E. REPRODUCTION OF THE AUDIT CERTIFICATE

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 STATEMENT AND THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements 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, 2022, up until October 31, 2023, the consolidated balance sheet as per October 31, 2023, 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, 2022, up until October 31, 2023, 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, 2022, up until October 31, 2023.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply in all material respects, with the requirements of the IFRS as they apply within the EU, as well as the German commercial law that apply additionally pursuant to § 315e [1] HGB [German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the Group’s asset and financial statement as per October 31, 2023, as well as of its profit situation for the fiscal year from November 1, 2022, up until October 31, 2023, and

- the accompanying group management report as a whole provides an appropriate view of the Company’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the parts of the group management report listed in the appendix.

Pursuant to § 322 [3] Clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and the EU Audit Regulations (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted

Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the Consolidated Financial Statements and on the Group Management Report.

Significant uncertainty regarding the continuation of business activities

We refer to Note 7.9 in the Notes to the consolidated financial statements and to the disclosures in Section C.2 of the group management report, in which the management describe that there is a positive plan for cash flows up to October 2026. Should the risks described therein, such as the non-achievement of future planned membership fees, the failure to refinance the payment obligation from a bond due on 26 January 2025, higher reimbursements due to reclaimed membership fees or higher repayments of received state aid due to final settlements, materialize and lead to larger deviations from the plan, this would create an additional need for financing. If this could not be covered by equity or debt funds, this would jeopardize the existence of the Group. As set out in Note 7.9 and Section C.2, these events and circumstances show that there is a material uncertainty that may raise significant doubts as to the Company's ability to continue as a going concern and that constitutes a risk to the Company's continued existence within the meaning of Section 322 (2) sentence 3 of the German Commercial Code (HGB).

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

In the course of our audit procedures, we assessed the assumptions and parameters made in the liquidity planning in particular by the company's legal representatives and discussed them with the legal representatives. Our audit procedures included comparisons with the current actual results of the 2023 financial year as well as an analysis of the expected results of the following years, considering various scenarios, in particular with regard to the different development of the number of members. In addition, we have also focused the impact of the liquidity scenarios on compliance with the financial ratios agreed as part of the financing. In addition, we discussed and assessed planning assumptions with management, in particular the appropriateness of the assessment of a possible obligation to repay the corona state aid that has not yet been finally settled. We have assessed all applications for Corona state aid submitted by the legal representatives to determine whether the applications are covered by a state aid regime.

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

Particularly important audit matters in the audit of the consolidated financial statements

Particularly important audit matters are those which according to our due discretion were most important in our audit of the consolidated financial statements for the fiscal year from November 1 until October 31, 2023. These matters were considered within the context of our audit of the consolidated financial statements overall and in the formation of our audit evaluation in this regard; we do not provide any separate audit opinion on these matters.

Recoverability of goodwill

Associated information in the consolidated financial statements and the group management report

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

Matters and risks for the audit

The consolidated financial statements of LifeFit Group MidCo GmbH shows goodwill under the balance sheet item "Intangible assets" in the amount of EUR 55,9 million (equal to 22.3% of the balance sheet total). Goodwill is subjected to an impairment test by the company once a year or as needed to determine a potential impairment. As part of the impairment test, the carrying amount of the respective cash-generating unit or group of cash-generating units, including goodwill, is compared with the corresponding recoverable amount. The recoverable amount for goodwill is generally determined based on the value in use less the costs of disposal. Goodwill valuations are usually based on the present value of future cash flows of the cash-generating unit or group of cash-generating units to which the respective asset is attributed. The present values are determined using discounted cash flow models. The starting point for this is the Group's adopted medium-term planning, which is updated with assumptions based on 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 based on 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 have incorporated the processes and controls to gain an understanding of the impairment process. We have critically questioned the identification of the cash-generating units "CGU" by the legal representatives, whereby each gym is treated as a CGU, but the goodwill is assigned to chains of health and fitness facilities operated under the brands "Fitness First RED", "Elbgym" and "Club Pilates". These groups of CGUs represent the lowest level of independent cash flows within the Group at which goodwill is monitored for internal control purposes and which are allocated to the "business segments" identified in accordance with 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 statements, 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 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 FitnessLoft Group in the balance sheet

Associated information in the consolidated financial statements and group management report

The company's information provided about the corporate acquisition is found in Section 4.4 "Business combinations" of the notes to the consolidated financial statements.

Matters and risks for the audit

In the 2023 financial year, LifeFit Group MidCo GmbH directly and indirectly acquired 100% of the shares in subsidiaries (FitnessLoft Group). In total, the purchase price amounted to EUR 22.9 million and consisted of a fixed amount of EUR 7.25 million, the redemption of two shareholder loans from the existing shareholders in the total amount of EUR 2.4 million, purchase price adjustments of EUR -1.6 million and a variable purchase price that depends on the achievement of key earnings figures. The variable amount was valued at a fair value of EUR 14.9 million at the time of acquisition. As part of the purchase price allocation, the identifiable assets and assumed liabilities of the acquired company were recognized at fair value. Essentially, customer lists amounting to EUR 10.5 million were identified. Considering the acquired net assets after purchase price allocation of EUR 0.6 million, the total acquired goodwill amounted to
EUR 22.4 million. Due to the estimation uncertainties in the valuation of the assets and liabilities in the context of the purchase price allocation as well as the overall significant impact of the company acquisition on the net assets, financial position, and results of operations of LifeFit Group MidCo GmbH, this matter was of particular importance in the context of our audit.

Audit procedure and findings

During our audit of the acquisition of the FitnessLoft 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.

Other Information

The legal representatives are responsible for the other information. Other information includes the following non-audited components of the group management report:

- the separate non-financial report pursuant to Section 315b (3) of the German Commercial Code (HGB), to which reference is made in the group management report,

The legal representatives are responsible for the other information.

Our opinions on the consolidated financial statements and the group management report do not extend to other information and, accordingly, we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit, we have a responsibility to read the other information and to assess whether the other information:

- have material inconsistencies in the consolidated financial statements, group management report or our knowledge gained during the audit, or
- otherwise appear to be materially misrepresented.

Responsibilities of the Executive Directors and the Audit Committee for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that provides an appropriate view of the Company's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The audit committee is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our [audit] opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an [audit] opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the management report or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the consolidated financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Other information in accordance with Art. 10 EU-APrVO

We were selected as the Group auditor during the Shareholders' Meeting on October 16, 2023. We were commissioned by the managing director on October 24, 2023. 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.

Frankfurt am Main, 25 January 2024

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

ANNEX 1

Consolidated Statement of Comprehensive Income
for the financial year 1 November 2022 to 31 October 2023
LifeFit Group MidCo GmbH

in kEUR	Note	2023	2022 Adjusted with retroactive effect*
Revenue	3.1	**166.306**	**104.710**
State Aid	3.2	0	8.291
Other operating income	3.3	7.559	2.245
Cost of materials	3.4	8.534	8.145
Personnel costs	3.5	44.125	33.548
Other operating expenses	3.6	73.467	55.304
Amortization and depreciation	3.7	41.087	33.068
Operating result (EBIT)		**6.652**	**-14.819**
Loss from at-equity investments	7.2	0	-276
Financial income		1.070	341
Financial costs		32.721	23.966
Financial result	3.8	**-31.651**	**-23.625**
Loss before taxes		**-24.998**	**-38.720**
Income taxes	3.9	2.336	2.354
Loss for the period		**-22.662**	**-36.366**
Of which attributable to:			
- Shareholders of the parent company		-22.662	-36.366
Result for the period		**-22.662**	**-36.366**
Reconciliation with the consolidated statement of comprehensive income			
Loss for the period		**-22.662**	**-36.366**
Other comprehensive income		**0**	**0**
Total comprehensive income		**-22.662**	**-36.366**

Modified presentation *

Regarding the retroactive change due to errors, see Note 2.6

Consolidated Balance Sheet for 31 October 2023 ANNEX 2

LifeFit Group MidCo GmbH

in kEUR	Note	31.10.2023	31.10.2022 Adjusted with retroactive effect*	1.11.2021 Adjusted with retroactive effect*
ASSETS				
NON-CURRENT ASSETS				
Goodwill	4.2	55.893	32.943	25.556
Intangible assets	4.2	11.281	8.558	8.249
Property, plant and equipment	4.1	45.703	43.794	38.766
Right-of-use assets	4.3	100.901	89.330	92.790
Other non-financial assets	5.4	1.552	1.871	1.676
Shares in joint ventures		0	1	1
Deferred tax assets	3.9	4.897	5.262	3.375
		220.226	181.759	170.413
CURRENT ASSETS				
Inventories	5.1	507	698	865
Trade receivables	5.2	2.419	1.839	913
Receivables from related parties	7.1	784	700	602
Current income tax assets	5.3	660	171	396
Other non-financial assets	5.4	1.658	3.285	27.205
Other financial assets	5.5	3.485	988	0
Cash and cash equivalents	5.6	20.786	8.404	23.040
		30.299	16.084	53.022
TOTAL ASSETS		**250.525**	**197.843**	**223.435**
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	-217.915	-196.427	-160.059
		-118.368	-96.880	-60.512
NON-CURRENT LIABILITIES				
Financial liabilities	6.2	55.981	0	38.935
Shareholder debt	6.3	56.718	43.790	38.097
Other non-financial liabilities	6.6	187	0	0
Other financial liabilities	6.7	10.779	46	294
Other provisions	6.8	1.896	2.639	2.478
Lease liabilities	4.3/6.2	121.990	111.829	115.054
		247.552	158.304	194.858
CURRENT LIABILITIES				
Financial liabilities	6.2	10.375	49.853	10.113
Trade payables	6.5	14.813	13.789	14.163
Other non-financial liabilities	6.6	5.694	2.487	3.907
Contract liabilities	6.6	3.474	1.970	775
Other financial liabilities	6.7	63.435	50.264	47.176
Payables to related parties	7.1	1.336	0	0
Other provisions	6.8	500	719	601
Lease liabilities	4.3/6.2	21.198	17.238	12.174
Income tax liabilities	6.9	516	99	181
		121.341	136.419	89.089
TOTAL EQUITY AND LIABILITIES		**250.525**	**197.843**	**223.435**

Modified presentation *

Regarding the retroactive change due to errors, see Note 2.6

Consolidated Statement of Cash Flows for the financial year from 1 November 2022 to 31 October 2023

ANNEX 3

	31.10.2023	31.10.2022 Adjusted with retroactive effect*
	kEUR	kEUR
Cash flow from operations		
Group result	-22.662	-36.366
Amortization / Depreciation long-term assets	41.087	33.068
Other expenses (+)/Income (-) not affecting payments		
Financial income	-1.070	-341
Financial costs	32.721	23.966
Deferred tax expenses (+)/income (-)	-2.953	-2.383
Income from the reversal of provisions	549	-424
Other	341	-1.195
Increase (-)/Decrease (+) in inventories, trade receivables and other assets	666	24.174
Increase (+)/Decrease (-) in trade payables and other liabilities	-2.942	-4.820
Increase (+)/ Decrease (-) in provisions	-1.018	238
Interest paid	-6.614	-3.358
Cash flow from operations	**38.105**	**32.559**
Cash flow from investment activities		
Disbursements for investments in property, plant and equipment	-4.722	-12.470
Disbursements for investments in intangible assets	-865	-679
Disbursements for corporate acquisitions, less cash acquired	-5.680	-4.226
Net cash flow from investment activities	**-11.267**	**-17.375**
Cash flow from financing activities		
Equity increase	1.175	0
Deposits from bonds	13.035	0
Deposits from shareholder loans	10.000	2.000
Redemption / Addition of other financial liabilities	-2.871	-2.918
Redemption of leasing liabilities	-35.795	-28.904
Net cash flow from financing activities	**-14.455**	**-29.822**
Net increase in cash and cash equivalents	**12.382**	**-14.638**
Cash and cash equivalents as at 31 October	**8.404**	**23.041**
Cash and cash equivalents	**20.786**	**8.404**

Modified presentation *

Regarding the retroactive change due to errors, see Note 2.6

Consolidated Statement of Changes in Equity for the financial year 1 November 2022 to 31 October 2023 ANNEX 4

	Note	Subscribed capital kEUR	Capital reserve kEUR	Retained earnings kEUR	Group equity kEUR
As at 1 November 2021 (original representation)	6.1	**26**	**99.521**	**-160.029**	**-60.482**
Error correction	2.6	0	0	-30	-30
Status as at 31 October 2021 (retroactively adjusted*)	6.1	**26**	**99.521**	**-160.059**	**-60.512**
Loss for the period (retroactively adjusted*)		0	0	-36.366	-36.366
Total comprehensive income (retroactively adjusted*)		**0**	**0**	**-36.366**	**-36.366**
As at 31 October 2022 (original representation)	6.1	**26**	**99.521**	**-196.425**	**-96.878**
Error correction	2.6	0	0	-2	-2
As at 31 October 2022 (retroactively adjusted*)	6.1	**26**	**99.521**	**-196.427**	**-96.880**
As at 1 November 2022	6.1	**26**	**99.521**	**-196.427**	**-96.880**
Loss for the period		0	0	-22.662	-22.662
Capital increase in connection with low-interest shareholder loans		0	0	1.175	1.175
Total comprehensive income		**0**	**0**	**-21.487**	**-21.487**
As at 31 October 2023	6.1	**26**	**99.521**	**-217.915**	**-118.368**

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 2022 TO 31 OCTOBER 2023

GENERAL INFORMATION

SHAREHOLDERS

LifeFit Group TopCo GmbH, Munich

REGISTERED OFFICE OF THE COMPANY, INFORMATION ABOUT THE BUSINESS

The company, whose registered office is located in Frankfurt am Main, is entered in the commercial register of the District Court of 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

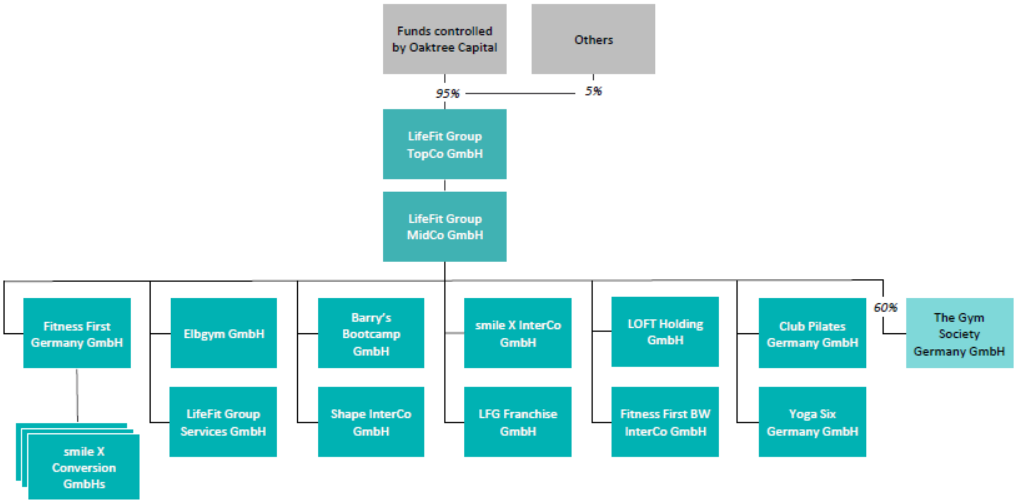
Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Theodor-Stern-Kai 1
60596 Frankfurt am Main |

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.

