 October 2023	**97.845**	**2.305**	**100.150**

Additions of right-of-use assets in the amount of approx. EUR 10.3m are due to the first-time consolidation of the In-Shape group in the financial year 2021/22. Additions of right-of-use assets in the amount of approx. EUR 15.3m are due to the first-time consolidation of the FitnessLoft group in 2023.

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

	As of 31 October 2023 EUR k	As of 31 October 2022 EUR k
Leasehold improvements	136.470	124.488
Other equipment, furniture and fixtures	4.400	4.782
	140.870	**129.270**

Maturity of lease liabilities	**As of 31 October 2023**	**As of 31 October 2022**
Current (within one year)	21.210	16.619
Non-current (more than one year)	119.660	112.651

The leasing liability at the time of initial recognition was calculated using an average incremental borrowing rate of 15.2%. New contracts and contract adjustments are entered with an interest on capital of 8.0% - 13.3%, depending on the term.

The main part of the difference between the carrying amount of right-of-use assets and the lease liability results from deferred rent-free periods, landlord contributions and impairments which are included in the business acquired.

The Group had total cash outflows for leases of EUR 35.6m for the period from 01.11.2022 until 31.10.2023 (01.11.2021 until 31.10.2022 EUR 27.5m).

Leases not yet commenced

Before 31 December 2023, the Group did not enter into new leasing contracts that only start after the balance sheet date.

Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management so that the portfolio of leased assets can be managed with a level of flexibility, and so it can be aligned to the Group's business requirements. A determination of whether the exercise of these extension options is reasonably certain requires a lot of discretionary decisions by management (see Note 2.4). The amount of non-discounted, potential future lease payments for periods after extension options have been exercised is rather immaterial as virtually all extension options were assumed to be exercised.

Deferred taxes

As of 31 October 2023 deferred taxes contain deferred tax assets amounting to EUR 45.0m resulting from lease liabilities as well as deferred tax liabilities amounting to EUR 31.2m resulting from right-of-use assets.

3.5.5 Financial risk management objectives and policies

Regarding the risk factors, both general risks pertaining to the Group’s business operations and material risks relating to the Bonds as financial instruments, we refer to our descriptions in the audited management report, which is part of the consolidated financial statements as of 31 October 2022.