LifeFit Group MidCo GmbH

Group quarterly interim unaudited report

Q1/FY2021 report

as of and for the interim period started 1 November 2020 ended 31 January 2021

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1 Key Figures / Financial Summary

	Jan-21 LTM			Q1/FY2021			Q1/FY2021 REPORTED
EURm	AC pre IFRS16	Impact of IFRS16	AC under IFRS16	AC pre IFRS16	Impact IFRS16	AC under IFRS16	AC IFRS16
KPIs							
# of Clubs[1]	80			80			
Members ['000]	196.7			196.7			
Joiner Yield [EUR]	50.7			54.7			
ARPM [EUR]	40.0			31.3			
Retention % (annualised)	67.4			67.4			
Profit/Loss							
Revenue	107.6			19.7			19.7
EBITDA[2]	12.8	24.7	37.5	1.0	6.1	7.2	5.4
- Adjustments	1.2			0.4			
Adjusted EBITDA	**14.0**			**1.5**			
Depreciation & amortisation	-14.9	-21.8	-36.7	-3.4	-5.3	-8.7	-8.7
Exceptionals/One-off charges	-3.4			-1.7			
Operating Profit/Loss	**-5.5**		**-2.6**	**-4.1**		**-3.3**	**-3.3**
Total Finance costs	-7.3	-8.4	-15.7	-1.7	-2.2	-3.9	-3.9
Total Tax	0.9			0.1			0.1
Net Profit/Loss	**-11.9**		**-17.3**	**-5.7**		**-7.1**	**-7.1**
Cash Flow							
EBITDA[2]	12.8			1.0			
Working capital	0.6			-0.2			
Exceptionals & provisions	-2.7			-0.4			
Interest paid	-3.5			-0.8			
Tax	0.1			0.0			
OPERATING CASH FLOW	**7.3**			**-0.4**	**5.1**	**4.7**	**4.7**
Cash flow from investing activities	-16.2			-4.0	0.0	-4.0	-4.0
FREE CASH FLOW	**-8.9**			**-4.4**		**0.7**	**0.7**
Cash flow from financing activities	7.3			-0.9	-5.1	-6.0	-6.0
NET CASH FLOW	**-1.6**			**-5.3**		**-5.3**	**-5.3**

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 Feb 1, 2020 to Jan 31, 2021 and the business activities of all group companies regardless of the acquisition date.

EURm	Jan-21 LTM LifeFit Group	Jan-21 LTM Fitness First	Jan-21 LTM elbgym	Jan-21 LTM smileX	Q1/FY2021 LifeFit Group	Q1/FY2021 Fitness First	Q1/FY2021 elbgym	Q1/FY2021 smileX
KPIs								
# of Clubs1	80	63	4	13	80	63	4	13
Members ['000]	196.7	162.6	4.9	29.1	196.7	162.6	4.9	29.1
Joiner Yield [EUR]	50.7	53.9	71.9	30.7	54.7	53.0	65.9	35.1
ARPM [EUR]	40.0	41.1	49.9	31.7	31.3	31.5	39.1	28.3
Retention % (annualised)	67.4	66.4	65.5	74.3	67.4	66.4	65.5	74.3
Profit/Loss								
Revenue	107.6	93.4	2.6	11.7	19.7	16.6	0.5	2.6
EBITDA²	12.8	8.5	0.1	4.2	1.0	0.0	0.0	1.1
- Adjustments	1.2	1.2	0.0	0.0	0.4	0.4	0.0	0.0
Adjusted EBITDA	**14.0**	**9.7**	**0.1**	**4.2**	**1.5**	**0.4**	**0.0**	**1.1**
Depreciation & amortisation	-14.9	-12.2	-0.2	-2.5	-3.4	-2.7	-0.1	-0.6
Exceptionals/One-off charges	-3.4	-3.4	-0.1	0.0	-1.7	-1.7	0.0	0.0
Operating Profit/Loss	**-5.5**	**-7.1**	**-0.1**	**1.6**	**-4.1**	**-4.5**	**-0.1**	**0.4**
Total Finance costs	-7.3	-7.3	0.0	0.0	-1.7	-1.7	0.0	0.0
Total Tax	0.9	0.3	0.0	0.7	0.1	0.0	0.0	0.1
Net Profit/Loss	**-11.9**	**-14.1**	**-0.1**	**2.3**	**-5.7**	**-6.2**	**-0.1**	**0.5**
Cash Flow								
EBITDA²	12.8	8.5	0.1	4.2	1.0	0.0	0.0	1.1
Working capital	1.3	0.1	0.2	1.1	-0.2	-0.4	0.0	0.1
Exceptionals & provisions	-2.7	-2.6	-0.1	0.0	-0.4	-0.4	0.0	0.0
Interest paid	-3.5	-3.5	0.0	0.0	-0.8	-0.8	0.0	0.0
Tax	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
OPERATING CASH FLOW	**8.0**	**2.4**	**0.2**	**5.4**	**-0.4**	**-1.6**	**0.1**	**1.2**
Cash flow from investing activities	-16.9	-16.0	-0.4	-0.4	-4.0	-3.6	-0.3	0.0
FREE CASH FLOW	**-8.9**	**-13.6**	**-0.2**	**4.9**	**-4.4**	**-5.3**	**-0.3**	**1.2**
Cash flow from financing activities	7.3	7.8	-0.2	-0.4	-0.9	-0.8	0.0	-0.1
NET CASH FLOW	**-1.6**	**-5.8**	**-0.4**	**4.6**	**-5.3**	**-6.0**	**-0.3**	**1.1**