Since the 2020 financial year, the company has been a large corporation within the meaning of Sections 264d in conjunction with 267 (3) of the German Commercial Code (HGB) due to its capital market orientation on the Stockholm Stock Exchange and the open market in Frankfurt am Main.

The group structure as at 31 October 2023 is as follows:



In the case of companies without disclosures, the shareholding participation is 100%.

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 members as of the reporting date is 324 thousand (previous year: 216 thousand). The increase in members, with 64 thousand, is due to the acquisition of the Loft Group and, for the rest, to overcoming the Covid-19 health crisis.

With 52 clubs (previous year: 52 clubs) as of the end of October 2023, Fitness First Germany GmbH is one of the leading providers of fitness and health services in Germany. Fitness First focuses on the needs of professionals in major German cities with the aim of providing training and services in the field of wellness at a very high level. The Fitness First RED brand belongs to the "Full Service Best Price" segment, while the Fitness First BLACK brand is assigned to the "Premium" segment. Due to the rebranding of the brands SmileX, InShape and the FitnessLOFT Group, which was newly acquired in the financial year, the number of clubs increased as of the end of October.

Elbgym GmbH operates 7 fitness clubs (previous year: 5) in Hamburg's city centre as well as a club in Berlin Steglitz and Munich and is known in the region for its self-developed CrossFit training, wellness and intensive care for its customers. In addition, a franchise license was granted to one club (previous year: 1 Club) for the use of the "Elbgym" brand and the corresponding concept. The Elbgym brand is assigned to the "Premium" segment.

The "Barry's Bootcamp" division stands for high-intensity interval training. The workout alternates between treadmill and dumbbell training. The first two studios in Germany were opened in Berlin and Frankfurt in the summer of 2021. The Barry's brand is assigned to the "Micro/Boutique" segment.

The Group subsidiary Smile X InterCo GmbH is the owner of 13 fitness clubs (previous year: 13), most of which were operated in southwestern Germany under the SMILEFITNESSCLUB brand. In October 2023, it was rebranded to the Fitness First RED brand. In addition, franchise licenses were issued to three clubs (previous year: 9). These clubs offer basic fitness training as well as a variety of fitness courses.

The Group subsidiary Shape InterCo GmbH is the owner of 13 fitness clubs (previous year: 13), most of which were operated in southwestern Germany under the InShape brand, which were also rebranded to the Fitness First RED brand in October 2023, 2 of the 13 clubs were rebranded to the Fitness First BLACK brand. These clubs offer basic fitness training as well as a variety of fitness 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. A re-opening of the club under this concept is no longer pursued.

Until June 30, 2023, LFG - XPO GmbH ("XPO") was a joint venture between MidCo and Xponential Fitness Brands International LLC, Delaware, USA. The aim of the cooperation is to establish selected boutique fitness concepts such as Club Pilates and Pure Barre in Germany. As of June 30, 2023, MidCo acquired the remaining shares in XPO, so that this company will be included in the consolidated financial statements for the first time in the year under review by way of full consolidation. The company was renamed in Club Pilates Germany GmbH and is assigned to the "Micro/Boutique" segment.

The consolidated financial statements of LifeFit Group MidCo GmbH for the financial year from November 1, 2022 to October 31, 2023 will be approved for publication on January 25, 2024 by resolution of the shareholder. Under 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 2023. 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.

In general, 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 financial year, group equity amounted to EUR -118.4 million (previous year restated: EUR -96.6 million).

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 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 15.2 million on the balance sheet date (previous year unaudited: EUR 32.5 million).

Future cash flows have been projected until October 2026; 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).
- In the two previous years, coronavirus state aid totalling EUR 55.8 million was collected. This bridging aid will have to be finally settled again in the future; the expected date is March 2024. This could give rise to any repayment obligations. Higher repayment obligations resulting from a final review of the bridging aid pose a risk to the Group's continued existence and may also have a negative impact on planning.

The financing via the bond will expire on January 26, 2025, and the revolving credit facility will expire on September 30, 2024. The group is currently in a sale process with the aim of finding a new shareholder, which also aims to secure financing in the future. If this process is not successful, it could lead to payment difficulties in the repayment of the bond. Therefore, the financing represents a risk that threatens the Group's continued existence.

Considering 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 based on 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 2023. 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 can 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 %
MKS Sport 5 GmbH**	Zweibrücken	100 %
MKS Sport 7 GmbH & Co. KG**	Trier	100 %
smilefit SLS GmbH**	Saarlouis	100 %
smilefit BaKr GmbH**	Bad Kreuznach	100 %
Smile Verwaltungs-GmbH 4**	Homburg	100%
LFG Franchise GmbH (former: My Fitness Card GmbH)	Frankfurt am Main	100%
Shape InterCo GmbH	Frankfurt am Main	100%
LOFT Holding GmbH	Braunschweig	100%
FitnessLOFT Hannover City GmbH***	Braunschweig	100%
Fitness Loft Hildesheim GmbH***	Braunschweig	100%
FitnessLOFT Köln GmbH***	Braunschweig	100%
Fitness Loft Leine-Center GmbH***	Laatzen	100%
Fitnessloft Magdeburg GmbH***	Magdeburg	100%
Fitnessloft Marl GmbH***	Braunschweig	100%
Fitnessloft Mönchengladbach GmbH***	Mönchengladbach	100%
Fitnessloft Paderborn GmbH***	Braunschweig	100%
FitnessLOFT Wedel GmbH***	Braunschweig	100%
Fitnessloft Wernigerode GmbH***	Wernigerode	100%
Fitnessloft Wolfenbüttel GmbH***	Wolfenbüttel	100%
LOFT Franchise GmbH***	Braunschweig	100%
Fitnessloft Bielefeld GmbH***	Bielefeld	100%
Fitnessloft Braunschweig GmbH***	Braunschweig	100%
FitnessLOFT Bremen Nord GmbH***	Braunschweig	100%
FitnessLOFT Bünde Mitte GmbH***	Braunschweig	100%
Fitnessloft Datteln GmbH***	Datteln	100%
Fitnessloft Dorsten GmbH***	Braunschweig	100%
Fitnessloft Dresden GmbH***	Braunschweig	100%
Fitnessloft Düsseldorf GmbH***	Braunschweig	100%
Fitnessloft Georgsmarienhütte GmbH***	Georgsmarienhütte	100%
Fitnessloft Gifhorn GmbH***	Gifhorn	100%
Fitnessloft Goslar GmbH***	Goslar	100%
Fitnessloft Göttingen GmbH***	Göttingen	100%
FitnessLOFT Gütersloh GmbH***	Braunschweig	100%
Fitnessloft Hamm GmbH***	Hamm	100%
Fitnessloft Cottbus GmbH***	Cottbus	100%
FitnessLOFT Harburg GmbH***	Braunschweig	100%
Haskie GmbH***	Braunschweig	100%
Fidus GmbH****	Braunschweig	100%

Club Pilates Germany GmbH former: LFG - XPO GmbH)	Frankfurt am Main (former: Munich)	100 % (py: 60%)
Yoga Six Germany GmbH	Frankfurt am Main	100%
The Gym Society Germany GmbH	Munich	60 %

* indirect participation through Fitness First Germany GmbH

** indirect participation through Smile X Interco GmbH

*** indirect participation through OFT Holding GmbH

**** indirect participation through Fitnessloft Düsseldorf GmbH

The Gym Society Germany GmbH (“TGS”) is a joint venture that is 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.

Club Pilates GmbH (former: LFG XPO GmbH)

On 14 November 2019, the company acquired 60% of the shares in the current LFG - XPO GmbH. The company was acquired 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 was demonstrated by the fact that decisions regarding key activities require the unanimous consent of the jointly managing parties.

On June 29, 2023, MidCo signed an agreement with Xponential Fitness Brands International LLC, USA ("Seller"), to acquire its 40% stake in LFG - XPO GmbH, for a purchase price of kEUR 10. At the shareholders' meeting on 30 June 2023, LFG – XPO GmbH was renamed Club Pilates Germany GmbH, and the registered office was moved from Munich to Frankfurt am Main. MidCo now holds 100% of the shares in Club Pilates Germany GmbH; In the year under review, the company is included in the consolidated financial statements for the first time by way of full consolidation.

Merger of the Smile X InterCo

In accordance with the merger agreement dated June 14, 2023 and the approval resolutions of the participating legal entities of the same date, Smile X InterCo GmbH, Homburg, is the acquiring legal entity with smile Konzept GmbH, Smilefit BK GmbH, MKS Sport 3 GmbH, smilefit I-O GmbH, MKS Sport GmbH, smile Verwaltungs-GmbH 2, smile X KN GmbH, smile BEST Idar-Oberstein GmbH, MKS Sport 2 GmbH, MKS Sport 4 GmbH and smilefit Homburg GmbH. The registration in the commercial register of the acquiring legal entity took place on 7 August 2023.

Merger of the Smile X InterCo

Shape InterCo GmbH, Frankfurt am Main, is the acquiring legal entity in accordance with the merger agreement dated June 14, 2023 and the approval resolutions of the participating legal entities of the same date with In Shape GmbH, In Shape Göppingen GmbH, In Shape Göppingen 2 GmbH, In Shape Sports Club GmbH, In Shape Süßen GmbH, In Shape Bad Boll GmbH, In Shape Esslingen GmbH and In Shape Ostalb GmbH. The entry in the commercial register of the acquiring legal entity took place on 12 July 2023.

Changes to the consolidation scope

Compared to the previous year, LOFT Holding GmbH, Frankfurt am Main, and its subsidiaries (since December 31, 2022) are included in the consolidated financial statements for the first time.

This resulted in additional revenue (EUR 18.3 million), personnel expenses (EUR 4.4 million), other operating expenses (EUR 8.6 million) and depreciation and amortization (EUR 4.6 million). Overall, this had a positive effect on EBITDA of EUR 5.1 million. This had an additional effect of EUR 34.0 million on the Group's total assets.

Regarding the changes of XPO, see paragraph "Club Pilates Germany GmbH (formerly: LFG – XPO GmbH).

In addition, Yoga Six GmbH joined the group in the financial year, the company was founded and has no business activities so far.

The mergers described above had no impact on the scope of consolidation.

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 derecognized 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.

When 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 considered 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 based on 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 based on 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 can 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) based on 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.

Contracts with clients are not complex and do not require significant accounting assessments or estimates.

Contractual liabilities refer to membership fees that were collected at the beginning of a contract if the Group is obliged to provide a service across key dates.

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 based on 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 based on 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 based on 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 (except for 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 based on 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). Regarding 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 based on 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 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 regarding 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

Except for 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 regarding 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 considering 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 because of the modified contractual terms, possibly considering 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.

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 based on 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, if 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 based on 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 (considering a default probability of 100%) based on 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 during 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 consider 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

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 based on 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 regarding 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 (if 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.

Deferred tax benefits acquired in a business combination that do not meet the criteria for separate recognition at the time of acquisition will be recognised in subsequent periods to the extent that this is apparent from new information about facts and circumstances that existed at the time of acquisition. The adjustment is treated either as a reduction in goodwill (if it does not exceed goodwill) if it occurs during the measurement period or is recognised in profit or loss and other comprehensive income if it occurs outside the measurement period.

2.4 Key estimates and discretionary decisions

In preparing the consolidated financial statements, management will arrive at discretionary decisions, estimates and assumptions that will influence 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. 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 reporting year as well as in the prior year, modifications of lease agreements 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 based on 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.

Regarding 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 based on the discounted cash flow. The basic assumptions consider 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 regarding 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 must 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 2022/2023 financial year

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

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

Standard/ interpretation	Name of standard/interpretation or amendments	Date of publication	Date of endorsement by the E.U.	Mandatory date of initial application
Introduction of IFRS 17 Amendments to IFRS 17	Insurance Contracts (Including Amendments to the Standard) Insurance Contracts (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)	May 18, 2017 June 25, 2020 December 9, 2021	November 19, 2021 September 8, 2022	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	March 2, 2022	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	March 2, 2022	January 1, 2023
Amendments to IAS 12	Income Taxes (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)	May 7, 2021	August 11, 2022	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.

