Translation of the German independent auditor`s report concerning the audit of the consolidated financial statements and group management report prepared in German

Independent auditor`s report

To LifeFit Group MidCo GmbH

We have issued the following unqualified audit certificate:

“AUDIT CERTIFICATE BY THE INDEPENDENT AUDITOR

for LifeFit Group MidCo GmbH, Frankfurt am Main

ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTs AND THE GROUP MANAGEMENT REPORT

Audit opinions

We audited the consolidated financial statement of LifeFit Group MidCo GmbH and its subsidiaries (the Group) – consisting of the consolidated statement of comprehensive income for the fiscal year from November 1, 2021, up until October 31, 2022, the consolidated balance sheet as per October 31, 2022, for the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements for the fiscal year from November 1, 2021, up until October 31, 2022, including a summary of significant accounting methods. We also audited the Group management report of LifeFit Group MidCo GmbH for the fiscal year from November 1, 2021 until October 31, 2022.

According to our assessment based on the findings of the audit,

- the attached annual consolidated financial statements essentially complies with the provisions of the IFRS as they apply within the EU, as well as the German legal provisions that apply additionally pursuant to § 315e [1] HGB [German Commercial Code]. With consideration for these provisions, it give a true and fair view of the assets, liabilities and financial position of the group as per October 31, 2022, as well as of its financial performance for the fiscal year from November 1, 2021, up until October 31, 2022, and

- the accompanying group management report overall provides an appropriate view of the Group`s position. In all material respects, this group management report is in conformity with the consolidated financial statement, complies with the German legal provisions, and accurately portrays the opportunities and risks of future development.

Pursuant to § 322 [3] Clause 1 HGB, we hereby declare that our audit did not give rise to any objections against the compliance of the consolidated financial statement and Group management report.

Basis for the audit evaluations

We performed our audit of the consolidated financial statement and the Group management report in compliance with § 317 HGB and the EU Auditor Ordinance (No. 537/2014; hereinafter "EU-APrVO") in compliance with the German standard accounting practices as set by the Institute of Auditors (IDW). Our responsibility pursuant to these provisions and practices is set out in further detail under the section "Responsibility of the auditors for the audit of the consolidated financial statement and the Group management report" of our audit certificate. We are independent from the Group companies in compliance with the provisions of European law as well as the German Commercial and Professional law provisions and have fulfilled our other German professional obligations in accordance with these provisions. In addition, we hereby declare pursuant to Art. 10 [2] lit. f) EU-APrVO that we have not rendered any prohibited non-auditing services pursuant to Art. 5 [1] EU-APrVO. In our opinion, the audit evidence obtained by us is sufficient and adequate to serve as the basis of our audit evaluations of the consolidated financial statement and Group management report.

Significant uncertainty regarding the continuation of business activities

Please see Note 7.9 in the notes to the consolidated financial statements as well as the notes in Section C.2 of the Group management report, in which the legal representatives state that the cash flow plan through October 2025 is positive. If the specific risks described therein, such as the failure to achieve planned member numbers, higher expenditures due to refund requests for membership fees, or higher repayments of state subsidies based on final accounting statements, should occur and lead to more significant deviations from the plan, this would create an additional need for funding. Where this could not be covered by equity capital or outside capital, it would threaten the existence of the Group. As described in Note 7.9 and Section C.2, these incidents and circumstances show that significant uncertainty exists which may raise meaningful doubts about the company's ability to continue its business activities, and which represents an existence-threatening risk in the sense of § 322 [2] Clause 3 HGB.

Pursuant to Article 10 [2] lit. c) ii) EU-APrVO, as auditors, we summarize our response to this risk as follows:

In the context of our audit activities, we particularly considered the assumptions made in the liquidity plan and the parameters set by the company's legal representatives, and discussed these with the legal representatives. Our audit activities included comparisons with the current results for the 2022 fiscal year as well as an analysis of expected results for subsequent years with consideration for various scenarios, particularly regarding the variable development in member numbers. Moreover, we also applied the effect of the liquidity scenarios to the achievement of the financial parameters agreed upon as part of financing. In addition, with the management, we investigated and evaluated the planning assumptions, particularly the appropriateness of the estimate of a potential repayment obligation for coronavirus state subsidies that have not yet been fully calculated. We reviewed all requests for coronavirus subsidies that were submitted by the legal representatives, to determine whether the requests are covered by a state aid regime.

Our audit evaluations of the consolidated financial statement and the Group management report were not modified as a result of this circumstance.

Particularly important audit circumstances in the audit of the annual financial statement

Particularly important audit circumstances are those which according to our due discretion were most important in our audit of the consolidated financial statement for the fiscal year from November 1 until October 31, 2022. These circumstances were taken into account within the context of our audit of the consolidated financial statement overall and in the formation of our audit evaluation in this regard; we do not provide any separate audit evaluation of these circumstances.

Recoverability of goodwill

Associated information in the consolidated financial statement and the Group management report

The company's information provided about goodwill is found in sections 4.2 "Intangible assets" and 4.4 "Mergers" of the notes to the consolidated financial statements.

Circumstances and risks for the audit

The consolidated financial statement of LifeFit Group MidCo GmbH shows goodwill under the balance sheet item "Intangible assets" in the amount of EUR 32,943 (equal to 16.6% of the balance sheet total). Goodwill is subjected to a recoverability test by the company once a year or as needed in order to determine a potential discounting requirement. In the recoverability test, the carrying value of the respective cash-generating unit and/or group of cash-generating units, including goodwill, is compared to the corresponding amount that can be recovered. The recoverable goodwill amount is fundamentally determined based on the usage value minus the costs of disposal. Evaluations of goodwill are normally based on the cash value of future cash flows from the cash-generating unit and/or group of cash-generating units assigned to the respective asset. Cash values are determined using discounted-cash flow models. The Group's approved medium-term plan is the starting point, which is updated using assumptions about long-term growth rates. Expectations about future market development and assumptions about the development of macroeconomic influencing factors are also considered here. Discounting is performed using the weighted average capital costs for the respective cash-generating unit and/or group of cash-generating units. No discounting requirement was determined on the basis of the recoverability tests. The result of this evaluation is largely dependent upon the legal representatives' estimates about future cash flows, the applied discount rate, the growth rate, and other assumptions, which means that it involves significant uncertainty. Given this background and due to the complexity of the evaluation, this circumstance was particularly important for our audit.

Audit procedure and findings

We documented the processes and controls in order to gain an understanding of the depreciation process. We critically evaluated the identification of cash-generating units (ZGE) by the legal representatives; each fitness studio is treated as a cash-generating unit, but the goodwill is allocated to health and fitness facility chains, which are operated under the brand names "Elbgym," "SmileX," and "InShape." These groups of cash-generating units represent the lowest

level of independent cash flows within the Group for which goodwill is monitored for internal controlling purposes, and which correspond to the “business segments” identified as per IFRS 8. We obtained the legal representatives’ models used to audit the recoverability of goodwill. We reconciled the input data with the source data and reviewed the calculation method as well as the integrity of the model. In the process, we audited the accuracy of the parameters used as a basis for the recoverability test: the discount rate, sales growth, and expected cost increases over the next three years, as well as the perpetual annuity beginning in 2026. Next, we reviewed the appropriateness of this information in relation to historical data, external benchmarks, and the risk of distortion by the legal management representatives. We critically examined the forecasting accuracy of the legal representatives by comparing the actual numbers with earlier forecasts by the legal representatives. To determine whether depreciation is required, we used the sensitivity analyses of the legal representatives, among other things, which consider the effects of a reasonably possible change in the most important assumptions for the devaluation. During this audit activity, we also performed our own sensitivity analysis based on the results of our evaluation of the abovementioned assumptions. As part of our procedure, we consulted internal evaluation specialists who helped us assess the suitability of the parameters used in the legal representatives’ depreciation models, such as the discount rate and the long-term growth rate. We assessed the presentation of the consolidated financial statement, particularly the information in Section 4.2 “Intangible assets,” based on the requirements of IAS 36 and IAS 1 “Presentation of the financial statement” (“IAS 1”), especially the information relating to arbitrary decisions, estimation uncertainties, and sensitivities. The Group audit team performed all of the audit activities for depreciation models that were created for the Group. Overall, the evaluation parameters and evaluation assumptions applied by the legal representatives are considered appropriate.

Reflection of the acquisition of the InShape Group in the balance sheet

Associated information in the consolidated financial statement and Group management report

The company’s information provided about the corporate acquisition is found in Section 4.4 “Mergers” of the notes to the consolidated financial statement.

Circumstances and risks for the audit

In the 2022 fiscal year, LifeFit Group MidCo GmbH indirectly acquired 100% of the shares in subsidiaries (the InShape Group) headquartered in Göppingen. The total purchase price was EUR 6.7 million and consisted of a fixed amount of EUR 4.0 million plus a variable purchase price, which was dependent upon achieving key earnings figures. The variable amount was set at a fair value of EUR 2.7 million at the time of the acquisition. During the purchase price allocation, the identifiable assets and assumed debts of the acquired company were estimated using the fair values. With consideration for the acquired net assets in the amount of EUR 0.7 million, this produced total acquired goodwill of EUR 6.0 million. Due to the estimation uncertainties in the valuation of assets and debts during the purchase price allocation, as well as the significant overall financial implications of the acquisition on the asset, financial, and earnings situation of LifeFit Group MidCo GmbH, this circumstance was particularly significant for our audit.

Audit procedure and findings

During our audit of the acquisition of the InShape Group, we first reviewed the contractual agreements, positively verified the acquisition date, and reconciled the fixed purchase price paid for the acquired business operations with the proofs of payment provided to us. We also assessed the provided valuation of the variable purchase price. Based on this, we evaluated the balance sheet underlying the acquisition, using the fair values as of the initial consolidation date. Among other things, we assessed the models underlying the evaluations, as well as the applied evaluation parameters and assumptions, to determine their suitability. Given the particularities of determining the fair values during the purchase price allocation, our internal specialists supported us in this. In addition, we considered the explanatory notes as required under IFRS 3. Overall, we were satisfied that the balance-sheet presentation of this acquisition was performed properly with consideration for the available information, and that the estimates and assumptions by the legal representatives are logical and adequately justified.

Recoverability of the coronavirus subsidies received

Associated information in the consolidated financial statement and Group management report

The company's information provided about the coronavirus subsidies is found in Section 3.2 "Coronavirus subsidies" of the notes to the consolidated financial statement.

Circumstances and risks for the audit

The companies included in the consolidated financial statement of LifeFit Group MidCo GmbH received coronavirus subsidies from the state, more specifically the November and December aid as well as "Überbrückungshilfe III, III Plus and IV", totaling around EUR 8.3 million (previous year: EUR 47.5 million). The coronavirus subsidies, particularly the "Überbrückungshilfe", are associated with extensive application requirements and must once again be described in detail and settled in a final account by June 30, 2023. The final settlement includes additional valuation requirements that must be followed. Final settlements have not yet been issued. The extensive application requirements and the pending final settlement result in uncertainties in the valuation of the coronavirus subsidies. Furthermore, there are uncertainties regarding the extent to which the final account could result in a repayment obligation. Due to the risks in the valuation and the overall significant financial impact of the receipt of coronavirus subsidies on the asset, financial, and earnings situation of LifeFit Group MidCo GmbH, this circumstance was particularly significant for our audit.

Audit procedure and findings

During our audit of the coronavirus subsidies, we first reviewed the applications submitted in light of the application requirements. In particular, we defined the following topics as audit emphases: the group of companies, companies experiencing difficulties, and the separate application requirements for requests of more than EUR 12.0 million. Because the final accounts are still outstanding, our audit activities are largely based on the application documents. In addition, we performed random checks of the funding-eligible fixed costs that underlie the applications, and reviewed the calculations of the upper thresholds under government aid law in terms of their suitability and valuation. Overall, we were satisfied that the balance sheet presentation of

coronavirus subsidies was appropriate with consideration for the available information, and that the estimates and assumptions of the legal representatives were logical and adequately justified.

Error correction pursuant to IAS 8 with regard to the presentation of membership fees received during the coronavirus pandemic pursuant to IFRS 15 and the associated deferred tax liabilities

Associated information in the consolidated financial statement and Group management report

The company's information provided about error correction pursuant to IAS 8 is found in Section 2.6 "Error correction" in the notes to the consolidated financial statement.

Circumstances and risks for the audit

During the coronavirus pandemic, due to state-ordered lockdowns, LifeFit Group MidCo GmbH was forced to close its health and fitness facilities from March 2020 through June 2020 and November 2020 through May 2021. During the state-ordered lockdown that led to the closures of the health and fitness facilities, LifeFit Group MidCo GmbH collected one of the monthly membership fees via direct debit and realized part of this as sales revenue pursuant to IFRS 15. Due to the lockdowns, LifeFit Group MidCo GmbH was unable to fulfill its payment obligations from contracts with customers. Specifically, the availability of the health and fitness facilities for athletic activities was no longer guaranteed during opening hours, since the closures made it impossible to provide this service. According to local tax law, during the period of the closures, around 80% of the membership fees out of the remaining total membership fees were reflected as deferred income. Thus, the presentation of the deferred income did not correspond to the full amount of the collected membership fees. Under IFRS, these were carried partially as liabilities as a contractual obligation under other non-financial liabilities and partially as sales revenue in the amount of KEUR 31,052. The contractual liability shown in the IFRS consolidated financial statement was carried as sales revenue with effect for income over the term of the contract. The differing balance sheet treatment between local tax law and IFRS produced deferred tax liabilities totaling KEUR 7,803, which were included in the IFRS consolidated financial statement. According to IFRS 15, the recorded sales revenue for the lockdown phases was not correct. Based on the amount, the full amount of customer money received should have been reflected as liabilities. The collected amounts have the character of a financial liability, since there was no performance deficit because the performance obligation was rendered impossible during the closures. According to local tax law, too, the full amount of customer money received should have been reflected as liabilities; as a result, the temporary difference between local tax law and IFRS did not apply and the deferred tax liabilities resulting from this circumstance were canceled. Based on the extensive investigation of circumstances and the necessary data that the company determined regarding customer money received during the different lockdown phases, as well as the overall significant financial impact of the error correction on the asset, financial, and earnings situation of LifeFit Group MidCo GmbH, this circumstance was particularly important for our audit.

Audit procedure and findings

During our error correction audit we first reviewed the contractual agreements and the general terms and conditions. As part of our procedure, we consulted internal specialists who helped us evaluate the circumstances and the suitability of error correction by the legal representatives. We also performed random checks of the consistency of the determined data, including correct allocation of payments to the closure periods. Overall, we were satisfied that the balance sheet presentation of error correction pursuant to IAS 8, with consideration for the available information, was carried out properly and that the adjustments made by the legal representatives are logical.

Responsibility of legal representatives and the audit committee for the consolidated financial statement and the Group management report

The legal representatives are responsible for creating the consolidated financial statement in a manner that corresponds to the IFRS as applicable within the EU, and additionally according to the German statutory provisions pursuant to § 315e [1] HGB in all significant points; and for ensuring that the consolidated financial statement, with consideration for these provisions, conveys an impression of the Group's asset, financial, and earnings situation that corresponds to the actual circumstances. Furthermore, the legal representatives are responsible for all internal controls that they have deemed necessary in order to create a consolidated financial statement that is free from significantly false representations based on malicious actions (e.g. accounting manipulations and misappropriation of assets) or errors.

In creating the consolidated financial statement, the legal representatives are responsible for evaluating the Group's ability to continue its business activities. Furthermore, they are responsible for noting any circumstances that are associated with the continuation of business activities, where relevant. In addition, they are responsible for balancing the accounts on the basis of the accounting principles for continuing business activities unless the intent is to liquidate the Group or to cease business operations, or unless there is no realistic alternative.

Moreover, the legal representatives are responsible for creating a Group management report that conveys an accurate image of the Group's overall situation and also corresponds to the consolidated financial statement in every significant point; that fulfills the German statutory provisions; and that accurately represents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they considered necessary in order to facilitate the creation of a Group management report in compliance with the applicable German statutory provisions, and to provide adequate and suitable evidence of the statements in the Group management report.

The audit committee is responsible for supervising the Group's accounting process used to create the consolidated financial statement and the Group management report.

Auditor's responsibility for auditing the consolidated financial statement and the Group management report

Our objective is to gain sufficient certainty that the consolidated financial statement as a whole is free from significant false representations based on malicious actions or errors, and that the Group management report conveys an accurate overall picture of the Group's situation and corresponds in all significant points to the consolidated financial statement and the findings obtained during the audit; further, that it fulfills the German statutory provisions and accurately represents the opportunities and risks of future development. We also aim to issue an audit

certificate that includes our audit evaluations for the consolidated financial statement and the Group management report.

Sufficient certainty is defined as a high level of certainty, but not a guarantee, that an audit carried out in compliance with § 317 HGB and EU-APrVO with consideration for the German principles of proper accounting as laid out by the Institut der Wirtschaftsprüfer (IDW) will always uncover a significantly false presentation. False presentations can result from malicious actions or mistakes, and they are considered significant where it can reasonably be assumed that, either individually or as a whole, they can influence economic decisions of addressees that are made on the basis of this consolidated financial statement and Group management report.

During the audit we exercise due discretion and maintain a critical attitude. Furthermore,

- we identify and evaluate the risks of significantly false presentations in the consolidated financial statement and the Group management report as a result of malicious actions or mistakes; we plan and carry out audit activities in response to these risks; and we obtain audit evidence that is sufficient and suitable to serve as a basis for our audit evaluations. The risk that significant false presentations resulting from malicious actions will not be discovered is greater than the risk that significant false presentations resulting from errors will not be discovered, since malicious actions can include collusion, forgeries, intentional omissions, misleading representations, and/or the disabling of internal controls.

- we gain an understanding of the control systems relevant for auditing the consolidated financial statement and the precautions and measures relevant for auditing the Group management report so we can plan audit activities that are appropriate under the given circumstances, but not with the objective of submitting an audit evaluation on the effectiveness of these systems.

- we evaluate the suitability of the accounting methods implemented by the legal representatives, as well as the feasibility of the estimated values and associated information presented by the legal representatives.

- we draw conclusions about the suitability of the accounting principle for continuation of business activities that is applied by the legal representatives; on the basis of the obtained audit evidence, we also draw conclusions about whether there is any significant uncertainty associated with incidents or circumstances that could raise serious doubts about the Group's ability to continue its business activities. If we conclude that significant uncertainty exists, we are obligated to point out the relevant information in the consolidated financial statement and in the Group management report or, if this information is inaccurate, to modify our audit evaluation in each case. We draw our conclusions on the basis of the audit evidence obtained as of the date of our audit certificate. However, future incidents or circumstances may also mean that the Group is unable to continue its business activities.

- we evaluate the presentation, structure, and content of the consolidated financial statement overall, including the notes, and determine whether the consolidated financial statement presents the underlying business transactions and incidents in such a way that the consolidated financial statement – with consideration for the IFRS as they apply within the EU and the additionally applicable German statutory provisions pursuant to § 315e [1] HGB – conveys an accurate picture of the Group's asset, financial, and earnings situation.

- we obtain sufficient and suitable audit evidence about the accounting information for the Group's companies and business activities in order to submit audit evaluations on the consolidated financial statement and the Group management report. We are responsible for initiating, supervising, and implementing the consolidated financial statement audit. We bear sole responsibility for our audit evaluations.

- we evaluate the conformity of the Group management report with the consolidated financial statement, its compliance with the law, and the image it presents of the Group's situation.

- we carry out audit activities regarding the future-oriented statements presented by the legal representatives in the Group management report. In particular, on the basis of sufficient, suitable audit evidence, we review the significant assumptions underlying the future-oriented statements by the legal representatives and evaluate the proper derivation of future-oriented statements from these assumptions. We do not provide a separate audit evaluation of the future-oriented statements or on the underlying assumptions. There is a significant and inevitable risk that future incidents may significantly deviate from the future-oriented statements.

Together with the responsible supervisors, among other things, we investigate the planned scope and scheduling of the audit as well as significant audit determinations, including any significant defects in the internal control system that we discover during our audit. We submit a declaration to the responsible supervisors to the effect that we have complied with the relevant independence requirements, and we work with them to investigate all relationships and other circumstances that can reasonably be assumed to impact our independence and – where relevant – the activities or protective measures undertaken to eliminate these threats to our independence.

Based on the circumstances that we investigate with the responsible supervisors, we determine which circumstances were most significant during the audit of the consolidated financial statement for the current reporting period, and which are therefore particularly significant audit circumstances. We describe these circumstances in the audit certificate unless laws or other statutory provisions prevent the circumstance from being stated publicly.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Other information in accordance with Art. 10 EU-APrVO

We were elected as the Group auditor during the Shareholders' Meeting on October 26, 2022. We were commissioned by the managing director on December 5, 2022. We have worked as the Group auditor for LifeFit Group MidCo GmbH since the 2022 fiscal year.

We hereby declare that the audit evaluations in this audit certificate are consistent with the additional report to the audit committee pursuant to Art. 11 EU-APrVO (Audit Report).

RESPONSIBLE AUDITOR

The auditor responsible for this audit is Patrick Riedel.

ANNEX 1

Consolidated Statement of Comprehensive Income
for the financial year 1 November 2021 to 31 October 2022

in kEUR	Note	2022	2021 Adjusted with retroactive effect*
Revenue	3.1	**104,710**	**45,254**
State Aid	3.2	8,291	47,466
Other operating income	3.3	2,245	2,100
Cost of materials	3.4	8,145	5,872
Personnel costs	3.5	33,548	24,485
Other operating expenses	3.6	55,829	31,427
Amortization and depreciation	3.7	32,565	30,215
Operating profit or loss (EBIT)		**-14,840**	**2,821**
Loss from at-equity investments	7.2	-276	-194
Financial income		341	160
Financial costs		23,972	23,837
Finance costs, net	3.8	**23,631**	**23,677**
Loss before income taxes		**-38,748**	**-21,050**
Income taxes	3.9	2,354	3,666
Consolidated loss for the period		**-36,394**	**-17,384**
Thereof attributable to:			
- Shareholders of the parent		-36,394	-17,384
Loss for the period		**-36,394**	**-17,384**

Reconciliation to the consolidated statement of comprehensive income

		2022	2021 Adjusted with retroactive effect*
Loss for the period		**-36,394**	**-17,384**
Other comprehensive income		**0**	**-491**
Total comprehensive income		**-36,394**	**-17,875**

Amended presentation *

Regarding the retroactive change due to misstatements, see Note 2.6

Consolidated Balance Sheet for 31 October 2022 ANNEX 2

in kEUR	Note	2022/10/31	31.10.2021 Adjusted with retroactive effect*	1.11.2020 Adjusted with retroactive effect*
ASSETS				
NON-CURRENT ASSETS				
Goodwill	4.2	32,943	25,556	25,556
Intangible assets	4.2	8,558	8,249	10,172
Property, plant and equipment	4.1	43,794	38,766	45,366
Right-of-use assets	4.3	89,535	94,808	114,083
Other non-financial assets	5.4	1,871	1,676	0
Shares in joint ventures		1	1	1
Deferred tax assets	3.9	5,262	3,375	1,588
		181,964	172,431	196,766
CURRENT ASSETS				
Inventories	5.1	698	865	742
Trade receivables	5.2	1,839	913	2,224
Receivables from related parties	7.1	700	602	1,322
Current income tax assets	5.3	171	396	67
Other non-financial assets	5.4	3,285	27,205	6,584
Other financial assets	5.5	988	0	0
Cash and cash equivalents	5.6	8,404	23,040	22,551
		16,084	53,022	33,489
TOTAL ASSETS		**198,048**	**225,453**	**230,255**
EQUITY AND LIABILITIES				
EQUITY				
Subscribed capital	6.1	26	26	26
Capital reserve	6.1	99,521	99,521	99,521
Retained earnings	6.1	-196,425	-160,029	-142,156
		-96,878	-60,482	-42,609
NON-CURRENT LIABILITIES				
Financial liabilities	6.2	0	38,935	38,584
Shareholder debt	6.3	43,790	38,097	34,735
Other non-financial liabilities		0	0	729
Other financial liabilities	6.9	46	294	274
Other provisions	6.8	2,639	2,478	2,674
Lease liabilities	4.3	112,651	116,479	132,938
		159,126	196,283	209,934
CURRENT LIABILITIES				
Financial liabilities	6.2	49,853	10,113	10,000
Trade payables	6.5	13,789	14,163	15,871
Other non-financial liabilities	6.6	4,457	4,682	3,924
Other financial liabilities	6.9	50,264	47,176	19,001
Payables to related parties		0	0	296
Other provisions	6.8	719	601	1,544
Lease liabilities	4.3	16,619	12,737	11,880
Income tax liabilities	6.10	99	181	414
		135,800	89,652	62,930
TOTAL EQUITY AND LIABILITIES		**198,048**	**225,453**	**230,255**

Amended presentation * **Regarding the retroactive change due to misstatements, see Note 2.6**

Consolidated Statement of Cash Flows for the financial year from 1 November 2021 to 31 October 2022

ANNEX 3

	2022/10/31	31.10.2021 Adjusted with retroactive effect*
	kEUR	kEUR
Cash flow from operating activities		
Consolidated profit or loss for the period	-36,394	-17,875
Amortization / Depreciation of non-current assets	32,565	30,215
Other non-cash expenses (+)/Income (-)		
Finance income	-341	-160
Finance costs	23,972	23,837
Deferred tax expenses (+)/income (-)	-2,383	-1,787
Loss from the disposal of non-current assets	0	369
Income from the reversal of provisions	-424	-513
Other	-1,195	-209
Increase (-)/Decrease (+) in inventories, trade receivables and other assets	24,174	-20,719
Increase (+)/Decrease (-) in trade payables and other liabilities	-4,294	-7,048
Increase (+)/ Decrease (-) in provisions	238	-626
Interest paid	-3,358	-3,483
Cash flow from operating activities	**32,560**	**2,000**
Cash flow from investment activities		
Disbursements for investments in property, plant and equipment	-12,470	-4,541
Disbursements for investments in intangible assets	-679	-249
Disbursements for corporate acquisitions, less cash acquired	-4,226	0
Net outflows from business combinations under common control	0	-89
Net cash flow from investment activities	**-17,375**	**-4,880**
Cash flow from financing activities		
Deposits from shareholder loans	2,000	0
Redemption / Addition of other financial liabilities	-2,918	30,393
Repayment of lease liabilities	-28,904	-27,024
Net cash flow from financing activities	**-29,822**	**3,369**
Net increase in cash and cash equivalents	**-14,637**	**490**
Cash and cash equivalents as at 31 October 2021 and 1 November 2020	**23,041**	**22,551**
Cash and cash equivalents	**8,404**	**23,040**

Amended presentation *
Regarding the retroactive change due to misstatements, see Note 2.6

Consolidated Statement of Changes in Equity for the financial year 1 November 2021 to 31 October 2022

ANNEX 4

	Note	Subscribed capital kEUR	Capital reserve kEUR	Retained earnings kEUR	Group equity kEUR
As at 1 November 2020	6.1	**26**	**99,521**	**-122,154**	**-22,606**
Correction of misstatements	2.6			-20,002	-20,002
Total equity capital (retroactively adjusted) at the start of the financial year		**26**	**99,521**	**-142,156**	**-42,609**
Initial consolidation of MFC (pooling of interest method)	4.5	0	0	-1,362	-1,362
Initial consolidation of MFC (error correction)	4.4			870	870
Result for the period (retroactively adjusted*)		0	0	-17,384	-17,384
Comprehensive income for the period (retroactively adjusted*)		**0**	**0**	**-17,876**	**-17,876**
Status as at 31 October 2021 (original representation)	6.1	**26**	**99,521**	**-122,068**	**-22,522**
Error correction (including kEUR 1,447 originally reported profit for the period)	2.6			-37,962	-37,962
Status as at 31 October 2021 (retroactively adjusted*)	6.1	**26**	**99,521**	**-160,029**	**-60,482**
As at 1 November 2021	6.1	**26**	**99,521**	**-160,029**	**-60,482**
Loss for the period		0	0	-36,394	-36,394
Total comprehensive income		**0**	**0**	**-36,394**	**-36,394**
As at 31 October 2022	6.1	**26**	**99,521**	**-196,425**	**-96,878**

Modified presentation * **Regarding the retroactive change due to errors, see Note 2.6**

LIFEFIT GROUP MIDCO GMBH, FRANKFURT AM MAIN

GROUP NOTES FOR THE FINANCIAL YEAR 1 NOVEMBER 2021 TO 31 OCTOBER 2022

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GENERAL INFORMATION

The financial year starts on 1 November 2021 and ends on 31 October 2022

SHAREHOLDERS

LifeFit Group TopCo GmbH, Munich

REGISTERED OFFICE OF THE COMPANY, INFORMATION ABOUT THE BUSINESS

The company, whose registered office was located in Munich, was entered in the commercial register of the District Court of Munich under the number HRB 248092.

