ANNUAL REPORT 2016

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.

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* These sections combined form the Management Board Report as described in article 2:391 of the Dutch Civil Code.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue increased by **28%** year-on-year to **€259 million**
- Adjusted EBITDA* grew by **34%** year-on-year to **€80 million**
- Revenue of mature clubs* (like-for-like) increased by **5%** year-on-year to **€136 million**
- Mature club EBITDA* margin increased by **134 bps** year-on-year to **49.6%**
- Adjusted net earnings* increased by **61%** to **€14 million** (2015: €8.7 million)

OPERATIONAL HIGHLIGHTS

- Number of clubs grew to **419**; increase of **81** clubs of which 48 in France
- Total memberships grew to **1.21 million**; increase of **27%** year-on-year
- Like-for-like memberships grew by **1.3%** year-on-year
- Sports water made available in all Basic-Fit clubs
- Strong demand for personal trainers and day passes

OUTLOOK

- Club openings pipeline very well filled
- Execution of rollout strategy accelerated
- Network is expected to grow by around **100 clubs** a year in the medium-term
- Unchanged return on invested capital target of at least 30%

* For an explanation of non-IFRS financial measures please refer to the section non-IFRS measures in the back of the report.

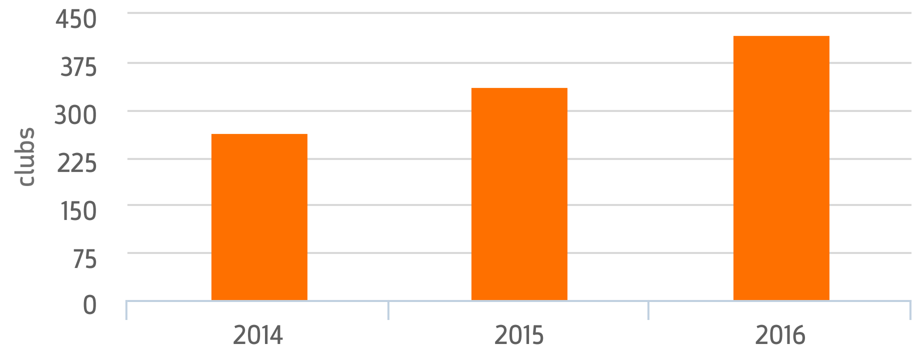
Change percentages and totals in this document are calculated before rounding. As a consequence, rounded amounts may not add up to the rounded total in all cases.


