ANNUAL REPORT 2019

BASIC-FIT

Forward looking statements & important notice

This annual report may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, including but not limited to statements expressing or implying Basic-Fit's beliefs, expectations, intentions, forecasts, estimates and/or predictions (and the assumptions underlying them). The forward-looking statements in this annual report are based on numerous assumptions regarding Basic-Fit's present and future business strategies and the environment in which Basic-Fit will operate in the future, and could refer to the financial condition, results of operations and business liquidity, prospects, growth, strategies or the industry in which Basic Fit N.V. and its subsidiaries (also referred to as 'the company') operate, and certain of the plans and objectives of Basic-Fit with respect to these items.

Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future, and may cause the actual results, performance or achievements of Basic-Fit to be materially different from those expressed or implied by such forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Basic-Fit's control or ability to estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and other factors, such as Basic-Fit's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social or regulatory framework in which Basic-Fit operates, or in economic or technological trends or conditions. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance.

The forward-looking statements contained refer only to the date in which they are made, and Basic-Fit does not undertake any obligation to update any forward-looking statements

This annual report may contain statistics, data and other information relating to markets, market sizes, market shares, market positions or other industry data pertaining to Basic-Fit's business and markets. Unless otherwise indicated, such information is based on the Basic-Fit's analysis of multiple sources, as well as information obtained from (i) experts, industry associations and data providers; and (ii) publicly available information from other sources, such as information publicly released by our competitors. To the extent that they are available, any industry, market or competitive position data contained in this annual report has come from official or third-party sources. While Basic-Fit believes that each of these publications, studies and surveys has been prepared by a reputable source, Basic-Fit has not independently verified the data contained therein. In addition, certain of the industry, market and competitive position data contained in this document comes from Basic-Fit's own internal research and estimates, based on the knowledge and experience of Basic-Fit's management in the markets in which Basic-Fit operates. While Basic-Fit believes that such research and estimates are reasonable and reliable, they and their underlying methodology and assumptions have not been verified by any independent source for accuracy or completeness, and are subject to change without notice.

TABLE OF CONTENTS

BASIC-FIT AT A GLANCE

CLUBS

784 ▲ 25% year-on-year

MEMBERSHIPS

2.221 MILLION ▲ 21% year-on-year

REVENUE

€515 MILLION ▲ 28% year-on-year

ADJUSTED EBITDA

€155 MILLION ▲ 25% year-on-year

ADJUSTED EBITDA MARGIN

30.1% ▼ -77 BPS year-on-year

ADJUSTED EARNINGS

€32.8 MILLION ▲ 20% year-on-year


NETHERLANDS 199
BELGIUM 183
LUXEMBOURG 9
FRANCE 357
SPAIN 36

784 CLUBS

HISTORY

2019
BASIC-FIT: 784 CLUBS AND OVER 2.2 MILLION MEMBERS MILESTONES

At the end of 2019, we operated a total of 784 clubs in five countries: the Netherlands, Belgium, Luxembourg, France and Spain. We also had more than 2.2 million members.

2017
ACCELERATED ORGANIC EXPANSION WITH FOCUS ON FRANCE

Following the accelerated execution of our new club opening plans since 2017, we are now Europe's largest and fastest-growing fitness chain. Our expansion strategy focused on France and most of our new clubs were opened in that country.

2016
IPO AND ONE MILLION MEMBERS MILESTONE

In early 2016, Basic-Fit reached the milestone of one million members and began preparations for an initial public offering (IPO). On 10 June 2016, Basic-Fit listed on Euronext Amsterdam and was financially set for the next growth phase.

2013
FOCUS ON BASIC-FIT

In 2013, HealthCity and Basic-Fit was split into two independent entities. From that moment on, René and his team focused fully and exclusively on the value-for-money concept and the Basic-Fit brand.

2011
EXPANSION INTO FRANCE AND SPAIN

HealthCity expanded the number of clubs and, following the acquisition of parts of a competitor's network, started operating clubs outside the Benelux, in France, Spain and elsewhere.

2010
ACQUISITION OF BASIC-FIT

The acquisition of the Basic-Fit brand and 28 of its clubs proved to be a trigger for an acceleration of the company's budget fitness concept. HealthCity Basic clubs were transformed into Basic-Fit clubs.

2006
INTRODUCTION OF A BUDGET FITNESS CONCEPT

The company introduced HealthCity Basic, a value-for-money fitness concept in 2006.

2004
CREATION OF HEALTH CITY

Following a merger with another small chain in the Netherlands, René Moos founded HealthCity in 2004. HealthCity started with 11 clubs in the Netherlands and developed into a mid-to-premium fitness concept that included facilities such as swimming pools, wellness areas and day-care facilities.

1984
START OF A NEW CAREER

After ending his professional tennis career in 1984, René Moos started to manage and invest in tennis parks, to which he added fitness facilities.

COMPANY PROFILE

Who we are

Basic-Fit is the value-for-money fitness brand that wants to give everyone the opportunity to be fit. With 784 clubs and more than 2.2 million members, Basic-Fit is the largest and fastest-growing fitness chain in Europe.

Our purpose

At Basic-Fit we believe that everyone deserves to be fit and feel great. We aim to achieve that by making fitness accessible to as many people as possible.

Our approach

We remove the barriers that keep people from working out. Through constant innovation and making the most of technology, we aim to make fitness affordable, accessible and fun, and to give our members unbeatable value every single day.

Our unique proposition

Our members have access to all our clubs and enjoy all the benefits of the Basic-Fit app. This app offers personalised training and nutritional advice and other practical information to ensure that our members can make the most of their workout and Basic-Fit membership. With our app and clubs we are enabling our members to work out whenever and wherever they want.

MANAGEMENT BOARD REPORT

LETTER FROM THE CEO

Dear reader,

2019 was again a very successful year for Basic-Fit, as revenue, adjusted EBITDA and adjusted earnings all increased by 20% or more. Our network increased by a record number of 155 clubs to 784 clubs, with 125 of these new openings. Meanwhile, our membership base increased by 378,000 to 2.2 million. Thanks to these results, we solidified our position as the largest and fastest-growing fitness chain in Europe.

Sustainable growth

I am very happy with the continued growth we have achieved over the past few years. However, growth itself is not our goal. Our aim is to make fitness accessible to as many people as possible, giving them a chance to feel fit and get more out of life.

In addition to reaching as many people as possible, we want to have a positive impact on the communities in which we operate. At the same time, we are conscious of the impact we have on our planet. Although we still have a lot of work to do, we made major progress in the continued development and execution of our sustainability initiatives over the last year. Sustainability has become a more integral part of our thinking throughout the company and we have started integrating sustainability KPIs in our targets. We will start to communicate and report on a number of these KPI as of this annual report.

Acquisitions

We made a few of acquisitions this year. The most important one was the acquisition of Fitland in the Netherlands, which we announced in April and successfully completed in July. By the end of the year, we almost fully completed the integration and rebranding process of the 30 Fitland clubs. Following the addition of these clubs and many new employees, we strengthened our leading position in the Netherlands.

In the years ahead, we will continue to make smaller and larger acquisitions if clubs and chains come up for sale. However, we will continue to focus on organic growth in our current countries.

Acceleration of growth

Over the past year, we once again strengthened our new club openings pipeline. In addition to the continued inflow of new potential sites for France and the identification of white spaces in the Benelux, we have worked on our expansion strategy for Spain. We have now established an ecosystem of Spanish real estate agents and contractors who will help us with the site selection process and construction of new clubs, just as we did in France over the past few years. As of 2020, we aim to open around 150 clubs a year, 25 more than our previous target. We expect to have increased our network to 1,250 clubs by 2022.

New initiatives

We hosted a successful and well-attended Capital Markets Day in November, where we announced the accelerated growth plans and our broader management team presented a range of new initiatives that Basic-Fit had been working on over the prior 18 months. These initiatives included the likes of members' access to our clubs using their smartphone, app developments and data science to improve communications with our members, member retention programmes and smart camera systems to optimise the safety of and services to our members. It is through these and many more initiatives that we continuously adapt and optimise our organisation and product and service offering to make our leading market position truly sustainable.

New club concepts

At the Capital Markets Day, we also introduced the new Basic-Fit Express club concept and a refresh of the Basic-Fit Ladies concept. The Basic-Fit Express is a smaller club with a full fitness offering, which allows us to build clubs in city centres where there is limited availability of larger sites. Basic-Fit Ladies is specifically aimed at women who prefer to work out only with other women and it includes an offering that is more specifically geared to their fitness needs. Broadening our club concepts puts us in an even better position to adapt to the needs of different groups of fitness enthusiasts. And to make fitness available to an even wider group of people.

Thank you

I would like to thank everyone who helped make 2019 a great year for Basic-Fit: our business partners, shareholders, relationship banks and my colleagues in the senior management team, as well as the Supervisory Board. We have grown faster than ever before, and we are increasingly contributing to a fitter world.

I would like to send a particular thank you to all my Basic-Fit colleagues for their hard work over the past year and for their contribution to making Basic-Fit such a fun and exciting place to work.

And finally, I would like to thank all our members for choosing Basic-Fit. A base of over 2 million members is an acknowledgement of all the hard work we put in to make fitness available for everyone.

René Moos, CEO

OUR STRATEGY

Our purpose and mission

We believe everyone deserves to be fit and feel great, because when you are fit you feel amazing and get more out of life. That's why we're on a mission to make fitness accessible to everyone.

We aim to achieve this by removing the main barriers that are keeping people from working out: bring fitness close to people, make fitness affordable and make fitness easy and a fun habit for all.

Any place, any time, any way

Proximity is a major factor in a person's decision to become a member of a fitness club. This is why we build clubs close to where people live and work. In addition, we make virtual group classes and instruction videos available to all our members, so they can also work out at home. By offering our members the opportunity to exercise both at home as well as at the club, they can work on their fitness wherever and whenever they want. And to make it even easier for members to fit a club visit into their busy schedules we are increasing the number of 24hrs clubs right across our network.

A high-quality fitness offering does not have to be expensive. We offer a membership including access to all our clubs and the Basic-Fit app for less than €20 per four weeks. We are effectively democratising fitness.

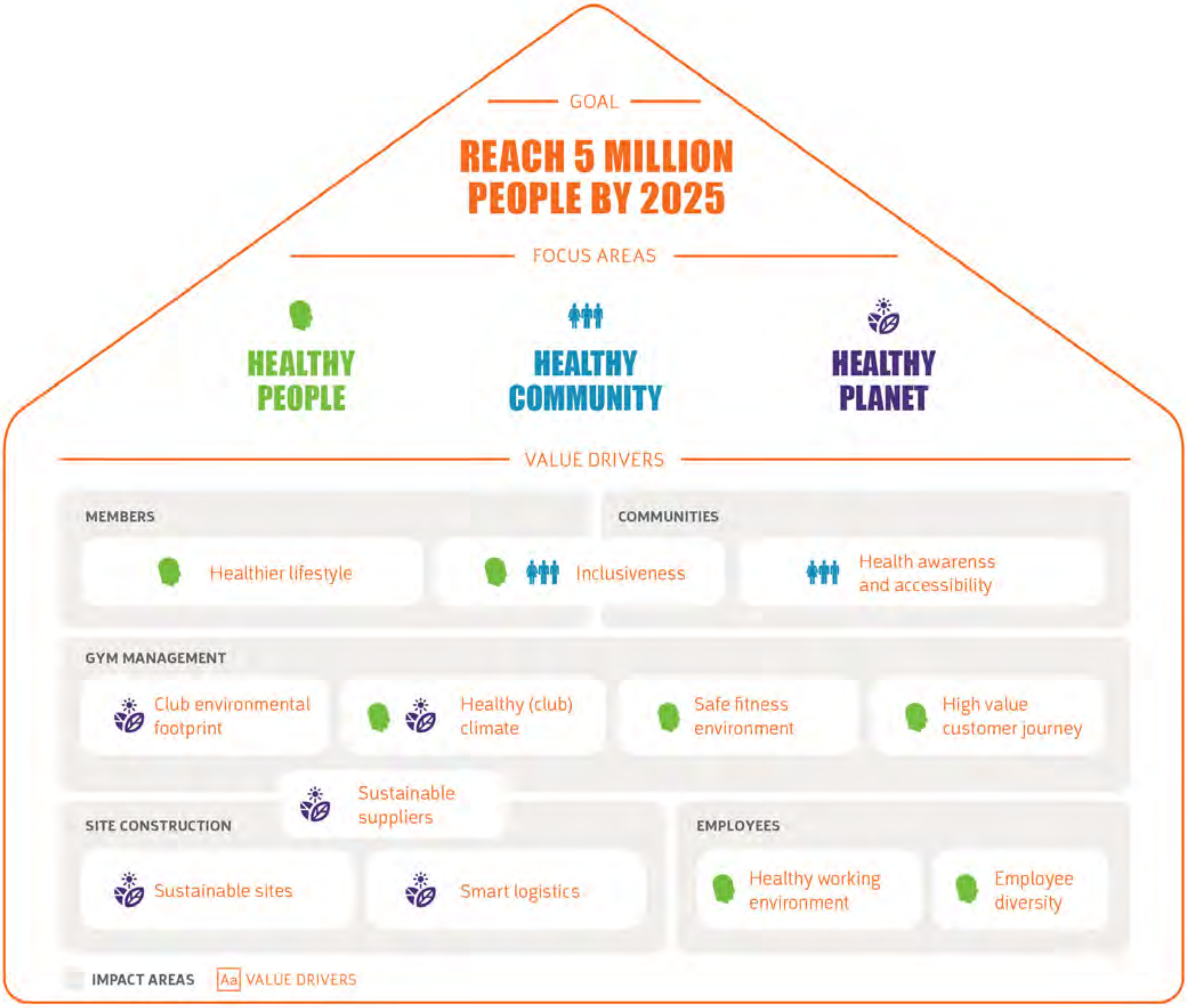
Aspiring fitness enthusiasts might be discouraged when entering a club for the first time and seeing all these seemingly complicated machines. We have gone out of our way to offer a warm welcome to our new members. And we make sure make sure their workout schedule is set up in such a way that they can achieve their goals and have fun.

Our sustainable strategy

Our strategy is very much based on our mission and is aimed at creating value for all our stakeholders by having a positive impact on the health of people, our planet and communities.

The three dimensions, healthy people, healthy planet and healthy communities, are linked to the full scope of our business processes as shown above. We differentiate five impact areas and twelve value drivers that are essential for us to achieve our ambitions.

We believe that everyone should have access to the benefits that fitness offers. People have become increasingly aware of the need for a healthier lifestyle. Too many people eat too much and exercise too little. Studies show that sedentary lifestyles and a lack of physical exercise are responsible for more deaths than smoking. We want to have a real and lasting impact on countering this trend, which is why our ambition is to reach five million people with our fitness clubs and products by 2025.



Organic growth through the rollout of new clubs

We see huge growth potential for value-for-money fitness clubs in Europe and in our geographical markets. The demand for affordable fitness is constantly growing, while the penetration rates are still low in some of the countries in which we operate, most notably Belgium, France and Spain.

Based on our internal analysis we believe there is the potential to open 2,000 clubs in our current markets, with around 300 clubs in both the Netherlands and Belgium. In France and Spain it is our long-term goal to open around 950 and 450 clubs respectively. Both France and Spain are large countries which currently have relatively low fitness penetration rates, underdeveloped low-cost fitness segments, and a fragmented fitness club market with no major non-franchise fitness chains offering a proposition comparable to Basic-Fit's low-cost fitness club membership.

We have strict site selection and club development procedures to help management identify and assess new sites and develop new clubs, and to make sure we meet our financial targets. We combine a centralised and a decentralised site selection and development approach, including local and regional real estate agents and dedicated contractors. This means we can open a lot of clubs quickly and in the right locations, and that we are flexible in terms of the number of clubs we open.

OUR GROWTH PILLARS

NEW CLUB ROLLOUT

- Significant whitespace potential in existing geographies
- Visible and secure rollout pipeline
- Proven model that can be applied to expansion in new markets

MATURATION OF EXISTING ESTATE

- Visible and consistent maturity profile for new openings
- 24 months for a new club to reach maturity with an average membership levels of around 3,300
- Potential for further membership growth utilising club capacity

YIELD MANAGEMENT & OTHER REVENUE

- Basic-Fit is committed to keeping membership fees low
- Increase membership yield by offering value-added products and services
- Other revenue sources from day-passes, vending machines, licensed personal trainers and physio

Growth through maturation of existing network

Once we open a club, it generally takes an average of 24 months for a club to mature. In this period, the club ramps up membership to an average of around 3,300 members, after which membership levels remain relatively stable. This means that even if we were not to open any new clubs Basic-Fit would still see considerable revenue and profit growth over the next 24 months. So, based on the number of clubs at the end of 2019 and the average mature clubs EBITDA, our club EBITDA could increase by an additional €113 million to €335 million, without us opening a single new club.

Add-ons and secondary income opportunities

In addition to base membership fees and joining fees, we generate revenue from a number of add-ons. Add-ons are additional fee-based services that can be added to a membership. The add-on income stream is part of our fitness revenue. Our add-ons include live group classes and a sports water subscription.

We generate secondary income (also referred to as 'other revenue') from fees received from personal trainers and physical therapists who offer their services in our clubs, from nutritional food and beverage vending machines, and from the sale of day passes in our clubs. Although the contribution of other revenue is still relatively small (<

3% of total revenue), the growth (potential) is significant. With this in mind, we have set up a dedicated team to develop new products and services for our members, for use both inside and outside our clubs. These services could help us increase secondary revenue, give us an additional competitive advantage and increase the length of stay of our members. Examples include leveraging the revenue potential of our membership database through cross-selling and up-selling other health and fitness-related products and services, as well as in-club advertising by third parties.

Advantages of scale

Basic-Fit is the largest and fastest-growing value-for-money fitness chain in Europe measured by the number of clubs and members. Our strong growth profile and replacement cycle also makes us the largest buyer of fitness equipment in Europe. This position gives us significant bargaining power with our suppliers, who offer us substantial discounts and excellent service agreements. As a result, we believe we can build a club for less than our competitors.

In previous years, we made significant investments in IT to optimise our operations. Thanks to the automation of our administrative processes, we can operate a club with fewer than three full-time equivalents (FTEs), and therefore at relatively low costs. Our scale and operational efficiencies put us in a positive cash flow position at club level once we reach an average of 1,600 to 1,700 memberships and gives us a payback period of between three and four years.

To capture the full potential of an area, we have adopted a cluster strategy, which is aimed at opening clubs in a country or region following a pre-determined order and pace. Instead of opening one club in the centre of a city, we aim to open multiple clubs in a city in a short time frame. This helps us to meet as much of the estimated demand for value-for-money fitness as possible, while at the same time making sure that the clusters of clubs deliver on the minimum return on invested capital (ROIC) threshold of 30%[1] at maturity. For strategic reasons, we accept that we might reach this threshold at a later time, for example if we feel this is necessary to achieve a strong and sustainable position in a geographical area in the longer term. The cluster strategy makes us a compelling choice for people looking for a fitness club, as it is more than likely that we have a club near where they work or where they live.

Selective acquisition of fitness clubs

In the past, we have selectively acquired existing fitness clubs and chains of fitness clubs, and converted them to the Basic-Fit brand and format. The fitness industry in the geographical markets where we operate is fragmented and offers potential for consolidation. We believe that acquisitions can help us accelerate our club rollout strategy. In the short term, however, we will focus on organic growth, as there are significant opportunities to build our own clubs in our existing countries.

Any acquisitions we make will be on an opportunistic basis, with a view to generating clear revenue and cost synergies, as any club or chain of clubs we acquire is converted to the Basic-Fit brand and format. As a result of this we can achieve benefits from our low-cost operating model and our management's experience of driving membership numbers.

Expansion into other geographical markets

We believe that there are several new geographical markets in Europe that could provide an attractive opportunity for us to establish a presence in the longer term. If we were to pursue expansion into other geographical markets, we would be looking to pursue opportunities in sizeable markets with relatively low levels of fitness penetration or an underdeveloped low-cost fitness segment, and where there is a significant gap between prevailing health and fitness club prices and our price levels. While further geographical diversification is something we will consider in the longer-term, we currently focus on expanding our network in our existing markets.

Financing

We finance our growth by reinvesting the cash flows we generate and by drawing on our available credit facility. We have ample liquidity to build new clubs, to make small acquisitions (one-off clubs or small fitness chains), to run our day-to-day operations and develop new revenue streams. In the short term, we feel comfortable with a net debt below three times adjusted EBITDA, and in the long-term we aim to bring our leverage ratio down to less than two (based on the bank covenant definition, which is based on frozen GAAP and excludes the adoption of IFRS 16). If the opportunity arises, we will also consider larger acquisitions and carefully assess the most suitable financing construction to finance such acquisitions.

[1] Calculated by dividing the adjusted club EBITDA at maturity by the initial capital expenditure incurred in opening a new club

GLOBAL SUSTAINABILITY GOALS

The United Nations' Sustainable Development Goals (SDGs) are a roadmap to a more environmentally and socially conscious and responsible world by 2030. Our mission and purpose are closely aligned to three of the SDGs: good health and well-being, quality education, responsible consumption and production.

Our membership base is balanced in terms of the distribution of men and women and all age groups are well represented. However, in society not all people have equal opportunity to lead an active life.

We believe that sport education and promotion of a healthy lifestyle is crucial to develop good habits. By supporting young people who do not necessarily have the opportunity to exercise, we help them to acquire soft skills and key values like discipline, tolerance, and perseverance. Ensuring inclusive and quality education for all and promote lifelong learning.

Our goal is to encourage people to stay active throughout their lives. We believe that if people grow up with the habit of going to a fitness club, they are more likely to continue to visit a fitness club later on in life.

We support the responsible use of natural resources. We are already taking action to optimise our consumption in a more sustainable way and we are working on a larger ambition to improve our environmental footprint.

It is our ambition to help 5 million people to get a more active and healthy life by 2025.

Relevant societal trends that support demand for fitness

There are a number of global trends that support the demand for fitness. 1) The average life span is increasing, 2) more people are suffering from lifestyle diseases like obesity and diabetes, 3) more people are living in cities, 4) people are increasingly looking for flexibility and instant gratification, 5) digitalisation and the increased use of smartphones, and 6) more and more people have a sedentary lifestyle. These trends support the demand for fitness in a number of ways.

Global life expectancy has been increasing and is expected to continue to increase in the coming decades. At the same time, the perception of old age and how older people live their lives has also been changing. An increasing number of people remain active and mobile at an advanced age. A fitness workout is an ideal solution for people who want to remain in control and want to get fit at their own pace. Low-impact fitness regimes, for example, are perfect for older people who want to limit the chances of injuries, but who also want to remain active and mobile for as long as they can.

With the increasing prosperity of most European countries, we have seen an increase in lifestyle diseases. Globally, increased consumption of (unhealthy) food and sugar has contributed to the rise of the number of people suffering from obesity and diabetes. More people are moving to cities, where the options for outdoor sports are more limited. Combined with the steady growth of the global population this means there will be less space available for outdoor activities. All these trends are linked to increased inactivity, particularly among younger generations, a trend that is being exacerbated by the rapid pace of digitalisation and the increased use of smartphones.

We are very pleased that the topic of unhealthy and sedentary lifestyles is getting increased attention. Governments and NGOs dedicate an increasing amount of resources to informing the public of the negative consequences of these trends and developments. People are increasingly aware of the need for a healthier lifestyle that includes regular exercise and good eating habits. This led to a growing awareness among insurers and employers, who can cut insurance costs by incentivising healthy lifestyles. More and more employers now (partly) cover the costs of fitness memberships.

The fitness sector in general and Basic-Fit in particular offer a very effective, flexible and personalised way for people to remain active and stay fit. Basic-Fit caters to people who lead busy lives and are used to services that meet their needs, whenever and wherever they want. We offer all of this at a very affordable price, making it possible for the maximum number of people to take up a Basic-Fit subscription.

Fitness any time, anywhere: 24/7 connection with our members

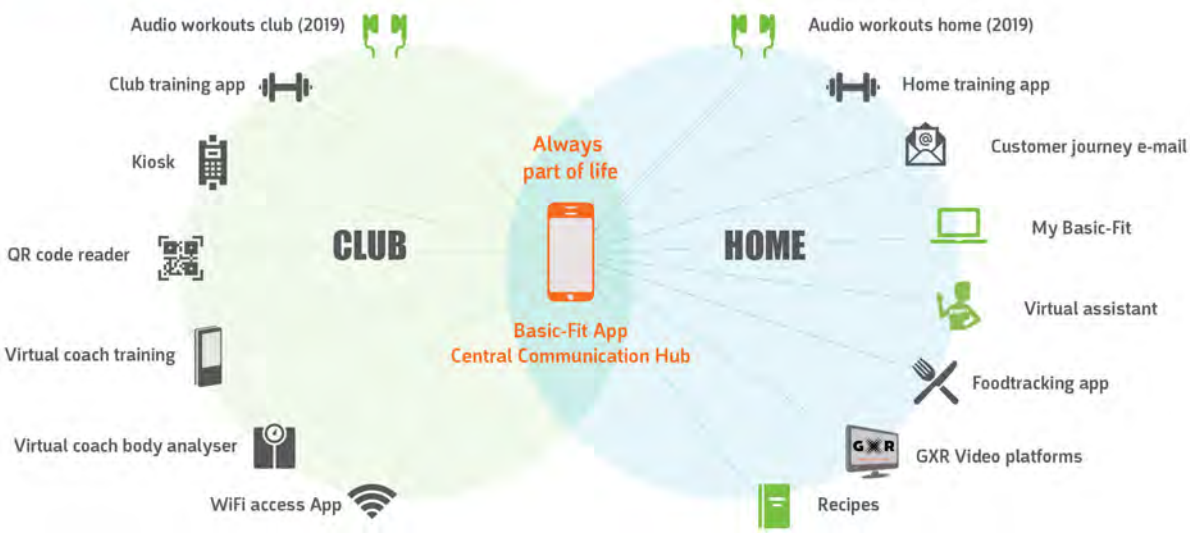
Over the years, we have worked on a wide range of innovations and technologies aimed at improving customer experience both in and outside our clubs.

The Basic-Fit app is a perfect example of how we help our members to stay fit and work out whenever and wherever they want. It serves as a personal trainer and helps our members to draw up workout schedules including instructions on how to perform certain exercises correctly, to improve fitness levels while avoiding injury. It also helps members to measure and track their progress and achieve their fitness goals.

Ruby, the app's virtual assistant, provides members with the best personalised fitness advice and much more, at any time of the day and anywhere they happen to be. The Basic-Fit app also provides members with nutritional advice. The GXR video platform offers our members a broad range of best-in-class virtual group classes, from boxing to yoga and from ABS & Core to Latin Dance. In that way our members can prepare and practice for their group classes or do a virtual group class in the comfort of their home.

The app provides members access to free wifi in our clubs. Furthermore, it offers members numerous other benefits through the partnership programmes we have with various third-parties. For example, our members can buy the products of our brand partners at significant discounts. In 2019, these deals included sportswear from Intersport and subscriptions from mobile telephone operator Ben.

24/7 CONNECTION WITH OUR MEMBERS
Reaching five million people by 2025



Creating value for our stakeholders

Basic-Fit's value creation model provides insight into the resources that we use to achieve our strategic objectives and the impact that we ultimately have.

Our business model is based on our mission to make fitness available to everyone. We try to achieve this by using technology and innovations to provide a fitness proposition that is easy to use, affordable and fun.

Members

Our members are central to everything we do. They are central to our mission; they are our main source of input, the focus of our operations and the users of our products and services.

Financial

Investors and banks provide us with capital. We invest capital primarily in the opening of new clubs and the maintenance of our existing clubs. In addition, we invest in technologies and innovations to optimise our business model or develop new products and services.

Employees

Our employees play a decisive role in our value creation model. We stimulate entrepreneurship and talent development, which in turn stimulates continued (long-term) value creation. We employ motivated and skilled people from various backgrounds.

Suppliers

Basic-Fit has a number of key suppliers, including manufactures of high-quality fitness equipment and construction companies. We foster local entrepreneurship and work with local partners, including personal trainers and physiotherapist.

Intellectual property

We have a strong brand, which stands for high-quality, value-for-money fitness. In addition to our brand, innovations add to our intellectual property and help us to maintain our competitive advantage.

Digital

Over the years, Basic-Fit has incorporated increasing levels of technology and automated various aspects of its operations. This provides our members with freedom and flexibility in terms of how, when and where they exercise. Technology also helps us to gain a better understanding of the preferences and behaviour of our members, which we can then use to optimise our offering.

Over the past decade, we have continuously future-proofed our business model, which consists of our key components: a winning customer proposition and brand, a scalable business model, significant benefits of scale and clear potential for continued growth.

The output of our value creation model is aligned with our strategic and financial goals: affordable, innovative and high-quality fitness that is available to everyone, everywhere, at any time and in every way possible, through cycles of strong returns and sustainable growth.

In 2019, we increased our club network by 155 clubs to 784 clubs, which 2.2 million members are now using to improve their fitness. Secondly, we included our Basic-Fit app as a standard in our membership offering, giving our members even more control over where, how and when they exercise. And last but not least, we reported a return on invested capital of more than 30% and see continued strong potential for the growth of our network in the years ahead.

The impact that we have via our value creation model is aligned with our strategic and sustainability goals. We strive to contribute to the health of people, our planet and the communities in which we operate. More details on the impact that Basic-Fit has on the world can be found in the sustainability section of this annual report.

Our stakeholders

Basic-Fit has a range of stakeholders that operate within our company and our value chain - such as employees, members and suppliers - and stakeholders outside our value chain - such as investors, government authorities and local communities. We are in dialogue with all of these stakeholders to gain an understanding of our shared interests and how we impact each other.

Our interactions differ per stakeholder, however the information obtained and the outcomes from all these dialogues are included in our strategy formulation, how we assess and mitigate our risks and how we view business opportunities.

STAKEHOLDERS	RELATIONSHIPS	INTERACTIONS
EMPLOYEES	We have more than 5,000 employees in five countries with different nationalities, personal backgrounds, genders, sexual orientations or religions. We aim to offer our employees a safe and healthy working environment and to do our utmost to support them in their journey with us.	Employee surveys, intranet, emails, regular meetings, team building exercises.
MEMBERS	We currently have more than 2.2 million members. Our operations are focused on engaging our members and motivating them to pursue an active and healthy lifestyle by exercising regularly over an extended period of time. We have a centralised and in-house Customer Care department, which takes care of our members requests. Based on their feedback we provide our business managers with a monthly analysis of the type of interaction and the locations this is linked to. This enables management to take action to redress any shortcoming or respond to newly identified needs. Our regional managers are given daily updates on all the feedback received from any of their clubs.	Meetings, regular surveys, emails, focus groups, social media, chats online, webform, telephone.

STAKEHOLDERS	RELATIONSHIPS	INTERACTIONS
SUPPLIERS	Basic-Fit has a large range of suppliers, many of which we have long-term relationships with. We have outsourced many aspects of our operations and therefore work in close cooperation with these suppliers. We view our primary suppliers as an integral part of our operations and the execution of our sustainability strategy.	Meetings and supplier code of conduct to foster responsible behaviour.
FINANCIAL COMMUNITY	Basic-Fit actively communicates with investors, banks and other financial parties. We are transparent about our purpose, strategy, goals, financials and operations. We communicate in a structured way, ensuring that all parties have equal and timely access to all relevant and price-sensitive information about the company.	One-on-one and group meetings, Capital Market Days, press releases.
PUBLIC SECTOR	As a leader in the European market, Basic-Fit engages with a wide range of European, national and local government bodies, as we believe that the fitness industry has an important role to play in achieving the UN's Sustainable Development Goal related to good health and well-being. We promote fitness, increase the quality of fitness services in Europe and make our sector as accessible as possible.	Partnership and involvement with EuropeActive, discussions with government bodies ranging from the European Union to local councils.
LOCAL COMMUNITIES	We believe that fitness has a positive effect on society and that we can make a positive contribution in the communities where we open clubs.	Collaboration with national and local organisations.

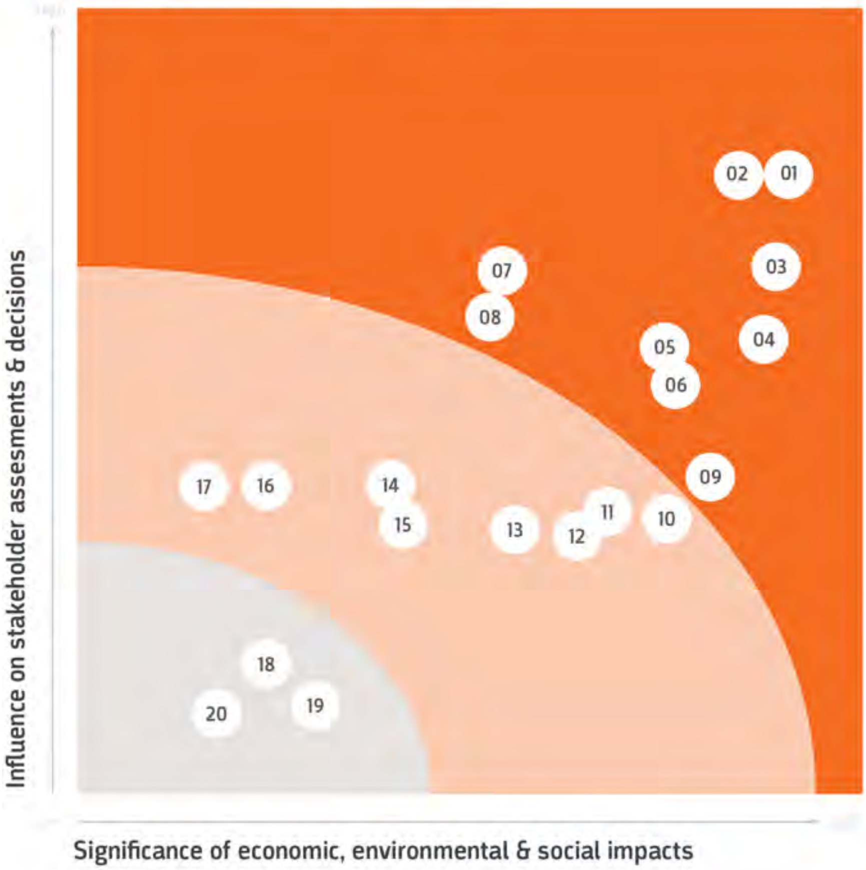
Materiality assessment

Basic-Fit has introduced the concept of materiality in this annual report. For this assessment we have defined material topics as topics that reflect significant economic, environmental and social impacts, or that substantively influence the decisions of stakeholders. We conducted our first assessment in 2019 whereby we obtained feedback from employees, members, suppliers, investors and senior management. This assessment was conducted in three phases: selecting relevant topics, determining relevance, and concluding on materiality. In the first phase of this analysis, Basic-Fit's internal and external environment was scanned in order to create a list of relevant and material topics.

This resulted in a final list of 20 topics listed in the materiality matrix shown on the next page. We also conducted a survey with internal and external stakeholders. This survey consisted of a questionnaire regarding the selection and ranking of the identified 20 material topics. The outcome of this assessment is shown in our materiality matrix, where the key material topics in the social, economic and environmental domains of Basic-Fit are shown and ranked.

The feedback from our stakeholders is essential to us. The materiality matrix highlights the top 9 topics that are the most relevant for our stakeholders and with which we have the most impact as a company. For each of these 9 topics we explain our approach in more detail in the table on page 19 and 20.

MATERIALITY MATRIX



01 Safety
02 Membership affordability
03 Employee attraction, retention and development
04 Member engagement
05 Growth in clubs & members
06 Health focused products
07 Low cost model
08 Environmental management
09 Member diversity
10 Indoor climate management
11 Digitisation & technology
12 Sustainable procurement
13 Employee diversity
14 Data privacy
15 Efficiency in logistics
16 Financial strategy
17 Sustainability in site selection
18 Community investment
19 Balanced marketing communications
20 Tax strategy

KEY MATERIAL TOPIC	DEFINITION	OUR APPROACH
SAFETY	Guaranteeing a safe environment for our members and staff, both in our clubs and offices.	We have a remote surveillance control system that helps us to monitor and manage any situation that needs to be addressed in our clubs equipped with smart cameras. We provide our employees with safety training within our clubs and offices and we regularly perform safety audits.
MEMBERSHIP AFFORDABILITY	Offering memberships at an affordable price, making it possible for everyone to take out a Basic-Fit subscription.	We aim to democratise fitness. We attract a lot of first-time gym members. We developed new clubs concepts that make fitness available to more people while maintaining affordability.
EMPLOYEE ATTRACTION, RETENTION AND DEVELOPMENT	Recruiting talented employees, developing their skills and competencies, motivating them, and stimulating internal growth.	We improve our internal tools to support our HR strategy. We make onboarding and our employees' journey easier and continuously develop our employer brand.
MEMBER ENGAGEMENT	Attracting new members and encouraging them to keep coming to our clubs by optimising their customer journey.	We improve our internal tools, especially the Basic-Fit app, to enable our members to focus on their fitness goals and optimise their customer experience.

KEY MATERIAL TOPIC	DEFINITION	OUR APPROACH
GROWTH IN CLUBS AND MEMBERS	Expanding our European club network to make fitness available and accessible to as many people as possible.	We continue to open clubs to reach out to as many people as possible and encourage them to adopt a healthy lifestyle.
HEALTH FOCUSED PRODUCTS	Offering products and services that have a positive impact on our members' health, fitness and well-being.	Our selection of adds-on products and services are all linked to health and well-being. We want to develop the services we provide to our members, through our own initiative or with our partners.
LOW COST MODEL	Maintaining the low-cost proposition so we always offer the best value-for-money fitness experience.	Innovation is key in our business model. We offer an optimised experience to our members through new products and services without impacting the membership fee structure.
ENVIRONMENTAL MANAGEMENT	Minimising environmental impact by using green electricity, using LED lighting in new clubs and reducing waste.	We implement more sustainable processes in our operations and look for more sustainable alternative as much as possible.
MEMBER DIVERSITY	Ensuring that we are an inclusive organisation with a diverse membership base of men and women of all age groups.	We are open to all and aim to maintain a balanced female-male membership base and a diverse and balanced membership base in terms of age.

Sustainability

KPIs & targets

In 2019, we made major progress in the integration of our sustainability strategy in our organisation. We started to prepare the organisation and adjusted our information systems to measure the various steering and output indicators we defined for the relevant value drivers in 2018. These results helped us to fine-tune the definitions of the KPIs and start discussions on what targets we wanted to set if there were no existing targets.

We reviewed our sustainability report in 2019 and adjusted a number of KPIs to align these with our business processes. We developed new initiatives to further improve the value drivers and optimise the tools to measure all the KPIs in the most efficient manner. We are still in the process of adjusting KPIs related to the impact areas site construction, gym management and employees:

- Site construction: we will focus on KPIs related to site construction rather than site selection to concentrate our efforts on processes that we have more control over;
- Gym management: we are currently working on new projects and ambitions that will impact the KPI selection;
- Employees: the implementation of a new global HR tool will enable us to collect more data from the countries where we operate and finalise KPIs.

Due to the adjustments and improvements mentioned above, we have started reporting the KPIs connected to the most important topics highlighted in our materiality assessment. The first selection of these KPIs is linked to the main impact areas Members (Healthier lifestyle, Inclusiveness) and Gym management (Safe fitness environment, High-value customer journey, Club environmental footprint).