At the Shareholders' Meeting on 27 July 2022, it was decided to move the company's registered office from Munich to Frankfurt am Main.

On 7 October 2022, the company was entered in the commercial register in Frankfurt am Main under the number HRB 128865.

The business address is: Hanauer Landstraße 148a, 60314 Frankfurt am Main.

The consolidated financial statements for the company comprise the company and its subsidiaries (together referred to as the “Group” or “MidCo Group”).

The parent company of LifeFit Group MidCo GmbH is LifeFit Group TopCo GmbH, Munich, and the ultimate parent company of the Group is Fitness First Luxembourg S.C.A., Luxembourg.

LifeFit Group MidCo GmbH is the company that prepares the consolidated financial statements for the smallest group of affiliated companies.

LifeFit Group TopCo GmbH, Munich, prepares the consolidated financial statements for the largest group of affiliated companies. The financial statements are disclosed in the German Official Federal Gazette.

AUDITOR

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Theodor-Stern-Kai 1
60596 Frankfurt am Main |

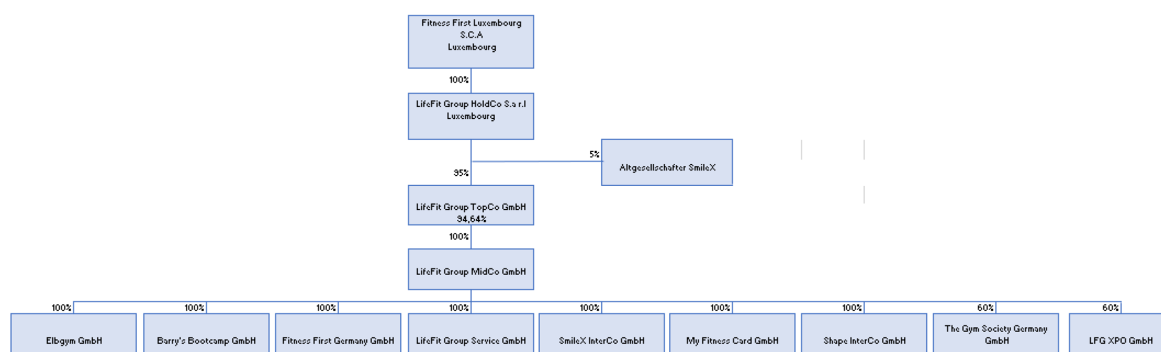
Previous year

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
Mergenthalerallee 3-5
65760 Eschborn/Frankfurt am Main

1. Information about the company and the Group

LifeFit Group MidCo GmbH (hereafter “company” or “MidCo”) was established according to German law as a company with limited liability (Gesellschaft mit beschränkter Haftung) for an indefinite period. The company was acquired by LifeFit Group TopCo GmbH (“TopCo”) on 31 May 2019. Therefore, the parent company of MidCo (with a 100% stake) is LifeFit Group TopCo GmbH, Munich.

The group structure as at 31 October 2022 is as follows:



The Group is represented in many large German cities, including Berlin, Munich, Frankfurt, Hamburg and Cologne; its long-term lease contracts in top-quality central locations represent a significant barrier to entry for other competitors.

The number of the Group’s clubs is as follows:

Markenname	31.10.2022	31.10.2021
Fitness First	52	52
SmileX*	22	28
Elbgym**	8	7
Barry's Bootcamp	2	2
InShape	13	0
The Gym-Society***	0	1
Summe	**97**	**90**

* davon 3 Clubs im Franchise (Vorjahr: 9 Clubs)

** davon 1 Club im Franchise (Vorjahr: 1 Club)

*** Einbezug im Rahmen der at-equity Methode

The number of members as of the closing date was 217,000 (previous year: 179,000). The increase in members is due to the acquisition of the In-Shape Group (16,000 members) as well as the receding COVID-19 health crisis.

With its 52 clubs as of the end of October 2022 (previous year: 52 clubs), Fitness First Germany GmbH is one of Germany's leading providers of fitness and health services. Fitness First focuses on the needs of the working population in large German cities, with the goal of offering high-quality training and services in the wellness segment.

Elbgym operates five fitness clubs (previous year: four) in Hamburg's inner city, as well as one club each in Berlin Steglitz and in Munich; it is known in the region for its CrossFit training concept, wellness and the extensive support offered to its clients. Moreover, one club (previous year: three clubs) was awarded a franchise license for using the brand name “Elbgym” and the corresponding concept.

The group division “Barry's Bootcamp” stands for high-intensity interval training. This workout alternates between treadmill and dumbbell training. The first two German studios were opened in the summer of 2021 (Berlin and Frankfurt).

The group subsidiary SmileX Interco GmbH owns 13 fitness clubs (previous year: 13), most of which are operated in south-western Germany under the brand name SMILEFITNESSCLUB. In addition, three clubs were awarded franchise licenses (previous year: nine clubs). The SmileX Clubs offer basic fitness training and a variety of courses. Six former Fitness First clubs have been operating under the SmileX brand since 2020.

The group subsidiary Shape InterCo GmbH owns 13 fitness clubs, most of which are operated in south-western Germany under the brand name InShape. The InShape Clubs offer basic fitness training and a variety of courses.

Gym Society Germany GmbH (“Gym Society”) is a joint venture of MidCo and The Gym Society International B.V. The concept of GymSociety consists of personalised advice for a healthy lifestyle, a luxurious boutique environment and experienced trainers. With The Gym Society, we opened the first club in Cologne in July 2020. However, we were forced to close it due to the pandemic. The possible re-opening of the club under this concept is currently being reviewed by management.

LFG XPO GmbH (“XPO”) is a joint venture of MidCo and XPO Fitness Brands International LLC, Delaware, USA. The objective of this cooperation is to establish select boutique fitness concepts (such as Club Pilates and Pure Barre) in Germany.

The consolidated financial statements of LifeFit Group MidCo GmbH for the financial year 1 November 2021 to 31 October 2022 are released for publication on 21 March 2023, following a resolution by the shareholders. According to German law, the financial statements are approved by the shareholders at the annual Shareholders' Meeting.

2. Main accounting methods

This item contains additional information about the general principles for the preparation of the financial statements, which management has deemed useful and relevant for gaining an understanding of these financial statements.

2.1 Principles for the preparation of the financial statements

The consolidated financial statements of MidCo and its subsidiaries (hereafter “Group”) were prepared in accordance with sec. 315e (1) HGB (German Commercial Code), the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS-IC), as they must be applied in the European Union for financial years that start on or after 1 January 2022. IFRS that are not yet mandatory are not applied ahead of time.

The reporting currency for the consolidated financial statements is the euro (EUR). This currency also corresponds to the company's functional currency. Unless indicated otherwise, all values have been rounded up or down to full thousands (kEUR). For this reason, there may minor rounding differences between the reporting periods and the reported percentages.

As in the previous year, the financial year starts on 1 November of one year and ends on 31 October of the following year.

The income statement was prepared in accordance with the total cost method.

Generally speaking, the company classifies assets as short-term if they are expected to be utilised within 12 months of the reporting date. Liabilities are classified as long-term if the company expects to pay the liability after more than one year. Deferred tax claims/liabilities are always classified as long-term assets/liabilities.

GOING CONCERN

As in the previous year, these consolidated financial statements were prepared based on the going concern assumption. During the two national lock-downs - March 2020 to June 2020 (1 January 2020 - 31 October 2020 financial year) and November 2020 to June 2021 (previous year) - the Group's clubs were closed. In Saxony, two clubs were also affected by a state-wide lock-down in the first quarter of the current reporting year.

The main operating impact and measures taken in connection with the lockdowns consisted of moving the company's employees to temporary reduced working hours (up to 70%) and negotiating with landlords regarding the deferment of lease payments. At the same time, the closures were also used to modernise the clubs.

Here, operations quickly returned to almost normal, and at the same level as before the crisis.

During the financial year, group equity amounted to EUR -96.9 million (previous year, retroactively adjusted: EUR -60.5 million). In this context, subordinate shareholder loans of EUR 43.8 million (previous year: EUR 38.1 million; shown in the consolidated balance sheet under the item “Shareholder loans”) must be considered economic equity. The terms of the subordinate shareholder loans are as follows: interest rate of 7.0 % p.a., repayment of principal and accrued interest on the due date 28 February 2025.

The negative equity is mainly due to the specific IFRS accounting and consolidation provisions (“Transactions between companies under joint control”), as well as the losses from the most recent reporting periods. During the initial consolidation of FFG, EG and Barry's Bootcamp as at 1 July 2019, the difference between the acquisition costs for FFG, Barry's Bootcamp and Elbgym (EUR 118 million) and the book value of the acquired net assets (EUR 8.0 million) had to be recognised in the group

reserves, which created a burden of EUR 111.0 million. Had the transaction been treated as a business combination at fair value pursuant to IFRS 3, this difference would have been allocated to tangible and intangible assets. This would have led to a significant increase in the value of the net assets and the equity capital.

A test for accounting insolvency (over-indebtedness based on the book value of the assets) is performed at the level of LifeFit Group MidCo GmbH. In its unaudited statutory annual financial statements, the company reports positive equity of approximately EUR 30.0 million on the balance sheet date (previous year: EUR 64.0 million).

Future cash flows have been projected until October 2025; they are expected to remain positive for the existing business divisions. Planning is based on certain assumptions, whereby the following issues represent an existential risk for the Group:

- In its planning concerning membership fees, the Group made assumptions about the expected number of new members and the termination of memberships. If the planned membership fees are missed by a significant margin, the funds that are required for financing the Group would not be available.
- In its business plan, the Group made certain assumptions regarding the extent to which members would want to have already paid fees refunded. If the amount of refund claims is significantly higher than expected, it would mean that the required payment resources are not available (or they are not available in sufficient amounts).
- A claim for COVID-19 state subsidies in the amount of EUR 47.5 million was established in the previous year. Of this figure, EUR 24.3 million was paid out by 31 October 2021. The remaining claims were collected during the reporting year, in addition to the financial assistance of EUR 8.3 million that was approved in 2022. Another final settlement of the “Überbrückungshilfe” will be required in the future. This could result in possible repayment obligations. Higher repayment obligations from a final review of the “Überbrückungshilfe” constitute an existential risk for the Group and could also have a negative effect on planning activities.

Taking into account the above statements, management reasonably expects the Group has sufficient resources to continue its business activities in the foreseeable future. Therefore the consolidated financial statements are prepared with the assumption that the Group will continue to operate as a going concern.

The consolidated financial statements were prepared on the basis of historic acquisition and production costs, with the exclusion of derivative financial instruments and financial liabilities that were measured at the fair value.

2.2 Consolidation principles and consolidation scope

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 October 2022. Subsidiaries are the companies over which the Group exerts control. They are consolidated as of the acquisition date, e.g., as of the date on which the Group is able to exert control. The consolidation ends as soon as the parent company no longer exerts control. A control situation occurs if the Group is exposed to, or has claims to, fluctuating returns from its engagement in the associate companies, and if it has the capacity to influence these returns via its power of disposition over the associate company.

The financial statements of the subsidiaries are prepared in the same way as the financial statements of the parent company, using standardised accounting methods. The financial years of the subsidiaries begin on 1 November of a year, and end on 31 October of the next year. Intragroup transactions, account balances and unrealised profits or losses from business transactions between the group companies are eliminated at the full amount. As in the previous year, the financial year of the parent company ends on 31 October.

The results of subsidiaries that were acquired or sold during the reporting period are recognised in the consolidated statement of comprehensive income as of the effective date of the acquisition, or up to the

effective date of the disposal. If needed, the accounting and measurement methods of subsidiaries are amended to warrant uniform accounting across the Group.

Besides MidCo, the divisions that are to be continued relate to the following subsidiaries, which were included in the consolidated financial statements as of the balance sheet date:

Name	**Registered office**	**Share of equity capital (%)**
Fitness First Germany GmbH	Frankfurt am Main	100 %
Barry's Bootcamp GmbH	Frankfurt am Main	100 %
Elbgym GmbH	Hamburg	100 %
LifeFit Group Services GmbH	Munich	100 %
smile X Nürnberg 1 GmbH*	Munich	100 %
smile X Stuttgart 1 GmbH*	Munich	100 %
smile X Stuttgart 2 GmbH*	Munich	100 %
smile X Pforzheim 1 GmbH*	Munich	100 %
smile X Trier 3 GmbH*	Munich	100 %
smile X Esslingen 1 GmbH*	Munich	100 %
smile X Freiburg 1 GmbH*	Munich	100 %
Smile X InterCo GmbH	Homburg	100 %
Smile Konzept GmbH**	Homburg	100 %
Smilefit Homburg GmbH**	Homburg	100 %
MKS Sport GmbH**	Merzig	100 %
MKS Sport 2 GmbH**	Pirmasens	100 %
MKS Sport 3 GmbH**	Neunkirchen	100 %
MKS Sport 4 GmbH**	Homburg	100 %
MKS Sport 5 GmbH**	Zweibrücken	100 %
MKS Sport 7 GmbH & Co. KG**	Trier	100 %
Smilefit SLS GmbH**	Saarlouis	100 %
Smilefit BK GmbH**	Blieskastel	100 %
Smilefit BaKr GmbH**	Bad Kreuznach	100 %
Smile X KN GmbH**	Kirn	100 %
Smile Best Idar-Oberstein GmbH**	Idar-Oberstein	100 %
Smilefit I-O GmbH**	Idar-Oberstein	100%
Smile Verwaltungs-GmbH 2**	Homburg	100 %
Smile Verwaltungs-GmbH 4**	Homburg	100%
My Fitness Card GmbH	Frankfurt am Main	100%
Shape InterCo GmbH	Frankfurt am Main	100%
In Shape GmbH***	Göppingen	100%
In Shape Esslingen GmbH***	Göppingen	100%
In Shape Göppingen GmbH***	Göppingen	100%
In Shape Göppingen 2 GmbH***	Göppingen	100%
In Shape Sports Club GmbH***	Geislingen an der Steige	100%
In Shape Süßen GmbH***	Süßen	100%
In Shape Bad Boll GmbH***	Bad Boll	100%
In Shape Ostalb GmbH***	Göppingen	100%
The Gym Society Germany GmbH	Munich	60 %
LFG-XPO GmbH	Munich	60 %

* indirect participation through Fitness First Germany GmbH

** indirect participation through Smile X Interco GmbH

*** indirect participation through Shape InterCo GmbH

The Gym Society Germany GmbH ("TGS") and LFG XPO GmbH ("XPO") are joint ventures that are included in the consolidated financial statements according to the at-equity method.

The Gym Society Germany GmbH

On 15 October 2019, MidCo and The Gym Society International B.V. concluded an agreement for the establishment of a joint venture. MidCo owns 60% of the shares in TGS, whose purpose is the operation of fitness centres and leisure facilities of all types, the provision of digital fitness and health services, the distribution of consumer goods (particularly via e-Commerce), and all associated activities. Even though MidCo owns 60% of the shares in TGS, it shares the management function with The Gym Society International B.V. - as evidenced by the fact that decisions regarding key activities require the unanimous consent of the jointly managing parties.

LFG XPO GmbH

On 14 November 2019, the company acquired 60% of the shares in the current LFG - XPO GmbH. The company was acquired in order to conclude a Master Franchise Agreement with Xponential Fitness Brands International LLC, USA. The objective of this cooperation is to establish select boutique fitness concepts (mainly Club Pilates and Pure Barre) in Germany. Even though MidCo owns 60% of the shares in XPO, it shares the management function with Xponential Fitness Brands International LLC, USA. This is demonstrated by the fact that decisions regarding key activities require the unanimous consent of the jointly managing parties.

Changes to the consolidation scope

Compared to the previous year, Shape InterCo GmbH and its subsidiaries are now included in the consolidated financial statements (since 1 May 2022).

This results in additional sales revenues (EUR 6.0 million), employee expenses (EUR 1.5 million), other operating expenses (EUR 2.2 million) and depreciation (EUR 1.0 million). Overall, this had a positive effect on the EBITDA (EUR 2.7 million). The additional effect on the Group's total assets was EUR 21 million.

2.3 Summary of the main accounting methods

a) Company business combinations and goodwill

Acquired subsidiaries are accounted for in accordance with the acquisition method. The acquisition costs of a company acquisition are measured as the sum of the transferred consideration, which is measured at the fair value at the time of acquisition, and the non-controlling interests in the acquired company. The transferred consideration for the acquisition corresponds to the fair value of the surrendered? assets, the equity instruments issued by the Group, and the debt assumed by the former owners of the acquired subsidiary at the time of acquisition. Moreover, it also includes the fair values of all reported assets or liabilities that result from a contingent consideration agreement. The fair value of the contingent consideration that applies at the time of acquisition is entered as part of the consideration that is transferred for the acquired company. Where applicable, acquisition-related incidental expenses are recognised as such and reported as administration expenses. In the initial consolidation, any assets, liabilities and contingent liabilities that are identified in the context of a business combination are measured at their fair value on the date of acquisition. In the case of business combinations, IFRS 3 provides the option of recognising all non-controlling interests in the acquired company either at the fair value (e.g. including the goodwill attributable to these portions, the so-called “Full Goodwill Method”), or measuring them at the corresponding portion of the acquired company's identifiable net assets. The Group utilises this option.

If the Group acquires a company, it assesses the suitable classification and designation of the transferred financial assets and liabilities in accordance with the contractual terms, the financial situation and the prevailing conditions at the time of the acquisition.

The agreed contingent consideration is recognised on the acquisition date at the fair value. A contingent consideration that is classified as equity capital is not revalued, and subsequent fulfilment is recognised in the equity capital. A contingent consideration in the form of a financial instrument that falls under the scope of IFRS 9 *Financial Instruments*, and which is classified as an asset or liability, is measured at fair value through profit or loss, in accordance with IFRS 9. All other contingent considerations that do not fall under the scope of IFRS 9 are measured at fair value through profit or loss on each balance sheet date.

The goodwill that is recognised is the value that follows from the excess of the transferred consideration for the acquisition, the amount of non-controlling interests in the acquired company, as well as the fair value of all equity interests in the net assets measured at the fair value that were previously held on the acquisition date. If the transferred consideration is lower than the net assets of the acquired subsidiary measured at the fair value, the difference is directly recognised through profit or loss following another review of the purchase price allocation.

After the initial recognition, the goodwill is measured at acquisition cost less accumulated impairment expenses. For the purpose of the impairment test, as of the acquisition date the goodwill acquired in the context of a business combination is allocated to those cash-generating units of the Group that are expected to benefit from the business combination.

Where goodwill has been allocated to a cash-generating unit and a business division of this unit is sold, the goodwill attributable to the business division is taken into account as a component of the book value of this division, when the result from the sale of this division is calculated. The value of the goodwill portion that is sold is calculated on the basis of the relative values of the sold business division and the remaining portion of the cash-generating unit.

b) Short-term and long-term classification

The Group organises the assets and liabilities in the balance sheet into short-term and long-term assets/liabilities.

An asset must be classified as a short-term asset if:

- the asset is expected to be utilised during the normal business cycle, or if the asset is held for sale or consumption during that period,
- the asset is held primarily for trading purposes,
- the asset is expected to be utilised within 12 months after the balance sheet date, or
- the asset consists of cash or cash equivalents, unless the exchange or use of the asset for the purpose of servicing an obligation is restricted for a period of at least 12 months after the balance sheet date.

All other assets are classified as long-term assets.

A liability must be classified as a short-term liability if:

- the liability is expected to be paid during the normal business cycle,
- the liability is held primarily for trading purposes,
- the liability is expected to be paid within 12 months after the balance sheet date, or
- the company does not have an unrestricted right to delay payment by at least 12 months after the balance sheet date.

All other liabilities are classified as long-term liabilities.

Generally, deferred tax claims/liabilities are always classified as long-term assets or liabilities.

c) Measurements at the fair value

According to IFRS 13, the fair value is defined as a sale price, and as a price that would be paid by market participants in the context of a normal transaction when an asset is sold, or the price they would pay when a liability is transferred. The fair value represents a price that is determined based on an active market (mark-to-market), or the value that is calculated using a valuation model (mark-to-model), whereby the input parameters are either observed directly in the market or, if this is not possible, are calculated on the basis of an expert estimate.

When measuring the fair value of a non-financial asset, the market participant's capacity to generate an economic benefit - either through the economically most meaningful and best use of the asset, or by selling it to another market participant who is able to find the economically most meaningful and best use for the asset - is taken into account.

The Group uses measurement techniques that are appropriate considering the circumstances, and for which sufficient data is available to measure the fair value. In this context, only the relevant observable input factors should be considered where possible, whereas input factors that are not observable should be kept to a minimum.

All assets and liabilities for which the fair value is calculated or reported are divided into the following hierarchy pursuant to IFRS 13, based on the lowest-level input factor that is material to the measurement of the fair value:

- Level 1: (Non-adjusted) prices that are listed in active markets for identical assets or liabilities.
- Level 2: Measurement methods for which the input factors can be observed in the market, directly or indirectly.
- Level 3: Measurement methods for which the input factor of the lowest level is not observable in the market.

d) Shares in joint ventures

A joint venture is a common agreement in which the parties that jointly manage the agreement exercise rights regarding the net assets of the joint venture. Joint management denotes the contractually agreed involvement in exercising control through an agreement, which only exists when decisions regarding the key activities require the unanimous consent of the jointly managing parties.

The considerations that are used to determine a major influence or joint management are comparable to those that are required to determine the control over subsidiaries. The Group's shares in a joint venture are entered in accordance with the equity method.

Accordingly, the shares in a joint venture are entered at acquisition costs when they are recognised for the first time. The book value of the participating interest is adjusted to include any changes to the Group's interest in the joint venture's net assets since the acquisition date. The goodwill that is associated with the joint venture is included in the book value of the participating interest and is not subject to a separate impairment test. The statement of comprehensive income includes the Group's portion of the joint venture’s result for the period. Changes to the other comprehensive income of these associate companies are recognised in the other comprehensive income of the Group. Moreover, any changes that are stated directly in the equity capital of the joint venture are recognised by the Group at the full amount of its interest, and they are also shown in the statement of changes in equity, if required. Non-realised gains and losses from transactions between the Group and the joint ventures are eliminated in accordance with the interest portion in the joint venture.

The Group's total portion of a joint venture's income is not shown as part of the operating result in the statement of comprehensive income and relates to the result after taxes and after? the non-controlling interests in the joint venture's subsidiaries.

The financial statements of the joint venture are prepared on the same balance sheet date as the Group's financial statements. Where required, adjustments are made to conform with the Group's standard accounting methods.

After the application of the equity method, the Group determines whether an impairment expense needs to be recognised for its interests in a joint venture. On each balance sheet date, it determines whether there are objective indications that the value of an interest in a joint venture may have decreased. If so, the amount of the impairment is calculated as the difference between the recoverable amount of the interest in the joint venture and the book value, and the loss is subsequently entered through profit or loss in the item “Share in the result of joint ventures”.

In the event of the loss of the joint management of the joint venture, the Group will measure all interests held in the former joint venture at the fair value. Differences between the book value of the interest in the joint venture at the time of the loss of the joint management function and the fair value of the retained interests, as well as the proceeds from the disposal, are recognised in the statement of comprehensive income.

e) Revenue from contracts with customers

The Group primarily generates its income from the sale of fitness club memberships and the associated start-up and administration expenses, and secondarily from the sale of food products, beverages, energy products and personal training.

The revenue from contracts with customers is recognised when the power of disposition over the goods or services is transferred to the customer. The amount entered is equal to the consideration that the Group is expected to receive for the exchange of the goods or services. The Group has generally concluded that it functions as the principal in the revenue transactions, since it usually has the power of disposition over the goods or services before they are transferred to the customer.