Standard/interpretation	Name of standard/interpretation or amendments	Date of publication	Expected date of initial application
Amendments to IAS 1	Presentation of Financial Statements		January 1, 2024
	Classification of Liabilities as Current or Noncurrent	January 23, 2020	
	Deferral of Effective Date	July 15, 2020	
	Classification of Noncurrent Liabilities with Covenants	October 31, 2022	
Amendments to IFRS 16	Leases (Accounting of a Lease Liability in a Sale and Leaseback)	September 22, 2022	January 1, 2024

2.6 Error correction pursuant to IAS 8.42

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

1. Due to deficiencies in the internal control system within the accounting department, master data of leasing contracts were entered into the leasing system late and incorrectly, which should have been entered in 2020 or 2021 respectively or at a different end of the contract. Correspondingly, the right-of-use asset is reduced, and the lease liability must be adjusted between long-term and short-term.
2. Due to delays in the delivery of data in the accounting department regarding final invoices as well as internal control weaknesses, some fixed assets were not capitalized until the 2022/2023 financial year, although commissioning had already taken place in the 2021/2022 financial year. Since the assets would only have had to be capitalized in the last month of the previous year, the lack of depreciation is insignificant. However, the carrying amounts were included in the movement schedule of property, plant and equipment. For further information, please refer to Chapter 4.1 "Property, plant and equipment".

Referring to no. 1:

in kEUR	31 October 2022	increase / decrease	31 October 2022 restated*	31 October 2021	increase / decrease	31 October 2021 restated*
Balance sheet (Extract)						
Right-of-use-assets	89.535	-205	89.330	94.808	-2.018	92.790
Lease liabilities, non-current	-112.651	822	-111.829	-116.479	1.425	-115.054
Lease liabilities, current	-16.619	-619	-17.238	-12.737	563	-12.174
Retained Earnings	**-39.735**	**-2**	**-39.737**	**-34.408**	**-30**	**-34.438**

	2022	increase / decrease	2022 restated
Income statement (extract)			
Other operating expenses	55.829	-525	55.304
Amortization	22.021	503	22.524
Operating profit (EBIT)	**77.850**	**-22**	**77.828**
Finance costs	15.781	-6	15.775
Finacial result	**15.781**	**-6**	**15.775**
Loss before taxes	**-93.631**	**28**	**-93.603**
Income taxes	0	0	0
Loss for the period	**-93.631**	**28**	**-93.603**

The table shows only the impact of the corrections on the respective items concerned. Depreciation and amortization and financial expenses relate only to right-of-use assets and lease liabilities.

For the 2020/21 financial year, the effect on consolidated net income amounted to kEUR 48 due to the correction of errors.

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.

EUR m	01.11.2022 – 31.10.2023	01.11.2021 – 31.10.2022
Full Service Best Price	84,1	47,3
Premium	80,1	56,4
Micro/Boutique	2,1	1,0
Total	**166,3**	**104,7**

Old segmentation:

Brand Name	**2022/2023 kEUR**	**2021/2022 kEUR**
Fitness First	120.623	83.842
SmileX	11.117	10.842
Elbgym	5.947	4.043
In-Shape	10.369	5.983
FitnessLoft	18250	0
Total	**166.306**	**104.710**

Over 85% (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. Approx. 8% of revenues relate to aggregators visits.

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

	2022/2023 kEUR	**2021/2022 kEUR**
Corona-state aid	0	8.291
Total	**0**	**8.291**

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

	2022/2023	2021/2022
	kEUR	kEUR
Release of earn-out liabilities FitnessLoft	2.487	0
Release of allowances for doubtful accounts	1.278	0
Income from the sale of customer base Egym Wellpass	1.125	0
Dunning fees	572	109
Insurance claims	418	110
Recharges	356	298
Contribution-in-kind	317	303
Gain on sale of assets	59	92
Release of provisions and liabilities	27	424
Miscellaneous	920	909
Total	**7.559**	**2.245**

The reversals of FitnessLOFT earn-out liabilities include EUR 2.5 million of one-off income for the reduction of Fitness Loft’s earn-out liabilities based on a final agreement between MidCo and the former shareholders, which was concluded after the acquisition date.

The income from the reversal of allowances for doubtful accounts resulted from write-downs recognized in previous years on the former XPO.

In 2023 the sale of the Egym Wellpass customer base generated income of EUR 1.1 million.

Regarding the reversal of provisions, please see Note 6.8.

3.4 Cost of materials

	2022/2023	2021/2022
Type of goods or service	kEUR	kEUR
Outsourced services	5.443	6.264
Food and beverage, merchandises and other	3.091	1.881
Total	**8.534**	**8.145**

3.5 Personnel expenses

	2022/2023	2021/2022
	kEUR	kEUR
Salaries and wages	36.872	28.047
Social security contributions	7.253	5.501
Total	**44.125**	**33.548**

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 3.5 million (previous year: approx. EUR 2.8 million).

On 31 October 2023, the Group had an average of 1,060 employees (previous year: 1,650 employees). At the head office, 1,234 employees work in the Shared Service Centre (previous year: 122 employees); all are classified as administrative employees. 278 employees relate to FitnessLOFT group.

3.6 Other operating expenses

	2022/2023	restated 2021/2022
	kEUR	kEUR
Premises and land costs	31.743	24.369
Legal, audit & advisory fees	9.827	5.129
Maintenance costs	9.536	4.493
Advertisement, marketing & travel expenses	9.464	9.349
Administration expenses	4.985	4.842
Additions to earn-out liabilities InShape	2.706	
License & royalty fees	1.819	1.326
Expenses from barter-agreements	260	659
Write-off of receivables	25	296
Recharges to former InShape shareholders	0	669
Club closure	0	331
Miscellaneous	3.102	3.841
Total	**73.467**	**55.304**

The first-time inclusion of the FitnessLOFT Group (now Fitness First RED) resulted in additional other operating expenses of EUR 8.6 million.

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.

Risk provision

The Group uses the simplified approach of IFRS 9 to measure expected credit losses, which considers 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, based on 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 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. Within the realignment of the Group's multi-brand strategy and the associated introduction of the business segments "Full Service Best Price", "Premium" and "Micro/Boutique", the existing brands "SmileX", "FitnessLOFT" and "InShape" were renamed to the "Fitness First RED" brand and assigned to the "Full Service Best Price" segment. Goodwill is allocated to the brands "Elbgym" (segment "Premium"), "Club Pilates" (segment "Micro/Boutique") as well as "SmileX", "FitnessLOFT" and "InShape", which have been renamed "Fitness First RED" (segment "Full Service Best Price"). Internal management will continue to be based on these structures. Therefore, within the "Fitness First RED" brand, there is a disaggregated allocation of goodwill and the impairment test at the level of "Fitness First RED Region Southwest" (formerly "SmileX"), "Fitness First RED Region Baden-Württemberg" (formerly "InShape") and "Fitness First RED Region North" (formerly "Fitness Loft").

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 1.7 million (previous year: EUR 5.7 million), were recognised in the 2022/2023 financial year. These are attributable to a right-of-use asset (of one club) under the Fitness First RED brand (Full Service Best Price segment). This is mainly due to an insufficient number of members, which is reflected in insufficient cash flows, which do not cover the fixed costs contained in these rights of use, in particular ancillary costs (electricity and cleaning costs) for the rented premises.

Reversals of impairments of EUR 1.5 million (previous year: EUR 2.7 million) were realized to right-of-use assets in the reporting year mainly because the results of operations of the various clubs had improved from the previous year.

The SmileX brand was renamed in Fitness First RED in October 2023 and therefore completely amortised by kEUR 3,348 and kEUR 311 as planned. The reason for the extraordinary amortisation was the realignment of the Group's brand strategy.

	2022/2023	restated 2021/2022
	kEUR	kEUR
Depreciation of property, plant and equipment	11.431	10.619
Amortization of other intangible assets	8.710	2.671
Amortization of right-of-use assets	22.480	22.524
Reversal of impairments	-1.534	-2746
Total	**41.087**	**33.068**

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 considered.

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:

	2022/2023	restated 2021/2022
	kEUR	kEUR
Interest expenses from leases (IFRS 16)	16.659	15.865
Effective interest on bond	8.949	3.812
Effective interest expenses for shareholder loan	5.254	3.686
Interest expenses revolving credit-facility	1.016	450
Effective interest Earn-Out obgligation InShape	153	84
Income from fair-value adjustment on embedded derivatives	0	-291
Income from discounting long-term provisions	-974	0
Miscellaneous	593	20
Total	**31.651**	**23.625**

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:

	2022/2023 kEUR	2021/2022 kEUR
Consolidated statement of profit or loss and other comprehensive income		
Income tax expense		
Current income tax:		
Current income tax charge	693	23
Deferred income tax:		
Relating to origination and reversal of temporary differences	-3.029	-2.377
Income tax income recognized in profit or loss	**-2.336**	**-2.354**

The deferred tax income for the reporting year is dominated by the reversal of deferred tax liabilities from step-ups of intangible assets from company acquisitions (EUR 2.0 million; previous year: EUR 0.7 million), and from leasing obligations (EUR 0.9 million).

The reconciliation of reported income taxes with the income taxes expected for the 2023 financial year is as follows:

	2022/2023 kEUR	2021/2022 kEUR
Loss before taxes	-24.998	-38.720
Theoretical tax income (-) on the basis of the current tax rate of 31.93%	-7.982	-12.363
Effect from unrecognized deferred tax assets arising from the current loss in the fiscal year	3.704	9.033
Additional taxes due non-deductible trade tax additions	2.367	1.448
Release of provisons	-311	0
Non taxable write-ups / write-offs on receivables	-183	88
Miscellaneous	69	-560
Income taxes (effective tax rate: 31 Oct 2023: 9.3 %; 31 Oct 2022: 6.1 %)	**-2.336**	**-2.354**

As at 31 October 2023, the Group had the following tax-related loss carry-forwards, which can be used to reduce future taxable income:

	2023 kEUR	2022 kEUR
LifeFit Group MidCo (corporate income tax)	15.843	10.102
LifeFit Group MidCo (trade tax)	7.436	5.263
MFC (corporate income tax)	563	563
MFC (trade tax)	563	563
Total	**24.405**	**16.491**

There is a corporate income tax and trade tax group with MidCo as the controlling entity. Apart from the FitnessLOFT Group, which was consolidated for the first time in the financial year, Yoga-Six GmbH, LFG-Franchise GmbH (formerly: MFC) and Club Pilates Germany GmbH (formerly: XPO), the group comprises all companies included in the consolidated financial statements by way of full consolidation. The corresponding loss carry forwards for the financial year can be used indefinitely.

It can be assumed that loss carry-forwards of the FitnessLOFT Group cannot be used.

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. Like 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:

	31.10.2023	
	kEUR	
	Deferred tax assets	**Deferred tax liabilities**
Intangible assets	0	3.096
Property, plant and equipment	0	4.781
Right-of-use assets	0	32.218
Shareholder debt	0	670
Lease liability	45.720	0
Other	0	58
	45.720	40.823
Offsetting	-40.823	-40.823
Consolidated statement of financial position	4.897	0

	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

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 significant 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 2022	**42.619**	**24.998**	**5.765**	**73.382**
Additions from business combinations	0	8.560	280	8.841
Additions	877	3.651	194	4.722
Reclassifications	5.610	0	-5.610	0
Disposals	0	-740	0	-740
Costs as of 31 October 2023	**49.106**	**36.469**	**629**	**86.204**
Amortization and impairment losses				
as of 1 November 2022	**18.381**	**11.207**	**0**	**29.587**
Additions during the period	4.785	6.646	0	11.431
Disposals	0	-517	0	-517
Amortization and impairment losses as of 31 October 2023	**23.166**	**17.336**	**0**	**40.502**
Net carrying amounts 31 October 2023	**25.940**	**19.133**	**629**	**45.703**

Originally presented	Leasehold improvements kEUR	Other equipment, furniture and fixtures kEUR	Prepayments and assets under construction kEUR	**Total 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**
Check				45.703
Differenz				-1.909

Restated	Leasehold improvements kEUR	Other equipment, furniture and fixtures kEUR	Prepayments and assets under construction kEUR	**Total 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	3.346	144	-3.490	0
Disposals	-52	-563	0	-616
Costs as of 31 October 2022	**42.619**	**24.998**	**5.765**	**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	**24.238**	**13.791**	**5.765**	**43.794**

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 3.7.

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 2022	**33.843**	**13.276**	**3.192**	**50.311**
Additions from business combinations	22.975	10.508	36	33.519
Additions during the period	0	0	865	865
Disposals	0	0	0	0
Costs as of 31 October 2023	**56.818**	**23.784**	**4.093**	**84.695**
Amortization and impairment losses				
as of 1 November 2022	**900**	**6.741**	**1.170**	**8.811**
Additions during the period	25	4.609	728	5.362
Impairment charges	0	3.348	0	3.348
Amortization and impairment losses as of 31 October 2023	**925**	**14.698**	**1.898**	**17.521**
Net carrying amounts 31 October 2023	**55.893**	**9.086**	**2.195**	**67.175**

	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**

The SmileX brand was renamed in Fitness First RED in October 2023 and therefore completely impaired by kEUR 3,348; kEUR 311 were expensed as scheduled amortisation. The reason for the impairment was the realignment of the Group's brand strategy.

The residual book values of the customer contracts amount to kEUR 9,086 (previous year: kEUR 2,876). The remaining useful life is six years for Elbgym, three years for Fitness First RED Region Baden-Württemberg (former: InShape) and four years for Fitness First RED Region North (former: FitnessLOFT).