BASIC-FIT
= SUCCESS

BASIC-FIT AT A GLANCE

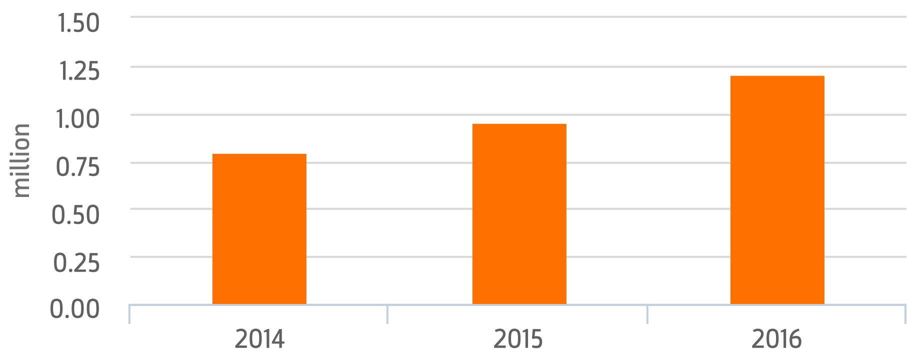
419
clubs

UP 24%
year-on-year



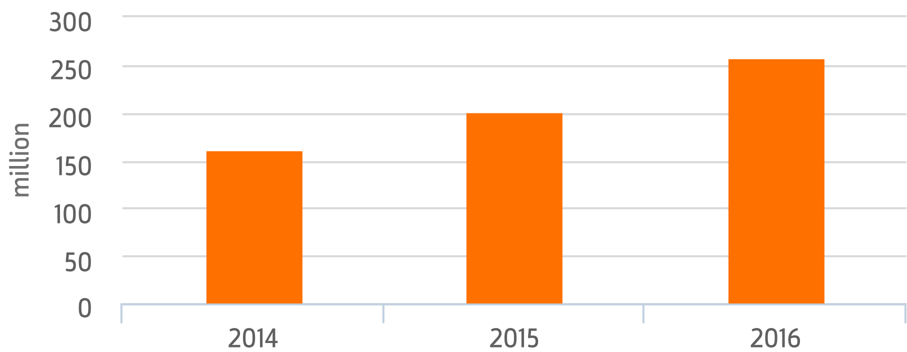
1.21 million
memberships

UP 27%
year-on-year



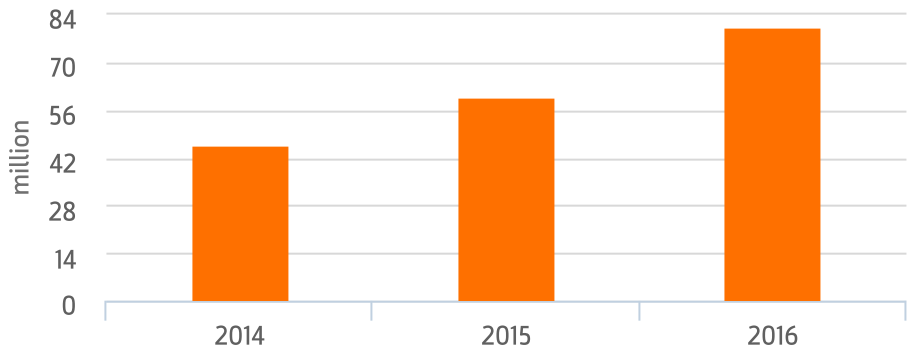
€259 million
revenue

UP 28%
year-on-year



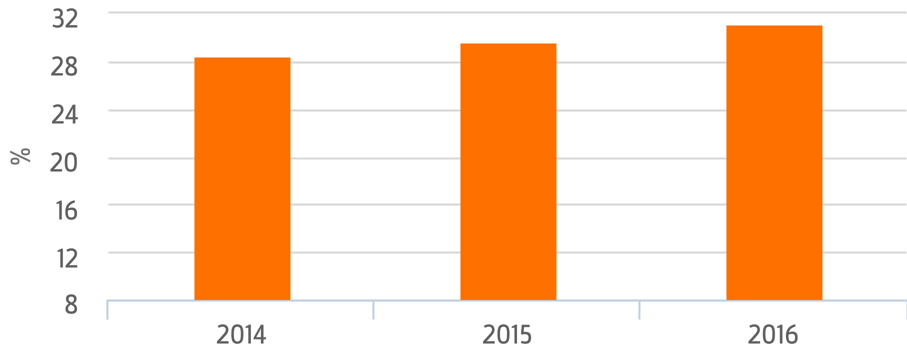
€80 million
adjusted EBITDA

UP 34%
year-on-year



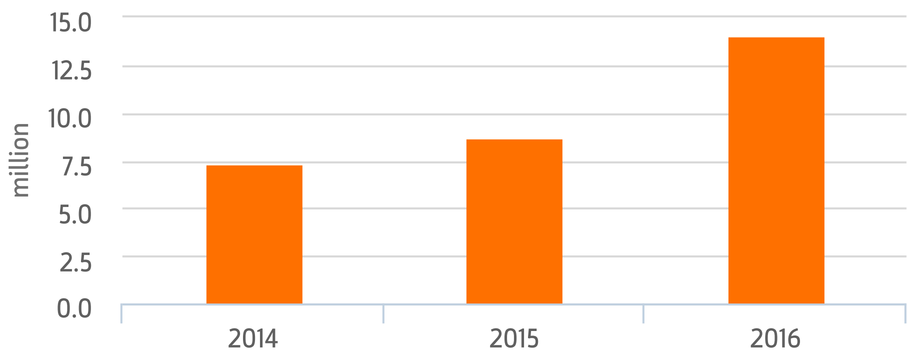
%
31.1
adjusted EBITDA margin

UP 138 BPS
year-on-year



€14.1 million
adjusted earnings

UP 61%
year-on-year



MESSAGE FROM THE CEO

Dear reader,

2016 was the most successful year in the history of Basic-Fit. We grew by a record number of 81 clubs and achieved strong growth in results. We also strengthened our national and international headquarters to prepare ourselves for continued future growth and a listing on Euronext Amsterdam. And these are just a few of the highlights to underscore what an important year it was for Basic-Fit.

In 2016 we grew our network by 24% to 419 clubs, where more than 1.2 million members can work on their health and fitness. Revenue grew by 28% to €259 million and the adjusted EBITDA by 34% to €80 million, representing an adjusted EBITDA margin of 31%, an increase of 138 basispoints compared to 2015.

With 81 net club openings, we exceeded the guidance given at the time of the listing. This was mainly due to the large number of club openings in France. Two years ago, we shifted our growth focus more towards France as this was identified as our priority growth market. We appointed dedicated expansion managers to find and acquire the best locations. The increasing number of club openings and strong pipeline in France are showing that this setup is paying off.

We have become the leading non-franchise fitness chain in France with more than 70 clubs. Our differentiating and clear value-for-money proposition is very well received by the French consumer. The memberships ramp-up of our new clubs is progressing faster than in the other countries. In the coming years, we will continue to focus on our growth in France and increase the pace of club openings. We have the opportunity now to capture this large market faster and extend our leading position.

WE MAKE AFFORDABLE FITNESS AVAILABLE FOR FAMILIES

As a standard, we offer our members access to all our clubs accross Europe and membership passes can be shared with family members. Our clubs have extended opening hours and provide free virtual group classes. A Basic-Fit membership offers unparalleled value and makes it easier for families to join the trend towards a healthier lifestyle.

We continue to further improve and broaden the offering to our members. In most of our clubs we now have personal trainers available to educate and motivate our members. We have started a new EREPS (European Register for Exercise Professionals) training programme for our staff, so they are optimally equipped to help our members use our equipment and programmes safely and effectively in order to better achieve the desired results. Our new vending machines offer our members a broad selection of products, healthy snacks and drinks. We will continue to focus on new ways to optimise the member experience in order to make a visit to our clubs even more pleasant and offer our members more than just a great place to do their workout.

At the end of June, we finished the planned, three-year refurbishing programme, in which we brought all the previously acquired and old-format clubs in line with the Basic-Fit brand and concept. Our members now have the same high-quality fitness experience wherever in Europe they visit one of our clubs.

LISTING AND FINANCIAL STRENGTH

After 10 years of growth under private equity, in 2016 Basic-Fit was listed on Euronext Amsterdam. With access to the capital markets and a healthy balance sheet, we are financially fit for the next growth phase.