In the second half of the year, we started to define targets relating to our KPIs. Firstly, we defined short-term targets for 2019 and 2020 in order to get the process started of thinking about realistic but ambitious goals and to let management get accustomed to managing these new KPIs. In 2020, we will be setting targets for the long-term, based on the learnings of the past year and in dialogue with our stakeholders.

Safe fitness environment

We see guaranteeing the safety of our members and staff in our clubs and offices as a top priority. This starts with creating a club that is fitted out with high-quality equipment and that offers a safe fitness and working environment. Our employees have technological support, such as CCTV, giving them a clear view of what is happening in their club. Our employees get safety training such as risk prevention, first-aid, or fire prevention. We perform regular safety audits and report and register incidents occurring in our clubs.

In addition to standard access control, we have fitted an increasing number of Basic-Fit clubs with an intelligent camera system and intercom since 2019. These systems are fitted and run by the Remote Surveillance department and enables us to monitor our clubs remotely (141 clubs at the end of 2019). The advantages of this new system include 1) extra safety for our members, as various assistance points in the club are in direct contact with the Remote Surveillance department, 2) extra service, as in addition to communicating with the local host our members can now communicate with our 24/7 Customer Care team via the intercom, and 3) it enables us to offer longer opening times through our 24hrs clubs. The control room offers 24/7 security assistance and, in addition to the control room, there is a special 24/7 Customer Care team for service-related matters (such as questions from members).

Healthier Lifestyle

Basic-Fit aims to help its members achieve their fitness goals, big or small. We use our app to offer innovative tools and services to encourage fitness within the club and at home. In 2019 we recorded more than 1.5 million plays of our GXR on-demand virtual group classes through the Basic-Fit app. An increasing number of clubs offer personal trainer services to help fitness enthusiasts with their training programme. And because fitness is not just about being active but also developing good habits, we also promote a healthy lifestyle by sharing fitness-related content and nutritional advice and recipes on our social media channels. 191 posts on these topics have been shared on Q3 and Q4 2019 on our Facebook and Instagram accounts.

High-value customer journey

Our active members visit our clubs on average 1.1 times per week. We think it is important for members to visit the club regularly so they create a habit of regular exercise. We aim to support this habit by optimising the customer experience and to motivate members to lead an active life. An example of this it that we assist members in setting clear goals and provide them with work-out schedules based on these goals and their preferences.

We are always looking for ways to improve the digital services we offer to our members to make their customer journey easier and to maintain a high level of satisfaction. In 2019, we started to measure customer satisfaction of the Live-Chat interaction with our customer care service in the Netherlands which was rated 4.2 out of 5. Our members can already use the My Basic-Fit portal to carry out a number of transactions and in 2019 we redesigned this portal and added a number of benefits. For example, our members can now manage their membership, check their payments and invite a friend, and we plan to add more functionalities. By adding new features to encourage self-service, we want to help our members to focus on what really matters: their workout and a healthier lifestyle. These new developments add flexibility, as members can now connect to their account and finalise transactions wherever and whenever they want. This means our customer care department will be able to focus on more added value requests, which will help us to improve the time it takes to resolve a case[2] (the average time a case remained open was 4.7 days in 2019); and increase the number of requests we can deal with per member (in 2019 the average number of requests[3] asked per member on a yearly basis was 0.42).

Club environmental footprint

Simply by doing business, we use natural resources and contribute to CO_2 emissions. We aim to reduce our environmental footprint in a variety of ways. With the exception of our treadmills and climbmills, we use self-powered equipment that does not use electricity, or that generates electricity through the movement of its users. In the Netherlands we use green electricity in all the clubs where we have our own connection (172 clubs out of 199). Otherwise it's up to the landlord to opt for green energy. We will extend the use of green energy in our clubs in Belgium in 2020.

We also install LED lighting in our new clubs and we are replacing conventional lighting with LED lighting in our existing clubs. In terms of water usage, we have installed water-saving showers in our new clubs wherever possible. All our cleaning supplies are eco products and we are phasing out the use of plastic cups in our clubs. We are also currently exploring different options with our office suppliers with the aim of increasing our use of eco-friendly products.

[2] Interaction between a member and a customer care agent where a question/request/complaint/compliment of that member is handled
[3] Interaction between a member and a customer care agent that requires a change within the member's profile (membership, data,...)

To reduce our energy use, we have started a pilot project in seven clubs in The Netherlands, France and Belgium to develop a smart and climate-friendly energy management system. The aim of this project is to enable us to map the energy consumption in our clubs, which will in turn enable us to monitor, control and optimise our energy use. We are monitoring this project closely and we will assess the results in the first semester of 2020.

We have also started a pilot programme to investigate the use of solar panels on our clubs. This is not without complications, as we are not the owners of the buildings. However, we are still working on this project to assess whether we could become self-sufficient in terms of electricity use.

On the operational front, we have a clear focus on reducing waste, in line with our low-cost business objectives. In addition, we are taking a closer look at our logistics and site construction processes to see how we can help and stimulate our partners in the supply chain to reduce their environmental impact even further.

Inclusiveness

Basic-Fit is an inclusive company and we welcome everyone. We empower people to be fit and celebrate human power by inviting everyone to define their own goals. We developed several concepts to be able to offer different options for our members: mixed clubs, ladies clubs and express clubs. Our memberbase is diverse with a wide member range in terms of age, from less than 30 to above 50 years old.

In 2019, 25.3% of our new members did not have a gym membership before joining Basic-Fit. For France this number is over 30%, whilst in new areas were we open clubs it can even be more than 50%. This highlights our positive impact on the fitness penetration rate in the countries where we operate.

Employee diversity

More than 5.000 employees work for Basic-Fit all over Europe, with different background and nationalities. More than 58.4% of our employees are below 30 years old, 33.1% between 30 and 50 years old and more than 8.4% above 50 years old. Our balanced workforce, both in terms of age and gender, reflects our member base. This is an important element on our HR strategy.

To learn more about our people, please see the Our People section.

Health awareness and accessibility

We do believe in the power of sport and we are on a mission to make fitness accessible for all. This is why we believe it is important to contribute to sport and fitness, including fitness awareness among young people. We have been working on a programme to support children and young adults and we have joined forces with various organisations in Belgium (Sport2Be), France (SportdanslaVille) and the Netherlands (The Johan Cruyff Foundation). This programme involves our employees at both our headquarters and at our clubs. We are proud to share our passion for a healthy lifestyle and its benefits for younger generations. To learn more about our engagement in this area, please see the Community Involvement section.

COMMUNITY INVOLVEMENT

SPONSORSHIP INITIATIVES

As a company, we contribute to society and aim to have a positive impact on our communities. We want to help people who lack the opportunity to exercise to stay active and enjoy the benefits of doing sport, whatever their background or abilities.

Playing sport from an early age is essential for young people if they are to develop good habits and acquire skills that will benefit them socially, professionally and help them towards a healthy future. That is why we are working on a global programme to support organisations that want to achieve this goal together with us. In all the countries we operate in we want to work closely with our partners and support their activities.

SPORT2BE
DU SPORT À L'EMPLOI • VAN SPORT TOT JOB

SPORT DANS LA VILLE
Du Sport à l'Emploi

CRUYFF FOUNDATION


© Sport2be


© Johan Cruyff Foundation

Photo by Catherine Cabrol

As a first step, we have set up three main sponsorships to bring us closer to people and communities. We develop national sponsorships with the Johan Cruyff Foundation in the Netherlands, Sport dans la Ville in France and Sport2be in Belgium, all with the aim of helping children and young adults to become active and get a better start in life.

Basic-Fit promotes equality, education, empowerment and diversity. We will contribute to a range of programmes developed by our partners that have a good fit with our core business and projects. It is important to us that we support younger children in their learning process through sport and help young adults to acquire professional skills.

With all of our main partners in the Netherlands, France and Belgium we will offer young people the opportunity to take advantage of our expertise as a European fitness leader to learn more about fitness, nutrition and a healthy way of life.

With the Cruyff Foundation, we will help to make people fitter and more active, so they will be healthier, happier and get more out of life, both mentally and physically.

With our cooperation with Sport dans la Ville and Sport2be, we will give children and young adults a chance to thrive irrespective of their origins, social or educational background, to ensure their physical and mental well-being. Moreover, these two organisations support young people from sport to a job. Basic-Fit will participate in their professional programmes through a variety of actions, such as work placement within our clubs, career advice and workshops. With more than 5,000 employees, we contribute to economic growth and decent work and we offer opportunities to thrive in the fitness industry.

Basic-Fit promotes equality, education, empowerment and diversity.

Photo by Catherine Cabrol

© Sport2be

BUSINESS AND FINANCIAL REVIEW

Key figures (pre-IFRS 16)

In € millions	2019	2018	change
Total revenue	515.2	401.8	28%
Operating expenses	(292.7)	(224.8)	30%
Adjusted club EBITDA	222.4	176.9	26%
Total overhead expenses	(67.3)	(52.8)	28%
Adjusted EBITDA	155.2	124.1	25%
Exceptional items	(2.3)	(3.0)	-23%
EBITDA	152.8	121.1	26%
Depreciation & Amortisation	(110.0)	(89.4)	23%
Operating profit	42.8	31.7	35%
Finance cost	(12.4)	(9.3)	34%
Income tax	(9.3)	(4.8)	93%
Net result	21.1	17.6	20%
Adjusted net earnings*	32.8	27.4	20%
Adjusted EPS (in €)	0.60	0.50	20%

** Before PPA related amortisation, IRS valuation differences, exceptional items, one-offs and the related tax effects. Totals are based on non-rounded figures*

IFRS 16 & the new post-IFRS 16 KPIs

Basic-Fit applies IFRS 16 based on a full retrospective approach as of 1 January 2019. IFRS 16 relates to lease accounting and introduces a single, on-balance sheet lease accounting model for lessees. Under IFRS 16 we have to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. It therefore has a significant impact on our balance sheet. In the profit and loss account, EBITDA no longer includes lease costs, instead the depreciation charges on the right-of-use asset and interest charges on the lease liability are included. Under the full retrospective approach, the lease liability and the right-of-use asset are measured on the commencement date, using the incremental borrowing rate at that time.

IFRS 16 does not change the company's underlying cash flows or our strategy, the club economics or the way we do business. The calculation of the bank covenants is based on frozen GAAP and is therefore not influenced by the adoption of IFRS 16.

2019 has been a transition year in which we, for consistency purposes, continued to report results on a pre-IFRS 16 basis next to the full IFRS 16 reporting in the financial statements and the notes to the financial statements. As of January 2020, we will no longer report results on a pre-IFRS 16 basis, but only on a post-IFRS 16 basis.

The table on the next page shows the key figures based on pre-IFRS 16 accounting, the restatements based on IFRS 16 and the key figures according to IFRS 16 accounting.

In November, at our Capital Markets Day, we introduced a new set of KPIs that adjust IFRS 16 for cash rent costs. As a result, the new KPIs are similar to the KPIs that we used until 2019 and continue to be aligned to actual cash returns. It shows how we internally look at our business and how management reviews the company's performance.

2019 key figures pre-IFRS 16 restated to post-IFRS 16

in € millions	Pre-IFRS 16	Restatement	Post-IFRS 16
Total revenue	515.2	-	515.2
Personnel costs	(74.4)	-	(74.4)
Property rent	(108.5)	108.4	(0.1)
Other operating expenses	(109.8)	0.4	(109.4)
Adjusted club EBITDA	222.4	108.8	331.3
International overhead	(29.6)	1.1	(28.5)
Country overhead	(37.7)	1.3	(36.4)
Adjusted EBITDA	155.2	111.1	266.3
Exceptional items	(2.3)	1.8	(0.5)
EBITDA	152.8	113.0	265.8
Depreciation and impairment tangibles	(93.7)	1.4	(92.2)
Depreciation right of use assets	-	(106.1)	(106.1)
Amortisation	(16.4)	2.8	(13.6)
Operating profit	42.8	11.1	53.9
Finance cost	(12.4)	-	(12.4)
Interest lease liabilities	-	(25.1)	(25.1)
Income tax	(9.3)	3.9	(5.4)
Net result	21.1	(10.1)	11.0

Totals are based on non-rounded figures

As of the 2020 reporting, adjusted club EBITDA will become underlying club EBITDA. With the new definition we report on the development of the performance of our open clubs on a post-IFRS 16 basis from which we subtract the cash rent costs of these open clubs. Revenue and cost of sales that are non-club related are also not included in these numbers. The underlying club EBITDA margin will be based on club related revenue and costs of open clubs.

Adjusted EBITDA, our main KPI, will become underlying EBITDA, and is defined as the EBITDA, minus cash rent costs and adjusted for exceptional items. The exceptional items include things like reorganisation and other one-off costs. The pre-opening rent costs are no longer included in exceptional items, which is logical considering IFRS 16 and the cash rent adjustment.

Underlying EBITDA is slightly lower than the pre-IFRS 16 number. This is the result of smaller adjustments from exceptional items and the difference between cash rent and the prior P&L rent.

Adjusted net earnings will become underlying net earnings and is the same as prior definition but now adjusted for the impact of IFRS 16. Based on the full year results, the underlying net earnings are slightly higher than the adjusted net earnings due to a mix of small accounting differences pre and post-IFRS 16.

The table below presents an overview of the main KPIs that we use, how they look like on a pre-IFRS 16 basis, on a post-IFRS 16 basis both reported and the new KPIs which show the underlying performance of the business.

CURRENT KPI	2019 PRE IFRS16	2019 POST IFRS16	NEW KPI	NEW DEFINITION	2019 POST IFRS16
Adjusted club EBITDA	222.4	331.3	Underlying club EBITDA	Club EBITDA minus cash rent costs of open clubs and excluding non-club revenue and costs of sales at HQ level (webshop)	224
Adjusted club EBITDA margin	43.2%	64.3%	Underlying club EBITDA margin	Underlying club EBITDA divided by club revenue	43.6%
Adjusted EBITDA	155.2	266.3	Underlying EBITDA	EBITDA minus cash rent costs and adjusted for exceptional items	153.4
Adjusted EBITDA margin	30.1%	51.7%	Underlying EBITDA margin	Underlying EBITDA divided by total revenue	29.8%
Adjusted net earnings	32.8		Underlying net earnings	Net earnings adjusted for IFRS16, PPA amortisation, SWAP valuation differences, exceptional items and the related tax effects	35.1
Net debt	451.3	1,452	Underlying net debt	Net debt minus lease liabilities	451.3

Club network and membership development

Geographic club split

	Year-end 2019	Net openings 2019	Year-end 2018
Netherlands	199	38	161
Belgium	183	10	173
Luxembourg	9	-1	10
France	357	105	252
Spain	36	3	33
Total	**784**	**155**	**629**

In 2019, we increased our network by a record 155 clubs – 162 openings and seven closures – to 784 clubs. The clubs that we closed mainly relate to clubs that were at the end of the contract term. In most cases we have opened a new location close to the closed location. 105 of the new clubs were opened in France. The 38 club openings in the Netherlands include 8 organic club openings and 30 clubs from the Fitland acquisition. The total number of 155 net club openings compares to 108 net club additions in 2018.

In the year under review, we increased the number of Basic-Fit memberships by 21% to 2.22 million, from 1.84 million in 2018. This was mainly the result of the ramp-up of memberships at our immature clubs. With close to a million members we have now become the largest fitness chain in France.

Geographic mature club split

	2019	2018
Netherlands	145	136
Belgium	153	136
Luxembourg	9	8
France	71	25
Spain	27	22
Total	**405**	**327**

A club is considered mature if it is at least 24 months old at the start of the year. This number remains stable throughout the year, unless we close or merge mature clubs during the year. In 2019 we started with 410 mature clubs. Due to closures we ended the year with 405 mature clubs, the vast majority of which are in the Benelux. The 405 mature clubs showed a modest membership growth to 3,343 members per club on average from 3,288 members at the start of the year.

Revenue

Group revenue increased by 28% to €515 million in 2019 compared to €402 million in the previous year. This strong growth was the result of 28% higher fitness revenue and 36% higher other revenue. The continued expansion in the number of clubs in our network and the membership growth at our existing clubs, combined with the increase in average revenue per member, were the main drivers for the increase in fitness revenue. The increase of other revenue was largely due to the further rollout of the personal trainer concepts, higher sales of web shop products, including NXT Level sports nutrition, and increased promotional revenue.

All countries showed solid revenue growth compared to 2018. The growth countries France and Spain combined increased revenue by 50% to €223 million. The Benelux segment increased by 16% to €292 million.

Geographic revenue split

In € millions	2019	2018	change
Netherlands	140.9	119.3	18%
Belgium	139.9	123.5	13%
Luxemburg	11.2	9.9	14%
France	199.4	126.1	58%
Spain	23.7	22.9	3%
Total revenue	**515.2**	**401.8**	**28%**

Totals are based on non-rounded figures

The average revenue per member per month increased by 6% to €20.56, compared to €19.39 in 2018, mainly due to the new membership structure, which more than compensated for the increase of France in the mix, with its higher VAT. The new membership structure was introduced in December 2018 and offers two clear value-for-money membership types, Comfort and Premium. The Premium membership offers members the option to bring a friend when they visit a club. On top of this, members can share the Premium membership with one other person in their household, who can take full advantage of all the benefits the Premium membership has to offer. We have seen a growing percentage of new joiners choosing the Premium membership the past year and which is stabilising at around 30%. 18% of our member base now has this membership type. In April we started a pilot with Basic, a lower priced membership type, in Spain. The membership has been received well with a healthy uptake. We will continue to test the Basic membership in Spain this year to determine if this will ultimately contribute to the long-term profitability of a club. Based on the outcome of this pilot, we will decide if we will continue with Basic and if we want to introduce this membership in another country.

As a result of the inclusion of the Basic-Fit app in the memberships, the Pro-Coach app has disappeared as an add-on. The sports water subscription remained in strong demand with 22% of our base paying for this add-on, compared to 19% the prior year.

Adjusted club EBITDA and EBITDA

At club level, adjusted club EBITDA increased by 26% to €222 million, up from €177 million in 2018. Total operating costs increased by 30% to €293 million, up from €225 million in 2018. The adjusted club EBITDA margin decreased slightly to 43.2% (2018: 44.0%) as a result of the Fitland acquisition and the large number of new clubs of which a significant amount was built in the more expensive centres of large French cities.

The 405 mature clubs achieved a revenue of €343 million and an adjusted club EBITDA of €173 million, which represents a margin of 50.5% (2018: 49.7%). The increased margin is mainly the result of the higher average revenue per member.

Overhead expenses increased by 28% to €67.3 million, up from €52.8 million in 2018. The increase is mainly explained by the higher international overhead due to the expansion of our headquarters to support initiatives in the development of new revenue streams and cost savings.

The past year we have set up a department to support the successful implementation and utilisation of a smart camera system in our clubs. After a couple of years of developing and testing, we are now rolling out this camera system across our network. Other new initiatives are aimed at, amongst others, the further improvement of our group classes offering, the roll-out of on-screen advertising in our clubs, the development our NXT level nutritional products brand, member retention, and the digitalisation of our customer service.

EBITDA and exceptional items

In 2019, adjusted EBITDA increased by 25% to €155 million, from €124 million in 2018. The adjusted EBITDA margin was 30.1% compared to 30.9% in 2018. Exceptional items amounted to €2.3 million and mainly related to non-cash pre-opening costs and costs related to the retention share plan awarded to key people after the IPO.

Operating result

Operating result (EBIT) increased by 35% to €42.8 million, up from €31.7 million in 2018. Depreciation costs were €93.7 million compared to €73.9 million in 2018. Depreciation costs included €1.2 million in impairments. Excluding impairments depreciation was 17.9% as a percentage of revenue, in line with our guidance. Amortisation costs in the period were €16.4 million compared to €15.5 million in 2018.

Interest

Total finance expenses were €12.4 million in 2019, compared to €9.3 million in 2018. The increase is for €2.2 million explained by temporary valuation differences of our interest rate swaps due to the declining interest rates during the year.

Corporate tax

Corporate tax expenses amounted to €9.3 million (2018: €4.8 million) representing an effective tax rate of 30.5%, in line with our expectations. The relatively high effective tax rate (ETR) is the result of non-tax-deductible expenses like retention shares and the growth of France in the mix with its higher corporate tax rate and the CVAE tax (cotisation sur la valeur ajoutée des entreprises). In the longer term we expect the ETR to decrease to 25%.

Adjusted net earnings

Reconciliation net result to adjusted net earnings (Pre-IFRS 16)

In € millions	**2019**	**2018**
Net result	21.1	17.6
Amortisation	11.1	12.3
Valuation differences IRS	2.2	0.7
Pre-opening & other exceptional costs	2.3	3.0
One-off impairment	1.2	0.8
Tax effects (25%)	(4.2)	(4.2)
One-off tax effect due to change in tax rate local jurisdictions	0.3	(1.4)
One-off tax effect due to other (re)assessments of deferred taxes	(1.3)	(1.4)
Adjusted net earnings	**32.8**	**27.4**

Totals are based on non-rounded figures

Basic-Fit recorded a net profit of €21.1 million in 2019, up 20% from the €17.6 million recorded in 2018. Adjusted for amortisation, exceptional items and one-offs and the related tax effects, earnings were €32.8 million, an increase of 20% compared to the €27.4 million reported in 2018.

Net debt

Net debt was €451 million at year-end 2019, compared to €333 million at year-end 2018. This increase was mainly due to the large number of club openings and the investments in maintaining the current club network, which cannot be financed from net cash flow from operating activities yet. The leverage ratio, based on the bank covenant definition, was 2.5 compared to 2.3 at year-end 2018.

Working capital

Working capital was €140 million negative, compared to €113 million negative at year-end 2018. As a percentage of revenue, working capital was stable at minus 27%.

Capital expenditure

Total capex in the year was €282 million in 2019, 59% higher than the reported €178 million in 2018.

Expansion capex was €229 million, compared to €140 million in 2018. Expansion capex includes acquisitions, expenses for the enlargement of existing clubs and expenses for clubs that are not open yet, which amounted to €80.1 million in 2019 versus €13.3 million in 2018. The initial capex per newly built club (125 clubs) was an average of €1.19 million, compared to €1.17 million in 2018. This was mainly due to more expensive club openings in large French cities. The coming year we will continue to open clubs in these more expensive cities, including a hand full of larger flagship clubs. Regardless of the initial capex for a club, we only sign a lease contract if we expect to achieve a return on invested capital (ROIC) of at least 30% at maturity.

Maintenance capex was €39.1 million in 2019, compared to €31.8 million in 2018. This increase was the result of the growth of our club network. On average, we spent €55 thousand per club on maintenance, the same as in the prior year and which is in line with our guidance.

Other capex amounted to €13.8 million and mainly consisted of investments in innovations and software development. As mentioned above, we have started a number of initiatives, including the smart camera system, which resulted in an increase in innovation spend. We also had additional spend due to the expansion of our head-office and the launch of the new website. We expect other capex to be around €10 million going forward.

Cash flow

The cash flow pre-expansion capex, defined as adjusted EBITDA less maintenance capex was €116 million, an increase of 26% compared to the €92.3 million in 2018.

Net cash flow from operating activities amounted to €150 million, compared to €118 million in 2018. The increase was mainly the result of the higher EBITDA.

The net cash outflow from investing activities was €265 million, compared to €167 million in 2018.

The net cash flow from financing activities was €176 million, compared to €42 million in 2018. We successfully completed our first Schuldschein issuance with a German Private Placement in October last year. The total volume was €100 million in Euro-denominated tranches with maturities of 3 and 5 years, and an average weighted margin of 1.47%. With this transaction, we were able to diversify our sources of financing and our investor base.

Outlook

The club openings pipeline continues to be strong with more than 500 clubs in the different stages of the pipeline: clubs under construction, contracts signed, sites for which we are negotiating contracts with property owners and locations that are in the research phase. As communicated at our CMD in November we will further accelerate the pace of club openings and expect to open around 150 clubs in 2020 and reach the 1,250 clubs mark in 2022.

OUR PEOPLE

We have more than 5,000 employees in five countries with multiple nationalities and from diverse backgrounds. We are all unique and we embrace the same mission: to make fitness accessible to everyone. We strive to offer our employees a positive and rewarding experience within the company and we support them in their journey with us.
We are committed to creating a safe environment, both for our employees and our members. We regularly check the facilities and equipment in all our clubs to ensure the best and safest environment.

Employee overview

	2019	2018
# employees	5.110	4.135
Men/women	2,294 / 2,816	1,967 / 2,168
Average age	32.4	31.7

In 2019, the number of Basic-Fit employees increased to 5,110, from 4,135 in 2018. The increase was largely driven by the opening of new clubs. The majority of our employees work part-time, especially in our clubs.

Diversity

Diversity is one of the main pillars in our human resources strategy. We are open to all! And we ensure this is reflected in our workforce. Our workforce is balanced in terms of both gender and age. It is important for us that our diverse member base is served by an equally diverse Basic-Fit workforce. A workforce able to understand the demands and needs of all our members. We also focus on equality, and in France, Basic-Fit has a 89/100 score for the female / male equality index in which it reached the maximum score, amongst others, for equal pay and equal job promotions for men and women.

Careers

We want our employees to be proud and inspire our members in their fitness journey. We are currently focusing on increasing awareness of Basic-Fit as a potential employer for top talent. We continue to strengthen our collaboration with international job boards, such as LinkedIn and Indeed, to increase our reach to potential candidates. In 2019, we started new projects to improve our employer branding strategy and employee onboarding. Our aim is to attract the right talent, to maximise their sense of belonging to the Basic-Fit community, and to help them flourish in their job. To support our growth and meet our continuous need for new people, we have increased our recruitment team to help our managers find the right people.

Our HR strategy focuses on attracting talented employees, developing their skills and competencies, motivating them, and stimulating internal growth. One of the main priorities in our recruitment process is continuing to offer our members an outstanding customer experience. To achieve this, it is essential to recruit employees who are a good fit with our culture and our values. To win the battle for talent, our human resources team must continue to be present on the floor and partner closely with Operations to continue to optimise the current organisational structure.

We foster four values everyone should live by in our company: 1) action-oriented - we are driven by an insatiable urge to get things done, going further and faster than anyone thinks possible; 2) down to earth - what you see is what you get and we do not hide behind big words or empty promises; 3) open - we tell it like it is, we are completely transparent in everything we do, and 4) friendly - we are all on the same team, always eager to help and bring a smile.

Talent management

Talent management combined with succession planning are essential for Basic-Fit's long-term development and ambition. Part of our success is linked to our employees carrying the Basic-Fit DNA and their ability to grow within the organisation. We are proud when hosts become team leaders and when our talented employees develop towards more strategic roles. We want to offer varied career paths, as employees must feel they can have a career at Basic-Fit. And we would like to ensure succession with clear plans for our senior management and other critical roles.

We review the performance and desired behaviours of our employees on an annual basis, based on the completion of corporate, club and personal goals. Every employee agrees to these targets at the start of the year or at the start of their employment. This cycle also includes two appraisal moments: one evaluation midway through the year and one at year-end. Steering the performance of our employees helps us to provide our members with the highest levels of service.

We analyse the results of performance management on a regular basis to draw up individual development plans for our top performers, as well as to identify potential successors for critical positions. During the course of the year, we also identify internal candidates for vacant positions and prepare them for their next role and for the transitions to come.

Training and development

Our aim is to contribute to the continuous development and growth of our employees, both at our clubs and at our headquarters. As we are always looking for the best and most efficient ways to serve our members, we strongly believe our employees should continue to develop their skills, knowledge and engagement, to improve the quality of services we provide to our members.

We focus on Basic-Fit's ambitions and strategy, in combination with components of customer service such as quality, hygiene and safety. Our desire is to increase our employees' general knowledge of fitness to improve the quality of interactions with our members. We developed the Excellent Service (Host 2.0) project to give the employees at our clubs key recommendations to help them perform even better in their daily relationships with our members. This project will help us to reduce employee turnover and contribute to a positive employee NPS.

Basic-Fit also offers a Management Development programme that focuses on leadership and communication. This is widely appreciated by our managers and it provides us with a steady flow of management talent we will need to achieve our ambitious growth targets for the future. To increase retention and the development of our most talented employees, we have also invested in education, such as MBA courses for specific employees.

Communications

HR needs to align on future strategy and quickly adapt to new business demands. Rapid and efficient communications flow is critical to success. We have developed our own intranet and we are focusing on deploying best practices via internal communications.

Since 2018, we conduct an annual employee survey to gain a better understanding of how our employees feel at work, to capture feedback on all kinds of topics and to measure employee engagement. We listen, we act, we change, and we do it again until we find the best solution to help everyone thrive at work.

Club employee profile

Our human resources strategy is aligned with our corporate strategy, with a clear focus on creating the best experience for our members. Our employees can have a significant impact on how our members experience Basic-Fit's products and services. At the same time, our employees also believe that they can contribute the most by interacting with members. They say that this interaction, in which they help people to make the most out of their visit to a club, is one of the main reasons why they work at Basic-Fit. This is why we are increasing the opportunities for our hosts and team leaders have to interact with members and improve their fitness knowledge and service-oriented behaviour. To achieve this goal, we have launched a training course on excellent customer services for all our employees.

Employee Journey

We want to improve our employees' experience during their journey within Basic-Fit. With a combination of focus groups, comments from our employee surveys and data, we have mapped out our desired employee journey. Our goal is to create an employee experience at the same level as the journey we offer to our members. In the coming months, we will launch new HR processes to support the redefinition of the role of host and to improve our employees' satisfaction, starting with a digital onboarding process.

NON-FINANCIAL INFORMATION

In this section, we provide an overview of how Basic-Fit deals with environmental, social and personnel matters, respect for human rights and the fight against corruption and bribery. By including non-financial information and diversity information in our report, Basic-Fit stimulates good governance and social responsibility.

Basic-Fit is committed to abiding by the laws and regulations of the countries in which it operates. Basic-Fit has a Code of Conduct reflecting the company's values and principles. Once again in 2019, integrity and diversity were the main elements in Basic-Fit's business strategy and day-to-day decision-making processes. Basic-Fit's integrity policy and embedding this in the organisation is a constant point of attention. With respect to our suppliers, we are currently rolling out a new contract framework, which includes Basic-Fit's supplier code of conduct.

Basic-Fit is an international company and deals with diverse business cultures and practices in the countries in which it operates. We recognise our responsibility to take care of the environment and our people, promote and protect human rights and integrity and to avoid corruption and bribery. The company's core business is to provide access to a healthier lifestyle for everyone. In doing this, we depend on our employees and partners. We support and respect responsible business conduct and strive to ensure that this is also expressed in our approach to human rights and our integrity policy. We have implemented a whistle-blower policy to ensure that anyone affected has the ability to report issues that are not in line with Basic-Fit's principles and values.

Business model

Basic-Fit provides a clear description of its business model, strategy and targets in its annual report, specifically in the CEO Statement and the Strategy sections.

Environmental matters

In 2019, we made significant progress in the further development and execution of our sustainability strategy. We provide additional information on environmental matters in the Strategy section of this annual report, specifically in the section Creating value for our stakeholders.

Social and employee matters

We provide additional information on social and personnel matters in the Our People and Strategy sections of this annual report.

Respect for human rights

Human rights are highly valued and respected in the organisation. If human rights are not respected properly, this could impact the working conditions of Basic-Fit employees or the employees of suppliers that provide goods or services to our company. Furthermore, members could be affected if company were to apply standards that have a negative impact on the equality of people, regardless of their background or that could impact the privacy of all stakeholders involved in Basic-Fit's business.

The Basic-Fit Code of Conduct, the procurement policies and the supplier code of conduct include specific standards regarding human rights. We also expect our suppliers to adhere to these standards.

We can improve the quality of life and health in the communities in which we are active. We can increase this positive impact through the expansion of our business and the opening of new clubs. We make fitness available to everyone, without any distinction in terms of race, background, gender or age[4].

[4] With the exception of minors under the age of 16, whose access to our facilities is limited in order to protect their well-being.

We respect the privacy of our members, employees and other stakeholders. We have implemented procedures and policies to collect and use their personal data fairly and to store and secure it safely, only to be disclosed in a way that is consistent with international best practices and applicable laws. This includes the footage from the remote control system. All personal data will not be stored any longer than is necessary.

Basic-Fit aims to create equal opportunities for all employees, regardless of personal background, race, gender, age, religion, sexual orientation or any other personal characteristic. We treat all individuals equally at every stage of the hiring and employment process and we do not accept any form of harassment of our employees or members.

Finally, throughout the year the company continued with the implementation of an employee profile aimed at improving service levels in the clubs and to promote engagement among employees. To achieve this, all employees received or will receive excellent customer service training. Armed with this knowledge, our employees will be able to be more proactive in terms of how they help our members to pursue their goals, while adding more meaning to their jobs at the same time. For more details on this training, please see the Our People section.

We expect all suppliers to adhere to local laws and regulations. Basic-Fit requires the majority of its suppliers to adhere to Basic-Fit's supplier code of conduct. This includes human rights standards, to ensure that our suppliers provide fair labour conditions, do not make use of forced labour or child labour and that all employees are treated with dignity and respect. All employees have to be provided with a safe and healthy workplace in compliance with all applicable local and national laws and regulations. New suppliers all received this supplier code of conduct. Existing suppliers will also be asked to sign the supplier code of conduct, usually at the time of a contract renewal.

By implementing these policies and procedures, not only does Basic-Fit create a work environment in its value chain that complies with laws and regulations, it also improves our position as a preferred employer. On top of this, these policies and procedures boost learning and development in a healthy and fun workplace in line with Basic-Fit's values and principles. In 2020, we will further develop and articulate our plans, policies and KPIs on this topic.

Anti-corruption and bribery matters

In 2019, Basic-Fit updated and further integrated its integrity risk assessment, which also addresses corruption and anti-bribery. Based on such assessments, Basic-Fit continuously updates its integrity policy.

The principles and rules for ethical conduct, anti-corruption and anti-bribery are laid down in Basic-Fit's code of conduct, the supplier code of conduct, the employee handbook, our insider trading policy, our policy on bilateral contracts, our whistle-blower policy, our internal data security policy and our integrity policy.

The company's corporate governance framework and its code of conduct include safeguards and controls by the Supervisory Board to avoid conflicts of interests.

We work with suppliers at every level and via all the departments in the organisation. Basic-Fit operates solely in developed EU countries. Most suppliers are local partners working under the same EU regulatory framework. For the supply of the fitness equipment and materials used in the clubs, such as towels, bottles, bags and clothes, we may work with non-EU suppliers. The risks of corruption and bribery could be less controlled in these countries with different regulatory regimes and we have less control due to physical distance. Any cases of corruption or bribery could lead to considerable financial and reputational damage. However, we believe that based on the policies and procedures we have implemented, combined with the background of most suppliers with whom Basic-Fit has been working for years, as well as the spread of suppliers, we have adequate control of this risk. We will continue to develop our supply chain policies with a focus on sustainability-related risks.

In 2019, we continued to enhance and update our procurement framework to closely monitor the procurement process and to engage and partner with carefully selected suppliers. When entering into any engagement with suppliers, Basic-Fit always tries to apply its own contract documentation, including the principles and values related to sustainability, human rights and anti-corruption and anti-bribery. Depending on the standards used, the supplier and the relationship between Basic-Fit and the supplier, this could also be one of the supplier's conditions. Basic-Fit strives for a situation in which the majority of all principal suppliers are in compliance with the company's supplier code of conduct.

Basic-Fit has implemented the option to perform audits on its suppliers and will start performing due diligence investigations on certain new suppliers before the start of any cooperation. The centrally organised procurement department will control these processes. In 2020, we will further develop and articulate our plans, policies and KPI's on this topic.

Tax

We pursue a transparent and responsible tax strategy in all countries in which we are present. Our tax strategy is in alignment with the long-term interests of all stakeholders, including shareholders, governments and communities. Our tax strategy is reviewed by our Audit & Risk Committee on an annual basis. Given the potential financial, regulatory and reputation risks involved, Basic-Fit's risk appetite on tax is prudent. Our business operations are leading, we declare profits and pay taxes where the economic activity occurs and we do not use tax havens for tax avoidance. We have a transfer pricing policy and transfer pricing documentation in place and have a good relationship with the tax authorities in all the jurisdictions in which we are active, with whom we discuss the various tax positions on a regular basis. Tax is part of our overall internal control framework, which is tested on an annual basis by our internal auditor. We seek the advice of external tax experts, and always take into account independence from internal and external auditors.

RISK MANAGEMENT AND CONTROL SYSTEMS

Description and governance

In achieving its long-term strategic objectives, Basic-Fit is inherently involved in taking risks. This makes risk management an essential element of Basic-Fit's culture, corporate governance, strategy and operational and financial management.

Basic-Fit carefully considers the type of risk it takes and its risk appetite in achieving its objectives. Basic-Fit's risk management approach plays an important role in achieving our strong international growth ambitions and creating long-term value.

We aim to make continuous improvements; we have a risk strategy, corporate governance procedures, a risk management policy and an internal control framework that recognise the entrepreneurship that is embedded in our culture, but also ensure compliance with laws and regulations. These continue to contribute to the identification and adequate management of strategic, operational, financial, legal and compliance risks. Basic-Fit's risk management strategy is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations.

The Management Board, under the supervision of the Supervisory Board, is responsible for identifying and managing the risks associated with the company's strategy and activities. The Management Board therefore bears ultimate responsibility for designing and establishing Basic-Fit's risk management and internal control framework, and for creating and promoting the right business culture and values. To ensure compliance with all applicable internal and external standards, the Management Board frequently discusses the strategic objectives, risk appetite, risk management and internal control systems. All our staff are responsible for the day-to-day execution of effective controls (first line).

The company has a centralised, structured and well embedded legal department with professionals who are able to ensure compliance with laws and regulations, in alignment with the strategy, in all Basic-Fit jurisdictions.

Furthermore, the compliance function monitors the corporate governance framework and compliance with laws and regulations and company policies, in line with the company's compliance charter. In addition, Basic-Fit has implemented a risk management function to continuously strengthen the internal control framework. Together these compliance and risk management functions represent the second line of defence and jointly protect and monitor Basic-Fit's risk strategy, risk culture and integrity. The compliance and risk management function work closely with the internal auditor, as the third line of defence, to align working methods and the approach to risk management.
As defined in the internal audit charter, internal audit develops and implements an annual internal audit plan, applying an appropriate risk-based methodology, including risk or control concerns identified by the Management Board or the Audit & Risk Committee, and addresses compliance with policies, procedures, laws and regulations. This internal audit plan is submitted to the Management Board and Audit & Risk Committee for review, after which it is presented to the Supervisory Board for approval.

The Audit & Risk Committee supervises the effectiveness of the internal control systems, while the Supervisory Board approves the overall strategic objectives and validates the associated risk appetite. Country management and the centralised support departments are responsible for implementing the strategy, achieving results, identifying underlying opportunities and risks, and ensuring effective controls. They are also responsible for preparing and implementing risk mitigation in their fields of responsibility.

Senior management and all employees help the Management Board to carry out these tasks on a daily basis. They are encouraged to work in an entrepreneurial manner and to take risks, provided they are equipped to manage these risks and operate within the boundaries set by senior management within the risk management framework. Senior management is responsible for effective internal controls and the risk management for the activities under their responsibility. Furthermore, the Management Board is advised by the staff departments, such as legal, compliance, finance, HR and IT, who monitor risk management within their respective functions. Finally, the independent internal audit function plays an assurance role within the company's risk management strategy. The internal auditor reports to the Management Board and the Audit & Risk Committee on the functioning of the internal control systems.