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 6 clubs (thereof 2 franchise and 1 conversion) was acquired in December 2018 as a first step in developing the Group's multi-brand offering
iii. Value operator smile X with 18 clubs (of which 5 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; 2 clubs are ready to be opened within the next months, 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 and another 8% the year after. Following the acquisitions of smile X and after the first covid-19 related lockdown, the Group pre-covid had around 250,000 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

Following a total of 10 years economic growth for the German economy, the longest growth phase in the history of post-reunified Germany, both the global and the German economic output fell drastically in 2020, primarily driven by the COVID-19 economic crisis.

According to the last industry study of German fitness market (Deloitte "The German fitness market", 16th edition), by the end of last year, average annual growth in revenue stood at 3.2% and average growth in memberships at 5.1% over the last five years.

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 continued 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.

Once the COVID-19 health crisis reached Germany, the entire fitness, leisure and cultural industry experienced a bitter setback. Globally this 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 until June and from the beginning of November 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 and continually assesses possible scenarios 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
- Evaluate and request opportunities to participate in governmental support programs

During the lockdown periods LFG sent staff into short-time work to keep costs low until the first news of easing the lockdown would appear. The remaining teams focused on digitalization of customer related processes and to prepare the club portfolio for operating under restricted Corona conditions (comply with sophisticated hygiene standards and capacity limitations).

Until mid of June 2020 all LifeFit studios were re-opened 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.

As a result of the second nation-wide lockdown, all clubs are closed again since 1st of November 2020. Currently, the official lockdown end is scheduled on 18th April 2021. Deviating from the nation-wide policy, the clubs in Hessen are already reopened with strong limitations of visitations (40 sqm per visitor).

2.3 Business development / Financial performance of the period

The result of the first quarter 2020/2021 refers to the period from 1 November 2020 until 31 January 2021. In the absence of a comparable full prior year period (short financial year of Lifefit Group Midco in FY19 and FY20) 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 Feb 2020 till 31 Jan 2021 and the business activities of all group companies regardless of the acquisition date.

LTM pro forma revenue of the group amounts to EUR 107.6m. LTM pro forma EBITDA of the group amounts to EUR 12.8. Considering IFRS 16 effects LTM pro forma EBITDA of the group amounts to EUR 37.5m.