We chose a listing as this best fits the current and future needs of the company. We already notice the benefits of the listing, as the net proceeds of the primary offering were used to repay our outstanding debt and strengthen our balance sheet. In addition, we see that the resulting greater visibility helps us to acquire lease contracts for future clubs more easily and on more favourable terms.

For me personally, the listing was a moment, after 30 years, to look back. It was with some pride that on 10 June I ceremonially sounded the gong on the Amsterdam Stock Exchange with a selection of my loyal team members, family, friends and trusted advisors who have all worked so hard to make Basic-Fit and the listing the success story that it is today.

THANK YOU

I would like to thank all members for joining Basic-Fit. The fact that so many people are finding their way to our clubs is the true reward. I thank my Basic-Fit colleagues for their dedication and hard work over the past year. We have grown faster than ever before, and along the way managed to improve the service and offering for our members.

I would also like to thank 3i and our new shareholders for the trust they have placed in us to achieve our growth strategy.

I'm looking forward to another exciting year with strong growth in the numbers of clubs and members, and in operating profit. We will continue to shape the European fitness landscape and work towards a future in which we give every family the benefits of a Basic-Fit membership and enjoy an active and healthy lifestyle.

René Moos, CEO

ABOUT BASIC-FIT

Who we are

With 419 clubs, Basic-Fit is the leader in the European fitness market. In our clubs, more than 1.2 million members can work on improving their health and fitness.

Our presence

We are active in five of Europe's most attractive markets: the Netherlands, Belgium, Luxembourg, France and Spain.

Our business

With around 3,200 employees, we operate a straightforward membership model. Offering uncomplicated, essential and effective fitness experiences that are both affordable and accessible for everyone.

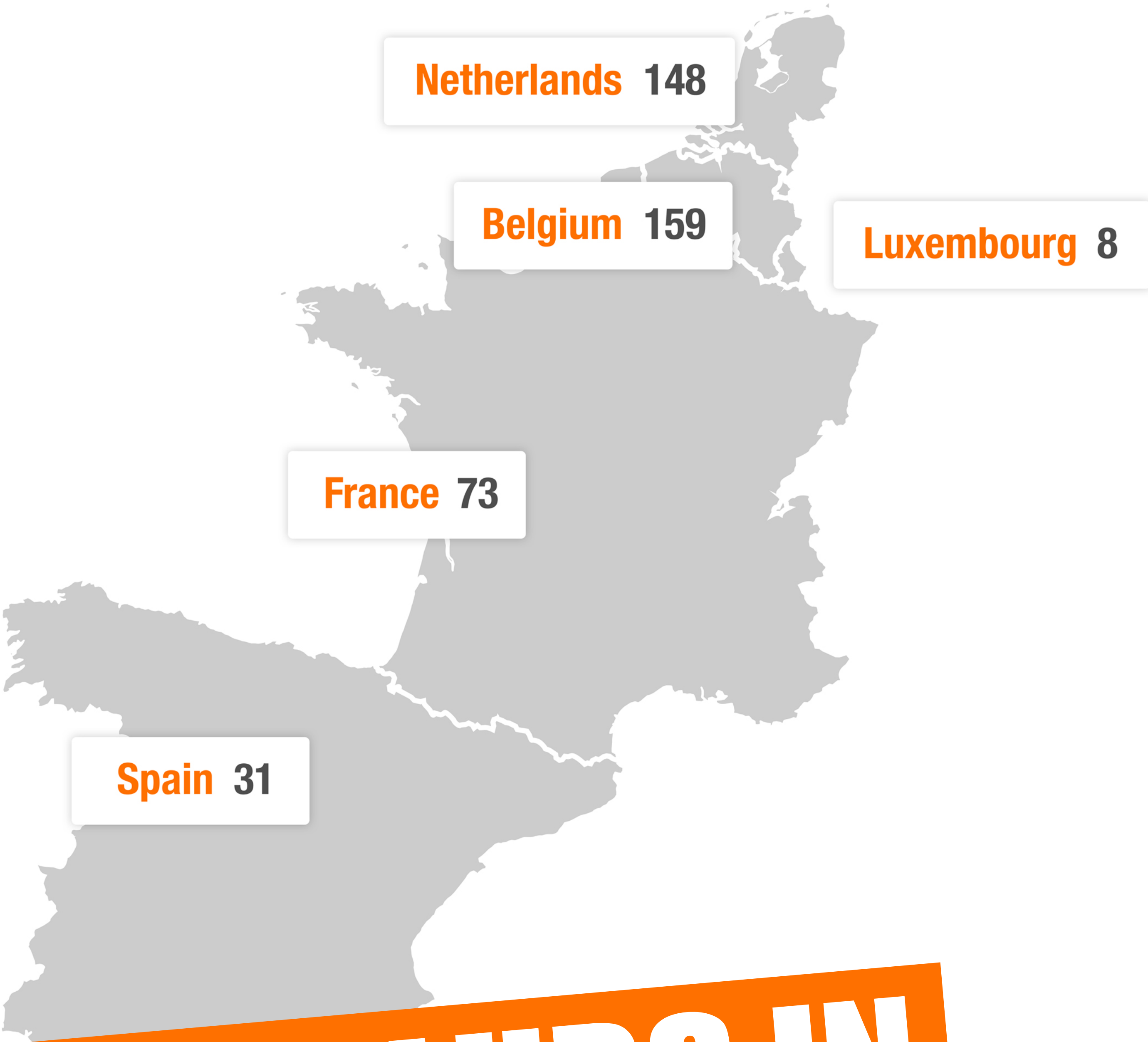
Our unique proposition

Building on our longstanding expertise, we combine a flexible low-cost membership model with high-quality fitness equipment and technology, virtual and live group lessons, and shareable family passes that give members access to all our clubs across Europe.