Developments in 2019

In 2019, Basic-Fit grew its network by 155 clubs in line with its strategy. While doing this, the company continued the rollout of its vision to make fitness accessible for everyone. As part of Basic-Fit's pricing structure and robust membership model, we enhanced our offering of virtual and live classes, called GXR, and digital (audio) offering in our fitness app and made this digital platform freely available to all members. We launched a new and improved website with an enhanced new membership journey, plus we continuously improved the quality of our digital platforms to offer an even easier, more fun and more accessible member experience.

Basic-Fit also updated its IT strategy in 2019, including a further strengthening of the internal cyber security controls. Internal audit performed repeated cyber security audits. The overall conclusion was that the company sufficiently mitigates cyber security risks. However, based on the review, Basic-Fit will use the recommendations of Internal Audit to strengthen cyber security even further.

We continued the opening of new clubs according to our objectives. With the aim of improving the club opening process in terms of efficiency, cost controls and timing, we have identified 72 steps that ensure efficient project management. We are in the process of automating these steps, to make our control and monitoring of this process even more effective and expect to have this process fully operational in 2020.

We continuously work on embedding our vision and our value drivers in the company's culture and entrepreneurial drive as we grow on every front. The company's culture provides room for its employees to grow and develop and to be healthy. The company further enhanced its vision on integrity and transparency and has rolled out new employee profiles, enhancing service levels in the clubs even further, as announced in 2018.

As we continue on our growth path, we need to continuously review and develop our risk management process and internal controls. We continued to redefine and optimise these based on the constant development and growth of the organisation.

The general counsel is responsible for the corporate governance of the company, the day-to-day legal issues related to the development of the company and the compliance with and monitoring of laws and regulations and the associated risks. In the pursuance of these goals, the general counsel further strengthened the legal department and acted as the day-to-day legal advisor in all the company's jurisdictions, all with a strong business orientation.

The legal department proactively assures compliance with the company's corporate governance rules and laws and regulations and plays a clear role in protecting the company's assets, integrity and reputation. We constantly work on building awareness of legal developments, laws, regulations, integrity and risks within the company, through training and communication. The privacy officer is part of the legal department and is responsible for the execution and monitoring of the privacy policy and the day-to-day privacy recommendations related to running the business and new projects.

The compliance and risk function are together responsible for reviewing and monitoring the risk strategy, with a focus on fields and areas in which the company is developing strongly. They do this from a broad perspective, taking the risk assessment and risk table in this section as a starting point.
In addition to the overall monitoring of compliance, in 2019 the compliance officer devoted specific attention to the topics of health & safety and procurement within Basic-Fit.

Basic-Fit installed the risk management function in the course of the year and this focused on overall risk assessments and continued enhancement of the internal control framework in close cooperation with the internal auditor.

In addition to this, embedding and maintaining awareness for the Business Continuity Plan is a constant point of attention for Basic-Fit, with the aim of securing the functioning and continuity of the business in the event of severe internal or external incidents.

Covid-19 developments

Basic-Fit constantly follows the developments related to the Covid-19 virus. We have formed a dedicated team that reconvenes regularly when relevant developments occur. This team analyses the possible implications for the daily operations, as well as the possible economic impact and reports this to management. We follow the guidelines of the local governments, and provide our stakeholders with relevant information. Hygiene is a top priority at Basic-Fit and the Covid-19 team is working closely together with other Basic-Fit departments, including the risk and compliance team, on this topic.

Internal audit in 2019

The Internal Audit function is outsourced to an independent international audit firm. During the yearly review of the internal control framework, they identified opportunities for control and process improvements. In addition, internal audit reviewed marketing effectiveness, people management, property management and cyber risks. The outcome of the reviews, including the detailed management actions agreed, was discussed in the Audit & Risk Committee in the presence of internal audit.

Plan for 2020

Internal audit uses a risk-based internal audit plan that enables them to provide the Management Board with the necessary assurance on how Basic-Fit manages key risks, including the effectiveness of the controls and other responses to such risks. Internal audit will use the same approach in 2020, with a focus on salary structure and people management, data management, Cloud Strategy, Security, CSR and sustainability. In addition, the plan includes a follow-up review on compliance with the internal control framework. The internal audit plan for 2020 has been reviewed by the Audit & Risk Committee and approved by the Supervisory Board.

Basic-Fit will continue to increase legal and risk awareness in the company and will focus on increasing efficiency, knowledge sharing, the monitoring of risks and control in a constantly growing and developing organisation through increased use of smart technology and automatisation.

Risk appetite and sensitivity

In general, Basic-Fit takes an entrepreneurial but prudent approach to risk-taking. The risk boundaries are defined by the company's culture and its corporate governance, defined in Basic-Fit's strategy, values, code of conduct, policies and procedures. The risk management approach to risk is identified, assessed and managed for each risk category and topic.

Sensitivity Analysis

	Change	Impact	On	Assumption (based on 2019 financials excluding exceptional items)
Revenue (members)	1%	€ 5 million	EBITDA	No change to yield
Revenue (yield)	1%	€ 5 million	EBITDA	No change to members
Operating expenses	1%	€ -3 million	EBITDA	No change to revenue
Clubs	10 Clubs	€ 0 million	EBITDA	No (material) EBITDA impact during the first year from opening clubs
		€ 12 million	Net Debt	
Net debt	50 million	€ -1 million	Net profit	Stable interest rates

RISKS AT A GLANCE

STRATEGIC

Risk	Risk description	General risk appetite	Trend in risk	Risk Appetite
1 Members	Attracting and retaining members is one of the core focus points of Basic-Fit's strategy. Being less attractive to our existing and new members, due to our offering, communication, marketing, competition, harm to our reputation, pricing and membership structure or changes in consumer preferences and behaviour could impact future growth and profitability.	For strategic risks, acceptable risk levels vary depending on the subject at hand. Basic-Fit is generally prepared to take above-average to high risks, being calculated and carefully weighted, in pursuing its ambitions.	↔	
2 Expansion	Basic-Fit wants to be accessible for everybody, everywhere at any time. The main way it achieves this is by being present with clubs. The expansion potential of its portfolio in growing and new markets are a key pillar of Basic-Fit's strategy. This expansion potential could be influenced by different or changing market conditions, laws and regulations, consumer preferences and discretionary consumer spending habits in our growth markets or potential new markets. This could impact future growth and profitability.		↔	
3 Competition	The health and fitness industry is highly competitive and localised and competitors could succeed in attracting our existing and new members, which could impact future growth and profitability.		↔	
4 Market	The risk that market developments, such as economic & political developments, and natural disasters, have a possible adverse effect on our growth and profitability.		↔	
5 Brand	The risk of a negative publicity, ineffective marketing campaign or incidents occurring which will adversely affect the Basic-Fit brand.		↔	

↑ Increasing ↔ Stable ↓ Decreasing Averse Low Medium High

OPERATIONAL

Risk	Risk description	General risk appetite	Trend in risk	Risk Appetite
6 Technology	Our business model is data driven and if we can't keep up with technological changes or when we are not able to implement new systems or GXR video and audio content (in a timely fashion) it could impact future growth and profitability.	Basic-Fit weights operational risks in relation to the implementation of its strategy and the impact of its execution and generally has a moderate risk appetite on this front. However, topics related to quality, security and integrity are subject to a low risk appetite		
7 Sites	The identification and securing of suitable sites is crucial for the realisation of our growth ambitions. It is necessary to obtain the required permits and permissions and agree acceptable lease terms. Delays in regulatory procedures or in construction activities could impact our club opening process and objectives for the year.			
8 People	Any failure to recruit, train, motivate and retain service-minded staff in our clubs and customer care centre, or suitably qualified management, could impact future growth and profitability.			
9 Suppliers	The limited number of suppliers for various aspects of our business makes us vulnerable to interruptions to our existing and new operations and could impact future growth and profitability.			
10 QHSE	Quality, health, safety and environmental procedures and strategy are important to the company. Any failure to respect external laws and regulations related to health and safety or to follow our own procedures and policies could impact the reputation of the company and its long-term growth and profitability.			
11 Growth	Our extensive and ambitious long-term growth plan has an impact on the organisation. The rapid and continuous growth can put constraints on the efficiency and availability of the centralised support organisation and requires continuous adaptation, balancing and the flexibility of the strategy in line with each new phase of Basic-Fit. If Basic-Fit is unable to adapt and adjust its support operation in time, this could impact the company's profitability.			
12 Secondary Revenue	In addition to the operational revenue from members, the revenue from the other operational activities and products, such as NXT level, vending machines and training activities are becoming increasingly important. So, any setback in those activities will have an impact on growth and profitability.			
13 Cyber security	Cyber security issues are becoming increasingly relevant. Not following the right procedures could impact our reputation and brand. The importance of data and mobile applications in the Basic-Fit strategy the potential impact of cyber security has grown.			

Increasing Stable Decreasing Averse Low Medium High

FINANCIAL & REPORTING

Risk	Risk description	General risk appetite	Trend in risk	Risk Appetite
14 Capital expenditure	In line with our growth strategy, we manage a large number of capital-intensive projects to expand our club base. Overspending or price increases could impact our cash flows.	Basic-Fit has adopted a prudent financial risk strategy, with the intent to limit financial risks and maintain long-term solvency and to stay within bank covenants.	↔	
15 Liquidity	Basic-Fit requires access to capital to fund its growth ambitions.		↔	
16 Credit	The payment behaviour of our existing and future members could change, which would have an impact on our profitability and cash flows.		↔	
17 Currency and interest	Significant changes in financial markets could impact our financial condition or performance.		↔	
18 Tax	Changing tax and accounting regimes could impact our financial performance or tax treatment programming.		↔	

COMPLIANCE

Risk	Risk description	General risk appetite	Trend in risk	Risk Appetite
19 Legal and compliance	Failure to comply with internal and external policies, rules and regulations could have a negative impact on our reputation and future growth and profitability.	Basic-Fit strives for the highest level of compliance with legal and regulatory requirements (including financial reporting), so we have a low risk appetite for these risks. We have a low to medium risk appetite for any risks that could have a negative impact on Basic-Fit's reputation, or the implementation and monitoring of its corporate values and its Code of Conduct.	↔	
20 CSR	The failure to adhere to generally accepted corporate and social responsibilities and of those reflected in Basic-Fit's values and Code of Conduct, could have an adverse effect in the profitability and reputation of the Basic-Fit brand.		↔	
21 Data governance & GDPR	It is of the utmost importance that our data and or other privacy sensitive data is secure and processed responsibly. Failure to follow the right procedures and respect rules and regulations could impact our image and brand, which could have a financial impact and adversely affect the company's profitability and reputation.		↑	

↑ Increasing ↔ Stable ↓ Decreasing   Averse   Low   Medium   High

Key Risks

The risks that potentially have the greatest adverse effect on the achievement of Basic-Fit's objectives are described below. The described risks are similar to the risks identified for the previous year and the level of risk has not materially changed. This is not an exhaustive list. There may be risks or risk categories that are currently identified as not having a significant impact on the business but that could develop into key risks. The objective of Basic-Fit's risk management systems is to identify changes in risk profiles and any risk-related incidents in a timely manner, so that appropriate and timely measures can be taken.

KEY RISKS

STRATEGIC

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Attracting and retaining members Being less attractive to our existing and new members, due to competition, harm to our reputation, pricing and membership structure or changes in consumer preferences and behaviour could impact future growth and profitability.	• We continuously invest in an attractive value proposition and customer journey to remain relevant to our existing and new members. • We operate a transparent, flexible and straightforward membership model comprising two main membership forms with attractive add-on opportunities, all at attractive price levels and with the option to make these memberships flexible. We are analysing new forms of membership and add-on opportunities continuously to keep up with new market developments. • Our investment in people, innovative fitness products and technologies for use both in and outside our clubs, complementary product offerings online and on site, marketing campaigns and sales promotions all enable us to enhance the value of our brand and our members' connection to our brand. • We have a dedicated customer service department constantly working to improve the service to our customers and their customer journey. The level and quality of customer service will impact our net promoter score. Our virtual assistant Ruby helps our members and therefore our customer service departments, to answer members' questions.	**Additional actions on top of mitigating measures in 2019** • We have the Basic-Fit app freely available to our members, to improve member experience, for example through improved offering of group classes, called GXR, both in the clubs and at home through our digital offering and the introduction of audio guidance. • We launched a new website with improved member and joiner journeys. • We launched new products to improve the fitness experience, in the online web shop of Basic-Fit and through co-operation with partners, such as sport nutrition under the name NXT Level. • We want to empower our customers to control its own data and membership and release pressure on customer care. All members can do this in their personal profile in My Basic-Fit. This functionality has been extended over the year and we will continuously develop this further to provide transparency and ease of control for our members. **Developments 2020** • In 2020 we will put additional focus on the enhancement of our customer life cycle and the retention of our members. Through constant new and attractive product offering, but also by optimising the customer journey for our members at all touchpoints. We will further embed and strengthen our data-driven approach to member communications and motivation. • In 2020, in anticipation of growing market demand, we will open more express and ladies only clubs.
Expansion into existing or new markets Different or changing market conditions, laws and regulations, consumer preferences and discretionary consumer spending habits in our growth markets or potential new markets could impact future growth and profitability.	• Although we currently only grow in existing markets, before entering a new market or region, we conduct extensive research into growth opportunities and value creation for the medium and long term. • In addition, we have a rigorous site selection process, which takes into account local competition, local demographics, local fitness penetration and required site characteristics. Our expansion team has gained a great deal of experience in selecting and negotiating the right clubs in these countries. This experience will help us in our expansion process going forward. • Our centralised international legal department closely monitors local laws and regulations, with support from local external advisors if required; • Our international marketing campaigns focus on promoting and positioning our brand, and include group-wide and local marketing efforts and sales promotions that appeal to local inhabitants.	**Additional actions on top of mitigating measures in 2019** • We strengthened our business analysis and development teams in all countries. • We are automating the site selection process wherever possible to facilitate a faster and more efficient expansion process and to improve costs control. **Developments 2020** • We will strengthen our development teams, but also the procurement department and quality, health and safety department in line with our growth and we will further align processes.

STRATEGIC

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Competition The health and fitness industry is highly competitive and localised and competitors could succeed in attracting our existing and new members, which could impact future growth and profitability.	• We invest continuously in offering an attractive value-for-money proposition to our existing and new members: we offer a value-for-money membership at low cost with longer opening hours. • We have localised marketing campaigns and sales promotions to win market share and increase the fitness penetration rate • With our cluster strategy and online off-site fitness offer, we make fitness accessible for (potential) members wherever they are and whenever they want. • Due to our size, we could benefit from operating leverage.	**Additional actions on top of mitigating measures in 2019** • We launched a new marketing campaign in 2019, with a new tag line and a new website. • We started the implementation of a highly advanced remote surveillance system in some countries to support high levels of safety and security and efficient functioning of the clubs and opening hours, in line with the highest standards of privacy compliance. We will continue to roll this out is out in 2020. • We opened more clubs on a 24/7 basis and increased the number of opening hours in France. We will continue with this rollout in 2020.
External economic & political risks, and natural disasters Possible adverse impact on growth and profitability.	• Our diversified portfolio of 784 clubs in five countries at year end 2019, with local operational management, is a mitigating factor against individual political, country, regional or local economic risk. We monitor these risks through the normal course of business. • As one of the larger fitness players in the European market, we want to contribute to the growth of the entire fitness market and penetration and we actively participate in the development of the industry and its standards at local and European level.	**Additional actions on top of mitigating measures in 2019** • In 2019, we saw an increase in strikes and economic and political unrest. The Basic-Fit concept proved to be a business model that also performed well in a period of slower economic growth.
Brand and reputation The risk of negative publicity, ineffective marketing campaign or incidents occurring that adversely affect the Basic-Fit brand and its reputation.	• In addition to our internal controls and legal compliance functions, we have an extensive marketing, corporate communication and investor relations department in place to manage our commercial communication, corporate communication and PR, to protect our reputation and brand value. • We have insight in all publications and communications on Basic-Fit in public markets through a news service, so we have a quick response system in place. • The company has well embedded compliance, risk management and internal audit functions that work closely together, while respecting their independence, to mitigate risks and protect the company's integrity and reputation.	**Additional actions on top of mitigating measures in 2019** • We strengthened our marketing department to reduce our dependence on external partners. • We devoted extra attention and focus to building our brand, clarifying the added value of our concept to communities and authorities to help create an environment in which Basic-Fit clubs are welcomed and supported. We will continue these efforts in 2020. • We continue to align and strengthen working methods and processes in the compliance, risk management and internal audit functions. We will continue this process in 2020.

OPERATIONAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Technology Our business model is technology and data driven and if we are unable to keep up with technological changes or when we are unable to implement new systems (in a (timely fashion), this could impact future growth and profitability.	• We continuously maintain, enhance and improve the functionality, capacity, accessibility, reliability and features of our automated member interfaces and other technology offerings (e.g. virtual coaches and GXR concept). • We have selected experienced partners to help maintain and develop existing systems and to help us adopt new emerging technologies.	**Additional actions on top of mitigating measures in 2019** • We continued the implementation of the dedicated GXR department, to enhance the offering of virtual and live group lessons in our clubs (GXR). • Monitoring safety and opening hours at the clubs and implementing 24/7 opening, requires the installation of highly advanced camera systems and remote surveillance monitoring. We have installed new systems in a number of our clubs. We will continue with this rollout in 2020.

OPERATIONAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Suitable sites Crucial to our growth ambition is the identification and securing of suitable sites, obtaining the required permits and permissions and agreeing acceptable lease terms.	• We work with both our own real estate specialists and selected real estate agents in all countries to help us identify and secure the best available sites and negotiate acceptable leases that only become effective once all required permits and approvals for a site have been granted and are irrevocable. • Our management teams work with local agents to obtain the required permits and approvals. • Construction of a new site can only take place after approval by the Management Board and after a rigorous investment analysis that includes return on invested capital. • Our property management department has implemented a management and control mechanism and tool to control the entire club selection and development chain, to secure a uniform and coherent club approach.	**Additional actions on top of mitigating measures in 2019** • We will strengthen the company's property management team, as well as our country expansion teams, to facilitate the company's long-term growth plans in terms of opening new clubs and exploring new opportunities. • We will increase the automation of the site identification process to increase efficiency and improve time to market.
People Any failure to recruit, train, motivate and retain service-minded staff in our clubs and customer care centre, or suitably qualified management, could impact future growth and profitability.	• We have a recruitment and training programme for club staff (e.g. basics of fitness, customer service and management training). In addition to this, we facilitate the continuous development of customer care employees and have a mandatory e-learning programme for all new employees. • Our size and brand value is increasing the popularity of Basic-Fit as an attractive employer. We use the feedback from employee surveys to constantly develop our HR strategy and our approach to employees. • We aim to optimise the service to our members by offering high-quality personal service by our staff at peak hours and by remotely monitoring and servicing our members in off-peak hours. • We have a performance assessment process in place to constantly identify and steer performance development. We also use this process to identify our talent pool, to increase promotion opportunities, improve employee engagement and retain this talent in the company.	**Additional actions on top of mitigating measures in 2019** • We conducted an employee satisfaction survey. This survey will help us to measure and maintain a positive culture in the Basic-Fit organisation and to increase employee engagement. • Our people are trained in new working methods to increase the service level and service-orientation of our club staff towards our members. We will continue to roll this out in 2020. **Developments 2020** • To further optimise the e-learning process, we will extend tools and programmes to a broader range of topics and a adopt a renewed approach to communications, to raise awareness, value and purpose of the company, with the aim of increasing engagement. • We will implement a new HR management system in 2020, to make the HR processes more efficient and secure. • We will install a works council for Basic-Fit International.
Dependency on suppliers The limited number of suppliers for various aspects of our business makes us vulnerable to interruptions to our existing and new operations, and could impact future growth and profitability.	• We have multi-year agreements in place with certain key suppliers related to the procurement of fitness equipment, the building of new clubs, the member registration system, member payment processing and IT services. For many products or services, we work with different suppliers to spread the dependency and workload. • The centralised property management department supports control over investments related to our club rollout strategy. This department is involved in maintaining long and good relationships with key suppliers. It also regularly evaluates and re-assesses our suppliers, optimising the quality and number of suppliers with whom we work, cost controls and the timely execution of our expansion strategy.	**Additional actions on top of mitigating measures in 2019** • We strengthened the contractual work framework for procurement and enter into new contracts with existing and new partners on the basis of this framework. We will continue with this process in 2020. • We added construction partners in all countries to increase flexibility and to support growth and time to market. • We added an equipment supplier to get a better mix.

OPERATIONAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Quality, Health, Safety and Environment Any failure to respect external laws and regulation on health and safety issues or to follow our own procedures and policies could impact the reputation of the company and its long-term growth and profitability	• We are installing smart security cameras with a view to optimising the security of our members and staff. We generally have staff trained in first aid in our clubs and our clubs are typically supplied with defibrillators. We have also enhanced our incident reporting procedure to further mitigate these incident risks in our clubs.	**Additional actions on top of mitigating measures in 2019** • We are developing Basic-Fit's Q.H.S.E. strategy, with the aim of offering a uniform, high-quality level in all of our clubs in accordance with our policies and health and safety regulations. • We have installed a 24-hour security room to support remote surveillance of the clubs that are connected to this system. **Developments 2020** • We will continue to develop and implement tools and procedures to achieve the goals of this department. We will also strengthen the departments. • We will continue to roll out smart cameras and connect additional clubs to the security room. • We will investigate whether additional measures concerning health issues are applicable. • We have formed a dedicated team that has periodically meetings to look at the current developments related to the covid-19. We follow the guidelines of the local government, and provide our stakeholders with information when needed. Hygiene is a top priority at Basic-Fit.
Extensive growth and impact on operations The company's rapid and continuous growth could put constraints on the efficiency and availability of the centralised support organisation and requires continuous adaptation, balancing, flexibility of the strategy in line with the new phase of Basic-Fit.	• The centralised support departments and the uniform strategy, business model and membership model, offer enormous advantage of scale. • For the rollout of new products or innovations, we hire experts or work with external partners to guide and establish the solid development and implementation of new products. • We have installed a project management department to align and prioritise Basic-Fit's key strategic projects. • The Management Board is supported by a senior management team.	**Additional actions on top of mitigating measures in 2019** • Basic-Fit continuously revises its management structure. Redouane Zekkri was added to the Leadership Team in the role of COO. • The senior management team supports the Management Board in its strategic decisionmaking and we have extended this committee by adding managers responsible for key processes within Basic-Fit, such as HR, marketing and technology. The aim of this is to provide additional support for the company's extensive growth in a controlled manner and prepare the company for its future growth. **Developments 2020** • We will automate the expansion process to support the operations and staff departments in the continued enhancement of smart and agile working methods and to prepare them for the company's long-term goals.
Secondary revenue In addition to the operational revenue from members, the revenue from other operational activities such as sports nutrition, vending machines and personal training activities is becoming increasingly important. So, any setback in those activities will have an impact on growth and profitability.	• The centralised department for the vending activities ensures the development of new products and that they are prepared for continued growth. • A dedicated team ensures the co-operation with personal trainers within the clubs, in line with a well-defined partnership model in all countries.	**Developments 2020** • We are automating management and reporting of secondary revenue in software tools.

OPERATIONAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Cyber security Cyber security issues are becoming increasingly relevant. Not being able to control and minimise cyber risk could have an adverse impact on our daily operations, profitability and reputation.	• We continuously maintain, enhance and improve the functionality, capacity, accessibility, reliability and features of our automated member interfaces and other technology offerings. We continuously monitor, test and improve our security systems and processes and have specialised staff in place to enhance this process.	**Additional actions on top of mitigating measures in 2019** • We added a dedicated security officer to the team. • We perform repeated pen testing to secure the cyber security resilience at Basic-Fit. • Internal audit performed a cyber security review in 2019, and confirmed that the basic security system and levels are in place. Internal audit made a number of recommendations to improve this further, which we have now implemented. **Developments 2020** • Internal audit will perform a follow-up review to test the implementation of recommendations and follow up on current security levels. • We will conduct additional training to maintain and increase awareness of the Business Continuity Plan. This training will also cover elements of cyber security attacks, to enable us to act on and mitigate incidents that could harm Basic-Fit's reputation.

FINANCIAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Capital expenditure and cash flow risk In line with our growth strategy, we manage a large number of capital-intensive projects to expand our club base. Overspending or price increases could impact our cash flows.	• Each new club analysis process includes a detailed investment plan, and the required expansion and maintenance capital expenditure is analysed on a club-by-club basis. • The centralised property management and procurement departments control all our investments and try to minimise price risk.	
Liquidity risk We require access to capital to fund our growth ambitions.	• We have a five-year €450-million financing facility in place with sufficient headroom. In June 2018, the original €350-million financing facility (due to expire in May 2021) was amended and extended. The new financing facility consists of a €250-million term loan and a €200-million revolving facility. As a result of the amendment, the maturities of both the term and revolving credit facilities have been extended to June 2023. In addition, Basic-Fit was able to reduce the margin on both facilities. The new agreement also includes an accordion option up to a maximum of €150 million. • Cash is managed on a daily basis, while management prepares a weekly cash flow forecast to identify the company's short-term cash needs. • Long-term liquidity needs are monitored on a quarterly basis.	**Additional actions on top of mitigating measures in 2019** • We implemented a new payment system in 2019, to make the payment process more efficient and secure. • Furthermore, in addition to the existing financing facility, we entered into a €100 million Schuldschein loan as additional support for our growth plans. • We have extended the term and revolving credit facilities to June 2024.
Credit risk The payment behaviour of our existing and future members could change, which would have an impact on our profitability and cash flows.	• As members need to pay membership fees upfront, credit risk is limited to those membership fees that cannot be collected upfront. • We have strengthened our credit management department and we use collection agencies for receivables that have been due for more than 120 days.. • Concentration of credit risk with banks is avoided by spreading cash and cash equivalents over various banks.	

FINANCIAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Currency and interest rate risk Significant changes in financial markets could impact our financial condition or performance.	• Basic-Fit only operates in the Eurozone, hence currency risk is limited. We do not use financial instruments to hedge any remaining currency risk. • Interest rate risk arises from the financing facility, which is linked to Euribor. With new hedges in place since January 2019, we have hedged about 51 % of our variable interest exposure by using floating-to-fixed interest rate swaps. A decrease of 100 basis points in Euribor would result in increased annual post-tax interest expenses of approximately €5.7 million (based on exposure at year end).	
Tax and accounting risk Changing tax and accounting regimes could impact our financial performance or tax treatment programming.	• Based on our internal control framework, the centralised support departments monitor and review local practices to provide reasonable assurance that we remain aware of and are in line with relevant laws and policies, including those related to reporting and tax.	**Additional actions on top of mitigating measures in 2019** • In 2019, we fully implemented IFRS 16 'Leases' in our procedures and systems. This process is supported by technology and software systems for full control.

COMPLIANCE

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Legal, compliance and regulatory risks Failure to comply with internal and external policies, rules and regulations could have a negative impact on our reputation and future growth and profitability.	• At Basic-Fit, we are committed to complying with the laws and regulations of the countries in which we operate. In specialist areas, the relevant country and centralised support teams are responsible for setting detailed standards to comply with regulations and laws that are relevant to their roles. • Basic-Fit has a well embedded centralised legal department with legal professionals for all jurisdictions, a compliance officer and a privacy officer. The focus of the department is on compliance with laws and regulations in alignment with the business strategy, training and legal awareness creation and protection of the integrity and reputation of the Basic-Fit brand. An annual compliance plan is executed on Basic-Fit's priority topics, such as procurement, health & safety and the consumer regulatory framework. • Basic-Fit invests in the creation of a work culture that supports the company's vision in terms of entrepreneurship, responsibility and integrity. We conduct several surveys among employees on a regular basis. These cover topics such as work culture, satisfaction and risk culture. Based on the outcome of these surveys, Basic-Fit continuously develops its employee model and the development and growth opportunities of its employees, to enhance employee motivation and commitment to the Basic-Fit values and vision.	**Additional actions on top of mitigating measures in 2019** • Basic-Fit has implemented the General Data Privacy Regulation and appointed a Privacy Officer to implement, define and monitor Basic-Fit's privacy policy. • We strengthened our legal department to support our growth in various countries. • The compliance, risk and internal audit functions are aligning processes and working methods. We are currently implementing a joint review and audit plan for the second line of defence. We will continue this in 2020.
Corporate and Social Responsibility (CSR) The risk of infringements on general accepted corporate and social responsibilities and of those reflected in Basic-Fit's values and Code of Conduct, could have an adversely effect in the profitability and reputation of the Basic-Fit brand.	• Basic-Fit developed a Corporate and Social Responsibility framework and strategy with a vision on people, planet and communities. Basic-Fit is highly focused on limiting the use of energy sources in its clubs and works with largely non-electrical equipment, as well as smart lighting and airco solutions. An increasing number of suppliers are bound by Basic-Fit's the supplier code. • We have more than 5,000 employees in five countries with multiple nationalities and from diverse backgrounds. We are all unique and we embrace the same mission: to make fitness available to everyone. We strive to offer our employees a positive and rewarding experience within the company and we support them in their journey with us. • Basic-Fit has a mission to make fitness available to everyone, everywhere and whenever it is needed.	

COMPLIANCE

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions on top of mitigating measures in 2019 and developments 2020
Data Governance It is of the utmost importance that our data is secure and processed responsibly. Failure to follow the right procedures could impact our image and brand.	• Data security is an area of major importance and we are committed to always taking appropriate data protection measures, in line with data privacy and security regulations.	**Additional actions on top of mitigating measures in 2019** • Our business control department is also responsible for implementing the proper processes to monitor, analyse and process our data in a viable, logical and secure manner. We have installed a data warehouse for this and we constantly develop new reporting tools and ways to manage our data and to use it to improve our services, quality and profitability. Within this process, we maintain, respect and implement the highest standards of security and privacy.

OVERVIEW OF KEY RISKS

Strategic risk
1 Attracting and retaining members
2 Expansion into existing or new markets
3 Competition
4 External economic & political risks, and natural disasters
5 Brand

Operational risk
6 Technology
7 Suitable sites
8 People
9 Dependency on suppliers
10 Quality, Health, Safety and Environment
11 Extensive growth and impact on operations
12 Secondary revenue
13 Cyber security

Financial risk
14 Capital expenditure and cash flow risk
15 Liquidity risk
16 Credit risk
17 Currency and interest rate risk
18 Tax and accounting risk

Compliance risk
19 Legal and compliance
20 CSR
21 Data Governance

IMPROVED CONCEPT

BASIC-FIT LADIES

Our motto is: open to all! No matter who you are, or what your goals are we want you to feel welcome and enjoy your workout experience both in our clubs and at home. We know from experience that not all women are comfortable training in a mixed club. Because we want to provide all women the opportunity to exercise at Basic-Fit, our club network now includes 24 clubs that are open only to woman.

To attract and retain a diverse range of female target groups, we have developed an improved ladies club concept: Basic-Fit Ladies. This new and improved concept is fully adjusted to women's fitness needs. This is shown in multiple aspects of the Basic-Fit Ladies club. The interior design is more elegant and feminine, and the club lay-out has an intuitive lay-out. Feminine considerations underpin every choice, from visual brand identity to gym services and even vending machine products.

The overall club fit-out is designed to create a supportive and motivational environment, while maintaining a sense of simplicity as a value-for-money offer. Members are invited to make themselves at home, take control and direct their own fitness programme to achieve specific goals. We have included a low-barrier strength circuit where a woman can exercise together with a friend. The work-out experience is enhanced through digital guidance shown on the in-club screens. The Live GX class add-on to our subscription is mandatory for access to a Basic-Fit Ladies club.

We do know from experience that some woman are not comfortable to train in a mixed club.

Through the emphasis on class-based work-outs combined with improved and larger social spaces, we focus on the creation of a comfortable, supportive and motivational gym environment for all women to exercise with confidence.

In 2019, we opened the first two Basic-Fit Ladies clubs: the first one in Belgium, in the city of Ghent, and the other one in Amsterdam, the Netherlands. We will selectively roll out this new Basic-Fit Ladies concept at new locations in large cities. We will also gradually convert the existing Ladies Only clubs, but this will be part of the regular five to six-year maintenance cycle for our clubs.

CORPORATE GOVERNANCE

Basic-Fit recognises the importance of good governance, and its vital role in ensuring integrity and maintaining open and transparent communications with stakeholders and other parties interested in the company. Basic-Fit's corporate governance structure, its supervision, and how it is reported are all in line with the Dutch Corporate Governance Code 2016 ('the Code'). The Code contains principles and best practice provisions that regulate relations between the Management Board, the Supervisory Board and the General Meeting, with a focus on ensuring the continuity and growth of Basic-Fit while the company endeavours to create long-term shareholder value.

Basic-Fit fully endorses the core principles of the Code and is committed to following the Code's best practices to the greatest extent possible. However, in consideration of our own interests and the interests of our stakeholders, we deviate from a limited number of best practice provisions, which are specified and explained in the Corporate Governance declaration in this annual report.

Furthermore, the Implementation Law ("Wet tot implementatie van de Herziene aandeelhoudersrechten-richtlijn" - SRD II) entered into force on 1 December 2019. This is a result of the Shareholder Rights Directive II (SRD II), which entered into force on 9 June 2017. The aim of revision in SRD II is to promote effective and sustainable shareholder engagement in listed companies.

This directive was implemented in Book 2 of the Dutch Civil Code through the Implementation Law. SRD II results in changes to Basic-Fit's corporate governance documentation, mainly to bring policy regarding remuneration and related party transactions into line with SRD II. The Management Board Rules, Supervisory Board Rules, Audit and Risk Charter and Selection, Appointment and Remuneration Charter have all been revised in this respect as per 10 December 2019. Furthermore, the Remuneration Policy has been revised and the General Meeting will be asked to approve these revisions at the AGM of 22 April 2020.

General

Basic-Fit N.V. is a public limited liability company incorporated under Dutch law on 12 May 2016. On 10 June 2016, part of the share capital of Basic-Fit was offered to the public in an Initial Public Offering (IPO) and these shares were listed on Euronext Amsterdam. Basic-Fit has a two-tier board structure, consisting of a Management Board and a Supervisory Board. The Management Board currently consists of two members and the Supervisory Board of six members. The provisions in the Dutch Civil Code related to the 'large company regime' ('structuurregime') do not apply to Basic-Fit, since the majority of Basic-Fit employees are not based in the Netherlands.

Management Board

Duties

The Management Board is collectively responsible for the day-to-day management of Basic-Fit. Its tasks include the overall management, performance and general affairs of Basic-Fit, as well as the formulation and implementation of its strategy, policies and objectives, as well as the company's results. The Management Board provides the Supervisory Board with information in a transparent way. The key items of information are the annual and long-term budgets, monthly management reports, quarterly reports and the annual report, information on significant investments and expansion strategies, risk management and control reports, including compliance and internal audit updates; and major HR and IT issues.

The Management Board is supervised by the Supervisory Board and has adopted rules (Management Board Rules) describing its duties, responsibilities, composition, decision-making and procedures. The Management Board Rules were last revised on 10 December 2019 to bring them into line with the SRD II and are available on the Basic-Fit corporate website.

Certain resolutions of the Management Board are subject to prior approval by the Supervisory Board. These resolutions are also outlined in the above-mentioned Management Board Rules and in Basic-Fit's articles of association, which you will find on the Basic-Fit corporate website.

Appointment, dismissal and suspension

The General Meeting appoints the members of the Management Board (i) pursuant to and in accordance with a proposal of the Supervisory Board or (ii) from a binding nomination to be drawn up by the Supervisory Board. A resolution of the General Meeting to appoint a member of the Management Board pursuant to and in accordance with a proposal of the Supervisory Board can be adopted by an absolute majority of the votes cast, irrespective of the capital present or represented at the meeting.

The General Meeting may only overrule the binding nature of a nomination by the Supervisory Board by resolution of the General Meeting adopted with an absolute majority of the votes cast, provided said majority represents at least one-third of the company's issued share capital. If the General Meeting votes in favour of overruling the binding nature of the nomination with an absolute majority of the votes cast, but this majority does not represent at least one-third of our issued share capital, then a new meeting may be convened at which the resolution can be passed with an absolute majority of the votes cast, irrespective of the capital present or represented at the meeting. In the notice convening the new meeting, it must be stated, giving the reason therefor, that a resolution may be passed with an absolute majority of the votes cast, irrespective of the part of the capital represented at said meeting.

If the binding nature of the nomination is overruled, the Supervisory Board shall draw up a new binding nomination to be voted upon at the next meeting. If the Supervisory Board has not drawn up a proposal or binding nomination, the General Meeting is free to appoint a member of the Management Board, provided that the appointment is subject to and in accordance with the requirements under applicable law, and further provided that said resolution of the General Meeting is adopted with an absolute majority of the votes cast, representing at least one-third of the company's issued share capital.

The Articles of Association give the General Meeting the authority to suspend and dismiss a member of the Management Board. Such a resolution of the General Meeting requires an absolute majority of the votes cast, and this majority must represent at least one-third of the issued share capital. If the General Meeting votes in favour of the suspension or dismissal with an absolute majority of the votes cast, but this majority does not represent at least one-third of the issued share capital, a new meeting may be convened at which the resolution may be passed with an absolute majority of the votes cast, irrespective of the capital present or represented at said meeting.

The Supervisory Board may also suspend a member of the Management Board at any time. The General Meeting may at any time discontinue a suspension by the Supervisory Board. The said suspension shall lapse automatically if the General Meeting does not resolve to dismiss said member of the Management Board within three months from the date of said suspension.

Composition

The Management Board of Basic-Fit consists of two or more members, and shall in any event comprise a CEO, who will act as chairman.

On 31 December 2019, the Management Board was composed as follows:

- René Moos (1963, Dutch) is Chief Executive Officer (CEO) and chairman of the Management Board.
- Hans van der Aar (1958, Dutch) is Chief Financial Officer (CFO).

The section on the Basic-Fit Management Board contains more information on their profile.

Both statutory members of the Management Board have entered into service agreements with Basic-Fit and have been appointed for an indefinite period. As long as René Moos is a member of the Management Board of Basic-Fit, he will (i) be chairman of the Management Board and have the title of CEO; and (ii) have the power to represent Basic-Fit individually. This is in accordance with the Relationship Agreement (further referred to as the 'Relationship Agreement'), entered into between Basic-Fit and its main shareholders, Mito Holdings S.à.r.l. (referred to hereafter as 'Mito') and AM Holding BV (referred to hereafter as 'AM Holding') on 27 May 2016. If the Management Board consists of two members and the CEO has been suspended, the Management Board can only adopt valid resolutions to the extent required to continue the normal business operations of Basic-Fit, or to the extent required to safeguard the continuity of the business.

In addition to this, Basic-Fit complemented the leadership team of Basic-Fit and appointed Redouane Zekkri as Chief Operations Officer (COO) per 1 August 2019. This is a non-statutory appointment, with Redouane Zekkri being a key employee to the company.

Remuneration

Information on the remuneration of the Management Board and its key employees can be found in the Remuneration Report.

Supervisory Board

Duties

The Supervisory Board is responsible for supervising and advising the Management Board, and for overseeing the general direction of Basic-Fit's operations and strategy. In the performance of its duties, the Supervisory Board is guided by the interests of Basic-Fit and its affiliated business, taking into consideration the interests of Basic-Fit's stakeholders.

The Supervisory Board is responsible for the quality of its own performance. The Supervisory Board has adopted rules (Supervisory Board Rules) describing its duties, responsibilities, composition, decision-making and procedures, which were last revised on 10 December 2019 in line with SRD II. The Supervisory Board Rules are available on Basic-Fit's corporate website.