Revenues	Accounting treatment
Membership fee	The transaction price that is paid weekly or monthly by the customer (depending on the Club level and the contract term) corresponds to the service obligation (provision of the fitness equipment for the relevant month). The proceeds from the membership fees are recognised monthly over the term of the contract, in relation to the time period. All of the membership fees that were collected during the shut-down periods were recognised as other financial liabilities (see Note 2.6) because there was no performance backlog from the group (due to the impossibility of fulfilling the service obligation during those periods).
Start-up fee	After becoming a member, the customer receives a health check, instructions for using the equipment, a training plan and a membership card, for which a one-time start-up fee is charged. If the start-up fee is linked to special service obligations, any revenue associated with these service obligations is recognised in the period in which the service is rendered. This concerns the provision of personal trainer services (in hours). In this context, revenue is recognised at the time the training hours are completed (usually in the month in which the contract was concluded). To this end, the total transaction price is divided over the two separate service obligations (i.e. training hours and provision of access to the fitness studio during the contract term) on the basis of the individual sale prices. The portion of the start-up fee that is not attributed to a separate service obligation (e.g. creation of membership cards, administrative activities for starting the membership, equipment instruction) is immaterial and is therefore not amortised as revenue together with the membership fees over the term of the contract; rather, it is directly recognised as revenue in the month the contract was concluded.
Revenue from personal training	The group companies provide independent personal trainers with an opportunity to offer personal training services to customers.? In return, the trainers and the relevant company conclude a user contract for a monthly user fee. The corresponding revenue is entered monthly (affecting revenues). The hourly rate is settled directly between the customer and the trainer; it is not collected by the company. The user fees that the personal trainers pay to the company relates solely to the use of the premises.
Revenue from the sale of goods	The transaction price is paid directly in exchange for the service obligation. Usually, these revenues are entered immediately and daily.
Barter transactions	The volume of back-to-back transactions is very small, e.g. exchange of newspapers against memberships. The transactions are executed consistent with market standards.

f) Intangible assets

Intangible assets that are purchased against payment and that were not acquired in the context of a business combination are entered at acquisition or production costs when they are recognised for the first time. Intangible assets that were acquired as part of a business combination are entered at the time of acquisition at the fair value. In subsequent periods, the intangible assets are entered at acquisition or production cost less accumulated scheduled amortisation and accumulated impairment expenses (if applicable).

The useful life of intangible assets is classified as limited.

Intangible assets with a limited useful life are written off over the service life and are reviewed for possible impairment if there are indications that the value of the asset may have decreased. In the case of intangible assets with a limited useful life, the amortisation period and amortisation method are reviewed at minimum at the end of each reporting period. If the amortisation method or period must be modified due to changes in the expected useful life or the expected consumption of the asset's future economic benefit, such modifications are treated as changes to estimates.

An intangible asset is removed from the books if it is sold (i.e. at the time the recipient acquires control), or if the further use or sale of the entered asset is no longer expected to generate any economic benefit. Profits or losses from the derecognition of intangible assets are calculated as the difference between the net proceeds from the sale and the book value of the asset, and they are entered through profit or loss.

In general, intangible assets with a limited useful life are amortised on a scheduled, straight-line basis over the expected useful life. The amortisation periods range from four to 15 years.

Other software assets

The costs incurred by the Group for the purchase and use of software licenses are entered on the asset side of the balance sheet and written off over the estimated useful life (three years).

Brands and customer bases

Brand names and established clientele that were acquired as part of a business combination are entered at the time of acquisition at the fair value. Brand names and trademarks have a useful life of four years and are entered at acquisition cost less accumulated amortisation. Amortisation is applied on a straight-line basis.

Established clientele has a useful life of four years and is entered at acquisition cost less accumulated amortisation. Amortisation is applied on a straight-line basis.

g) Property, plant and equipment

All property, plant and equipment are stated at historic acquisition/production costs less accumulated scheduled depreciation and possible extraordinary impairments. The historic acquisition/production costs include the costs that are directly attributable to the acquisition or production of the asset, as well as appropriate portions of production-related overhead costs.

Land is not depreciated on a scheduled basis. All other assets are depreciated on a straight-line basis over the expected useful life, from their acquisition/production costs to their estimated residual value. Scheduled straight-line depreciation is based on the following useful life of the assets:

	Useful life
Leasehold improvements (analogous rights of use from rental or leasing contracts)	3-20 years
Business and office equipment	2 to 15 years
Fitness equipment	5 to 6 years
Computer equipment	3 years

Property, plant and equipment are disposed from the books if they are sold (i.e. at the time the recipient acquires control), or if the further use or sale of the entered asset is no longer expected to generate any economic benefit. Profits or losses from disposals are calculated as the difference between the net proceeds from the disposal and the book value of the asset, and they are entered in the period in which the asset is removed from the books, either as other operating income or other operating expenses (through profit or loss).

The residual value and adequacy of the depreciation rates or estimated useful life are reviewed on each balance sheet date and adjusted if required. Any changes to the estimated useful life or the residual value are adjusted with future effect based on the depreciation rates.

h) Impairment of non-financial assets

Assets with a definable useful life

An impairment test must be carried out for assets with a definable useful life if there are indications that the value of the asset may have been reduced. If such indications exist, the amortised book value of the asset is compared against the recoverable amount, which represents the higher of the fair value (less sales costs) and the value in use. The value in use represents the present value of the future cash flows that are expected from the continued use of the asset. In the event of an impairment, the difference between the amortised book value and the lower recoverable amount is recognised as an expense. Write-ups are applied if there are indications that the reasons for the impairment no longer exist. They may not exceed the amortised acquisition costs.

Goodwill and assets with an indefinite useful life

On each balance sheet date, the Group also determines whether there are indications of impairments for other intangible assets with an indefinite useful life and the acquired goodwill. If such indications exist (so-called “triggering events”), or if the asset’s recoverability must be reviewed on an annual basis, the Group will estimate the recoverable amount of the respective asset. A recoverable amount is calculated for each asset, unless an asset does not generate any cash inflows that are mostly independent of the cash flows of other assets or other groups of assets / cash-generating units (CGU). In these cases, recoverability is assessed at the relevant level of the cash-generating units to which the asset must be attributed.

Usually, no single asset in the Group generates its own attributable cash inflows. At the time of acquisition, goodwill acquired in the context of a business combination is allocated to the cash-generating unit or the group of cash-generating units that is expected to benefit from the synergies created by the business combination. It also represents the lowest level at which the goodwill is monitored for internal management purposes. The smallest cash-generating unit is the club. Accordingly, the impairment test is carried out at this level, whereby the costs incurred by head office are distributed over the clubs as a corporate asset on the basis of their membership numbers.

The recoverable amount of an asset is the higher of the two amounts from the fair value of the asset or cash-generating unit less disposal costs and the value in use. In order to calculate the value in use, the expected future cash flows are discounted to their present value on the basis of a discount rate after taxes, which reflects the current market expectations regarding the interest rate effect and the specific

risks associated with the asset. Recently completed market transactions are also considered when calculating the value in use. An appropriate valuation model is used if no such transactions can be identified. It is based on valuation multipliers, exchange prices of company shares that are listed on the stock exchange, or other available indicators for the fair value. Usually, valuations in the Group are performed on the basis of the value in use.

The Group's impairment assessment is based on the most recent budget and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which individual assets have been assigned. Such budget and forecast calculations usually cover a period of three years. After the third year, a growth rate is calculated and it is used for forecasting future cash flows. The assumptions are based on management's expectations concerning future market developments.

The impairment of an asset or a cash-generating unit is defined by calculating the recoverable amount of the asset or cash-generating unit (or the group of cash-generating units) to which the goodwill was assigned. An impairment expense is entered if the recoverable amount of the asset or cash-generating unit falls below the book value of this unit. The impairment expense is initially assigned to the goodwill, and subsequently to the other assets in proportion to their book values. Impairment expenses entered for the goodwill may not be reversed in subsequent reporting periods.

Write-ups are applied if there are indications that the reasons for the impairment no longer exist. If such indications exist, the Group will estimate the recoverable amount of the asset or cash-generating unit. A previously entered impairment expense is only reversed if the assumptions that were used in calculating the recoverable amount have changed since the entry of the most recent impairment expense. The write-ups may not exceed the amortised acquisition costs. An appreciation value is entered through profit or loss, unless the asset is entered according to the revaluation method. In this case, the appreciation value is treated as a value increase from the revaluation.

i) Inventories

Stocks are measured at the lower value from the acquisition/production costs and the net realisable value.

Acquisition costs are costs that were incurred in the normal course of business in order to transport stocks to their current location and to bring them to their current condition. These costs should include the costs for procurement as well as any applicable processing costs.

The net realisable value corresponds to the actual or estimated proceeds from the sale of stocks (less price rebates but before discounts) less all other costs until completion, and less all costs directly incurred in connection with the marketing, sale and distribution of the relevant stocks.

If the net realisable value is lower than the acquisition costs, stocks are immediately expensed through profit or loss.

j) Cash and cash equivalents

The balance sheet item “Cash and cash equivalents” is comprised of cash on hand, cash in bank and short-term, highly-liquid deposits with a maximum term of three months, which can be converted into defined cash amounts at any time.

For cash flow purposes, cash and cash equivalents comprise the aforementioned payment instruments and short-term deposits, less utilised overdraft facilities, since these form an integral part of the Group's cash management activities.

k) Leases

At the beginning of the contract, the Group assesses whether a contract establishes a lease or not. This is the case if the contract includes an authorisation to control the use of an identified asset against payment of a fee for a certain time period.

The Group has concluded lease contracts for various buildings (fitness studios, office and storage space), vehicles and fitness equipment. The lease contracts for buildings usually have a term of 15 to 20 years (which cannot be terminated), while the lease contracts for vehicles and fitness equipment have a term of three to five years.

Group as lessee

The Group recognises and measures all leases (with the exception of short-term leases and those for which the underlying asset has a low value) according to one single model (see below for more details). It enters the liabilities (lease payments) and the rights of use (the right to use the underlying asset).

i) Rights of use

The Group enters rights of use on the supply date (e.g. the date on which the underlying leasing item is available for use). Rights of use are measured at acquisition costs less all accumulated amortisation and accumulated impairment expenses and adjusted for each revaluation of leasing liabilities. The costs for the rights of use include the recorded leasing liabilities, the initial direct costs as well as the leasing payments that were made on or before the supply date, less possibly included leasing incentives. Rights of use are written off as scheduled on a straight-line basis over the term or the expected useful life of the leasing items, whichever is shorter.

The write-downs are calculated on the basis of the expected useful life of the leasing item if ownership of the leasing item transfers to the Group at the end of the lease term or if the exercise of a buy option is included in the costs. The rights of use are also reviewed for possible impairments.

ii) Leasing liabilities

On the supply date, the Group records the leasing liabilities in the amount of the present value of the lease payments that must be made over the term of the lease. The lease payments include fixed payments (including de facto fixed payments), less leasing incentives that may be received, variable lease payments that are tied to an index or (interest) rate and amounts that will probably have to be paid in the context of residual value guarantees. The lease payments also include the strike price for a buy option if it is sufficiently certain that it will be exercised by the Group, as well as penalties for terminating the lease, if the exercise of the termination option by the Group is included as part of the term. Variable lease payments that are not tied to an index or (interest) rate are recognised as expenses in the period in which the event or the condition that triggers this payment occurs (unless they are caused by the production of stocks).

To calculate the present value of the lease payments, the Group uses its incremental borrowing rate on the supply date, since the interest rate on which the lease is based cannot be readily determined. After the supply date, the amount of the leasing liabilities is either increased to allow for the higher interest expenses or decreased to account for the fact that lease payments have been made. Moreover, the book value of the leasing liabilities is also revalued if there are changes to the lease, changes to the term of the lease, changes to the lease payments (e.g. change to future lease payments due to a change in the index or interest rate that is used to calculate these payments), or if there has been a change in the assessment of a buy option for the underlying asset.

iii) Short-term leases and those for which the underlying asset has a low value

For its short-term lease contracts, the Group uses the exemption provision for short-term leases (i.e. leases whose term is at most 12 months as of the supply date, and which do not include a buy option). With regard to lease contracts for assets that have been classified as having a low value, it also applies the exemption provision to leases that are based on a low-value asset. The exemption provision for leases that are based on a low-value asset is applied separately for each of these agreements.

Lease payments for short-term leases and leases based on a low-value asset are expensed on a straight-line basis over the term of the lease.

iv) Non-lease components

Contracts often set out different types of obligations for the supplier. This may include a combination of different leasing components or a combination of leasing and non-leasing components. With respect to contracts that include a leasing component as well as other leasing and non-leasing components (e.g. the rental of an asset and the provision of maintenance services), the Group has decided that these components do not have to be separated. Real estate lease contracts are an exception in this context. Service-related components are not included when calculating the leasing liability for the asset class to which the buildings were assigned.

v) Key discretionary decisions when determining the term of leases with extension options

The Group determines the term of the lease on the basis of the basic term of the lease that cannot be terminated, and by including either the time periods that follow from the option to extend the lease (as long as it is reasonably certain that the Group will exercise the option), or the time periods that follow from an option to terminate the lease (as long as it is reasonably certain that the Group will not exercise this option).

For some of the building leases, the Group has the option to extend the lease for another five years (in some cases there are several extension options for five years). In its assessment of whether it is reasonably certain that the option to extend the lease will be exercised, the Group makes discretionary decisions. That is, it considers all relevant factors that constitute a financial incentive to exercise the extension option. After the supply date, the Group re-defines the term of the lease if there is a significant event or a change in circumstances that is within its control and that has an impact on whether the option to extend the lease will be exercised (or not) (e.g. a change in business strategy).

The Group has defined the extension period for building leases within the next five years on the basis of their profitability and significance in the business plan. Extension options for fitness equipment and vehicle leases do not exist as a rule.

l) Provisions

A provision is recognised if the Group has a current (legal or factual) obligation due to a past event, if resources with a financial benefit are expected to be removed in order to fulfil the obligation, and if the amount of the obligation can be reliably estimated. If the effect is material, the obligation is discounted to the present value using an interest rate before taxes, which reflects the current market expectations regarding the interest rate effect. A risk-free interest rate is used if the cash flows have already been adjusted to the risk. In the case of discounting, the increase in the provisions, which is due to the passage of time, is recognised as a finance cost.

Restoration provisions

The Group records provisions for dismantling costs that are required to return the leased locations to their original condition at the end of the lease, so long as the Group has assumed a contractual or factual obligation in this regard and it is likely that these costs will actually be incurred. The costs for setting up the locations at the beginning of the lease are recognised on the asset side of the balance sheet as

additions to property, plant and equipment, and a provision is created for the expected dismantling liability. The additions are amortised over the term of the lease.

m) Financial instruments

A financial instrument is a contract that establishes a financial asset at one unit, and a financial liability or equity instrument at another unit.

A financial asset or liability is generally recognised in the balance sheet if LifeFit Group MidCo GmbH becomes a contracting party with regard to the contractual terms for the financial instrument. At LifeFit Group MidCo GmbH, the regular cash purchases/disposals of financial assets are entered on the date of the trade.

Financial assets

First-time recognition and measurement

As part of the initial recognition process, and in preparation for the subsequent measurement, financial assets are classified as follows: measured at amortised cost, measured at fair value in other comprehensive income or measured at fair value through profit or loss.

The classification of financial assets as a debt instrument during the initial recognition will depend on the characteristics of the contractual cash flows for the financial assets, and on the Group's business model for managing its financial assets. The business model of the Group is solely based on the generation of contractual cash flows (interest over the term, and repayment of the invested capital).

Financial assets are entered at their fair value at the time they are added. Financial assets that are not classified as measured at fair value through profit or loss are entered together with the transaction costs at the time they are added.

Subsequent measurement

For the subsequent measurement, the Group has classified the financial assets into two categories:

Financial assets measured at amortised cost:
The classification ‘at amortised cost’ refers to financial assets that are held for the purpose of collecting the contractual cash flows, and whose cash flows can only be considered as interest and the repayment of the invested capital.

Financial assets measured at fair value through profit or loss: Financial assets are classified as financial assets measured at fair value through profit or loss if they are held in the other business model or if they do not meet the criteria for the “Hold” or “Hold and Sell” business models. Similarly, this class also includes financial assets which meet the criteria for the “Hold” or “Hold and Sell” business models but either miss the SPPI criteria or are designated as financial assets that are classified as ‘at fair value’.

Financial assets measured at amortised cost

Following their initial recognition, in subsequent periods financial assets measured at amortised cost are measured using the effective interest method and deducting any impairments to the book value.?

Profits and losses are entered through profit or loss if the asset is removed from the books, if it is modified or if impairments are applied.

The Group's financial assets that are measured at amortised cost consist mainly of trade receivables that were entered under other financial assets.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are entered in the balance sheet at the fair value, whereby the net balance of changes to the fair value is shown in the statement of comprehensive income.

At this time, this category consists solely of derivative financial instruments.

A hybrid contract or an embedded derivative, which is linked to a financial or non-financial liability as the underlying contract, is separated from the underlying contract and entered separately

- if the economic characteristics and risks of the embedded derivatives are not strongly linked to the underlying contract and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at fair value through profit or loss.

Derivatives that are embedded and separated from the underlying contract are measured at the fair value, whereby the changes to the fair value are entered through profit or loss.

Derecognition

LifeFit Group MidCo GmbH derecognizes a financial asset from the books if its contractual entitlement to cash flows from the financial asset expires, or if it transfers the entitlement to receive contractual cash flows in a transaction in which either the risks and opportunities associated with the ownership of the financial asset are transferred or LifeFit Group MidCo GmbH neither transfers nor retains the opportunities and risks associated with ownership and does not retain the right of disposition over the transferred asset. In these cases, the transferred assets are not removed from the books. If the financial asset is transferred to a third party, the asset is only removed from the books if the entitlement to the associated cash flows is also transferred to the third party. Financial assets are removed from the books if the contractual rights to the cash flows from the financial asset expire or if the financial asset is transferred to a third party. Receivables, including the impairment expenses associated with the same, are removed from the books if they are classified as non-collectable.

Financial liabilities

First-time recognition and measurement

With the exception of financial obligations that are measured at the fair value, financial assets are measured at amortised cost in application of the effective interest method (IFRS 9). At the time of initial recognition, financial liabilities are measured at the fair value, less directly attributable transaction costs in the case of loans and liabilities.

The Group's financial liabilities comprise trade payables and other liabilities, loans including overdraft facilities and derivative financial instruments (currently only contingent considerations and spun-off embedded derivatives). The compounding of the bond and the value changes of the derivative that is embedded with regard to the bond are reported in the financial result as "fair value through profit and loss".

Subsequent measurement

For the subsequent measurement, the Group has classified the financial liabilities into two categories:

- financial liabilities measured at fair value through profit or loss
- financial liabilities measured at amortised cost

Financial liabilities measured at fair value through profit or loss

Unrealised gains/losses from the measurement of financial liabilities at the fair value are shown in the result from financial assets/obligations measured at the fair value. In the case of issued debentures that are classified at fair value, the changes in the present value that result from the credit component are entered in the item Other changes in equity capital recognised directly in equity. Interest for interest-bearing liabilities for financial instruments measured at fair value is shown under interest expenses.

This category consists of derivative financial instruments taken out by the Group.

Financial liabilities measured at amortised cost

At the time of addition, financial obligations measured at amortised cost are measured at the fair value that corresponds to the face value less transaction costs.

Repurchases of debt instruments placed in the market are deemed repayments. Profits or losses resulting from repurchases are entered in profit or loss. The subsequent sale of own debentures in the market is treated as a new placement of debt instruments.

After the initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method. Profits and losses are entered through profit or loss if the liabilities have been removed from the books, and also in the context of amortisations (using the effective interest method).

Amortised costs are calculated taking into account a premium or discount for acquisitions as well as charges or costs, which represent an integral part of the effective interest rate. Amortisation using the effective interest method is included in the statement of comprehensive income as part of the financial expenses.

This category usually includes interest-bearing loans (bond, liabilities to credit institutions and shareholder loans).

Derecognition

A liability is removed from the books if the obligation associated with the same is redeemed or cancelled, and when the liability becomes due. If an existing financial liability is replaced with a liability to the same creditor with significantly different contractual terms, or if the contractual terms of an existing liability are changed significantly, such an exchange or modification is treated as though the original liability has been removed from the books and a new liability has been created. The difference between the two book values is entered through profit or loss.

Modifications

Where the contractual terms of financial assets and financial liabilities are re-negotiated or modified, whereby the modification does not lead to derecognition, any profit or loss is entered through profit or loss in the amount of the difference between the original contractual cash flows and the modified cash flows (discounted with the original effective interest rate). Significant modifications / re-negotiations lead to the derecognition of the original agreement and the recognition of a new financial asset and a new financial liability in accordance with the re-negotiated contractual terms. For modifications that are determined by the credit risk, the Group ascertains whether the modified contractual terms result in a significantly modified financial asset and therefore must be removed from the books. This assessment also includes a quantitative measurement of the impact of the cash flow changes as a result of the

modified contractual terms, possibly taking into account qualitative aspects of the impact of modified contractual terms. In the case of modifications that lead to the derecognition of the original financial asset, and if there are indications of an impairment of the new financial asset at the time of initial recognition, the new financial asset is classified as a Level 3 financial asset that is at risk of default.

Major changes to the contractual terms of a financial liability can lead to the derecognition of the original financial liability. A quantitative criterion that leads to a substantial change in the terms of the contract applies if the discounted present value of the cash flows pursuant to the new contractual terms deviates at least 10% from the discounted present value of the remaining cash flows from the original debt instrument.

n) Taxes

Tax expenses consist of on-going corporate taxes (corporate income tax, trade tax, solidarity surcharge) as well as deferred taxes.

Income taxes

On-going income taxes are calculated on the basis of the taxable income for the financial year, using the tax rates that apply (or that will shortly apply) on the balance sheet date. The actual tax claims and liabilities for the current and earlier periods are measured at the amount that is expected to be refunded by the tax office / the amount that is expected to be paid to the tax office. The amount is calculated based on the tax rates and tax laws that apply (or that will shortly apply) on the balance sheet date.

Actual income taxes relating to items that are posted directly in other comprehensive income or in equity are shown not in the statement of comprehensive income but rather in other comprehensive income or in equity. Management regularly assesses individual tax situations to see whether there is any interpretative leeway with regard to the applicable tax regulations. Tax provisions are created if required.

Deferred taxes

Deferred taxes are created by applying the balance sheet method to existing temporary differences between the valuation of an asset or liability in the balance sheet, and the tax balance sheet value on the balance sheet date. Deferred tax liabilities are entered for all taxable temporary differences, except the following:

- deferred tax liabilities from the initial recognition of goodwill or an asset or a liability from a transaction that is not a business combination and that does not affect the result for the period under commercial law or the taxable result at the time of the transaction, and
- deferred tax liabilities from taxable temporary differences that are connected to participating interests in subsidiaries and shares in joint ventures, if the temporal progression for reversing the temporary differences of parent companies, shareholders or partner companies can be controlled and it is likely that the temporary differences will not reverse in the foreseeable future.

Deferred tax claims are entered for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable income will be available, against which the deductible temporary differences and the unused tax losses and tax credits can be applied, except the following:

- deferred tax claims from deductible temporary differences that result from the initial recognition of an asset or liability from a transaction that is not a business combination and that does not affect the result for the period under commercial law or the taxable result at the time of the transaction, and
- deferred tax claims from deductible temporary differences that are associated with participating interests in subsidiaries and shares in joint ventures, if it is probable that the temporary

differences will not reverse in the foreseeable future or if there will not be sufficient taxable income against which the temporary differences could be applied.

The book value of the deferred tax claims is reviewed on each balance sheet date and it is reduced to the extent that it is unlikely that sufficient taxable income will be available against which the deferred tax claim could be at least partially applied. Non-recognised deferred tax claims are reviewed on each balance sheet date, and they are recognised to the extent that is likely that future taxable income will allow for the realisation of the deferred tax claim.

Deferred tax claims and liabilities are measured using the tax rates that are expected to apply in the period in which the asset is realised or the debt is settled. In this context, the tax rates and tax laws that apply on the balance sheet date or that have been announced by way of legislation are used as a basis.

Deferred taxes relating to items that are posted directly in other comprehensive income or in equity are shown not in the statement of comprehensive income but rather in other comprehensive income or in equity.

Deferred tax claims and liabilities are only offset if the Group has an actionable right to offset actual tax refund claims against actual tax liabilities and if the deferred tax claims/liabilities relate to income taxes that are imposed by the same tax office either for the same tax-paying entity or for different tax-paying entities, which intend - for each future period in which the removal or realisation of significant amounts of deferred tax liabilities/claims can be expected - to either balance out the actual tax liabilities and refund claims on a net basis or simultaneously remove the obligations with the realisation of the claims.

Deferred tax advantages that are obtained in the context of a business combination, which do not meet the criteria for separate recognition at the time of acquisition, are recognised in subsequent periods if this follows from new information about the facts and circumstances that existed at the time of acquisition. This adjustment is treated either as a reduction in the goodwill (as long as it does not exceed the goodwill) if it is established during the assessment period, or it is recognised in the result for the period and in other comprehensive income if it is established outside of the assessment period.

Calculation of fair value

The fair value is the price that would be paid on the valuation date in a transaction between independent market participants concerning the sale of an asset or the transfer of a liability. The fair value of financial instruments that are quoted in active markets is calculated on the basis of the price quotations, insofar as they represent prices that are used in the context of regular and current transactions. Where prices quoted in active markets are not available, valuation methods for calculating the fair value of financial instruments are used. Where possible, the valuation methods use input parameters that are based on observable data which is derived from the prices of relevant financial instruments that are traded in active markets.

The use of valuation methods requires assumptions and estimates by management, which are determined mainly by information and price transparency, as well as the complexity of the instruments and the markets. To this end, external experts/advisors, or calculations prepared by the same, will be used if required.

According to IFRS 13, financial assets and obligations that are classified at fair value must be classified according to the input parameters of the valuation method that are used to determine the fair value (using quoted prices in an active market (Level 1), valuation methods that are based on observable parameters (Level 2), and valuation methods that use significant, non-observable parameters (Level 3)).

Impairment of financial assets

The impairment provisions pursuant to IFRS 9 apply to all financial assets (trade receivables) that are measured at amortised cost, and also to off-balance-sheet credit approvals and financial guarantees.

Pursuant to IFRS 9, impairments and the risk provision are determined using the model of expected credit defaults with its three-level approach.

Level 1: Impairments are created at the amount of the expected credit losses within 12 months. This corresponds to the portion of expected credit losses from default events, which
is expected within 12 months after the balance sheet date, as long as the credit risk has not increased materially since the initial recognition.

Level 2: Impairments are created? in the amount of the expected credit losses over the residual term of the financial asset, for which the credit risk is expected to rise significantly after it has been added. This requires the calculation of the ECL on the basis of the Lifetime Probability of Default, Lifetime Loss Given Default and Lifetime Exposure at Default, which represents the probability of default over the remaining term of the financial asset. The risk provision for credit risks is higher at this level, since the credit risk.??