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. Thus, in the short financial year ending December 31, 2019, the group of CGUs under the

"Elbgym" brand had a book value of goodwill of kEUR 3,500 and the group of CGU under the SmileX brand had a book value of kEUR 23,360 (since October 2023 FitnessFirst RED Region Southwest). In the previous year, a carrying amount of goodwill of EUR 5,977 was allocated to the group of CGUs under the InShape brand (since October 2023 FitnessFirst RED Region Baden-Württemberg) as part of the business combination. In the previous financial year, a carrying amount of goodwill of kEUR 22,361 was allocated to the Group to CGU under the FitnessLOFT brand (FitnessFirst RED Region North since October 2023) as part of the business combination. The group of CGU under the Club Pilates brand (former: XPO) was allocated a carrying amount of goodwill of kEUR 614.

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 based on 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 regarding 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 2023 financial year, this growth rate is 1.0% (previous year: 1.0%). The discount rate is determined based on the weighted cost of capital (WACC). The equity interest rate is derived using the Capital Asset Pricing Model (CAPM). Thereafter, the equity interest rate is the result of the risk-free base rate and a risk premium. The risk premium is determined based on capital market data from comparable companies (so-called peer group). The borrowing rate is calculated by considering the interest rate on risk-free investments and a rating-based risk premium. The WACC, calculated based on capital market data, represents an after-tax figure and is iteratively converted into a pre-tax figure for the purposes of the impairment test. The after-tax discount rate used for the cash flow forecasts is 9.4% (previous year: 9.9%). The corresponding pre-tax discount rates are, 11.7% (previous year: 13.3%) for ElbGym, 11.2% (previous year: 10.7%) for InShape (since October 2023 FitnessFirst RED Region Baden-Württemberg) and 11.7% (previous year: 14.0%) for SmileX (since October 2023 FitnessFirst RED Region Southwest), 11.8% for FitnessLoft (since October 2023 FitnessFirst RED Region North) and 11.9% for Club Pilates.

For SmileX (since October 2023 Fitness First RED Region Southwest), there is a “headroom” of EUR 23.8 million (previous year: EUR 22.8 million) with goodwill of EUR 23.4 million.

Carrying a goodwill of EUR 3.5 million, Elbgym has a “headroom” of EUR 15.9 million (previous year: EUR 14.3 million).

For InShape (since October 2023 Fitness First RED Region Baden-Württemberg), there is a “headroom” of EUR 8.5 million with goodwill of EUR 6.0 million (previous year: EUR 0.9 million).

FitnessLOFT (since October 2023 Fitness First RED Region North) has a “headroom” of EUR 38.4 million with goodwill of EUR 22.3 million.

The long-term growth rate serves as key critical parameters for impairment testing, as a key driver of EBITDA and the discount rate. However, the Group Executive Board is aware that a change in the above parameters (such as an increase in the discount rate or a decrease in the growth rate, or a combination of both) could have a negative impact and lead to a decrease in the recoverable amount below the carrying amount. EBITDA of EUR 47.7 million (previous year restated: EUR 18.3 million) is calculated from the EBIT of EUR 6.7 million (previous year restated: EUR -14.8 million) from the consolidated statement of comprehensive income plus depreciation and amortization of EUR 41.1 million (previous year restated: EUR 33.1 million) from the consolidated statement of comprehensive income.

The sensitivity analyses showed that there is sufficient “headroom” between the recoverable amount of CGU and the book value for all groups of CGUs in view of the critical parameters. Management has determined that a possible change of up to 100 basis points from two material assumptions could not result in the carrying amount exceeding the recoverable amount.

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 2021 (restated)	**88.657**	**4.133**	**92.790**
Additions from business combinations	10.288	0	**10.288**
Additions / deletions	4.084	1.946	**6.030**
Amortization expense	-14.705	-2.144	**-16.849**
Reversal of impairment charges	2.746	0	**2.746**
Impairment charges	-5.675	0	**-5.675**
As of 31 October 2022 (restated)	**85.395**	**3.935**	**89.330**
Additions from business combinations	15.286	0	**15.286**
Additions / deletions	16.517	714	**17.231**
Amortization expense	-18.342	-2.344	**-20.686**
Reversal of impairment charges	-1.794	0	**-1.794**
Impairment charges	1.534	0	**1.534**
As of 31 October 2023	**98.596**	**2.305**	**100.901**

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 2023 kEUR	restated As of 31 October 2022 kEUR	restated As of 31 October 2021 kEUR
Leasehold improvements	138.816	124.285	122.927
Other equipment, furniture and fixtures	4.372	4.782	4.301
	143.188	**129.067**	**127.228**

Maturity of lease liabilities	kEUR	restated As of 31 October 2022 kEUR	restated As of 31 October 2021 kEUR
Current (within one year)	21.198	17.238	12.174
Non-current (more than one year)	121.990	111.829	115.054
	143.188	**129.067**	**127.228**

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:

	2023 kEUR	restated 2022 kEUR
Amortization	22.480	22.524
Reversal of impairment charges	-1.534	-2.746
Interest expenses	16.659	15.865
Total	**37.605**	**35.643**

Between 1 November 2022 and 31 October 2023, the Group's cash outflows for leases totalled EUR 35.8 million (previous year: EUR 29.0 million). Of this amount, EUR 3.3 million is attributable to the FitnessLOFT Group, which has been included in the consolidated financial statements for the first time (since October 2023 FitnessFirst RED Region North).

Like 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").

Before 31 October 2023, the Group entered one new leasing contract that starts after the balance sheet date.

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 capitalised right-of-use assets are amortised as planned and are additionally tested for impairment if there is an indication of this. The internal procedural guideline prescribes an impairment test for clubs whose cash EBITDA is below kEUR 150 for each of the following two financial years. Newly founded clubs (up to the age of two years) are only included in the testing according to this scheme after the start-up phase.

The impairment tests for right-of-use rights are carried out at the level of the CGU (the club) to which the right-of-use is assigned.

In the year under review and in the previous year, the recoverable amounts of the CGUs were derived from calculations of the value in use. The recoverable amount of the Group was determined based on value in use calculations, in which various material assumptions were incorporated. These relate to discount rates, growth rates and expected changes in selling prices and directly attributable costs. A high degree of discretion was exercised in making these assumptions; the assumptions reflected, inter alia, the cost of capital and the Group Management's assessments of the economic environment, as well as the interest rate effect and risks of each CGU. The cash flow projections were based on industry-wide forecasts as well as assumptions about the Group's future success, particularly regarding its ability to attract new members and retain existing members.

For its cash flow forecasts, the Group used the most recent financial plans established up by the Group Executive Board for the next three years. Cash flows after this period were extrapolated at an estimated long-term growth rate, assuming a perpetual annuity. In the 2023 financial year, this growth rate was 1.0% (previous year: 1.0%). The discount rate is determined based on the weighted cost of capital (WACC). The equity interest rate is derived using the Capital Asset Pricing Model (CAPM). Thereafter, the equity interest rate is the result of the risk-free base rate and a risk premium. The risk premium is determined based on capital market data from comparable companies (so-called peer group). The borrowing rate is calculated by considering the interest rate on risk-free investments and a rating-based risk premium. The WACC, calculated based on capital market data, represents an after-tax figure and is iteratively converted into a pre-tax figure for the purposes of the impairment test. The after-tax discount rate used is 9.35% (previous year: 9.9%). The iteratively determined input tax interest rates are not economically meaningful due to the partial tax loss situation of the CGU.

For additional information, please see Note 3.7.

4.4 Business Combinations

Purchase of shares LOFT Holding GmbH

On December 1, 2022, MidCo signed an agreement with BEST Invest GmbH, Braunschweig, and Ginko Invest GmbH, Braunschweig ("the Sellers"), for the acquisition of all shares in LOFT Holding GmbH, based in Braunschweig, for a maximum total purchase price of EUR 23.0 million. LOFT Holding GmbH operates a total of 27 fitness studios in northern Germany. The acquisition serves to expand the portfolio of the MidCo Group.

The total purchase price consists of a cash payment to the former shareholders of EUR 7.25 million, two shareholder loans of EUR 2.4 million from the former shareholders, a subsequent purchase price adjustment of EUR -1.6 million and an EBITDA-dependent expected earn-out of EUR 16.9 million in total. As part of the purchase price allocation, the total amount of the earn-out was discounted and fixed at EUR 14.9 million.

In the course of the transaction, there was a step-up of assets in the amount of kEUR 10,508 for existing customer contracts.

As of December 31, 2022, the fair value of the Company's identifiable assets and liabilities was as follows:

			kEUR
Assets	**Carrying amount**	**Step-up**	**Fair value**
Intangible assets	482	10.508	10.990
Fixed assets	8.750	0	8.750
Inventories	159	0	159
Trade receivables	887	0	887
Income tax receivables	395	0	395
Other non-financial assets	739	0	739
Cash	11.828	0	11.828
Total assets acquired	**23.240**	**10.508**	**33.748**
Liabilities			
Other provisions	56	0	56
Trade payables	1.515	0	1.515
Other non-financial liabilities	8.804	0	8.804
Other financial liabilities	19.138	0	19.138
Income tax liabilities	299	0	299
Deferred tax liabilities	0	3.318	3.318
Total liabilities assumed	**29.812**	**3.318**	**33.130**
Net assets	-6.572	7.190	618
Goodwill from business combinations			22.361
Total consideration			**22.979**

The total consideration transferred is as follows:

		kEUR
Purchase price, fix		7.250
Loan from former shareholder		2.400
Adjustment to purchase price	-	1.570
Total purchase price, fix		**8.080**
Earn-out tranche I		3.072
Earn-Out Tranche II		11.827
Total earn-out		**14.899**
Total consideration		**22.979**

The earn-out tranches are discounted.

Considering the acquired bank accounts of EUR 11.8 million and the immediate redemption of old shareholder liabilities of EUR 10.7 million, this results in an outflow of cash and cash equivalents of EUR 5.7 million for the 2022/2023 financial year. The transaction also incurred incidental acquisition costs of approximately EUR 0.6 million.

The liabilities from the earn-out tranches I and II amount to EUR 16.9 million. These were discounted at an interest rate of 8.01% as of the balance sheet date. The additional purchase price components are dependent on the achievement of a minimum operating profitability value of the acquired companies. If this operating profitability figure will not be reached, this would lead to a reduction in earn-out tranches.

The transaction has no material impact on the Group's net assets, financial position or results of operations. If the transaction had already taken place in the previous year, this would have had an effect of approx. EUR 18.3 million on sales revenues and an effect of approx. EUR -2.0 million on consolidated net income.

The reported goodwill mainly refers to the level of awareness of the companies and products.

Purchase of shares Club Pilates GmbH (former: LFG XPO GmbH)

On June 29, 2023, MidCo signed an agreement with Xponential Fitness Brands International LLC, USA ("Seller"), to acquire its 40% stake in LFG - XPO GmbH, for a purchase price of kEUR 10. Thus, MidCo holds 100% of the shares in LFG - XPO GmbH.

During the transaction, no hidden reserves and encumbrances were disclosed.

On 29 June 2023, the fair value of the company's identifiable assets and liabilities was as follows:

			kEUR
Assets	**Carrying amount**	**Step-up**	**Fair value**
Intangible assets	555	0	555
Fixed assets	187	0	187
Trade receivables	52	0	52
Income tax receivables	57	0	57
Total assets acquired	**851**	**0**	**851**
Liabilities			
Trade payables	70	0	70
Other non-financial liabilities	3	0	3
Other financial liabilities	1.382	0	1.382
Total liabilities assumed	**1.455**	**0**	**1.455**
Net assets	-604	0	- 604
Goodwill from business combinations			614
Total consideration			**10**

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)
- Other financial assets (note 5.5)
- Cash and cash equivalents (Note 5.6)

5.1 Inventories

Stocks are broken down as follows:

	2023 kEUR	2022 kEUR
Food and beverages	394	504
Merchandising products	157	157
Miscellaneous	0	81
Wertberichtigungen	-44	-44
Total	**507**	**698**

5.2 Trade receivables

	2023 kEUR	2022 kEUR
Trade receivables	2.557	1.839
Allowances	-138	0
Total	**2.419**	**1.839**

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:

	2023 kEUR	2022 kEUR
As of 1 November 2022 / 1 November 2021	0	7
Additions from FitnessLoft	-112	0
Additions	-26	0
Utilization / reversals	0	-7
As of 31 October 2023/ 31 October 2022	**-138**	**0**

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

5.3 Current income tax assets

Income tax claims of kEUR 660 (previous year: kEUR 171) mainly consist of capital gain taxes as well as pre-tax group refund claims, mainly FitnessLOFT companies.

5.4 Other non-financial assets

	2023 kEUR	2022 kEUR
Rent deposits	1.552	1.871
Deferred charges	955	1.180
VAT receivables	329	0
Miscellaneous	374	2.105
Total	**3.210**	**5.156**

Of the other non-financial assets, kEUR 1,552 (previous year: kEUR 1,871) 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 1,552). The write-up of kEUR 124 in the previous year was realized in the financial result through profit or loss.

The item "Miscellaneous" 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

	2023	2022
	kEUR	kEUR
Deposits	939	0
Creditors with debit balance	917	0
Receivables health insurances	489	0
Receivables former shareholder InShape	408	988
Miscellaneous	732	0
Summe	**3.485**	**988**

Other financial assets of EUR 0.4 million (previous year: EUR 1.0 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:

	2023	2022
	kEUR	kEUR
Cash in bank and on hand	20.768	8.390
Cash in hand	18	14
Total	**20.786**	**8.404**

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 / contract 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 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 2023, 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 -217,915 (previous year, retroactively adjusted: kEUR -196,427). 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, a 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 EUR 6.2 million (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 2023 kEUR	As of 31 October 2022 kEUR
Current interest-bearing loans and borrowings				
Lease liabilities	5% - 15%	2024 (PY.: 2023)	21.198	17.238
Revolving credit facility	3% +EURIBOR + (1,5% PIK from Feb 2021)	30 September 2024 (PY.: 2023)	10.375	10.263
Bond	7,5% + 3-Monats-EURIBOR + (2,0% PIK from Jan 2023)	26 July 2023	0	39.590
Total current interest-bearing loans and borrowings			**31.573**	**67.091**
Non-current interest-bearing loans and borrowings				
Lease liabilities	4.45% - 7.20%	2025 - 2035	121.990	111.829
Bond	7.5% + 3M EURIBOR	26 January 2025	55.981	0
Total non-current interest-bearing loans and borrowings			**177.971**	**111.829**

Leasing liabilities

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

Bond

Terms on the balance sheet date:

The bond (senior, secured, callable and floating-rate bond) is to be redeemed by 26 January 2025. The Group is obliged to pay the interest on a quarterly basis. The interest payable quarterly consists of a fixed margin of 7.50% p.a. plus the 3-month EURIBOR applicable at the beginning of the interest periods. If the 3-month EURIBOR is below 0%, an interest floor is applied, so that the variable part is set at 0%.