Appointment, removal and suspension

The General Meeting appoints the members of the Supervisory Board pursuant to a binding nomination to be drawn up by the Supervisory Board, with due observance of the profile for the size and the composition of the Supervisory Board as adopted by the Supervisory Board from time to time.

The General Meeting may only overrule the binding nature of such nominations by the Supervisory Board by resolution of the General Meeting adopted with an absolute majority of the votes cast, provided such majority represents at least one-third of the issued share capital.

If the General Meeting votes in favour of overruling the binding nature of the nomination with an absolute majority of the votes cast, but this majority does not represent at least one-third of the company's issued share capital, then a new meeting may be convened at which the resolution may be passed with an absolute majority of the votes cast, irrespective of the capital present or represented at said meeting. In the notice convening the new meeting it must be stated, giving the reason therefor, that a resolution may be passed with an absolute majority of the votes cast, irrespective of the part of the capital represented at the meeting.

If the binding nature of the nomination is overruled, the Supervisory Board shall draw up a new binding nomination to be voted upon at the next meeting. If the binding nature of a nomination is not overruled and the nomination for a vacancy to be filled consists of one person, the person nominated by the Supervisory Board is considered appointed by the General Meeting. If the Supervisory Board has not drawn up a binding nomination, the General Meeting is free to make such an appointment, provided that the appointment is subject to and in accordance with the requirements under applicable law, and further provided that such resolution of the General Meeting is adopted with an absolute majority of the votes cast, representing at least one-third of the company's issued capital.

Each member of the Supervisory Board is appointed for a maximum period of four years. A rotation schedule has been put in place to avoid, as far as possible, a situation in which multiple members of the Supervisory Board are due for reappointment in the same year.

The Articles of Association give the General Meeting the authority to suspend or dismiss a member of the Supervisory Board. Under the Articles of Association, a resolution of the General Meeting to suspend or dismiss a member of the Supervisory Board pursuant to and in accordance with a proposal thereto by the Supervisory Board requires an absolute majority of the votes cast. However, such a resolution of the General Meeting other than one pursuant to and in accordance with a proposal thereto by the Supervisory Board requires an absolute majority of the votes cast, which majority must represent at least one-third of the company's issued share capital.

If the General Meeting votes in favour of the suspension or dismissal with an absolute majority of the votes cast, but such majority does not represent at least one-third of the company's issued share capital, a new meeting may be convened at which the resolution may be passed with an absolute majority of the votes cast, irrespective of the part of the capital represented at said meeting. In the notice convening the new meeting it must be stated, giving the reason therefor, that a resolution may be passed with an absolute majority of the votes cast, irrespective of the part of the capital represented at the meeting.

Composition

The Supervisory Board must consist of a minimum of three members. The number of members is to be determined by the Supervisory Board. The profile of the Supervisory Board is available on Basic-Fit's corporate website. On 31 December 2019, the Supervisory Board consisted of six members.

In accordance with the Relationship Agreement, one Supervisory Board member is appointed upon nomination by Mito and one Supervisory Board member is appointed upon nomination by AM Holding. Pieter de Jong has been designated for nomination by Mito and Hans Willemse by AM Holding. As Mito and AM Holding each hold more than 10 percent of the shares in Basic-Fit, these members are deemed not to be independent within the meaning of best practice provision 2.1.8. vii of the Code.

Herman Rutgers is the Supervisory Board member who serves as an industry expert. Pursuant to the Relationship Agreement, the proposal for appointment by the Supervisory Board of the industry expert requires the consent of the member of the Supervisory Board designated for appointment by AM Holding.

The right of Mito and AM Holding to each designate one member for nomination and replacement will lapse if Mito or AM Holding, as applicable, ceases to own or control, directly or indirectly, at least 12.5% of the outstanding share capital of Basic-Fit.

As at 31 December 2019, the Supervisory Board was composed as follows:

Name	Position
Kees van der Graaf (1950, Dutch)	chairman
Carin Gorter (1963, Dutch)	vice-chairman and chairman of the Audit & Risk Committee
Herman Rutgers (1949, Dutch)	chairman of the Selection, Appointment & Remuneration Committee
Pieter de Jong (1964, Dutch)	member of the Selection, Appointment & Remuneration Committee
Hans Willemse (1968, Dutch)	member of the Selection, Appointment & Remuneration Committee and the Audit & Risk Committee
Rob van der Heijden (1965, Dutch)	member of the Audit & Risk Committee

The Supervisory Board Profile contains additional information. Furthermore, information on the remuneration of the members of the Supervisory Board can be found in the Remuneration Report.

Committees of the Supervisory Board

The Supervisory Board has established two committees: the Audit & Risk Committee and the Selection, Appointment & Remuneration Committee. The function of these committees is to support the decision-making process of the Supervisory Board. The roles and responsibilities of each committee, as well as the composition and how it performs its duties, are set out in the respective charters of the committees, revised on 10 December 2019 in line with SRD II, and published on Basic-Fit's corporate website.

Audit & Risk Committee

The Audit & Risk Committee assists the Supervisory Board in monitoring Basic-Fit's system of internal controls, the quality and integrity of its financial reporting process, the content of the financial statements and reports, and the assessment and mitigation of Basic-Fit's business and financial risks. In addition, the Audit & Risk Committee assists the Supervisory Board by advising it on matters such as: the company's policy on tax planning; the financing of the company; the company's compliance with applicable laws and regulations; the company's integrity policy; the company's disclosure of financial information, including the company's accounting principles; the recommendation for the appointment of the company's external auditor to the General Meeting; compliance with recommendations from the company's external auditor; plus the review of the internal risk management and control systems, and IT and business continuity safeguards. The Audit & Risk Committee will meet as often as circumstances dictate, but in any event no less than four times a year.

Selection, Appointment & Remuneration Committee

The Selection, Appointment & Remuneration Committee advises the Supervisory Board on the remuneration of individual members of the Management Board; monitors Basic-Fit's remuneration policy; and reviews and recommends policies relating to the compensation of the members of the Management Board. In addition, the Selection, Appointment & Remuneration Committee monitors the succession plans for the Management Board and the Supervisory Board and advises the Supervisory Board on the selection criteria and appointment procedures for members of the Management Board and Supervisory Board, as well as on proposals for appointments and reappointments.

Conflicts of interest

Basic-Fit's Management Board and Supervisory Board regulations contain provisions on the procedures to be followed in the event of a conflict of interest. The respective policies have been revised to bring the related party policy of Basic-Fit in line with SRD II. A member of the Supervisory or Management Board is not deemed to have a conflict of interest solely by reason of their affiliation with a direct or indirect shareholder. Any potential conflict of interest must be reported immediately to the other Supervisory Board members and/or the chairman of the Supervisory Board.

Basic-Fit's CEO, René Moos, is an indirect shareholder in HealthCity in the Netherlands and Germany and has an indirect majority interest in fitness club Saints & Stars. HealthCity is a chain of fitness clubs active in the mid-to-premium market segments of the health and fitness market. Saints & Stars is a fitness club active in the premium market segments. These clubs could be perceived as competing with Basic-Fit and, even though they operate in a separate fitness market segment, could in theory benefit from changes in the health and fitness market harmful to the business of Basic-Fit.

Furthermore, Basic-Fit leases a number of premises for its clubs, as well as its international headquarters, from companies that are directly or indirectly owned by the CEO, René Moos.

All transactions between Basic-Fit and the holders of at least 10% of the shares are listed in note 7.3 of the consolidated financial statements. All these transactions are related to board members and are agreed on terms that are customary in the sector concerned. In entering into these transactions, the best practice provisions 2.7.3, 2.7.4 and 2.7.5 of the Dutch Corporate Governance Code have been complied with. There have been no material related party transactions that do not follow normal business dealings or that are not entered into under non-normal market conditions with related parties as defined in provision 2:167 of the Dutch Civil Code.

Insider trading

The Management Board adopted insider trading regulations at the moment of listing. It is Basic-Fit's policy that all employees, and anyone else with any other type of relationship of authority with Basic-Fit, will adhere to these regulations, which can be found on Basic-Fit's corporate website.

Diversity in profiles and composition

The Company values diversity within the Company and believes that diversity, both in terms of gender and background, is essential to the pursuance of its long-term strategy, and in this respect the Company will strive towards an adequate and balanced composition for all the corporate bodies in line with Dutch legislation and our diversity policy.

The gender diversity requirements in the context of the Dutch Management and Supervision Act ('Wet Bestuur en Toezicht') ceased to exist per 1 January 2020. Pursuant to these requirement, certain large Dutch companies, including Basic-Fit, had to pursue a policy of having at least 30% of these seats on both the management board and supervisory board held by women, to the extent that these seats are held by natural persons. The Dutch House of Representatives ('Tweede Kamer') followed the advice of the Social and Economic Council ('Sociaal Economische Raad' - SER) and agreed with a mandatory quota of 30% female members for supervisory boards of listed companies. This will result in new legislation in the coming period.

The Supervisory Board has formulated a profile defining its size and composition, taking into account the nature of Basic-Fit and its activities. The composition of the Supervisory Board and the combined diverse mix of knowledge, skills, experience and expertise should be such that it fits the profile and the strategy of Basic-Fit.

Basic-Fit has a diversity policy approved by the Supervisory Board to promote diversity within its main corporate bodies, being the Management Board and the Supervisory Board. The preferred composition of the Supervisory Board and the Management Board shall be such that inter alia the combination of experience, expertise, independence and the diversity of its members meets the qualifications as stipulated in the profile and the diversity policy and enables both the Management Board and the Supervisory Board to carry out their duties and responsibilities in the best possible way. In the event of a new appointment, both bodies will take into account the most relevant profile aspects that should be added for a balanced composition, giving preference to women in the event of equal qualifications, to achieve the targets stipulated above.

Basic-Fit encourages the development of female talent, which led to the appointment of several female experts in key senior management positions, as a result of which more than 30% of Basic-Fit's senior management are now female. The Management Board has appointed and uses a senior management team to support them in their strategy and decision-making processes. Within this team, 33% of the members are female. However, Basic-Fit does not currently meet the gender diversity targets yet as stipulated above for either the Supervisory Board or the Management Board.

Although the first priority when considering vacancies is finding a person with the required skills, expertise, experience and independence, all aspects of diversity, including gender and nationality, will remain an important consideration in the selection process for the (re)appointment of members of the Supervisory Board. There have been no changes in the composition of the Supervisory Board since last year, nor will this happen in 2020, since there will be no election of new board members, except for the re-election of Carin Gorter, who is chairman of the Audit and Risk committee and who is available for a new term and wishes to be reappointed to the Supervisory Board based on her expertise. This re-appointment does not therefore influence the gender ratio within the Supervisory Board.

The size and composition of the Management Board, and its combined experience and expertise, should be such that it best fits the profile and strategy of Basic-Fit.

The Management Board is composed of René Moos, CEO, and Hans van der Aar, CFO. There have been no vacancies in the Management Board in recent years. In 2019, the company's day-to-day leadership team was strengthened further with the appointment of Redouane Zekkri to the position of COO. This is a non-statutory appointment.

General meeting of shareholders

The Annual General Meeting of Shareholders (referred to hereafter as the 'General Meeting') must be held within six months of the end of each financial year. An Extraordinary General Meeting (EGM) may be convened whenever the Supervisory Board or Management Board deem this to be in the interest of Basic-Fit. Shareholders who, individually or jointly, hold at least 10% of the issued and outstanding share capital may request that a General Meeting be convened. If no General Meeting has been held within eight weeks of the shareholders' request, the shareholders may, upon request, be authorised by a District Court in summary proceedings to convene a General Meeting.

Notice of a General Meeting must be given 42 days prior to the day of the meeting. The notice must include, among other items: an agenda indicating the place and time of the meeting; the items for discussion and voting; the proceedings for registration, including the registration date; and any proposals for the agenda. Shareholders who, individually or jointly, represent at least 3% of the issued and outstanding share capital may request that an item be added to the agenda. Such requests must be made in writing, have to be either substantiated or include a proposal for a resolution and must be received by Basic-Fit at least 60 days prior to the day of the General Meeting.

Admission to General Meetings

The General Meeting is chaired by the chairman of the Supervisory Board. Members of the Management Board and Supervisory Board may attend the General Meeting and shall have an advisory vote. The chairman of the General Meeting may decide at his discretion to admit other persons to the General Meeting. Each shareholder, as well as other persons with voting or meeting rights, may attend the General Meeting, address the General Meeting and (insofar as they have such a right) exercise voting rights pro rata to their shareholding, either in person or by proxy. Shareholders may exercise these rights if they are the holders of ordinary shares on the registration date (currently the 28th day before the day of the meeting) and if they or their proxy have notified Basic-Fit of their intention to attend the meeting, in writing to the address and by the date specified in the notice of the meeting.

Voting rights

Each shareholder may cast one vote in a General Meeting for each ordinary share held. Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of ordinary shares held by the company. Resolutions are adopted by absolute majority, except where Dutch law or the Articles of Association provide for a qualified majority.

Powers of the General Meeting

The most important matters requiring the approval of the General Meeting include:

- Adoption of the financial statements
- Resolution on the reservation or distribution of the profits
- Adoption of the remuneration policy for the Management Board and the Supervisory Board
- Appointment of the external auditor
- Authorisation for the Management Board to issue shares, to restrict or exclude the pre-emptive rights of shareholders, and to repurchase shares
- Appointment, suspension or dismissal of members of the Management Board
- Appointment, suspension or dismissal of members of the Supervisory Board
- Amendment of the company's Articles of Association

Further details can be found in the Articles of Association, which are published on Basic-Fit's corporate website.

Share capital

Basic-Fit's authorised share capital consists of 150,000,000 ordinary shares, each with a nominal value of €0.06. On 31 December 2019, a total of 54,666,667 shares were issued. The authorised share capital of the company consists solely of ordinary shares. All issued shares are fully paid up and each share confers the right to cast a single vote in the General Meeting. The General Meeting may resolve to issue shares, or grant rights to subscribe for ordinary shares, if this is proposed by the Management Board and the proposal has been approved by the Supervisory Board.

Issuance of shares

The Articles of Association provide that the General Meeting may designate the Management Board as the competent body authorised to resolve to issue ordinary shares or grant rights to subscribe for ordinary shares.

Pursuant to the Code and the Articles of Association, the period of such designation may not exceed five years. At the designation, the number of ordinary shares to be issued by the Management Board must be determined. If the Management Board has been designated as the competent body authorised to issue ordinary shares, the resolution to issue ordinary shares is subject to the prior approval of the Supervisory Board.

The General Meeting has designated the Management Board for a period of five years from 27 May 2016 (i.e. until 27 May 2021), subject to the approval of the Supervisory Board, as the competent body to (i) resolve to issue shares, and (ii) grant rights to subscribe for shares, up to a maximum of 1% of the fully diluted outstanding share capital, either at the time of issue or at the time of granting rights to subscribe for shares, and (iii) to exclude or limit pre-emptive rights to subscribe for shares in the event that the issue of granting of rights to subscribe for shares takes place in connection with the Retention Share Plan, the Performance Share Plan or any other employee participation plan.

Furthermore, the General Meeting has designated the Management Board for a period of 18 months from 18 April 2019 (i.e. until 17 October 2020), subject to approval of the Supervisory Board, as the competent body to (i) resolve to issue shares, and (ii) grant rights to subscribe for shares up to a maximum of 10% of the issued share capital, at the time of the issue or at the time of granting rights to subscribe for shares; and (iii) to exclude or limit pre-emptive rights thereto.

Pre-emptive rights

Each shareholder has a pre-emptive right to subscribe, on a pro-rata basis, to any issuance of new ordinary shares, or upon the granting of rights to subscribe for ordinary shares. Pre-emptive rights can be limited or excluded. Exceptions to these pre-emptive rights include the issuance of ordinary shares and the granting of rights to subscribe for ordinary shares (i) to Basic-Fit's employees, (ii) in return for non-cash consideration or (iii) to persons exercising a previously granted right to subscribe for ordinary shares.

Acquisition of own shares

Basic-Fit may repurchase fully paid up ordinary shares at any time for no consideration ('om niet'); or for consideration, subject to the approval of the General Meeting, certain provisions of Dutch law and the Articles of Association, and the prior approval of the Supervisory Board. Basic-Fit may not cast votes on ordinary shares it holds itself, nor is it entitled to dividends paid on those ordinary shares, nor will such shares be counted for the purpose of calculating a voting quorum. The ordinary shares held by Basic-Fit will not be included in the calculation of the profit distribution. On 18 April 2019, the General Meeting authorised the Management Board to repurchase shares in the share capital of Basic-Fit for a period of eighteen months (i.e. until 17 October 2020), up to a maximum of 10% of the issued share capital.

Transfer of shares and transfer restrictions

The transfer of ordinary shares in the share capital of Basic-Fit included in the Statutory Giro System must take place in accordance with the provisions of the Dutch Securities Giro Act ('Wet giraal effectenverkeer'). The Articles of Association do not restrict the transfer of ordinary shares in the capital of Basic-Fit. Basic-Fit is not aware of any agreement pursuant to which the transfer of ordinary shares in the share capital of the company is restricted, other than lock-up arrangements for the Management Board in line with the long-term share incentive plan described in the Remuneration Report.

Dividend policy

It is laid down in the Basic-Fit Articles of Association that if profits are made, the Basic-Fit Management Board can define which part of these profits will be reserved. Profits that are not reserved in this context are available to the General Meeting of Shareholders, who can decide to pay dividends based on a proposal of the Management Board that has been approved by the Supervisory Board.

Basic-Fit has published its dividend policy on its corporate website under Shareholder Information. This states that given the strong return profile of new club openings, the primary use of cash for the short to medium term will be invested in the rollout of new clubs. As a result, Basic-Fit does not anticipate paying any dividends in the short to medium term. Capital will be invested with strict financial discipline and applying the targeted return thresholds. Basic-Fit expects to introduce dividend payments in the future, although any dividend proposals will be carefully assessed against other uses of cash, including an acceleration of the club rollout, repayment of debt, share buybacks and acquisitions.

External auditor

The external auditor is appointed by the General Meeting. For the financial years 2019 and 2020, Ernst & Young Accountants LLP was appointed as the external auditor for Basic-Fit. The external auditor may be questioned at the General Meeting regarding its audit opinion on the financial statements. The external auditor is therefore invited to attend, and is entitled to address, the General Meeting.

Internal risk management and control systems

For more information regarding Basic-Fit's Risk and Control framework, we refer you to the Risk Management chapter.

Change of control arrangements

Change of control arrangements have been included in Basic-Fit's financing facilities, as well as some of Basic-Fit's lease agreements. These arrangements could result in the termination of these agreements in the event of a change of control.

Corporate governance declaration

The Management Board and Supervisory Board, who are jointly responsible for Basic-Fit's corporate governance structure, recognise the importance of good corporate governance. We fully endorse the core principles of the Code and are committed to adhering to the best practices set out in the Code as much as possible. We are of the opinion that we are applying almost all of the principles and best practice provisions of the Code. However, in the interest of Basic-Fit and its stakeholders, Basic-Fit deviates from the following best practice provisions:

Best practice provision 2.2.1 Appointment and reappointment periods – Management Board members:

"A management Board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The diversity objectives from best practice provision 2.1.5 should be considered in the preparation of the appointment or reappointment."

This provision provides that a member of the Management Board be appointed for a maximum period of four years. Both members of the Management Board, René Moos and Hans van der Aar, have been appointed for an indefinite period of time, given their current positions as CEO/co-founder and CFO respectively. The service agreements for the CEO and CFO are for an indefinite period of time, thereby maintaining the same term included in their employment agreements with Basic-Fit before its conversion into a public limited liability company. Currently, there are no women present in the Management Board. The other principles in the diversity policy are respected and well represented within this Management Board. Further explanation of the functioning of the Diversity Policy can be found in the Corporate Governance chapter.

Best practice provision 2.3.2 Establishment of committees:

If the Supervisory Board consists of more than four members, it should appoint from among its members, an audit committee, a remuneration committee and a selection & appointment committee.

The Supervisory Board has combined the functions and responsibilities of the remuneration committee and the selection & appointment committee in one committee: the Selection, Appointment & Remuneration Committee.

Best practice provision 2.3.4 Composition of the committees:

The audit committee or the remuneration committee should not be chaired by the chairman of the supervisory board or by a former member of the management board of the company. More than half of the members of the committees should be independent within the meaning of best practice provision 2.1.8.

Both committees have three members. Based on this best practice provision, it can be concluded that at least two members per committee should be independent within the meaning of best practice provision 2.1.8. Both Hans Willemse and Pieter de Jong, are considered to be non-independent members of the Supervisory Board, since they represent AM Holding and Mito respectively on the Supervisory Board. Both members are also member of the Selection, Appointment & Remuneration Committee. Hans Willemse is also a member of the Audit & Risk committee. However the other two committee members are considered independent.

Best practice provision 4.2.3 Meetings and presentations:

Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by *means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial releases. All shareholders should be able to follow these meetings and presentations in real-time, by means of webcasting or telephone or otherwise. After the meetings, the presentations shall be posted on the company's website.*

This provision provides that all shareholders should be able to follow in real-time all Basic-Fit meetings with and presentations to analysts and investors, as well as presentations related to press releases. Basic-Fit does not offer this possibility in all presentations and therefore does not comply with this provision. However, the presentations are made available on Basic-Fit's website after the meetings.

Corporate governance statement

The Code requires companies to publish a statement regarding their approach to corporate governance and compliance with the Code. This is referred to in Article 2a of the Decree on the contents of management report ('Besluit inhoud bestuursverslag'), as last amended on 29 August 2017. The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the Corporate Governance section. Major shareholders are obliged to give notice of interests exceeding certain thresholds to the Dutch Financial Markets Authority (AFM). As per 31 December 2019, the following parties had notified the AFM with respect to their shareholdings in Basic-Fit:

Shareholder	Interest*
R.M. Moos	16.3%
3i Investments plc	14.9%
Dynamo Internacional Gestao de Recursos Ltda.	5.2%
Pelham Capital Limited	4.1%
Marshall Wace LLP	3.0%
Investec Asset Management Ltd.	3.0%

** These are the interests reported to the AFM and pertain to both direct and indirect interests and voting rights. These figures do not necessarily reflect the actual shareholding in the company due to the requirements to notify the AFM. In the table, the interest of "R.M. Moos" refers to the direct interest of AM Holding in the company. The interest of "3i Investments plc" refers to the direct interest of Mito.*

See also the Shareholder Information section of this annual report.

Special rights of control and limitation on voting rights

Basic-Fit has not issued shares to which special rights of control are attached and there are no limitations on the voting rights attached to the shares in Basic-Fit.

MANAGEMENT BOARD

René Moos

Chief Executive Officer and chairman of the Management Board

Year of birth: 1963
Nationality: Dutch
Other positions: None

René has over 30 years of fitness sector experience. In 1984, after ending his professional tennis career, René started to manage and invest in tennis parks, to which he added fitness facilities. He co-founded HealthCity, a mid to premium health and fitness club operator, and was appointed CEO in 2004. In 2013, following the demerger of Basic-Fit from HealthCity, René was appointed CEO of Basic-Fit. René studied at the University of Tennessee in Knoxville, Tennessee, USA.

Hans van der Aar

Chief Financial Officer and member of the Management Board

Year of birth: 1958
Nationality: Dutch
Other positions: None

Hans has over 30 years of experience in accounting. He started his career as an auditor in the audit practice of BDO Accountants Advisors, where he was audit partner from 2000 to 2011. From 2004 to 2011, Hans also served as general manager for the BDO office in The Hague. Following this period, he was appointed CFO of Leisure Group Europe B.V., the parent company of Health City and Basic-Fit, which position Hans held until he was appointed CFO of Basic-Fit in 2012. Hans holds a Bachelor's degree in Slavic Languages & Literature from the University of Amsterdam and qualified as a chartered accountant (RA) at the RSM Erasmus University in Rotterdam.

MANAGEMENT STATEMENTS

In control statement

The Management Board manages the company and is responsible for achieving the company's strategy, objectives, goals and results, and for taking appropriate measures in relation to the design and operation of the internal risk management and control systems in a way that is consistent with Basic-Fit's business. In 2019, Basic-Fit reviewed and further enhanced the company's internal risk management and control processes with regard to its strategic, operational, legal and compliance and financial risks (including risks related to financial reporting). Basic-Fit has implemented continuous improvements in the registration, documentation and formalisation of processes and controls in line with the development of the strategy and the growth of the company. Segregation of duties is part of all processes and IT systems have been aligned with the growth level of the company. The risk management and control systems have been designed to: identify opportunities and risks in a timely manner; manage key risks; facilitate the realisation of the company's strategic, operational and financial objectives, while safeguarding the reliability of the company's financial reporting and complying with applicable laws and regulations. The reviews and enhancements, including changes and planned improvements, were discussed with the Audit & Risk Committee and the Supervisory Board.

It should be noted that the above does not imply that these systems and procedures, however well-designed and however much intended to control risks optimally, provide absolute assurance as to the realisation of operational and strategic objectives. Nor that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

Based on the approach described above, the Management Board believes that, with respect to financial reporting, the internal risk management and control systems performed satisfactorily in the year 2019, and provide reasonable assurance that the financial reporting does not contain any material inaccuracies.

Responsibility statement

The Management Board confirms that, to the best of its knowledge:

- The financial statements for 2019 give a true and fair view of Basic-Fit's assets, liabilities, financial position and comprehensive income and those of the companies included in the consolidation taken as a whole.
- The Management Board report provides a true and fair view of Basic-Fit's position as of 31 December 2019, and of Basic-Fit's development and performance in 2019 and of its affiliated companies whose information has been included in its financial statements, and describes the key risks Basic-Fit faces.
- Based on Basic-Fit's current status regarding the amounts of clubs budgeted to open and the revenue prognoses, it is justified that the financial reporting is prepared on a going concern basis.
- The Management Board report discloses all material risks and uncertainties that are relevant regarding the expectations as to the continuity of Basic-Fit for the 12-month period after the date this Management Board report was prepared.

Hoofddorp, 9 March 2020

Basic-Fit Management Board

René Moos, CEO
Hans van der Aar, CFO

SUPERVISORY BOARD REPORT

BASIC-FIT SUPERVISORY BOARD

Rob van der Heijden
(Member of the Audit & Risk Committee)
Previously:
Director Corporate Banking and first Vice-President of Commerzbank Nederland N.V
Currently:
Managing director of Citadel International BV
Chairman of the Supervisory Board of Autobedrijf van den Udenhout B.V.
President of the Board of foundation Hamarpa (MBI Group)
Education:
Bachelor's degree in Business administration
SVM Real Estate Broker

Carin Gorter
(Vice-chairman and chairman of the Audit & Risk Committee)
Previously:
Senior Executive Vice President Group Compliance, Legal & Security at ABN AMRO
Member of several supervisory boards.
Currently:
Member of the Supervisory Board Coöperatie TVM U.A
Member of the Supervisory Board of TKH Group N.V.
Member of the Monitoring Commission Accountancy of the NBA (this role ended 1 March 2020)
External member of the audit committee of the Dutch Ministry of Justice and Security.
Member of the Supervisory Board of DAS Holding N.V. per 5 February 2019
Education:
Chartered Accountant.
Master's degree in Business Economics from University of Groningen, the Netherlands.

Herman Rutgers
(Chairman of the Selection, Appointment & Remuneration Committee)
Previously:
Extensive international executive experience (Quaker Oats, AkzoOrganon, Sheaffer Pen, Prince/Benetton Sports Group, Life fitness and Octane fitness), with over 25 years in the fitness industry.
Supervisory Board member of Activage in Sweden (until 1 July 2017).
Currently:
Member of the Supervisory Board of EuropeActive (European trade association for the health & fitness industry).
International Ambassador for Reed Exhibitions/FIBO in Germany.
Co-author of the European Health & Fitness Market Report; contributor to several books on the fitness sector.
Education:
Bachelor's degree in Business Administration from Hogere Textielschool, Enschede, the Netherlands.

Hans Willemse
(Member of the Audit & Risk Committee; member of the Selection, Appointment & Remuneration Committee)
Previously:
Several positions at ABN AMRO, mainly in the financial restructuring and recovery department.
Member of the management team and credit committee at Hollandse Bank Unie (a former ABN AMRO subsidiary).
Currently:
Managing partner at Craic Capital, a corporate finance and investment boutique founded and owned by Hans Willemse in 2008.
Education:
Master's degree in Dutch Civil Law from Leiden University, the Netherlands.

Pieter de Jong
(Member of the Selection, Appointment & Remuneration Committee)
Previously:
Experience in corporate finance, management and operations.
Partner at Van Den Boom Groep.
Head of Corporate Finance Advisory at NIBC.
Currently:
Co-head private equity and member of the Executive Committee of 3i Group plc., an affiliate of Mito.
Member of the Supervisory Board of Weener Plastic Holding B.V.
Chairman of the Supervisory Board of Crown Holdco. B.V. (Koninklijke Sanders B.V.)
Education:
Bachelor's degree in Business Administration from Nyenrode Business University, the Netherlands.
Master's degree in Business Administration in Finance from Georgia State University, USA.

Kees van der Graaf
(Chairman of the Supervisory Board)
Previously:
President Europe and member of the Executive Committee at Unilever N.V.
Member of several supervisory boards.
Currently:
Chairman of the Board of Directors of GrandVision N.V.
Member of the Board of Directors of ENPRO Industries, Inc. in the US.
Chairman of FSHD Unlimited, a bio-tech start-up working on the development of a therapy for FSHD muscular dystrophy.
Education:
Master's degree in Business Engineering from the University of Twente.

REPORT OF THE SUPERVISORY BOARD AND ITS COMMITTEES

General introduction

Basic-Fit achieved all of its pre-defined financial goals on Revenue, EBITDA and club openings in 2019 and once again strengthened its position in the fitness landscape. Basic-Fit continues its strong and solid growth path due to its strong financial position and focus on innovation, expansion and the continued professionalisation of processes, with a focus on the company's future long-term growth and development.

This report gives an overview of the approach and activities undertaken by the Supervisory Board in the year under review. As well as supervising the general course of affairs, an important part of the Board's activities was focused on supervising the extensive expansion and innovation plans and continued enhancement of the company's internal control frameworks and compliance plan. In carrying out its duties, the Supervisory Board is guided by the Dutch Civil Code, the Dutch Corporate Governance Code 2016, the company's Articles of Association, and the overall interests of Basic-Fit, its business and its stakeholders.

Composition, independence and education

The Supervisory Board Profile is aligned with the profile and strategy of Basic-Fit, with a balanced distribution of specific expertise in relation to the business activities, strategy and long-term goals. At the General Meeting of Shareholders held on 18 April 2019, Herman Rutgers was reappointed as Supervisory Board member. The Supervisory Board currently consists of six members. The composition and diversity of the Supervisory Board in terms of expertise, knowledge, skills, gender, age and independence remained unchanged and are in line with the required profile. This will help Basic-Fit to execute its long-term strategy. The current composition of the Supervisory Board is as follows: Kees van der Graaf (chairman), Carin Gorter (vice-chairman), Pieter de Jong, Hans Willemse, Herman Rutgers and Rob van der Heijden.

Throughout the year, all members of the Supervisory Board visited Basic-Fit operational sites to gain deeper knowledge of the company's operations, opportunities and challenges and were continuously updated on market and industry developments.

Basic-Fit aims to comply with the Code and have a balance in terms of gender, age, experience, independence and active versus retired background. With Carin Gorter being the only female Supervisory Board member out of six members, Basic-Fit currently does not meet the gender diversity targets for the Supervisory Board. Diversity, including gender, is an important consideration in the selection process for the (re)appointment of members of the Supervisory Board. The first priority when considering vacancies is finding a person with the required skills, expertise, experience and independence. In the rotation round of April 2019, the decision to propose the re-appointment of Carin Gorter was backed by a thorough analysis, concluding that she is adding value, expertise and relevant knowledge to the diversity in the Supervisory Board. However, the diversity goals for the Supervisory Board in terms of gender and nationality have not yet been achieved and did not change through this reappointment. If a vacancy arises in the coming years, the Supervisory Board will take into account the Supervisory Board profile, the Code and potential new legislation in order to bring the diversity in the Supervisory Board further into line with the diversity requirements of the Code and the company's wishes for diversity.

Supervisory Board composition

Name	Gender and Year of birth	Nationality	International experience	Financial expertise	Specific experience
Kees van der Graaf	(male, 1950)	Dutch	Yes		Strategy Development, Retail & Consumer goods and Marketing
Carin Gorter	(female, 1963)	Dutch	Yes	Yes	Finance & Accounting, Risk & Compliance
Pieter de Jong	(male, 1964)	Dutch	Yes	Yes	Private Equity
Hans Willemse	(male, 1968)	Dutch		Yes	Finance
Herman Rutgers	(male, 1949)	Dutch	Yes		Fitness Industry
Rob van der Heijden	(male, 1965)	Dutch	Yes	Yes	Finance and entrepreneurship

Name	Position	Year of possible reappointment*	Expiration date in case of reappointment	Supervisory Board positions incl. Basic-Fit**	Committee
Kees van der Graaf	(Chairman, since 2017)	2021	2025	2 (2 chairs)	N/A
Carin Gorter	(Vice-chairman, since 2016)	2020	2024	4	Chairman Audit & Risk Committee
Hans Willemse	(Member, since 2016)	2021	2023***	1	Audit & Risk Committee and Selection, Appointment & Remuneration Committee
Pieter de Jong	(Member, since 2016)	2022	2024***	3 (1 chair)	Selection, Appointment & Remuneration Committee
Herman Rutgers	(Member, since 2016)	2023	2025***	1	Chairman Selection, Appointment & Remuneration Committee
Rob van der Heijden	(Member, since 2017)	2021	2025	2 (1 chair)	Audit & Risk Committee

** Based on rotation schedule*
*** Number of positions are based on article 2:142a of the Dutch Civil Code. All members comply with the relevant regulations.*
**** Herman Rutgers was reappointed in 2019, Pieter de Jong was reappointed in 2018 and Hans Willemse was reappointed in 2017. They are currently in their second term. Based on best practice provision 2.2.2, appointment for a third term can be for a maximum of two years, for which reasons have to be given in the Corporate Governance Statement.*

Supervisory Board members Hans Willemse and Pieter de Jong are considered non-independent members of the Supervisory Board, as defined in best practice provision 2.1.8. vii of the Code. Hans Willemse was designated for appointment by AM Holding and Pieter de Jong was designated for appointment by Mito. Both AM Holding and Mito are major shareholders who directly or indirectly hold more than ten percent of the shares of Basic-Fit. The Supervisory Board firmly believes that the overriding principle for its composition is that its members make a valuable contribution in terms of experience and knowledge of Basic-Fit's business. In the opinion of the Supervisory Board, its size and composition meet the specifications laid down in the Supervisory Board profile, notwithstanding the above factors.

The members of the Supervisory Board who hold shares in the company are Kees van der Graaf, who personally held 3,275 shares, Herman Rutgers, who personally held 1,000 shares, and Hans Willemse, who personally held 72,029 shares in Basic-Fit as at 31 December 2019. They own their shares with a long-term perspective. None of the other Supervisory Board members were granted, nor do they possess, any Basic-Fit options or shares.

Supervisory Board meetings in 2019

The Supervisory Board met seven times in 2019. Both members of the Management Board were present at all meetings, except for the part of the meeting regarding the self-assessment of the Supervisory Board and the assessment of the Management Board and the starts of all meetings that are held only with Supervisory Board members. All Supervisory Board members were present during all of the meetings, except for the meeting in March, when Kees van der Graaf was not present and the meeting in July, when Pieter de Jong was not present. Therefore, all members were present 100% of the meetings, except for Kees van der Graaf and Pieter de Jong, who were present at 86% of the meetings.

Furthermore, the members of the Supervisory Board consulted regularly with each other and with the Management Board by telephone and by email. Between meetings, the chairman maintained regular and informal contact with the CEO and CFO. The meetings held in March and October 2019 were attended by the external auditor, where they presented their audit findings for 2018 and the audit plan for 2019. An additional meeting was held in March 2020 with respect to the audit findings for 2019. The meetings generally took place at the Basic-Fit head office in Hoofddorp, with one meeting held on a field trip in Belgium, and one two-day strategy meeting in July at an offsite location in the Netherlands.

All members were able to devote sufficient time, including between meetings, to the affairs of Basic-Fit.

- Recurring topics at the Supervisory Board meetings included:
- CEO and CFO updates
- Monthly results
- Market and business updates
- Risk reports
- Legal updates, including compliance and governance-related matters
- Investor relations activities

Topics that were discussed in more detail during these meetings included:

- Group strategy and long-term value creation
- Expansion strategy
- Quarterly results, H1 2019 results and related reports
- Full year financials statements and approval of annual report
- Press releases for the H1 results and Q1 and Q3 trading updates
- Budget 2020
- Refinancing and capital structure
- Management performance and succession planning
- Supervisory Board performance and succession planning
- Other positions of Supervisory Board and Management Board members
- Remuneration of the Management Board
- Outlook and strategy 2020–2022
- Innovations in fitness and service
- Corporate story, values and culture
- Corporate social responsibility
- Governance and Compliance model
- Internal Audit Plan
- Management letter
- Risk and control framework
- Integrity and fraud
- Pricing and membership model
- The opening of partly unstaffed 24/7 fitness clubs
- The opening of Ladies and Express clubs
- Pre discussing the Capital Markets Day
- Compliance assessment and compliance plan 2020
- The acquisition of Fitland Group
- Additional financing through a Schuldschein loan
- Club visits

The meetings addressed routine commercial, financial and operational matters, and focused on strategy implementation, the further maturation of the organisational (risk and control) structures required for future growth and the implementation of the corporate and social responsibility framework for the organisation. In 2019, Basic-Fit acquired the Fitland Group, with 37 clubs the third largest fitness player in the Netherlands, which was discussed intensively within the Supervisory Board. Basic-Fit extended its online offering and improved the customer journey, all part of the strategic plans to make the Basic-Fit concept available at all times and everywhere. All developments are focused on the protection and growth of the long-term interests of the company and continued development of a strong and sustainable business model.

The company focused strongly on the development of a corporate strategy that is fit for the long-term future and creates long-term value for all stakeholders, including members, communities, employees, partners and shareholders. Basic-Fit focused its strategy on promoting its fitness concept as available for everybody, everywhere and at all times.

As described in the CEO letter and the Strategy section, the Management Board and the company have been working constantly on the rollout of a solid and future-oriented strategy. The Supervisory Board has been closely involved in the definition and fine-tuning of the strategy.

The expansion and growth strategy is ambitious but support the company's mission to make fitness available to all. The company spends a lot of time and attention on enhancing its strategy and fundamental processes to make it future proof. The automation and streamlining of processes is high on the Management Board's agenda. Given the cluster strategy, the potential to increase fitness penetration, a well thought-out marketing approach and the assurance that each club will deliver a minimum return on invested capital (ROIC) threshold of 30% at maturity, the Supervisory Board feels comfortable with the long-term growth path of the company.

