LifeFit Group MidCo GmbH

Group quarterly interim unaudited report

Q4 report

as of and for the short financial year started 9 April 2019 and ended 31 October 2019

CONTENT

1 Key Figures / Financial Summary

	FY2019 | PRO FORMA			Q4/FY2019			FY2018/19 REPORTED
EURm	AC19 under IAS17	Impact of IFRS16	AC19 under IFRS16	AC Q4/19 under IAS17	Impact IFRS16	AC Q4/19 under IFRS16	Jul - Oct 19 IFRS16
KPIs							
# of Clubs[1]	83			83			
Members ['000]	250,8			250,8			
Joiner Yield [EUR]	45,7			46,2			
ARPM [EUR]	44,2			43,7			
Retention % (annualised)	73,4			73,4			
Profit/Loss							
Revenue	133,9			33,2			43,3
EBITDA	17,0	28,1	45,0	3,0	6,6	9,6	12,3
- Adjustments	2,4			1,7			
Adjusted EBITDA	**19,4**			**4,7**			
Depreciation & amortisation	-11,9	-20,7	-32,6	-3,3	-4,6	-7,9	-10,2
Exceptionals/One-off charges	-6,9		-6,9				
Operating Profit/Loss	**-1,7**		**5,6**	**-0,3**		**1,7**	**2,1**
Total Finance costs	-3,2	-8,4	-11,6	-1,1	-2,2	-3,3	-4,4
Total Tax	-0,6		-0,6	0,1			0,1
Net Profit/Loss	**-5,5**		**-6,6**	**-1,3**		**-1,4**	**-2,2**
Cash Flow							
EBITDA[2]	17,0			4,0			
Working capital	-2,8			-2,1			
Exceptionals & provisions	-4,4			-1,0			
Tax	-0,6			-0,2			
OPERATING CASH FLOW	**9,2**			**0,7**	**5,8**	**6,5**	**8,8**
Cash flow from investing activities	-38,7			-29,5	0,0	-29,5	-30,9
FREE CASH FLOW	**-29,5**			**-28,8**		**-23,0**	**-22,1**
Cash flow from financing activities	48,4			8,8	-5,8	3,0	48,3
NET CASH FLOW	**18,9**			**-20,0**		**-20,0**	**26,2**

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 November 1, 2018 to October 31, 2019 and the business activities of all group companies regardless of the acquisition date.

EURm	FY2019 | PRO FORMA (under IAS 17)				Q4 FY2019 (under IAS 17)			
	LifeFit Group	Fitness First	elbgym	smileX	LifeFit Group	Fitness First	elbgym	smileX
KPIs								
# of Clubs[1]	83	66	3	14	83	66	3	14
Members ['000]	250,8	214,3	3,3	33,2	250,8	214,3	3,3	33,2
Joiner Yield [EUR]	45,7	47,6	70,0	29,2	46,2	48,4	65,7	29,4
ARPM [EUR]	44,2	45,7	60,2	31,8	43,7	45,1	61,8	31,8
Retention % (annualised)	73,4	72,6	64,1	80,3	73,4	72,6	64,1	80,3
Profit/Loss								
Revenue	133,9	120,1	2,3	11,6	33,2	29,9	0,6	2,7
EBITDA[2]	17,0	12,7	-0,1	4,4	4,0	2,9	0,0	1,1
- Adjustments	2,4	2,3	0,1	0,0	0,7	0,7	0,0	0,0
Adjusted EBITDA	**19,4**	**15,0**	**0,0**	**4,4**	**4,7**	**3,6**	**0,0**	**1,1**
Depreciation & amortisation	-11,9	-10,5	-0,5	-0,9	-3,3	-2,7	-0,4	-0,2
Exceptionals/One-off charges	-6,9	-6,9	0,0	0,0	-1,0	-1,0	0,0	0,0
Operating Profit/Loss	**-1,7**	**-4,7**	**-0,6**	**3,5**	**-0,3**	**-0,8**	**-0,4**	**0,9**
Total Finance costs	-3,2	-3,1	0,0	-0,1	-1,1	-1,0	-0,1	0,0
Total Tax	-0,6	0,0	0,0	-0,6	0,1	0,1	0,0	0,0
Net Profit/Loss	**-5,5**	**-7,7**	**-0,7**	**2,8**	**-1,3**	**-1,6**	**-0,5**	**0,9**
Cash Flow								
EBITDA[2]	17,0	12,7	-0,1	4,4	4,0	2,9	0,0	1,1
Working capital	-2,8	-2,8	0,0	0,0	-2,1	-2,1	0,0	0,0
Exceptionals & provisions	-4,4	-4,4	0,0	0,0	-1,0	-1,0	0,0	0,0
Tax	-0,6	0,0	0,0	-0,6	-0,2	0,0	0,0	-0,2
OPERATING CASH FLOW	**9,2**	**5,5**	**-0,1**	**3,8**	**0,7**	**-0,2**	**0,0**	**0,9**
Cash flow from investing activities	-38,7	-38,4	0,0	-0,2	-29,5	-29,4	0,0	-0,1
FREE CASH FLOW	**-29,5**	**-32,9**	**-0,1**	**3,5**	**-28,8**	**-29,7**	**0,0**	**0,9**
Cash flow from financing activities	48,4	49,1	-0,2	-0,5	8,8	9,0	-0,1	-0,1
NET CASH FLOW	**18,9**	**16,2**	**-0,3**	**3,1**	**-20,0**	**-20,7**	**-0,1**	**0,8**

