LifeFit Group MidCo GmbH

Group quarterly interim unaudited report

Q3/FY2020 report

as of and for the interim period started 1 November 2019 ended 31 July 2020

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1 Key Figures / Financial Summary

EURm	Jul-20 LTM AC pre IFRS16	Jul-20 LTM Impact of IFRS16	Jul-20 LTM AC under IFRS16	Q3/FY2020 AC pre IFRS16	Q3/FY2020 Impact IFRS16	Q3/FY2020 AC under IFRS16	Q3/FY2020 REPORTED AC IFRS16
KPIs							
# of Clubs[1]	79			79			
Members ['000]	231.5			231.5			
Joiner Yield [EUR]	47.0			44.8			
ARPM [EUR]	42.4			37.7			
Retention % (annualised)	72.6			72.6			
Profit/Loss							
Revenue	122.9			26.6			26.6
EBITDA[2]	14.0	28.1	42.1	2.9	7.0	9.8	9.5
- Adjustments	1.7			0.2			
Adjusted EBITDA	**15.7**			**3.1**			
Depreciation & amortisation	-14.5	-20.9	-35.4	-2.6	-5.1	-7.8	-7.8
Exceptionals/One-off charges	-3.3			-0.3			
Operating Profit/Loss	**-3.8**		**3.4**	**-0.1**		**1.8**	**1.7**
Total Finance costs	-5.9	-8.2	-14.0	-1.5	-2.0	-3.5	-3.5
Total Tax	0.2			0.1			0.1
Net Profit/Loss	**-9.5**		**-10.5**	**-1.5**		**-1.6**	**-1.6**
Cash Flow							
EBITDA[2]	14.0			2.9			
Working capital	1.7			1.8			
Exceptionals & provisions	-5.8			-0.8			
Interest paid	-2.6			-0.8			
Tax	-0.3			0.1			
OPERATING CASH FLOW	**7.0**			**3.2**	**6.0**	**9.1**	**9.1**
Cash flow from investing activities	-43.4			-6.2	0.0	-6.2	-6.2
FREE CASH FLOW	**-36.5**			**-3.1**		**2.9**	**2.9**
Cash flow from financing activities	16.4			-0.1	-6.0	-6.1	-6.1
NET CASH FLOW	**-20.0**			**-3.2**		**-3.2**	**-3.2**

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 Aug 1, 2019 to Jul 31, 2020 and the business activities of all group companies regardless of the acquisition date.