Our extras and add-ons

In addition to our standard membership, members can opt for live group classes, personal training sessions, physiotherapy and/or a sports water subscription.

In our clubs our members can optimise their workout by following the instructions on the Basic-Fit app, which shows them how to perform an exercise.



419 CLUBS IN EUROPE

OUR HISTORY

Early days

After ending his professional tennis career in 1984, René Moos started to manage and invest in tennis parks, which he expanded with fitness facilities. Fitness turned out to be a very profitable activity and he decided to shift the focus to fitness and wellness.

HealthCity

In 2004, after a merger with another small chain in the Netherlands, the company continued with 11 clubs under the name HealthCity and expanded to 74 clubs in the next two years. In the years following, the HealthCity mid-to-premium market concept was optimised. The company also expanded internationally, supported by the acquisition of parts of a competitor's network in, amongst other places, the Benelux, France and Spain.

The budget concept

During these years, René became acquainted with the budget concept in the US and decided to roll out a budget concept under the brand HealthCity Basic. In 2010, as the budget concept became more popular, HealthCity acquired the Basic-Fit brand and 28 of its clubs, allowing the company to accelerate the growth of its budget line. All budget operations were put under the Basic-Fit brand.

Focus on Basic-Fit

In 2013, HealthCity was split into two independent companies: a network of premium and mid-market clubs to operate under the HealthCity brand, and a network of budget clubs to operate under the Basic-Fit brand. From that moment on René and his team fully focused on the value-for-money concept and Basic-Fit brand. The concept was further optimised with a clear and transparent pricing policy, high-quality fitness equipment from top brands, smart use of technology, virtual and live group lessons, and shareable family passes. Our network at that time still included previously acquired concepts and the HealthCity Basic clubs. A refurbishment programme was initiated to bring all clubs in line with the new Basic-Fit concept and brand of well-equipped, value-for-money clubs.

Listing

With the listing on 10 June 2016, Basic-Fit was financially set up for the next growth phase. In the year the organisation further professionalised to execute its international ambitions. In 2016, the Basic-Fit network surpassed the 400 club milestone. With this large network of clubs in good shape, and with a clear and ambitious growth strategy, it is time for the next step in the development of Basic-Fit.


FITNESS =
EASY ACCESS

STRATEGY & MID-TERM TARGETS

Mission & vision

We believe that everyone should have access to the benefits that fitness offers. We aim to provide a great value-for-money fitness experience that is affordable and easy to access for families and individuals, from novice to athlete. We strive to be people's preferred fitness brand, by focussing on what matters to members and continuously enhancing the member experience.

Grow organically by rolling out new clubs

There is a strong growth opportunity for value-for-money clubs in our geographical markets, given the demand for value-for-money fitness and current low penetration rates in some of the countries where we operate, most notably France and Spain.

By performing white spot analyses, we identify areas where there is potential demand for our fitness offering that is not being met adequately by existing supply in the value-for-money health and fitness segment. We have institutionalised site selection and club development procedures to help country management identify and assess new sites and develop new clubs, using a coordinated approach. We believe that our track record in rolling out new clubs positions us well to capture the growth opportunities represented by the value-for-money health and fitness segment in our geographical markets.

A white spot analysis executed in consultation with a strategy consultancy firm early 2016 indicated a total growth potential of more than 900 additional value-for-money fitness clubs in our existing geographical markets. However, if we assume a modest growth in penetration levels towards those in more mature markets, the number of clubs that could potentially be opened in our markets doubles. We believe that France and Spain provide particularly attractive opportunities to further grow our business. Whilst France represents a significantly larger growth opportunity based on population, both countries currently have a relatively low penetration rate, an underdeveloped low-cost fitness segment, and a fragmented fitness club market with no major non-franchise fitness chains offering a comparable proposition like Basic-Fit's.

We have a track record in successfully adding new clubs to our network, and increased the number of clubs we operate from 199 on 1 January 2014 to 419 on 31 December 2016. This was achieved organically by opening new clubs and selectively acquiring existing clubs.

Scale advantages

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

In previous years, we invested significant amounts in IT to optimise operations. Due 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 advantages and operational efficiencies enable us to be cash flow positive at a club level once we reach on average 1,500 memberships, and to have a payback period of around three 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 timeframe in order to fulfil the assessed demand for value-for-money fitness as much as possible, while at the same time making sure that each club we open will deliver on the return on invested capital (ROIC) threshold at maturity of at least 30%. With this cluster strategy we also become a compelling choice for people, as it is more than likely that we have a club near where they work and where they live, and membership gives people as standard access to all our clubs.

Trends and innovation

Fitness has been around since the 1960s and, surrounded by all the various different trends and hypes that have come and gone over the years, proved itself a highly resilient business with steady historical growth.

Our clubs are designed in a way that enables them to modify their offering and adapt to changing fitness trends. For example, we are currently adapting our offering to meet the increasing demand for functional training in both our new and existing clubs.