- The Supervisory Board was closely involved in the company's overall strategy definition and more specifically with respect to the following topics throughout the year:
- In the course of the year, the company further embedded its corporate values and the ambitions that reflect the company's focus, drive and ambition. This was discussed extensively with the Supervisory Board.
- All new innovations and ideas are reviewed by the Supervisory Board and are backed up by extensive research and solid business cases. Pilots are part of new product and innovation projects and the outcome, risk and potential of these pilots are presented to the Supervisory Board. Examples of these pilots include the innovation projects and methods to offer continuously renewed offering of exercise, audio programmes and Basic-Fit classes beyond the boundaries of the clubs, through the Basic-Fit app, the GXR and audio programmes and the Virtual Coach. The innovation strategy is crucial to the company's future growth and profitability and always supports the strategy to operate the clubs effectively and efficiently with a limited number of employees and with a strong focus on quality, service and retention.
- The financial resources to support the strategy and to keep the company in financial health for the long term. The company reinvests cash generated and has a solid credit facility to support the budget and the strategy.
- The company continued to enhance its sustainability strategy, which can further strengthen and support Basic-Fit's long-term strategy and mission. Every decision the company makes is focused on getting as many people as possible to exercise and work on their health. A critical analysis showed that how the company works, builds and operates continues to raise environmental awareness and limit impact. The company contributes to society by helping people to improve their health and fitness, by reducing its environmental impact and the promotion of strong and cohesive communities.
- This is why the Supervisory Board closely monitors and follows the company's growth strategy in the various countries, tailor-made to the characteristics and demographics of each country. The Supervisory Board is also focused on making sure that the remuneration policy and the targets set for short-term and long-term bonus schemes reflect the company's long-term strategy. The targets are focused on the growth strategy, the number of clubs and members and the implementation of innovation projects. The successful implementation of these innovations contributes directly to the recruitment of new members and members staying longer, and supports the company's long-term vision, which is why they are part of the target setting in the bonus and performance share plans of the Management Board and senior management.
- In the year under review, the company continued to develop its employee profile and has implemented a salary structure for club employees and headquarter employees, which gives an additional boost to the company's strategy, the motivation and engagement of its staff and the service and fitness knowledge levels in the clubs. The Supervisory Board discussed this profile, the development of staff and employees extensively.
- The Supervisory Board also monitors sound succession planning and discusses changes in management structure within Basic-Fit.

The Supervisory Board was also involved in the discussion of how to implement these goals, objectives and values in the Basic-Fit culture and the company's codes of conduct. In these discussions, the company specified its Code of Conduct in more detail in terms of the relationship with its employees and with its suppliers and partners. The organisational structure, management structure and culture of the company have to support the strategy and the company adjusted these where necessary to make them more efficient. The company conducted a new employee satisfaction survey among Basic-Fit employees. The team and culture display high levels of motivation and a strong urge to get things done and be open and transparent. The company's values are broadly supported and are evident in how people act at every level of the company.

They are communicated and embedded in the recruitment and onboarding process and in the overall internal and external communications, as well as in the cooperation with colleagues, partners, members and everyone related to Basic-Fit.

The Supervisory Board received training on its governance responsibilities, compliance, fitness industry developments, treasury and schuldschein financing, customer and employee motivation and engagement and the developments within the marketing landscape as this shifts from traditional marketing to digital marketing, SDR II and IFRS 16. This training was given by industry experts, the CFO and the general counsel.

One of the meetings of the Supervisory Board was dedicated to assessing its own functioning and the functioning of the Management Board and was held in the absence of the Management Board. The Supervisory Board reviewed both strengths and opportunities for improvement. The 'Functioning of the Management and Supervisory Board' section in this Supervisory Board Report describes this assessment in more detail.

Activities of the Supervisory Board Committees

The Supervisory Board has two committees: the Audit & Risk Committee and the Selection, Appointment & Remuneration Committee. The committees prepare the relevant items ahead of Supervisory Board meetings and the chairman of the committee reports to the Supervisory Board on the discussions of the committee and its main recommendations.

Audit and Risk Committee

The Audit & Risk Committee consists of three members: Carin Gorter (chairman), Hans Willemse and Rob van der Heijden. Collectively, the Audit & Risk Committee has the appropriate level of knowledge and experience in terms of financial accounting for listed companies. The committee's main role is to assist the Supervisory Board in monitoring the internal control systems, the quality and integrity of the financial reporting process, and the content of the financial statements and reports; and in assessing and mitigating the business and financial risks. The charter of the Audit & Risk Committee is available on Basic-Fit's corporate website.

In the year under review, the Audit & Risk Committee met seven times, including two sessions in March and July that were combined with the Supervisory Board meetings. All meetings were attended by all members of the Committee and both members of the Management Board, except for the self-assessment preparation and one meeting with the external auditor that was held in the absence of the Management Board. All meetings, except for one in February, were attended in full or in part by the external auditor and the internal auditor, as well as the meeting in March 2020, at which the external auditor presented their audit findings and other information on 2019. The presence of the members resulted in a 100% attendance.

The chairman of the Audit & Risk Committee was in regular contact with the CFO, mainly to prepare the Audit & Risk Committee meetings.

The items and topics on the agenda of the Audit & Risk Committee included:

- Monthly reports
- H1 2019 results and Q1 and Q3 trading updates
- Press releases
- Accounting policies
- The external auditor's 2019 audit plan, including engagement conditions and audit policy for non-audit services and auditor independence
- Cash and treasury management
- IT and cyber security
- Integrity, fraud and risk assessments
- Pensions
- Tax-related issues
- Budget 2020
- Risk and control framework
- Compliance framework
- IFRS 15 and IFRS 16
- Internal Audit Plan and Internal Audit reports
- All communications with the external auditor (e.g. Accountants report/ Management letter)

The Management Board and the Audit & Risk Committee consult the external auditor before the publication of press releases containing financial information.

The Audit & Risk committee also discussed the key audit matters concerning goodwill impairment, adoption of IFRS16 and revenue recognition. Furthermore the management letter topics have been discussed. Regular updates on these matters took place with management board and the external auditor. The Audit & Risk committee established that the external auditor is independent. The committee evaluated the functioning of the external auditor in terms of quality, content and adequacy of the audit and the additional work of the auditor. The committee discussed the audit findings with the external auditor, Supervisory Board and Management Board.

The Audit & Risk committee furthermore advises the Supervisory Board regarding the reappointment of the external auditor. The committee had a meeting with the auditor without the presence of the Management Board in line with the Code.

Risk and control framework

The Supervisory Board oversees the management's monitoring of compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in terms of risks faced by the company.

In 2019, Basic-Fit continued to apply and adapt its internal control framework to the development and growth of the company. Internal Audit presented the internal audit plan, which was assessed by the Audit & Risk Committee and approved by the Supervisory Board.

Selection, Appointment and Remuneration Committee

The Selection, Appointment & Remuneration Committee consists of three members: Herman Rutgers (chairman), Hans Willemse and Pieter de Jong.

The main responsibilities of the Committee are to assist the Supervisory Board in supervising the Management Board in respect of the determination of the remuneration policy, compensation programmes and compensation for Basic-Fit's managers and executive officers; to make proposals for the remuneration of the individual members of the Management Board and Supervisory Board; and to assist in the selection and appointment procedures for members of the Management Board.

In the year under review, the Selection, Appointment & Remuneration Committee met four times. All members were present at all meetings, resulting in 100% attendance.

The main topics of discussion were:
- Performance and individual remuneration of the members of the Management Board
- Short term target setting for 2019
- Establishment of target achievement for 2018
- Long-term incentive target setting for the members of the Management Board and key managers
- Review of the remuneration policy
- Performance of senior management and succession planning for the Management Board and senior management
- Succession planning
- Organisational structure and development
- Development employee profile and culture
- Diversity policy
- Review and proposal for revised Remuneration Policy

Functioning of the Management Board and the Supervisory Board

The Supervisory Board assesses its own functioning, and that of its committees, on an annual basis. In addition, the Supervisory Board assessed the functioning of the Management Board and discussed this with the members of the Management Board.

The Supervisory Board evaluated the performance of the Management Board and its individual members. Following this, the chairman of the Selection, Appointment & Remuneration Committee held meetings with each member of the Management Board and gave feedback on their respective performances. The Supervisory Board also evaluated the functioning of the Management Board as a team. These discussions were constructive and open. The conclusions were discussed in a closed meeting of the Supervisory Board.

In early 2020, the Supervisory Board also reviewed its composition and its own performance and that of its two committees. The internal self-assessment was based on a questionnaire, which was completed by each Supervisory Board member and discussed in a closed plenary meeting. The Supervisory Board concluded that the relationship with the Management Board allows open and in-depth discussions, which is very valuable. Several suggestions were made for further improvements, such as the reporting tools used for boardroom matters and timely and sufficient distribution of information.

Management Board remuneration

Basic-Fit's remuneration policy aims to attract, retain and reward highly-qualified executives with the required background, skills and experience. It is transparent and is aligned with the medium and long-term interests of Basic-Fit, its shareholders and other stakeholders, with the aim of delivering a strong and sustainable performance in line with Basic-Fit's strategy. You will find additional details in the remuneration policy published on Basic-Fit's corporate website and in the remuneration report section of this report. In 2019, the Supervisory Board executed the remuneration policy. In accordance with the Selection, Appointment & Remuneration charter, the Supervisory Board determined the individual remuneration of Management Board members, as well as the performance conditions and metrics for the short and long-term incentive plans for 2019.

Information on the costs of the actual remuneration of the Management Board and Supervisory Board can be found in the remuneration report and in notes 7.1 and 7.2 of the consolidated financial statements.

Financial statements 2019

The Audit & Risk Committee reviewed and discussed the Management Board report and financial statements for the financial year 2019.

The financial statements for 2019 have been audited and provided with an unqualified independent auditors report by Ernst & Young Accountants LLP (see the independent auditor's report in Other information in this annual report), and were discussed extensively by the Audit & Risk Committee in the presence of the Management Board in March 2020.

Following this discussion, the full Supervisory Board discussed the financial statements with the Management Board in the presence of the auditors. The Supervisory Board is of the opinion that the 2019 financial statements meet all requirements for correctness and transparency. The 2019 financial statements are endorsed by all Management Board and Supervisory Board members, and are included in this annual report.

The Supervisory Board recommends that the General Meeting, to be held on 22 April 2020, adopts the financial statements 2019. In addition, it recommends that the meeting discharge the members of the Management Board and Supervisory Board from liability for their respective management and supervisory activities performed in 2019.

Gratitude

Last year was another impressive year with constant growth for Basic-Fit, with the opening of 155 clubs and the addition of close to 2,2 million members to the Basic-Fit community. Basic-Fit continuously strengthens its leading position throughout Europe in the value-for-money segment of the fitness market, is maturing its corporate values and integrating this constantly in a dynamic, flexible and entrepreneurial culture with talented, engaged and highly motivated people making fitness accessible to everyone. The Supervisory Board wishes to thank the members of the Management Board for their continuous efforts to build on a strong and solid company with an impressive perspective for the long term. Finally, the Supervisory Board would like to thank all Basic-Fit employees, under the strong leadership of the Management Board, for their enormous commitment and dedication to making Basic-Fit the success it is.

Hoofddorp, 9 March 2019
Kees van der Graaf, on behalf of the Supervisory Board

INNOVATION

NXT LEVEL

A varied and balanced diet is one of the pillars of a healthy lifestyle and the achievement of fitness goals. Supplementing a diet with nutritional products that fit a certain lifestyle and goals helps to improve performances even more.

Goals differ from person to person, but we believe that sports nutrition is for everyone: for athletes, regular gym goers, sports lovers, people who work out because they know it is the key to good health, but also the people who work out to increase muscle mass or get toned.

We know that a large part of our members were already using sports nutrition as part of their lifestyle and exercise routine.

This is why in 2019 we developed the NXT Level brand, to provide our members with high-quality, affordable and easy-to-use nutritional products that help them to lead active and healthy lives and achieve their personal fitness goals. Those products include sport drinks, vitamins, minerals and protein bars.

We have partnered up with third-party suppliers that produce the products and deliver them to our clubs, where we offer them to our members via our vending machines. Members and other consumers can also buy the products online in our webshop.

To further educate our members and support them in their pursuit of a healthy lifestyle, we provide nutritional information and blog tips that are available online and in the Basic-Fit app.

This includes a calculator that, depending on individual goals, helps to determine personal calorie requirements, as well as recipes and video tutorials to prepare dishes and other food suggestions.

REMUNERATION REPORT

This report was prepared by the Management Board and the Selection, Appointment & Remuneration Committee of the Supervisory Board. The Selection, Appointment & Remuneration Committee makes recommendations to the Supervisory Board regarding the remuneration policy, as adopted by the General Meeting, for the Management Board and how to apply the remuneration policy to the remuneration of the individual Management Board members.

This remuneration report combines both the requirements for the Selection, Appointment & Remuneration Committee to prepare a remuneration report in line with the Code, as well as the requirements for the Management Board to prepare a remuneration report in line with Book 2 of the Dutch Civil Code.

This remuneration report is published on the Basic-Fit corporate website as part of the annual report.

The remuneration report will be submitted to the General Meeting of 22 April 2020 for an advisory vote. There have not been any previous General Meeting votes on remuneration policy or remuneration reports that can be taken into account.

Remuneration policy

The remuneration policy was proposed by the Supervisory Board and approved by the General Meeting on 27 May 2016, and became effective on 14 June 2016. Any subsequent amendments are subject to the approval of the General Meeting. The General Meeting of 22 April 2020 will be asked to vote on a new remuneration policy, in line with the developments and growth of the company and new requirements pursuant to SRD II. This remuneration report is still based on the current remuneration policy.

The remuneration policy aims to attract, retain and reward highly-qualified executives with the required background, skills and experience needed for a company the size and complexity of Basic-Fit. The policy is transparent and aligns the interests of the company, shareholders and other stakeholders. Variable compensation is an important part of the total package. The policy focuses on the medium and long-term and aims to deliver long-term value creation and sustainable performance in line with Basic-Fit's strategy.

The management agreements with the members of the Management Board contain provisions relating to severance arrangements and claw-back provisions.

Consistent with the best practice principles of the Code, the first part of this remuneration report describes the remuneration policy for the members of the Management Board, while the second part sets out how the remuneration policy was implemented in 2019. The report concludes with the details of the remuneration policy of the Supervisory Board and how this remuneration policy was implemented in 2019.

The level of remuneration of the members of the Management Board is determined on the basis of a range of factors, including a periodic benchmark assessment performed every three years to assess the market comparability of the remuneration package. In 2019, the Selection, Appointment & Remuneration committee commissioned an expert audit firm to perform a benchmark assessment on the remuneration of the Management Board and Supervisory Board within the framework of the remuneration policy. The total package of remuneration components was taken into account and benchmarked against a selected peer group.

The peer group was identified in a comparability study taking into account industry, geography, ownership structure and size parameters. To capture the various market dynamics and competitive perspectives, both international sector-specific companies and Dutch general market companies were included in the remuneration peer group, based on comparability to Basic-Fit. To determine the peer group, the external expert firm advising Basic-Fit applied a range of size parameters, from 2.5 times smaller to 2.5 times larger than Basic-Fit in terms of employees, net revenue and

total assets. For market capitalisation, they applied a range of between 0.25 and four times Basic-Fit's market capitalisation.
This led to the following peer group of 18 peer companies active in recreational services, semiconductors, food products and specialised customer services:

Remuneration reference group

Accell Group N.V.	Ordina N.V.
AMG Advanced Metallurgical Group N.V.	Medifast, Inc
Amsterdam Commodities N.V.	Planet Fitness, Inc.
ASM International N.V.	Sligro Food Group N.V.
BE Semiconductor Industries N.V.	Takeaway.com N.V.
Beter Bed Holding N.V	Technogym SpA
Brunel International N.V.	TomTom N.V.
Corbion N.V.	Weight Watchers International, Inc.
Fitbit, Inc.	Tkh Group N.V.

The average positioning of Basic-Fit within the remuneration peer group is on the 50th percentile within the total peer group and on the 54th percentile within the Dutch peer group, based on the size parameters market capitalisation, net revenues, total assets and number of employees.

The Total Direct Compensation (TDC) level for the CEO of Basic-Fit is between the 25th percentile and the median level of the remuneration peer group. This means that in 2019, the remuneration elements, amount and balance between the elements are in line with the remuneration policy and are considered to be acceptable in light of the position and growth of the company. For the CFO, the TDC is at the median level of the remuneration peer group. The TDC matches the currently applied position within the remuneration peer group in the current remuneration policy.

When drawing up the remuneration policy and determining the remuneration of the members of the Management Board, the Supervisory Board took into account possible outcomes of the variable remuneration elements and how they may affect the remuneration of the members of the Management Board. These scenario analyses were taken into account when defining the structure of the policy.
Each year, the Remuneration Committee discusses whether the remuneration policy is still suitable for the level and size of the company. In 2019, the remuneration of the members of the Management Board was still in line with market practices and within the boundaries of the remuneration policy. During the first three years of listing, the remuneration of the members of the Management Board was brought in line with peer group remuneration. For the remuneration of the members of the Management Board for 2020, the benchmark assessment shows that the remuneration is also in line with the remuneration policy with an increase in base salary of 2.5% and no changes in variable compensation. The overall remuneration is balanced and needs moderate adjustment to stay in line with the peer group.

However, as stated at the beginning of this remuneration report, the company will ask the General Meeting to approve a new remuneration policy, in line with the outcomes of the benchmark assessment of July 2019, the growth and development of the company and the remuneration peer group. For this new remuneration policy, new scenario analyses have been performed to arrive at a remuneration policy that is balanced and in line with market practices. Compared to the remuneration peer group, Basic-Fit has a relatively larger focus on fixed pay compared to variable pay for both CEO and CFO.

Furthermore, the Supervisory Board took note of the views of the Management Board on their own remuneration. The Management Board proposed a remuneration level within the remuneration policy that they deemed fit for their position, reflecting the growth and development of the company and the accompanying responsibilities, in line with the increase for 2018 and taking into account a limited increase in base salary in 2020. The Committee subjected these arguments to a serious examination and adopted the proposal and arguments in the approval of the remuneration package for 2019.

Pursuant to the remuneration policy, the remuneration packages of the members of the Management Board consist of fixed and variable components. The variable remuneration is linked to predetermined, assessable and influenceable targets, which are predominantly of a long-term nature. The remuneration policy is in line with the entrepreneurial culture of Basic-Fit, with a good balance between fixed and variable income, with an emphasis on the fixed part of the remuneration. In 2019, the fixed part was given slightly more weight than the variable part when compared to 2018. This was in line with the tendency seen more frequently among peer group companies over the past year. It should be taken in account that the CEO has considerable stake in the company, which strengthens the vision of a long-term value creation strategy for the company and which is also reflected in the short-term and long-term performance targets for the Management Board.

In determining the remuneration of the Management Board, the Supervisory Board also takes into account the impact of the overall remuneration of the Management Board on the pay differential within Basic-Fit. In line with the Code, Basic-Fit takes into account the internal pay ratios within the organisation when formulating the remuneration policy and determining the remuneration of individual members of the Management Board. To balance the pay ratio, the remuneration increase for 2020 has been limited to 2.5% on base salary as requested by the Management Board. With a view to transparency and clarity, Basic-Fit calculated the internal pay ratios based on the notes to the consolidated financial statements.

Basic-Fit's internal pay ratio is calculated as the total CEO remuneration divided by the employee average remuneration. For the purposes of this calculation:
- Total CEO remuneration consists of the following components for the full year 2019: base salary €711,281 (2018: €632,250) + short-term incentives of €369,866 (2018: €325,609) + long-term incentives at fair value at grant of €393,946 (2018: €379,350) + pension allowance of €106,692 (2018: €94,838). All figures are full year, based on the information provided in note 7.1, remuneration of members of the Management Board;
- Employee average remuneration based on total employee benefit expenses as disclosed in note 2.4, Employee benefits expense, and total average number of employees in FTEs as disclosed in note 2.4, Employee benefits expense.

Consequently, Basic-Fit's calculated pay ratio in 2019 is 40,3 (2018: 38.3), implying that the CEO pay is 40.3 (2018: 38.3) times the average pay of an employee.
If the pay ratio is calculated between CEO and CFO and the next level management, this leads to a pay ratio of 1.3 between CEO and CFO (compared to 1.3 in 2018). The pay ratio of the CEO compared to the next senior management level was 6.6 in 2019 (compared to 6.8 in 2018).

These internal pay ratios were taken into account in the compensation discussions within the company. In the determination of the remuneration of senior management and the definition and implementation of the new salary structure for the HQ and clubs, the focus was on bringing salaries in line with each other and with the market. The salaries for senior management were also increased in line with the market to retain talent and expertise, while reducing the payment differences and creating a more equal spread and increase in salary levels throughout the organisation.

In addition, to the internal pay ratios, the company takes the development of its performance into account in the development of the remuneration of the members of the Management Board. The table below shows that the development of the remuneration of the members of the Management Board is consistently slower than the development of the company's performance according to all criteria. The development of the Management Board remuneration is higher than the development of the average remuneration for all employees of the company. This is partly caused by the growth of the employee base at club level, overall positioned in the lower salary segments of the market, combined with the increase in salary of the Management Board remuneration over the past years to bring it in line with the market as reflected by the median of the peer group.

Annual Change	FY 2018 – FY 2019	FY 2017 – FY2018	FY 2016 – FY2017	Information regarding the FY
Director's remuneration				
Rene Moos	10.5%	15.2%	29.9%	
Hans van der Aar	7.1%	20.0%	19.0%	
Supervisory Board remuneration	0.0%	4.6%	10.7%	In 2017 change from 5 to 6 members
Company Performance				
Total Revenue	28.2%	23.3%	26.0%	
Adjusted Ebitda	25.0%	23.5%	25.0%	
No. of clubs	24.6%	20.7%	24.3%	
Average remuneration of a FT equivalent basis of employees				
Employees of the group	2.4%	7.6%	1.0%	

**Basic-Fit is listed since 10th of June 2016 and therefore can make a comparison of these details over the three years of listing instead of five years.*

In the formulation of the new remuneration policy, the company took into account previous comments and suggestions from shareholders. In previous General Meetings, no comments were made regarding the remuneration policy. The company has asked major shareholders for their input on the new remuneration policy. Furthermore comments and suggestions from external expert firms and investor advising institutions such as Eumedion and ISS have been taken into account. This mainly effected comments on the peer group, the division of flexible and fixed remuneration and the type of targets which would best suit a company such as Basic-Fit and its shareholders interests.

The Supervisory Board has the authority to make discretionary adjustments to the outcome of variable remuneration, if the outcome is deemed to be unfair. In that case, the Supervisory Board can deviate from the policies set out above, when the members of the Supervisory Board consider this necessary or desirable in specific individual cases.

Management Board Remuneration 2019

The remuneration of the Management Board consists of five elements:

- Fixed compensation - annual base salary
- Short-term incentive - annual cash bonus plan
- Long-term incentive – annual performance share plan
- Pension allowance and other benefits
- Severance payments

Fixed compensation

The annual base salary of the members of the Management Board is a fixed compensation and is set by the Supervisory Board, taking into account a variety of factors, such as the level compared to other Dutch and international listed companies, also taking into account the size and complexity of those companies and the broadness of the responsibility of the Management Board members. Based on this benchmark due diligence exercise, the fixed compensation for the Management Board was adjusted as per 1 January 2019. As a result, as of 1 January 2019, the annual base salary for René Moos (CEO) was set at €711,281 and for Hans van der Aar (CFO) at €548,174, which is considered to be in line with the remuneration policy.

Short-term incentive (STI)

The STI is an annual cash bonus. The objective is to incentivise strong financial and personal performance, in line with Basic-Fit's strategy and annually defined targets.

The bonus for both members of the Management Board may vary from 0% to 60% of the annual fixed base salary, with 40% being applicable when targets are achieved, for both financial and non-financial personal targets. The pay-out at threshold level will be 20%, at target 40% and in the event of outperformance 60%, to be determined for each separate target.

Targets are set annually by the Supervisory Board based on the budget and taking into account the strategy ambitions. Financial targets such as total revenue and EBITDA determine 70% of the bonus, while non-financial or personal targets determine the remaining 30%. These personal targets are related to the definition and implementation of new strategic projects or products in the company, with a focus on achieving the company's goals of sustainable long-term business, strengthening the company's presence in its markets and making fitness accessible for everyone, within existing and new target groups, with existing and new products.

A performance zone is set for each of the financial targets, with no bonus below the threshold level and the maximum bonus when the performance exceeds the upper end of the performance zone. The Supervisory Board may change the exact percentages and targets from time to time. The Management Board's STI achievement for 2019 was approved by the Supervisory Board on 3 February 2020. The total Revenue target was achieved at target, leading to a bonus pay out of 14% (40% of 35% weight). The EBITDA target was achieved at the highest level, resulting in a bonus pay-out of 21% (60% of 35%). The on average achievement for both CEO and CFO on financial bonus targets was equivalent to 35% of base salary.

With respect to the non-financial targets, the CEO succeeded in the implementation of a strong and efficient expansion strategy and a club opening model that supported the number of clubs opened in line with budget. A third achievement was the implementation of sustainable CO2-neutral clubs with limited use of natural gas. The achievement was the in the like-for-like revenue to strengthen the existing base.

The CFO secured planning and action to further strengthen the management structure and prepare support departments for future growth. Furthermore, the churn of employees in the company was reduced.

Both the CEO and CFO outperformed on their personal objectives; the CFO achieved both targets at the highest level, leading to a bonus pay out of 18% of base salary for personal objectives. The CEO outperformed on two of the three personal targets and achieved at target results for one of the personal targets related to the decrease of CO2 emissions by the clubs, due to the disconnection from natural gas. This resulted in a bonus pay out for the CEO of 17% of base salary. This resulted in a total STI achievement of 52% of the 2019 base salary for the CEO and 53% for the CFO. The STI amount will be paid in 2020 following the adoption of the financial statements for 2019.

Name of Director	Objective	Weight	Year	Condition	Threshold 1/3 of target	Target 2/3 of target	Max 3/3 target	Results
					20%	**40%**	**60%**	
Rene Moos CEO	Financial	35%	2019	Total Revenue	Budget - 6%	Budget	Budget + 3%	14%
	Financial	35%	2019	EBITDA (pre IFRS16 basis)	Budget – 4%	Budget	Budget + 2%	21%
	Personal	15%	2019	No. of new clubs	Budget – 10 clubs	Budget	Budget + 5 clubs	9%
	Personal	7.50%	2019	Environmental footprint: Opening of clubs without natural gas usage	70% of all new clubs	90% of all new clubs	100% of all new clubs	3%
	Personal	7.50%	2019	Like for Like revenue development compared to 2018	0,5% growth	1% growth	1,25% growth	4.5%
							Total CEO	**52%**
Hans van der Aar, CFO	Financial	35%	2019	Total Revenue	Budget - 6%	Budget	Budget + 3%	14%
	Financial	35%	2019	EBITDA (pre IFRS16 basis)	Budget – 4%	Budget	Budget + 2%	21%
	Personal	20%	2019	Prepare HQ organisation for future growth: enhanced development and succession plan	NA	NA	Approved plan and timely implementation	12%
	Personal	10%	2019	Decrease of employee churn	Decrease of churn with 3%	Decrease of churn with 5%	Decrease of churn with 6%	6%
							Total CFO	**53%**

Performance share plan PSP

As part of the remuneration policy, Basic-Fit has installed a performance share plan (PSP). The purpose of the PSP is to align the interests of the company, shareholders and Management Board over the long-term; to foster and reward sustainable performance; and to provide an incentive for longer-term commitment and retention of the members of the Management Board. A PSP award is a long-term incentive and consists of an annual grant of conditional performance shares. Vesting is subject to continued employment and performance testing after three years.

The number of conditionally granted shares is set for a period of three years. Shares under this plan were granted for the first time in 2017 and each subsequent year. A conditional award for the years 2019 - 2022 was granted to the members of Management Board in May

2019, whereby the principle for the grant is 60% of the annual base salary for the CEO and 50% of the annual base salary for the CFO, both based on 'at target' results. As a result of this, in 2019 the CEO, René Moos, and the CFO, Hans van der Aar, were granted 13,023 and 8,364 ordinary shares respectively under the PSP.

Any award of performance shares will vest at the end of a three-year performance period, subject to (i) the achievement of two predetermined group financial targets that appropriately reflect Basic-Fit's longer-term strategy, these being average revenue growth and net debt / EBITDA ratio, both reflecting 50% of the total target, and (ii) continued service as a member of the Management Board. Vesting of the shares granted in May 2019 will take place in May 2022 for the performance period 2019 through 2021. Previous grants in June 2017 will vest in June 2020 for the performance period 2017 through 2019. Vesting of the shares granted in June 2018 will take place in June 2021 for the performance period 2018 through 2020.

When considered appropriate, the Selection, Appointment & Remuneration Committee may apply at its discretion a performance incentive zone between 0% and 150%. When such a zone is applied, the Supervisory Board may reduce or increase at target and threshold percentages to ensure awards are an appropriate reflection of performance. Shares acquired at the end of the performance period by members of the Management Board must be held for an additional period of two years, in accordance with best practice provision 3.1.2 of the Code, with the exception of a sale of said shares to cover the tax obligations of the members of the Management Board related to the awarded shares.

Pension allowance and other benefits

The members of the Management Board do not participate in Basic-Fit's collective pension scheme, but receive a comparable payment of a pension allowance of 15% of their base salary. They are entitled to customary fringe benefits, such as a company car and other benefits.

Severance pay

The service agreements with the Management Board contain a severance payment in the event of involuntary termination of six months fixed salary and a notice period of six months. No severance payment will be made in the event of serious imputable or negligent behaviour. This is compliant with the best practice provision of the Code on severance payments.

Claw-back and ultimum remedium

Variable remuneration may be adjusted or recovered from a member of the Management Board, in accordance with the relevant provisions in the Dutch Civil Code, as amended from time to time.

Retention share plan (RSP)

In addition, in connection with and immediately following the IPO, the company implemented a one-off Retention Share Plan for the Management Board and key managers, under which they were awarded ordinary shares.
The purpose of the RSP was to promote retention and ensure alignment with Basic-Fit's interests during the first vesting period of the Performance Share Plan (PSP). The RSP was implemented in 2016, following Basic-Fit's IPO. The Supervisory Board awarded ordinary shares under the RSP at its discretion to selected key employees, including the members of the Management Board. Subject to a participant's continued employment with Basic-Fit, awards under the RSP vested in three equal annual instalments. Once the award had vested, the awarded ordinary shares were released to the participants.
Ordinary shares awarded under the RSP and released to members of the Management Board are subject to a mandatory holding period of five years from the award date. However, they were permitted to sell a sufficient number of ordinary shares to cover any taxes due upon vesting.
With effect from 1 July 2016, the CEO, René Moos, and the CFO, Hans van der Aar, were awarded 33,333 and 25,667 ordinary shares respectively under the RSP, which shares vested in three equal annual instalments, of which the first and second instalment vested in July 2017 and July 2018. The third and final instalment vested in July 2019. In each of the three vesting moments, 11,111 shares and 8,556 shares were released to René Moos and Hans van der Aar respectively.

Management board remuneration

	Base Salary	Short-term incentive	Social charges	Pension	Other	Total 2019 (cash)	Total 2018 (cash)	RSP 2019 (3rd vesting) *	PSP 2019 award **	Proportion of fixed and variable remuneration in 2019 ***
René Moos	€ 711,281	€ 369,866	€ 10,995	€ 106,692	€ 37,834	€ 1,236,668	€ 1,103,809	€ 166,665	€ 393,946	53% / 47%
Hans van der Aar	€ 548,174	€ 290,532	€ 10,995	€ 82,226	€ 29,828	€ 961,755	€ 844,452	€ 128,340	€ 253,011	55% / 45%
	€ 1,259,455	**€ 660,398**	**€ 21,990**	**€ 188,918**	**€ 67,662**	**€ 2,198,423**	**€ 1,948,261**	**€ 295,005**	**€ 646,957**	**57% / 43%**

** In 2016, René Moos and Hans van der Aar were granted 33,333 and 25,667 shares respectively under the Retention Share Plan (RSP). Under this plan, 33.3% vested in 2017, 33.3% vested in 2018 and 33.3% vested in 2019, fully conditional on them still being employed at Basic-Fit. The amounts in the table are based on the share price on the grant date (€15.00). The share price on the date of vesting in 2019 was €30.95 (2018: €28.90).*
*** In 2019, René Moos and Hans van der Aar were granted 13,023 and 8,364 shares respectively under the long-term incentive plan (LTIP), with a share price on the grant date of €30.25. These numbers can increase to 16,279 and 10,455 respectively in the event of outperformance. Under this plan, the aforementioned number of shares will vest in 2022, fully conditional on them still being employed at Basic-Fit and the achievement of targets. For the P&L impact of these plans, we refer you to section 7.1, Remuneration of members of the Management Board.*
**** Variable remuneration 2019 calculated based on Short-term incentive and PSP 2019 award*

Supervisory Board Remuneration 2019

The remuneration of the members of the Supervisory Board consists of fixed annual fees for their role as Supervisory Board members. In addition, the chairman and members of both the Audit & Risk Committee and the Selection, Appointment & Remuneration Committee receive a fixed annual fee for these roles.

Basic-Fit does not grant variable remuneration, shares or options to members of the Supervisory Board. As per 31 December 2019, the members of the Supervisory Board have no loans outstanding with Basic-Fit, and no guarantees or advance payments have been granted to members of the Supervisory Board. Basic-Fit pays company-related travel and accommodation expenses related to meetings.

At the General Meeting, Basic-Fit will propose a new remuneration policy for the Supervisory Board in line with the legal requirements of SRDII. The fees of the Supervisory Board and its committees have been defined at the listing of the company in 2016. This proposal for a new Remuneration policy includes an increase of the fees for the members of the Supervisory Board and its committees to bring these salaries in line with the market.

Annual fees per function in the Supervisory Board	Fixed annual fee
Chairman	€55,000
Member	€40,000

Annual fees per function in Supervisory Board committees	Fixed annual fee
Chairman Audit & Risk Committee	€10,000
Chairman Selection, Appointment & Remuneration Committee	€8,000
Member Audit & Risk Committee	€7,500
Member Selection, Appointment & Remuneration Committee	€5,500

Fees of Supervisory Board members in 2019*	
Kees van der Graaf	€55,000
Carin Gorter	€50,000
Herman Rutgers	€48,000
Hans Willemse	€53,000
Pieter de Jong	€45,500
Rob van der Heijden	€47,500

**These fees are unchanged compared to 2018. For a comparison of the supervisory board remuneration for the three years of listing, more information can be found in the table above in this section.*

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

Consolidated statement of profit or loss

For the year ended 31 December 2019	Note	2019 € 000	2018 € 000 Restated (*)
Revenue	2.2	515,159	401,784
		515,159	**401,784**
Costs of consumables used	2.3	(14,341)	(8,800)
Employee benefits expense	2.4	(89,332)	(70,834)
Depreciation, amortisation and impairment charges	2.6	(211,926)	(166,153)
Other operating income	2.7	3,376	1,931
Other operating expenses	2.8	(149,049)	(116,166)
Operating profit		**53,887**	**41,762**
Finance income	5.7	6	66
Finance costs	5.7	(37,452)	(30,789)
Finance costs - net		**(37,446)**	**(30,723)**
Profit before income tax		16,441	11,039
Income tax	2.9	(5,393)	(1,669)
Profit for the year		**11,048**	**9,370**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (in €)	5.2	0.20	0.17
Diluted earnings per share (in €)	5.2	0.20	0.17

Other comprehensive income

For the year ended 31 December 2019	Note	2019 € 000	2018 € 000 Restated (*)
Profit for the year		**11,048**	**9,370**
Items that may be reclassified to profit or loss:			
Cash flow hedges	5.5	-	480
Deferred tax on cash flow hedges	2.9	-	(120)
Other comprehensive income for the year net of tax		**-**	**360**
Total comprehensive income for the year		**11,048**	**9,730**

(*) The Group has adopted IFRS 16 as of 1 January 2019 using the full retrospective method. As a result, comparative information has been restated. See Note 1.4.6. for more information.

Consolidated statement of financial position

As at 31 December 2019	Note	2019	2018	As at 1 January 2018
		€ 000	€ 000	€ 000
	Note		Restated (*)	Restated (*)
Assets				
Non-current assets				
Goodwill	3.1	202,634	187,351	187,351
Other intangible assets	3.2	54,180	57,685	68,101
Property, plant and equipment	3.3	662,113	510,626	418,324
Right-of-use assets	3.4	950,261	737,944	562,066
Deferred tax assets	2.9	12,623	11,480	10,261
Receivables	4.2	5,146	3,621	2,645
Total non-current assets		**1,886,957**	**1,508,707**	**1,248,748**
Current assets				
Inventories	4.1	6,497	3,048	1,226
Income tax receivable	2.9	393	3,151	-
Trade and other receivables	4.2	30,817	27,653	25,377
Cash and cash equivalents	4.3	66,487	5,626	13,033
		104,194	**39,478**	**39,636**
Assets held for sale	2.10	2,000	-	-
Total current assets		**106,194**	**39,478**	**39,636**
Total assets		**1,993,151**	**1,548,185**	**1,288,384**
Equity				
Share capital		3,280	3,280	3,280
Share premium		358,360	358,360	358,360
Other capital reserves		3,240	2,105	1,344
Retained earnings		(58,394)	(68,785)	(77,628)
Cash flow hedge reserve		-	-	(360)
Total equity		**306,486**	**294,960**	**284,996**
Liabilities				
Non-current liabilities				
Lease liabilities	3.4	866,741	673,347	511,653
Borrowings	5.3	517,283	338,662	294,568
Derivative financial instruments	5.5	3,268	1,068	325
Deferred tax liabilities	2.9	10,970	11,940	10,638
Provisions	6.1	549	556	658
Total non-current liabilities		**1,398,811**	**1,025,573**	**817,842**
Current liabilities				
Trade and other payables	4.4	147,994	123,572	103,765
Lease liabilities	3.4	138,787	102,999	79,287
Borrowings	5.3	60	-	20
Current income tax liabilities	2.9	772	832	1,721
Derivative financial instruments	5.5	-	-	567
Provisions	6.1	241	249	186
Total current liabilities		**287,854**	**227,652**	**185,546**
Total liabilities		**1,686,665**	**1,253,225**	**1,003,388**
Total equity and liabilities		**1,993,151**	**1,548,185**	**1,288,384**

(*) The Group has adopted IFRS 16 as of 1 January 2019 using the full retrospective method. As a result, comparative information has been restated. See Note 1.4.6. for more information.

Consolidated statement of changes in equity

For the year ended 31 December 2018 (in € 000) - Restated

	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Total equity
As at 1 January 2018	**3,280**	**358,360**	**-**	**1,344**	**(45,313)**	**(360)**	**317,311**
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	(8,432)	-	(8,432)
Impact of adoption of IFRS 16 (net of tax)	-	-	-	-	(23,883)	-	(23,883)
As at 1 January 2018 (Restated (*))	**3,280**	**358,360**	**-**	**1,344**	**(77,628)**	**(360)**	**284,996**
Comprehensive income:							
Profit for the period	-	-	-	-	9,370	-	9,370
Other comprehensive income	-	-	-	-	-	360	360
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**9,370**	**360**	**9,730**
Equity-settled share-based payments	-	-	-	1,486	-	-	1,486
Purchase of treasury shares	-	-	(665)	-	-	-	(665)
Exercised share-based payments	-	-	665	(725)	(527)	-	(587)
Transactions with owners recognised directly in equity	**-**	**-**	**-**	**761**	**(527)**	**-**	**234**
As at 31 December 2018 (Restated (*))	**3,280**	**358,360**	**-**	**2,105**	**(68,785)**	**-**	**294,960**

(*) The Group has adopted IFRS 16 as of 1 January 2019 using the full retrospective method. As a result, comparative information has been restated. See Note 1.4.6. for more information. For the adjustment on initial application of IFRS 15 reference is made to the financial statements for the year ended 2018.