EURm	Jul-20 LTM LifeFit Group	Jul-20 LTM Fitness First	Jul-20 LTM elbgym	Jul-20 LTM smileX	Q3/FY2020 YTD LifeFit Group	Q3/FY2020 YTD Fitness First	Q3/FY2020 YTD elbgym	Q3/FY2020 YTD smileX
KPIs								
# of Clubs[1]	79	63	3	13	79	63	3	13
Members ['000]	231.5	197.0	3.6	30.9	231.5	197.0	3.6	30.9
Joiner Yield [EUR]	47.0	49.0	70.6	30.4	47.5	49.3	72.3	30.9
ARPM [EUR]	42.4	43.7	60.3	31.3	62.4	42.9	58.8	30.6
Retention % (annualised)	72.6	71.8	68.4	78.3	72.6	71.8	68.4	78.3
Profit/Loss								
Revenue	122.9	108.8	2.5	11.6	89.9	79.4	1.8	8.7
EBITDA[2]	14.0	9.8	-0.2	4.4	10.3	7.1	-0.1	3.3
- Adjustments	1.7	1.7	0.0	0.0	1.0	1.0	0.0	0.0
Adjusted EBITDA	**15.7**	**11.5**	**-0.2**	**4.4**	**11.3**	**8.1**	**-0.1**	**3.3**
Depreciation & amortisation	-14.5	-11.6	-0.5	-2.3	-11.2	-9.0	-0.2	-2.1
Exceptionals/One-off charges	-3.3	-3.2	-0.1	0.0	-2.3	-2.1	-0.1	0.0
Operating Profit/Loss	**-3.8**	**-5.0**	**-0.9**	**2.1**	**-3.2**	**-4.0**	**-0.5**	**1.2**
Total Finance costs	-5.9	-5.8	-0.1	0.0	-4.8	-4.7	0.0	0.0
Total Tax	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit/Loss	**-9.5**	**-10.7**	**-0.9**	**2.1**	**-8.0**	**-8.7**	**-0.5**	**1.3**
Cash Flow								
EBITDA[2]	14.0	9.8	-0.2	4.4	10.3	7.1	-0.1	3.3
Working capital	1.7	1.2	0.1	0.4	3.8	3.3	0.1	0.4
Exceptionals & provisions	-5.8	-5.7	-0.1	0.0	-4.8	-4.7	-0.1	0.0
Interest paid	-2.6	-2.6	0.0	0.0	-2.6	-2.6	0.0	0.0
Tax	-0.3	0.0	0.0	-0.3	-0.2	0.0	0.0	-0.2
OPERATING CASH FLOW	**7.0**	**2.6**	**-0.2**	**4.5**	**6.6**	**3.1**	**-0.1**	**3.6**
Cash flow from investing activities	-43.4	-42.9	-0.1	-0.5	-13.9	-13.4	-0.1	-0.4
FREE CASH FLOW	**-36.5**	**-40.2**	**-0.2**	**4.0**	**-7.4**	**-10.3**	**-0.2**	**3.1**
Cash flow from financing activities	16.4	17.0	-0.2	-0.4	7.6	8.0	-0.1	-0.3
NET CASH FLOW	**-20.0**	**-23.2**	**-0.4**	**3.6**	**0.2**	**-2.3**	**-0.3**	**2.8**

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 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 seven brands:

i. The group is built around Fitness First Germany ("FFG") which constitutes the core of operations with its 63 clubs
ii. Hamburg-based premium brand Elbgym with 5 clubs (thereof 2 franchise) 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 4 franchises) is representing LFG´s strategic move into the mid-range segment
iv. 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 The Gym Society a first sight opened in July 2020 in Cologne
vi. In November 2019 LFG and Xponential Fitness, USA, set up a strategic cooperation within a joint venture in order to set up selected boutique fitness concept in Germany with the brands Club Pilates and Pure Barre

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 around 240,000 members across more than 80 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.

Globally the Covid-19 crisis raises severe social and economic challenges. In order to mitigate the health risks by the Corona-virus and to avoid a collapse of health care systems, governments adopt a strategy of social isolation. As a consequence all fitness clubs were officially closed from mid of March 2020. LifeFit Group had immediately set up a special task force lead by the CEO and initiated a broad set of actions to ease the adverse operating and financial impact, e.g.

- Installation of Covid-19 crisis management strategy including diagnosis, empowerment, execution, evolution and turnaround strategy
- Daily senior management update and decision call enabled us to move fast, effective and aligned across brands initiating a broad set of measures and initiatives to mitigate the economic impact while supporting staff and members
- Group Finance in close relationship with the brands has created a detailed driver based cash forecast model, which consist of three scenarios (1, 2 or 3 month closure) with three different cases each (upside, base case, downside)
- Learning and interaction from and with other Oaktree Capital Management portfolio companies
- Experienced legal advise to maximise liquidity, especially with regards to
  - State related economic relief programs (employees put on zero or 50% hours ("Kurzarbeit"), postponement of various tax etc.)
  - Third party supplier reductions
  - withholding/deferral of rent payments (no legal grounds but assumed government program/regulation to commence soon)
- Paused or postponed capex initiatives including openings of new format studios
- Industry in general continues to bill for recurring membership dues (widely supported by German media (despite lack of legal foundations)) and early results are promising demonstrating members go along as reimbursement options have been made available

During lockdown we partly sent our teams into short-time work to keep costs low until the first news of easing the lockdown would appear. We strengthened our efforts to digitalize our services and took workouts as well as live classes online. Parallel we started to prepare the club portfolio (additional hygiene standards and procedures) and the staff (e.g. mandatory online training re. hygiene) for the reopening after the closing period.