Innovation is crucial for Basic-Fit. It has helped us to operate our clubs efficiently with a limited number of employees, to better understand our members, and to make our sales more effective. In the coming years, we will continue to invest in innovation in order to further improve the fitness experience, reduce the cost of operations, and increase revenue by offering enhanced and new services. For example, by automating administrative processes, employees can spend more time on member interaction and improve the fitness experience of members. Automation efficiencies are achieved through such innovations as virtual group classes and the kiosk, where people can obtain a new membership or modify their current membership to their needs without the help of our staff.

Add-on and secondary income opportunities

In addition to base membership fees and joining fees, we generate revenue from ‘add-ons’. Add-ons are additional services that can be added to a membership against payment. Our add-ons currently comprise live group classes (LiveGX), the Basic-Fit Pro App and a sports water subscription. The add-on income stream is part of the fitness revenue.

We generate secondary income, which we report 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 (2% of total revenue in 2016), we have been rolling out new and improved offerings to further grow this revenue line. In addition, we have set up a dedicated team to develop new products and services for our members for use inside and outside our clubs. These services could help us increase secondary revenue, bring us additional competitive advantage and increase the length of stay of our members. Examples of areas that we have been working on include leveraging the revenue potential of our membership database through cross-selling and up-selling other health and fitness-related products and services, and in-club advertising by third parties.

Selective acquisition of fitness clubs

We have in the past 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 the potential for consolidation. We believe that acquisitions can provide a way to accelerate our club rollout strategy. In the short term, however, we will focus on organic growth as the opportunities to build our own clubs in our existing countries are significant.

Any acquisition can be done on an opportunistic basis, with a view to generating clear revenue and cost synergies, as an acquired club or chain of clubs is converted to the Basic-Fit brand and format, and 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 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 are currently focused on expanding our network in our existing markets.

Financing

We finance our growth by reinvesting generated cash and drawings under the available credit facility. We believe we have ample liquidity for building new clubs, doing small acquisitions (one or a few clubs of a small fitness chain), our day to day operations and the development of new revenue streams. In the short term we feel comfortable with a net debt of between two and a half and three times adjusted EBITDA. If the opportunity arises we will also consider larger acquisitions. For financing such acquisitions we would assess the best suitable financing construction.

Medium-term objectives

By pursuing our strategy, and assuming normal macro-economic conditions and market circumstances, and no material changes to the current regulatory or tax framework in our industry or our business, we aim in the medium-term to (i) add around 100 clubs to our network a year; (ii) achieve annual revenue growth of at least 20%, with significant operating leverage; (iii) achieve modest like-for-like revenue growth; and (iv) achieve a return on invested capital on mature clubs of at least 30% (where invested capital means the initial capital expenditure incurred in opening a new club).


FITNESS =
FUN

BASIC-FIT MANAGEMENT BOARD REPORT

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, a former professional tennis player, opened his first fitness club in 1984 and has over 30 years of sector experience. René co-founded HealthCity, a premium health and fitness club operator, and was appointed CEO in 2004. In 2012, 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

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., 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.

Business & financial review

Club and membership development

In 2016, we increased our network by 81 clubs – 84 openings and 3 closures – to 419, which is above the original guidance of between 65-75 clubs. France was responsible for the larger part of club openings as we shifted our expansion focus from the Benelux to France. This was possible as we set up a well-defined expansion process with four expansion managers, helped by a large number of real estate agencies. In the past two years, we identified all the white spots that support our expansion and we are swiftly selecting the right locations for our clubs and negotiating with property owners and local governments to secure them.

	2016		2015	
Revenue in € millions	**Clubs**	**Revenue**	**Clubs**	**Revenue**
Netherlands	148	100.1	140	83.0
Belgium	159	106.2	139	90.5
Luxembourg	8	8.2	8	7.3
France	73	25.0	25	9.2
Spain	31	19.0	26	12.3
Total	**419**	**258.6**	**338**	**202.2**

All countries showed strong revenue growth compared to 2015. France achieved revenue growth of 173%, which is mainly explained by our expansion strategy with a strong focus on France. In France, we increased the number of clubs by 48. In the Netherlands we added 8 clubs to the network, in Belgium 20 and in Spain 5.

In the year, the number of Basic-Fit memberships increased by 27% to 1.2 million. This is mainly the result of the strong club expansion in France.

Key figures

In € millions	2016	2015	change
Total revenue	**258.6**	**202.2**	**28%**
Club operating expenses	(145.7)	(118.2)	23%
Adjusted club EBITDA	**112.9**	**84.0**	**34%**
Total overhead expenses	(32.5)	(23.9)	36%
Adjusted EBITDA	**80.4**	**60.1**	**34%**
Exceptional items	(11.0)	(4.4)	
EBITDA	**69.4**	**55.7**	**25%**
Adjusted net earnings*	**14.1**	**8.7**	**61%**
Adjusted EPS*	**0.32**	**0.29**	**11%**

* Earnings adjusted for amortisation, interest on shareholder loans, exceptional items and one-offs and the related tax effects

Revenue development

Revenue in the year increased by 28% to €259 million. The strong growth is mainly the result of 28% higher fitness revenue. Other revenue contributed as well (up 16%). The continued expansion of the number of clubs in our network and the addition of members in our existing clubs continued to be the main drivers for the increase of fitness revenue. The increase of other revenue was mainly the result of higher demand for and increased availability of personal trainers and higher sales of day passes.