Level 3: Impairments are created? in the amount of the expected credit losses (taking into account a default probability of 100%) on the basis of the asset's expected realistic cash flows for those financial assets that are classified as defaulted. Start-up and membership fees are collected by direct debit, which means the amount of overdue receivables is not very high in the course of normal business activities. If an agreed consideration is not paid, the business relationship is immediately terminated by the Group.

All receivables have a maximum residual term of 30 days. In this way, the Group's credit risk is limited.

An assessment of whether a financial asset is at risk of default (i.e. Level 3) relates solely to the default risk, and does not take into account the impact of credit risk mitigations such as collateral or guarantees. A financial instrument is at risk of default (and in Level 3) if it is expected that the debtor will not pay the obligation.
For financial assets that are classified as impaired, the impairment covers the amount of the financial asset that LifeFit MidCo GmbH is expected to lose.
Estimates can be made for an individual case or - using portfolio parameters - for the transactions of homogeneous portfolios.

The gross book value of a financial asset is reduced if it is not expected that a repayment will be made. Write-downs can relate to an entire financial asset or a part thereof, and they represent a derecognition event.

2.4 Key estimates and discretionary decisions

In preparing the consolidated financial statements, management will arrive at discretionary decisions, estimates and assumptions that will have an effect on the amount of the assets and liabilities reported on the balance sheet date, as well as the income and expenses reported for the reporting period. The estimates and assumptions are based on historical insights and future planning, as well as expectations and forecasts for future event. However, due to the uncertainty associated with these assumptions and estimates, actual results in future periods could lead to significant adjustments to the book value of the affected assets or liabilities. The assessments and estimates are reviewed and compared against actual events.

Discretionary decisions

In applying the Group’s financial reporting methods, management has made the following discretionary decisions that have a material effect on the amounts in the consolidated financial statements.

Determining the term of leases with extension and termination options - the Group as lessee

The Group determines the term of the lease on the basis of the basic term of the lease that cannot be terminated, and by including either the time periods that follow from the option to extend the lease (as long as it is reasonably certain that the Group will exercise the option), or the time periods that follow

from an option to terminate the lease (as long as it is reasonably certain that the Group will not exercise this option).

The Group has concluded several lease contracts that include extension and termination options. In assessing whether it is reasonably certain that the option to extend or terminate the lease will be exercised (or not), the Group makes discretionary decisions. That is to say, it considers all relevant factors that represent a financial incentive to exercise the extension or termination option. After the supply date, the Group re-defines the term of the lease if a significant event or a change in circumstances has occurred, which is within its control and that has an impact on whether it will exercise the option for extending or terminating the lease.

In the previous year, contract negotiations with 20 landlords (no new business) were completed, also in connection with the COVID-19 health crisis. In the end, EUR 0.5 million of leases for the previous year, which were withheld and allocated to a provision, were removed from the books through profit or loss. Moreover, lease reductions of EUR 0.8 million (not discounted) were also negotiated; they relate to the current and future financial years. Of this figure, EUR 0.3 million relates to contracts for which the extension options contained in the contracts were exercised earlier than normal. However, these were clubs that are performing very well, relatively speaking. Overall, this had the effect of increasing the capitalised rights of use and the corresponding leasing liabilities by EUR 3 million. All of these changes were treated as contract modifications, and the leasing liability was recalculated on the basis of the new contractual provisions and taking into account the current interest rate in the market. The resulting adjustment to the liability was made in the right of use (recognised directly in equity).

In the reporting year, tenancies did not have a major impact on the Group's net assets, financial position and results of operations.

Estimates

The following estimates are based on assumptions that could change in the next financial year, and which could have a material impact on the book values of assets and liabilities that are recognised on the balance sheet date.

Economic useful life

The economic useful life periods stated in the summary of the main accounting methods in Note 2.3 g) are reviewed once a year on the basis of the most recently available information. Management believes that the useful life periods that are currently used as a basis are still appropriate. Information about write-downs and impairment expenses for the current financial year are included in Note 3.7.

Impairment of intangible goods, property, plant and equipment, and rights of use

The book values of the Group's assets are reviewed on every balance sheet date using a calculated value in use or the fair value less disposal costs, in order to determine whether an impairment may need to be applied.

The recoverable amounts for property, plant and equipment and the goodwill are derived from calculations of the value in use. Afterwards, they are compared against the book values of the assets. An impairment is applied if the book value exceeds the recoverable amount.

A discounted cashflow method is used to calculate the value in use. The cash flows are derived from the financial plan for the next three years, which does not include restructuring measures to which the Group has not yet committed, and major future investments that will increase the earning capacity of the tested cash-generating unit. The recoverable amount greatly depends on the discount rate that is used in the context of the discounted cashflow method, and also on the expected future inflows and the growth rate that is used for extrapolation purposes. The basic assumptions for calculating the recoverable amount for the different cash-generating units are explained in more detail in Note 4.3.

With regard to a possible appreciation in value, management examines whether the improvement is both material and sustained, so that an estimate must be prepared.

Measuring the fair value of financial instruments

Contingent considerations resulting from business combinations are measured as a part of the business combination at the fair value on the acquisition date. If the contingent consideration meets the definition of a financial liability, it is revalued at the fair value on each balance sheet date in subsequent periods. The fair value is calculated on the basis of the discounted cash flow. The basic assumptions take into account the probability that each target will be reached, along with the discount factor (for more information, see Note 4.4).

The determination of the fair value of financial instruments could involve estimate-related uncertainties with regard to calculating the expected cash flows and creating the risk provision.

The fair values for financial instruments that are measured at amortised cost are disclosed. Generally, these instruments are characterised by little or no trading activity, which is why the calculation of the fair value requires significant estimates on the part of management.

Leases - Estimating the incremental borrowing rate

Usually, the Group cannot readily determine the interest rate on which a lease is based. For this reason, it uses its incremental borrowing rate to measure leasing liabilities. The incremental borrowing rate is the rate that the Group would have to pay if it obtained the kind of funds (for a similar term with similar security) that it would require in a similar economic environment for an asset with a value that is comparable to the right of use. Therefore, the incremental borrowing rate reflects the interest rates that the Group “would have to pay”. The incremental borrowing rate must be estimated if observable interest rates are not available (e.g. for subsidiaries that do not enter into financing transactions) or if the interest rate has to be adjusted to reflect the terms of the lease (e.g. structured redemption, redemption at final maturity). The Group estimates the incremental borrowing rate using observable input factors (e.g. market rates), provided they are available, and it must prepare certain company-specific estimates (e.g. assessment of a subsidiary’s credit worthiness).

2.5 Changes to accounting pursuant to IFRS

Accounting provisions applied for the first time in the 2021/2022 financial year

The changes in the adjacent table did not have a material impact on the consolidated financial statements of MidCo.

Accounting policies applied for the first time in 2021

Standard/ interpretation	Name of standard/ interpretation or amendments	Date of publication	Date of endorsement by the E.U.
Amendments to IFRS 4	Insurance Contracts (Extension of Temporary Exemption from Application of IFRS 9)	June 25, 2020	December 15, 2020
Amendments to IFRS 9 IAS 39 IFRS 7 IFRS 4 IFRS 16	 Financial Instruments Financial Instruments: Recognition and Measurement Financial Instruments: Disclosures Insurance Contracts Leases (Interest Rate Benchmark Reform – Phase 2)	August 27, 2020	January 13, 2021
Amendments to IFRS 16	Leases: Covid-19-Related Rent Concessions beyond June 30, 2021	March 31, 2021	August 30, 2021

IFRS and IFRIC that do not have to be considered yet - already recognised by adoption into EU law (endorsement)

The impact on the MidCo financial statements from the IFRS and IFRIC, which have already been recognised by the European Union but which did not go into effect in 2021/2022, is being reviewed. With regards to the changes, MidCo does not currently expect that they will result in a material impact. An earlier application is not planned.

IFRSs and IFRICs not yet to be considered but already endorsed by the E.U.

Standard/ interpretation	Name of standard/ interpretation or amendments	Date of publication	Date of endorsement by the E.U.	Mandatory date of initial application
Amendments to IFRS 3	Business Combinations (Amendment to References to the Conceptual Framework)	May 14, 2020	June 28, 2021	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment (Proceeds before Intended Use)	May 14, 2020	June 28, 2021	January 1, 2022
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts, Settlement Costs from Contracts)	May 14, 2020	June 28, 2021	January 1, 2022
Annual improvements to IFRS 2018–2020	Amendments to IFRS 1 (Subsidiary as a First-Time Adopter) IFRS 9 (Fees in the "10% Test" Regarding Derecognition of Financial Liabilities) IFRS 16 (Lease Incentives) IAS 41 (Taxation in Fair Value Measurements)	May 14, 2020	June 28, 2021	January 1, 2022
Amendments to IFRS 17	Insurance Contracts (including amendments to the standard)	June 25, 2020	November 19, 2021	January 1, 2023

IFRS and IFRIC that do not have to be considered yet - outstanding adoption into EU law

The IASB has issued additional changes to standards and interpretations, which have not been adopted into EU law yet, and which do not have to be applied at this time. The changes are not expected to have a material impact on MidCo's reporting. MidCo does not plan to apply these changes earlier than necessary.

IFRSs and IFRICs not yet to be considered and not yet endorsed by the E.U.

Standard/ interpretation	Name of standard/ interpretation or amendments	Date of publication	Expected date of initial application
Amendments to IAS 1	Presentation of Financial Statements (Classification of Liabilities as Current or Noncurrent) (including Deferral of Effective Date)	January 23, 2020 (July 15, 2020)	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Presentation of Financial Statements and Making Materiality Judgements (Presentation of Key Accounting Policies)	February 12, 2021	January 1, 2023
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Changes in Accounting Policies and Accounting Estimates)	February 12, 2021	January 1, 2023
Amendments to IAS 12	Income Taxes (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)	May 7, 2021	January 1, 2023
Amendments to IFRS 17	Insurance Contracts (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)	December 9, 2021	January 1, 2023

2.6 Error correction pursuant to IAS 8.42

Five error corrections pursuant to IAS 8.42 were applied during the reporting year. They are:

1. Adjustment of collected membership fees: All membership fees collected via direct debit during the pandemic-related shut-down periods were recognised as a liability, reducing sales revenues.
2. In the reporting year, there was a change in IT systems with regards to the lease contracts according to IFRS 16. Accordingly, all contracts were re-created, and the discount rate was corrected upwards and adjusted to the incremental borrowing rate taking into account the Group's financial standing.
3. As a result of the aforementioned error with regard to collected customer funds, there were not enough offsettable deferred tax liabilities against which deferred tax assets could be applied. Therefore the deferred taxes for loss carry-forwards, which were capitalised in the previous year, were corrected.
4. In the consolidated financial statements for 31 October 2021, a portion of the revenues from COVID-19 state subsidies in the amount of 3.0 million was recognised as income, even though it must be allocated to the 2021/22 financial year on an accrual basis. Therefore, the previous year's income had to be reduced by this amount, and the income from COVID-19 state subsidies had to be increased accordingly in the reporting year.
5. The initial consolidation of MFC in the 2020/21 financial year was performed according to the pooling of interest method (recognised directly in equity under retained earnings (kEUR -1,362). Because of a difference that arose in the previous year due to consolidation, the financial statements were adjusted with the effect of increasing the equity capital (kEUR 871); this was a major item that was addressed by adjusting the previous year's retained earnings in the MidCo's consolidated financial statements.

Re: 1

During the COVID-19 pandemic, the MidCo Group was forced to close its health and fitness facilities due to two government-ordered lockdowns (March 2020 to June 2020, and November 2020 to June 2021). During the government-ordered lock-down, which resulted in the closure of health and fitness facilities, the MidCo Group continued to collect a portion of the monthly membership fees via direct debit and realised a portion as sales revenues according to IFRS 15 in the 2019/2020 and 2020/2021 financial years. Because of the lockdowns, the MidCo Group was not able to meet its service obligations from the contracts with its customers. Specifically, the provision of the health and fitness facilities during opening hours for the purpose of sports activity could no longer be guaranteed, as the closure of these facilities made the rendering of these services impossible. Pursuant to local tax laws, approximately 80% of the total membership fees, which were collected by direct debit, was reported as deferred income for the duration of the closures. This means that the amount reported as deferred income did not fully correspond to the collected membership fees. Under IFRS, in the 2019/2020 and 2020/2021 financial years some of these were entered as a contractual liability under other non-financial liabilities and some were realised as sales revenues in the amount of kEUR 36,245 (for both financial years). The contractual liability shown in the IFRS consolidated financial statements was released over the contract term as sales revenue (affecting income). The different accounting treatment (local tax laws and IFRS) resulted in deferred tax liabilities of EUR 7.804 million, which were reported in the IFRS consolidated financial statements. According to IFRS 15, the sales revenues during the lock-down phases were not recognised correctly. The entire amount of customer funds that were received must be recognised as a liability. The fees that were collected have the character of a financial liability, as there was no service backlog given the impossibility of the service obligation during the closures. Similarly, the full amount of customer funds received also had to be recognised as a liability according to the local tax laws, which means that the temporary difference between local tax laws and IFRS no longer applies and the deferred taxes that were attributable to this situation were corrected.

in kEUR	31.10.2021	increase / decrease	31.10.2021 restated*	31.10.2020	increase / decrease	1.11.2020 restated*
Balance sheet (Extract)						
Trade receivables	-513	513	0			
Other non-financial liabilities, non-current	-7.800	7.800	0	-728	728	0
Other non-financial liabilities, current	-4.794	2.710	-2.084	-3.925	272	-3.653
Other financial liabilities, current	-2	-47.172	-47.174	-3.121	-17.571	-20.692
Deferred tax liabilities	-7.803	7.707	-96	0	0	0
Retained Earnings	**-20.912**	**-28.442**	**-49.354**	**-7.774**	**-16.571**	**-24.345**

	2021	increase / decrease	2021 restated	2020	increase / decrease	2020 restated
Income statement (extract)						
Revenues	64.928	-19.674	45.254	101.055	-16.571	84.484
Operating profit (EBIT)	**64.928**	**-19.674**	**45.254**	**101.055**	**-16.571**	**84.484**
Income / loss before taxes	**64.928**	**-19.674**	**45.254**	**101.055**	**-16.571**	**84.484**
Income taxes	-7.803	7.803	0	0	0	0
Net income/ loss for the period	**57.125**	**-11.871**	**45.254**	**101.055**	**-16.571**	**84.484**

Re: 2

Regarding the lease contracts, the IT system pertaining to the entry and maintenance of lease contracts was replaced (IFRS 16). In this context, the borrowing rates were subjected to a review that was adjusted to both retrospective and current interest rate developments. As a result, some of the interest rates in use were significantly increased, which led to a reduction in the gross book values for the capitalised rights of use, as well as a reduction in leasing liabilities. With respect to the income statement, this means that depreciation/amortisation decreases, and interest expenses increase. The adjustment of the previous years also affected the deferred taxes. The table below shows the impact on the affected items in the consolidated balance sheet and the consolidated income statement.

in kEUR	31.10.2021	increase / decrease	31.10.2021 restated*	31.10.2020	increase / decrease	1.11.2020 restated*
Balance sheet (Extract)						
Property, plant and equipment	37.692	1.074	38.766	0	0	0
Right-of-use-assets	115.267	-19.689	95.578	131.619	-17.536	114.083
Deferred tax assets	7.908	3.079	10.987	6.439	2.103	8.542
Other financial liabilities, non-current	-1.513	1.513	0	-1.906	1.906	0
Other financial liabilities, current	0	0	0	-691	691	0
Lease liabilities, non-current	-119.914	2.665	-117.249	-133.111	173	-132.938
Lease liabilities, current	-20.119	7.382	-12.737	-21.112	9.232	-11.880
Retained Earnings	**19.320**	**-3.976**	**15.344**	**-18.762**	**-3.431**	**-22.193**

	2021	increase / decrease	2021 restated	2020	increase / decrease	2020 restated
Income statement (extract)						
Amortization	33.465	-5.514	27.951	19.047	-4.027	15.020
Operating profit (EBIT)	**33.465**	**-5.514**	**27.951**	**19.047**	**-4.027**	**15.020**
Finance costs	8.722	7.862	16.584	6.872	6.029	12.901
Finacial result	**8.722**	**7.862**	**16.584**	**6.872**	**6.029**	**12.901**
Income / loss before taxes	**-42.187**	**-2.348**	**-44.535**	**-25.919**	**-2.002**	**-27.921**
Income taxes	0	1.803	1.803	0	1.135	1.135
Net income/ loss for the period	**-42.187**	**-545**	**-42.732**	**-25.919**	**-867**	**-26.786**

Re: 3

The impact on the affected items in the consolidated balance sheet and the consolidated income statement regarding the adjustment of deferred tax assets due to the reduction in offsettable deferred tax liabilities (see adjustment re: collected customer funds) is shown below:

in kEUR	31.10.2021	increase / decrease	31.10.2021 restated*
Balance sheet (Extract)			
Deferred tax assets	3.950	-3.950	0
Retained Earnings	**3.950**	**-3.950**	**0**

	2021	increase / decrease	2021 restated
Income statement (extract)			
Income taxes	3.950	-3.950	0
Net income/ loss for the period	**3.950**	**-3.950**	**0**

Re: 4

The impact on the affected items in the consolidated balance sheet and the consolidated income statement regarding the adjustment of the COVID-19 state subsidies is shown below:

in kEUR	31.10.2021	increase / decrease	31.10.2021 restated*
Balance sheet (Extract)			
Other non-financial assets	26.145	-3.010	23.135
Retained Earnings	**26.145**	**-3.010**	**23.135**

	2021	increase / decrease	2021 restated
Income statement (extract)			
Corona state aid	50.746	-3.010	47.736
Operating profit (EBIT)	**50.746**	**-3.010**	**47.736**
Income / loss before taxes	**50.746**	**-3.010**	**47.736**
Income taxes	0	0	0
Net income/ loss for the period	**50.746**	**-3.010**	**47.736**

Re: 5

The impact on the affected items in the consolidated balance sheet and the consolidated income statement regarding the adjustment of the MFC is shown below:

in kEUR	31.10.2021	increase / decrease	31.10.2021 restated*
Balance sheet (Extract)			
Other non-financial assets, current	28	60	88
Trade Payables	-1.118	965	-153
Other non-financial liabilities, current	-349	-154	-503
Retained Earnings	**-1.439**	**871**	**-568**

3. Results of the financial year

This item of the Notes contains information about the business segments and explanations regarding the items of the consolidated statement of comprehensive income (excluding financial income and expenses).

- Information regarding the main components of the operating result (Notes 3.1 to 3.8)
- Calculation of income taxes (Note 3.9)

3.1 Revenues

3.1.1 Breakdown revenues

The table below shows the sales revenues broken down by brand / segment.

Brand Name	2021/2022 kEUR	restated 2020/2021 kEUR
Fitness First	83.842	37.732
SmileX	10.842	6.286
Elbgym	4.043	1.237
In-Shape	5.983	0
Total	**104.710**	**45.254**

Over 90% (previous year: 90%) of sales revenues consist of membership fees, start-up fees and charges for personal trainers. The remaining sales revenues were mainly derived from meals and beverages, and fitness-related products.

Sales revenues for the brands SmileX and Elbgym include franchise amounts of EUR 0.1 million (previous year: EUR 0.2 million).

3.2 State Aid

	2021/2022 kEUR	restated 2020/2021 kEUR
Corona-state aid	8.291	47.466
Total	**8.291**	**47.466**

COVID-19 state subsidies totalling EUR 53.0 million were approved with the notification from 18 February 2022. After the payments received in the previous year (EUR 24.3 million), another EUR 21.5 million were transferred on 11 February 2022, followed by EUR 7.2 million on 22 February 2022.

The notifications from 31 March 2022 and 2 August 2022 increased the total approved amount to EUR 55.8 million. The difference to the amount that was realised through profit or loss (EUR 47.5 million) in the previous year in the amount of EUR 7.5 million was realised during the reporting year. For the InShape subgroup, the state subsidies for the period 1 May to 31 October 2022 amounted to EUR 0.8 million.

3.3 Other operating income

	2021/2022 kEUR	2020/2021 kEUR
Release of provisions and liabilities	424	535
Contribution-in-kind	303	305
Recharges	298	343
Insurance claims	110	82
Dunning fees	109	61
Gain on sale of assets	92	169
Miscellaneous	909	605
Total	**2.245**	**2.100**

Regarding the reversal of provisions, please see Note 6.8.

3.4 Cost of materials

Type of goods or service	2021/2022 kEUR	2020/2021 kEUR
Outsourced services	6.264	5.067
Food and beverage, merchandises and other	1.881	805
Total	**8.145**	**5.872**

The increase in the cost of materials is mainly due to the normalisation of the Group's business activities.

3.5 Personnel expenses

	2021/2022 kEUR	2020/2021 kEUR
Salaries and wages	28.047	20.282
Social security contributions	5.501	4.203
Total	**33.548**	**24.485**

In Germany, the company maintains defined contribution plans and makes contributions to the relevant pension insurance carrier in accordance with the statutory provisions. Besides the contributions, the company does not have any other service obligations from these plans. On-going contributions are shown as expenses for the respective financial year. They totalled approximately EUR 2.8 million (previous year: approx. EUR 2.1 million).

On 31 October 2022, the Group had an average of 1,650 employees (previous year: 1,375 employees). At the head office, 122 employees work in the Shared Service Centre (previous year: 169 employees); all are classified as administrative employees.

3.6 Other operating expenses

	2021/2022	2020/2021
	kEUR	kEUR
Premises and land costs	24.895	12.010
Advertisement, marketing & travel expenses	9.349	3.972
Legal, audit & advisory fees	5.129	2.897
Administration expenses	4.842	3.092
Maintenance costs	4.493	3.015
License & royalty fees	1.326	1.427
Recharges to former InShape shareholders	669	0
Expenses from barter-agreements	659	363
Club closure	331	1.122
Write-off of receivables	296	1.453
Miscellaneous	3.841	2.076
Total	**55.830**	**31.427**

The increase in building and land costs is mainly due to the generally higher energy, electricity, water and administration costs, and the re-opening of the clubs in the 2021/2022 financial year.

The reduction in the value of receivables relates mainly to XPO (kEUR 184; previous year: kEUR 996) and TGS (kEUR 92, previous year: kEUR 430) (see Note 7.1).

Closing-down costs refer to the expenses for two locations in Regensburg and Nuremberg, which were closed.

Risk provision

The Group uses the simplified approach of IFRS 9 to measure expected credit losses, which takes into account value adjustments over a “lifetime expected loss” for all financial assets. To measure the expected credit losses, financial assets are placed into groups based on common credit risk characteristics and overdue days.

The gross book value of a financial asset is written off if the Group, on the basis of a reasonable assessment, does not expect that the all or part of the financial asset will be realised. The Group writes off the gross book value if the financial asset has been overdue for more than 180 days, based on past experience for the realisation of such assets. The Group performs an individual assessment regarding the date and the amount of the write-down, based on whether it can be reasonably expected that the amount will be collected. The group does not expect that a significant amount of the write-down will be collected. Financial assets that have been written off can be subject to enforcement measures for the collection of overdue receivables.

3.7 Write-downs and impairment expenses

An impairment expense is the amount by which the book value of an asset or cash-generating unit (CGU) exceeds the recoverable amount of said asset or unit. A triggering event means that an impairments test must be performed at the level of individual assets or the identified CGUs / groups of CGUs. Since each club generates separate cash flows for the Group, it forms the smallest identifiable CGU, so that impairments tests are performed at the level of the clubs. For the purpose of conducting an impairments test of the goodwill, each fitness studio is treated as a CGU, but the goodwill is assigned to chains of health and fitness facilities that are operated under the brands “Elbgym”, “SmileX” and “InShape”.

But before calculating the recoverable amount, the company checks whether there are indications that the value of an asset may have to be reduced. The recoverable amount of the asset is only estimated if such an indicator exists. The internal procedural directive sets out an impairments test for clubs whose EBITDA (affecting payments) is under kEUR 150 for each of the following two financial years. New clubs (up to two years old) are only included in this type of review after the start-up phase.

The recoverable amount of each CGU for which a review is needed was calculated using the respective value in use, since a market price was not available on the balance sheet date. Subsequently, the recoverable amount was compared against the book value of the CGU. In calculating the value in use, the residual term of the lease contracts is used as the planning horizon before the perpetual annuity, with an upper limit of five years (unless there are reasons to use a longer period).

Impairments of EUR 5.7 million were recognised in the 2021/2022 financial year. Of this amount, EUR 4.2 million relates to the rights of use of two Barry's Bootcamp clubs (Segment Barry's Bootcamp) with a value in use of EUR 4.7 million, whereas EUR 1.5 million relates to one club of Fitness First Germany GmbH (Segment Fitness First) with a value in use of EUR 4.7 million. This is mainly due to the extremely low number of members, which leads to small payment flows that do not cover the fixed costs included in these rights of use, particularly the incidental costs (storm cleaning costs) for the leased premises. Value appreciation of EUR 2.7 million was applied to rights of use in the reporting year (previous year: zero), mainly due to the fact that the results of operations of the various clubs had improved from the previous year.

		restated
	2021/2022	**2020/2021**
	kEUR	**kEUR**
Depreciation of property, plant and equipment	10.619	10.270
Amortization of other intangible assets	2.671	2.264
Amortization of right-of-use assets	22.021	17.681
Reversal of impairments	-2.746	0
Total	**32.565**	**30.215**

3.8 Financial result, net

Interest income and expenses are entered in the interest result using the effective interest method.

The effective interest rate is the rate that discounts the estimated future outflows and inflows during the expected term of the financial asset to the book value of the financial asset, or the book value of the financial liability.

To calculate the effective interest rate, all contractually agreed payment flows and all charges that are associated with the asset or the liability, and which are an integral part of the effective interest rate, as well as the direct and incremental transaction costs and all other premiums and discounts are taken into account.

Using the effective interest rate, interest income / expenses are applied against the gross book value of the asset or the book value of the liability. If the asset's credit rating has not been impaired, the interest income is calculated at the gross book value. For financial assets whose credit rating has been adversely affected following initial recognition, the interest income is calculated at the net book value.

Moreover, changes to the fair value of the financial assets and liabilities measured at fair value through profit or loss are reported in the financial result. Changes in the fair value of a financial liability due to a change in the debtor's credit rating are not reported in profit or loss.