Notes

[1] excluding franchise clubs

[2] excluding 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 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 LFG 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 smile X with 17 clubs (of which 3 franchises) is representing LFG´s strategic move into the mid-range segment
iv. Finally, LFG 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 the Dutch based TheGymSociety we are in final discussions for a first sight opening early 2020

LFG is headed by Martin Seibold, who was appointed CEO in 2017 after he successfully repositioned Fitness First UK from 2011 to 2016, subsequently driving its sale to DW Sports.

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. Through a number of targeted measures, the new management has been able to increase retention rates from 68% in FY17 to 73% in FY19 (best in class levels in the industry being approximately 70%); new joiner yield has been lifted by 9% over the same period. Following the acquisitions of smile X, the Group has more than 250,000 members across 83 clubs.

The group's strategy is to continue organic expansion with high returns on capital, as well as driving the operational and financial performance of its existing gym estate.

2.2 Current market situation

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.

2.3 Business development / Financial performance of the period

The result of the financial year refers to the period from 1 July till 31 October 2019, since 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. Because of the low information value of the short financial year of Lifefit Group Midco and 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 2018 till 31 October 2019 and the business activities of all group companies regardless of the acquisition date.

Pro forma revenue of the group amounts to EUR 133.9m, while every core segment recorded growth. Pro forma EBITDA of the group amounts to EUR 17.0m. Considering IFRS 16 effects pro forma EBITDA of the group amounts to EUR 45.0m.

Operational and financial KPIs outperformed expectation and previous year in mostly all areas. Total revenues in core business increased by 3.2% compared to prior year to EUR 127.9m, driven by continued growth in all segments. The group kept to focus on membership dues showing significant improvement in its driving KPI's joiner yield (EUR 45.8 vs. 43.7 previous year) and retention (73.4% vs. 68.7% previous year). As expected side revenues slightly declined while aggregator income continuously improved.

Adjusted EBITDA in core business increased by 61.1% compared to prior year from EUR 12.1m to EUR 19.4m, exceeding expectations. In addition to revenue growth over all segments the group was able to reduce costs further. Head office and employment costs could be reduced by nearly EUR 2.0m. The cost efficiency program successfully progressed. Portfolio optimization resulted in profitability enhancement of more than EUR 0.5m. Nonetheless, in 2019, the group again invested a significant amount of EUR 7.8m into refurbishments and upgrades, bringing facilities and equipment in line with and above market standards.

Net cash flow is essentially driven by bond issue of EUR 40.0m and additional shareholder loan of EUR 10.0m. Cash of EUR 26.6m (means 80% of the purchase price) was used for the acquisition of smile X, while smile X founders reinvested 20% into the group. The group additionally invested in the acquisition of Elbgym (Dec 18) and Barry's master franchise agreement. A strong cash position at year end with more than EUR 20.0m free cash is available for planned capex and expansion. Furthermore, a revolving credit facility amounting to EUR 10m is in the final stage of signing.