The Company has the option of increasing the nominal value of the bond to up to kEUR 70,000 once or several times after the initial issue. Such a subsequent bond issuance would be subject to the same conditions but is subject to certain conditions and is only available for certain investments. No commitment fee will be charged for the unissued bond amount. The Company also has the option to redeem the Bond in part or in full before its expiry 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 2023, the book value of the financial liability amounted to EUR 40.0 million (previous year: EUR 39.6 million).

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%.

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 375 was accrued during the reporting year (previous year: kEUR 263).

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 55.5 million and a maturity of 26 January 2025.
- Revolving credit line with a volume of EUR 10.0 million and a term ending 30 September 2024.

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

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

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 previous 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.

Effective 1 November 2022, the shareholder has granted the company a loan in the amount of EUR 2.0 million. The loan must be redeemed as of 2 February 2025 and bears interest at 5.0%. Payments were received before the balance sheet date of October 31, 2022.

Effective 12 December 2022, the shareholder has granted the company a loan in the amount of EUR 10.0 million. The loan must be redeemed as of 2 February 2025 and bears interest at 5.0%. Payments were received 12 December 2022.

The loans are considered as low-interest loans, which were issued based on 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 relating to the tranches in 2019; kEUR 1,175 relating to the tranches in 2022) were entered as a contribution to equity.

With the contract dated 22 February 2023, the shareholder loans (tranches from 2019) 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").

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 based on financial liabilities and other financial instruments, divided by the sum of assets:

	2023	**2022**
	kEUR	**kEUR**
Total financial liabilities	340.476	273.020
Less: Cash and cash on hand	-20.786	-8.404
Nebt debt	**319.690**	**264.616**
Total equity	-118.368	-96.880
Total assets	250.525	197.844
Equity to Assets Ratio	**-47,2%**	**-49,0%**

Treasury policy and financial risk management

The Group's financial instruments, except for 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.

Currently, 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
2023						
Bond	0	1.600	4.800	57.200	0	**63.600**
Revolving credit facility	0	0	10.940	0	0	**10.940**
Lease liabilities	0	8.126	24.379	114.278	63.620	**210.403**
Shareholder debt	0	0	0	59.351	0	**59.351**
Trade payables	14.813	0	0	0	0	**14.813**
Other financial liabilites	0	0	5.817	14.941	0	**20.758**
Total	**14.813**	**9.726**	**45.936**	**245.770**	**63.620**	**379.865**

	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**

* The liabilities from received membership fees ("lock-down") have not been taken into account in this presentation, as the claims are time-barred and these liabilities will be reversed in the 2023/24 financial year.

** The liabilities from the bond (previous year) due on July 26, 2023 have been adjusted to the new maturity. The liabilities from the shareholder loans are due in February 2025. Interest payments are included in this analysis.

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:

	2023	2022
Assumed change in interest-rates	**kEUR**	**kEUR**
minus 50 basis points	-250	-250
current interest expenses bond and revolver (one year)	9.965	4.262
plus 50 basis points	250	250

	2023	2022
Assumed change in interest-rates	**EUR k**	**EUR k**
minus 50 basis points	-284	-219
current interest expenses shareholder debt (one year)	5.254	3.686
plus 50 basis points	284	219

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 many 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.

Currently, 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
2023			
Financial assets			
Cash and cash on hand		20.786	20.786
Trade receivables	Level 2	2.419	2.419
Financial liabilities			
Lease liabilities	Level 2	-143.188	-143.188
Trade payables	Level 2	-14.813	-14.813
Shareholder debt	Level 3	-56.718	-52.604
Bond	Level 3	-55.981	-51.232
Revolving credit facility	Level 3	-10.375	-10.241
Earn-out-liabilities	Level 3	-17.012	-17.012
Deferred revenue "lockdown"	Level 2	-53.456	-53.456
Loan former shareholder FitnessLoft	Level 3	-2.529	-2.397
Miscellaneous	Level 2	-3.598	-3.598
		-334.465	**-325.336**
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	-129.067	-129.067
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
Other financial liabilites			
Earn-out liabilities	Level 3	-2.760	-2.760
Deferred revenue "lockdown"	Level 2	-46.661	-45.937
Miscellaneous	Level 2	-1.613	-1.613
		-277.290	**-277.604**

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 FitnessLOFT Group and 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

	2023 kEUR	2022 kEUR
Trade payables	14.813	13.789
Total	**14.813**	**13.789**

Trade payables are not interest-bearing and usually have a term of 60 days (maximum). As of 31 October 2023, all trade payables have a residual term of up to one year (same as the previous year).

6.6 Other non-financial liabilities

	2023 kEUR	2022 kEUR
Payroll payable	1.773	1.107
VAT payable	1.844	234
Vacation obligation	813	659
Wage and church tax	542	330
Social security contributions	49	14
Miscellaneous	861	143
Total	**5.882**	**2.487**

6.7 Contract liabilities

The contractual liabilities of the adjusted previous year relate to the portion of customer funds already received for which the Group has granted non-contributory periods and represent advance payments received for outstanding services provided by the Company. It is expected to be used within the next twelve months.

6.8 Other financial liabilities

	2023	2022
	kEUR	kEUR
Deferred revenue "lockdown"	53.456	45.937
Earn-out-liabilities (FitnessLoft)	12.412	0
Earn-out-liabilities (InShape)	4.600	2.760
Loan from former shareholder FitnessLoft	2.529	0
Warranty retentions	641	46
Prepayments	404	547
Liabilties hire purchase	148	936
Miscellaneous	24	84
Total	**74.214**	**50.310**

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 (Fitness Loft) relate to earnings-related purchase price components in connection with the acquisition of the FitnessLOFT Group. A tranche of EUR 4.1 million was paid in January 2024. A further tranche of EUR 8.3 million matures in March 2025. In the case of the second tranche, an agreement was reached with one of the sellers on a fixed amount due to current plan overruns, which led to an adjustment of the earn-out liability on the reporting date.

The earn-out liabilities (InShape) relate to earnings-related purchase price components in connection with the acquisition of the InShape Group. A tranche of kEUR 1,106 was paid as of April 30, 2023. A further tranche of kEUR 1,734 is due on April 30, 2024. In the case of the second tranche, an agreement was reached with the seller on a fixed amount of EUR 4.6 million due to current plan overruns, which led to an adjustment of the earn-out liability with effect on profit or loss as of the reporting date. Both tranches are discounted at kEUR 0 (previous year: kEUR 29) and kEUR 237 (previous year: kEUR 55) respectively as of the balance sheet date.

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

6.9. Other provisions

Other provisions are broken down as follows:

	2023	2022
	kEUR	kEUR
Club restoration provision	2.276	2.798
Litigation	120	545
Other provisions	0	15
	2.396	**3.358**
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 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**
Utilization	0	0	15	**15**
Reversal	974	425	0	**1.399**
Allocation	452	0	0	**452**
As of 31 October 2023	**2.276**	**120**	**0**	**2.396**
current:	380	120	15	**515**
non-current:	1.896	0	0	**1.896**
PY: current:	159	545	15	**719**
PY: non-current:	2.639	0	0	**2.639**

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 2024 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.

6.10 Income tax liabilities

	2023	**2022**
	kEUR	**kEUR**
Trade tax	281	79
Corporate income taxes	210	20
Sonstiges	25	0
Total	**516**	**99**

In principle, there is a corporate structure, although the integration of the Loft Group has not yet been completed. The income tax liabilities mainly relate to the FitnessLOFT Group in the amount of kEUR 440 and pre-group taxes of SmileX companies in the amount of kEUR 33 (previous year: kEUR 99).

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 425) and a variable, performance-based salary component (kEUR 229).

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 / Liabilities due to related parties

	2023 kEUR	2022 kEUR
Receivables due from former SmileX-shareholders	581	506
Receivables due to TGS	123	1
Recharges to LifeFit Group TopCo GmbH	70	169
Recharges to Fitness First Holdings	10	23
Receivables due to XPO	0	1
Total	**784**	**700**

	2023 kEUR	2022 kEUR
Cash-Pooling FFGH	1336	**0**
Summe	**1.336**	**0**

Receivables due from former SmileX shareholders mainly consist of withdrawals.

Shareholder loans

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 previous 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.

Effective 1 November 2022, the shareholder has granted the company a loan in the amount of EUR 2.0 million. The loan must be redeemed as of 2 February 2025 and bears interest at 5.0%. Payments were received before the balance sheet date of October 31, 2022.

Effective 12 December 2022, the shareholder has granted the company a loan in the amount of EUR 10.0 million. The loan must be redeemed as of 2 February 2025 and bears interest at 5.0%. Payments were received 12 December 2022.

The loans are considered as low-interest loans, which were issued based on 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 relating to the tranches in 2019; kEUR 1,175 relating to the tranches in 2022) were entered as a contribution to equity.

With the contract dated 22 February 2023, the shareholder loans (tranches from 2019) were extended until 28 February 2025.

The total interest expenses for the loans amounted to kEUR 5,254 (previous year: kEUR 3,686).

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. The contract was terminated as of 31 October 2022.

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 Club Pilates GmbH (former: LFG-XPO GmbH):

The Gym Society GmbH	**2023** **kEUR**	**2022** **kEUR**
Revenues	0	23
Operating result	-66	-150
Amortisation and depreciation	-31	-27
EBITDA	-35	-123
Financial result	-6	-4
Net result	-72	-154
Non-current assets	0	0
Equity	-567	-652
Total assets	392	846
Share of net loss MidCo	-43	-92
Unrecognized share of accumulated loss MidCo	-340	-391

Club Pilates GmbH	2023*	2022
	kEUR	kEUR
Operating result	0	-306
Amortisation and depreciation	0	-58
EBITDA	0	-248
Financial result	0	0
Net result	0	-306
Non-current assets	0	612
Equity	0	-526
Total assets	0	1.145
Share of net loss MidCo	0	-184
Unrecognized share of accumulated loss MidCo	0	-316

* in 2022/23 full consolidated

7.3 Information regarding the statement of cash flows

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:

	Nov 1, 2023	Cash inflows	Cash outflows	Increases / other changes	(accrued) interests	Oct 31, 2023
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Shareholder loans	43.790	10.000	-1.151	-1.175	5.254	**56.718**
Bond	39.590	13.035	-5.598	0	8.954	**55.981**
Revolving credit facility	10.263	0	-1.016	0	1.128	**10.375**
Other financial liabilities	50.310	0	0	23.904	0	**74.214**
Lease liabilities	129.067	0	-35.821	33.284	16.659	**143.189**
	273.020	**23.035**	**-43.586**	**56.013**	**31.995**	**340.477**

	restated Nov 1, 2021	Cash inflows	Cash outflows	Increases / other changes	(accrued) interests	restated Oct 31, 2022
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Shareholder loans	38.097	2.000	0	0	3.693	**43.790**
Bond	39.965	0	-3.058	-1.129	3.812	**39.590**
Embedded derivarives	291	0	0	-291	0	**0**
Revolving credit facility	10.226	0	-300	0	337	**10.263**
Other financial liabilities	47.469	0	-2.918	5.675	84	**50.310**
Lease liabilities	127.228	0	-28.904	14.878	15.865	**129.067**
	263.276	**2.000**	**-35.180**	**19.133**	**23.791**	**273.020**

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:

	2023 kEUR	2022 kEUR
Audit fees	500	277
Total	**500**	**277**
thereof previous year:	223	

7.5 Segment reporting

For reporting purposes, until 30 September 2023 group management had 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
- FitnessLOFT Holding GmbH and subsidiaries

According to the abovementioned structure segment reporting was as follows:

FY 2023	Holding / Admin	Fitness First	Elbgym	SmileX	InShape	FitnessLoft	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue	0	120.623	5.947	11.117	10.369	18.250	**166.306**
Operating result	-1.411	16.627	-2	-3.601	-4.351	-609	**6.652**
Amortization / depreciation	0	24.726	1.350	5.771	2.893	6.347	**41.087**
EBITDA	-1.411	41.353	1.348	2.169	-1.458	5.738	**47.739**
Financial income	74	976	0	4	0	16	**1.070**
Financial expenses	-15.172	-12.944	-818	-460	-1.142	-2.185	**-32.721**
Income from investments	0	0	0	0	0	0	**0**
Ertragsteuern	-313	1.081	14	1.447	130	-23	**2.336**
Net icome for the period	-16.822	5.740	-806	-2.611	-5.363	-2.801	**-22.663**
Long-term Assets	0	112.973	6.354	26.572	19.115	55.213	**220.227**
Long-term liabilities	115.931	89.039	5.320	3.025	10.160	15.828	**239.303**
CAPEX	0	3.052	186	77	146	2.126	**5.587**

FY 2022	Holding / Admin	Fitness First	Elbgym	SmileX	In Shape	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	-13.663	-1.349	49	1.659	**-14.818**
Amortization / depreciation	0	27.720	1.341	2.964	1.043	**33.068**
EBITDA	-1.514	14.057	-8	3.013	2.702	**18.250**
Financial income	341	0	0	0	0	
Financial expenses	-7.795	-14.431	-659	-508	-573	**-23.966**
Income from investments	-276	0	0	0	0	**-276**
Ertragsteuern	22	1.693	7	581	52	**2.355**
Net icome for the period	-9.222	-26.402	-2.001	122	1.138	**-36.365**
Long-term Assets	63	116.025	10.961	32.185	22.525	**181.759**
Long-term liabilities	42.854	93.526	5.829	3.112	12.983	**158.304**
CAPEX	0	11.640	1.018	163	328	**13.149**

The segments were mainly classified according to the brands and regions of the clubs. Fitness First was the Group's core brand and is mainly located in most major German cities. Barry's Bootcamp and MFC have been included here due to their total contribution to the Group. Elbgym will be further developed as its own premium brand. The SmileX, InShape and FitnessLOFT segments were distinguished from the Fitness First segment primarily by their regional and price differences.