Operational and financial KPIs where significantly impacted by the covid-19 crisis and related club closures from mid of March to mid of June and from Nov 20 onwards. Therefore Total LTM revenues in core business decreased by -10.7% compared to FY20 to EUR 106.8m. Total revenues have been impacted negatively by frozen memberships (~35% in the quarter), rejects and refunds as well as missing side revenues (e.g. PT income, F&B, aggregator income) during the lockdown and will decrease further in future due to missing members out of the lockdown and forthcoming compensations. Nevertheless the group kept to focus on membership dues showing significant improvement in joiner yield (LTM EUR 50.8 vs. 45.8 in FY19). After around six months of club closures retention is still at above 67.4%, but assumed to decrease in line with the second lockdown.

Adjusted EBITDA in core business decreased by 14.8% compared to FY20 from EUR 16.5m to EUR 14.0m. This is mainly driven by membership dues compensation and missing side revenues during and as result of the lockdowns as well as missing members afterwards. Initiated cost actions during the lockdown (esp. short-time work) were able to largely compensate revenue shortfall in the short term. LifeFit utilizes any governmental support package which would help to mitigate the revenue shortfall out of the closure periods. The EBITDA margin declined from 13.8% in FY20 to 13.1% in Jan 21 LTM.

Net Cash Flow for Q1/FY21 was EUR -5.3m, which is primary characterised by the completion of some capex measures (EUR 2.8m relating to existing and new studios/formats) as well as EUR 1.2m investment into already acquired businesses (earn-out components) and new businesses. The group shows a strong cash position at quarter end with more than EUR 17.3m cash at bank.

2.4 Ownership and funding

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

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

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

The Gym Society Germany GmbH ("Gym Society") is a joint venture between MidCo and The Gym Society International B.V. The concept of GymSociety is personalized consultancy for healthy life with a luxurious boutique environment with experienced trainers. 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

Since LFG assumed that the existing financial covenants under the loan agreement with Oldenburgische Landesbank relating to a minimum EBITDA on a last-twelve-months basis would likely not be met in fiscal year 2021, it entered into discussions with the lenders early on and requested a waiver letter. As part of an amendment on 26 February 2021, the originally agreed financial covenants in relation to testing were suspended until 30 April 2022 and replaced by a minimum cash covenant. This stipulates that LFG must show evidence of a permanent minimum level of cash. In addition to the existing fixed interest rate of 3.0% p.a., an additional PIK interest of 1.5% was agreed which is due cumulatively as of 30 April 2022.

2.6 Outlook

The whole fitness industry was negatively affected by the Covid-19 outbreak. With having the LifeFit studios closed again in the course of the second lockdown, 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 first closing period and increases to almost prior year levels in August and September 2020. By ensuring best-in-class hygiene standards we will comfort the members to work-out and come back to routine when clubs will reopen again. 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 there is still a risk of an extended lockdown. 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 quarterly interim unaudited report for Q2 FY2020/21 is planned to be published on 30 Jun 2021.

Assurance
The Board of Directors and CEO hereby confirm that this interim report for the first quarter 2020/2021 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, 31 March 2021

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

		- unaudited -		
in EUR k	Note	01.11.2020 - 31.01.2021	01.11.2019 - 31.01.2020	change
Revenue	3.5.3.1	19.447	32.712	-13.265
Other operating income		261	332	-71
Cost of materials		99	1.930	-1.831
Personnel expenses	3.5.3.2	4.810	10.864	-6.054
Other operating expenses		9.301	10.119	-818
Amortisation and depreciation	3.5.3.4	8.738	8.711	27
Operating profit		**-3.241**	**1.419**	**-4.660**
Income from at-equity investments		-76	0	-76
Finance income		0	0	0
Finance costs		3.914	3.556	358
Financial result	3.5.3.5	**3.914**	**3.556**	**358**
Loss before taxes		**-7.231**	**-2.137**	**-5.094**
Income taxes		112	-69	181
Loss for the period		**-7.118**	**-2.206**	**-4.913**