Basically, the statements on the pro forma figures also apply analogously to the figures for the short financial year and for the fourth quarter. With revenues of EUR 33.2m, the group posted an EBITDA of EUR 9.6m and a loss of EUR 1.4m in Q4. In the short financial year, with revenues of EUR 43.3m, the group posted an EBITDA of EUR 12.3m and a loss of EUR 2.2m.

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 August2019, 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.

2.5 Significant events after reporting period

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. Starting with Club Pilates and Pure Barre the first studios are set to debut in Germany by next 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, 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.

2.6 Outlook

In 2020 it is planned to finalize the re-organization of the operating model to streamline support functions and 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 optimisation will be more focused on best practice sharing among 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.

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 audited consolidated financial statements for fiscal year 2018/2019 to be released on 28 February 2020.

The unaudited interim report for the period November 2019 – January 2020, to be released on 30 March 2020.

Assurance

The Board of Directors and CEO hereby confirm that this interim report for April – October and the fourth quarter 2019 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, 30 December 2019

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

LifeFit (Unaudited)	Note	Q4 01.08.19 - 31.10.19	2019 01.07.19 (*) - 31.10.19
Revenue	3.5.3.1	33.191	43.329
Other operating income		540	682
Cost of materials		-1.595	-2.270
Personnel expenses	3.5.3.2	-10.262	-13.613
Other operating expenses	3.5.3.3	-12.266	-15.827
Amortization and depreciation of intangible assets, property, plant and equipment and right-of-use-assets	3.5.3.4	-7.910	-10.249
Operating profit or loss		1.698	2.052
Finance income		107	142
Finance costs	3.5.3.5	-3.371	-4.503
Financial result		-3.264	-4.361
Profit or loss for the period before taxes		-1.566	-2.309
Income taxes		128	144
Profit or loss for the period		-1.439	-2.165
Thereof attributable to:			
- equity holders of the parent		-1.439	-2.165
Profit or loss for the period		-1.439	-2.165
Reconcilation to the consolidated statement of compreheensive income			
Profit or loss for the period		-1.439	-2.165
Total comprehensive income		-1.439	-2.165

(*) LifeFit Group MidCo GmbH was incorporated on 13 March 2019 and entered in the commercial register at the Frankfurt local court on 9 April 2019. Its operative business has begun from the date of purchase of three subsidiaries (Fitness First Germany GmbH, Elbgym GmbH and Barry's Bootcamp GmbH); 1 July 2019. Due to immaterial business before the acquisition date, the consolidated statement of comprehensive income refers primarily to the period from 1 July till 31 October 2019.

3.2 Condensed Consolidated Balance Sheet

LifeFit (Unaudited)	Note	**31 October 2019**
Non-current assets		
Intangible assets	3.5.4.2	38.792
Property, plant and equipment	3.5.4.3	44.041
Right-of-use-assets	3.5.4.4	122.244
Investments / Joint venture		17
		205.094
Current assets		
Inventories		703
Trade receivables		2.909
Receivales from affiliated companies		625
Current income tax assets		74
Other non-financial assets		1.931
Cash and cash equivalents	3.5.4.5	26.191
		32.433
TOTAL ASSETS		237.527
Equity	3.5.4.6	-13.882
Liabilities		
Non-current liabilities		
Financial liabilities	3.5.4.7	38.001
Shareholder debt	3.5.4.8	36.557
Other non-financial liabilities		28
Other provisions		6.960
Lease liabilities	3.5.4.9	121.228
Deferred tax liabilities		2.048
		204.821
Current liabilities		
Trade payables		16.792
Other non-financial liabilities		5.152
Other financial liabilities		1.564
Other provisions		3.138
Lease liabilities	3.5.4.9	19.632
Income tax liabilities		311
		46.588
TOTAL LIABILITIES		251.409
TOTAL EQUITY AND LIABILITIES		237.527