For the year ended 31 December 2019 (in € 000)

	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Total equity
As at 1 January 2019	**3,280**	**358,360**	**-**	**2,105**	**(68,785)**	**-**	**294,960**
Comprehensive income:							
Profit for the period	-	-	-	-	11,048	-	11,048
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**11,048**	**-**	**11,048**
Equity-settled share-based payments	-	-	-	1,981	-	-	1,981
Purchase of treasury shares	-	-	(771)	-	-	-	(771)
Exercised share-based payments	-	-	771	(846)	(657)	-	(732)
Transactions with owners recognised directly in equity	**-**	**-**	**-**	**1,135**	**(657)**	**-**	**478**
As at 31 December 2019	**3,280**	**358,360**	**-**	**3,240**	**(58,394)**	**-**	**306,486**

Consolidated statement of cash flows

For the year ended 31 December 2019		2019	2018
		€ 000	€ 000
	Note		Restated (*)
Operating activities			
Profit before income tax		16,441	11,039
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment and right-of-use assets	2.6	198,319	153,480
Amortisation and impairment of intangible assets	2.6	13,607	12,673
Share-based payment expense	2.5	1,981	1,486
Gain on disposal of property, plant and equipment		(708)	(142)
Finance income	5.7	(6)	(66)
Finance costs	5.7	37,452	30,789
Movements in provisions	6.1	(14)	(39)
Working capital adjustments:			
Increase in Inventories	4.1	(3,408)	(1,823)
Increase in trade and other receivables	4.2	(2,818)	(2,532)
Increase in trade and other payables	4.4	7,981	9,405
Cash generated from operations		**268,827**	**214,270**
Interest received		6	66
Interest paid		(33,831)	(29,694)
Income tax paid		(5,092)	(5,746)
Net cash flows from operating activities		**229,910**	**178,896**
Investing activities			
Proceeds from sale of property, plant and equipment		626	234
Purchase of property, plant and equipment	3.3	(220,818)	(154,289)
Purchase of other intangible assets	3.2	(9,342)	(6,176)
Acquisition of a subsidiary, net of cash acquired	3.4	(26,388)	(634)
Repayment of loans granted	4.2	117	94
Investments in other financial fixed assets	4.2	(1,451)	(814)
Net cash flows used in investing activities		**(257,256)**	**(161,585)**
Financing activities			
Proceeds from borrowings	5.3	199,500	45,003
Repayments of borrowings	5.3	(21,515)	(20)
Lease payments	3.4	(87,925)	(66,741)
Financing costs paid	5.3	(351)	(1,710)
Purchase less sale treasury shares and exercised share-based payments		(1,502)	(1,250)
Net cash flows from/(used in) financing activities		**88,207**	**(24,718)**
Net (decrease)/increase in cash and cash equivalents		**60,861**	**(7,407)**
Cash and cash equivalents at 1 January	4.3	5,626	13,033
Cash and cash equivalents at 31 December	4.3	**66,487**	**5,626**

(*) The Group has adopted IFRS 16 as of 1 January 2019 using the full retrospective method. As a result, comparative information has been restated. See Note 1.4.6. for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

Section 1: General information and basis of reporting

This section provides corporate and group information about Basic-Fit N.V. (the 'Company') and its subsidiaries (together with the Company referred as the 'Group' and individually as 'Group entities'). Furthermore, this section provides additional information about the overall basis of preparation, including a summary of significant accounting policies affecting the results and financial position of the Group, changes in accounting policies and disclosures during the year and information related to standards that have been issued but not yet adopted by the Group. This section concludes with a summary of areas that involve significant judgements and estimates.

1.1 Corporate information

Basic-Fit N.V. is a company incorporated and domiciled in the Netherlands and whose shares are publicly traded. The address of the Company's registered office is Wegalaan 60, Hoofddorp, the Netherlands. The Company is registered under trade registration number 66013577 in the Chamber of Commerce in Amsterdam.

With 784 clubs and more than 2.2 million members, Basic-Fit is the largest fitness chain in Europe. The group is active in five countries: the Netherlands, Belgium, Luxembourg, France and Spain. Basic-Fit aims to make fitness easy, affordable and fun, and give its members unbeatable value.

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Management Board on 9 March 2020.

1.2 Group information

These consolidated financial statements reflect all of the assets, liabilities, revenue, expenses and cash flows of the Group. The Group consists of the following legal entities:

- Basic-Fit N.V., Hoofddorp (the Netherlands);
- Basic Fit International B.V., Hoofddorp (the Netherlands) (100% interest of Basic-Fit N.V.);
- Basic Fit Nederland B.V., Hoofddorp (the Netherlands) (100% interest of Basic Fit International B.V.);
- Basic-Fit Belgium BVBA, Jette (Belgium) (100% interest of Basic Fit International B.V.);
- HealthCity België N.V., Jette (Belgium) (100% interest of Basic-Fit Belgium BVBA);
- Basic-Fit Luxembourg S.A. (*), Sandweiler (Luxembourg) (100% interest of Basic Fit International B.V.);
- Basic Fit France S.A., Paris (France) (100% interest of Basic Fit International B.V.);
- Basic Fit II S.A. (**), Paris (France) (100% interest of Basic Fit France S.A.);
- Basic-Fit Spain S.A., Madrid (Spain) (100% interest of Basic Fit International B.V.);
- BF Developments B.V., Hoofddorp (the Netherlands) (100% interest of Basic Fit International B.V.);
- B-Securité B.V., Hoofddorp (the Netherlands) (51% interest of Basic Fit International B.V.).

(*) On 31 December 2019 HealthCity Luxembourg S.A. absorbed Basic-Fit Luxembourg S.à.r.l. as part of a downstream merger. Subsequently the name of HealthCity Luxembourg S.A. was changed to Basic-Fit Luxembourg S.A.
(**) In October 2019, Basic Fit II S.A. acquired a 100% interest in Fitinvest S.à.r.l., PVN Fit S.à.r.l. and Heron Sport S.à.r.l. On 31 December 2019 these entities merged, where Basic Fit II S.A. absorbed the three entities.

Basic Fit France S.A. is an intermediate holding company and does not run fitness clubs or undertake other operations. Basic-Fit Germany GmbH was a dormant company and was sold on 27 December 2019.

1.3 Shareholder structure

On 31 December 2019, Basic-Fit's main shareholders were:

- Mito Holdings S.à.r.l., an entity controlled by 3i Investments plc: 8,120,033 shares (14.9%)
- AM Holding B.V., an entity controlled by René Moos, our CEO: 8,910,538 shares (16.3%)

Our CFO, Hans van der Aar, owns 103,324 shares (0.2%).

1.4 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The consolidated financial statements have been prepared under the historical cost convention, except for the financial assets and liabilities (including derivative instruments), which are measured at fair value.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand ('€ x 1,000'), except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 1.5.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2018 is presented in these consolidated financial statements due to the retrospective application of accounting policies as a result of the adoption of IFRS 16 Leases. See note 1.4.6.

1.4.1 Summary of significant accounting policies

The general accounting policies applied to the consolidated financial statements as a whole are described below, while other significant accounting policies related to specific items are described in the relevant notes. The description of accounting policies in the notes forms an integral part of the description of the accounting policies in this section. Unless otherwise stated, these policies have been consistently applied to all the years presented.

1.4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled either directly, or indirectly, by the Company.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been aligned with the Group's accounting policies where necessary to ensure consistency with the policies adopted by the Group.

1.4.3 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.4.4 Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. The Group rarely has transactions in foreign currencies, and gains and losses resulting from the settlement of such transactions are generally recognised in profit or loss.

1.4.5 Statement of cash flows

The statement of cash flows has been prepared using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest is classified as operating cash flow and dividends are classified as financing cash flows.

1.4.6 New and amended standards and interpretations

To the extent relevant, all IFRS standards and interpretations including amendments that were in issue and effective from 1 January 2019 were adopted by the Group from 1 January 2019. The Group has decided not to opt for early adoption of standards, interpretations or amendments that have been issued but are not yet effective.

The nature and impact of new and amended standards and interpretations is described below.

IFRS 16 Leases

IFRS 16 Leases supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Basic-Fit adopted IFRS 16 using the full retrospective method of adoption with the date of initial application 1 January 2019. Basic-Fit performed a full assessment as to whether the company's arrangements contain a lease. This means that Basic-Fit did not apply the practical expedient under IFRS 16.C3, not to reassess whether a contract is, or contains, a lease. Basic-Fit elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16 is as follows:

i. Impact on the statement of financial position (increase/(decrease)):

	31 December 2019	31 December 2018	1 January 2018
Assets			
Non-current assets			
Other intangible assets	(17,487)	(15,486)	(14,272)
Property, plant and equipment	(17,663)	(11,132)	(6,096)
Right-of-use assets	950,261	737,944	562,066
Deferred tax assets	8,078	5,003	2,460
Total non-current assets	**923,189**	**716,329**	**544,158**
Current assets			
Trade and other receivables	(556)	(427)	(277)
Total current assets	**(556)**	**(427)**	**(277)**
Total assets	**922,633**	**715,902**	**543,881**
Equity			
Retained earnings	(42,206)	(32,107)	(23,883)
Total equity	**(42,206)**	**(32,107)**	**(23,883)**
Liabilities			
Non-current liabilities			
Lease liabilities	866,547	673,347	511,653
Deferred tax liabilities	(5,619)	(4,802)	(4,204)
Other non-current liabilities	(22,981)	(18,005)	(13,110)
Provisions	(3,843)	(2,165)	(2,934)
Total non-current liabilities	**834,104**	**648,375**	**491,405**
Current liabilities			
Current portion of lease liabilities	138,522	102,999	79,287
Trade and other payables	(6,677)	(2,596)	(2,032)
Provisions	(1,110)	(769)	(896)
Total current liabilities	**130,735**	**99,634**	**76,359**
Total liabilities	**964,839**	**748,009**	**567,764**
Total equity and liabilities	**922,633**	**715,902**	**543,881**

ii. Impact on the statement of profit or loss (increase/(decrease)):

	2019	2018
Depreciation, amortisation and impairment charges	101,910	76,752
Other operating income	363	10
Operating costs	(112,616)	(86,825)
Operating profit	**11,069**	**10,083**
Finance costs - net	25,060	21,449
Profit before income tax	**(13,991)**	**(11,366)**
Income tax	(3,892)	(3,141)
Profit for the period	**(10,099)**	**(8,225)**

Earnings per share:

Basic earnings per share (in €)	(0.19)	(0.15)
Diluted earnings per share (in €)	(0.19)	(0.15)

iii. Impact on other comprehensive income:

There is no impact on other comprehensive income.

iv. Impact on the statement of cash flows (increase/(decrease)):

	2019	2018
Operating lease payments (*)	(108,749)	(82,412)
Interest paid	25,059	21,449
Net cash flows from operating activities	**83,690**	**60,963**
Investments in property, plant and equipment	(4,160)	(5,778)
Net cash flows from investing activities	**4,160**	**5,778**
Payment of principal portion of lease liabilities	87,850	66,741
Net cash flows from financing activities	**(87,850)**	**(66,741)**
Net increase (decrease) in cash and cash equivalents	-	-

(*) Composed of different line items in the indirect reconciliation of operating cash flows

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for real estate, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments (as part of the Trade and other receivables) and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases in which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in this consolidated financial statements has been restated.

As at 1 January 2018, 31 December 2018 and 31 December 2019:

- 'Right-of-use assets' were recognised and presented separately in the statement of financial position. Assets previously included under 'Property, plant and equipment' and 'Other intangible assets' were derecognised (transferred to ‘Right-of-use assets’).

- ‘Lease liabilities’ were recognised and presented separately in the statement of financial position (split into non-current and current). ‘Prepayments’ and ‘Rent payables’ related to previous operating leases were derecognised (transferred to ‘Lease liabilities’).
- ‘Other non-current liabilities’ and ‘Trade and other payables’ related to rental incentives regarding previous operating leases were derecognised.
- ‘Provisions’ (non-current and current) related to previous unfavourable operating leases were derecognised (transferred to 'Right-of-use assets').
- ‘Deferred tax assets’ increased and ‘Deferred tax liabilities’ decreased due to the deferred tax impact of the changes in recognised lease related assets and liabilities.
- ‘Retained earnings’ decreased due to the net impact of these adjustments.

For the year ended 2019:

- Depreciation expense increased by €101.9 million (2018: €76.8 million), relating to the depreciation of additional assets recognised (i.e., increase in ‘Right-of-use assets’, net of decrease in ‘Property, plant and equipment’ and ‘Other intangible assets’).
- ‘Other operating income’ increased by €363 thousand (2018: €10 thousand), relating to the gain on the disposal of a number of leased assets.
- ‘Rental expenses’ and ‘Car expenses’ included in ‘Other operating expenses’, relating to previous operating leases, decreased by €112.6 million (2018: €86.8 million).
- ‘Finance costs’ increased by €25.1 million (2018: €21.4 million), relating to the interest expense on additional lease liabilities recognised.
- ‘Income tax expense’ decreased by €3.9 million (2018: €3.1 million), relating to the tax effect of these changes in expenses.
- Cash outflows from operating activities decreased by €83.7 million (2018: €61.0 million) and cash outflows from investing activities decreased by €4.2 million (2018: €5.8 million), while cash outflows from financing activities increased by the aggregated amount of the above-mentioned amounts (2019: €87.9 million; 2018: €66.7 million), relating to the decrease in operating lease payments and increases in the principal payments on lease liabilities.

b) Impact on calculation of bank covenants

The calculation of bank covenants is based on frozen GAAP and is therefore not influenced by the adoption of IFRS 16. Basic-Fit will continue to report the leverage ratio based on the bank covenant definition.

c) Consolidated statement of profit or loss without the adoption of IFRS 16

The following table summarises the impact of adopting IFRS 16 on the Group’s Consolidated statement of profit or loss for the year ended 31 December 2019 for each of the affected line items, compared with the year ended 31 December 2018 as published last year. In this table, the adjustments relate to the exclusion of the impact of IFRS 16 on the results for 2019.

	Published accounts		**Without adoption of IFRS 16**	
		Adjustments		
	2019	**2019**	**2019**	**2018**
Revenue	515,159	-	515,159	401,784
Depreciation, amortisation and impairment charges	(211,926)	101,910	(110,016)	(89,401)
Operating costs (less other operating income)	(249,346)	(112,979)	(362,325)	(280,704)
Operating profit	**53,887**	**(11,069)**	**42,818**	**31,679**
Finance costs - net	(37,446)	25,060	(12,386)	(9,274)
Profit before income tax	**16,441**	**13,991**	**30,432**	**22,405**
Income tax	(5,393)	(3,892)	(9,285)	(4,811)
Profit for the period	**11,048**	**10,099**	**21,147**	**17,594**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope

of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by tax authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments (including those for its subsidiaries) will be accepted by the tax authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Other
Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

1.4.7 Standards and interpretations issued but not yet effective and/or adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

1.5 Accounting estimates
The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant impact on the amounts recognised in the consolidated financial statements are discussed in the individual notes of the related financial statement line items or below.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The table below presents the areas that involve a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements:

	Note
Deferred tax assets	2.9
Estimated impairment of goodwill	3.1
Impairment of non-current assets	3.2
Useful lives	3.2
Determining the lease term of contracts with renewal and termination options	3.4
Leases - estimating the incremental borrowing rate	3.4

In the process of applying the Group's accounting policies, management made the following judgements that have a significant impact on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with above).

Recognition of provisions

The Group is subject to a number of factors that could lead to an outflow of economic benefits. When assessing whether such factors require either provision or disclosure, management is required to consider, among other factors, whether a constructive obligation exists at the balance sheet date and whether the resulting risk of an outflow of economic benefits is probable (requiring a provision), less than probable but more than remote (requiring disclosure), or remote (requiring neither provision nor disclosure).

Decommissioning liabilities

For certain fitness club locations, the Group has a contractual obligation to restore locations to an agreed upon state. For such obligations, the Group has not recorded a decommissioning liability. Management judgement is that, based on limited historical experience, the likelihood that the Group will be required to restore a location to its original state is remote. Fitness club locations are often renovated to a better state than their original state and moreover the duration of a lease contract is usually longer than ten years. As a consequence, lessors have made very few requests for the restoration of locations over the years. The Group has therefore not recognised any decommissioning liabilities.

Section 2: Results of the year

This section presents the disclosure of operating segments and the notes related to items in the income statement (except for finance income and costs).

2.1 Segment information

The chief operating decision-maker ('CODM'), who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Company's CEO, CFO and as of 1 August 2019 also the COO. The CODM examines the Group's performance from a geographical perspective and has identified five operating segments: the Netherlands, Belgium, Luxembourg, France and Spain.

The business activity of all of these operating segments is to operate low-budget fitness clubs under one and the same Basic-Fit label. The formula for the operation of these clubs is the same in all countries: memberships and membership fees are similar and the cost structure is similar. Furthermore, all operating segments and their business activities are located in EU-member countries. The political and economic environment of these countries is similar and the euro is used in all countries. Moreover, the Benelux countries (Belgium, the Netherlands and Luxembourg) generate similar profit margins (adjusted EBITDA) to one another, as do France and Spain. However, the profit margins in the Benelux are not (yet) comparable to those in France and Spain, which are the countries where we expect the fastest growth.

Given these similar economic characteristics, and the fact that the nature of the services, types of customer, method for distribution and regulatory environment are similar, the operating segments Belgium, the Netherlands and Luxembourg have been aggregated into one reportable segment (Benelux), and the operating segments France and Spain have also been aggregated into one reportable segment (France & Spain). Other reconciling items represent corporate costs that are not allocated to the operating segments.

Segment disclosure

The CODM of Basic-Fit primarily uses adjusted EBITDA as performance measure to monitor operating segment results and performance. Total revenues and adjusted EBITDA per reporting segment are as follows:

			2019
	Benelux	France & Spain	Total
Revenues	**292,010**	**223,149**	**515,159**
Adjusted EBITDA	175,056	119,476	294,532
Other reconciling items			(28,187)
Total adjusted EBITDA			266,345

Reconciliation of adjusted EBITDA to profit before tax:

Adjusted EBITDA	266,345
Depreciation, amortisation and impairment charges	(211,926)
Finance costs – net	(37,446)
Exceptional items:	
- Other exceptional costs and profits	(532)
Profit before tax	**16,441**

			2018 (Restated)
	Benelux	France & Spain	Total
Revenues	**252,740**	**149,044**	**401,784**
Adjusted EBITDA	156,202	74,416	230,618
Other reconciling items			(21,240)
Total adjusted EBITDA			209,378

Reconciliation of adjusted EBITDA to profit before tax:

Adjusted EBITDA	209,378
Depreciation, amortisation and impairment charges	(166,153)
Finance costs – net	(30,723)
Exceptional items	
- Other exceptional costs and profits	(1,463)
Profit before tax	**11,039**

Entity-wide information

The Group operates in five countries. Note 2.2 (Revenue) contains a breakdown of revenues of these countries, as well as those of the Netherlands, the Group's country of domicile. Furthermore, there are no customers that account for 10% or more of revenue in any year presented.

A breakdown of the non-current assets is as follows:

	2019	2018 Restated
The Netherlands (country of domicile)	490,511	409,600
Belgium	374,067	356,397
Luxembourg	38,857	38,597
France	888,515	620,965
Spain	77,238	68,047
Total	**1,869,188**	**1,493,606**

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, goodwill and other intangible assets. The additions to non-current assets (Segment Benelux €189 million, Segment France and Spain €376 million) are directly related to the investments in new club openings and acquisitions in 2019.

2.2 Revenue

2.2.1 Disaggregation of revenue

In the following table, revenue is disaggregated by revenue type, by country and based on the timing of revenue recognition:

	2019	2018
Type of goods or service		
Fitness revenue	501,378	391,697
Other revenue	13,781	10,087
Total	**515,159**	**401,784**
Geographical markets		
The Netherlands	140,874	119,289
Belgium	139,893	123,545
Luxembourg	11,243	9,906
France	199,449	126,106
Spain	23,700	22,938
Total	**515,159**	**401,784**
Timing of revenue recognition		
Products and services transferred over time	492,863	390,678
Products transferred at a point in time	22,296	11,106
Total	**515,159**	**401,784**

Other revenue primarily relates to revenue from personal trainer services, day passes, rental income and revenue from sales via the online store and vending machines.

2.2.2 Contract balances and remaining performance period

The following table provides information about receivables and deferred revenues from contracts with customers:

	31 December 2019	31 December 2018	1 January 2018
Receivables, which are included in 'Trade and other receivables'	15,721	13,540	11,441
Deferred revenues, which are included in 'Trade and other payables'	26,990	37,010	37,854

The receivables relate to amounts due from customers for services performed in past period(s), less provision for uncollectibility. The deferred revenues primarily relate to the advance considerations received from customers, for which revenue is recognised over time.
All remaining performance obligations are expected to be recognised within one year.

Accounting policy

The Group's principal sources of revenue are membership services, principally fitness club memberships, including joining fees and add-ons for drinks and/or live group lessons. In addition, within the Basic-Fit clubs, additional services are provided by external parties (e.g. personal trainers, physiotherapists), who pay a monthly fee to obtain access to the club and the members, and these are accounted for under other revenues. Other revenues also include revenues related to the sale of day passes and revenues related to the sale of nutritional products and drinks within the club by a third party. Under this full-service vending construction, the Group receives a percentage of the revenue generated by the vending machines. These amounts are shown as revenues for the Group in its income statement. Revenues are measured at the fair value of the consideration received or receivable, and represent amounts receivable for goods supplied and services rendered, stated net of discounts, returns and value added taxes. The Group recognises revenues when the amount of revenues can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. As of 2019, the Group refined the revenue recognition for members at the collection agency. This had no impact on the net result of 2019.

Sales of services

The Group provides fitness club services for its customers. For sales of services, revenue is recognised in the accounting period in which the services are rendered (over the contract term). Delivery of fitness club services extends throughout the term of membership.

Joining fees are recognised over the contract period for one-year contracts and over the expected duration of the membership ('average length of stay') for 'Flex contracts' (contracts that can be cancelled every month).

Membership fees collected but not earned are included in deferred revenue. The promotional offers of the Group often contain a discount granting a free period (e.g. current month free or next month free), waiving of the joining fee (fully or partly), granting a promotional item, or a combination of these three. The member's payment will be based on the applicable promotion, but the monthly revenue is determined for the entire contract period by taking into consideration the discounts granted that are allocated using relative amounts.

Sales of goods

In the fitness clubs, the Group sells nutritional and other fitness-related products, such as beverages. Sales of these products are recognised when the products are sold to the customer.

2.3 Cost of consumables used

	2019	2018
Cost of food and drink	(6,765)	(5,099)
Other cost of sales	(7,576)	(3,701)
Total	**(14,341)**	**(8,800)**

Other cost of sales consist primarily of sports apparel and other goods that are sold to our members and/or via the online store. Other cost of sales in 2018 include an amount of 2.4 million which was presented in the 2018 financial statements as part of other operating expenses.

2.4 Employee benefits expense

Employee benefits can be broken down as follows:

	2019	2018
Salaries and wages (including share-based payments)	(71,863)	(57,156)
Social security contributions	(16,194)	(12,494)
Pension costs – defined contribution plans	(1,275)	(1,184)
Total	**(89,332)**	**(70,834)**

During the year, the average number of employees calculated on a full-time equivalent basis was 2,303 (2018: 1,883).

	2019	2018
Benelux	1,402	1,225
France & Spain	901	658
Total	**2,303**	**1,883**
Club	1,922	1,573
Headquarters	381	310
Total	**2,303**	**1,883**

Accounting policy

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

The Group operates a number of defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.5 Share-based payments

Following the listing on Euronext Amsterdam, the Company implemented four equity-settled share-based payment plans. In 2016, awards were made to selected eligible employees under the one-off Retention Share Plan. As from 2017, performance shares are awarded on an annual basis under the new long-term incentive plan (LTIP).

Subject to the participant's continued employment with the Group, the awards made in 2016 under the Retention Share Plan vested in three equal annual instalments, after which the ordinary shares were released to the participant. The performance shares awarded in 2017, 2018 and 2019 under the LTIP will vest three years after the award date, subject to continued employment and based on achievement of a target revenue growth per annum and a target debt / EBITDA ratio over the three-year performance period 2017-2019, 2018-2020 and 2019-2021 respectively. Linear vesting applies between threshold (50%), target (100%) and maximum (150%) vesting levels.

When a particular participant's employment is terminated, unvested awards will be forfeited. The unvested awards do not entitle the participant to any share ownership rights, such as the right to receive dividends and voting rights. Ordinary shares released to the members of the Management Board after vesting of awards are subject to a mandatory holding period of five years from the award date, provided that a sufficient number of such ordinary shares can be sold to cover any taxes due upon vesting.

Details of the number of share awards outstanding are as follows:

	2019	2018
At 1 January	206,368	188,573
Awarded during the year	53,933	67,867
Performance adjustment	1,522	-
Exercised during the year	(49,996)	(44,292)
Forfeited during the year	-	(5,780)
At 31 December	**211,827**	**206,368**

The fair value of the performance shares awarded in 2019 and 2018 has been determined with reference to the share price of the Company's ordinary shares at the date of grant. Since dividends are not expected during the vesting period, the weighted average fair value of the performance shares awarded in 2019 and 2018 is equal to the share price at the date of grant of €30.25 (2018: €27.00).

The share-based payment expenses recognised in 2019, with a corresponding entry directly in equity, amount to €2.0 million (2018: €1.5 million).

As from 2018, the Company applies the exception introduced by the amendments to IFRS 2 and is now settling the share-based payment plans on a net basis by withholding the number of shares with a fair value equal to the monetary value of the employee's tax obligation (2019: €731 thousand) and only issuing the remaining shares on completion of the vesting period. The Group expects to withhold an amount of €4.1 million and pay this to the relevant taxation authorities with respect to the vesting of outstanding share-based payment awards, with €1.8 million of this within one year.

Accounting policy

The Group has a number of equity-settled share-based payment plans, under which the Management Board members and selected eligible employees perform services in exchange for equity instruments of the Company.

The total amount to be expensed for services performed is determined by reference to the grant date fair value of the share-based payment awards made, including the impact of any non-vesting conditions and market conditions. The fair value determined at the grant date is expensed on a straight-line basis over the three-year vesting period, based on the Group's estimate of the number of awards that will eventually vest, with a corresponding credit to equity. The costs for the financial year 2019 include costs of the performance share plan 2019, 2018, 2017 and 2016 (the starting year of the performance share plans).

If applicable, the difference between the amount based on the estimated number of shares awarded and the amount based on the actual number of shares awarded that vest is recognised in the consolidated statement of profit or loss in the financial year in which the shares awarded vest.

Service conditions and non-market performance conditions are taken into account in the number of awards expected to vest. At each reporting date, the Group revises its estimates of the number of awards that are expected to vest. The impact of the revision of vesting estimates, if any, is recognised in the consolidated statement of profit or loss for the period.

2.6 Depreciation, amortisation and impairment charges

	2019	2018 Restated
Depreciation of property, plant and equipment	(91,037)	(71,356)
Depreciation of right-of-use assets	(106,072)	(80,342)
Amortisation of other intangible assets	(13,607)	(12,673)
Impairment of property, plant and equipment	(1,210)	(1,782)
Total	**(211,926)**	**(166,153)**

Accounting policy

Reference is made to note 3.2 Other intangible assets, note 3.3 Property, plant and equipment and note 3.4 Right-of-use assets and lease liabilities.

2.7 Other operating income

	2019	2018 Restated
Net gain on disposal of property, plant and equipment and right-of-use assets	707	142
Insurance reimbursements	1,780	1,276
Other operating income	889	513
Total	**3,376**	**1,931**

Accounting policy

Operating income that cannot be allocated to revenues as described in note 2.2 is recognised as other operating income.

2.8 Other operating expenses

	2019	2018 Restated
Other personnel expenses	(18,854)	(16,731)
Housing expenses	(74,031)	(54,107)
Net marketing expenses	(20,511)	(17,410)
Write-off of bad debts, incl. collection agency costs	(10,925)	(8,360)
Short-term and low-value lease expenses and other lease adjustments	(1,073)	(662)
Other car expenses	(821)	(551)
Overhead and administrative expenses	(22,834)	(18,345)
Total	**(149,049)**	**(116,166)**

Accounting policy

Expenses arising from the Group's business operations are accounted for in the year incurred.

Marketing expenses arising from the Group's business operations are accounted for in the year incurred. The Group receives marketing contributions from its main suppliers of fitness equipment based on separate marketing contribution agreements that are unrelated to the purchase of fitness equipment from these suppliers, and therefore qualify as distinct services. The amount of the contribution is determined between the Group and the relevant suppliers by evaluating the joint marketing efforts. The Group recognises these contributions as a reduction against the marketing expenses in the income statement, as these are reimbursements for joint marketing costs incurred by the Group.

2.9 Income tax and deferred income tax

Income tax

The major components of income tax expense for the years 2019 and 2018 are:

Consolidated statement of comprehensive income	2019	2018 Restated
Consolidated statement of profit or loss		
Current income tax:		
Current income tax charge	(7,788)	(1,706)
	(7,788)	**(1,706)**
Deferred income tax:		
Change in deferred tax asset related to one-off impact of adopting IFRS 15	-	(3,452)
Change in deferred tax asset for carry forward losses available for offsetting against future taxable income	(312)	(1,797)
Changes in other deferred tax assets and liabilities recognised in profit or loss	2,707	5,286
	2,395	**37**
Total income tax	**(5,393)**	**(1,669)**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Deferred tax on cash flow hedges	-	(120)

Amounts recognised directly in equity

All aggregate current and deferred tax arising in the reporting period has been recognised in either the net profit or loss, or other comprehensive income. As a result of the adoption of IFRS 15 and IFRS 16, amounts of €3.4 million and €6.7 million respectively (in total €10.1 million) were directly credited to equity on 1 January 2018.

Effective income tax reconciliation

The effective income tax amount on the Group's profit before tax differs from the statutory income tax amount that would arise using the applicable statutory income tax rate. This difference is reconciled below.

	2019	%	2018 Restated	%
Profit (loss) before income tax expense	16,441		11,039	
Income tax expense based on Basic-Fit's domestic rate	**(4,110)**	**25.0%**	**(2,760)**	**25.0%**
Effects of tax rates in foreign jurisdictions	(262)	1.6%	(280)	2.5%
Adjustments in respect of prior years' current taxes	7	(0.0)%	241	(2.2)%
Remeasurement of deferred tax assets and liabilities	(74)	0.5%	599	(5.4)%
Impact CVAE Tax France	(1,500)	9.1%	(861)	7.8%
Future tax rate adjustments	(284)	1.7%	1,369	(12.4)%
Recognition of previously unrecognised deferred tax assets and liabilities	1,250	(7.6)%	361	(3.3)%
Tax losses for which no deferred tax asset was recognised	(4)	0.0%	(12)	0.1%
Adjustments in respect of tax incentives	336	(2.0)%	61	(0.6)%
Non-deductible expenses for tax purposes:				
Share-based payments	(495)	3.0%	(371)	3.4%
Other non-deductible expenses	(257)	1.6%	(16)	0.1%
At the effective income tax rate	**(5,393)**	**32.8%**	**(1,669)**	**15.1%**

Income tax expense based on Basic-Fit's domestic rate

The income tax expense based on Basic-Fit's domestic rate is based on the Dutch statutory income tax rate (25%). It reflects the income tax expense that would have been applicable assuming that all of our income is taxable against the Dutch statutory tax rate and there were no permanent differences between taxable base and financial results and no Dutch tax incentives were applied.

Effects of tax rates in foreign jurisdictions
This reflects that a portion of Basic-Fit's result is realised in countries other than the Netherlands where different tax rates are applicable.

Adjustments in respect of prior years' current taxes
The movements in the adjustments in respect of prior years' current taxes years 2018 and 2019 are considered to be limited. The adjustments relate to differences between the estimated income taxes and final corporate income tax returns.

Remeasurement of deferred tax assets and liabilities
The remeasurements of deferred tax assets and liabilities are considered to be limited. The adjustments relate to differences between the initially estimated income taxes and final corporate income tax returns and to adjustments in deferred tax assets and liabilities calculated at future tax rates, while the effective tax rate is calculated at the current tax rate.

Impact CVAE Tax France
CVAE ("Cotisation sur la Valeur Ajoutée des Entreprises") is a corporate value added contribution in France that meets, based on the Group's analysis, the definition of an income tax as established under IAS 12. The current income tax charge includes an amount of €2,173 thousand (2018: €1,303 thousand) related to CVAE tax in France. As the CVAE tax is deductible for French corporate income tax calculation, the net impact as reflected in the effective tax reconciliation is €1,500 thousand (2018: €861 thousand)

Future tax rate adjustments
As a result of tax reforms in the Netherlands and Luxembourg in the reported periods, deferred tax assets and liabilities were remeasured. Tax reform plans are taken into account as soon as the plans are substantively enacted. In December 2019, the Dutch government changed the gradual decrease of the corporate income tax rates that was enacted in December 2018. Under the new updated legislation the tax rate will be reduced later (2021 instead of 2020) and less (21.7% instead of 20.5% in 2021) than originally intended in the previous plan.

Recognition of previously unrecognised deferred tax assets and liabilities
The deferred income tax includes an amount of €1.25 million related to the recognition of carry forward losses of Basic-Fit Spain S.A. that were previously not recognised. Reference is made to the disclosure related to tax losses at the end of this chapter for further information about carry forward losses of Basic-Fit Spain S.A.

Tax losses for which no deferred tax asset was recognised
The tax losses for which no deferred tax asset was recognised are considered to be very limited. These limited losses relate to the intermediate holding companies in Luxembourg and France.

Adjustments in respect of tax incentives
Adjustments in respect of tax incentives mainly relate to (energy) investment allowances in the Netherlands and Luxembourg and to the participation exemption in the Netherlands. Furthermore, this item includes the stepped tax that is applicable in some countries where a certain threshold is taxable at a lower tax rate than the remaining result.

Non-deductible expenses for tax purposes
Non-tax deductible expenses for tax purposes reflect the impact of permanent non-tax deductible items such as share-based payment expenses and other non-deductible or partly deductible expenses, such as meals and entertainment expenses.

Deferred taxes

Deferred taxes relate to the following:

	Consolidated statement of financial position at 31 December		Consolidated statement of comprehensive income	
	2019	2018	2019	2018
		Restated		Restated
Losses available for offsetting against future taxable income	7,808	8,120	(312)	(1,797)
Tax incentives (investment allowance)	606	638	(32)	638
Purchase price allocation	(10,208)	(12,595)	2,579	3,994
Goodwill amortisation for tax purposes	(7,826)	(6,370)	(1,456)	(938)
Leases	9,243	6,970	2,273	3,141
Valuation of property, plant and equipment	1,437	2,179	(652)	158
Timing of expense recognition	(116)	598	(714)	(1,767)
Derivative financial instruments	709	-	709	60
Revenue recognition	-	-	-	(3,452)
Deferred tax on cash flow hedges reported in the other comprehensive income section of the consolidated statement of comprehensive income	-	-	-	(120)
Deferred tax benefit/(expense)			**2,395**	**(83)**
Net deferred tax assets/(liabilities)	**1,653**	**(460)**		

Reflected in the statement of comprehensive income as follows:

Statement of profit or loss	2,395	37
Statement of other comprehensive income	-	(120)
Total	**2,395**	**(83)**

After netting deferred tax assets and deferred tax liabilities within the same tax entity for an amount of €7.6 million (2018: €8.3 million), these positions are as follows:

	2019	2018
		Restated
Deferred tax assets	12,623	11,480
Deferred tax liabilities	(10,970)	(11,940)
Net deferred tax assets (liabilities)	**1,653**	**(460)**

The following table presents the expected timing of reversal of deferred tax assets and liabilities:

	2019	2018
		Restated
To be recovered within 12 months	(248)	(51)
To be recovered after more than 12 months	1,901	(409)
Total	**1,653**	**(460)**

The gross movement on the deferred income tax account is as follows:

	2019	2018
		Restated
Opening balance as at 1 January	(460)	(377)
Income tax benefit during the period recognised in profit or loss	2,395	37
Deferred taxes acquired in business combinations	(282)	-
Deferred tax on cash flow hedges reported in the other comprehensive income section of the consolidated statement of comprehensive income	-	(120)
Closing balance as at 31 December	**1,653**	**(460)**

Tax losses

Deferred tax assets have been recognised for all carry forward losses of the tax jurisdictions HealthCity België N.V., Basic-Fit Luxembourg S.A. and Basic Fit II S.A. and for a part of the carry forward losses of Basic-Fit Spain S.A.

The tax entities HealthCity België N.V., Basic-Fit Luxembourg S.A. and Basic Fit II S.A. (our operating company in France) were profitable in 2019 and, based on the budget for 2020-2024, the Group expects to be able to offset the carry forward losses in the coming years.

Most of the carry forward losses of Basic-Fit Spain S.A. were incurred in the period before the company started operating under the Basic-Fit brand (by the end of 2013, with 17 clubs). At the end of 2019, Basic-Fit Spain S.A. was profitable and operated 36 clubs. Based on the budget for 2020 onwards, and in line with the track record of other more mature tax entities, the Group expects profitability to continue to increase and that it will be able to offset at least part of the losses against taxable profits in the coming years. Basic-Fit recognises a deferred tax asset for the expected recovery of losses in the coming eight years. Basic-Fit will evaluate from year to year, whether to recognise more of the currently unrecognised carry forward losses related to Basic-Fit Spain S.A., resulting in a higher deferred tax asset. Such recognition of a deferred tax asset will result in lower (deferred) income tax in the consolidated statement of profit or loss and therefore higher profit in the year of recognition.

In total, no deferred tax assets have been recognised for gross loss carry-forwards amounting to €43.2 million (2018: €50.5 million). There are no restrictions on the expiration of these carry forward losses.

Accounting policy

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Nor is the deferred income tax accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and at the time of the transaction does not give rise to equal amounts of taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the end of the reporting period, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for unused tax losses, deductible temporary tax differences, and tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

Significant estimates

The Group is subject to income taxes in the Netherlands and a number of other jurisdictions. Judgement is required to determine current tax expenses, uncertain tax positions, deferred tax assets and deferred tax liabilities, plus the extent to which deferred tax assets can be recognised. Estimates are based on forecast future taxable income and tax planning strategies. The utilisation of deferred tax assets is dependent on future taxable profit in excess of the profit arising from the reversal of existing taxable temporary differences. The recognition of deferred tax assets is based on the assessment of whether it is more likely than not that sufficient taxable profit will be available in the future to utilise the reversal of temporary differences and tax losses. Recognition of deferred tax assets involves judgement regarding the future financial performance of the particular legal entity or tax group that has recognised the deferred tax asset.

2.10 Assets held for sale

As part of the acquisition during the year, Basic-Fit acquired a building that was (partly) used as fitness club. Shortly after the acquisition, and in line with the strategy at the moment of acquisition, Basic-Fit closed the fitness club and the members were offered a membership at an existing Basic-Fit location. The building is recognised at its estimated fair value of €2.0 million.

Section 3: Non-current assets and investments

This section discloses the group's non-current assets, including leased assets and the related lease liabilities and investments made during the year either through separate asset acquisitions or business combinations.