3.2 Condensed Consolidated Balance Sheet

in EUR k	Note	- unaudited - 31.01.2021	31.10.2020
NON-CURRENT ASSETS			
Intangible assets	3.5.4.1	35.176	35.728
Property, plant and equipment	3.5.4.2	43.377	45.366
Right-of-use-assets	3.5.4.3	126.895	131.619
Investments / Joint venture		511	1
		205.959	212.714
CURRENT ASSETS			
Inventories		922	742
Trade receivables		1.238	2.224
Receivables from affiliated companies		2.061	1.322
Current income tax assets		70	67
Other non-financial assets		7.002	6.584
Cash and cash equivalents	3.5.4.4	17.272	22.551
		28.564	33.490
TOTAL ASSETS		**234.523**	**246.204**
EQUITY	3.5.4.5	-29.724	-22.606
NON- CURRENT LIABILITIES			
Financial liabilities	3.5.4.6	38.584	38.584
Shareholder debt	3.5.4.7	35.552	34.735
Other non-financial liabilities		710	728
Other financial liabilities		3.174	2.180
Other provisions		4.137	2.674
Lease liabilities	3.5.4.8	129.539	133.111
Deferred tax liabilities		362	515
		212.058	212.527
CURRENT LIABILITIES			
Financial liabilities	3.5.4.6	10.000	10.000
Trade payables		11.894	15.871
Other non-financial liabilities		4.863	3.925
Other financial liabilities		2.487	3.121
Payables to related parties		0	296
Other provisions		2.087	1.544
Lease liabilities	3.5.4.8	20.563	21.112
Income tax liabilties		294	414
		52.188	56.282
TOTAL EQUITY AND LIABILITIES		**234.523**	**246.204**

3.3 Condensed Consolidated Cash Flow Statement

	Q1 1.11.2020 - 31.01.2021 EUR k	Q1 1.11.2019 - 31.01.2020 EUR k	Q1 Change EUR k
Operating cash flow	4.720	4.781	-61
Investing cash flow	-3.986	-5.133	1.147
Financing cash flow	-6.013	-6.974	961
Cash flow for the period	**-5.279**	**-7.326**	**2.047**
Beginning cash	22.551	26.191	
Closing cash	**17.272**	**18.865**	

The cash flow from financing for the period 01.11.20 – 31.01.21 includes EUR 6.373k (prior period: EUR 6.974k) for lease payments.

3.4 Condensed Consolidated Statement of changes in Equity

	Equity attributable to equity holders of the parent			
	Subscribed capital EUR k	Capital reserves EUR k	Other reserves EUR k	Consolidated equity EUR k
As of 13 March 2019 (formation)	**25**	**0**	**0**	**25**
Contribution in kind		94.192		94.192
Loss for the year			-4.328	-4.328
Total conprehensive income/ loss	**25**	**94.192**	**-4.328**	**89.889**
Capital increase in connection with SmileX		5.330		5.330
Grant of shareholder loans bearing interest at a below-market rate			5.024	5.024
First-time consolidation of FFG, Elbgym and Barry´s Bootcamp (transaction under common control)			-111.194	-111.194
As of 31 December 2019	**25**	**99.522**	**-110.498**	**-10.951**
Contribution in kind	1	-1		0
Loss for the year			-11.655	-11.655
Total conprehensive income/ loss	**1**	**-1**	**-11.655**	**-11.655**
As of 31 October 2020	**26**	**99.521**	**-122.153**	**-22.606**
Loss for the period			-7.118	-7.118
Total conprehensive income/ loss	**0**	**0**	**-7.118**	**-7.118**
As of 31 January 2021	**26**	**99.521**	**-129.271**	**-29.724**

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 first financial year of the Company started on 1 November and ends on 31 October. The first financial year starts on 13 March 2019 and ended on 31 October 2019.

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 January 2021 with comparative figures as at 31 January 2020 for the income statement and the cash flow statement and as at 31 October 2020 for the balance sheet. 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 July 2022 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:

Brand Name	1.11.2020 - 31.01.2021 EUR k	1.11.2019 - 31.01.2020 EUR k	change EUR k
Fitness First	16.460	29.060	-12.600
SmileX	2.481	3.023	-542
Elbgym	506	629	-123
Total	**19.447**	**32.712**	**-13.265**

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

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

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 Jan 2021 YTD amounts to EUR 3.1m and is classified under other non-financial liabilities.