3.3 Condensed Consolidated Cash Flow Statement

LifeFit		Q4	2019
		01.08.19 -	01.07.19 -
(Unaudited)	Note	31.10.19	31.10.19
Cash flows from operating activities		6.484	8.826
Cash flows from investing activities		-29.463	-30.949
Cash flows from financing activities		2.975	48.289
Cash flow for the period		-20.004	26.166
Beginning cash and cash equivalents		46.195	25
Closing cash and cash equivalents	3.5.4.5	26.191	26.191

3.4 Condensed Consolidated Statement of changes in Equity

LifeFit					
(Unaudited)		**Equity attributable to equity holders of the parent**			
		Subscribed capital	**Capital reserves**	**Group reserves**	**consolidated equity**
	Notes	**EUR k**	**EUR k**	**EUR k**	**EUR k**
As at 9 April 2019		**25**	**-**	**-**	**25**
Profit/ Loss for the year				-2.165	-2.165
Total conprehensive income/ loss		-	-	-2.165	-2.165
Capital increase		-	99.521	-	99.521
Acquisition of a subsidiary	3.5.4.1	-	-	-111.263	-111.263
At 31 October 2019		**25**	**99.521**	**-113.428**	**-13.882**

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. The company was acquired by LifeFit Group TopCo GmbH, Munich, (“TopCo”) on 31 May 2019 and was renamed LifeFit Group MidCo GmbH (previously INOS 10-016). The parent of MidCo (100% share) is LifeFit Group TopCo GmbH, Frankfurt am Main, 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 Frankfurt am Main, Hanauer Landstraße 148a, 60314 Frankfurt am Main, and the commercial register number is HRB no. 248092. The financial years of the company start on 1 November and end on 31 October. The first financial year starts with the entry in the commercial register - 9 April 2019 - and ends on 31 October 2019. However, the results for this year refers primarily to the period from 1 July till 31 October 2019, since the material operative business has begun from the date of purchase of three subsidiaries on 1 July 2019 (Fitness First Germany GmbH, Elbgym GmbH and Barry’s Bootcamp GmbH).

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). Due to the fact that LifeFit Group MidCo GmbH’s first fiscal year started on 9 April 2019 and ended on 31 October 2019 no former consolidated financial statements prepared in accordance with IFRS are existing. The company is currently in the process of preparing the Annual Report and consolidated financial statements for the year ended 31 October 2019 in accordance with IFRS, which will be issued on 29 February 2020.

For this reason the mandatory information in the explanatory notes is to some kind incomplete. Therefore, overall the interim consolidated financial statements do not comply with IFRS. However, the figures presented in these interim consolidated financial statements are substantially in accordance with IFRS.

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 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.

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, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Cash flows have been projected out until October 2020 and are expected to remain positive for the remaining businesses.

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:

Type of goods or service	01.08.19 - 31.10.2019 EUR k	01.07.19 - 31.10.2019 EUR k
Fitness revenue		
Joining fee	649	877
Membership fee	30.369	39.304
Personal training fee	597	732
Other revenue		
Food and drink	892	1.083
Fitness-related products	684	1.333
Total	**33.191**	**43.329**

Brand name	01.08.19 - 31.10.2019 EUR k	01.07.19 - 31.10.2019 EUR k
Fitness First	29.867	39.790
SmileX	2.680	2.680
Elbgym	644	859
Total	**33.191**	**43.329**

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 Personnel expenses

	01.08.19 - 31.10.2019 EUR k	01.07.19 - 31.10.2019 EUR k
Salaries and wages	8.527	11.306
Social security contributions	1.735	2.307
Total	**10.262**	**13.613**

3.5.3.3 Other operating expenses

	01.08.19 - 31.10.2019 EUR k	01.07.19 - 31.10.2019 EUR k
Premises and land costs	5.547	7.262
Maintenance costs	1.491	1.833
Leagl, audit & advisory fees	1.213	1.508
Advertisement, marketing & travel expenses	1.244	1.492
Administration expenses	817	1.108
Other	1.954	2.624
Total	**12.266**	**15.827**

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

	01.08.19 - 31.10.2019 EUR k	01.07.19 - 31.10.2019 EUR k
Depreciation of property, plant and equipment	2.641	3.482
Amortisation of other intangible assets	630	674
Amortisation of right-of-use assets	4.639	6.093
Total	**7.910**	**10.249**

3.5.3.5 Finance costs

The table below shows the breakdown of finance costs:

	01.08.19 - 31.10.2019 EUR k	01.07.19 - 31.10.2019 EUR k
Interest expenses from leases (IFRS 16)	2.181	2.788
Interest expenses for shareholder loan	561	748
Coupon on bond	564	752
Fair-value adjustment on bond	50	67
Other	15	148
Total	**3.371**	**4.503**

3.5.4 Balance Sheet

3.5.4.1 Business combinations

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 Holdings 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.