Since mid of June 2020 all LifeFit studios are re-open again with limited members allowed per sqm. Online booking was mandatory in the beginning of the reopening phase, but government eased restrictions following infection numbers going down. So far no studio has been affected by further (regional) lockdown.

2.3 Business development / Financial performance of the period

The result of the first three quarters 2019/2020 refers to the period from 1 November 2019 until 31 July 2020. In the absence of a comparable prior year period (short financial year of Lifefit Group Midco in FY19) 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 Aug 2019 till 31 July 2020 and the business activities of all group companies regardless of the acquisition date.

LTM pro forma revenue of the group amounts to EUR 122.9m. LTM pro forma EBITDA of the group amounts to EUR 14.0. Considering IFRS 16 effects LTM pro forma EBITDA of the group amounts to EUR 42.1m.

Operational and financial KPIs where significantly impacted by the covid-19 crisis and related club closures from mid of March to mid of June. Therefore Total LTM revenues in core business decreased by -5.5% compared to FY19 to EUR 120.8m. The shortfall is due on the one hand to direct revenue reductions during the lockdown and on the other hand to missing members and a deferred revenue effect according to IFRS15 regarding the compensation offered (EUR 1.1m). Before club closures the group kept to focus on membership dues showing significant improvement in joiner yield (LTM EUR 47.1 vs. 45.8 in FY19) and retention stabilisation at high level (72.6%).

Adjusted EBITDA in core business decreased by 9.6% compared to FY19 from EUR 17.4m to EUR 15.7m. This is mainly driven by membership dues compensation and missing side revenues during and as result of the lockdown as well as missing members afterwards. Initiated cost actions are not able to overcompensate revenue shortfall mid-term.

Net Cash Flow for Q3/FY20 was EUR -3.2m, which is primary characterised by positive deferral effects in working capital which increases operating cash flow and capex spend (EUR 6.2m) in existing portfolio and new studios/formats. The group shows a strong cash position at quarter end with more than EUR 26.4m cash at hand.

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.

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

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.

2.5 Significant events after reporting period

There were no material events after the reporting period.

2.6 Outlook

The whole fitness industry was negatively affected by the Covid-19 outbreak. Although all clubs are re-opened in June 2020, the LFG expects further implications on future financial performance from a short/mid-term perspective. Member visitation and joiner volume started on a low level after the closing period and increases to almost prior year levels in August. By ensuring best-in-class hygiene standards we comfort the member to work-out and come back to routine. In the long-term LFG is confident that health and fitness will be even more focused in the society.

The negative financial impact of covid-19 will probably lead to a consolidation phase in the fitness industry with opportunities for growth via acquisitions. 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.

Considering the latest increasing infection rates and local lock-downs there is still a risk of closing clubs again. Thus LFG continues to focus on resolute cash-flow management to ensure a high level of liquidity.

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 unaudited interim report for the period August 2020 – October 2020, to be released on 30 December 2020.

Assurance

The Board of Directors and CEO hereby confirm that this interim report for the third quarter 2019/2020 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 September 2020

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	**01.11.19 - 31.07.20**	**01.05.20 - 31.07.20**
Revenue	3.5.3.1	88.949	26.018
Other operating income		973	597
Cost of materials		-4.123	-990
Personnel expenses	3.5.3.2	-27.981	-7.511
Other operating expenses		-28.744	-8.597
Amortization and depreciation of intangible assets, property, plant and equipment and right-of-use-assets	3.5.3.3	-26.889	-7.780
Operating profit or loss		**2.184**	**1.737**
Finance income		0	0
Finance costs	3.5.3.4	-10.773	-3.459
Financial result		**-10.773**	**-3.459**
Profit or loss for the period before taxes		**-8.589**	**-1.722**
Income taxes		41	115
Profit or loss for the period		**-8.548**	**-1.607**
Thereof attributable to:			
- equity holders of the parent		-8.548	-1.607
Profit or loss for the period		**-8.548**	**-1.607**
Reconcilation to the consolidated statement of compreheensive income			
Profit or loss for the period		**-8.548**	**-1.607**
Total comprehensive income		**-8.548**	**-1.607**