3.5.3.2 Personnel expenses

	1.11.2020 - 31.01.2021 EUR k	1.11.2019 - 31.01.2020 EUR k	change EUR k
Salaries and wages	3.948	9.002	-5.054
Social security contributions	862	1.862	-1.000
Total	**4.810**	**10.864**	**-6.054**

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

	1.11.2020 - 31.01.2021 EUR k	1.11.2019 - 31.01.2020 EUR k	change EUR k
Depreciation of property, plant and equipment	2.869	2.837	32
Amortisation of other intangible assets	554	584	-30
Amortisation of right-of-use assets	5.315	5.290	25
Total	**8.738**	**8.711**	**27**

3.5.3.4 Finance costs

The table below shows the breakdown of finance costs:

	1.11.2020 - 31.01.2021 EUR k	1.11.2019 - 31.01.2020 EUR k	change EUR k
Interest expenses from leases (IFRS 16)	2.246	2.044	202
Interest expenses for shareholder loan	817	743	74
Coupon on bond	767	767	0
Other	84	2	82
Total	**3.914**	**3.556**	**358**

3.5.4 Balance Sheet

3.5.4.1 Intangible assets

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

	Goodwill EUR k	Customer bases and contracts/ brand name EUR k	Licenses, software and other EUR k	**Total** **EUR k**
Cost				
as of 1 Novemer 2020	**26.456**	**11.636**	**1.512**	**39.604**
Additions	0	0	2	2
Costs as of 31 January 2021	**26.456**	**11.636**	**1.514**	**39.606**
Amortization and impairment losses				
as of 1 Novemer 2020	**900**	**2.516**	**460**	**3.876**
Additions during the period	0	503	51	554
Amortization and impairment losses as of 31 January 2021	**900**	**3.019**	**511**	**4.430**
Net carrying amounts 31 October 2020	**25.556**	**9.120**	**1.052**	**35.728**
Net carrying amounts 31 January 2021	**25.556**	**8.617**	**1.003**	**35.176**

3.5.4.2 Property, plant and equipment

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

	Leasehold improvements EUR k	Other equipment, furniture and fixtures EUR k	Prepayments and assets under construction EUR k	Total EUR k
Cost				
as of 1 Novemer 2020	**31.276**	**21.134**	**5.949**	**58.359**
Additions	596	108	176	880
Disposals	0	0	0	0
Costs as of 31 January 2021	**31.872**	**21.242**	**6.125**	**59.239**
Amortization and impairment losses				
as of 1 Novemer 2020	**8.146**	**4.847**	**0**	**12.993**
Additions during the period	1.549	1.320	0	2.869
Disposals				0
Depreciation and impairment losses as of 31 January 2021	**9.695**	**6.167**	**0**	**15.862**
Net carrying amounts 31 October 2020	**23.130**	**16.287**	**5.949**	**45.366**
Net carrying amounts 31 January 2021	**22.177**	**15.075**	**6.125**	**43.377**

3.5.4.3 Right-of-use- assets

We refer to section 3.5.4.8 Leases of the explanatory notes.

3.5.4.4 Cash and short-term deposits

The composition of cash and cash equivalents is as follows:

	As of 31 January 2021 EUR k	As of 31 October 2020 EUR k
Cash in bank and on hand	17.270	22.551
Cash in transit	2	0
Total	**17.272**	**22.551**

3.5.4.5 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 January 2021, 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 -129.271k (31 October 2020: EUR -122.153k).

Total equity

In total, the consolidated equity of the group is negative. The equity position of the group has no legal impact. With EUR 73,9m the equity of LifeFit Group MidCo GmbH (German GAAP) is positive. If the shareholder debt of EUR 35,6m were classified as equity, the consolidated equity of the group would be positive of EUR 5,8m.

Besides the accumulated losses until 31 January 2021 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.