The table below shows the break-down of the financial result, net:

	2021/2022	restated 2020/2021
	kEUR	kEUR
Interest expenses from leases (IFRS 16)	15.871	16.584
Effective interest on bond	3.812	3.726
Effective interest expenses for shareholder loan	3.686	3.362
Income from fair-value adjustment on embedded derivatives	-291	-333
Interest expenses revolving credit-facility	450	412
Effective interest Earn-Out obgligation InShape	84	0
Miscellaneous	20	-74
Total	**23.631**	**23.677**

3.9 Income taxes and deferred income taxes

Paid or due income taxes, as well as deferred taxes, are shown as income taxes. Tax expenses and income attributable to income taxes can be broken down as follows (cause-based):

	2021/2022	restated 2020/2021
	kEUR	kEUR
Consolidated statement of profit or loss and other comprehensive income		
Income tax expense		
Current income tax:		
Current income tax charge	23	31
Deferred income tax:		
Relating to origination and reversal of temporary differences	-2.377	-3.697
Income tax income recognized in profit or loss	**-2.354**	**-3.666**

The deferred tax income for the reporting year is dominated by the reversal of deferred tax liabilities from uncovered intangible assets from company acquisitions (EUR 0.7 million), and from leasing obligations (EUR 1.1 million).

The reconciliation of reported income taxes with the income taxes expected for the 2022 financial year is as follows:

	2021/2022	restated 2020/2021
	kEUR	kEUR
Loss before taxes	-38.749	-21.049
Theoretical tax income (-) on the basis of the current tax rate of 31.93%	-12.372	-6.721
Effect from unrecognized deferred tax assets arising from the current loss in the fiscal year	9.033	1.505
Additional taxes due non-deductible trade tax additions	1.448	1.619
Non tax-deductible write-offs on receivables	88	517
Miscellaneous	-550	-586
Income taxes (effective tax rate: 31 Oct 202s: 6.1 %; 31 Oct 2021: 17.4 %)	**-2.354**	**-3.666**

As at 31 October 2022, the Group had the following tax-related loss carry-forwards, which can be used to reduce future taxable income:

	2022	2021
	kEUR	kEUR
LifeFit Group MidCo (corporate income tax)	38.816	16.332
LifeFit Group MidCo (trade tax)	29.933	9.386
MFC (corporate income tax)	563	563
MFC (trade tax)	563	563
Tax loss carry-forwards as 3at 1.10.2022 / 31.10.2021	**69.875**	**26.844**

There is a corporate tax and trade affiliation (tax group) with MidCo as the controlling company. The group includes all of the companies that are included in the consolidated financial statements by way of full consolidation (except MFC). The corresponding loss carry-forwards of the financial year can be utilised indefinitely.

Deferred tax claims for the carry-forward of unused tax losses and tax credits are entered at the amount of likely future taxable income (or deferred tax liabilities), against which the unused tax losses / tax credits can be applied. Similar to the (retroactively adjusted) previous year, deferred tax assets are not applied against loss carry-forwards during the reporting year.

The overview below shows the deferred taxes, broken down by the type of the underlying temporary differences:

	31.10.2022	
	kEUR	
	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	2.003
Property, plant and equipment	0	4.184
Right-of-use assets	0	28.588
Shareholder debt	0	670
Financial liabilities	0	31
Lease liability	40.793	0
Other	0	54
	40.793	35.530
Offsetting	-35.530	-35.530
Consolidated statement of financial position	5.262	0

	restated 31.10.2021	
	kEUR	
	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	2.175
Property, plant and equipment	0	4.583
Right-of-use assets	0	30.120
Shareholder debt	0	1.070
Financial liabilities	0	51
Lease liability	41.259	0
Other	116	0
	41.375	37.999
Offsetting	-37.999	-37.999
Consolidated statement of financial position	3.375	0

Deferred tax claims and deferred tax liabilities are offset if the Group has an actionable right to offset the actual tax claims against actual tax liabilities and if these claims/liabilities relate to income taxes that are imposed by the same tax office for the same tax-paying entity.

According to German tax law, income taxes consist of corporate taxes (15.0%), trade taxes and the solidarity surcharge (0.825%). The effective trade tax rate depends on the company's location and number of employees. In the financial year, this rate was 16.1% (previous year: 16.1%).

4. Non-current assets

This section of the Notes includes explanations for the Group's long-term assets. It includes:

- Reconciliations for changes in significat capital amounts (Notes 4.1 and 4.2)
- Information about leases (Note 4.3)
- Business combinations (Note 4.4)

4.1 Property, plant and equipment

This item developed as follows:

	Leasehold improvements	Other equipment, furniture and fixtures	Prepayments and assets under construction	**Total**
	kEUR	kEUR	kEUR	**kEUR**
Cost				
as of 1 November 2021	**35.677**	**20.504**	**2.110**	**58.291**
Additions from business combinations	1.369	1.846	22	3.236
Additions	2.280	3.067	7.123	12.470
Reclassifications	689	130	-819	0
Disposals	-52	-563	0	-616
Costs as of 31 October 2022	**39.962**	**24.984**	**8.436**	**73.382**
Amortization and impairment losses				
as of 1 November 2021	**12.392**	**7.133**	**0**	**19.525**
Additions during the period	6.034	4.585	0	10.619
Disposals	-46	-511	0	-557
Amortization and impairment losses as of 31 October 2022	**18.381**	**11.207**	**0**	**29.587**
Net carrying amounts 31 October 2022	**21.581**	**13.777**	**8.436**	**43.794**

	Leasehold improvements	Other equipment, furniture and fixtures	Prepayments and assets under construction	**Total**
	kEUR	kEUR	kEUR	**kEUR**
Cost				
as of 1 November 2020	**31.275**	**21.134**	**5.949**	**58.358**
Additions	1.974	1.858	709	4.541
Reclassifications	4.454	94	-4.548	0
Disposals	-2.026	-2.582	0	-4.608
Costs as of 31 October 2021	**35.677**	**20.504**	**2.110**	**58.291**
Amortization and impairment losses				
as of 1 November 2020	**8.145**	**4.847**	**0**	**12.992**
Additions during the period	5.739	4.531	0	10.270
Impairment charges	0	0	0	0
Disposals	-1.492	-2.245	0	-3.737
Amortization and impairment losses as of 31 October 2021	**12.392**	**7.133**	**0**	**19.525**
Net carrying amounts 31 October 2021 (restated)	**23.285**	**13.371**	**2.110**	**38.766**

Regarding information about pledges for property, plant and equipment, we refer to section 7.8 Other financial obligations, guarantees, contingent liabilities.

At least once a year, the Group examines whether there are indications that the value of property, plant and equipment may have declined. To this end, it checks whether the income trend of the clubs is below their book value, or if it is declining. A full impairment test is carried out for clubs that show indications of a reduction in value. The book values of their assets are compared to the income forecast to determine whether assets that will be used in the continued business have reduced in value. For additional information, please see Note 3.6.

4.2 Intangible assets

Intangible assets changed as follows:

	Goodwill kEUR	Customer bases and contracts/ brand name kEUR	Licenses, software and other kEUR	Total kEUR
Costs				
as of 1 November 2021	**26.456**	**11.636**	**1.853**	**39.945**
Additions from business combinations	7.387	1.640	660	9.687
Additions during the period	0	0	679	679
Disposals	0	0	0	0
Costs as of 31 October 2022	**33.843**	**13.276**	**3.192**	**50.311**
Amortization and impairment losses				
as of 1 November 2021	**900**	**4.526**	**714**	**6.140**
Additions during the period	0	2.215	456	2.671
Disposals	0	0	0	0
Amortization and impairment losses as of 31 October 2022	**900**	**6.741**	**1.170**	**8.811**
Net carrying amounts 31 October 2022	**32.943**	**6.535**	**2.022**	**41.501**

	Goodwill kEUR	Customer bases and contracts/ brand name kEUR	Licenses, software and other kEUR	Total kEUR
Costs				
as of 1 November 2021	**26.456**	**11.636**	**1.512**	**39.604**
Additions during the period	0	0	269	269
Additions from business combinations	0	0	72	72
Costs as of 31 October 2021	**26.456**	**11.636**	**1.853**	**39.945**
Amortization and impairment losses				
as of 1 November 2021	**900**	**2.516**	**460**	**3.876**
Additions during the period	0	2.010	254	2.264
Amortization and impairment losses as of 31 October 2021	**900**	**4.526**	**714**	**6.140**
Net carrying amounts 31 October 2021	**25.556**	**7.110**	**1.139**	**33.805**

The residual book value of the SmileX brand is kEUR 3,659 (previous year: kEUR 3,970). The remaining useful life is 12 years.

The residual book values of the customer contracts amount to kEUR 2,876 (previous year: kEUR 2,926). The remaining useful life is seven years for Elbgym, four years for InShape and one year for SmileX.

Goodwill

On the date of acquisition, the goodwill that is acquired in the context of a business combination is assigned to the cash-generating units (CGUs) that are expected to benefit from the business combination. Accordingly, a book value of the goodwill was allocated to the CGUs Elbgym (kEUR 3,096) and SmileX (EUR 23,360) for the short financial year ending on 31 December 2019. During the reporting year, a goodwill book value of kEUR 5,977 was allocated to the CGU InShape in the context of the business combination; a goodwill book value of kEUR 1,411 was allocated to the CGU Elbgym.

During the reporting year (and in the previous year), the recoverable amounts of the CGUs were derived from calculations of the value in use. The recoverable amount for the LifeFit Group was calculated on the basis of calculated values in use, which included key assumptions relating to discount rates, growth rates and expected changes to sales prices, along with directly attributable costs. A lot of discretion was used to develop these assumptions; among other things, the assumptions reflected the Group's capital costs and group management's assessment of the economic environment as well as the interest rate effect and the risks of each CGU. The cash flow forecasts were based on industry-wide forecasts as well as assumptions for the Group's future success, particularly with regard to the ability to generate new clients and maintain existing clients.

For the cash flow forecasts, the Group used the most recent financial plans that were prepared by group management for the next three years. Cash flows after this period were extrapolated with an estimated long-term growth rate, assuming a perpetual annuity. In the 2022 financial year, this growth rate is 1.0% (previous year: 0.5%). The discount rates were based on the weighted average capital costs (WACC). The calculation of the equity interest rates was done applying the Capital Asset Pricing Model (CAPM). Thus, the equity interest rate results from the risk-free base interest rate and a risk premium. The calculation of the risk premium bases on data of benchmark companies in the industry (peer group). The debt interest rate is calculated considering the interest rate of risk-free assets and a rating-dependent risk premium. The resulting WACC represents an after-tax figure and is recalculated for impairment testings into a pre-tax figure. The discount rate used for cashflow forecasts after tax amounts to 9,9% (PY: 8,2%). The respective discount rates pre-tax amount to 13,8% for FitnessFirst, 13,3% for ElbGym, 10,7% for InShape and 14,0% for SmileX.

Following a review of the earning capacity of SmileX, Elbgym and InShape, no impairments were applied in the 2022 financial year (same as in the previous year).

With goodwill of EUR 23.4 million, SmileX has “headroom” of EUR 22.7 million (previous year: EUR 0.2 million).

With goodwill of EUR 3.5 million, Elbgym has “headroom” of EUR 13.0 million (previous year: EUR 1.1 million).

With goodwill of EUR 6.0 million, InShape has “headroom” of EUR 2.1 million.

The main critical parameters for the impairment tests were the long-term growth rate (a key driver for the EBITDA) and the discount rate. However, group management is aware that a change in the aforementioned parameters (such as a higher discount rate or a lower growth rate, or a combination of both) could have a negative effect and could cause the recoverable amount to fall below the book value. The EBITDA of EUR 17.7 million (previous year: EUR 33.0 million) is calculated from the EBIT of EUR -14.8 million (previous year: EUR 2.8 million) from the consolidated statement of comprehensive income, plus the depreciation/amortisation of EUR 32.6 million (previous year: EUR 30.2 million) from the consolidated statement of comprehensive income.

The sensitivity analysis for CGU SmileX and Elbgym revealed that there is sufficient “headroom” between the CGU's recoverable amount and the book value considering the critical parameters. Management has found that a possible change of up to 100 basis points with regard to two major assumptions could not lead to a situation in which the book value exceeds the recoverable amount.

The sensitivity analysis for CGU Elbgym revealed that there is sufficient “headroom” between the CGU's recoverable amount and the book value. Management has found that a possible change of up to 100 basis points relating to two major assumptions could not lead to a situation in which the book value exceeds the recoverable amount.

In the case of InShape, the sensitivity analysis revealed sufficient “headroom” between the CGU's recoverable amount and the book value, with the following result: Only the following changes would lead to additional impairments:

- An increase in the discount rate to 10.9% after taxes would reduce the value of the goodwill by EUR 0.5 million.

- A reduction in the forecast EBITDA by 10.0% would lead to an impairment of EUR 1.0 million.
- A 0.8% decrease in the growth rate would lead to an impairment of 0.3.

For additional information, please see Note 3.7.

4.3 Leases

The table below shows the book values of the entered rights of use and the changes during the reporting period:

	Leasehold improvements kEUR	Other equipment, furniture and fixtures kEUR	Total kEUR
As of 31 October 2020 (restated)	**108.543**	**5.540**	**114.083**
Additions / deletions	-2.040	446	**-1.594**
Amortization expense	-15.828	-1.853	**-17.681**
As of 31 October 2021 (restated)	**90.675**	**4.133**	**94.808**
Additions from business combinations	11.519	0	**11.519**
Additions / deletions	538	1.946	**2.484**
Amortization expense	-14.202	-2.144	**-16.346**
Reversal of impairment charges	2.746	0	**2.746**
Impairment charges	-5.675	0	**-5.675**
As of 31 October 2022	**85.600**	**3.935**	**89.535**

During the reporting year (and analogously in the previous year), there were no changes regarding the gross value of the rights of use, which are based on changes to estimates regarding the exercise of options. The additions refer to new contracts, or to contract extensions / adjustments that were not included in the original contract.

The leasing liability for leased assets per asset class is as follows:

	As of 31 October 2022 kEUR	restated As of 31 October 2021 kEUR	restated As of 31 October 2020 kEUR
Leasehold improvements	124.488	124.915	139.128
Other equipment, furniture and fixtures	4.782	4.301	5.690
	129.270	**129.216**	**144.818**

Maturity of lease liabilities	kEUR	restated As of 31 October 2022 kEUR	restated As of 31 October 2021 kEUR
Current (within one year)	16.619	12.737	11.880
Non-current (more than one year)	112.651	116.479	132.938
	129.270	**129.216**	**144.818**

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

The table below shows the amounts entered through profit or loss:

	2022 kEUR	2021 kEUR
Amortization / reversal of impairment charges	19.275	17.681
Interest expenses	15.871	16.584
Total (restated)	**35.146**	**34.265**

Between 1 November 2021 and 31 October 2022, the Group's cash outflows for leases totalled EUR 29 million (previous year: EUR 28 million).

Similar to the previous year, during the reporting year the Group did not enter into any contractual leases that have a term of less than one year ("short-term") and that fall under the materiality level (EUR 5,000) of IFRS 16 ("small ticket").

Leases that have not started

Before 31 October 2022, the Group did not enter into new leasing contracts that only start after the balance sheet date.

Extension options

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

The recognised right-of-use assets are amortized over the respective estimated useful live and tested for impairment if certain indicators are met. According to the group`s internal accounting guidelines, an impairment test is required if the cash-EBITDA is below EUR 150,000 in two consecutive years. New clubs (until 2 years after opening) are considered for impairment testing after the ramp-up phase.

The impairment testing for right-of-use assets is performed on the basis of each CGU (club).

In the reporting period and the prior year the recoverable amounts of the CGUs were based on calculations of the value in use considering key assumptions. Those relate to discount rates, growth rates and expected changes in sales pricing and allocated costs with a high level of management estimations with regards to cost of capital, futures economic development, impact of interest rates and risks of each CGU. The cashflow projections are based on industry forecasts and the assumption about the group`s ability to gain new yoiner and retain existing members.

The cashflow projections refer to the group`s cashflow planning for a period of three years. Cashflows thereafter are extrapolated with an indefinite rate. In fiscal year 2022 the growth rate amounts to 1,0 % (prior year: 0,5%). The discount rate is calculated based on Weighted Average Costs of Capital (WACC). The equity interest rate were calculated by using the Capital Asset Pricing Model (CAPM). The underlying discount rate after tax amounts to 9,9% (PY: 8,2%). Due to the loss making tax situation of the group, the use of pre-tax rates cannot be applied.

For additional information, please see Note 3.7.

4.4 Business Combinations

Purchase of shares 3 plus 5 Management GmbH & Co. KG

On 30 September 2021, elbgym GmbH signed a contract with Bastian Benjamin Bienlein, Berlin, Andreas Buchalla, Hamburg, Max Döringer, Hamburg, Lisa Maus, Hamburg and Wilhelm Schröter, Elmshorn, for the purchase of all shares in 3 plus 5 Management GmbH & Co. KG (domiciled in Hamburg) for a preliminary purchase price of kEUR 623 (final purchase price kEUR 618). 3 plus 5 Management GmbH & Co. KG is a franchisee that operates an elbgym fitness studio in the Hofstatt district in Munich. The agreed transfer date was 1 November 2021.

On 1 November 2021, the fair value of the company's identifiable assets and liabilities was as follows:

	Carrying amount	Step-up	kEUR Fair value
Assets			
Fixed assets	303	0	303
Trade receivables	19	0	19
Other non-financial assets	2	0	2
Cash	31	0	31
Total assets acquired	**355**	**0**	**355**
Liabilities			
Other provisions	26	0	26
Trade payables	476	0	476
Other non-financial liabilities	4	0	4
Total liabilities assumed	**506**	**0**	**506**
Net assets acquired	-151	0	- 151
Goodwill arising on acquisition			769
Total consideration			**618**

The transaction does not have any material effect on the Group's net assets, financial position and results of operations. No material unrealized gains were uncovered.

The company was amalgamated with elbgym GmbH during the reporting year. The reported goodwill mainly relates to the name recognition of the companies and products.

The reason for the transaction is the expansion and extension of the multi-brand strategy.

Purchase of shares 4 plus 2 Management GmbH & Co. KG

On 30 September 2021, elbgym GmbH signed a contract with Bastian Benjamin Bienlein, Berlin, Andreas Buchalla, Hamburg, Max Döringer, Hamburg, Lisa Maus, Hamburg and Wilhelm Schröter, Elmshorn, for the purchase of all shares in 4 plus 2 Management GmbH & Co. KG (domiciled in Hamburg) for a preliminary purchase price of kEUR 777 (final purchase price kEUR 803). 4 plus 2 Management GmbH & Co. KG is a franchisee that operates an elbgym fitness studio in the Stadthöfen, Hamburg. The agreed transfer date was 1 November 2021.

On 1 November 2021, the fair value of the company's identifiable assets and liabilities was as follows:

	Carrying amount	Step-up	kEUR Fair value
Assets			
Fixed assets	322	0	322
Trade receivables	62	0	62
Other non-financial assets	60	0	60
Cash	151	0	151
Total assets acquired	**595**	**0**	**594**
Liabilities			
Other provisions	26	0	26
Trade payables	355	0	355
Other non-financial liabilities	52	0	52
Total liabilities assumed	**433**	**0**	**433**
Net assets acquired	162	0	161
Goodwill arising on acquisition			642
Total consideration			**803**

The transaction does not have any material effect on the Group's net assets, financial position and results of operations. No material unrealized gains were uncovered.

The company was amalgamated with elbgym GmbH during the reporting year. The reported goodwill mainly relates to the name recognition of the companies and products.

The reason for the transaction is the expansion and extension of the multi-brand strategy.

Purchase of shares - InShape Group

On 16 March 2022, Shape InterCo GmbH, Munich (a new subsidiary of MidCo with a share capital of kEUR 25) and the shareholders of In Shape Holding GmbH, Göppingen, signed a contract for the purchase of all shares for a fixed purchase price of EUR 3,000,000. Through eight GmbH (limited liability company) subsidiaries, In Shape Holding GmbH operates 13 fitness studies in south-western Germany. In addition to the fixed purchase price, another EUR 1,000,000 (maximum) must also be paid as an additional purchase price once the approved and audited annual financial statements for 31 December 2021 are available and they do not deviate from the draft statements that were used as a basis for calculating the purchase price.

Moreover, a maximum “earn-out” of EUR 11,000,000 has also been agreed. It is tied to achieving EBTIDA objectives and relates to the periods 1 May 2022 to 30 April 2023, and 1 May 2023 to 30 April 2024. Management expects that this will result in a payment of at least EUR 2.5 million.

At the time of purchase on 1 May 2022, the fair value of the company's identifiable assets and liabilities was as follows:

	Carrying amount	Step-up	kEUR Fair value
Assets			
Intangible assets	714	1.640	2.354
Fixed assets	2.601	0	2.601
Inventories	33	0	33
Trade receivables	254	0	254
Income tax receivables	197	0	197
Other non-financial assets	1.442	0	1.442
Cash	1.013	0	1.013
Total assets acquired	**6.254**	**1.640**	**7.894**
Liabilities			
Other provisions	15	0	15
Trade payables	1.420	0	1.420
Other non-financial liabilities	1.280	0	1.280
Other financial liabilities	3.983	0	3.983
Deferred tax liabilities	20	476	496
Total liabilities assumed	**6.718**	**476**	**7.194**
Net assets acquired	-464	1.164	700
Goodwill arising on acquisition			5.977
Total consideration			**6.677**

The transferred consideration is broken down as follows:

		kEUR
Purchase price, fix		3.000
Additional purchase price		1.000
Earn-out tranche I		1.000
Dicounting earn-out tranche I	-	58
Earn-out tranche II		1.953
Dicounting earn-out tranche II	-	219
Total consideration		**6.677**

Taking into account the acquired bank balances of kEUR 1,1013, cash outflows for the 2021/2022 financial year amount to kEUR 2,987. The transaction also resulted in incidental purchase costs of around EUR 0.4 million.

The liabilities from the earn-out tranches I and II total kEUR 2,953. They were discounted to the balance sheet date using an interest rate of 6.8%. The additional purchase price components depend on the achievement of a minimum operating profitability value for the acquired companies. If this value cannot be reached, it would lead to a reduction in the earn-out tranches (between kEUR 250 and kEUR 500).

The transaction does not have any material effect on the Group's net assets, financial position and results of operations. If the transaction had taken place in the previous year, it would have had an effect of approximately EUR 4.6 million on sales revenues and approximately EUR -0.8 million on the group result. The reported goodwill mainly relates to the name recognition of the companies and products.

The reason for the transaction is the expansion and extension of the multi-brand strategy.

5. Current assets

This section in the Notes contains additional information which in the opinion of management is most relevant to understanding the structure and management of the Group's net current assets:

- Inventories (Note 5.1)
- Trade receivables (Note 5.2)
- Current income tax assets (Note 5.3)
- Other non-financial assets (Note 5.4)
- Cash and cash equivalents (Note 5.5)

5.1 Inventories

Stocks are broken down as follows:

	2022 kEUR	2021 kEUR
Food and beverages	504	671
Merchandising products	81	80
Miscellaneous	157	158
Wertberichtigungen	-44	-44
Total	**698**	**865**

5.2 Trade receivables

	2022 kEUR	restated 2021 kEUR
Trade receivables	1.839	920
Allowances	0	-7
Total	**1.839**	**913**

The fair value of the receivables essentially corresponded to their book value. The book values of all trade receivables and other receivables of the Group are shown in euros.

The risk provision changed as follows:

	2022 kEUR	2021 kEUR
As of 1 November 2021 / 1 November 2020	7	641
Additions	0	0
Utilization / reversals	-7	-634
As of 31 October 2022/ 31 October 2021	**0**	**7**

Start-up and membership fees are collected by direct debit, which means that in the course of normal business activities, the amount of overdue receivables usually remains limited.

5.3 Current income tax assets

Income tax claims of kEUR 171 (previous year: kEUR 396) mainly consist of capital gain taxes as well as pre-tax group refund claims of former InShape companies (previous year: SmileX companies).

5.4 Other non-financial assets

	2022 kEUR	restated 2021 kEUR
Rent deposits	1.871	1.676
Deferred charges	1.180	1.034
Receivables state aid	0	23.135
VAT receivables	0	1.025
Receivables from ancillary rental costs	0	420
Miscellaneous	2.105	1.591
Total	**5.156**	**28.881**

Of the other non-financial assets, kEUR 1,871 (previous year: kEUR 1,676) have a residual term of more than one year.

For rent deposits, the company uses guarantees that are provided by the Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken. Besides the monthly guarantee fee, the bank also demanded collateral that was provided in the form of a fund-linked life insurance policy (due date: 1 February 2066). In this context, the company functions as the policyholder and premium payer, while FinanzGruppe Volksbanken Raiffeisenbanken acts as the secured party. A one-time payment of kEUR 1,560 has been made. The insurance is used to invest in an exchange traded fund (15,154.978613 shares), whose buy-back value in the market was kEUR 1,552 on the closing date (previous year: kEUR 1,676). The impairment of kEUR 124 (previous year: increase of kEUR 116) was entered in the financial result through profit or loss.

There are also rent deposits of kEUR 319, which were issued by the InShape Group.

All of the receivables from state subsidies that were reported in the previous year were collected during the reporting year.

The item “Other” mainly consists of receivables from health insurance funds and the Bundesagentur für Arbeit, suppliers with debit balances (e.g. overpayments from incidental rental costs) and receivables from employees.

5.5 Other financial assets

Other financial assets of EUR 1.0 million (previous year: EUR 0.0 million) relate to financial receivables from the former shareholder of the InShape Group.

5.6 Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	2022	2021
	kEUR	**kEUR**
Cash in bank and on hand	8.390	23.030
Cash in hand	14	10
Total	**8.404**	**23.040**

6. Equity and debt capital structure

This section in the Notes contains information about financing items such as equity, financial liabilities, financial instruments and the corresponding financial risk management activities.

- Equity (Note 6.1)
- Financial liabilities (Note 6.2)
- Shareholder debt (Note 6.3)
- Financial instruments and financial risk management (Note 6.4)
- Trade payables (Note 6.5)
- Other non-financial liabilities (Note 6.6)
- Other financial liabilities (Note 6.7)
- Other provisions (Note 6.8)
- Income tax liabilities (Note 6.9)

6.1 Equity capital

The development of equity is shown in the consolidated statement of changes in equity.

Subscribed capital

All of the fully paid capital stock is held by LifeFit Group TopCo GmbH, Munich, and consists of EUR 26,416 of individual shares (previous year: EUR 26,416).

Capital reserve

As at 31 October 2022, the capital reserve amounted to kEUR 99,521 (previous year: kEUR 99,521).