3.2 Condensed Consolidated Balance Sheet

LifeFit (Unaudited)	Note	31 July 2020	31 October 2019
Non-current assets			
Intangible assets	3.5.4.2	37.217	38.792
Property, plant and equipment	3.5.4.3	47.361	44.041
Right-of-use-assets	3.5.4.4	105.223	120.571
Investments / Joint venture		45	17
		189.846	203.421
Current assets			
Inventories		660	703
Trade receivables		2.087	2.909
Receivales from affiliated companies		2.995	633
Current income tax assets		74	74
Other non-financial assets		2.594	1.931
Cash and cash equivalents	3.5.4.5	26.414	26.191
		34.824	32.441
TOTAL ASSETS		224.670	235.862
Equity	3.5.4.6	-17.535	-8.986
Liabilities			
Non-current liabilities			
Financial liabilities	3.5.4.7	38.056	38.001
Shareholder debt	3.5.4.8	33.938	31.670
Other non-financial liabilities		28	28
Other financial liabilities		976	1.484
Other provisions		2.235	4.244
Lease liabilities	3.5.4.9	107.790	121.019
Deferred tax liabilities		1.591	2.048
		184.614	198.494
Current liabilities			
Financial liabilities	3.5.4.7	10.000	0
Trade payables		15.937	16.792
Other non-financial liabilities		7.145	5.150
Other financial liabilities		844	1.280
Other provisions		4.675	2.981
Lease liabilities	3.5.4.9	18.500	19.841
Income tax liabilities		490	310
		57.591	46.354
TOTAL LIABILITIES		242.205	244.848
TOTAL EQUITY AND LIABILITIES		224.670	235.862

3.3 Condensed Consolidated Cash Flow Statement

LifeFit

(Unaudited)	Note	01.11.19 - 31.07.20	01.05.20 - 31.07.20
Cash flows from operating activities		22.098	9.128
Cash flows from investing activities		-11.588	-6.224
Cash flows from financing activities		-10.287	-6.100
Cash flow for the period		223	-3.196
Beginning cash and cash equivalents		26.191	29.610
Closing cash and cash equivalents	3.5.4.5	26.414	26.414

The cash flow from financing for the period 01.11.19 – 31.07.20 comprises of EUR 10.000k loan facilities drawn, which is offset by EUR 20,287k lease payments.

3.4 Condensed Consolidated Statement of changes in Equity

	Equity attributable to equity holders of the parent			
	Subscribed capital	**Capital reserves**	**Other reserves**	**Consolidated equity**
	EUR k	**EUR k**	**EUR k**	**EUR k**
As at 13 March 2019	**25**			**25**
Capital increase	1			1
Loss for the year			- 2.292	- 2.292
Total conprehensive income/ loss	1		- 2.292	- 2.292
Capital increase (contribution in kind)		99.521		99.521
Fair value measurements of shareholder loans			5.024	5.024
First-time consolidation of FFG, Elbgym and Barry's Bootcamp			- 111.265	- 111.265
At at 31 October 2019	**26**	**99.521**	**- 108.533**	**- 8.986**
Loss for the period			- 8.548	- 8.548
At at 31 July 2020	**26**	**99.521**	**- 117.081**	**- 17.535**

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 and was renamed LifeFit Group MidCo GmbH (previously INOS 10-016 GmbH). The parent of MidCo (100% share) is hence LifeFit Group TopCo GmbH, Munich, and the ultimate parent of the group is Fitness First Luxembourg S.C.A., which has its registered office in Luxembourg.

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

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 13 March 2019 and ended on 31 October 2019 no former consolidated financial statements prepared in accordance with IFRS are existing.