3.5.4.6 Borrowings

	Interest rate	Maturity	As of 31 January 2021 EUR k	As of 31 October 2020 EUR k
Current interest-bearing loans and borrowings				
Lease liabilities	4.35%	2021 (py: 2020)	20.563	21.112
Revolving credit facility	3.0%	2021	10.000	10.000
Total current interest-bearing loans and borrowings			**30.563**	**31.112**
Non-current interest-bearing loans and borrowings				
Lease liabilities	4.45% - 7.20%	2020 - 2032	129.539	133.111
Bond	7.5% + 3M EURIBOR Floor at 0% and prepayment option included	26 July 2023	37.960	37.960
Embedded derivative	in bond		624	624
Total non-current interest-bearing loans and borrowings			**168.123**	**171.695**

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.

Since management assumed that the existing financial covenants under the loan agreement with Oldenburgische Landesbank relating to a minimum EBITDA on a last-twelve-months basis would likely not be met in fiscal year 2021, it entered into discussions with the lenders early on and requested a waiver letter. As part of an amendment on 26 February 201, the originally agreed financial covenants in relation to testing were suspended until 31 October 2022 and replaced by a minimum cash covenant. This stipulates that the Company must show evidence of a permanent minimum level of cash. In addition to the existing fixed interest rate of 3.0% p.a., an additional PIK interest of 1.5% was agreed, which is due cumulatively as of 31 October 2022.

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 31.1.2021 amounts to EUR 624k.

3.5.4.7 Shareholder debt

	As of 31 January 2021 EUR k	As of 31 October 2020 EUR k
Principal Shareholder Loan (FFL to MidCo), nominal	23.548	23.548
Recognition in equity of the portion bearing	-3.415	-3.415
interest at a below-market rate	3.268	2.716
Accrued interest (effective interest method)	**23.401**	**22.849**
Principal Shareholder Loan (TopCo to MidCo)	10.000	10.000
Recognition in equity of the portion bearing	-1.419	-1.419
interest at a below-market rate	1.315	1.081
Accrued interest (effective interest method)	**9.896**	**9.662**
Principal Shareholder Loan (TopCo to MidCo)	1.332	1.332
Recognition in equity of the portion bearing	-188	-188
interest at a below-market rate	175	144
Accrued interest	**1.319**	**1.288**
Loan from FFGH to Barry's Bootcamp	**936**	**936**
Total	**35.552**	**34.735**

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”.

3.5.4.8 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:

	Leasehold improvements	**Other equipment, furniture and fixtures**	**Total**
	EUR k	**EUR k**	**EUR k**
As of 31 December 2019	**113.840**	**5.034**	**118.874**
Additions	30.892	900	**31.792**
Amortization expense	-17.249	-1.798	-19.047
As of 31 October 2020	**127.483**	**4.136**	**131.619**
Additions	491	100	**591**
Amortization expense	-4.805	-510	-5.315
As of 31 January 2021	**123.169**	**3.726**	**126.895**

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

	As of 31 January 2021 EUR k	As of 31 October 2020 EUR k
Leasehold improvements	146.192	149.837
Other equipment, furniture and fixtures	3.910	4.386
	150.102	**154.223**

Maturity of lease liabilities	**As of 31 January 2021**	**As of 31 October 2020**
Current (within one year)	20.563	21.112
Non-current (more than one year)	129.539	133.111

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 6.373k for the period from 01.11.2020 until 31.01.2021 (01.11.2019 until 31.01.2020 EUR 6.974k).

Leases not yet commenced

The Group had not signed any new lease contracts but extended lease contracts which will lead to a future cash outflow of approx. EUR 5m.

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	24.000	132.000

As of 31 January 2021 deferred taxes contain deferred tax assets amounting to EUR 46,3m resulting from lease liabilities as well as deferred tax liabilities amounting to EUR 39,4m resulting from right-of-use assets.

3.5.5 Financial risk management objectives and policies

Regarding the risk factors, both general risks pertaining to the Group's business operations and material risks relating to the Bonds as financial instruments, we refer to our descriptions in the audited management report, which is part of the consolidated financial statements as at 31 October 2020.