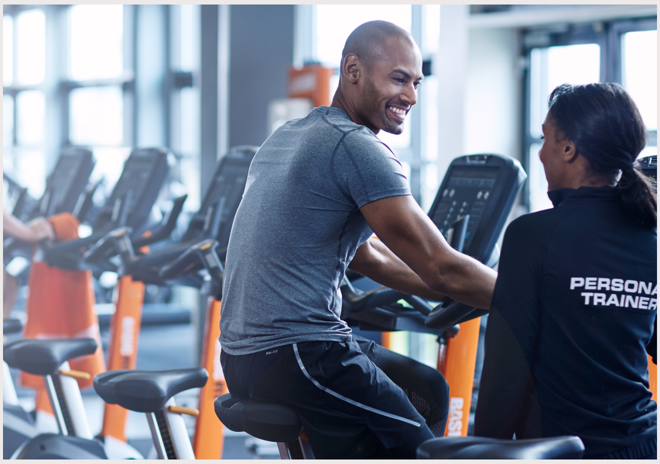
On a like-for-like basis, mature club revenue increased by 5% to €136 million. The increase is mainly the result of higher revenue per member but also due to further membership growth (1.3%).

In the year, we also focussed on the rollout of a few add-on products which contributed positively to the average fitness revenue per member per month. We continued to make sports water available in more clubs in more countries. At the end of the year, 100% of our clubs sold sports water after we introduced it in our clubs in France and Spain during the year.

The average revenue per member per month increased by 3.3% to €19.46 compared to €18.84 in 2015. This was mainly the result of the positive effects of the add-ons and the harmonisation of our membership offering, which resulted in price increases, particularly in the Netherlands where we had the lowest prices. This increase was offset to some extent by promotional activities for both new club openings as well as existing clubs.

In the year we put considerable effort in the development of secondary revenue. We have been installing new vending machines with a broad and more attuned assortment in most of our clubs and we expect to finish this rollout programme in 2017. We have also rolled out a personal trainer offering across the countries. At the end of the year we offered a personal trainer service in 237 of our clubs. In the Benelux we have started a similar offering for physiotherapists. They can rent space in our clubs, where they can start their business with limited capital requirements. In 112 clubs we currently have a physiotherapist practice embedded. In the year, we made day passes available via the kiosk. This resulted in good and increasing demand. It also allows our personal trainers and physiotherapist to easily work with clients who are not a member. In the year, other revenue increased by 16% to €5.5 million.

Personal training at Basic-Fit



Basic-Fit offers head trainers the exclusive rights to start their own business at one of our clubs. In return we charge them a monthly fee, which depends on the size and number of memberships of the club, for the use of the brand, the space and equipment and the connection to our members. The head trainers can hire additional personal trainers if demand is there and grow their business accordingly. Customers have a direct arrangement with the trainers and the trainers are free to determine the fee that they charge. What we ask from the head trainers is that they are properly certified, are recognisable as personal trainers and that they perform the kick-start sessions – introductory sessions to fitness and personal training - that Basic-Fit sells to its members and for which the trainers receive a fee.

This service is a true symbiosis and a win-win situation for Basic-Fit, its members and the head trainers. With the head trainers active in our clubs we have entrepreneurs on the floor with whom we share the same interests and who will help us to secure satisfied customers who work out in a well-run club that is clean, open on time and with friendly professionals available at their disposal. The head trainers can start their own business without any capital requirements and at relatively low operating costs, whilst at the same time have exclusive access to a large pool of potential clients. To help our new members, we offer them the opportunity of a kick-start. This is a good opportunity for the head trainers to get to know potential new clients whilst we are able to offer our new members a professional introduction to fitness and our clubs.

Adjusted EBITDA

On a club level, total operating expenses increased to €146 million from €118 million in 2015, which is mainly the result of the growth in the number of clubs. The growth of revenue outpaced the growth of operating expenses and as a result we saw the adjusted club EBITDA margin improve by 213 bps to 43.7%. The mature club EBITDA margin increased by 134 bps to 49.6%.

Overhead expenses increased to €33 million from €24 million. This is mainly explained by the increase in international overhead costs due to the further professionalisation of the organisation in preparation for the listing and to facilitate continued future growth, including the expansion of our customer support department.

In the year exceptional items totalled €11 million compared to €4.4 million in 2015. The increase is mainly the result of IPO related transaction costs.

In 2016, adjusted EBITDA (EBITDA adjusted for exceptional items) increased by 34% to €80 million from €60 million in 2015. The adjusted EBITDA margin increased by 138 bps to 31.1%.

Operating result

The operating result was €4.0 million compared to €7.7 million in 2015. This decrease was the result of the significant exceptional costs as a result of the IPO, as well as the increase in depreciation, which increased faster than revenue, as over the last two years we have been opening many new clubs that have yet to mature.

Net debt and financial result

The proceeds of the new bank loan and the primary offering of the IPO were used to deleverage and improve our capital structure. At the end of the year the net debt was €206 million, compared to €255 million (excluding €201 million shareholder loan) at the end of 2015, representing a leverage ratio (net debt/adjusted EBITDA) of 2.6. At the end of 2016, we had €44 million in undrawn credit facilities, compared to €18 million at the end of 2015.

The finance expenses were €36 million compared to €37 million in 2015. This stable development was the result of costs (€12 million) relating to the early repayment of prior loans and lease commitments being more than offset by a combination of lower debt and improved facility terms after the listing. The finance expenses include the interest costs on shareholder loans, which we will no longer incur under the current capital structure.