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 July 2020 with comparative figures 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, the group continues to adopt the going concern basis in preparing the quarterly financial statements.

Cash balances have been projected out until October 2021 and are expected to remain positive based on the current framework and the present knowledge on the covid-19 crisis.

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	01.11.19 - 31.07.2020 EUR k	01.05.20 - 31.07.2020 EUR k
Membership revenue	84.914	25.651
Other revenue	4.035	367
Total	**88.949**	**26.018**

Brand name	01.11.19 - 31.07.2020 EUR k	01.05.20 - 31.07.2020 EUR k
Fitness First	78.482	22.791
SmileX	8.617	2.657
Elbgym	1.850	570
Total	**88.949**	**26.018**

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.

According to IFRS 15 (Revenue from Contracts with Customers) the Group intends to use deferred revenue (liability account) for accumulation and release of revenues attributable to contribution-free periods. As a result, revenue actually recognized in all months of membership period (both in periods when a customer makes payments and in non-contributory periods) will be the same. Deferred revenue for Jul 20 YTD amounts to EUR 1.1m and is classified under other non-financial liabilities.

3.5.3.2 Personnel expenses

	01.11.19 - 31.07.20 EUR k	01.05.20 - 31.07.20 EUR k
Salaries and wages	23.224	6.234
Social security contributions	4.757	1.277
Total	**27.981**	**7.511**

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

	01.11.19 - 31.07.20 EUR k	01.05.20 - 31.07.20 EUR k
Depreciation of property, plant and equipment	6.725	1.503
Amortisation of other intangible assets	1.764	585
Amortisation of right-of-use assets	16.300	5.692
Impairment charges	2.100	0
Total	**26.889**	**7.780**

Additional impairment charges of EUR 2.1m were booked in Q2 to reflect risks in connection with the reduction of business expectations as a result of the Covid-19 development.

3.5.3.4 Finance costs

The table below shows the breakdown of finance costs:

	01.11.19 - 31.07.20 EUR k	01.05.20 - 31.07.20 EUR k
Interest expenses from leases (IFRS 16)	6.019	1.970
Interest expenses for shareholder loan	2.267	781
Coupon on bond	2.148	614
Other	339	94
Total	**10.773**	**3.459**

3.5.4 Balance Sheet

3.5.4.1 Business Combinations

Acquisition of XPO

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

In November 2019, MidCo has entered into a joint venture with Xponential Fitness, Irvine, California, USA. The companies acquired a shell company named into x90 seconds high intensity training GmbH. MidCo acquired 60% of the nominal amount for EUR 28k.

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

3.5.4.2 Intangible assets

The movement in intangible assets during the first half of the current fiscal year was as follows:

	EUR k	*EUR k*	*EUR k*	*EUR k*	***EUR k***
Costs					
as of 01.11.2019	**26.456**	**11.636**	**1.374**	**0**	**39.466**
Additions	0	0	188	0	**188**
Costs as of 31.07.2020	**26.456**	**11.636**	**1.562**	**0**	**39.654**
Amortization and impairment losses					
as of 01.11.2019	**0**	**523**	**151**	**0**	**674**
Additions during the period	0	1.509	255	0	**1.764**
Amortization and impairment losses as of 31.07.2020	**0**	**2.032**	**406**	**0**	**2.438**
Net carrying amounts					
per 31. July 2020	**26.456**	**9.604**	**1.157**	**0**	**37.217**

3.5.4.3 Property, plant and equipment

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

	Land/ buildings	Other equipment, furniture and fixtures	Prepayments and assets under construction	**Total**
	EUR k	EUR k	EUR k	**EUR k**
Costs				
as of 01.11.2019	**27.881**	**18.376**	**1.241**	**47.498**
Additions	550	1.245	9.358	**11.153**
Reclassifications	0	0	0	**0**
Disposals	0	0	0	**0**
Costs as of 31.07.2020	**28.431**	**19.621**	**10.599**	**58.651**
Depreciation and impairment losses				
as of 01.11.2019	**2.375**	**1.082**	**0**	**3.457**
Additions during the period	5.405	2.428	0	**7.833**
Disposals	0	0	0	**0**
Depreciation and impairment losses *as of 31.07.2020*	**7.780**	**3.510**	**0**	**11.290**
Net carrying amounts as of 31. July 2020	**20.651**	**16.111**	**10.599**	**47.361**