Retained earnings

The retained earnings that were attributable to the owners of the parent company amounted to kEUR -196,425 (previous year, retroactively adjusted: kEUR -160,029). They are mainly due to the fact that the earnings of companies under joint control were accounted for as a pooling of interests in 2019 and 2020. As a result, an negative amount of kEUR 111,194 was posted to equity. On the other side, there was the equity portion of the shareholder loans in the amount of kEUR 5,024 (for more information, see Note 6.3). Moreover, particularly the results of the three previous year periods and the current financial year led to a corresponding reduction in retained earnings.

6.2 Financial liabilities

	Interest rate	Maturity	As of 31 October 2022 kEUR	As of 31 October 2021 kEUR
Current interest-bearing loans and borrowings				
Lease liabilities	5% - 15%	2023 (PY.: 2022)	16.619	12.737
Revolving credit facility	3% +EURIBOR + (1,5% PIK from Feb 2021)	(PY.: 2022)	10.263	10.113
Bond	7,5% + 3-Monats-EURIBOR + (2,0% PIK from Jan 2023)	26 July 2023	39.590	0
Embedded derivative	Floor at 0% and prepayment option included in bond		0	0
Total current interest-bearing loans and borrowings			**66.472**	**22.850**
Non-current interest-bearing loans and borrowings				
Lease liabilities	4.45% - 7.20%	2022 - 2036	112.651	116.479
Bond	7.5% + 3M EURIBOR	26 July 2023	0	38.644
Embedded derivative	Floor at 0% and prepayment option included in bond		0	291
Total non-current interest-bearing loans and borrowings			**112.651**	**155.414**

Leasing liabilities

The interest rates for the leasing liabilities (short-term portion) are shown as the average interest rate. A bandwidth of interest rates (depending on the term of the lease) is shown for the long-term portion.

Bond

Terms on the balance sheet date:

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

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

The option granted to the company (which could lead to a higher issue volume), as well as the option to repay the already issued volume, are not closely tied to the underlying contract due to the design of the contract's terms and conditions, therefore they are stated separately from the contract. The recognition of these options as well as the lower interest threshold agreement regarding the 3-month EURIBOR (to zero) were classified and reported as a derivative component or a financial derivative liability measured at the fair value, since these were not determined by different risks.

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

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

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

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

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

Revolving credit facility

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

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

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

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

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

Interest of kEUR 263 was accrued during the reporting year (previous year: kEUR 113).

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

IBOR Benchmark Reform

As a result of the IBOR Benchmark Reform [EU Benchmark Regulation (BMV) 2016/1011], the LIBOR-based loan agreements are converted as of 1 January 2022. The EURIBOR-based financial transactions are not affected by the conversion. The EURIBOR was already reformed to conform with the BMV in

November 2019, and will be continued to be used as the reference rate for the time being. The MidCo Group does not (and did not) have any LIBOR-based loan agreements.

On the balance sheet date, financing based on EURIBOR was as follows:

- Bond, with a volume of EUR 40.0 million and a maturity of 26 July 2023.
- Revolving credit line with a volume of EUR 10.0 million and a term ending 26 July 2023.

The bond and revolving credit line do not include any provisions for adjusting the interest rate in the event the EURIBOR is discontinued.

6.3 Shareholder debt

	2022	**2021**
	kEUR	**kEUR**
Principal Shareholder Loan (FFL to MidCo), nominal	22.164	23.548
Recognition in equity of the portion bearing interest at a below-market rate	-3.214	-3.415
Accrued interest (effective interest method)	7.049	4.989
	25.999	**25.122**
Principal Shareholder Loan (TopCo to MidCo)	10.000	10.000
Recognition in equity of the portion bearing interest at a below-market rate	-1.419	-1.419
Accrued interest (effective interest method)	3.098	2.042
	11.679	**10.623**
Principal Shareholder Loan (TopCo to MidCo)	2.716	1.332
Recognition in equity of the portion bearing interest at a below-market rate	-386	-188
Accrued interest (effective interest method)	842	272
	3.172	**1.416**
Short-term loan (TopCo to MidCo)	**2.004**	**0**
Loan from FFGH to Barrry's Bootcamp	**936**	**936**
Total	**43.790**	**38.097**

FFGH - (Fitness First Germany Holdings GmbH – subsidiary of Fitness First Luxembourg S.C.A.)

On 30 June 2019, Fitness First Luxembourg S.C.A., Luxembourg (transferred to TopCo in 2020, hence TopCo is now the lender) provided MidCo with a subordinate loan of kEUR 23,548. The loan has a term ending on 31 January 2024 and must be paid back at the end of the term. Redemption and/or interest payments before the end of the term are not allowed. The interest rate for the loan is 7% p.a. Interest must be paid retroactively at the end of the term when the loan is repaid. No additional interest is applied to the interest rate.

Moreover, TopCo provided MidCo with a subordinated loan of kEUR 10,000 with an effective date of 27 July 2019. The loan has a term ending on 31 January 2024 and must be paid back at the end of the term. Redemption and/or interest payments before the end of the term are not allowed. The interest rate

for the loan is 7% p.a. Interest must be paid in full retroactively at the end of the term when the loan is repaid. No additional interest is applied to the interest rate.

Effective 6 August 2019, TopCo provided MidCo with another subordinated loan of kEUR 1,332. The loan has a term ending on 31 January 2024 and must be paid back at the end of the term. Redemption and/or interest payments before the end of the term are not allowed. The interest rate for the loan is 7% p.a. Interest must be paid in full retroactively at the end of the term when the loan is repaid. No additional interest is applied to the interest rate.

During the reporting year, assignments / offsets were applied between the loans with the original nominal amounts of kEUR 23,548 and kEUR 1,332, so that the nominal amounts as at 31 October 2022 were kEUR 22,164 and kEUR 2,716.

The aforementioned loans concern low-interest loans, which were issued on the basis of the business relationship. This has the following effect on the balance sheet and the statement of comprehensive income:

In terms of accounting, the loans are divided into loans granted at the regular terms and conditions, and a contribution by the shareholder. In this context, the present value of the interest advantage is allocated to the capital reserve. These differences are subsequently applied against? the financial result over the term of the loan (to 31 January 2024), using the effective interest method. A market rate of 9.84% was calculated at the time of approval. This rate was used for discounting purposes and now corresponds to the effective interest rate. The difference between the nominal amount and the present value (kEUR 5,024) was entered as a contribution to equity capital.

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

The claims from the prior-ranking, secured and callable bond take precedence over the respective lenders' claims against the borrower from and in connection with the shareholder loan. This applies particularly to their claims for the payment of the principal and interest, and their other secondary claims ("subordinate claims").

Effective 12 December 2022, the company's shareholder approved a short-term loan of EUR 2.0 million. The loan has a term ending on 2 February 2025 and an interest rate of 5.0%. It was already paid before the balance sheet date.

6.4 Financial instruments and financial risk management

Capital management

The Group's capital structure consists of financial liabilities, shareholder loans, leasing liabilities, cash and cash equivalents, and reserves.

The Group monitors the capital on the basis of financial liabilities and other financial instruments, divided by the sum of assets:

	2022 kEUR	2021 kEUR
Total financial liabilities	222.913	227.178
Less: Cash and cash on hand	-8.404	-23.040
Nebt debt	**214.509**	**204.137**
Total equity	-96.878	-22.522
Total assets	198.049	243.899
Equity to Assets Ratio	**-48,9%**	**-9,2%**

Treasury policy and financial risk management

The Group's financial instruments, with the exception of derivative financial instruments, are comprised of leasing liabilities, loans from parties outside of the Group, loans from related parties, cash and cash equivalents along with liquid assets, as well as various other items such as other financial liabilities, trade receivables and trade liabilities, and advance payments by customers.

At this time, independent derivative financial instruments are not being used for any purpose.

The main risks resulting from the Group's financial instruments consist of liquidity and financing risks, cash flow-interest risks and default risks. Company management develops strategies and methods for managing the various risk types, which are described below.

Liquidity and financing risk

The liquidity and financing risk is the risk that the Group may not be able to service its financial obligations when they are due. The Group finances its business operations through a combination of payment instruments that are generated from operating activities, loans from parties outside the Group and from related parties, as well as leases and other financial obligations. The Group monitors the due date of financial liabilities, in order to avoid the risk of a liquidity bottleneck.

There are no financial constraints with regards to liabilities to related parties.

The table below shows the contractual terms of the financial liabilities for the reporting year and the (retroactively adjusted) previous year:

	daily	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
2022						
Bond	0	750	2.250	45.550	0	**48.550**
Revolving credit facility	0	113	339	10.867	0	**11.318**
Lease liabilities	0	7.832	23.495	99.755	69.556	**200.637**
Shareholder debt	0	0	0	48.394	0	**48.394**
Trade payables	13.789	0	0	0	0	**13.789**
Other financial liabilites	0	0	50.264	46	0	**50.310**
Total	**13.789**	**8.694**	**76.348**	**204.612**	**69.556**	**372.998**

	daily	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
2021						
Bond	0	750	2.250	42.500	0	**45.500**
Revolving credit facility	0	10.050	112	0	0	**10.162**
Lease liabilities	0	7.037	21.110	102.720	77.484	**208.350**
Shareholder debt	0	0	0	45.786	0	**45.786**
Trade payables	14.163	0	0	0	0	**14.163**
Other financial liabilites	0	0	47.176	294	0	**47.470**
Total	**14.163**	**17.837**	**70.648**	**191.300**	**77.484**	**371.431**

* Bond liabilties, which were originally due 26 July 2023 are treated according to the new maturity terms.
Shareholder debt is due February 2025.

In the context of loan agreements, compliance with various financial ratios (Financial Covenants) was agreed; all covenants were adhered to during the reporting period. The most important financial indicators are the ratio of net debt to EBITDA and the interest coverage factor. In the context of group planning activities, compliance with the loan agreements (covenants) is rigorously monitored and reported to the creditors on a quarterly basis. In the event of a breach of the loan agreements, the creditors could call in the relevant loans under certain conditions, regardless of the contractually agreed term. Depending on the volume of the loan and the prevailing refinancing options in the financial market, this could lead to a refinancing risk for the Group.

Interest risk

The interest risk is the risk that the fair value or future cash flow of a financial instrument could fluctuate due to changing market interest rates. The interest rate for liabilities to related parties is fixed and is therefore not subject to fluctuation.

The interest risk is the risk that the fair value of the future cash flows of a financial instrument could fluctuate due to changes in the market interest rate. This risk always occurs if the interest conditions of financial assets and liabilities are not the same. The Accounting department uses fixed or variable interest rates from bond issues as well as derivative financial instruments to ensure comprehensive and group-wide interest risk management, with the goal of managing the interest risk, the interest income and the interest expenses of the Group. The interest risk mainly arises from the Group's debt financing

(bond, revolving credit line and shareholder loans). The Accounting department provides the required financing for the entire Group in the form of an internal cash pool. The interest change risk is as follows:

	2022	2021
Assumed change in interest-rates	**kEUR**	**kEUR**
minus 50 basis points	-250	-250
current interest expenses bond and revolver (one year)	4.262	3.988
plus 50 basis points	250	250

	2022	2021
Assumed change in interest-rates	**EUR k**	**EUR k**
minus 50 basis points	-219	-190
current interest expenses shareholder debt (one year)	3.686	3.362
plus 50 basis points	219	190

Default risk

The default risk is the risk that a counterparty fails to meet its contractual obligations and this leads to a financial loss for the Group. The risks apply to trade and other receivables, as well as to financial assets.

The Group is subject to a default risk with regards to its trade receivables and other receivables. Management does not believe that this is a major risk for the Group, as it is distributed over a large number of counterparties.

A default risk may also occur with regards to other financial assets of the Group if a counterparty becomes insolvent, particularly in the case of cash and cash equivalents. The maximum risk corresponds to the book value of these instruments.

The Group manages these risks by distributing its cash and cash equivalents, and its derivative financial instruments, over a series of counterparties, and by monitoring the credit rating of these institutions. Management believes that the default risk for these financial instruments is limited, since the Group mainly deals with banks that have a high credit rating.

At this time, there are no significant amounts of overdue receivables.

In the context of ordinary activities, it is very unlikely that the value of trade receivables will be reduced, because customers pay by credit card or direct debit. In the case of a return debit, an impairment is created for the full amount of these receivables, and the contract with the customer is terminated without notice.

For other trade receivables, e.g. from the disposal of clubs or assets, provisions are created on an individual basis, if there are indications that these receivables become doubtful.

The Group is also vulnerable to the risk that credit lines that have been promised but are still unused are cancelled if one of the Group's banks finds itself in financial difficulties. This risk is mitigated by arranging credit lines with numerous counterparties.

Fair value of financial assets and financial liabilities

	Valuation Hirachy IFRS 13	Book value	Fair value
		kEUR	kEUR
2022			
Financial assets			
Cash and cash on hand		8.404	8.404
Trade receivables	Level 2	1.839	1.839
Financial liabilities			
Lease liabilities	Level 2	-129.270	-129.270
Trade payables	Level 2	-13.789	-13.789
Shareholder debt	Level 3	-43.790	-43.470
Bond	Level 3	-39.590	-39.121
Revolving credit facility	Level 3	-10.263	-12.090
Earn-out-liabilities (InShape)	Level 3	-2.760	-2.760
Deferred revenue "lockdown"	Level 2	-45.937	-45.937
Miscellaneous	Level 2	-1.613	-1.613
		-226.459	**-227.496**
2021			
Financial assets			
Cash and cash on hand		23.040	23.040
Trade receivables	Level 2	913	913
Financial liabilities			
Lease liabilities	Level 2	-129.216	-129.216
Trade payables	Level 2	-14.163	-14.163
Shareholder debt	Level 3	-38.097	-36.855
Bond	Level 3	-38.935	-38.816
Revolving credit facility	Level 3	-10.113	-10.113
Other financial liabilites			
Deferred revenue "lockdown"	Level 2	-46.661	-46.661
Miscellaneous	Level 2	-809	-809
		-254.041	**-252.681**

The fair value of cash and cash equivalents is equal to the book value.

Trade receivables are assigned to the measurement hierarchy of Level 2, since there is no active market for identical financial instruments. The valuation is based on the amount of the expected future cash inflows. All trade receivables are short-term.

Trade payables, other financial liabilities and leasing obligations are assigned to the measurement hierarchy of Level 2, as there is no active market for identical financial instruments for these types of obligations. These liabilities are valued at the amount of the future payments. Long-term liabilities are discounted to the present value using the borrowing rate.

The fair value of the shareholder loans (classified at amortised cost), the bond and the revolving credit line was calculated using a DCF method. The payment flows of this liability are determined by the Group's debt ratio, which means that the valuation must be assigned to the measurement hierarchy Level 3 pursuant to IFRS 13.

The financial liabilities measured at the fair value include liabilities from the acquisition of the InShape Group (earn-out liability). The valuation of this liability is explained in Note 4.4 and falls under Level 3 of the measurement hierarchy pursuant to IFRS 13.

6.5 Trade payables

	2022 kEUR	restated 2021 kEUR
Trade payables	13.789	14.163
Total	**13.789**	**14.163**

Trade payables are not interest-bearing and usually have a term of 60 days (maximum). As at 31 October 2022, all trade payables have a residual term of up to one year (same as the previous year).

6.6 Other non-financial liabilities

	2022 kEUR	restated 2021 kEUR
Deferred revenues from prepaid member fees	1.970	775
Payroll payable	1.107	849
Vacation obligation	659	641
Wage and church tax	330	301
VAT payable	234	0
Social security contributions	14	23
Deferred revenue "lockdown"	0	2.084
Miscellaneous	143	9
Total	**4.457**	**4.682**

The contractual liabilities of the adjusted previous year relate to the portion of already collected customer funds for which the Group has granted payment-free periods, and which represent advance payments for the company's outstanding services. Utilisation is expected over the next 12 months.

6.7 Other financial liabilities

	2022	restated 2021
	kEUR	kEUR
Deferred revenue "lockdown"	45.937	46.661
Earn-out-liabilities (InShape)	2.760	0
Liabilties hire purchase	936	0
Prepayments	547	513
Warranty retentions	46	294
Miscellaneous	84	2
Total	**50.310**	**47.470**

The deferred membership fees "lock-down" include membership fees that continued to be collected via direct debit during the pandemic-related closures and that are still eligible for a refund.

The earn-out liabilities (InShape) relate to performance-dependent purchase price components in connection with the acquisition of the InShape Group. A tranche of kEUR 1,000 is payable on 30 April 2023. Another tranche of kEUR 1,734 is payable on 30 April 2024. Both tranches are discounted on the balance sheet date (kEUR 29 and kEUR 55).

Liabilities from warranty holdbacks and retainers have a residual term of more than one year.

6.8. Other provisions

Other provisions are broken down as follows:

	2022	2021
	kEUR	kEUR
Club restoration provision	2.798	2.816
Litigation	545	256
Other provisions	15	7
	3.358	**3.079**
Of which:		
Current portion of provisions (< 1year)	719	601
Non-current portion of provisions (> 1year)	2.639	2.478
	3.358	**3.079**

Other provisions changed as follows:

	Club restoration provision	Litigation	Other provisions	Total
	kEUR	kEUR	kEUR	kEUR
As of 31 October 2020	**3.370**	**848**	**0**	**4.218**
Utilization	554	57	0	**611**
Reversal	0	535	0	**535**
Allocation	0	0	7	**7**
As of 31 October 2021	**2.816**	**256**	**7**	**3.079**
Utilization	18	0	6	**24**
Reversal	0	125	7	**132**
Allocation	0	414	21	**435**
As of 31 October 2022	**2.798**	**545**	**15**	**3.358**
current:	159	545	15	**719**
non-current:	2.639	0	0	**2.639**
PY: current:	345	256	0	**601**
PY: non-current:	2.471	0	7	**2.478**

Provisions for restoration

The provisions for club restorations relate to the estimated costs for returning the leased locations to their original condition at the end of the lease. They are expected to be utilised in the years 2023 to 2035.

Provisions for legal disputes

Short-term provisions for legal disputes relate to various proceedings and lawsuits by employees, landlords and suppliers. The provisions are expected to be utilised.

6.9 Income tax liabilities

	2022	2021
	kEUR	kEUR
Trade tax	79	61
Corporate income taxes	20	120
Total	**99**	**181**

In principle, a tax group exists with regards to the company structure. The income tax liabilities relate to the taxes of SmileX companies prior to the tax group.

7. Additional information

This section includes additional information about various other items, including information that in the opinion of group management is of minor importance to the recipients of the financial statements. The information relates to:

- Transactions with related parties (Note 7.1)
- Summary of financial information for the individually examined immaterial shares of the Group in joint ventures (Note 7.2)
- Information about the statement of cash flows (Note 7.3)
- Auditor fees (Note 7.4)
- Segment reporting (Note 7.5)
- Events after the balance sheet date (Note 7.6)
- Information pursuant to sec. 264 (3) no. 4 HGB (Note 7.7)
- Other financial obligations, guarantees, contingent liabilities (Note 7.8)
- Existential risks (Note 7.9)

7.1 Transactions with related parties

Balances and transactions between the company and its subsidiaries, which are related parties, were eliminated during consolidation and are not disclosed in this item of the Notes.

Remuneration of members of management

The total remuneration for members of management consists of a fixed salary component (kEUR 411) and a variable, performance-based salary component (kEUR 108).

The following persons acted as the Managing Directors of the Group's parent company during the reporting period and after the balance sheet date:

- Martin Seibold, Konstanz, Germany, Master of Sport Economy, CEO LifeFit Group, since 1 June 2019

Receivables from related parties

	2022 kEUR	2021 kEUR
Receivables due from former SmileX-shareholders	506	464
Recharges to LifeFit Group TopCo GmbH	169	112
Recharges to Fitness First Holdings	23	22
Receivables due to TGS	1	1
Receivables due to XPO	1	1
Miscellaneous	0	2
Total	**700**	**602**

Receivables due from former SmileX shareholders mainly consist of withdrawals.

The nominal receivables from XPO (kEUR 1,131; previous year: kEUR 1,078) and TGS (kEUR 707; previous year: kEUR 542) were reduced by the proportionate results of these companies (that are attributable to the Group) and by value adjustments, since it must still be assumed that these amounts will not be collected.

Shareholder loans

Effective 30 June 2019, Fitness First Luxembourg S.C.A., Luxembourg, provided MidCo with a loan of kEUR 23,548. The loan has a term ending on 31 January 2024 and must be paid back at the end of the term. Redemption and/or interest payments before the end of the term are not allowed. The interest rate for the loan is 7% p.a. Interest must be paid retroactively at the end of the term when the loan is repaid.

Moreover, TopCo provided MidCo with a loan of kEUR 10,000 with an effective date of 27 July 2019. The loan has a term ending on 31 January 2024 and must be paid back at the end of the term. Redemption and/or interest payments before the end of the term are not allowed. The interest rate for the loan is 7% p.a. Interest must be paid retroactively at the end of the term when the loan is repaid.

Effective 6 August 2019, TopCo provided MidCo with a loan of kEUR 1,332. The loan has a term ending on 31 January 2024 and must be paid back at the end of the term. Redemption and/or interest payments before the end of the term are not allowed. The interest rate for the loan is 7% p.a. Interest must be paid retroactively at the end of the term when the loan is repaid.

During the reporting year, assignments / offsets were applied between the loans with the original nominal amounts of kEUR 23,548 and kEUR 1,332, so that the nominal amounts as at 31 October 2022 were kEUR 22,164 and kEUR 2,716.

The aforementioned loans are low-interest loans. This has the following effect on the balance sheet and the statement of comprehensive income:

The portions of the utilised credit lines that are below the market interest rate are separated from the nominal liability and entered as an increase in the equity capital. These differences are recognised as finance costs over the term of the loan (to 31 January 2024), using the effective interest method. Moreover, write-ups are continuously applied to the nominal amounts. An interest rate of 9.84% was used in the reporting period.

The total interest expenses for the aforementioned loans amounted to kEUR 3,686 (previous year: kEUR 3,362).

The claims from the prior-ranking, secured and callable bond take precedence over the respective lenders' claims against the borrower from and in connection with the shareholder loan. This applies particularly to their claims for the payment of the principal and interest, and their other secondary claims ("subordinate claims").

Consulting agreement between SmileX Interco GmbH and Boris Köninger

SmileX Interco GmbH and Boris Köninger concluded a consulting agreement with an effective date of 6 August 2019. For his consulting services, Mr. Köninger receives a minimum annual fee.

Consulting agreement between SmileX Interco GmbH and Christian Müller

SmileX Interco GmbH and Christian Müller concluded a consulting agreement with an effective date of 6 August 2019. Mr. Müller was the CEO of SmileX. For his activities, Christian Müller received a fixed salary and an annual performance-based bonus.

At the Shareholders' Meeting on 18 October 2021, it was decided that Christian Müller would be dismissed as CEO of SmileX Interco GmbH effective 31 October 2021.

Purchase of shares in My Fitness Card GmbH in the previous year

On 20 November 2020, MidCo and PROFESSION Fit GmbH, Landshut, (a subsidiary of Fitness First Group S.C.A.) signed a contract for the purchase of all shares in My Fitness Card GmbH ("MFC") (domiciled in Munich) for a purchase price of kEUR 174. My Fitness Card GmbH is active in the digital fitness segment.

Since Fitness First Luxembourg S.C.A. is the most senior parent company of MidCo and MFC, this transaction is deemed a business combination under joint control, which must be accounted for pursuant to the pooling of interest method.

This transaction was completed below the most senior parent company and exclusively within the group, without the involvement of third parties. The transaction did not use the fair value as a basis. Therefore, MidCo did not apply the purchase method when preparing the consolidated financial statements (see Note 4.4).

7.2 Summary of financial information for the individually examined immaterial shares of the Group in joint ventures

The table below shows the main financial indicators of The Gym Society GmbH and LFG-XPO GmbH:

The Gym Society GmbH	2022	2021
	kEUR	kEUR
Revenues	23	32
Operating result	-150	-200
Amortisation and depreciation	-27	-27
EBITDA	-123	-173
Financial result	-4	-10
Net result	-154	-210
Non-current assets	0	5
Equity	-652	-498
Total assets	846	686
Share of net loss MidCo	-92	-126
Unrecognized share of accumulated loss MidCo	-391	-299

LFG-XPO GmbH	2022	2021
	kEUR	kEUR
Operating result	-306	-57
Amortisation and depreciation	-58	0
EBITDA	-248	-57
Financial result	0	-34
Net result	-306	-88
Non-current assets	612	5
Equity	-526	-220
Total assets	1.145	1.089
Share of net loss MidCo	-184	-53
Unrecognized share of accumulated loss MidCo	-316	-132

7.3 Information regarding the statement of cash flows

In the previous year, the group result and the cash flow from operating activities were dominated by the claim for COVID-19 state subsidies in the amount of EUR 47.5 million. EUR 24.3 million was paid out on 31 October 2021, and an application was made for another EUR 26.2 million. Of this amount, EUR 23.1 million was reported as a receivable as at 31 October 2021 (see Note 5.4) and paid in the reporting year.

The cash flow from investment activities includes the investments and disposals that affect payments.

The cash flow from financing activities includes, among others, payments and disbursements for financing short-term and long-term assets.

These items changed as follows:

	restated Nov 1, 2022	Cash inflows	Cash outflows	Increases / other changes	(accrued) interests	restated Oct 31, 2022
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Shareholder loans	36.678	2.000	0	0	3.693	**42.371**
Capital increase	1.419	0	0	0	0	**1.419**
Bond	38.644	0	0	946	0	**39.590**
Embedded derivarives	291	0	0	-291	0	**0**
Revolving credit facility	10.113	0	0	0	150	**10.263**
Other financial liabilities	47.469	0	-2.918	5.675	84	**50.310**
Lease liabilities	129.216	0	-28.904	13.087	15.871	**129.270**
	263.830	**2.000**	**-31.822**	**19.417**	**19.798**	**273.223**

	restated Nov 1, 2020	Cash inflows	Cash outflows	Increases / other changes	(accrued) interests	restated Oct 31, 2021
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Shareholder loans	33.316	0	0	0	3.362	**36.678**
Capital increase	1.419	0	0	0	0	**1.419**
Bond	37.960	0	0	684	0	**38.644**
Embedded derivarives	624	0	0	-333	0	**291**
Revolving credit facility	10.000	0	0	0	113	**10.113**
Other financial liabilities	19.275	30.393	0	-2.199	0	**47.469**
Lease liabilities	144.818	0	-27.024	-5.162	16.584	**129.216**
	247.412	**30.393**	**-27.024**	**-7.010**	**20.059**	**263.830**

The revolving credit line was continuously used during the reporting year and it will remain available to the Group until 30 September 2024.