In March 2017, we secured funding for the accelerated growth plan by increasing the revolving credit facility by an additional €75 million. As a result of the accelerated growth plan and subsequent higher investments, we will not deleverage this year, and expect net debt to be between 2.5 and 3.0 times adjusted EBITDA at the end of 2017.

Tax

The corporate income tax expense for the year was €0.7 million, compared to a €6.3 million benefit in 2015. In the year, Basic-Fit reached an agreement with the Dutch tax authorities. As described in the IPO prospectus, Basic-Fit was in discussions with the Dutch tax authorities about several tax matters, the main one being the tax deductibility of the interest on shareholder loans. As a result of the agreement, the recognised deferred tax assets were reduced by €9.2 million, resulting in a non-cash tax charge of the same amount.

Adjusted net earnings

The net result in the year was minus €32 million compared to minus €23 million in 2015. Adjusted for amortisation, interest on shareholder loans, exceptional items and one-offs and the related tax effects, earnings were €14 million in 2016 compared to €8.7 million in 2015. The transaction costs, representing the main item in exceptional items, are mainly related to the IPO. The pre-opening costs in exceptional items include non-cash lease costs incurred ahead of opening a club. The one-off costs are linked to the refinancing and early repayment of our financial leases and are included in interest expenses in the income statement. Also included in the one-off costs is the one-off non-cash tax charge which we incurred as a result of the agreement we reached with the Dutch tax authorities in December 2016.

Reconciliation net result to adjusted net earnings

In € millions	2016	2015
Net result	**-32.4**	**-23.0**
Amortisation	16.7	14.9
Exceptional items	**11.0**	**4.4**
Pre-opening costs	2.2	1.6
IPO related transaction costs	4.9	0.0
Other exceptional costs	3.9	2.8
Interest on shareholder loans	**10.9**	**21.2**
One-off costs	**21.6**	**0.0**
Breakage cost related to early repayment	7.8	0.0
Amortisation of capitalised finance cost	4.6	0.0
Non-cash tax charge	9.2	0.0
Tax effects (27%/22%)	**-13.7**	**-8.8**
Adjusted net earnings	**14.1**	**8.7**

Equity

Total equity at the end of the period was €305 million compared to minus €24 million at the end of 2015. The improvement is the result of the use of proceeds of the IPO. The solvency ratio, defined as equity divided by total assets, was 47% at the end of 2016.

On 10 June, Basic-Fit became listed on Euronext Amsterdam. The expenses related to the IPO totalled €20 million, which is in line with the estimated amount in the prospectus. Of the amount, €15.5 million was booked against equity and the remaining €4.9 million has been recorded in the income statement in other operating expenses and employee benefits expense (exceptional items).

Working capital

Working capital was €82 million negative compared to €88 million negative at the end of 2015. As a percentage of revenue, working capital increased to minus 32% from minus 43%. This is slightly below the targeted range of between minus 25% and minus 30%.

Capital expenditure

Maintenance capex in 2016 was €14 million compared to €9.8 million in the same period last year.

Expansion capex was €105 million, compared to €94 million in 2015. The increase is mainly explained by the larger number of clubs opened in 2016. This amount also includes expenses for the expansion of existing clubs and small acquisitions in 2016 (€15 million) and 2015 (€23 million). We will continue to expand successful existing clubs in 2017, as this is a cost-effective alternative for building a new club near a successful existing one. The initial capex per newly-built club was on average €1.1 million.

In the year, we finalised the planned refurbishment programme. The related one-off capex was €11 million compared to €33 million in 2015.

Other capex amounted to €3.5 million and consisted primarily of relocation costs for our international headquarters and our headquarters in Belgium and France, and software development costs.

Cash flow

The cash flow pre expansion capex, defined as adjusted EBITDA minus maintenance capex, was €66 million, an increase of 31% compared to €50 million in 2015.

Net cash flow from operating activities was €33 million compared to €52 million in 2015. The decrease is mainly explained by higher working capital, higher interest expenses and early repayment fees. As mentioned in the net debt and financial result paragraph, we have a new facility in place with improved terms and the early repayment fees are a one-off item.

The net cash outflow from investing activities was €112 million compared to €78 million in 2015. The increase is explained by higher capital expenditure.

The net cash flow from financing activities was €84 million compared to €25 million in 2015. The increase is the result of the proceeds of the IPO and the refinancing.

Club openings pipeline

At the end of 2016 we had 29 clubs under construction and 69 contracts signed, which include contracts for which we wait for permit approval. In addition, we have a pipeline of 140 clubs for which we are in advanced discussions with property owners or which are in the research phase.

Outlook

The pipeline of new clubs is very well filled which enables us to accelerate the execution of our club rollout strategy. In the medium-term, we expect to add around 100 clubs a year to our network.

We will continue to rigidly follow our well defined expansion process to maintain the high quality of the network and achieve the target of a ROIC of at least 30%.

We will increase the level of investment in innovation to further reduce the cost of operations, increase revenue by offering enhanced and new services and to further improve the fitness experience which could also help to increase the length of stay.

People

In 2016, the number of employees increased to 3,146 from 2,694, representing 1,495 full-time equivalents (FTE).