In October 2023, a realignment of the segments took place, during which the brands SmileX, FitnessLOFT and Inshape were renamed FitnessFirst RED.

Since the rebranding of the brands SmileX, FitnessLOFT and InShape Clubs, the MidCo Group has entered the German market with three different product groups. These are:

Full Service Best Price (78 Clubs)

In addition to the original clubs under the Fitness First brand, this product segment under the Fitness First brand also includes clubs that previously operated under the SmileX, FitnessLOFT and Inshape brands. The product segment is more in the price/performance sector and thus offers services at lower prices compared to the other product segments.

Premium (40 Clubs)

In addition to the original clubs under the Fitness First brand, this product segment under the Fitness First brand also includes clubs that will continue to operate under the ELBGYM brand (7 clubs). This product segment is more in the mid to high-priced sector compared to the other product segments.

Micro/Boutique

This product segment includes the brands BARRY's, Club Pilates, Yoga Six and the GymSociety and, unlike the Full Service Best Price and Premium product segments, is not a subscription but a "pay-as-you-go" model, which is generally based on franchise agreements.

The Group's key performance indicators, broken down by segment, are as follows:

FY 2023	Holding / Admin	Full Service Best Price	Premium	Micro / Boutique	Total
Revenue	*0*	*80.081*	*84.073*	*2.153*	**166.306**
Operating result	*-1.411*	*4.683*	*4.916*	*-1.536*	**6.652**
Amortization / depreciation	*0*	*19.642*	*20.622*	*823*	**41.087**
EBITDA	*-1.411*	*24.326*	*25.538*	*-714*	**47.739**
Financial income	*74*	*486*	*510*	*0*	**1.070**
Financial expenses	*-15.172*	*-8.155*	*-8.562*	*-832*	**-32.721**
Ertragsteuern	*-313*	*1.292*	*1.356*	*0*	**2.335**
Net icome for the period	**-16.822**	**-1.694**	**-1.780**	**-2.368**	**-22.664**
Long-term Assets	*0*	*104.696*	*109.915*	*5.616*	**220.227**
Long-term liabilities	*115.931*	*57.841*	*60.725*	*4.805*	**239.302**
CAPEX	*0*	*2.664*	*2.796*	*127*	**5.587**

Impairments (EUR 1.7 million) during the reporting year and the reversal of impairments (EUR 1.5 million) relate solely to the Full Service Best Price segment.

For additional information, please see Note 3.7.

7.6 Events after the balance sheet date

Increase of bond

The bond was increased by a further EUR 12.0 million. Formal contract documentation was finalized in January 2024.

Costs of EUR 0.3 million will be incurred in connection with the contract amendment.

There were no significant changes in terms of term, interest rate and repayment.

All shares of the companies in the transaction listed in the following section were provided as additional collateral.

Purchase of shares – "Project Smart"

On November 16, LifeFit Group MidCo GmbH signed an agreement with the owners of a fitness studio chain in southwestern Germany for the acquisition of all shares for a total purchase price of EUR 20 million ("Project Smart"). Thus, MidCo will grow by another 21 fitness studios with 40 thousand members and an annual revenue of approx. EUR 13 million.

	Carrying amount	Step-up	kEUR Fair value
Net assets	2.333	0	2.333
customer contracts (before taxes)	0	10.216	10.216
less deferred tax liabilities	0	-2.963	-2.963
Goodwill	0	0	10.914
	2.333	**7.253**	**20.500**

	kEUR
Total consideration	**20.500**

Based on the first simplified analysis, we expect a purchase price of EUR 20.5 million and an acquired net assets of EUR 2.3 million, with a step-up of approximately EUR 7.3 million (customer contracts) and EUR 10.9 million (goodwill).

The reason for the transaction is the expansion of the Group.

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

Except LOFT Holding GmbH and its subsidiaries, 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 2023 (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.

All shares in Shape Holding GmbH and LOFT Holding GmbH and their subsidiaries were provided as additional collateral for the bond. 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, 25 January 2024

Martin Seibold
Managing Director

Group Management Report for LifeFit Group MidCo GmbH, Frankfurt am Main for the financial year 1 November 2022 to 31 October 2023

CONTENTS

A. GENERAL INFORMATION ABOUT THE GROUP

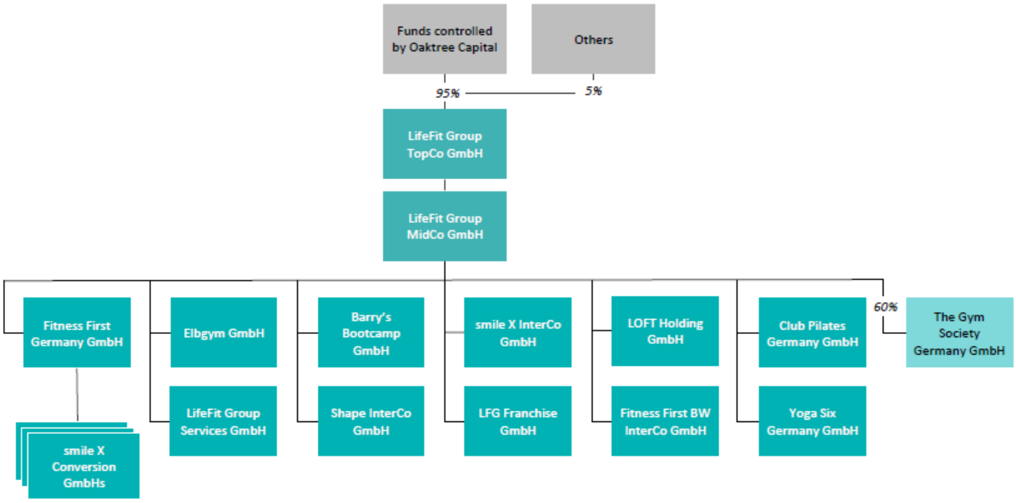
1. BUSINESS MODEL OF THE GROUP

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.

Until October 2023 the following brands existed:

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: five) in down-town Hamburg and one club each in Munich and Berlin Steglitz.
iii. With its 19 clubs (previous year: 19 clubs) (of which three (previous year: three) are operated as franchises), provider SmileX services the mid-price market segment of the MidCo Group.
iv. Thirteen InShape clubs (previous year: thirteen) operate in the mid-price market segment in south-west Germany.
v. 27 FitnessLOFT clubs (previous year: not included in the group) operate in the mid-price market segment in northern Germany.
vi. 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.
vii. 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.
viii. At The Gym Society, the first club opened in Cologne in July 2020 (the club is in the process of moving to another location).

Through a major rebranding in October 2023 of all SmileX, FitnessLOFT and InShape clubs to the Fitness First RED brand, these brand segments were adapted.

The Group pursues a subscription-based business model. On average, a member stays with the Group for about four years. The multi-brand portfolio provides operational flexibility and allows clubs to be rebranded to respond to changes in customer preferences, for example.

Following the rebranding of the brands SmileX, FitnessLOFT and InShape Clubs, the MidCo Group has entered the German market with three different segments. These are:

Full Service Best Price (78 Clubs)

In addition to the original clubs under the Fitness First brand, this product segment under the Fitness First brand also includes clubs that previously operated under the SmileX, FitnessLOFT and Inshape brands. The product segment operates in the price-performance sector and thus offers high-quality services at lower prices compared to the other product segments.

Premium (40 Clubs)

In addition to the original clubs under the Fitness First BLACK brand, this product segment under the Fitness First brand also includes clubs that will continue to operate under the ELBGYM brand (7 clubs). This product segment is more in the mid to high-priced sector compared to the other product segments.

Micro/Boutique

This product segment includes the brands BARRY's, Club Pilates, Yoga Six as well as the GymSociety and, unlike the Full-Service Best Price and Premium product segments, is not a subscription, but a "pay-as-you-go" model that is essentially based on franchise agreements.

The Group is represented in many major German cities, including Berlin, Munich, Frankfurt am Main, Hamburg and Cologne; some of the gyms are located in downtown locations. The Group currently has 125 (previous year: 97 clubs), of which four (previous year: four) are franchised, with more than 347 thousand own members, including aggregator equivalents (previous year: 228 thousand members, including aggregator equivalents).

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.

4. CONTROL PARAMETER

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.

At a disaggregated level, the EBITDA of the segments is used.

B. ECONOMIC REPORT

1. OVERALL ECONOMIC AND INDUSTRY ENVIRONMENT

The ifo[1] Institute has lowered its forecast for German economic growth in 2024 from 1.4 percent to 0.9 percent. This is justified by a weaker development in the final quarter of 2023, which will also have an impact in the coming year. The reason for this is uncertainty, which increases consumers' propensity to save and reduces the willingness of companies and households to invest. This will lead to a delay in the recovery of the economy.

Additional uncertainties exist due to the reduction of the federal budget following the ruling of the Federal Constitutional Court, which means that a further weakening of the gross domestic product (GDP) to 0.7 percent must be feared. 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%).

According to the Ifo Institute, however, a recovery of the economy is in sight. Wages and salaries are rising and purchasing power is rising, not least because employment is at an all-time high. Inflation is expected to fall to two percent because energy costs are falling. In addition, interest rates are expected to have peaked and are now falling again.

The latest market data for 2023 is not yet available, but the data for 2022 will be used instead. The latest available market data proves that the German fitness market[2] is on the road to recovery in 2022 after the COVID-19 restrictions. After the German fitness market had to accept sharp declines in core key figures for two years in a row due to the pandemic-related temporary closures or admission restrictions, significant revenue growth of 122.7 percent to 4.9 billion euros (equivalent to 89.1% of the 2019 level) and a 10.8 percent increase in memberships to 10.3 million (corresponding to 88.0% of the 2019 level) are on the horizon for 2022. Only in 2022 was there a year-on-year decline of 3.6 percent or 343 plants in the number of plants. This is due, among other things, to a comparatively high number of business registrations and insolvencies due to the economic conditions as well as to the aftermath of the COVID-19 pandemic.

As a result of the partly significant differences in the development of the core key figures within the different types of operations, there was a strong consolidation in the direction of the chain segment. The individual and micro segments in particular are responsible for the decline in equipment in the overall market. In contrast, the chain segment was able to achieve asset growth of 6.8 percent, as many chain providers expanded their investment portfolios organically

[1] Ifo Konjunkturprognose (economic forecast) 2024

[2] Deloitte „The German fitness market, study 2023 (20th edition) “

or inorganically. In addition, a comparatively large number of individual providers were transferred to the chain-segment (at least five provider) in 2022 due to new openings.

At the same time, the German fitness market continues to be the largest in Europe and had grown along with other markets in the wake of a global health and wellness trend. Although the penetration rate of fitness centres (number of centres/population) in Germany has increased by almost half since 2010, it remains at a low level compared to other developed markets such as the UK or the Scandinavian countries. The development of new concepts and centres, continued health awareness and interest in wellness offerings, as well as the popularity of social media, generally form a solid foundation for future growth after the health crisis has subsided.

2. BUSINESS DEVELOPMENTS

Following the two national lockdowns in previous years (March 2020 to June 2020 and November 2020 to June 2021), the 2023 financial year was, as in the previous year, geared towards recovering "lost" memberships through the pandemic-related closures and restoring business operations. In addition, the focus was on stabilizing the financing structure and acquisition efforts.

The 2023 financial year was the second consecutive financial year after the previous year after the Covid-19 health crisis, with the previous year mainly characterized by catch-up effects on lost memberships.

In addition to the resumption of the growth path, the focus in the financial year was on stabilizing the Group's financing by extending the maturity and increasing the bond, taking out and extending existing shareholder loans, and acquiring the FitnessLOFT Group. At the end of the financial year, in October 2023, the brand strategy, as described in Section 1 of the Group's Business Model, was revised by renaming the studios under the SmileX, InShape and FitnessLOFT brands to Fitness First RED Studios.

From the increase in the bond and the newly issued shareholder loans, the Group received EUR 13.1 million and EUR 10.0 million respectively.

With "Share Purchase Agreement" (SPA) dated December 1, 2022 and completion and thus first-time consolidation as of December 31, 2022, MidCo has acquired 100% of the shares of the subsidiaries of LOFT Holding GmbH, Braunschweig (FitnessLOFT Group) as part of a share deal for a fixed purchase price of EUR 7.3 million in total plus a vendor loan (EUR 2.4 million) as well as purchase price adjustments (EUR -1.6 million) and a variable purchase price of EUR 14.9 million expected.

Overall, the number of members in the 2023 financial year was significantly higher than in the previous year, with more than 347 thousand own members including aggregator equivalents (previous year: 228 thousand members including aggregator equivalents); of these, 67 thousand are attributable to the newly acquired FitnessLOFT Group. This had a significant positive impact on sales, EBITDA and consolidated net income in the year under review.