7.4 Auditor fees

In the financial year, the auditor's total fee for auditing the consolidated financial statements is broken down as follows:

	2022	2021
	kEUR	kEUR
Audit fees	277	235
Total	**277**	**235**

7.5 Segment reporting

For reporting purposes, group management has divided the Group into the following segments:

- Holding / Administration (MidCo)
- Fitness First (FFG, Barry’s Bootcamp, LFG Services, smileX conversion clubs, MFC)
- Elbgym
- SmileX Interco GmbH and subsidiaries
- InShape Interco GmbH and subsidiaries

The segments are mainly classified by brand and the region of the clubs. Fitness First represents the Group's core brand, which is found in most German urban centres. Barry’s Bootcamp and MFC are

added here because of their overall contribution to the Group. Elbgym continues to be developed as a separate premium brand. The SmileX and InShape segments must be separated from the Fitness First segment, mainly because of their regional and price-related differences.

The main performance indicators of the Group, broken down by segments, are as follows:

FY 2022	Holding / Admin	Fitness First	Elbgym	SmileX	InShape	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	0	83.842	4.043	10.842	5.983	104.710
State Aid	0	6.753	243	489	806	8.291
Operating result	-1.514	-13.831	-1.204	49	1.659	-14.841
Amortization / depreciation	0	27.362	1.196	2.964	1.043	32.565
EBITDA	-1.514	13.531	-8	3.013	2.702	17.724
Financial result	-7.454	-14.437	-659	-508	-573	-23.632
Income from investments	-276	0	0	0	0	-276
Net icome for the period	-9.222	-26.576	-1.856	122	1.138	-36.394
Long-term Assets	63	117.782	9.409	32.185	22.523	181.964
Long-term liabilities	42.854	95.976	4.102	3.112	13.083	159.127
CAPEX	0	11.640	1.018	163	328	13.149

FY 2021 (restated)	Holding / Admin	Fitness First	Elbgym	SmileX	In Shape	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	0	37.732	1.237	6.286	0	45.254
State Aid	0	41.143	1.199	5.124		47.466
Operating result	-1.039	2.668	-787	1.979	0	2.821
Amortization / depreciation	0	26.241	927	3.047	0	30.215
EBITDA	-1.039	28.908	141	5.026	0	33.036
Financial result	-7.044	-15.343	-699	-591	0	-23.676
Income from investments	-194	0	0	0	0	-194
Net icome for the period	-9.006	-8.566	-1.330	1.518	0	-17.383
Long-term Assets	1	129.954	7.508	34.968		172.431
Long-term liabilities	72.875	115.181	4.581	3.645	0	196.282
CAPEX	0	4.371	326	113	0	4.810

Impairments (EUR 5.7 million) during the reporting year and the reversal of impairments (EUR 2.7 million) relate solely to the Fitness First segment.

For additional information, please see Note 3.7.

7.6 Events after the balance sheet date

Extension and top-up of bond

With regards to the bond (EUR 40.0 million), which originally had to be repaid in full by 26 July 2023, an agreement to extend the term to 26 January 2025 was reached with the majority of investors. In this context, the bond was increased by another EUR 15.0 million. The closing of the formal contract document was completed in December 2022.

Costs of EUR 2.0 million were incurred in connection with the contract amendment.

In this context, the interest rate was increased by 2.0%, whereby this accumulated portion must be paid on the repayment date (“PIK interest”).

All of the shares in Shape Holding GmbH and Fitness LOFT Holding GmbH and its subsidiaries were provided as additional collateral.

Amendment of the loan agreement with Oldenburgische Landesbank

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

Extension of existing shareholder loans

With the contract dated 22 February 2023, the shareholder loans (EUR 40.9 million) were extended until 28 February 2025.

New shareholder loan

Effective 12 December 2022, the company's shareholder approved a short-term loan of EUR 10.0 million. The loan has a term ending on 31 October 2023 and an interest rate of 5.0%. It was paid on 12 December 2022.

Purchase of shares - LOFT Holding GmbH

On 1 December 2022, MidCo, BEST Invest GmbH, Braunschweig, and Ginko Invest GmbH, Braunschweig (“the sellers”) signed a contract for the purchase of all shares in LOFT Holding GmbH (domiciled in Braunschweig) for a total purchase price of EUR 18.4 million. LOFT Holding GmbH operates 27 fitness studios in northern Germany. The purpose of this acquisition is to expand the portfolio of the MidCo Group.

The total purchase price consists of a cash payment to the former shareholders (EUR 2.0 million), a shareholder loan from the previous shareholders (EUR 2.0 million) and an EBITDA-dependent “earn-out” totalling EUR 14.1 million. If the EBITDA figure cannot be reached, the earn-out is reduced by the same percentage.

For the last financial year, the LOFT Holding Group generated sales revenues of approximately EUR 19.2 million and an EBITDA of EUR 3.6 million.

Based on the most recent available numbers, and in accordance with the local accounting provisions, the fair value of the identifiable assets and debts, as well as the net assets of the company, is as follows (1 November 2021):

	Carrying amount	Step-up	kEUR Fair Value
Net assets acquired	888		888
step-up customer lists (before taxes)	0	12.420	12.420
less deferred tax liabilities	0	-3.922	-3.922
Goodwill	0		14.012
	888	**8.498**	**23.398**

	EUR k
Purchase price, fix	7.250
Shareholder loan	1.080
Total purchase price	**8.330**
Earn-out tranche I	3.314
Earn-out tranche II	11.755
Total earn-out	**15.068**
Total consideration	**23.398**

The reported goodwill mainly relates to the name recognition of the companies and products. A detailed break-down of the net assets was not available at the time the financial statements were approved, since the acquisition includes many individual subsidiaries.

The reason for the transaction is the expansion and extension of the multi-brand strategy.

7.7 Information pursuant to sec. 264 (3) no. 4 HGB

All direct and indirect subsidiaries of LifeFit Group MidCo GmbH, which operate in the legal form of an incorporated company and that are included in the consolidated financial statements of LifeFit Group MidCo GmbH as at 31 October 2022 (see Note 2.2. Consolidation principles and consolidation scope), utilise the exemption under sec. 264 (3) HGB.

Fitness First Germany GmbH utilised the exemption available under sec. 264 (3) HGB.

7.8 Other financial obligations, guarantees, contingent liabilities

The following contingent liabilities are reported separately, with information about the granted liens and other collateral:

The loan obligations (“RCF”) vis-a-vis Oldenburgische Landesbank Aktiengesellschaft are secured with pledged accounts, blanket assignments (property, plant and equipment, receivables, stocks, bank balances and shares in affiliated companies) at the group companies. Utilisation is not expected.

7.9 Existential risks

Regarding existential risks, we refer to the information in the section Going Concern and C.2 in the Group Management Report.

Frankfurt am Main, 20 March 2023

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Martin Seibold
Managing Director

Group Management Report for LifeFit Group MidCo GmbH, Frankfurt am Main for the financial year 1 November 2021 to 31 October 2022

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A. GENERAL INFORMATION ABOUT THE GROUP

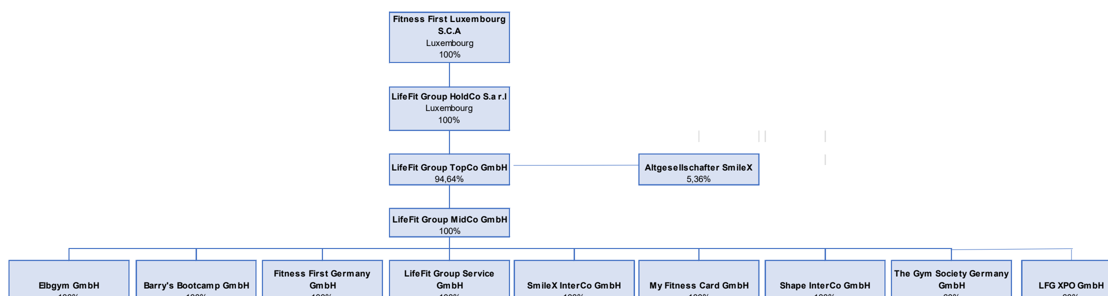
1. BUSINESS MODEL OF THE GROUP

The LifeFit MidCo Group

LifeFit Group MidCo GmbH (hereafter “company” or “MidCo Group”) was established with the articles of association from 13 March 2019 according to German law as a company with limited liability (Gesellschaft mit beschränkter Haftung) for an indefinite period. The parent company of the MidCo Group (100% holding) is LifeFit Group TopCo GmbH, Munich, and the most senior parent company of the Group is Fitness First Luxembourg S.C.A., domiciled in Luxembourg.

The registered office of the company is located in Frankfurt am Main, with the business address at Hanauer Landstraße 148a, 60314 Frankfurt am Main and a commercial register number of HRB 128865. The company's financial year begins on 1 November and ends on 31 October.

The group structure is as follows:



The MidCo Group is one of Germany's large fitness companies with a portfolio of brands in different segments. The Group pursues a subscription-based business model. Members remain with the Group for an average of four years. The multi-brand portfolio ensures operational flexibility and makes it possible to rebrand the clubs to e.g. respond to changing customer preferences.

Currently, the MidCo Group has five brands in the German market:

i. The Group is built around Fitness First Germany GmbH ("FFG"), whose 52 clubs (previous year: 52) form the core business activities.
ii. Elbgym operates five fitness clubs (previous year: four) in down-town Hamburg and one club each in Munich and Berlin Steglitz.
iii. With its 22 clubs (previous year: 28 clubs) (of which three (previous year: nine) are operated as franchises), provider SmileX services the mid-price market segment of the MidCo Group.
iv. Thirteen InShape clubs (previous year: not part of the Group) operate in the mid-price market segment in south-west Germany.
v. LFG MidCo and American boutique chain Barry's Bootcamp have concluded a master franchise agreement for clubs in Germany and Austria; approximately five clubs are supposed to open in the next couple of years, with a total potential of up to 12 clubs. The first two clubs were opened at the end of the second "lock-down" in Frankfurt and Berlin.
vi. In November 2019, LFG and Xponential Fitness, USA, agreed to a strategic cooperation as part of a joint venture, in order to establish a select boutique fitness concept with the brands Club Pilates and Pure Barre in Germany. The first studio is supposed to open in the spring of 2023. In line with segment reporting, the Barry's Bootcamp clubs are assigned to the Fitness First segment.
vii. At The Gym Society, the first club opened in Cologne in July 2020 (the club is in the process of moving to another location).

The Group is represented in many large German cities, including Berlin, Munich, Frankfurt am Main, Hamburg and Cologne, with some of the fitness studios located in down-town areas. At this time, the Group operates 97 (previous year: 90) clubs (including four franchises; previous year: 12) with more than 216,000 members (previous year: 179,000 members).

2. OBJECTIVES AND STRATEGIES

The objectives and strategies are primarily focused on developing attractive fitness clubs, expanding the product range (multi-brand fitness products in different market/price segments), increasing customer satisfaction, winning market share, and above all, generating operating profits for the benefit of employees and shareholders.

The continued objective of the financial strategy is to ensure the company's ability to take action, both from a strategic and an operational point of view. The shareholders of the Group have provided the required financing resources. Moreover, bond financing was also obtained; it was primarily used to finance acquisitions. The main priorities of the Group are to secure a balanced liquidity position and a stable capital structure taking into account direct and indirect debt capital, and to generate operating results with a focus on profitability.

3. CONTROL SYSTEM

The controlling measures employed by management for the Group include monthly reports, an independent liquidity reporting process and a group planning tool. The monthly reports include all management-related indicators, comparable to a Balanced Scorecard, for the purpose of managing and controlling the entire Group. This includes regular comparisons of actual numbers against monthly and annual budget figures, as well as the initiation of appropriate measures (if required). Depending on the department, certain key performance metrics from the monthly reports are linked to the performance-based remuneration for executives.

Every month, the company prepares 18-month cash flow planning on a rolling basis, which includes the Group's expected inflows and outflows.

The group planning tool is used to define the medium- and long-term financial targets as well as all key performance metrics.

Non-financial performance indicators

The non-financial performance indicators that are relevant for managing the Group comprise the number of memberships as well as the retention rate formula for calculation purposes (1-(exits/opening balance)), hence the amount of time members maintain their membership and the average earnings from new members.

Financial performance indicators

The financial performance indicators that are of relevance to group management are revenues and EBITDA pursuant to IFRS.

B. ECONOMIC REPORT

1. OVERALL ECONOMIC AND INDUSTRY ENVIRONMENT

After the German economy grew for ten years in a row - the longest growth period in a unified Germany - things took a turn for the worse in 2020 with the COVID-19 the economic crisis, which caused a downturn in both German and global economic performance. While the years 2021 and 2022 were characterised by a slight recovery trend, it was not possible to make up for the losses of 2020.

After the consistently positive trends in the German fitness market[1] in recent years, the COVID-19 health crisis brought about a decline in the key performance indicators for this market. The positive trend in revenues, memberships and (fitness) facilities came to a stop following the government-ordered, multi-month closures of fitness facilities in 2020 and 2021. Despite these developments, at the end of December 2020 the German sector still reported 10.31 million memberships (-11.6%) and 9,583 fitness facilities (-1.4%), which corresponds to a penetration rate (number of memberships divided by the total number of target persons) of 12.4%.

The consequences of the lock-down periods, which were extended into December 2021, had an additional negative effect on membership numbers. At the end of December 2021, the industry reported 9,492 fitness facilities (-0.5%) and approximately 9.26 million memberships (-10.2%).

The German fitness market continues to be the largest in Europe, and it grew together with other markets in line with the global health and wellness trend. Even though the penetration rate of fitness centres (number of centres/population) in Germany grew by almost 50% since 2010, it lagged behind other developed markets such as the UK or the Scandinavian countries. The development of new concepts and centres continued health awareness and an interest in wellness products, along with the popularity of social media, generally represent a solid foundation for future growth as the health crisis comes to an end.

Because of the pandemic, providers of digital fitness services saw a marked increase in demand. In particular, the demand for health and fitness apps sky-rocketed after the first government restrictions were implemented in European countries.

According to information from data provider App Annie, downloads of health and fitness apps grew by 40% at the beginning of the lockdowns in Europe and around the globe.

Peloton, a manufacturer of fitness bikes and treadmills, is another example in this context. Having said that, Peloton was not able to maintain the high growth rates during the lockdowns, and its revenues dropped after the COVID-19 measures were lifted.

[1] Deloitte “Der deutsche Fitnessmarkt, Studie 2021 (18th edition)” *(The German Fitness Market, Study 2021)*, Deloitte “Der deutsche Fitnessmarkt, Studie 2022 (19th edition)” *(The German Fitness Market, Study 2022)*

2. BUSINESS DEVELOPMENTS

The previous year was greatly affected by the COVID-19 health crisis and the associated shutdowns of business operations, therefore the earnings situation cannot really be compared to the previous year.

With the purchase agreement from 16 March 2022 (closing date 1 May 2022), all of the shares of the subsidiaries of In Shape Holding GmbH (InShape Group) were acquired through Shape InterCo GmbH, Munich (established in 2022) as part of a Share Deal at a fixed purchase price of EUR 4.0 million, plus a variable purchase price totalling EUR 2.8 million (maximum agreed variable purchase price of EUR 11.0 million).

Following two national lockdowns in the two previous years (March 2020 to June 2020, and November 2020 to June 2021), activities in the 2022 financial year were primarily focused on regaining the memberships that were "lost" during the pandemic-related closures, and on restoring regular operations. The stabilisation of the financing structure and acquisition efforts represented another focus area in this regard. All in all, the COVID-19 health crisis had a significant impact on the Group's financial indicators during the last two financial years.

Overall, the number of members in the 2022 financial year was below the figure prior to the first pandemic-related closures. This continued to have a negative effect on revenues, the EBITDA and the group result.

The **EBITDA** for the financial year was EUR 17.7 million, which is a reduction of EUR 15.3 million from the previous year (EUR 33.0 million).

EBITDA calculation:

- EUR -14.8 million (previous year: EUR 2.8 million) EBIT according to the consolidated statement of comprehensive income
- + EUR 32.5 million (previous year: EUR 30.2 million) in amortisation/depreciation according to the consolidated statement of comprehensive income

Revenues for the financial year amounted to EUR 104.7 million, which is EUR 59.5 million higher than in the previous year.

The **number of memberships** increased from 179,079 in the previous year to 216,562 in the financial year (+37,483). The higher number is due to the big increase in new memberships, as people returned after the pandemic-related closures of the previous year, which led to the loss of members. Also, the Group underwent an expansion in the financial year through the acquisition of the InShape Group, which increased the number of memberships by another 16,733 as of the closing date. Moreover, the Group reports around 10,900 membership equivalents, which result from aggregator visits. These represent visits by company employees who participate in "employee benefit programmes", and who use the Group's fitness studios through providers such as egym wellpass, Urban Sports Club or gympass.

Compared to the previous year, the **retention rate** also increased from 53.0% to 67.1%, which is due to the pandemic-related closures of the previous year, when members cancelled their memberships, as well as short-term test memberships in the previous year's period.

The average **income from new members** continued to increase compared to the same pre-COVID-19 period (EUR 49.10 vs. EUR 46.22). The drop compared to the previous year (EUR 56.40) is due to the portfolio segmentation for Fitness First, which led to a price reduction of approximately 20% at around 50% of the clubs, as well as the fact that the previous year was characterised by a higher-than-average average income from new members due to short-term contracts.

Comparison of target / actual values

The forecast in the previous year's financial statements regarding the large decline in EBITDA was attained. EBITDA fell from EUR 33.0 million in the previous year to EUR 17.7 million. This decline was mostly due to the COVID-19 state subsidies reported in the previous year's consolidated financial statements (EUR 47.5 million), which compensated the revenue drop to EUR 45.3 million together with the lower expenses. Due to the utilisation of reduced working hour benefits, personnel expenses fell to EUR 24.5 million. Moreover, other operating expenses fell because the closures of the previous year also resulted in lower energy costs. Compared to the previous year, in the 2022 financial year personnel expenses once again increased by EUR 9.1 million and other operating expenses by EUR 24.6 million; these expenses could not be compensated by the revenue increase from 45.3 million to EUR 104.7 million. It means that the revenues budgeted in the previous year (EUR 110.5 million) were narrowly missed. The number of memberships budgeted for 2022 in the previous year (213,906) was surpassed with a figure of 216,562 plus 10,900 aggregator equivalents. However, the planned retention ratio of 72.6% for 2022 was not achieved (67.1%). The 2021 planning figure for the income from new members in 2022 (50.97 EUR) was missed slightly (EUR 49.10).

Deviation from target values

The **EBITDA** and **revenues** budgeted in the previous year were narrowly missed in the financial year.

The deviation from the budget with regard to the **number of memberships** (13,656) can be explained with the growth of the aggregator business, which started after the pandemic, as well as the acquisition of the InShape Group.

The deviation from the budget with regard to the **retention rate** is mainly due to the first quarter of the financial year, when some of the test memberships sold in the previous year expired, which had a major effect on the retention ratio. The targets were reached in the subsequent quarters, mainly because of the focus on long-term contracts (particularly in the mid-price segment).

The deviation with regard to **income from new members** is due to the portfolio segmentation for Fitness First, in the course of which 24 of the 52 clubs were transferred to the mid-price segment.

3. RESULTS OF OPERATIONS

In the reporting year, adjustments were made to the previous year's column of the consolidated statement of comprehensive income (“adjusted with retroactive effect”) as part of an error correction pursuant to IAS 8 with regard to the deferral of customer payments that were received during the pandemic-related closures, with regard to the period-end accruals for the COVID-19 state subsidies, and with respect to leases. The items affected by the error correction are revenues, depreciation/amortisation, interest expenses and income taxes. This had an impact on the previous year's group result. The values after the error correction were used in the statements for the previous year comparison.

The performance indicators that are of relevance for managing the Group are earnings before interest, taxes and depreciation/amortisation (EBITDA), and revenues. Compared to the previous year, the EBITDA declined from EUR 33.0 million to EUR 17.7 million (EUR -15.3 million), in large part because of EUR 47.5 million in COVID-19 state subsidies that were utilised in the previous year. They primarily compensated the shortfall in sales that followed the pandemic-related closures. However, in the previous year the COVID-19 pandemic also had the effect of reducing the expenses that are required to operate the business facilities when they are open. They include energy costs and using the services of external trainers. Moreover, reduced working hour benefits of EUR 5.3 million were also utilised in the previous year, which led to a reduction in personnel expenses. In the current financial year, revenues increased from EUR 45.3 million to EUR 104.7 million, but this increase was not enough to compensate for the expenses that also rose in tandem with the re-opening of operations.

The revenues of the Group can be broken down as follows (by brand):

	01.11.2021 – 31.10.2022	**01.11.2020 – 31.10.2021**
EUR m		
Brand name		
Fitness First	83,8	37,7
SmileX	10,8	6,3
Elbgym	4,0	1,2
InShape	6,0	0,0
Total	**104,7**	**45,3**

As in the previous year, over 90% of revenues came from membership fees, start-up fees and charges for personal trainers. The remaining revenues were mainly derived from food and beverages, and fitness-related products. Overall, the EBITDA trend in the segments was similar. In the SmileX segment, the trend was better after re-opening compared to the other segments. On average, SmileX lost 10% fewer members during the lockdowns.

The revenues of the Group increased mainly due to the re-acquisition of members as the studios reopened in the spring of the 2021 financial year, and also because of the revenues of the InShape Group, which were included in the consolidated financial statements for the first time. In the previous year, the clubs were closed for seven months due to pandemic-related closures; this had the effect of reducing membership numbers by approximately 69,000. Since the

beginning of the financial year, the Group has been able to (re-)acquire 23,000 new members (organic growth).

In the reporting year, COVID-19 state subsidies declined from EUR 47.5 million to EUR 8.3 million. All amounts were paid and collected as income.

Cost of materials increased from EUR 5.9 million to EUR 8.2 million due to the increased use of external trainers in 2022, after these services were not used in the previous year due to the pandemic-related closures.

The increase in personnel expenses (from EUR 24.5 million to EUR 33.5 million) is mainly due to the re-opening of the studios. In addition, approximately EUR 5.3 million in compensation was also collected from the employment agency (Bundesanstalt für Arbeit) in the previous year, which led to a reduction in personnel expenses. In the coming years, personnel expenses are expected to decrease, particularly as a result of the cost optimisation programme.

Other operating expenses amount to EUR 55.8 million (previous year: EUR 31.4 million). This item mainly consists of service charges for land and buildings (EUR 24.9 million; previous year: EUR 12.0 million), advertising, marketing and travel expenses (EUR 9.3 million; previous year: EUR 4.0 million), legal, audit and consulting fees (EUR 5.1 million; previous year: EUR 2.9 million), administration expenses (EUR 4.8 million; previous year: EUR 3.0 million), repairs and maintenance expenses (EUR 4.5 million; previous year: EUR 3.1 million) and licence fees (EUR 1.3 million; previous year: EUR 1.4 million). The increase in other operating expenses (24.4 million) is mainly due to the increase in service charges for land and buildings, and higher electricity and cleaning costs, which rose by EUR 7.1 million at the Fitness First Germany GmbH clubs alone. Higher inflation was also a factor. Legal, audit and consulting fees rose because of the increased M&A activities. However, most of the increase is due to the re-opening of the clubs.

Amortization and depreciation (less reversal of impairments) of assets amount to EUR 32.6 million (previous year: EUR 30.2 million) and comprise the amortisation of capitalised rights of use (EUR 22.0 million; previous year: EUR 17.7 million), depreciation of property, plant and equipment (EUR 10.6 million; previous year: EUR 10.3 million) and amortisation of intangible assets (EUR 2.7 million; previous year: EUR 2.3 million).

Impairment charges include EUR 5.7 million in extraordinary impairments, all of which are related to right-of-use assets.

The reversal of impairments for right-of-use assets totalled EUR 2.8 million.

The financial result (net) in the amount of EUR 23.6 million (previous year: EUR 23.7 million) (net) mainly consist of interest expenses relating to leasing obligations (EUR 15.9 million; previous year: EUR 16.6 million), bond coupons (EUR 3.8 million; previous year: EUR 3.7 million) and interest expenses for shareholder loans (EUR 3.7 million; previous year: EUR 3.4 million).

The loss for the period increased during the financial year, from a loss of EUR 17.4 million in the previous year to EUR 36.4 million.

Income taxes

The calculated tax income at the group level for the 2022 financial year is EUR 2.4 million (previous year: tax income of EUR 3.7 million). As measured by the pre-tax result of EUR -38.7 million (previous year: EUR -21.1 million), this results in a tax rate of 6.1 % (2021: 17.4 %).

4. NET ASSETS AND FINANCIAL POSITION

In the reporting year, adjustments were made to the previous year's column of the consolidated balance sheet (“adjusted with retroactive effect”) as part of an error correction pursuant to IAS 8 with regards to the deferral of customer payments received during the pandemic-related closures, with regard to the period-end accruals for the COVID-19 state subsidies, and with respect to leases. The balance sheet items that are affected by the error correction are rights of use, non-financial assets, deferred tax assets and liabilities, retained earnings, other non-financial and financial liabilities, and leasing obligations. The values after the error correction were used in the statements for the previous year comparison.

On the balance sheet date, the Group's total balance sheet was EUR 198.1 million (previous year: EUR 225.5 million). The net assets and financial position of the Group is as follows:

Intangible assets comprise goodwill from business combinations (EUR 32.9 million; previous year: EUR 25.6 million), customer base/contracts and brands (EUR 6.5 million; previous year: EUR 7.1 million), as well as licenses and software (EUR 2.0 million; previous year: EUR 1.1 million). During the reporting year, EUR 7.4 million was added to goodwill, including EUR 6.0 million from the acquisition of the InShape Group and EUR 1.4 million from the purchase of two smaller clubs under the Elbgym brand segment.

Property, plant and equipment increased to EUR 43.8 million (previous year: EUR 38.8 million) and consists of leasehold improvements (EUR 21.6 million; previous year: EUR 23.3 million), other equipment, furniture and fixtures (EUR 13.8 million; previous year: EUR 13.4 million), as well as prepayments and assets under construction (EUR 8.4 million; previous year: EUR 2.1 million). The increase is mainly due to additions for leasehold improvements in the amount of EUR 2.3 million, other equipment, furniture and fixtures in the amount of EUR 3.1 million, as well as additions for prepayments in the amount of EUR 7.1 million due to extensive upgrade activities.