LifeFit Group MidCo GmbH 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 recognised 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 between the group and the four contributed foreign entities that occurred before the company obtained control.

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	120.577
Deferred tax assets	1.281
Inventories	654
Trade receivables	828
Other current assets	1.145
Cash and short-term deposits	8.602
Total assets acquired	**177.895**
Liabilities	
Other current liabilities	8.915
Other provisions	7.986
Trade payables	12.942
Other non-current liabilities	54
Lease liabilities	139.573
Total liabilities assumed	**169.470**
Net assets stated at values in the predesessor's accounting books	8.425
Effect of the business combination of three entities on the Gruop's capital reserve	8.425

Acquisition of LifeFit Group Service GmbH

On 29 July 2019, LifeFit Group MidCo GmbH acquired all shares of a shell company named INOS 19-036 GmbH from INOS24 Holding GmbH for EUR 28k. 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 6 August 2019 the Company acquired all shares of SmileX InterCo GmbH and its subsidiaries for EUR 33,312k (preliminary SmileX value). The shares were sold by Christian Müller, Boris Königer, Sonja Sattler and Ralf Sattler (SmileX-Shareholders). SmileX is a parent of 16 fitness clubs primarily located in the South-East of Germany and operating under the brand name SMILEFITNESSCLUB. Due to the acquisition, LFG can provide more various fitness training types with different concepts than with “Fitness First” to the various customer groups in Germany.

The consideration transferred breaks down as follows:

		EUR k
Enterprise Value		33.888
Effective Date Cash		62
Effective Date Indebtedness	-	258
Net Working Captal	-	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 31.07.2019 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 liabilties	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**

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 (1 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 indefinite 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 EUR 511k to consolidated earnings before taxes.

Acquisition of 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 17k. 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.

3.5.4.2 Intangible assets

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

	Goodwill	*Customer lists and contracts / Brand name*	*Licenses, software and other*	*Prepayments*	***Total***
	EUR k	*EUR k*	*EUR k*	*EUR k*	***EUR k***
Costs					
as of 01.07.2019	**0**	**0**	**0**	**0**	**0**
Additions from Business Combination	26.456	11.636	1.345	0	**39.437**
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 01.07.2019	**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**

3.5.4.3 Property, plant and equipment

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

	Land/ buildings	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	**Total**
	EUR k	EUR k	EUR k	EUR k	**EUR k**
Costs					
as of 01.07.2019	**0**	**0**	**0**	**0**	**0**
Additions from Business combinations	23.244	2	16.751	1.731	**41.728**
Additions	2.422	0	3.495	0	**5.917**
Reclassifications	504	0	0	-504	**0**
Disposals	-90	0	-32	0	**-122**
Costs as of 31.10.2019	**26.080**	**2**	**20.214**	**1.227**	**47.523**
Depreciation and impairment losses					
as of 01.07.2019	**0**	**0**	**0**	**0**	**0**
Additions during the period	2.117	0	1.365	0	**3.482**
Depreciation and impairment losses as of 31 10. 2019	2.117	0	1.365	0	**3.482**
Net carrying amounts as of 31. October 2019	23.963	2	18.849	1.227	**44.041**

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:

	2019 EUR k
Cash in bank and on hand	26.183
Cash in transit	8
Total	**26.191**

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 2019, 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 113,430k.

Total equity
In total, the consolidated equity of the group is negative. The equity position of the group has no legal impact. With EUR 97,741k the equity of LifeFit Group MidCo GmbH is positive. If the shareholder debt of EUR 36,557k were classified as equity, the consolidated equity of the group would be positive of EUR 22,675k.