3.1 Goodwill

The movement in goodwill during the years was as follows:

	2019	2018
As at 1 January	187,351	187,351
Acquired through business combinations	15,283	-
As at 31 December	**202,634**	**187,351**
Accumulated impairment at 31 December	-	-

Impairment tests for goodwill

Goodwill acquired through business combinations is allocated to and monitored on the level of the five CGUs as follows:

	2019	2018
The Netherlands	101,812	88,136
Belgium	83,425	83,425
Luxembourg	12,595	12,595
France	1,607	-
Spain	3,195	3,195
Total	**202,634**	**187,351**

Based on the calculated recoverable amounts, there is significant headroom and the sensitivity analysis conducted does not indicate that a reasonably possible change in the key assumptions on which the Group has based its determination of the recoverable amounts would result in impairment.

Accounting policy

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Goodwill is allocated to CGUs for the purpose of impairment testing. The goodwill is allocated to those CGUs, or groups of CGUs, that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes. Management monitors goodwill on a country basis. Therefore, goodwill has been allocated to the Netherlands, Belgium, Luxembourg, France and Spain.

Reference is also made to note 3.5 Business combinations.

Significant estimates

Calculation of the recoverable amount

The recoverable amount as at 31 December 2018 and 2019 was determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management, covering a five-year period. These cash flow projections only include existing clubs and do not take into account any new club openings. The pre-tax discount rates applied to the cash flow projections are shown in the table below. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 0.5% for all CGUs, which is the estimated long-term average growth rate in the industry.

Pre-tax WACC discount rate	**Netherlands**	**Belgium**	**Luxembourg**	**France**	**Spain**
Year ended 31 December 2018	8.3%	9.5%	9.0%	9.5%	10.7%
Year ended 31 December 2019	7.6%	8.7%	7.9%	8.5%	9.9%

The discount rate has been determined excluding the effects of IFRS 16, consistent with the other parameters of the impairment test, as this provided the most reliable manner of determining an appropriate discount rate using available market data.

Key assumptions used

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

- **Terminal growth rate;**
- Discount rates; and
- Growth in membership revenues while maintaining relatively stable EBITDA margins.

Terminal growth rate - The terminal growth rate is based on management's expectations of market development, and industry expectations.

Discount rates - The pre-tax WACC discount rate represents management's market assessment of the risks specific to the CGUs regarding the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The pre-tax WACC discount rate calculation takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

Growth in membership revenues while maintaining relatively stable EBITDA margins – The cash flow projections assume a compound annual growth rate of fitness membership revenues over the forecast budget period of 6.9% for the Netherlands, 3.6% for Belgium, 3.8% for Luxembourg, 10.7% for France and 4.4% for Spain (2018: 2.9% for the Netherlands, 4.3% for Belgium, 2.8% for Luxembourg, 11.3% for France and 2.9% for Spain). The cash flow projections are based on the Group's analyses and the financial budgets approved by management covering a five-year period. These projections only include existing clubs and do not take into account any new club openings. The growth rates are based on management's historical experience of membership developments taking into consideration the maturity of existing clubs. After the forecast period, revenues are expected to increase by 0.5% annually.

Estimated impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy stated above. The recoverable amounts of CGUs have been determined based on value-in-use calculations.

3.2 Other intangible assets

The movement in other intangible assets during the years was as follows:

	Trademark	Customer relationships	Other intangible assets	Total
As at 1 January 2018 (Restated)				
Cost	44,918	58,355	12,038	115,311
Accumulated impairments and amortisation	(8,984)	(31,730)	(6,496)	(47,210)
Net book value	**35,934**	**26,625**	**5,542**	**68,101**
Year ended 31 December 2018				
Opening net book value	35,934	26,625	5,542	68,101
Additions	-	-	2,114	2,114
Acquired through business combinations	-	143	-	143
Cost of disposals	-	-	(115)	(115)
Amortisation for the year	(2,246)	(8,347)	(2,080)	(12,673)
Accumulated depreciation of disposals	-	-	115	115
Closing net book value	**33,688**	**18,421**	**5,576**	**57,685**
As at 31 December 2018 (Restated)				
Cost	44,918	58,498	14,037	117,453
Accumulated impairments and amortisation	(11,230)	(40,077)	(8,461)	(59,768)
Net book value	**33,688**	**18,421**	**5,576**	**57,685**
Year ended 31 December 2019				
Opening net book value	33,688	18,421	5,576	57,685
Additions	-	-	5,580	5,580
Acquired through business combinations	-	4,527	-	4,527
Cost of disposals	-	-	(49)	(49)
Amortisation for the year	(2,246)	(9,165)	(2,196)	(13,607)
Accumulated depreciation of disposals	-	-	44	44
Closing net book value	**31,442**	**13,783**	**8,955**	**54,180**
As at 31 December 2019				
Cost	44,918	63,025	19,568	127,511
Accumulated impairments and amortisation	(13,476)	(49,242)	(10,613)	(73,331)
Net book value	**31,442**	**13,783**	**8,955**	**54,180**

Accounting policy

Customer relationships and brand name

Customer relationships and brand names acquired in a business combination are recognised at fair value at the acquisition date. Separately acquired customer relationships and brand names are recognised at historical cost. Customer relationships and brand names have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Brand names are amortised on a straight line basis over their estimated useful life of 20 years. For customer relationships amortisation is calculated based on the pattern of economic benefits that Basic-fit obtains from these customer relationships. If such pattern cannot be reliably estimated the amortisation is calculated using the straight-line method over their estimated useful lives of 7-8 years.

Other intangible assets

Other intangible assets are mostly software-related and are measured at cost on initial recognition. Following initial recognition, other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when incurred.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The useful lives of intangible assets are assessed as either finite or indefinite. The Group has assessed the remaining useful life to be finite for all recognised other intangible assets.

Other intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the statement of profit or loss when the asset is derecognised.

Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Significant estimates

Impairment testing

The Group determines whether other intangibles assets, as well as property, plant and equipment and right-of-use assets are impaired whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This requires an estimation of the recoverable amount of the relevant CGU. The recoverable amount is the higher of fair value less costs of disposal and value in use. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as CGUs.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying amount of assets can be supported by the net present value of future cash flows derived from such assets, using cash flow projections that have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions need to be made in respect of highly uncertain matters.

Useful lives

The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. Estimated useful economic lives of property, plant and equipment, and intangibles are based on management's judgement and experience. The depreciation or amortisation charge is adjusted prospectively when management identifies that the actual useful life differs materially from the estimates used to calculate depreciation and amortisation. Due to the significance of capital investment, variations between actual and estimated useful lives could impact operating results both positively and negatively.

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's judgement for the period over which economic benefit will be derived from the asset.

Changes in useful lives and residual values did not result in any material changes to the Group's deprecation or amortisation charge in 2019.

3.3 Property, plant and equipment

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

	Building improvement	Other fixed assets	Total
As at 1 January 2018 (Restated)			
Cost	356,106	214,943	571,049
Accumulated impairments and depreciation	(67,157)	(85,568)	(152,725)
Net book value	**288,949**	**129,375**	**418,324**
Year ended 31 December 2018			
Opening net book value	288,949	129,375	418,324
Additions	105,845	59,196	165,041
Acquired through business combinations	462	40	502
Cost of disposals	(899)	(1,824)	(2,723)
Depreciation for the year	(35,571)	(35,785)	(71,356)
Impairment	(1,323)	(459)	(1,782)
Accumulated depreciation of disposals	898	1,722	2,620
Closing net book value	**358,361**	**152,265**	**510,626**

As at 31 December 2018 (Restated)			
Cost	461,514	272,355	733,869
Accumulated impairments and depreciation	(103,153)	(120,090)	(223,243)
Closing net book value	**358,361**	**152,265**	**510,626**

Year ended 31 December 2019			
Opening net book value	358,361	152,265	510,626
Additions	148,870	86,168	235,038
Acquired through business combinations	7,051	1,927	8,978
Cost of disposals	(3,906)	(5,823)	(9,729)
Depreciation for the year	(47,250)	(43,787)	(91,037)
Impairment	(804)	(406)	(1,210)
Accumulated depreciation of disposals	3,906	5,541	9,447
Closing net book value	**466,228**	**195,885**	**662,113**

As at 31 December 2019:			
Cost	613,202	355,647	968,849
Accumulated impairments and depreciation	(146,974)	(159,762)	(306,736)
Closing net book value	**466,228**	**195,885**	**662,113**

At 31 December 2019, the carrying amount includes assets under construction of €1,890 thousand (2018: €667 thousand).

In 2018, the impairment loss of €1,782 thousand represented the write-down of certain property, plant and equipment in the Netherlands (€54 thousand), Belgium (€437 thousand), Luxembourg (€320 thousand), France (€780 thousand) and Spain (€191 thousand).

In 2019, the impairment loss of €1,210 thousand represented the write-down of certain property, plant and equipment in the Netherlands (€388 thousand) and France (€822 thousand).

Accounting policy

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical costs include expenditure that is directly attributable to the acquisition of the items and is calculated after deducting trade discounts.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

- Building improvements: 5 - 20 years;
- Exercise equipment: 6 - 8 years;
- Other property, plant and equipment: 5 - 10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised within Other operating income in the consolidated statement of profit or loss.

Fixed assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (CGUs).

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Significant estimates

For significant estimates related to impairment testing and useful lives, see note 3.2 Other intangible assets.

3.4 Right-of-use assets and lease liabilities

The Group has lease contracts for buildings, vehicles and, to a limited extent, other equipment used in its operations. Leases of buildings generally have contractual lease terms of between nine and 20 years, while vehicles and other equipment generally have contractual lease terms between three and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has several lease contracts that include extension and termination options and variable lease payments, which are discussed in more detail below.

The Group also has certain leases with contractual lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

	Leased buildings	Leased vehicles	Total
As at 1 January 2018 (Restated)	559,709	2,357	562,066
Additions	218,901	1,406	220,307
Remeasurements	35,782	131	35,913
Depreciation	(79,155)	(1,187)	(80,342)
As at 31 December 2018 (Restated)	**735,237**	**2,707**	**737,944**
Additions	294,004	1,741	295,745
Remeasurements	23,147	(503)	22,644
Depreciation	(104,792)	(1,280)	(106,072)
As at 31 December 2019:	**947,596**	**2,665**	**950,261**

Set out below are the carrying amounts and the movements during the years of lease liabilities related to these right-of-use assets:

	2019	2018 Restated
As at 1 January	776,346	590,940
Additions/remeasurements	317,107	252,147
Accretion of interest	25,059	21,449
Payments	(112,984)	(88,190)
As at 31 December	**1,005,528**	**776,346**
Of which:		
Non-current lease liabilities	866,741	673,347
Current lease liabilities	138,787	102,999

The maturity analysis of lease liabilities is disclosed in note 5.4.

The following amounts are recognised in profit or loss during the years related to right-of-use assets and lease liabilities:

	2019	2018 Restated
Depreciation expense of right-of-use assets	(106,072)	(80,342)
Interest expense on lease liabilities	(25,059)	(21,449)
Expense relating to short-term leases (*)	(434)	(106)
Expense relating to leases of low-value assets (*)	(561)	(507)
Expense relating to lease recalculations and other lease related cost (*)	(78)	(50)
Total amounts recognised in profit or loss	**(132,204)**	**(102,454)**

(*) included in Other operating expenses

The Group had total lease-related cash outflows of €113.9 million (2018: €88.8 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of €311.9 million (2018: €252.1 million).
The future cash outflows relating to leases that have not yet commenced are disclosed in note 6.2.

Accounting policy

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset for acquired leases is measured at the present value of the remaining lease payments adjusted for any favourable or unfavourable lease terms recognised when compared to market terms. These favourable and unfavourable contracts are recognised at fair value on the acquisition date for contracts whose terms are favourable respectively unfavourable compared to current market terms, and they are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method, based on the term of the lease contracts.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

Lease component and non-lease components
The Company has elected to separate lease and non-lease components included in lease payments for property leases. Regarding vehicles leases, Basic-Fit applies the practical expedient not to separate non-lease components from lease components. Therefore, the full monthly lease fees will be reflected on Basic-Fit's balance sheet.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Extension options
Most of the lease contracts for buildings include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether it is reasonably certain that these extension and termination options will be exercised (see below).

Extension options are included in the lease term when the group has such an economic incentive that exercising the option is reasonably certain. The group considers available evidence at the time of the assessment, including potential favourable terms upon extension, potential termination penalties, the relative costs associated with potential relocation or termination of the lease and the extent of leasehold improvements undertaken. Additionally, the size and the relative importance of the leased premises as well as the availability of easily substitutable assets is taken into consideration when assessing whether the group has an economic incentive to extend a lease for which it holds an option to do so.

Periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Significant estimates

Significant judgement in determining the lease term of contracts with renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain it will or will not exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or the termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Leases - estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, so it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Basic-Fit's IBRs are built up of the following components:
- Base rate: risk-free rate
- Country risk premium: premium for the higher risk associated with the country where the lease is situated
- Credit rating (unsecured): premium based on the credit rating of Basic-Fit per country
- Lease-specific adjustment: adjustment to the (unsecured) credit rating to reflect the secured borrowing position related to the lease

Basic-Fit determines the IBR per country, taking into account the term of the lease based on three aging buckets (up to 10 years, 10-20 years and more than 20 years). For the years 2018 and 2019, the IBRs range from 1.1% to 4.2 %.

3.5 Business combinations

Acquisitions 2019
In 2019, the Group acquired 31 clubs in the Netherlands and 5 clubs in France. The total purchase price net of cash was €26.4 million, which was mostly allocated to property, plant and equipment, customer relationships, leased assets and related lease liabilities. The goodwill of approximately €15.3 million represents the excess of the consideration transferred after the recognition of newly acquired net identifiable assets and liabilities totalling €11.2 million. The clubs in the Netherlands were acquired through asset deals and the clubs in France through a share deal. In relation to this share deal, a deferred tax liability has been recognised for the temporary difference caused by the amortisation of customer relationships that is not deductible for income tax purposes and for temporary differences in the valuation of other assets and liabilities.

Acquisitions 2018
In 2018, the Group acquired two fitness clubs in the Netherlands. The total purchase price net of cash was €634 thousand, which was mostly allocated to property, plant and equipment. There was no excess of the consideration transferred, after the recognition of newly acquired net identifiable assets. As a result, no goodwill was recognised. Both acquisitions were acquired through asset deals.

The following tables summarise the considerations paid for the acquisitions in 2019 and 2018, the provisional fair value of assets acquired and the liabilities assumed at the acquisition date.

Fair value recognised on acquisition	2019	2018 Restated
Assets		
Property, plant and equipment	8,978	502
Right-of-use assets	40,942	3,429
Non-current financial assets	191	-
Customer relationships	4,527	143
Favourable lease contracts (included in right-of-use assets)	717	-
Inventories and receivables	387	-
Cash and cash equivalents	121	-
Assets held for sale	2,000	-
Liabilities		
Lease liabilities	(41,476)	(3,429)
Borrowings	(195)	-
Provision unfavourable leases (included in right-of-use assets)	(3,030)	-
Accrued expenses and deferred income	(1,654)	(11)
Deferred income tax assets and liabilities	(282)	-
Total identifiable net assets acquired at fair value	**11,226**	**634**
Goodwill arising on acquisition	15,283	-
Purchase consideration transferred	**26,509**	**634**
Less: cash acquired	(121)	-
Net outflow of cash - investing activities	**26,388**	**634**

From the date of acquisition, the revenue and net income of the acquired group in 2019 for the period 2019 amounts to €7.0 million and a loss of €1.1 million respectively. If the group had been acquired at the beginning of the annual reporting period, the revenue and net income of the acquired group would have been €17.3 million and a loss of €0.9 million respectively.

From the date of acquisition, the revenue and net income of the acquired group in 2018 for the period 2018 amounts to €255 thousand and a loss of €33 thousand respectively. If the group had been acquired at the beginning 2018, the revenue and net income of the acquired group for that year would have been €886 thousand and a loss of €33 thousand respectively.

Accounting policy

Business combinations are accounted for using the acquisition method. The costs of an acquisition are measured as the aggregate of the consideration transferred, which is measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration is classified either as equity or as a financial liability. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent considerations (except that which is classified as equity) are measured at fair value, with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the divested operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the divested operation and the portion of the CGU retained.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions

Section 4: Working capital

The notes in this section specify the Group's working capital, including disclosures related to cash and cash equivalents.

4.1 Inventories

The composition of the inventories is as follows:

	2019	2018
Food and drinks	2,247	1,532
Sports apparel and other goods	4,250	1,516
Total	**6,497**	**3,048**

Food and drinks consist primarily of sports water that members with a (paid) 'sports water add-on' can drink in the clubs. Sports apparel and other goods includes goods that are sold via the webshop and vending machines and to third parties.

The Group did not write down any inventory balances during the year 2019 (2018: nil).

Accounting policy

Inventories are stated at the lower of costs and net realisable value. Costs comprise direct materials. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.2 Receivables

	2019	2018 Restated
Member and trade receivables	23,237	21,653
Less: allowance for doubtful accounts	(7,516)	(8,113)
Receivables – net	**15,721**	**13,540**
Security deposits	5,004	3,362
Loan receivable	142	259
Taxes and social charges	5,060	5,678
Prepayments	3,546	3,992
Other receivables and accrued income	6,490	4,443
Total receivables	**35,963**	**31,274**
Less: non-current portion of security deposits	5,004	3,362
Less: non-current loans receivable	142	259
Total non-current portion	**5,146**	**3,621**
Total current portion	**30,817**	**27,653**

The fair value of the receivables approximates the book value. No breakdown of the fair values of trade and other receivables has been included as the differences between the book values and the fair values are insignificant.
The carrying amounts of the Group's trade and other receivables are all denominated in euros.
Movements in the Group provision for impairment of receivables were as follows:

	2019	2018
As at 1 January	(8,113)	(7,124)
Provision for impairment recognised during the year	(15,155)	(8,685)
Receivables written off during the year as uncollectable	15,752	7,696
As at 31 December	**(7,516)**	**(8,113)**

The creation and release of provisions for impaired receivables have been included in 'Other operating expenses' in the income statement (note 2.8). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

As described in note 5.4 regarding credit risk, all member receivable balances are automatically past due. The estimated provision for impairment losses is recognised based on the expected credit loss for each of the ageing buckets.
The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due (the Group does not hold any collateral in relation to these receivables).

Accounting policy

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days or less, and are therefore all classified as current.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

Reference is made to note 5.5 Financial instruments for the accounting policy related to financial assets and liabilities, derivative financial instruments and fair value measurement.

4.3 Cash and cash equivalents

The composition of cash and cash equivalents is as follows:

	2019	2018
Cash in bank and on hand	66,208	5,167
Cash in transit	279	459
Total	**66,487**	**5,626**

All cash and cash equivalents are available for immediate use by the Group, except for an amount of €360 thousand related to bank guarantees.

Accounting policy

In the statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

4.4 Trade and other payables

The composition of trade and other payables is as follows:

	2019	2018
		Restated
Trade payables	80,123	53,958
Deferred revenues	26,990	37,010
Holiday allowance and vacation days accrual	7,501	5,651
Payroll tax payable	4,506	3,625
Interest payable	575	6
Investment obligations	8,380	9,600
Housing costs	11,285	8,688
Other liabilities and accrued expenses	8,634	5,034
Total	**147,994**	**123,572**

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

Accounting policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method.
For deferred revenues, reference is made to note 2.2.

Section 5: Financing, financial risk management and financial instruments

This section includes notes related to financing items such as equity, borrowings, financial risk management and financial instruments. Related items such as earnings per share calculation and financial income and costs, are included in this section.

5.1 Equity

Share capital

The subscribed capital as at 31 December 2019 amounted to €3,280 thousand and was divided into 54,666,667 shares fully paid-up with a nominal value per share of €0.06. There were no movements during the periods.

Share premium

As at 31 December 2019, the share premium amounted to €358,360 thousand. There were no movements during the periods.

Treasury shares

In 2019, the Company purchased and shortly thereafter reissued 26,231 shares to satisfy obligations under the equity-settled share-based compensation plans.

Other capital reserves

The movement in share-based reserve during the years was as follows:

	2019	2018
As at 1 January	2,105	1,344
Share-based payments expense during the year	1,981	1,486
Exercised share-based payments during the year	(846)	(725)
As at 31 December	**3,240**	**2,105**

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. See note 2.5 for further details.

Retained earnings

The profits for the respective periods 2019 and 2018 have been included in retained earnings.

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedging, pending subsequent recognition in profit or loss as the hedged cash flows effect profit or loss. As of the end of 2018, there were no hedging instruments for which hedge accounting was applied. Since then, as a result, the cash flow hedge reserve is nil.

Accounting policy

Ordinary shares are classified as share capital.

The share premium represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are deducted from equity for the consideration paid, including any directly attributable incremental costs (net of income taxes), until the shares are cancelled or reissued. When such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity.

5.2 Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2019	2018 Restated
Earnings		
Profit for the period attributable to the ordinary equity holders of the Company	11,048	9,370
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	54,666,295	54,666,404
Effect of dilutive potential ordinary shares	-	-
Weighted average number of ordinary shares for diluted earnings per share	**54,666,295**	**54,666,404**
Earnings per share (in €)		
Basic earnings per share	0.20	0.17
Diluted earnings per share	0.20	0.17

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date these financial statements were authorised.

Accounting policy

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Treasury shares are deducted from the number of ordinary shares outstanding on a weighted basis.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

5.3 Borrowings

The Group's interest-bearing borrowings as at 31 December 2019 and 31 December 2018, including the movements during 2019 and 2018, are summarised in the following tables:

		Cash settled		Other changes (non-cash)				
	Balance as at 1 January 2019	New loans	Repayments	Amortisation	Additions (lease liabilities)	Acquired via business combinations	Accretion of interest	Balance as at 31 December 2019
Floating rate borrowings (non-current)								
Bank borrowings	250,000	-	-	-	-	-	-	250,000
Drawn RCF	92,500	78,000	-	-	-	-	-	170,500
Bridge loan	-	50,000	(50,000)	-	-	-	-	-
Schuldschein	-	92,000	-	-	-	-	-	92,000
Borrowing costs	(3,838)	(351)	-	852	-	-	-	(3,337)
	338,662	**219,649**	**(50,000)**	**852**	**-**	**-**	**-**	**509,163**
Fixed rate borrowings and lease liabilities (non-current and current)								
Schuldschein	-	8,000	-	-	-	-	-	8,000
Lease liabilities	776,346	-	(112,984)	-	275,631	41,476	25,059	1,005,528
Other bank borrowings	-	-	(15)	-	-	195	-	180
	776,346	**8,000**	**(112,999)**	**-**	**275,631**	**41,671**	**25,059**	**1,013,708**
	1,115,008	**227,649**	**(162,999)**	**852**	**275,631**	**41,671**	**25,059**	**1,522,871**
Of which:								
Non-current Lease liabilities	673,347							866,741
Non-current Borrowings	338,662							517,283
Current Lease liabilities	102,999							138,787
Current Borrowings	-							60

		Cash settled		Other changes (non-cash)				
	Balance as at 1 January 2018 (Restated)	New loans / modification	Repayments	Amortisation	Additions (lease liabilities)	Acquired via business combinations	Accretion of interest	Balance as at 31 December 2018 (Restated)
Floating rate borrowings (non-current)								
Bank borrowings	175,000	75,000	-	-	-	-	-	250,000
Drawn RCF	122,497	(29,997)	-	-	-	-	-	92,500
Borrowing costs	(2,929)	(1,710)	-	801	-	-	-	(3,838)
	294,568	**43,293**	**-**	**801**	**-**	**-**	**-**	**338,662**
Fixed rate borrowings and lease liabilities (non-current and current)								
Lease liabilities	590,940	-	(88,190)	-	248,718	3,429	21,449	776,346
Other long-term financing	20	-	(20)	-	-	-	-	-
	590,960	**-**	**(88,210)**	**-**	**248,718**	**3,429**	**21,449**	**776,346**
	885,528	**43,293**	**(88,210)**	**801**	**248,718**	**3,429**	**21,449**	**1,115,008**
Of which:								
Non-current Lease liabilities	511,653							673,347
Non-current Borrowings	294,568							338,662
Current Lease liabilities	79,287							102,999
Current Borrowings	20							-

The revolving credit facility is presented as non-current borrowings, as the Group expects and has an unconditional right to renew the revolving credit facility every three months until the maturity date.

Bank borrowings: senior debt loans and drawn revolving credit facility (RCF)
The facilities agreement consists of a €250.0 million term loan and a €200.0 million revolving facility. The interest is variable and based on Euribor plus a margin that depends on certain leverage covenants (currently 1.7%). The term loan and RCF are unsecured and is repayable in full in June 2024 as result of a one-year extension in May 2019.

As at 31 December 2019, an amount of €8.3 million (2018: €7.4 million) of the revolving facility of €200 million had been used for bank guarantees and €170.5 million (2018: €92.5 million) had been drawn in cash.

Schuldschein
In October 2019, Basic-Fit completed a Schuldschein issuance with a German Private Placement. The total volume is €100 million in Euro-denominated tranches with maturities of three and five years. For an amount of 8.0 million the interest is fixed at 1.55% and for the remaining part, the interest is variable and based on Euribor plus an average weighted margin of 1.47%. This loan is unsecured and the financial covenants are similar to the bank borrowings.

Borrowing costs
The carrying value of the borrowings is presented net of finance costs (2019: €3.3 million; 2018: €3.8 million). The finance costs are charged to the income statement based on the effective interest rate method over the period to maturity of the loans.

Other bank borrowings
In October 2019, as part of an acquisition, Basic-Fit took over a bank debt with a remaining value of €195 thousand. This loan is repayable in quarterly installments of €15 thousand. The interest rate is fixed at 1.90%.

Lease liabilities
Reference is made to note 3.4. In addition to that: In October 2019, as part of an acquisition, Basic-Fit took over some lease liabilities, mainly related to fitness equipment. These leases are repayable in monthly installments. The fixed interest rate is in a range from 1.9% to 6.4% (weighted average 4%). Maturity varies from 2020 to 2023.

Accounting policy

Borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. However, a revolving credit facility is classified as non-current if the Group expects, and has the discretion, to roll over for at least twelve months after the reporting period.

The Group does not have any qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Therefore, borrowing costs are not capitalised and are expensed in the period in which they are incurred.

Reference is made to note 5.5 Financial instruments for the accounting policy related to financial assets and liabilities, derivative financial instruments and fair value measurement.

5.4 Financial risk management

The Group's activities expose it to a variety of financial risks. Management identifies and evaluates the financial risks based on principles for overall risk management. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. Management is of the opinion that the Group's exposure to financial risks is limited.

(a) Credit risk

Credit risk arises from cash, cash equivalents and deposits with banks and financial institutions, as well as credit exposures to outstanding receivables for membership fees or other membership services that could not be collected upfront. The carrying amounts of these financial instruments as disclosed in notes 4.2 and 4.3 represent the Group's maximum credit exposure.

The Group's policy is that all members need to pay the membership fees upfront, which means that credit risk related to membership fees is limited to those fees that could not be collected upfront. The first measure to limit credit risk is to deny access to the services provided by the Group to customers with overdue receivables until the receivables have been fully paid. The second measure is the Group's collection policy of using debt collection agencies for all receivables due for more than 120 days. The Group does not hold collateral as security for the membership receivables. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions.

As a result of the Group's prepayment policy, any account receivables balances are automatically past due.

An ageing analysis of the Group's trade and other receivables that are past due is as follows:

Receivables	**Balance incl. provision**	**Overdue < 30 days**	**Overdue 31-60 days**	**Overdue 61-90 days**	**Overdue > 90 days**
At 31 December 2019	15,721	6,566	2,519	1,784	4,852
At 31 December 2018	13,540	3,042	2,485	575	7,438

The receivables consist of member receivables and trade receivables. These receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment, which is based on the expected credit loss for each of the ageing buckets. At 31 December 2019, the provision stood at €7.5 million (2018: €8.1 million).

The Group avoids the concentration of credit risk on its cash and cash equivalents by spreading them over ABN AMRO, Rabobank, ING, KBC and BNP Paribas. No collateral is held for the aforementioned liquid assets.

(b) Liquidity risk

The Group's funding strategy is focused on ensuring that it has continuous access to capital. On a weekly basis, management prepares a cash flow forecast to identify the cash needs for the medium term and on a quarterly basis for the longer term. Additionally, management monitors on a daily basis the intra-month cash needs by assessing the cash inflows and outflows.

The liquidity risk is reduced by the revolving credit facility of €200.0 million with a maturity of June 2024. The facilities can only be cancelled by the lenders upon the receipt of a timely notice after an event of default (including non-payment, breach of (financial) covenants or breach of other obligations, in each case subject to materiality thresholds, qualifications and cure periods).
The revolving credit facility is presented as non-current borrowings, as the Group expects and has an unconditional right to renew the revolving credit facility every three months until the maturity date.

The table below analyses the Group's financial liabilities in terms of relevant maturity groupings, based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities

				2019			
	Less than 6 months	**6 months to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**	**Carrying amount**
Non-derivatives							
Borrowings (*)	4,299	4,422	8,720	540,562	-	558,003	520,680
Lease liabilities	68,506	69,936	138,927	389,859	472,944	1,140,172	1,005,528
Trade payables	80,123	-	-	-	-	80,123	80,123
Total non-derivatives	**152,928**	**74,358**	**147,647**	**930,421**	**472,944**	**1,778,298**	**1,606,331**
Derivative financial liability	650	649	932	940	-	3,171	3,268
Total derivatives	**650**	**649**	**932**	**940**	**-**	**3,171**	**3,268**

				2018 (Restated)			
	Less than 6 months	**6 months to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**	**Carrying amount**
Non-derivatives							
Borrowings (*)	3,164	3,164	6,328	358,321	-	370,977	342,500
Lease liabilities	51,721	53,142	105,749	299,424	386,304	896,340	776,346
Trade payables	53,958	-	-	-	-	53,958	53,958
Total non-derivatives	**108,843**	**56,306**	**112,077**	**657,745**	**386,304**	**1,321,275**	**1,172,804**
Derivative financial liability	151	453	434	51	-	1,089	1,068
Total derivatives	**151**	**453**	**434**	**51**	**-**	**1,089**	**1,068**

(*) Excluding lease liabilities and capitalised financing costs

As at 31 December 2019, the Group had €21.2 million in undrawn facilities (2018: €100.0 million).

(c) Market risk

i. Foreign exchange risk
   The Group only operates in the Eurozone, hence the currency risk is limited, due to the fact that all revenues (and almost all expenses) are incurred in euro. There is therefore no significant exposure to foreign currency fluctuations.

ii. Price risk
   The Group has limited exposure to price risk. The Group's main exposure is to fluctuations in energy costs.

iii. Interest rate risk and cash flow risk
   The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by mostly using floating-to-fixed interest rate swaps. Under the swap agreements, the Group agrees with another party to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to

the agreed notional principal amounts.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the fixed interest rate borrowings (including lease liabilities) at the end of the reporting period are as follows:

	2019	2018 Restated
Variable rate borrowings	512,500	342,500
Fixed interest rate borrowings (including lease liabilities)	1,013,708	776,346
Total	**1,526,208**	**1,118,846**

Financial instruments in use by the Group

Swaps currently in place cover approximately 51.3% (2018: 46.2%) of the variable loan principal outstanding.

The contracts require settlement of net interest receivable or payable every 90 days.

At the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	31 December 2019			31 December 2018 (Restated)		
	Weighted average interest rate	Balance	% of the total loans	Weighted average interest rate	Balance	% of the total loans
Bank overdrafts and bank loans	1.70%	512,500	33.58%	1.70%	342,500	30.61%
Interest rate swaps (notional amount)		(263,100)			(158,100)	
Net exposure to cash flow interest rate risk		**249,400**	**16.34%**		**184,400**	**16.48%**

Amounts recognised in profit or loss and other comprehensive income

Over the past two years, the following gains/(losses) were recognised in profit or loss and other comprehensive income in relation to interest rate swaps:

	2019	2018
(Loss) Gain recognised in profit or loss	(2,200)	(176)
Reclassified from other comprehensive income to profit or loss	-	480

Sensitivity analysis

According to interest rate sensitivity analyses performed for the years ending 31 December 2019 and 2018, the impact on the consolidated statement of profit or loss and components of equity due to upward or downward movements in the interest rates of 1 % are as follows:

	Impact on post Tax Profit		Impact on other components of equity pre Tax Profit	
Interest rate movement	2019	2018	2019	2018
Increase by 100 basis points	3,473	650	-	-
Decrease by 100 basis points	(5,720)	(2,457)	-	-

The Group's receivables are carried at amortised cost. They are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate due to changes in market interest rates.

Management did not identify any other market risks that could have a significant impact on the Group.

Accounting policy

Reference is made to note 5.5 Financial instruments for the accounting policy related to financial assets and liabilities, derivative financial instruments and fair value measurement.

5.5 Financial instruments

Financial instruments by category comprise the following:

	2019		2018	
Assets	**Derivatives at FVPL (*)**	**Loans and receivables**	**Derivatives at FVPL**	**Loans and receivables**
Loan receivable	-	142	-	259
Trade and other receivables excluding prepayments	-	15,721	-	13,540
Cash and cash equivalents	-	66,487	-	5,626
Total	**-**	**82,350**	**-**	**19,425**

(*) Fair value through profit and loss

	2019		2018 (Restated)	
Liabilities	**Derivatives at FVPL**	**Other financial liabilities at amortised cost**	**Derivatives at FVPL**	**Other financial liabilities at amortised cost**
Borrowings (excluding lease liabilities)	-	517,283	-	338,662
Lease liabilities	-	1,005,528	-	776,346
Derivative financial instruments	3,268	-	1,068	-
Trade and other payables excluding non-financial liabilities	-	80,123	-	53,958
Total	**3,268**	**1,602,934**	**1,068**	**1,168,966**

The carrying amount of the above financial instruments represents the maximum exposure. See note 5.4 for a description of the credit quality of financial assets that are neither past due nor impaired.

Derivative financial instruments and hedging activities

As at 31 December 2019, the Group had nine (2018: four) derivative financial instruments measured at fair value. These instruments relate to interest rate swaps that are designated as hedging instrument in a cash flow hedge relationship. The contracts swap quarterly interest payments, where the Group pays a fixed interest and receives interest based on the three-month Euribor rate. The Group does not apply hedge accounting for these swaps.

				carrying amount	
	Notional amount	**Inception**	**Fixed interest**	**2019**	**2018**
Interest rate swaps (four)	158,100	July 2017	0.083%	931	1,068
Interest rate swaps (five)	105,000	January 2019	0.131%	2,337	-
Total	**263,100**			**3,268**	**1,068**

The movements is 2019 and 2018 arising from cash flows and non-cash changes in the Group's derivative financial instruments are summarised in the following table:

		Cash flows	Other changes (non-cash)		
	Balance as at 1 January 2019	**Repayments**	**Fair value changes through P&L**	**Fair value changes through OCI**	**Balance as at 31 December 2019**
Derivative financial instruments	**1,068**	**-**	**2,200**	**-**	**3,268**

		Cash flows	Other changes (non-cash)		
	Balance as at 1 January 2018	Repayments	Fair value changes through P&L	Fair value changes through OCI	Balance as at 31 December 2018
Derivative financial instruments	892	(77)	733	(480)	1,068

Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Reference is made to the accounting policies in Note 2.2 Revenue from contracts with customers.

For a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require the delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of financial assets
Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in note 4.2.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.
For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group does not therefore track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continued involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. If the terms are not substantially different, the original liability is not derecognised and a modification gain or loss is determined based on the original effective interest rate. However, if the financing agreement has a prepayment option at par without significant penalty, the adjustment is treated as a modification with a prospective adjustment of the effective interest rate to reflect the new market rate and without recognising a gain or loss on modification.

Derivative financial instruments and hedging activities

Initial recognition and subsequent measurement

The Group uses interest rate swaps as derivative financial instruments to hedge its interest rate risks. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group does not apply hedge accounting for the remaining financial instruments at 31 December 2019. Therefore, all changes related to these financial instruments will be recognised in profit or loss.

Fair value measurement

The Group measures financial instruments such as derivates at fair value at each balance sheet date.

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

or

- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs

The derivatives are classified as Level 2 valuation, in accordance with the fair value hierarchy as described in IFRS 13. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For all years presented, the Group only held financial instruments that classify as Level 2 fair values. The Group did not hold any Level 1 or Level 3 financial instruments, nor were there any transfers between levels during the year. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to assign a fair value to an instrument are observable, the instrument is included in Level 2. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows, based on observable yield curves (discounted cash flow model).

Fair values, including valuation methods and assumptions

- On 31 December 2019 and 31 December 2018, the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.
- On 31 December 2019 and 31 December 2018, the fair values of other long-term financial assets (security deposits) were not materially different from the carrying amounts.
- On 31 December 2019 and 31 December 2018, the fair values of long-term borrowings (excluding lease liabilities) were not materially different from the carrying amounts.

5.6 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders.

The Group closed a multicurrency term (€250 million) and revolving credit facilities agreement (€200 million). Furthermore, in October 2019, a Schuldschein issuance with a German Private Placement was completed. The Group monitors capital on the basis of its leverage ratio and its interest cover ratio. The leverage ratio is calculated as net debt divided by the consolidated EBITDA. Net debt is calculated as total borrowings (excluding capitalised finance costs) less cash and cash equivalents. Consolidated EBITDA is calculated as adjusted EBITDA plus permitted pro forma adjustments. The interest cover ratio is calculated as consolidated EBITDA divided by net finance costs. The calculation of these covenants is based on frozen GAAP and is therefore not influenced by the adoption of IFRS 16.

The net debt at 31 December 2019 and at 31 December 2018 was as follows (including and excluding lease liabilities related to right-of-use assets):

	2019	2018
		Restated
Total borrowings (incl. capitalised finance costs)	1,522,871	1,115,008
Less: cash and cash equivalents	(66,487)	(5,626)
Net debt including lease liabilities	**1,456,384**	**1,109,382**
Lease liabilities (*)	1,005,069	776,346
Net debt excluding lease liabilities	**451,315**	**333,036**

(*) Related to leases that would have been classified as operating lease if IFRS 16 had not been adopted

The increase in net debt is directly related to the investments in new club openings and acquisitions in 2019.

Loan Covenants

Under the terms of the current facilities, at 31 December 2019 the Group is required to comply with certain financial covenants as defined in the facilities agreement:

- The interest cover ratio should be more than 2.00;
- The leverage ratio should not be more than 3.50.

The Group complied with these covenants throughout the reporting period. At 31 December 2019, the interest cover ratio was 19.6 and the leverage ratio was 2.5.

5.7 Finance income and costs

	2019	2018
		Restated
Finance income:		
Other interest income	6	66
Total finance income	**6**	**66**
Finance costs:		
Interest on external debt and borrowings	(9,992)	(8,538)
Lease liabilities interest	(25,059)	(21,449)
Valuation difference derivative financial instruments	(2,200)	(655)
Other finance costs	(201)	(147)
Total finance costs	**(37,452)**	**(30,789)**
Total finance costs - net	**(37,446)**	**(30,723)**

Accounting policy

Reference is made to note 5.5 Financial instruments for the accounting policy related to financial assets and liabilities, derivative financial instruments and fair value measurement.

Section 6: Provisions, contingencies and commitments

This section includes notes related to provisions, contingencies and commitments.