The right-of-use assets relate to leased buildings (EUR 85.6 million; previous year: EUR 90.1 million) as well as leased fitness equipment and vehicles (EUR 3.9 million; previous year: EUR 4.1 million). The decrease is mainly due to the extraordinary impairments to rights of use implemented in the financial year (EUR 5.7 million).

The decrease in other non-financial assets is mainly due to receivables from COVID-19 state subsidies in the previous year (EUR 23.1 million), all of which were paid out in the reporting year.

For detailed information concerning the Group's net equity, see Section 5 “Equity and going concern”.

Financial liabilities of EUR 49.7 million (previous year: EUR 49.0 million) mainly consist of a bond (EUR 39.6 million; previous year: EUR 38.9 million) as well as the utilised amount of a revolving credit line (EUR 10.3 million; previous year: EUR 10.1 million).

The value of the bond (senior, secured, callable and floating-rate bond) as of the closing date is EUR 39.6 million (previous year: EUR 38.9 million), and it had to be paid in full on 26 July 2023. The Group is required to make quarterly interest payments. Quarterly interest consists of a fixed margin of 7.50% p.a. plus the 3-month EURIBOR that applies at the beginning of the interest period. However, it is set to a minimum interest of 0%. In December 2022, an agreement for extending the term to 26 January 2025 was reached with the majority of the investors. In this context, the bond was increased by another EUR 15.0 million.

In the context of an amendment on 15 December 2022, the RCF of EUR 10.0 million, which was originally due on 26 July 2023, was extended to 30 September 2024. The interest rate was adjusted from 3.0% to 4.5% plus the 3-month EURIBOR.

The shareholder loans including accrued interest (EUR 43.8 million; previous year: EUR 38.1 million) were all granted in the year 2019 (with the exception of one loan in the amount of EUR 2.0 million), with an interest rate of 7.0%. These loans (including accrued interest) were to be paid in full in January 2024. The repayment date was extended to February 2025 with the contract dated 22 February 2023.

Lease liabilities (of which long-term: EUR 112.7 million (previous year: EUR 116.5 million) and short-term: EUR 16.6 million (previous year: EUR 12.7 million)) refer to leased buildings (EUR 124.5 million; previous year: EUR 124.9 million) and leased fitness equipment and vehicles (EUR 4.8 million; previous year: EUR 4.3 million).

Cash and cash equivalents of the Group amounted to EUR 8.4 million (previous year: EUR 23.0 million).

Provisions (of which long-term: EUR 2.6 million (previous year: EUR 2.5 million) and short-term: EUR 0.7 million (previous year: EUR 0.6 million)) mainly relate to provisions for club renovations (EUR 2.8 million; previous year: EUR 2.8 million) and provisions for legal disputes (EUR 0.5 million; previous year: EUR 0.3 million).

Deferred tax assets totalled EUR 5.3 million (previous year: EUR 3.4 million) and mainly refer to differences in accounting treatment for intangible assets from acquisitions (EUR 2.0 million; previous year: EUR 2.2 million) and property, plant and equipment (EUR 4.2 million; previous year: EUR 4.6 million). They were accompanied by deferred tax liabilities that mainly resulted from differences in accounting treatment related to leases (EUR 12.2 million; previous year: EUR 11.1 million).

Other non-financial liabilities of EUR 4.5 million (previous year: EUR 4.7 million) mainly consist of contractual obligations from prepaid membership fees, liabilities from other taxes and liabilities to employees. In the previous year, this item also included contractual liabilities of EUR 2.1 million.

Other financial liabilities of EUR 50.3 million (previous year: EUR 47.5 million) mainly consist of membership fees that continued to be collected via direct debit during the pandemic-related closures. This item also includes earn-out liabilities of EUR 2.8 million which result from the acquisition of the InShape Group and the amount of which depends on the attainment of profit-related performance indicators during the next two financial years.

Explanations regarding the statement of cash flows

During the reporting period, cash flow from operations amounted to EUR 32.6 million (previous year: EUR 2.0 million); this figure is strongly influenced by the group result of EUR -36.4 million (previous year: EUR -17.4 million), which deteriorated by EUR 19.0 million compared to the previous year, as well as deposits of COVID-19 state subsidies in the amount of EUR 23.1 million, which were already requested in the previous year, whereby this deposit is mainly responsible for the reduction in other assets. On the other hand, depreciation/amortisation increased by EUR 2.4 million from EUR 30.2 million to EUR 32.6 million.

The negative cash flow from investment activities is EUR 17.4 million (previous year: EUR 4.9 million) and is mainly due to the purchase of property, plant and equipment (EUR 12.5 million; previous year: EUR 4.5 million) and company acquisitions (EUR 4.2 million; previous year: EUR 0.0 million).

The negative cash flow from financing activities (EUR 29.8 million; previous year: positive cash flow of EUR 3.4 million) is made up of EUR 28.9 million (previous year: EUR 27.0 million) in interest payments and repayment of principal in connection with lease payments, as well as EUR 2.9 million from the repayment of other financial liabilities. In the previous year, this item included payments of other financial liabilities in the amount of EUR 30.4 million, which mainly consisted of the membership fees collected during the pandemic-related closures. Shareholders also made contributions of EUR 2.0 million during the current financial year.

Overall, the positive cash flow from operations (EUR 32.6 million) did not cover the negative cash flow from investment and financing activities (EUR 47.2 million), which led to a EUR 14.6 million reduction in cash and cash equivalents at the end of the period, from EUR 23.0 million in the previous year to EUR 8.4 million.

<u>Overall statement regarding the net assets, financial position and results of operations</u>

On the whole, the net assets, financial position and results of operations for the reporting period were characterised by a pre-tax loss of EUR 38.7 million (previous year: EUR 21.1 million), negative equity of EUR 96.9 million (previous year: EUR 60.5 million) and positive cash flow from operations of EUR 32.6 million (previous year: EUR 2.0 million). As of the closing date, the liquidity of the Group has declined over the previous year (EUR 8.4 million; previous year: EUR 23.0 million). However, after the closing date the shareholder loans, the bond and the credit line for financing the Group were extended or increased, thereby ensuring the Group's financing. Accordingly, management believes that the net assets, financial position and results of operations, as well as the current planning, provide a positive basis for further expansion.

5. EQUITY AND GOING CONCERN

Taking into account the above statements, and based on a reasonable assessment, management expects that during the forecast period, the company will have adequate financing and sufficient resources to continue its business activities in the foreseeable future. Therefore the management report and the consolidated financial statements are prepared under the assumption that the company will continue to operate as a going concern. Regarding material uncertainties in connection with the going concern premise, please see the statements in the section “Outlook, opportunities and risks”.

Future cash flows were forecast until October 2025; assuming that the planning premises hold true, they are expected to remain positive for the existing divisions. For detailed information, we refer to the overall assessment under risk reporting.

During the financial year, group equity amounts to EUR -96.9 million (previous year: EUR 60.5 million). Taking into account the subordinate shareholder loans of EUR 43.8 million (previous year: EUR 38.1 million) (shown in the consolidated balance sheet under the item “Shareholder loans”), the equity ratio is -26.8 % (previous year: -9.9 %). The terms of the subordinate shareholder are as follows: interest rate of 7.0 % p.a., repayment of capital amount and accrued interest in February 2025 (due date).

The negative equity is mainly due to the specific IFRS accounting and consolidation provisions (“Transactions between companies under joint control”), as well as the negative group results for the financial years 2020 (short financial year from 1 January to 31 October) and 2021/2022. During the initial consolidation of Fitness First Germany GmbH and elbgym GmbH for 1 July 2019, the difference between the acquisition costs for FFG (EUR 119 million) and the book value of the acquired net assets (EUR 8 million) had to be recognised in the group reserves, which created a burden of EUR 111 million. Had the transaction been treated as a business combination at fair value pursuant to IFRS 3, the difference would have had to be divided between the tangible and intangible assets. This would have led to a significant increase in the value of the net assets and equity.

A test for accounting insolvency (over-indebtedness based on the book value of the assets) is performed at the level of LifeFit Group MidCo GmbH. In its unaudited annual financial statements according to HGB, the company reports positive equity of approximately EUR 30.0 million on the balance sheet date (previous year: audited EUR 64.0 million).

6. OTHER NON-FINANCIAL INFORMATION

Employees

On 31 October 2022, the Group had 1,650 employees (previous year: 1,375 employees). Of this figure, 1,528 employees (previous year: 1,206 employees) worked in the clubs, and 122 employees (previous year: 169) worked in the Service Center. As part of the group-wide Learning & Development Programme, all employees (from receptionist to Managing Director) receive continuous and interactive training regarding their service behaviour. The training programmes are continuously enhanced with the active solicitation of participant feedback.

As in the previous year, the workforce also includes more than 50 apprentices in the clubs. In addition to offering the classic education programme (fitness economist, sports/fitness administrator), the Group is also a partner company in the dual Bachelor programme International Sports Management. Based on the positive experience, the Group has also intensified efforts to train new entrants to the industry.

Suppliers

We maintain long-term relationships with most of our suppliers. Since we have outsourced many of our activities, it is essential that we cultivate close relationships and collaborations. We see our suppliers as an integral part of our sustainability strategy, therefore our suppliers must comply with our supplier code and our general code of conduct.

Members

As of 31 October 2022, we had approximately 217,000 members (previous year: approximately 179,000 members). The average monthly income per member was EUR 46.92 (previous year: EUR 51.42), with a customer retention rate of 67.1% (previous year: 51.9%) per year.

The needs, satisfaction and development of the members who use our clubs to look after their fitness and health needs are our priority. Therefore we conduct regular surveys to increase customer satisfaction and to steadily improve our product and performance range.

Financial environment

We are pro-active and transparent when we communicate with our financial stakeholders (investors, banks and other financial partners) about our strategies, goals and financial performance. In this way, we ensure that these parties receive correct, timely and relevant information.

The members of the company's audit committee are:

- Jürgen Schaubel
- Fergus Houghton -Connell
- Christophe Collinet

Climate protection

Climate protection measures are discussed and implemented. Noteworthy measures in this regard include the efficient and frugal use of paper (replaced with digitisation), continuous savings and substitution of plastic, as well as energy savings measures in collaboration with our landlords.

Human rights

The MidCo Group categorically rejects all forms of human rights-related violations and restrictions.

Non-financial declaration

With regard to sec. 315b HGB "Requirement of non-financial declaration", the MidCo Group utilises the exemption available under sec. 315b (2). The "non-financial declaration" is contained in the consolidated financial statements of LifeFit Group TopCo GmbH, Munich, which also include the MidCo Group. These consolidated financial statements are published in the German Official Federal Gazette.

C. OUTLOOK, OPPORTUNITIES AND RISKS

1. OUTLOOK

The assumptions and estimates used in this forecast are fraught with uncertainty and may change if the economic environment changes.

On 31 January 2023, the IMF released its latest forecast for the global economy. It projects global economic growth of 2.9% for the current year, and 3.1% for the year 2024. The expectations for the European Union are lower, with an expected economic growth of 0.7% (and zero growth for Germany).

The IMF emphasises that these forecasts are fraught with considerable uncertainty. Weaker consumer demand, increasing inflation, the continued Ukraine conflict and higher interest rates make it difficult to predict future developments.[2]

The entire fitness industry was negatively affected by the outbreak of the COVID-19 health crisis. Following the closure of all of the Group's clubs during the second "lock-down" and the continued impact of the COVID-19 health crisis, the business recovered in the 2021/2022 financial year.

After the second lock-down, which lasted around seven months, visitor numbers returned to pre-COVID levels, and the number of new contracts even surpassed the level of 2019 in some cases. As a result, management expects a significant catch-up effect with regard to membership numbers. The company optimises the attractiveness of the club portfolios with the addition of state-of-the-art weight machines, equipment to promote flexibility, as well as upgrades to machines (on a club-by-club basis). Together with effective marketing measures (mainly via social media channels), this represents a very good basis for next year.

The strict monitoring of the Group's liquidity position is a key element of crisis management activities. To this end, detailed liquidity plans are prepared on a rolling basis every month.

On 31 December 2022, the Group acquired the FitnessLoft Group for a fixed purchase price of EUR 22.4 million and a variable price component of EUR 12.6 million, the exact amount of which will depend the attainment of an operational performance indicator. As a result, the number of clubs grew from 93 to 120. The acquisition of the FitnessLoft Group is expected to have a positive impact on the EBITDA, the number of memberships and the retention rate.

The budget figures shown below include the FitnessLoft Group that was acquired on 31 December 2022 (included in planning as of January 2023); the numbers for this new business segment are shown separately.

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[2] IMF – International Monetary Fund (2023).World Economic Outlook Update 31. 01.2023

According to the most recent budget calculation, management expects the following developments for the 2023 financial year:

- significant increase in revenues to > EUR 150 million (including FitnessLoft approx. EUR 20.0 million),
- significant increase in EBITDA to > EUR 45.0 million (including FitnessLoft approx. EUR 9.0 million),
- increase in memberships to well over 300,000 (including FitnessLoft > 65,000),
- increase in retention rate to at least pre-crisis levels (72.5%)
- moderate increase in average income from new members.

It is anticipated that the planned revenues and EBITDA will be mainly achieved with the following measures:

- significant increase in memberships (minimum +30,000) and resulting growth in membership fees
- increase in visit-based revenues through increased visits (own members and external visits, e.g. through aggregators)

Longer-term contracts are used to achieve the planned increase in the retention rate.

Investments of approximately EUR 5.0 million are planned for fitness equipment, IT and club facilities.

Based on these planning premises, the financial covenants are adhered to, therefore the parent group and accordingly also the Group will have sufficient liquid assets during the forecast period. The liquidity and continuation of business activities will depend on the realisation of the planning premises, particularly the development of member numbers.

In the long term, management is confident that health and fitness concerns will continue to gain in importance and that the LifeFit Group will benefit from this trend because of its market position. Moreover, the COVID-19 health crisis also led to a consolidation phase in the fitness industry, which offers additional growth opportunities through acquisitions. With its extensive experience in managing different brands in different segments, combined with efficient and scalable central services, the LifeFit Group will be a major player in the German fitness industry in the future.

2. OPPORTUNITIES AND RISKS

Opportunities report

Opportunities in the market

Even though the fitness industry was confronted with completely new challenges due to the COVID-19 pandemic, future developments in this sector are expected to be positive, and management looks towards the post-pandemic period with confidence. For many people, visiting a fitness centre is an integral part of their self-realisation, a place for social contacts and an important part of their leisure activities. Because of the pandemic, it is also expected that people's awareness of health and exercise, along with awareness of the societal and social components, will continue to grow. Management expects to see a considerable catch-up effect as life returns to normal. After the first lock-down in the spring of 2020, and the second lock-down in the winter of 2020/2021, much greater numbers of new members were acquired than in the corresponding previous year periods. The introduction of a flex option with a short minimum term has proven to be a particularly successful in this respect. The acquisition of the InShape Group in the 2022 financial year, and the acquisition of the FitnessLoft Group in the 2023 financial year, will also open up considerable growth potential. With these expansions, the earnings situation is expected to improve over the long term.

Product and service opportunities

The requirements for high-end fitness and wellness products are growing. In general, customers are willing to spend more money for this type of leisure activity - provided that the services on offer correspond to the Zeitgeist and also take into account digital developments. The multi-brand strategy of the Group is supposed to address these needs of the different fitness clients. For more price-conscious clients, services are available under the SmileX and InShape brands. The Fitness First brand services customers in the mid-price segment. This segment promises good growth opportunities. First, there are few competitors, and second, there is a lot of demand potential due to the relatively small price difference to the discount segment, since the extra money spent on a membership comes with a lot more individuality and services. The Elbgym brand targets customers in the higher-price segments. Because of the different options that are available, customers can select or switch between products based on their personal preferences. The multi-brand strategy of the MidCo Group is considered to be the key to success, partly because of the fixed cost degression in the administration area, and also against the background of risk diversification. Already during the first lock-down in the spring of 2020, the MidCo Group was able to quickly expand its digital product portfolio. As an integral part of the differentiation strategy, additional digital offerings will continue to gain in importance after the COVID-19 pandemic.

Opportunities in the competitive environment

In the core business - the operation of fitness studios - the Group is part of a competitive structure that is characterised by the existence of a few large players and many small operators. Regarding the medium-term impact of the repeated closures during the COVID-19 pandemic, it is expected that there will be a market shake-out, particularly with respect to the latter group. Partial or full withdrawals from the market are expected from the group of fitness chains. This

creates additional growth opportunities for the Group, not just with regards to members switching to other facilities, but also in the context of location search. Location is a key, if not the most important, success factor for a fitness facility. A shortage of suitable locations, particularly in the down-town areas of large urban centres, have led to predatory competition during the last three to five years. It is expected that this trend will reverse due to the pandemic, thereby creating opportunities for growth and savings.

Strategic opportunities

The company's flexibility in servicing different target groups with different brands in the core business, which enables it to design the local product range in line with the competition, is expected to create good growth opportunities. Against this background, the strategic advantage that comes from being an integrated provider in the fitness market becomes increasingly important: Through the accumulated company know-how (particularly with regards to site selection and the furnishing/operation of fitness facilities) and size-dependent economies of scale, successful growth is expected in the discount segment, despite a saturated market. Moreover, management also sees an opportunity to expand its market share in the premium segment by means of the aforementioned factors.

Risk report

In addition to the typical industry risks, the Group's success is mainly influenced by the project-related investment risk. In an environment that is still somewhat erratic owing to the global pandemic, the Group's risk profile is dominated by uncertainty about the duration and the extent of negative economic trends and rising energy prices. The various risk types and their effect on the Group's financial development are described below.

The company's risk management system is a part of the Group's overall planning, controlling and reporting process. This ensures that company management can identify major risks (particularly competition risks) at an early stage and is able to initiate timely countermeasures, if required. In addition to monthly reporting, management is in regular contact with the shareholders of the Group to discuss not just the group strategy and current business developments but also issues related to risk management.

Market and competition risk

Fitness as a leisure activity goes beyond meeting a person’s basic needs. Therefore, if the economic situation deteriorates, as is currently the case because of rising inflation, people become less willing to spend money on fitness club memberships. This would be more noticeable in the premium and mid-price segment than in the discount segment, which would have a negative effect on the profitability of the fitness facilities operated under the Fitness First and Elbgym brands. However, the experience from previous economic crises suggests that the current crisis will not have a significant effect on the business model. Moreover, fitness could also be viewed as a trend phenomenon, which could become less important as preferences shift regardless of economic developments. However, while management expects that shifts will occur, awareness of health and exercise will continue to grow across generations, meaning that fitness will increasingly become an integral part of people's social lives. This trend is actually strengthened by the COVID-19 pandemic (see Opportunities report). Moreover, the younger

population is still very focused on the desire for physical attractiveness. The sustained success of the fitness industry leads to the entry of new market participants, which results in increasing numbers of providers vying for a share in the market (increasing market saturation). There is also the risk that other providers copy the Group's business model and the Group loses market share as a result. The competitive situation is continuously analysed by the Group.

Also, providers of home fitness equipment reported high growth numbers until the end of the government's pandemic measures, so that the trend towards home fitness could continue to adversely affect in-person memberships. Measures designed to mitigate these risks include the continuous strengthening of the brand presence, the addition of on-line fitness products or fitness training programmes to the service portfolio in the context of the Fitness First Academy, participation in new business models and improved service standards.

Investment risk

The typical investments in new fitness equipment generally represent a business risk with regards to profitability and the amortisation period. The selection of locations, brand concept and equipment for each new build project is based on assessment processes whose forecast quality is continuously reviewed. The material scope of an individual investment generally rises along with the increased focus on the mid- to high-price segment and the higher capital commitment for each location. The profitability of each project is analysed ahead of time and only approved if the forecast is positive. Subsequently, all investments are monitored; if there are changes, measures are initiated and considered in the liquidity forecast. Based on the stable operating cash flows in the core business, management believes that the investment risks associated with individual products do not pose an existential risk to the Group. With the current "PHOENIX" project, the cost structure has already been optimised to some extent and is supposed to be further improved in the future, thereby further reducing the investment risk.

Lease risk

Due to higher leases, the lease contracts tend to increase the fixed cost portion, which has an initially negative effect on profitability. Based on the current situation in the commercial rental market, there are limited options for countermeasures. Management believes that the shift in demand due to the expected structural changes in the retail market following the COVID-19 pandemic will generally reduce the pressure on tenants. Potential indexing and rent increases could have a negative effect on the results of operations for the Group.

Financing risk

The default risk is minimised with an internal and external payment collection process. This also ensures that the Group has sufficient liquid assets to service its operating costs and debts in a timely manner.

Protection against liquidity bottlenecks forms a part of the LifeFit group-wide liquidity management process. The liquidity reserves are permanently monitored in the context of the planning process.

The Group is highly leveraged. In the event of a breach of the loan agreements (covenants such as the "Minimum Cash Covenant", minimum EBITDA, cover ratio for debt service), the creditors could call in the relevant loans under certain conditions, regardless of the contractually agreed

term. Negative interest rate developments (as seen currently) could also have a negative effect on the Group's financial position. A failure to achieve the planned membership fees constitutes an existential risk, since the funds that are needed for financing the Group would not be available.

Personnel risk

Highly motivated employees who look after the members represent an important success factor. Since this creates a high standard for employees, the company has introduced personnel development measures. As part of the Learning & Development Programme, all employees (from management to temporary workers and freelancers) receive regular training on the same topics - service requirements and new training products. The training and development measures will be further expanded in the future. At the same time, the Group also faces the challenge of attracting the appropriate staff despite a growing shortage of applicants.

Operating risks could occur as the recruitment of qualified and highly motivated employees becomes difficult due to the situation in the labour market. Based on the current success indicators and extensive market observations, the Group expects that the business environment will continue to be positive.

Risks from uncertain legal situation / legal risk

In 2020 and 2021, the Group's fitness facilities were closed for months on end due to government orders. If our members did not use the option to suspend the contract, their membership fees continued to be collected. All of these collected membership fees were entered as a liability under other financial liabilities. It is possible that some members request a refund of the membership fees that were collected during the months in which the facilities were closed. In its business plan, the Group has made certain assumptions about the expected repayment rates. The Group faces an existential risk in that actual future repayment claims may be higher than the current planning assumptions.

Pandemic-related risks

In the last two financial years, the Group's net assets, financial position and results of operations were negatively affected by the shutdowns that were ordered in the context of the COVID-19 pandemic. Overall, management believes that the individual risk of another extended shut-down due to a deteriorating pandemic situation is low.

Moreover, in the previous and current year, the Group has received approximately EUR 55.8 million in COVID-19 state subsidies (specifically November and December assistance, and bridge assistance III, III Plus and IV), which are linked to extensive application criteria. Another final settlement of this bridge assistance will be required in the future. This could result in possible repayment obligations. Higher repayment obligations from a final review of the bridge assistance constitute an existential risk for the Group.

Overall assessment

Overall, the risk items changed significantly during the reporting year due to the COVID-19 pandemic. Regarding the Group's ability to operate as a going concern, the overall risk was assessed as moderate at the time this report was prepared. To address any uncertainties, rolling cash forecasts are continuously prepared to create an adequate liquidity reserve.

The company's planned cash flows are positive until October 2025. Additional financing would be required if the aforementioned risks, such as a failure to obtain future membership fees, higher disbursements due to membership refund claims or higher repayments of state subsidies due to final settlements, materialise and lead to greater deviations from the budget. If the shortfall cannot be covered with own resources or outside financing, it could threaten the company's ability to continue operating as a going concern.

Once the adverse effects from COVID-19 have subsided, there are considerable opportunities due to an improved relative competitive position following the consolidation of the market. Additionally, a more efficient operating cost structure will also contribute to higher profitability.

Since overcoming the COVID-19 crisis and the lockdowns, the overall risk assessment has improved compared to the previous year. Management has initiated the appropriate measures to secure the maximum amount of liquidity reserves. Moreover, growth opportunities may arise from acquisitions of under-capitalised competitors in financial difficulties, which could increase the long-term profitability of the Group.

The opportunity and risk report contains future-oriented statements regarding expected developments. These statements are based on current estimates and are naturally subject to risks and uncertainties. Actual events may deviate from the estimates formulated herein.

3. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The objective of the risk management system is the early detection, identification, assessment, management and controlling of risks. All companies of the Group are committed to this objective. The risk management system of the Group is designed in such a way that material risks can be systematically detected and measured. The Group also improves the indicators for the timely detection of risks (e.g. by obtaining and collecting market data from the relevant key markets).

The main risks for the accounting process follow from the requirement of communicating correct and full information within the specified time period. This presumes that the requirements have been communicated clearly and that the affected units are in a position to meet the requirements.

Risks that could affect the accounting process arise from e.g. the delayed or incorrect recognition of business transactions or non-observance of accounting rules. Similarly, the non-recognition of business transactions also constitutes a potential risk. To avoid errors, the accounting process is based on the separation of responsibilities and functions / jurisdictions, as well as plausibility checks in the context of reporting. Both the preparation of the group companies' financial statements that are included in the consolidated financial statements, as well as the consolidation measures that build on the same, are characterised by consistent adherence to functional separation with the involvement of an external IFRS management expert.

The individual financial statements of the group companies are prepared by the companies according to the authoritative local accounting provisions, and by the IFRS management expert according to IFRS. Intragroup supply and service relationships are partially recognised by the relevant companies in specially designated accounts or communicated via an internal coordination process.

The internal control system is a part of the risk management system for the entire Group. It comprises control and monitoring structures to ensure the correctness of the Group's financial reporting activities. Central elements are the principle of functional separation, the granting of user rights and an audit of whether these rights are required, as well as compliance with the second-set-of-eyes principle

Besides the internal control system, a detailed planning and budget process also forms part of the risk management system. This process includes a detailed sales plan, important controlling elements such as controllable costs and direct employee expenses, as well as the planning of investments and asset management with regards to leased buildings. A detailed liquidity plan is developed on this basis. Management monitors the company's performance in the context of regular meetings.

Management has developed a system of key performance indicators (KPIs) for calculating the relevant success factors (some on a monthly basis, and others on a weekly basis). The KPIs are regularly analysed at management and advisory board meetings. These executive bodies will decide on corrective measures if required. The most important financial indicators are revenues

and EBITDA. These analyses are supplemented with variance analyses. Liquidity indicators are also monitored regularly. All deviations from the targets are investigated.

Insurance policies are in place for general risks such as fire or other business interruptions.

Regarding events after the balance sheet date, we refer to the Group Notes.

Frankfurt am Main, 20 March 2023

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Martin Seibold
Managing Director