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	2019 EUR k
2019			
Current interest-bearing loand and borrowings			
Lease liabilities	4,35%	2020	19.632
Total current interest-bearing loand and borrowings			**19.835**
Non-current interest-bearing loand and borrowings			
Lease liabilities	4,45% - 7,20%	2021 - 2032	121.228
Bond	7,5% + 3M-EURIBOR (incl. 0%-Floor)	26 July 2023	38.001
Total non-current interest-bearing loand and borrowings			**159.229**

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 beginning of the interest periods. If the latter is below 0%, an interest rate floor takes effect, so that the floating part is determined with 0%.

The bonds are recognized on the balance sheet as a financial liability and subsequently measured at amortized cost. The option to designate a financial liability at fair value through profit or loss is not used.

In the host debt contract are embedded prepayment options, whose condition change over time. The Company separates the identified embedded derivatives. For the valuation of the options, the floating interest rate was not taken into account, as it is below 0% and therefore not applicable due to the interest rate floor. As of the closing date, the interest level is estimated to be below zero over the maturity of the bonds. 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. Changes in the future are recognized on the income statement. The financial liability on 31.10.2019 amounts to EUR 142k.

3.5.4.8 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. In 2019 interest expense amounted to EUR 175k.

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”.

3.5.4.9 Leases

Regarding the reported period the company applies IFRS 16 *Leases*. Compared to the accounting under IAS 17 the first-time application of IFRS 16 *Leases* leads to a negative effect on the loss for the period of EUR 8,881k (Q4: EUR 6,751k). 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 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 vehicles for not more than five years and hence not exercising any renewal options.

Impact on Financials

Before the acquisition of 100% of the shares of FFG, Bootcamp and Elbgym on 30 June 2019 LifeFit Group MidCo GmbH did not own significant lease contracts.

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

	Buildings EUR k	Machinery EUR k	Vehicles EUR k	Total EUR k
As of 1 July 2019	**115.450**	**4.681**	**446**	**120.577**
Additions	7.116	518	126	7.760
Depreciation expense	- 5.529	- 439	- 125	- 6.093
As of 31 October 2019	**117.037**	**4.760**	**447**	**122.244**

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

	01.07.2019 EUR k	31.10.2019 EUR k
Building	134.446	135.613
Machinery	4.681	4.794
Vehicles	446	453
As of 31 October 2019	**139.573**	**140.860**

Maturity analysis of lease liabilities as of 31.10.2019	
Current (w ithin one year)	19.632
Non-current (more than one year)	121.228

The lease liability at the date of initial recognition was calculated using an average IBR of 5,90%.

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, land lord contributions and impairments which are included in the business acquired.

The following are the amounts recognized in profit or loss:

	Q4 2019 EUR k	2019 EUR k
Depreciation expenses of right-of-use assets	4.570	6.093
Interest expense on lease liabilities	2.181	2.788
Total amount recognised in profit or loss	**6.751**	**8.881**

The Group had total cash outflows for leases of EUR 9,367k for the period from 01.07.2019 until 31.10.2019. For the period from 01.08.2019 until 31.10.2019 the Group had total cash outflows of EUR 7,106k.

Leases not yet commenced

The Group signed new lease contracts which will lead to a future 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 2.3 g).

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

	Within five years	More than five years
Extension options expected not to be exercised	13.449	154.664

As of 31. October 2019 deferred taxes contain deferred tax assets amounting to EUR 41,478k resulting from lease liabilities as well as deferred tax liabilities amounting to EUR 35,558k 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 the Investor Presentation in connection with the issuance of the bond dated June 2019.

3.5.6 Information on the business segments

Amounts stated in EUR k	Fitness First				
01.07. - 31.10.2019	**and MidCo**	**ElbGym**	**SmileX**	**Other**	**Group**
Revenue	39.790	859	2.680	0	**43.329**
Profit or loss for the period	-2.677	-188	773	-73	**-2.165**
Assets	221.024	5.483	10.070	950	**237.527**

4 Pro forma overview of the Group's leases and EBITDA calculated in accordance with the Accounting Principles in force prior to IFRS 16 (Leases)

Reference is made to Note 3.5.4.9 of the Explanatory Notes to the Condensed Consolidated Interim Financial Statements.