The **EBITDA** for the financial year was EUR 47.7 million, which is an increase of EUR 29.5 million from the previous year (EUR 18.3 million). Of this increase, EUR 5.1 million is attributable to the FitnessLOFT Group.

EBITDA calculation:

- EUR 6.7 million (previous year restated: EUR -14.8 million) EBIT according to the consolidated statement of comprehensive income
- + EUR 41.1 million (previous year: EUR 33.1 million) in amortisation/depreciation according to the consolidated statement of comprehensive income

Revenues for the financial year amounted to EUR 166.3 million, which is EUR 61.6 million higher than in the previous year.

The **number of memberships** increased by 108 thousand to 324 thousand in the financial year from 216 thousand in the previous year. On the one hand, the increase is due to a significant increase in new memberships, which have now resumed their membership after the pandemic-related closures in previous years, which led to the loss of members. On the other hand, the Group expanded in the financial year through the acquisition of the FitnessLOFT Group, which increased the number of memberships by a further 64 thousand as of the reporting date. In addition, the Group has around 23 thousand membership equivalents resulting from aggregator visits, which is an increase of 10 thousand compared to the previous year due to the expansion of the latter. In this regard employees of companies can use the Group's fitness studios as part of "employee benefit programs" via providers such as egym wellpass, Urban Sports Club or gympass.

Compared to the previous year, the **retention rate** also increased from 67.1% to 74.1%, which is due in particular to the focus in sales on the 24-month contracts in conjunction with a strong differentiation of the club portfolio (full service, best price and premium).

The average **income from new members** decreased compared to the previous year (EUR 44.59 vs. EUR 49.10). The year-on-year decline is mainly due to the acquisition of FitnessLOFT, for which there are lower premiums, and the increased number of clubs under the Fitness First RED brand.

Comparison of target / actual values

The forecasts made in the previous year's consolidated financial statements regarding the significant increase in revenue > EUR 150.0 million (thereof FitnessLOFT approx. EUR 20.0 million) and EBITDA > EUR 45.0 million (thereof FitnessLOFT approx. EUR 9.0 million) was slightly exceeded. Revenues increased from EUR 104.7 million to EUR 166.3 million. EBITDA increased from EUR 18.3 million to EUR 47.7 million compared to the previous year.

This was largely due to the significant increase in the number of members, the increase in visit-based revenue (from the company's own members and external visitors, e.g. aggregators) and the first-time consolidation of the FitnessLOFT Group. The FitnessLOFT Group generated revenues of EUR 18.3 million and EBITDA of EUR 5.1 million.

The target figures of the previous year's consolidated financial statements in terms of membership numbers (increase in the number of memberships to well over 300 thousand (thereof FitnessLOFT > 65 thousand) were significantly exceeded with 347 thousand including aggregators equivalent.

The increase in the retention rate to at least pre-crisis levels (72.5%) was slightly exceeded at 74.1%.

The moderate increase in average income from new members was not achieved due to the inclusion of the FitnessLOFT Group and an increase in the number of clubs under the Fitness First RED brand.

Deviation from target values

The **EBITDA** and revenue forecasted in the previous year were slightly exceeded in the financial year due to stronger catch-up effects.

The deviation from the plan in terms of the **number of memberships** of 47 thousand can be explained on the one hand by the growth due to pandemic-related catch-up effects, the aggregator business launched after the pandemic, and the segmentation and differentiation of the portfolio.

The deviation from the plan in terms of **retention rate** results in particular from the stronger focus on the 24-month membership.

The discrepancy in **income from new members** results from portfolio segmentation and the acquisition of the FitnessLOFT Group.

3. RESULTS OF OPERATIONS

The key performance indicators relevant to the Group's management are earnings before interest, taxes, depreciation and amortization (EBITDA) and revenues. Compared to the previous year, EBITDA increased by EUR 29.5 million from EUR 18.3 million (restated) to EUR 47.7 million. The main reason for this was the increase in revenue of EUR 61.6 million and the associated fixed cost degression effects.

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

EUR m	**01.11.2022 – 31.10.2023**	**01.11.2021 – 31.10.2022**
Full Service Best Price	84,1	47,3
Premium	80,1	56,4
Micro/Boutique	2,1	1,0
Total	**166,3**	**104,7**

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 meals and beverages, and fitness-related products. Overall, the EBITDA trend in the segments was similar.

The increase in the Group's revenues is mainly attributable to the re-acquisition of members as a result of the reopening of the studios in the spring of the 2021 financial year and to the revenues of the LOFT Group included for the first time in the consolidated financial statements. Since the beginning of the financial year, the Group has (organically) been able to add or regain approximately 56 thousand new members, including aggregators equivalents.

In the previous year, corona state aid of EUR 8.3 million had been received as income, whereas such income is not included in the 2023 financial year.

The cost of materials increased from EUR 8.2 million to EUR 8.5 million, which is due to the increased use of external trainers in 2023.

The increase in personnel expenses from EUR 33.5 million to EUR 44.1 million is mainly due to the salary adjustments and the full year of InShape (included in the previous year for only 6 months). In addition, personnel expenses increased by EUR 4.4 million due to the first-time inclusion of the FitnessLOFT Group.

Other operating expenses amount to EUR 73.5 million (previous year restated: EUR 55.3 million). This item mainly consists of incidental costs for land and buildings (EUR 31.7 million; previous year: EUR 24.4 million), advertising, marketing and travel expenses (EUR 9.5 million; previous year: EUR 9.3 million), legal, audit and consulting fees (EUR 9.8 million; previous year: EUR 5.1 million), administration expenses (EUR 5.0 million; previous year: EUR 4.8 million), maintenance expenses (EUR 9.5 million; previous year: EUR 4.5 million), additions to earn-out liabilities (EUR 2.7 million) and licence fees (EUR 1.8 million; previous year: EUR 1.3 million). The increase in other operating expenses (18.2 million) is mainly due to the increase in incidental costs for land and buildings and higher electricity costs. Higher inflation was also a factor. Legal, audit and consulting fees rose because of the increased M&A activities.

Amortization and depreciation (less reversal of impairments) of assets amount to EUR 41.1 million (previous year restated: EUR 33.1 million) and comprise the amortisation of capitalised rights of use (EUR 22.5 million; previous year restated: EUR 22.5 million), depreciation of property, plant and equipment (EUR 11.4 million; previous year: EUR 10.6 million) and amortisation of intangible assets (EUR 8.7 million; previous year: EUR 2.7 million).

The increase in amortization of intangible assets resulted from increased amortization of customer lists (EUR 3.6 million; previous year: EUR 1.9 million) as well as from the full impairment and scheduled amortization of the recognised SmileX brand in the amount of EUR 3.7 million following the rebranding of the studios into Fitness First RED.

Impairment charges include EUR 1.7 million (previous year: 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 to EUR 1.5 million (previous year: EUR 2.8 million).

The financial result (net) in the amount of EUR 31.7 million (previous year restated: EUR 23.6 million) (net) mainly consist of interest expenses relating to leasing obligations (EUR 16.7 million; previous year: EUR 15.9 million), bond coupons (EUR 8.9 million; previous year: EUR 3.8 million) and interest expenses for shareholder loans (EUR 5.3 million; previous year: EUR 3.7 million).

The loss for the period decreased during the financial year, from a loss of EUR 36.4 million in the previous year to EUR 22.6 million.

Income taxes

The calculated tax income at the group level for the 2023 financial year is EUR 2.3 million (previous year: tax income of EUR 2.4 million). As measured by the pre-tax result of EUR -24.9 million (previous year restated: EUR -38.7 million), this results in a tax rate of 9.3 % (2022: 6.1 %).

4. NET ASSETS AND FINANCIAL POSITION

On the balance sheet date, the Group's total balance sheet was EUR 250.5 million (previous year restated: EUR 197.8million). The net assets and financial position of the Group is as follows:

Intangible assets comprise goodwill from business combinations (EUR 55.9 million; previous year: EUR 32.9 million), customer lists/contracts and brands (EUR 9.1 million; previous year: EUR 6.5 million), as well as licenses and software (EUR 2.2 million; previous year: EUR 2.0 million). During the reporting year, EUR 22.9 million was added to goodwill, including EUR 22.3 million from the acquisition of the FitnessLOFT Group and EUR 0.6 million from the purchase outstanding shares in Club Pilates (former: XPO).

Property, plant and equipment increased to EUR 45.7 million (previous year: EUR 43.8 million) and consists of land and buildings (EUR 25.9 million; previous year restated: EUR 24.2 million), other facilities, business and office equipment (EUR 19.1 million; previous year: EUR 13.8 million), as well as advance payments and facilities under construction (EUR 0.6 million; previous year restated: EUR 5.8 million). The increase is mainly due to additions for other facilities, business and office equipment from the first-time consolidation oof the Fitness group.

The right-of-use assets relate to leased buildings (EUR 98.6 million; previous year restated: EUR 85.4 million) as well as leased fitness equipment and vehicles (EUR 2.3 million; previous year: EUR 3.9 million). The increase is mainly due to additions in connection with the first-time inclusion of the Fitness Group in the consolidated financial statements (EUR 15.3 million) and current additions from lease extensions (EUR 16.5 million), which are offset by current depreciation and amortization (EUR 18.3 million). On the other hand, impairment losses of EUR 1.7 million (previous year: EUR 5.7 million) had an impact on a right-of-use asset.

The increase in other financial assets (EUR 3.5 million; previous year: EUR 1.0 million) is mainly due to higher deposits (EUR 0.9 million).

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

Financial liabilities of EUR 66.4 million (previous year: EUR 49.9 million) mainly consist of a bond (EUR 56.0 million; previous year: EUR 39.6 million) as well as the utilised amount of a revolving credit line (EUR 10.4 million; previous year: EUR 10.3 million).

The bond (senior, secured, callable and floating-rate bond) has a value of EUR 56.0 million as of the reporting date (previous year: EUR 39.6 million). The Group is obliged to pay the interest on a quarterly basis. The interest payable quarterly consists of a fixed margin of 7.50% p.a. plus the 3-month EURIBOR applicable at the beginning of the interest periods. However, this is provided with a minimum interest rate of 0%. In December 2022, an agreement was reached with the majority of investors to extend the term until January 26, 2025. In this context, the bond was also increased by a further EUR 15.0 million for the purpose of acquiring the Fitness Group.

As part of an adjustment dated December 15, 2022, the credit facility of EUR 10.0 million until September 30, 2024. The interest rate was adjusted from 3.0% to 4.5% plus 3-month EURIBOR.

The shareholder loans, including accrued interest in the amount of EUR 56.7 million (previous year: EUR 43.8 million), were all granted in 2019, except for two tranches of EUR 12.0 million, which were disbursed in the current financial year. The loans bear interest at 7.0%. By contract dated 22 February 2023, the repayment was extended until February 2025.

The lease liabilities (of which non-current: EUR 121.9 million, (previous year restated: EUR 111.8 million)) and current in-term: EUR 21.2 million (previous year restated: EUR 17.2 million) relate to leased buildings (EUR 138.8 million, previous year: EUR 124.3 million) as well as leased fitness equipment and vehicles (EUR 4.4 million, previous year: EUR 4.8 million).

Cash and cash equivalents of the Group amounted to EUR 20.9 million (previous year: EUR 8.4 million).

Provisions (of which long-term: EUR 1.9 million (previous year: EUR 2.6 million) and short-term: EUR 0.5 million (previous year: EUR 0.7 million)) mainly relate to provisions for club renovations (EUR 2.3 million; previous year: EUR 2.8 million) and provisions for legal disputes (EUR 0.1 million; previous year: EUR 0.5 million).

Deferred tax assets totalled EUR 4.9 million (previous year: EUR 5.3 million) and mainly refer to accounting differences for intangible assets from acquisitions (EUR 3.0 million; previous year: EUR 2.0 million) and property, plant and equipment (EUR 4.8 million; previous year: EUR 4.2 million). They were offset by deferred tax claims that mainly resulted from accounting differences related to leases (EUR 13.5 million; previous year: EUR 12.2 million).

Other non-financial liabilities in the amount of EUR 5.9 million (previous year: EUR 2.5 million) mainly comprise liabilities from value added tax, liabilities from other taxes and liabilities to employees. Contract liabilities increased from EUR 2.0 million to EUR 3.5 million due to an increased number of longer-term contracts at the end of the year as well as due to the increased number of members, for which the one-off admission fees were reduced.

Other financial liabilities of EUR 74.2 million (previous year: EUR 50.3 million) mainly comprise membership fees, which continued to be collected by direct debit during the pandemic-related closures (EUR 53.5 million; previous year: EUR 45.9 million). It also includes earn-out liabilities of EUR 17.0 million (previous year: EUR 2.8 million) resulting from the acquisitions of the Fitness Group (EUR 12.4 million) and the InShape Group of EUR 4.6 million (previous year: EUR 2.8 million), the amount of which is dependent on the achievement of performance-related indicators in the following two financial years. Of the InShape Group's earn-out liability, an amount of EUR 1.1 million was paid out in the financial year. Due to a significant improvement in planning, the earn-out liability at Inshape was also increased by EUR 2.7 million and contractually fixed with the seller.

Explanations regarding the statement of cash flows

Cash flow from operating activities amounted to EUR 38.1 million in the reporting period (previous year: EUR 32.6 million) and is influenced by consolidated net income of EUR -22.7 million (previous year: adjusted EUR – 36.4 million), which improved by EUR 13.7 million compared to the previous year. Depreciation and amortization, on the other hand, increased by EUR 8.0 million from EUR 33.1 million to EUR 41.1 million.

The negative cash flow from investing activities amounted to EUR 11.3 million (previous year: EUR 17.4 million) and was attributable to the acquisition of property, plant and equipment (EUR 4.7 million, previous year: EUR 12.5 million) and company acquisitions (EUR 5.7 million, previous year: EUR 4.2 million).