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 July 2020 EUR k	**As of 31 October 2019 EUR k**
Cash in bank and on hand	26.412	26.186
Cash in transit	2	5
Total	**26.414**	**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 July 2020, 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 -117,081k.

Total equity

In total, the consolidated equity of the group is negative. The equity position of the group has no legal impact. With EUR 90,0m the equity of LifeFit Group MidCo GmbH is positive. If the shareholder debt of EUR 33,9m were classified as equity, the consolidated equity of the group would be positive of EUR 16,4m.

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 July 2020 EUR k	As of 31 October 2019 EUR k
Current interest-bearing loans and borrowings				
Lease liabilities	4.35%	2021	18.500	19.841
Revolving credit facility	3.0%	2021	10.000	0
Total current interest-bearing loans and borrowings			**28.500**	**19.841**
Non-current interest-bearing loans and borrowings				
Lease liabilities	4.45% - 7.20%	2021 - 2032	107.790	121.019
Bond	7.5% + 3M EURIBOR Floor at 0% and prepayment option	26 July 2023	37.338	37.338
Embedded derivative	included in bond		663	663
Total non-current interest-bearing loans and borrowings			**145.791**	**159.020**

Revolving credit facility

On 7th February 2020, Lifefit Group Midco GmbH and Oldenburgische Landesbank Aktiengesellschaft entered into a super-senior revolving facility agreement that can be used for general corporate and working capital purposes including capital expenditure. The facility provides total commitments of EUR 10m and terminates on 26th July 2023 (in line with the Bond repayment date). LFG MidCo is obliged to pay interest of 3% margin over EURIBOR on any drawn amounts. In the second quarter of FY 19/20 EUR 10m were withdrawn.

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 31.07.2020 amounts to EUR 142k.

3.5.4.8 Shareholder debt

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 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”.

3.5.4.9 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 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:

	Land & Buildings EUR k	Other equipment, furniture and fixtures EUR k	Total EUR k
As of 1 November 2019	**115.364**	**5.207**	**120.571**
Additions	2.285	767	3.052
Depreciation expense	- 15.376	- 924	- 16.300
Impairment charges	- 2.100	-	- 2.100
As of 31 July 2020	**100.173**	**5.050**	**105.223**

Impairment charges of EUR 2.1m were recognized in Q2 in order to reflect potential risk of covid-19 impacts.

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

	As of 31 July 2020 EUR k	As of 31 October 2019 EUR k
Building	121.028	135.613
Machinery	4.772	4.794
Vehicles / IT	490	453
	126.290	**140.860**
Maturity analysis of lease liabilities		
Current (within one year)	18.500	19.841
Non-current (more than one year)	107.790	121.019

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

The Group had total cash outflows for leases of EUR 20,287k for the period from 01.11.2019 until 31.07.2020 and EUR 6,103k for the period from 01.05.2020 until 31.07.2020.

Leases not yet commenced

The Group signed new lease contracts which will lead to a future cash outflow of approx. EUR 9,500k.

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.

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	11.149	139.200

As of 31 July 2020 deferred taxes contain deferred tax assets amounting to EUR 39,0m resulting from lease liabilities as well as deferred tax liabilities amounting to EUR 32,7m 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 01.11.2019 - 31.7.2020	**Fitness First, Group Services and MidCo**	**ElbGym**	**SmileX**	**Group**
Revenue	78.482	1.850	8.617	**88.949**
Profit or loss for the period	-9.638	-469	1.560	**-8.547**
Assets	211.091	4.811	8.768	**224.670**