6.1 Provisions

Provisions consist of:

- costs associated with the restructuring of operations;
- specific legal provisions in France related to retirement benefits ('IDR'); and
- other expected outflow of resources (costs) as a result of past events

The movement in provisions during the years was as follows:

	2019	2018 Restated
As at 1 January	805	844
Charged to profit or loss	373	476
Utilised	(206)	(171)
Unused amounts reversed	(182)	(344)
As at 31 December	**790**	**805**
Of which:		
Non-current portion of provisions (> 1 year)	549	556
Current portion of provisions (< 1 year)	241	249

Accounting policy

The group made a provision for potential legal, and other risks in various jurisdictions. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

The cases and claims against the group often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction in which each suit is brought, and the differences in applicable law. In the normal course of business, management consults with legal counsel and certain other experts on matters related to such claims and litigation. The group accrues a liability when it is determined that an adverse outcome is more likely than not, and the amount of the loss can be reasonably estimated.

If the likelihood of an adverse outcome is not probable or an estimate is not determinable, the matter is disclosed, provided it is material. Management is of the opinion that the provision is adequate to resolve these claims.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

6.2 Contingencies and commitments

Capital commitments

Significant capital expenditure contracted, or planned based on rental commitments for new clubs to be opened in 2020, for the end of the reporting period but not recognised as a liability is as follows:

	2019	2018
Property, plant and equipment	54,319	26,905

(Long-term) financial obligations

The Group entered into several lease agreements for which the low-value or short-term exemption option of IFRS 16 is used and several agreements that do not (or do not yet) meet the definition of a lease.

Future payment obligations under these agreements are as follows:

	2019	2018 Restated
Within one year	2,789	2,315
After one year but not more than five years	17,160	16,322
More than five years	23,620	27,411
Total	**43,569**	**46,048**

Furthermore, before 31 December 2019 the Group entered into several lease agreements for new locations for a total amount of €165 million (31 December 2018: €139 million), of which approximately €96 million (31 December 2018: €80 million) expires after more than five years. These agreements can be dissolved on the basis of resolutive conditions, for example if the required permits are not obtained.

No discount factor is used in determining these commitments.

Sub-lease payments

	2019	2018
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	5,875	5,304

The Group does not have any contingent rentals or sub-lease expenses.

Other commitments

At 31 December 2019 approximately €8.3 million in total had been issued in bank guarantees (31 December 2018: €7.4 million).

Claims

The Group is involved in a number of legal proceedings that have arisen in the ordinary course of business. Although it is not possible to predict the outcome of these disputes with reasonable certainty, management does not expect these pending or potential legal proceedings to have any materially unfavourable impact on the Group's consolidated financial position or profitability. Accordingly, the Group has not recognised any legal provisions in these consolidated financial statements, as it is not probable that an outflow of economic resources will be required. However, the outcome of legal proceedings can be extremely difficult to predict and the final outcome may be materially different from management's current expectations.

Tax group liability (the Netherlands)

Basic-Fit N.V., Basic Fit International B.V., BF Developments and Basic Fit Nederland B.V. formed a fiscal unity for income tax and VAT purposes at year-end 2019. As a result, the companies within the fiscal unity are jointly and severally liable for each other's income tax and VAT debts.

Tax group liability (Belgium)

HealthCity België N.V. formed a VAT unity with Basic-Fit Belgium BVBA at year-end 2019. As a result, the companies are jointly and severally liable for each other's VAT debts.

Section 7: Other disclosures

This section includes notes related to the remuneration of key management personnel and the Supervisory Board, related party transactions, auditor's remuneration and subsequent events.

7.1 Remunerations of key management personnel

Compensation of the Management Board members and other key management personnel comprised the following:

	René Moos		Hans van der Aar		Other key management personnel		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Base Salary	711	632	548	487	406	364	1,665	1,483
Pension allowance	107	95	82	73	4	4	193	172
Total fixed compensation	**818**	**727**	**630**	**560**	**410**	**368**	**1,858**	**1,655**
Short-term incentive	370	326	291	244	205	214	866	784
Long-term share-based payments	437	366	302	266	209	155	948	787
Total variable compensation	**807**	**692**	**593**	**510**	**414**	**369**	**1,814**	**1,571**
Social charges	11	11	11	11	255	210	277	232
Other	38	40	30	29	36	22	104	91
Total other benefits/expenses	**49**	**51**	**41**	**40**	**291**	**232**	**381**	**323**
Total remuneration	**1,674**	**1,470**	**1,264**	**1,110**	**1,115**	**969**	**4,053**	**3,549**

The annual base salaries for René Moos and Hans van der Aar amount to €711,281 and €548,174 respectively.

The members of the Management Board do not participate in the Company's collective pension scheme, but receive a comparable payment (pension allowance) set at a maximum of 15% of their base salary.

The short-term incentive (STI) achievement for 2019 for the Management Board was approved by the Supervisory Board on 6 February 2020. This resulted in an STI pay-out for 2019 of 52% of the annual base salary for the CEO and 53% for the CFO. The STI amount will be paid in 2020 after the adoption of the Financial Statements for 2019.

The remuneration reported as long-term share-based payments is based on costs incurred under IFRS (see note 2.5).

Other key management personnel, relates to employees having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Details of the performance shares granted to the members of the Management Board as long-term share-based payments are as follows:

Board member	Year of grant	Outstanding at 1 January 2019	Number of shares on target 2019	Vested in 2019	Outstanding at 31 December 2019	Fair value at grant date	lock-up date
René Moos	2016	11,111	-	(11,111)	-	€ 16.38	1-7-2021
	2017	21,746	-	-	21,746	€ 15.52	7-6-2022
	2018	14,050	-	-	14,050	€ 27.00	15-6-2023
	2019	-	13,023	-	13,023	€ 30.25	9-5-2024
Total shares		**46,907**	**13,023**	**(11,111)**	**48,819**		
Hans van der Aar	2016	8,556	-	(8,556)	-	€ 16.38	1-7-2021
	2017	13,954	-	-	13,954	€ 15.52	7-6-2022
	2018	10,828	-	-	10,828	€ 27.00	15-6-2023
	2019	-	8,364	-	8,364	€ 30.25	9-5-2024
Total shares		**33,338**	**8,364**	**(8,556)**	**33,146**		

All awards under the share plans will vest on the condition that the Management Board members are still employed at Basic-Fit. The awards can increase up to 25 percent in the event of outperformance.

On 31 December 2019, the members of the Management Board did not have any loans outstanding with Basic-Fit.

7.2 Remunerations of members of the Supervisory Board

The total remuneration for Supervisory Board members was €299 thousand in 2019 (2018: €299 thousand).

	2019	2018
Kees van der Graaf	55	55
Hans Willemse	53	53
Carin Gorter	50	50
Pieter de Jong	45	45
Herman Rutgers	48	48
Rob van der Heijden	48	48
Total	**299**	**299**

None of the Supervisory Board members have been granted, nor do they possess, any Basic-Fit options or shares, with the exception of Kees van der Graaf, who personally held 3,275 shares, Herman Rutgers who held 1,000 shares and Hans Willemse who held 72,029 shares in Basic-Fit on 31 December 2019.

7.3 Related party transactions

Identification of related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered related parties. Entities that can control the Company or other subsidiaries of the Group are also considered related parties. In addition, statutory and supervisory directors and close relatives are regarded as related parties.

The following transactions were carried out with related parties:

- Management board compensation (note 7.1);
- Purchases from/sales to related parties (mainly rent from related parties).

Transactions and balances held with related parties

The table below provides the total amount of transactions that were entered into with related parties for the relevant financial year (excluding management board compensation). In addition, the table provides an overview of all balances held with these related parties.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties (*)	Amounts owed to related parties (**)
Management Board of the Group:					
Other director's interest	2019	3,750	6,811	303	597
	2018	-	6,288	-	1,756

(*) Included in trade receivables (note 4.2)
(**) Included in lease liabilities (note 3.4) and trade and other payables (note 4.4)

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. No guarantees have been provided or received for any related party receivables or payables.

Related party leases

Future related party lease obligations are as follows:

	2019	2018
Within one year	6,976	6,577
After one year but not more than five years	27,669	26,177
More than five years	59,957	62,940
Total	**94,602**	**95,694**

The amounts disclosed relate to the amounts to be invoiced by related parties

7.4 Auditor's remuneration

The following table sets out the aggregate fees for professional audit services and other services provided to the Group by Ernst & Young Accountants LLP and their network inside and outside the Netherlands, as referred to in Section 1(1) of the Dutch Audit Firms Supervision Act (Dutch: Wta, Wet toezicht accountantsorganisaties):

	EY Accountants LLP		Other EY member firms and affiliates		Total network	
	2019	2018	2019	2018	2019	2018
Audit of the financial statements	514	380	150	76	664	456
Other audit procedures	-	-	-	7	-	7
Total	**514**	**380**	**150**	**83**	**664**	**463**

7.5 Events after the reporting period

No subsequent events occurred that are significant to the Group which would require adjustment or disclosure in the annual accounts now presented. Subsequent events were evaluated up to 9 March 2020, which is the date the financial statements included in this annual report were approved.

COMPANY FINANCIAL STATEMENTS

Company balance sheet

As at 31 December (before appropriation of profit)		2019	2018
		€ 000	€ 000
	Note		Restated
Assets			
Non-current assets			
Property, plant and equipment	B	-	113
Right-of-use assets	C	24	51
Financial fixed assets	D	715,938	298,536
Deferred tax assets	E	386	33
Total non-current assets		**716,348**	**298,733**
Current assets			
Trade and other receivables	F	4,235	253
Cash and cash equivalents		202	-
Total current assets		**4,437**	**253**
Total assets		**720,785**	**298,986**
Shareholders' equity	G		
Share capital		3,280	3,280
Share premium		358,360	358,360
Legal reserves		3,348	2,553
Other capital reserves		3,240	2,105
Retained earnings		(72,790)	(80,708)
Profit (loss) for the year		11,048	9,370
Total equity		**306,486**	**294,960**
Non-current liabilities			
Borrowings	H	409,163	-
Lease liabilities	I	-	25
Derivative financial instruments	J	3,268	-
Total non-current liabilities		**412,431**	**25**
Current liabilities			
Current portion of lease liabilities	I	24	26
Trade and other payables	K	1,844	3,890
Interest-bearing borrowings		-	85
Total current liabilities		**1,868**	**4,001**
Total liabilities		**414,299**	**4,026**
Total equity and liabilities		**720,785**	**298,986**

Company statement of profit or loss

For the year ended 31 December	Notes	2019 € 000	2018 € 000 Restated
Revenue	L	2,870	2,360
		2,870	**2,360**
Salaries and wages	M	(3,975)	(3,445)
Social security charges		(22)	(21)
Depreciation, amortisation and impairment charges	B , C	(43)	(60)
Other operating expenses	N	(1,105)	(669)
Operating profit		**(2,275)**	**(1,835)**
Finance income	O	12,576	-
Finance costs	O	(11,763)	(149)
Finance costs - net		**813**	**(149)**
Profit (loss) before income tax		**(1,462)**	**(1,984)**
Income tax		(248)	125
Profit (loss) after income tax		**(1,710)**	**(1,859)**
Net income of subsidiaries	D	12,758	11,229
Profit for the year		**11,048**	**9,370**

Notes to the Company financial statements

A. Basis of preparation

The Company financial statements of Basic-Fit N.V. (hereafter 'the Company') have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with article 362 (8), Book 2 of the Dutch Civil Code, the Company's financial statements have been prepared on the basis of the accounting principles for recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

All amounts are presented in euros ('€ x 1,000'), unless stated otherwise.

The accounting policies used in the preparation of the Company Financial Statements are the same as those used in the preparation of the Consolidated Financial Statements (in accordance with article 362 (8), Part 9 of Book 2 of the Dutch Civil Code). See the notes to the Consolidated Financial Statements, including note 1.4.6 New and amended standards and interpretations.

In addition to these accounting policies, the following accounting policy applies to the Company financial statements:

Financial fixed assets

Investments in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary, and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the date on which control is transferred to the Company or its intermediate holding entities. They are derecognised from the date that control ceases.

The Company applies the acquisition method to account for the acquisition of subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in an acquisition are initially measured at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured using the equity method. The measurement of the financial fixed assets under the equity method is based on the measurement principles of assets, provisions and liabilities, and the determination of profit as applied in the consolidated financial statements.
When consolidated subsidiaries have an equity deficit (after taking into account loans that qualify as net investments in the subsidiary) they are measured at zero under the equity method, unless the Company has given a liability undertaking or any other guarantee for the consolidated subsidiary.

Receivables from consolidated subsidiaries

Expected credit losses, if any, with respect to loans granted to and receivables from consolidated subsidiaries are not recognised in these Company financial statements, which is in line with RJ 100.107a.

Financial Instruments

For information on the risk exposure, risk management and fair values of financial instruments see notes 5.4 and 5.5 of the notes to the consolidated financial statements.

B. Property, plant and equipment

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

	2019	2018
As at 1 January		
Cost	121	122
Accumulated depreciation	(8)	(36)
Net book value	**113**	**86**
Years ended 2019 and 2018 respectively		
Opening net book value	113	86
Additions	-	121
Cost of disposals	(121)	(122)
Depreciation	(18)	(34)
Accumulated depreciation of disposals	26	62
Closing net book value	**-**	**113**
As at 31 December		
Cost	-	121
Accumulated depreciation	-	(8)
Closing net book value	**-**	**113**

C. Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised (leased vehicles) and the movements during the years:

	2019	2018 Restated
As at 1 January (restated)	51	77
Remeasurements	(2)	-
Depreciation expense	(25)	(26)
As at 31 December	**24**	**51**

D. Financial fixed assets

	2019	2018 Restated
Investment in consolidated subsidiaries	311,294	298,536
Receivables from consolidated subsidiaries	404,644	-
Balance as at 31 December	**715,938**	**298,536**

Investment in consolidated subsidiaries

The Company has direct and indirect interests in the subsidiaries listed in note 1.2 (in the notes to the consolidated financial statements) and is the owner of 100% of Basic Fit International B.V., based in Hoofddorp, the Netherlands.

The movements in the participating interests in Group companies were as follows:

	2019	2018 Restated
Balance as at 1 January as previously presented	298,536	319,262
Adoption of IFRS 15 and IFRS 16	-	(32,315)
Balance as at 1 January (restated)	**298,536**	**286,947**
Share of result of participating interests	12,758	11,229
Changes in cash flow hedge reserve	-	360
Balance as at 31 December	**311,294**	**298,536**

Receivables from consolidated subsidiaries

The movements in receivables from Group companies were as follows:

	2019	2018
Balance as at 1 January	-	-
Additions	404,644	-
Balance as at 31 December	**404,644**	**-**

E. Deferred tax assets

The deferred tax assets are recognised due to temporary differences in the valuation of assets and liabilities. The Company expects to recover €177 thousand within 12 months.

F. Trade and other receivables

	2019	2018
Trade receivables	-	40
Receivables from Group companies	4,188	37
Other receivables and prepayments	47	176
Total	**4,235**	**253**

The fair value of the current receivables approximates the book value due to their short-term character.

Receivables from Group companies relate to Basic Fit International B.V. (2019) respectively Basic Fit II S.A. (2018).

G. Shareholders' equity

The movements in shareholders' equity were as follows:

	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Result for the year	Legal reserves	Total
As at 1 January 2018	**3,280**	**358,360**	**-**	**1,344**	**(58,168)**	**11,127**	**1,368**	**317,311**
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	(8,432)	-	-	(8,432)
Impact of adoption of IFRS 16 (net of tax)	-	-	-	-	(23,883)	-	-	(23,883)
As at 1 January 2018 (Restated)	**3,280**	**358,360**	**-**	**1,344**	**(90,483)**	**11,127**	**1,368**	**284,996**
Prior year profit appropriation	-	-	-	-	11,127	(11,127)	-	-
Result from cash flow hedge	-	-	-	-	-	-	360	360
Net result for the year	-	-	-	-	-	9,370	-	9,370
Equity-settled share-based payments	-	-	-	1,486	-	-	-	1,486
Purchase of treasury shares	-	-	(665)	-	-	-	-	(665)
Exercised share-based payments	-	-	665	(725)	(527)	-	-	(587)
Development expenditures	-	-	-	-	(798)	-	798	-
Other changes legal reserves	-	-	-	-	(27)	-	27	-
Total movements	**-**	**-**	**-**	**761**	**9,775**	**(1,757)**	**1,185**	**9,964**
As at 31 December 2018 (Restated)	**3,280**	**358,360**	**-**	**2,105**	**(80,708)**	**9,370**	**2,553**	**294,960**

	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Result for the year	Legal reserves	Total
Balance - 1 January 2019	**3,280**	**358,360**	**-**	**2,105**	**(80,708)**	**9,370**	**2,553**	**294,960**
Prior year profit appropriation	-	-	-	-	9,370	(9,370)	-	-
Net result for the year	-	-	-	-	-	11,048	-	11,048
Equity-settled share-based payments	-	-	-	1,981	-	-	-	1,981
Purchase of treasury shares	-	-	(771)	-	-	-	-	(771)
Exercised share-based payments	-	-	771	(846)	(657)	-	-	(732)
Development expenditures	-	-	-	-	(780)	-	780	-
Other changes legal reserves	-	-	-	-	(15)	-	15	-
Total movements	**-**	**-**	**-**	**1,135**	**7,918**	**1,678**	**795**	**11,526**
Balance - 31 December 2019	**3,280**	**358,360**	**-**	**3,240**	**(72,790)**	**11,048**	**3,348**	**306,486**

Legal reserves at the level of Basic-Fit N.V. consist of reserves that are mandatory in certain circumstances in accordance with the Dutch Civil Code. The legal reserves consist of a reserve for capitalised development expenditures made by Basic Fit International B.V. and a non-distributable reserve that is recognised for an amount equal to the restricted reserves of subsidiaries of Basic Fit International B.V.

H. Borrowings

For the disclosures related to borrowings reference is made to note 5.3 of the consolidated financial statements. At the moment of the first adoption of IFRS in 2015, all bank borrowings of the Group were centralised at the level of Basic Fit International B.V. Since the listing of Basic-Fit N.V. in June 2016 and the amendments and additions to the financing agreement afterwards, the central financing function shifted to Basic-Fit N.V. As a result, as of 2019 the bank borrowings are recognised and reported at the level of Basic-Fit N.V., except for an amount of 108 million at 31 December 2019 which continues to be allocated to Basic-Fit International B.V.

I. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the years:

	2019	2018 Restated
As at 1 January	**51**	**77**
Remeasurements	(2)	-
Accretion of interest	1	1
Payments	(26)	(27)
As at 31 December	**24**	**51**
Of which:		
Non-current lease liabilities	-	25
Current lease liabilities	24	26

J. Derivative financial instruments

For the disclosures related to derivative financial instruments reference is made to note 5.5 of the consolidated financial statements.

K. Trade and other payables

The composition of Trade and other payables was as follows:

	2019	2018
Trade payables	291	209
Payables to Group companies	4	2,745
Payroll tax payable	132	118
Interest payable	572	-
Other liabilities and accrued expenses	845	818
Total	**1,844**	**3,890**

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

L. Revenue

	2019	2018
Overhead costs charged on to Group companies	2,870	2,360
Total	**2,870**	**2,360**

M. Salaries and wages

Salaries and wages include an amount of €1,981 thousand (2018: €1,486 thousand) related to share-based payments (see note 2.5 of the consolidated financial statements).

The number of employees employed by Basic-Fit N.V. at year-end 2019 was two, both of whom are based in the Netherlands. For information regarding the remuneration of the members of the Management Board see note 7.1 of the consolidated financial statements.

N. Other operating expenses

Other operating expenses consist primarily of Supervisory Board compensation (see note 7.2 of the consolidated financial statements), audit and consulting fees, plus insurance costs.

Audit fees

Reference is made to note 7.4 in the consolidated financial statements.

O. Finance income and costs

	2019	2018 Restated
Finance income:		
Group companies	12,576	-
Total finance income	**12,576**	**-**
Finance costs:		
Interest on external debt and borrowings	(9,544)	(21)
Lease liabilities interest	(1)	(1)
Valuation difference derivative financial instruments	(2,200)	-
Group companies	-	(81)
Other finance costs	(18)	(46)
Total finance costs	**(11,763)**	**(149)**
Total finance costs - net	**813**	**(149)**

P. Contingencies and commitments

The provisions of Section 403(2), Book 2 of the Dutch Civil Code apply to the group companies Basic Fit International B.V. and Basic Fit Nederland B.V. The Company is consequently jointly and severally liable.

Q. Events after the reporting period

Reference is made to note 7.5 in the consolidated financial statements.

R. Proposed profit appropriation

The Management Board proposes to add the profit for 2019 (€11,048 thousand) to the retained earnings.

S. Authorisation of the financial statements

Hoofddorp, the Netherlands
9 March 2020

Prepared by Management board:
R.M. Moos
H.J. van der Aar

OTHER INFORMATION

Provision in the Articles of Association relating to profit appropriation

According to the Company's Articles of Association, the Company may make distributions to the shareholders provided that the Company's shareholders' equity exceeds the sum of the called-up and paid-in capital of the Company, plus legal and statutory reserves. If the adopted annual accounts show a profit, the Management Board shall determine which part of the profits shall be reserved. The General Meeting may only resolve on any distribution from the Company's reserves pursuant to and in accordance with a proposal to that effect by the Management Board, which proposal has been approved by the Supervisory Board.

Independent auditor's report

To: the shareholders and supervisory board of Basic-Fit N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Basic-Fit N.V., based in Hoofddorp, the Netherlands.
The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Basic-Fit N.V. as at 31 December 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Basic-Fit N.V. as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019
- The following statements for the year ended 31 December 2019: the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2019
- The company statement of profit or loss for the year ended 31 December 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Basic-Fit N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands.
Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

Basic-Fit operates in the value-for-money fitness market and has clubs in a number of Western-European countries. The group is structured in entities and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment. We refer to the key audit matters for further details.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 control.

Materiality	**€2.5 million (2018: €2.4 million)**
Benchmark applied	Approximately 5 percent of consolidated Operating profit (2018: approximately 2 percent of consolidated EBITDA)
Explanation	Based on our professional judgment we have considered earnings-based measures, such as Operating profit as an appropriate benchmark to determine materiality. We changed the benchmark from EBITDA to Operating profit because EBITDA does no longer include most of the lease expenses after the introduction of IFRS 16. We believe Operating profit is a suitable basis, as it is an important measure of the company's performance.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of €125,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and human resources) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and bribery and corruption.

We evaluated the design and the implementation of internal controls that mitigate fraud risks.
In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit, compliance reports and performing substantive tests of details of classes of transactions,
account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we consider 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

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 a company to cease to continue as a going concern.

Scope of the group audit

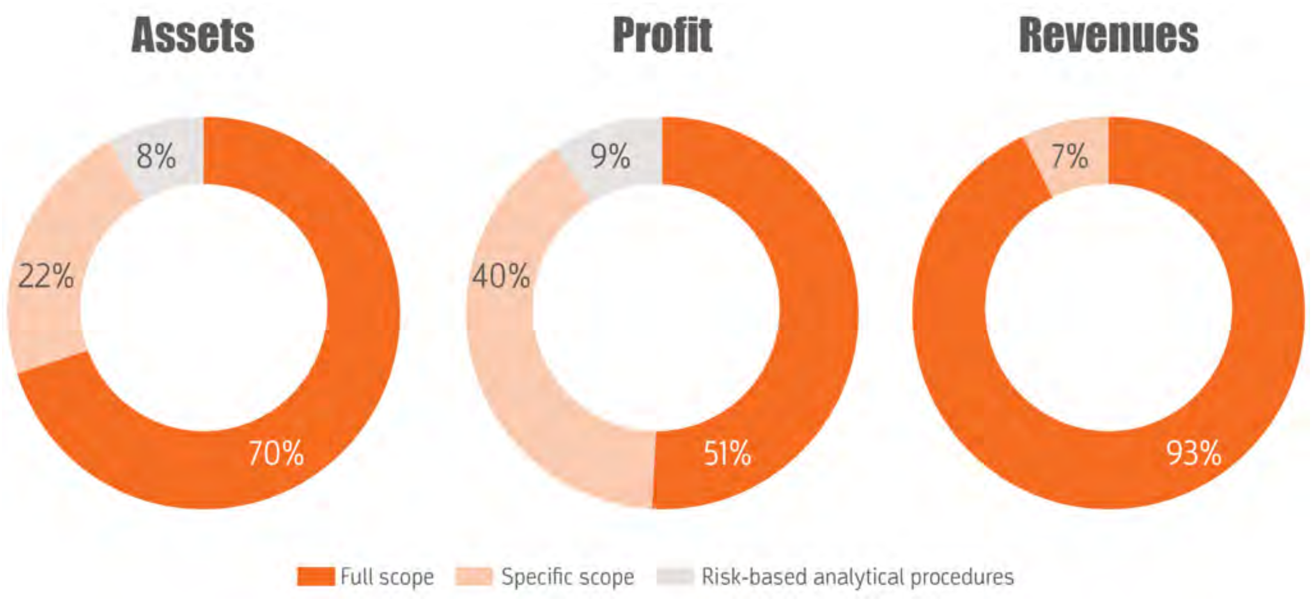
Basic-Fit N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Basic-Fit N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing,supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations.

On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.
Our group audit mainly focused on significant group entities. We selected Basic-Fit N.V., Basic-Fit Nederland B.V., Basic-Fit Belgium BVBA, Basic-Fit II S.A. and HealthCity België N.V. as significant entities based on their scale and/or their risk profile and performed full scope procedures with respect to these entities. This means that an audit has been performed on the complete set of financial information. We have selected B-Securité B.V. and Basic-Fit International B.V. as specific scope entities, based on their scale and/or their risk profile and performed specific scope procedures with respect to these entities. This means that an audit has been performed on specific accounts of the financial information. We have:

- Performed audit procedures ourselves at group entities Basic-Fit N.V., Basic-Fit Nederland B.V., Basic-Fit Belgium BVBA, Basic-Fit II S.A., HealthCity België N.V., B-Securité B.V. and Basic-Fit International B.V.
- Used the work of other EY network auditors when auditing employee expenses and local taxes for the entities Basic-Fit Belgium BVBA, Basic-Fit II S.A. and HealthCity België N.V.
- Performed risk-based analytical procedures at other group entities

In total these procedures represent 92% of the group's total assets, 91% of profit/loss and 93% of gross revenues.



By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at entity levels included the appropriate skills and competences which are needed for the audit of a listed client in the Fitness industry. We included specialists in the areas of IT audit and tax and have made use of our own experts in the areas of valuation of the right-of use-assets and lease liabilities, goodwill, real estate and derivatives.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

Following the implementation of IFRS 16, a new key audit matter Adoption of Right-of-use assets and lease liabilities under IFRS 16 has been defined.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Refer to note 2.2 Revenue	
Risk	Revenue recognition and the accounting for deferred revenues comprise different components and recognition elements. Deferred revenues are calculated based on a complex spreadsheet-based model, which increases the risk of error. Furthermore, the deferral of joining fee for the flex member revenues requires an estimate regarding their churn rate. Consequently, we have considered revenue recognition as significant to our audit.
Our audit approach	Our audit strategy included an assessment of the appropriateness of the company's revenue recognition policies, understanding of the internal control environment, data analytics procedures on revenues and receivables and substantive procedures relating to contractual terms and conditions and the appropriate accounting thereof. We have performed substantive analytical procedures on revenues and data analysis with respect to sources of revenue and the correlation between revenue, accounts receivable and cash receipts. We recalculated the deferred revenues and evaluated the estimates applied. We have specifically assessed the completeness and proper cut-off of revenues. Furthermore we focused on the adequacy of the company's disclosures in respect of IFRS 15.
Key observations	We did not identify evidence of material misstatement in the revenue recognized in the year.

Valuation of goodwill	
Refer to note 3.1 Goodwill	
Risk	Basic-Fit N.V. has goodwill capitalized amounting to €202.6 million. In accordance with EU-IFRS, Basic-Fit N.V. is required to perform a goodwill impairment test on an annual basis. The goodwill is allocated to five Cash Generating Units (CGU), being the countries in which Basic-Fit has fitness clubs. The annual goodwill impairment test was performed at 31 December 2019, consistent with prior year, and Basic-Fit N.V. concluded that there is no impairment. These impairment tests are significant to our audit because the assessment process is complex, requires management judgment, and is based on assumptions that are affected by expected future market conditions.
Our audit approach	As part of our audit procedures we focused on the assumptions and methodologies used by the company, and also on the robustness of the planning process to evaluate whether the company is able to prepare reliable estimates. Given the complexity around this topic, we have used an EY valuation specialist to assist us in evaluating the assumptions and methodologies. We also perform back testing on prior year assumptions. The company uses assumptions with respect to Weighted Average Cost of Capital, future market and economic conditions such as expected inflation rates, economic growth rates, CAPEX investments and expenses. In order to assess the reasonability of input data, the valuation model and the Weighted Average Cost of Capital, we have, among other procedures, compared the data with external data such as expected inflation rates, external market growth expectations and by analyzing sensitivities in the company's valuation model. With regard to the sensitivities, we specifically focused on the available headroom present in the CGUs and whether a reasonable possible change in assumptions, such as the discount rate and the growth rate, could cause the carrying amount to exceed its recoverable amount. We also focused on the adequacy of the company's disclosures regarding assumptions.
Key observations	We consider management's key assumptions and estimates to be within an acceptable range. We agree with management's conclusion that no impairment of goodwill is required in 2019. We assessed that the disclosures in respect of goodwill in the financial statements are appropriate.

Adoption of Right-of-use assets and lease liabilities under IFRS 16	
Refer to note 1.4.6 New and amended standards and interpretations and 3.4 Right-of-use assets and lease liabilities	
Risk	The company adopted IFRS 16 effective January 1, 2019 using the full retrospective approach. The implementation of IFRS 16 has resulted in the recognition of €950 million of right-of-use assets and €1,006 million of total lease liabilities on the statement of financial position of Basic-Fit as at 31 December 2019. Under the full retrospective approach, IFRS 16 requires management to perform calculations for all existing leases including consideration of individual lease terms as well as assumptions as to the likelihood of lease extensions and the incremental borrowing rate. Because of the impact of the implementation of IFRS 16 on the 2019 financial statements we consider this topic a key audit matter.
Our audit approach	Our audit strategy included an evaluation of the internal control environment including management's approach for the IFRS 16 adoption. We evaluated the completeness and accuracy of the data used to calculate the transition adjustments, which included an assessment of the estimates with respect to the lease terms and the incremental borrowing rates. We also determined the accuracy of the calculations by the lease accounting tool applied by the Company. On a sample basis, we tested the IFRS 16 application adjustments and year end positions by reconciling these to the underlying lease contract, including a reperformance of the required calculations. Furthermore, we tested the completeness of the population of leases by reconciling these to the periodic outgoing lease payments, the member administration by club, and we assessed contracts entered into or extended in 2020 for cut-off errors. We also evaluated the adequacy of the accounting policies applied and described in the financial statements in note 1.4.6. and 3.4.
Key observations	We consider the right-of-use assets and lease liabilities to be correctly stated. We assessed the disclosures (note 1.4.6 and 3.4) in the financial statements to be appropriate.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Management board report
- Report of the supervisory board and its committees
- Remuneration report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements
- contains the information as required by Part 9 of Book 2 and Section 2:135b of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Section 2:135b of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Basic-Fit N.V. on 16 November 2015, as of the audit for the year 2015 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

Our services are only related to the audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

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

In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.
The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Den Haag, 9 March 2020

Ernst & Young Accountants LLP

signed by A.A. Kuijpers

Organisational chart Basic-Fit

SHAREHOLDER INFORMATION

Investor Relations

Basic-Fit is committed to providing transparency and consistency in its reporting. We have an extensive communication programme and engage and maintain an open dialogue with investors and analysts. Our Investor Relations programme includes roadshows, investor conferences and in-house meetings and the AGM. In the Investor Relations section of our website, we provide an up-to-date financial calendar with relevant events.

The majority of our communications with the investment community take place through press releases, which are widely distributed, made generally available, and filed with the AFM, the Dutch financial markets regulator. We make all press releases and other relevant and important information available on our corporate website.

Basic-Fit strictly adheres to applicable rules and legislation on fair disclosure. Our quiet period starts on the eleventh day of the first and third quarters, and the ninth day of the second and fourth quarters, and last until the publication of our results or trading updates. During these periods, we do not engage in any discussions with analysts, investors or financial journalists, or make presentations at investor conferences.

Investors and analysts are invited to contact our Investor Relations team with any queries they might have:

email: investor.relations@basic-fit.com
Phone: +31 23 3022385

Listing

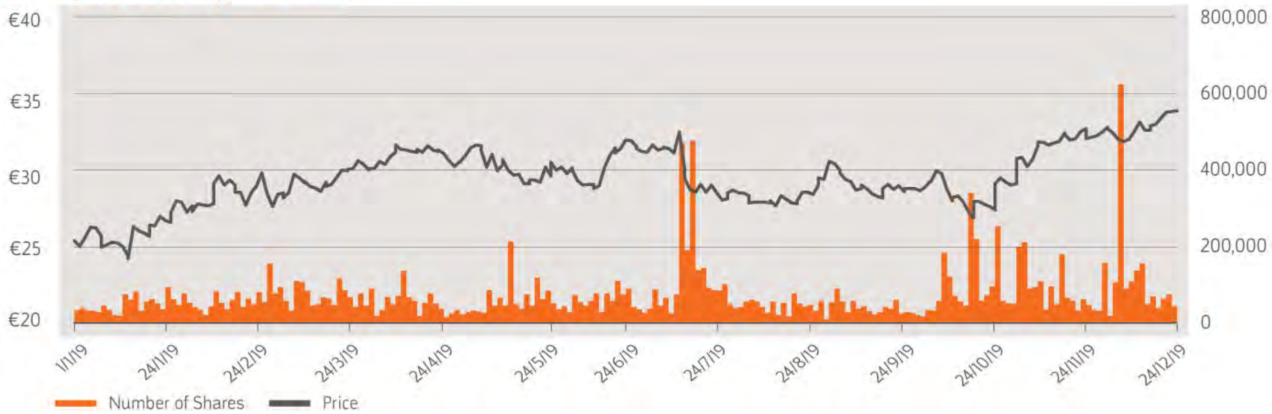
Basic-Fit has been listed on Euronext Amsterdam since 10 June 2016 and is included in the Midkap Index (AMX). The total number of outstanding shares is 54,666,667 and based on the closing price of 31 December 2019 our market capitalisation was €1.9 billion.

Euronext Amsterdam symbol: BFIT
ISIN: NL0011872650

Share price performance

The closing price for the Basic-Fit share was €33.85 at year-end 2019, a 30% increase compared to the €25.95 closing price at the end of 2018. The average daily traded volume was approximately 68,500 thousand shares, which represents an increase of 18% compared to the average daily traded volume of shares of 58,000 shares in 2018.

Share price development 2019



Shareholders

Under Dutch law, shareholdings of 3% or more in Basic-Fit's total outstanding share capital must be disclosed to the Dutch Financial Markets Authority (AFM). According to the AFM's Substantial Holdings register, the following institution also had substantial holdings in Basic-Fit.

At the end of 2019, our main shareholders were AM Holding BV (R.M. Moos) and Mito Holdings S.à.r.l. (3i Investments plc), which held 16.3% and 14.9% of the company's shares respectively. Dynamo Internacional Gestão de Recursos Ltda. had a holding of over 5,2% and Pelham Capital Ltd. And Marshall Wace LLP had a holding of more than 3% in Basic-Fit.

Financial year and reporting

Basic-Fit's book year runs from 1 January through 31 December. We publish a full set of results at full-year and half-year. After the first and third quarter, we publish trading updates in which we update the market on revenue, club openings and membership developments.

NON-IFRS MEASURES

Basic-Fit's consolidated financial statements are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and International Financial Reporting Standards (IFRS) as adopted by the European Union. Certain parts of Basic-Fit's Management Board report contain non-IFRS financial measures and ratios (e.g. club EBITDA, adjusted EBITDA, adjusted earnings and net debt) that are not recognised measures of financial performance or liquidity under IFRS. In addition, certain other operational data, such as the number of clubs, number of members and number of countries in which Basic-Fit is present, may be disclosed.

The non-IFRS financial measures presented are measures used by management to monitor the underlying performance of the business and operations and have therefore not been audited or reviewed.

Furthermore, they may not be indicative of the historical operating results, nor are they meant to be predictive of future results. These non-IFRS measures are presented because they are considered important supplementary measures of Basic-Fit's performance, and we believe that these and similar measures are widely used in the industry in which Basic-Fit operates as a way to evaluate a company's operating performance and liquidity.

In November, at our Capital Markets Day, we introduced a new set of KPIs that adjust IFRS 16 for cash rent costs. As a result, the new KPIs are similar to the KPIs that we used until 2019 and continue to be aligned to actual cash returns, how we internally look at our business and how management reviews the company's performance.

As of the 2020 reporting, adjusted club EBITDA will become underlying club EBITDA. With the new definition we report on the development of the performance of our open clubs on a post-IFRS 16 basis from which we subtract the cash rent costs of these open clubs. Revenue and cost of sales that are non-club related are also not included in these numbers. The underlying club EBITDA margin will be based on club related revenue and costs of open clubs.

Adjusted EBITDA, our main KPI, will become underlying EBITDA, and is defined as the EBITDA, minus cash rent costs and adjusted for exceptional items. The exceptional items include things like reorganisation and other one-off costs. The pre-opening rent costs are no longer included in exceptional items, which is logical considering IFRS 16 and the cash rent adjustment.

Adjusted net earnings will become underlying net earnings and is the same as prior definition but now adjusted for the impact of IFRS 16.

Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis. As a result, these measures and ratios may not be comparable to measures used by other companies under the same name of similar names. The table on the next page presents an overview of the Non-IFRS measures used with their definitions.

Term	Definition
Adjusted club EBITDA	Earnings before overhead, interest, taxes, depreciation, amortisation and exceptional items
Underlying club EBITDA	Earnings before overhead, interest, taxes, depreciation, amortisation minus cash rent costs of open clubs and excluding non-club revenue and costs of sales at HQ level (webshop)
Adjusted club EBITDA margin	Adjusted club EBITDA as a percentage of revenue
Underlying club EBITDA margin	Underlying club EBITDA as a percentage of revenue
Adjusted EBITDA	Earnings before interest, taxes, depreciation, amortisation and exceptional items
Underlying EBITDA	Earnings before interest, taxes, depreciation, amortisation minus cash rent costs and adjusted for exceptional items
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of revenue
Underlying EBITDA margin	Underlying EBITDA as a percentage of revenue
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDA margin	EBITDA as a percentage of revenue
EBIT	Earnings before interest and taxes
Adjusted net earnings	Net earnings adjusted for PPA related amortisation, SWAP valuation differences, exceptional items, one-offs, and the related tax effects
Underlying net earnings	Net earnings adjusted for IFRS16, PPA related amortisation, SWAP valuation differences, exceptional items, and the related tax effects
Adjusted EPS	Adjusted net earnings divided by the weighted average number of diluted shares
ROIC	Underlying club EBITDA of mature clubs divided by the initial investment to build a club
Mature club revenue	Revenue of clubs that had been open for 24 months or more at the start of the year
Mature club EBITDA margin	Underlying EBITDA of mature clubs as a percentage of mature club revenue
Net debt	Total of long- and short-term borrowings less cash and cash equivalents
Underlying net debt	Total of long-term and short-term borrowings less cash and cash equivalents and corrected for lease liabilities

Colophon

Adress
Wegalaan 60
2132 JC Hoofddorp
The Netherlands

www.basic-fit.com
corporate.basic-fit.com

Photography
Kees Hummel

Design & production
Mattmo Creative