The negative cash flow from financing activities in the amount of EUR 14.5 million (previous year: EUR 29.8 million) relates to EUR 35.8 million (previous year: EUR 28.9 million) which is attributable to interest and principal payments in connection with lease payments. These disbursements were partially offset mainly by proceeds from the Bond increase in the amount of EUR 13.0 million and payments from shareholder loans in the amount of EUR 10.0 million.

Overall, the positive cash flow from operating activities of EUR 38.1 million covered the negative cash flows from investing activities and financing activities totalling EUR 25.7 million, resulting in an increase in cash and cash equivalents of EUR 12.4 million at the end of the period from EUR 8.4 million in the previous year to EUR 20.8 million.

Overall statement regarding the net assets, financial position and results of operations

Overall, the net assets, financial position and results of operations for the reported period were characterized by a pre-tax loss of EUR 24.9 million (previous year restated: EUR 38.7 million), a negative equity of EUR 118.4 million (previous year restated: EUR 96.9 million) and a positive cash flow from operating activities of EUR 38.1 million (previous year: EUR 32.6 million). At

EUR 20.8 million as of the reporting date (previous year: EUR 8.4 million), the Group's liquidity increased compared to the previous year. The Group's financing is currently secured by the available cash and cash equivalents. The management therefore considers the net assets, financial position and results of operations as well as the current planning as a positive starting point for further expansion and is satisfied with it.

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 2026; 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.

As of the reporting date, group equity amounts to EUR -118.4 million (previous year restated: EUR -96.9 million).

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 15.2 million on the balance sheet date (previous year: audited EUR 32.5 million).

6. OTHER NON-FINANCIAL INFORMATION

Employees

As of October 31, 2023, the Group had 2,060 employees (previous year: 1,650 employees). Of these, 1,925 employees (previous year: 1,528 employees) worked in the clubs and 134 employees (previous year: 122) in the Service Centre. As part of the Group-wide Learning & Development program, all employees, from receptionists to managing directors, are continuously trained interactively in their service behaviour. By actively gathering feedback from participants, the training programs are constantly being improved.

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 at 31 October 2023, we had approximately 447 thousand members (previous year: approximately 228 thousands members). The average monthly income per member was EUR 43.80 (previous year: EUR 46.92), with a customer retention rate of 74.1% (previous year: 67.1%) 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 Section 315b of the German Commercial Code (HGB) "Requirements of non-financial declaration", this will be made available on the Company's website.

https://www.lifefit-group.com/investor-relations/reports-presentations/

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 13 December 2023, the German Economic Institute (IW) published its latest forecasted for the development of Germany's economic output (GDP). While economic output is forecast to grow by 1.25% in the USA, 0.75% in France and 4.5% in China, the IW expects economic output in Germany to decline by 0.5% in the coming year.

The IW emphasizes that the forecasts are subject to a relatively high degree of uncertainty. Weaker consumer demand, persistent inflation and the conflicts in the Middle East and Ukraine make it difficult to predict future developments.[3]

The entire fitness industry was negatively affected by the outbreak of the Covid-19 health crisis. Following the lifting of the national lockdown during the Covid-19 health crisis, business was revived in the 2021/22 financial year. In the 2022/23 financial year, the recovery was even more noticeable than in the previous year.

After the second lockdown, which lasted about 7 months, visitor numbers rose to pre-Corona levels in the 2021/22 financial year and the number of new contracts was partially exceeded compared to 2019. This trend continued in the year under review. The company is optimising the attractiveness of the club's portfolios by expanding its product landscape to include state-of-the-art electronic strength equipment, devices to promote mobility and club-by-club modernisation of the equipment fleet. In combination with effective marketing measures, especially via social media channels, this represents a very good starting point for the 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.

According to the most recent budget calculation, management expects the following developments for the 2024 financial year:

- significant increase in revenues to > EUR 195,0 million (including project Smart[4] approx. EUR 15.0 million),
- significant increase in EBITDA to > EUR 60.0 million (including project Smart approx. EUR 5.0 million),
- increase in memberships up to 400,000 (including project Smart approx. 40,000),
- keeping constant retention rate (73.0%)

[3] Institut der deutschen Wirtschaft – IW-economic forecast: GDP to decline in 2024 by half percent (press release from 13. 12.2023)

[4] Project Smart = planned acquisition of several new clubs

- 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:

- moderate increase of approx. 5%in memberships and thus resulting growth in membership fees
- increase in visit-based revenues through increased visits (own members and external visits, e.g. through aggregators)

In order to achieve the planned increase in the retention rate, the proportion of 24-month contracts is to be kept high. In addition, rebranding is intended to transfer best practices members to the newly acquired clubs.

Investments of approx. EUR 21.2 million (previous year: EUR 5.0 million) are planned for fitness equipment, IT and club equipment as well as the opening of new clubs. Of this, EUR 3.9 million will be allocated to new clubs.

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.

In the medium to long term, the management is confident that health and fitness will become even more important in society and that the LifeFit Group will benefit from this trend due to its market position. In addition, the Covid-19 health crisis has led to a period of consolidation in the fitness industry, in which there are further growth opportunities through acquisitions. The many years of experience in the management of various brands in different segments, combined with efficient and scalable central services, make the LifeFit Group a key future player in the German fitness industry. The previous shareholder is currently seeking a sale, which is intended to secure, among other things, the long-term financing of the group.

2. OPPORTUNITIES AND RISKS

Opportunities report

Opportunities in the market

Although the fitness industry has been faced with unprecedented challenges due to the COVID-19 pandemic, the assessment of the further development of the industry after overcoming this crisis is positive and the management is looking to the future with confidence. For many people, a visit to a fitness facility is an integral part of their own self-realization, a starting point for social contacts and an integral part of leisure activities. A further strengthening of the awareness of many population groups for health and exercise, but also of the societal and social components, is to be expected. The management was able to observe a considerable catch-up effect in the context of a complete normalization of everyday life. After the lockdowns in the previous financial years, significantly more new members were acquired than in the corresponding periods of the previous year. The introduction of a flex option with a short minimum term has proven to be particularly successful. Significant growth potential can also be generated with the acquisition of the FitnessLOFT Group in the 2023 financial year, which will now be managed under the Fitness First RED brand, as well as the planned acquisition of another local group of clubs in the 2024 financial year, which will also be managed under the Fitness First RED brand in the medium term. These expansions are expected to lead to a long-term improvement in earnings.

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 the more price-conscious customers, there are offers under the brand Fitness First RED (formerly, SmileX, InShape and FitnessLOFT, which can be attributed to the "Full Service Best Price" segment). The planned acquisition of a further group of local clubs is expected to generate additional growth in this segment. With the Fitness First BLACK brand and Elbgym, customers are in the medium to high-priced segment. Good growth opportunities are seen in this segment. On the one hand, there are hardly any competitors, and on the other hand, there is a great potential for demand due to the relatively small price difference to the discount segment, as you get a significant "more" in terms of individuality and service for the "more" membership fee. For customers who are more likely to be in higher-priced segments, there is the Elbgym brand. Furthermore, there is the "Micro/Boutique" segment, which includes the brands Barry's Bootcamp, Club Pilates, Yoga Six and TheGymSociety, which is essentially based on a contract-independent "pay-as-you-go" model, in contrast to the subscription models of the other segments. Through the different offers, customers have the opportunity to access products or switch between them according to their personal preferences. The multi-brand strategy of the MidCo Group is considered to be decisive for success both for reasons of fixed cost degression in the administrative area and against the background of risk diversification. Already during the first lockdown in spring 2020, the MidCo Group was able to expand its digital product range at short notice. Additional digital offerings will become increasingly important as an integral part of the differentiation strategy.

Opportunities in the competitive environment

In its core business, the operation of fitness studios, the Group operates in a competitive structure that is characterized by a few large players on the one hand and many small operators on the other. With regards to the medium-term impact of the repeated closures due to COVID-19, there were tendencies to see a market shakeout, especially in the segment of the latter group. It is assumed that there will be a partial or complete withdrawal from the market among the chain companies. This creates additional growth potential for the Group. This applies not only to changes among members, but also in the context of the search for a location. An essential, if not the most important success factor of a fitness facility is the location. The scarcity of suitable locations, especially in the inner cities of the metropolises, has led to cut-throat competition over the last 3-5 years. This trend is expected to be reversed, creating growth and savings potential.

Strategic opportunities

Due to the flexibility to serve different target groups with different brands in the core business and thus to tailor the offer to the respective competition according to the location, good growth opportunities are seen. Against this backdrop, the strategic advantage as an integrated provider in the fitness market is becoming increasingly important: Due to the accumulated company know-how, especially in the selection of locations as well as in the equipment and operation of fitness facilities, and the size-related economies of scale, it is assumed that it will be able to grow successfully in the discount segment (full service best price) despite market saturation. Furthermore, the management sees the opportunity to further expand market shares in the premium segment (premium) by means of the factors mentioned above.

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 satisfying basic needs. In the event of poor macroeconomic developments, as can currently be observed due to the persistent inflation developments, the willingness to spend money on a gym membership also tends to decrease.

This would probably affect the mid- and high-price segment (premium) more than the discount segment (full-service best price) and thus have a negative impact on the profitability of the fitness facilities under the Fitness First BLACK brands, including Elbgym. However, empirical values gained during previous economic crises suggest that the current crisis will only have a minor impact on the business model. Furthermore, fitness could be seen as a trend phenomenon that can lose importance due to a shift in preferences, regardless of the overall economic development. However, the management assumes that there will be shifts, but that awareness of health and exercise will continue to gain in importance across generations and that fitness will increasingly become an integral part of social life. This was further exacerbated by the COVID19 pandemic (see Opportunity Report). Furthermore, the desire for physical attractiveness remains strong among the younger population. The continued success of the fitness industry leads to the entry of new entrants into the market, so that an increasingly large number of providers divide the market among themselves (increasing market saturation). In addition, there is a risk that other providers will imitate the Group's business model and the Group will lose market share as a result. The Group is continuously analysing the competitive situation. Furthermore, the providers of home fitness equipment had been able to record high growth figures until the end of the official Corona measures, so that the trend towards home fitness could continue to have a negative impact on face-to-face memberships. Measures to mitigate these risks include the continuous strengthening of the brand presence, the expansion of the range of services to include online fitness offers or fitness trainer programs as part of the Fitness First Academy, participation in new business models and the improvement of service standards.

Investment risk

Investments in new fitness facilities, which are customary in the industry, generally represent a business risk in terms of their profitability and payback period. The selection of locations, brand concept and equipment for each individual new construction project is based on evaluation processes that are continuously reviewed for their forecast quality. Due to the increased focus on the medium to high price segment and the associated higher capital commitment per location, the material impact of individual investments tends to increase. The profitability of each project is analysed in advance and only released if the prognosis is positive. Subsequently, all investments are subject to a monitoring process and in the event of any changes, measures are taken and taken into account in the liquidity forecast. Based on a stable operating cash flow in the core business, the management does not consider the investment risks associated with the individual projects to be a threat to the Group's going concern.

Lease risk

Leases tend to increase the share of fixed costs due to higher rental prices, with a correspondingly negative impact on profitability. Due to the current situation on the commercial rental market, there is only limited countermeasures that can be taken. Potential indexation and rent increases may have a negative impact on the Group's earnings.

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. The current negative development of interest rates may also have a negative impact on the Group's financial position. Failure to meet membership fees planned for the future would pose a risk to the Group's continued existence, as the cash required to finance the Group would not be available. The financing via the bond will expire on January 26, 2025, and the revolving credit facility will expire on September 30, 2024. Currently, the group is in a sale process with the aim of finding a new shareholder, which also aims to secure financing in the future, so refinancing is currently not taken into account in the planning. If this process is not successful, the Group will have to seek a prolongation or rescheduling of the bond in the short term. If this is not successful, it could lead to payment difficulties in the repayment of the bond due on 26 January 2025. Therefore, the financing represents a risk that threatens the Group's continued existence.

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, risk positions improved in the year under review as a result of a noticeable year-on-year increase in business activity. Based on the current positive business development, the management sees the financing risk at a moderate level, especially in view of the fact that the Group is most likely relying on further financing in the form of an extension of the bond in the amount of EUR 12.0 million. The assessment of the overall risk at the time of preparation of this report is currently considered moderate with regard to the continued existence of the Group. In order to take account of uncertainties, rolling cash forecasts are prepared on an ongoing basis in order to be able to create a sufficient liquidity reserve. The Company has a positive plan for cash flows until October 2026. Should the risks described above, such as the non-achievement of future membership fees, the failure to achieve the refinancing of the bond, higher payouts due to reclaimed membership fees or higher repayments of state aid due to final settlements, materialize and lead to major deviations from the plan, this would lead to additional financing requirements. If this could not be covered by equity or debt funds, this would jeopardize the existence of the company.

Now that the coronavirus disruptions have been overcome, there are significant opportunities due to an improved relative competitive position in the course of market consolidation and the new brand strategy through the Full-Service Best Price, Premium and Micro/Boutique segments. In addition, the more efficient operating cost structure will contribute to higher profitability.

As a result of the efficiency improvements already seen and the successfully completed integrations of the newly acquired InShape and FitnessLOFT groups, which have been assigned to the Full-Service Best Price segment since October 2023, the overall risk assessment has improved compared to the previous year. The management has taken appropriate measures to ensure the highest possible liquidity reserves. In addition, opportunities for further growth may arise from acquisitions of undercapitalized and correspondingly financially distressed competitors, which may lead to an increase in the Group's long-term profitability.

The Opportunities and Risks Report contains forward-looking statements about expected developments. These statements are based on current estimates and are inherently associated with risks and uncertainties. The actual results may differ from the assessments formulated here.

The planned acquisition of further local clubs is also expected to generate further growth in the full-service best price segment.

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.

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

Frankfurt am Main, 25 January 2024

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Martin Seibold
Managing Director