	2016	2015
# employees	3,146	2,694
# FTE	1,495	1,257
Full-time employees	583	488
Part-time employees	2,563	2,206
Men/women	1,415 / 1,731	1,198 / 1,496
Average age	33.2	33.4

Culture

At Basic-Fit, we believe every employee can make a difference and contributes to the success of our company. Our people are responsible for their own clubs and we foster an ownership culture that includes every employee. We believe that transparency, innovation and easy accessibility at every level are important principles in our company's culture. The experience, knowledge and capacity for innovation of our employees are the foundation of our competitive advantage.

Employee attitude and behaviour impact the levels of member satisfaction and retention. We need to attract the right people and implement the right processes in order to drive excellent business performance.

Recruitment

Our human resource strategy is aimed at attracting new employees, developing their knowledge and competencies, motivating them, and stimulating internal growth.

In our recruitment process, we look for people with the right skillset and competencies who fit our culture and values. Our growth strategy results in a strong inflow of new colleagues to man the new clubs and the growing supporting centralised functions at our headquarters. This offers employees internal growth opportunities and the opportunity to develop themselves.

Performance management

At Basic-Fit we have a standard performance management cycle. Both job-specific as well as competency-specific targets are agreed upon at the start of the year. These are then evaluated halfway through the year. At the end of the year we assess whether the goals were achieved.

Using a 9-way grid, we assess the performance and potential of our employees. This matrix is used to identify high-potentials with whom we will discuss individual growth plans. As we are a fast-growing company, we need a well-filled talent pool that can help us fill future middle and senior management positions. We aim to fill 60% of management vacancies internally.

Training and development

We continuously strive to contribute to the development of our employees, both at our clubs and at our headquarters. As we are looking for the best and most efficient ways to serve our members, we look closely at the role our employees can play in this. Having an engaged and knowledgeable workforce is key here.

All new employees in the Netherlands take part in an onboarding programme to get acquainted with Basic-Fit. This entails an e-learning module about Basic-Fit's ambitions, strategy, values, culture and history, as well as some job-specific information. As a result, employees know what to expect and what we expect of them. The onboarding also offers a two-day introduction to our clubs in which sales, service, quality and hygiene are the main topics. During the coming year, the onboarding programme will also be implemented internationally.

Next to a formal onboarding programme and training-on-the-job, we offer our employees e-learning modules to increase their knowledge of fitness. In 2017, e-learning will be used to get all our club employees EREPS-certified. This internationally recognised fitness certification programme will contribute to getting our service up to the same quality level throughout the company.

Management is offered a specific management training programme that focuses on leadership and personal effectiveness. Through our management development programme, we stimulate flow-through and enable people to grow within the company.

Corporate social responsibility

We realise that, in order to succeed in the execution of our strategy and achieve our goals, Basic-Fit has to be aware of and take into account the social context in which it operates, its social responsibilities and its obligations towards its different stakeholders. In other words, long-term value creation must coincide with managing a sustainable and responsible business.

We have defined four areas of attention in relation to corporate social responsibility: people, planet, profit and positioning.

We believe that everyone should have access to the benefits that fitness offers. People have become increasingly aware of the need to live more healthy. Too many people eat too much and exercise too little. Recent studies show that sedentary lifestyles and a lack of physical exercise are responsible for as many deaths as smoking. We provide an appealing and fun environment in which people can work out and exercise. We have made our memberships affordable and our clubs accessible. We open clubs in cities close to where people live and where people work, making it possible for more and more people to lead an active and healthy life.

At Basic-Fit we employ people with many different backgrounds, orientations and nationalities, and believe that our workforce is a representation of the social environment in which our clubs are located. We invest in the development of our employees and their ability to help our members make the best of their workout in a safe and responsible way.

The safety of our members and staff is an important aspect of our HR policy. It starts with creating a club that is fitted out with high-quality equipment and that offers a safe working environment. Our employees are aided by technology, such as CCTV, so they have a clear view of what is happening in the club. They are also trained to handle an AED, and can follow a course on dealing with different types of people, and aggression should it occur. Safety audits are regularly performed and accidents/near-accidents reported and registered.

We realise that in doing business we consume natural resources and contribute to CO2 emission. We aim to minimise the impact of this in different ways. Except for our treadmills, we buy equipment that does not use electricity, or that produces electricity through the movement of its users. We also use LED lighting in our new clubs and have begun replacing conventional lighting with LED lighting in our existing clubs.

Sponsoring is a way for Basic-Fit to contribute to making the world a more healthy, active and fun place for people to live in. To which end, we have sponsored various initiatives over the years. Currently we are helping Running Blind in their efforts to complete the RopaRun, strengthen their brand and attract more buddies to accompany visually-impaired athletes on their runs.

Basic-Fit is a relative young and fast-growing brand. We realise that this means our impact on and obligations towards society are also growing. We take corporate social responsibility very seriously and we will be making every effort to further develop our corporate social responsibility policy in 2017.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SOCIAL
RUN
THIS
BLOCK

RISK MANAGEMENT

Risk management and control systems

Basic-Fit values the importance of corporate governance, risk management and internal controls. We believe that these elements play an important role in achieving the strong international growth ambitions and we see them as performance drivers to create long-term value. The strong entrepreneurial growth in the years behind us in combination with the listing on Euronext in 2016 created the opportunity to further strengthen these elements.

To achieve this, we engaged an external law firm in 2016 to set up the Corporate Governance procedures in line with what is required for a listed company and we strengthened the internal organisation to be able to keep up with the strong growth of the company. In 2016, Basic-Fit also launched a new Code of Conduct. This applies to all employees working for Basic-Fit. The purpose of this Code of Conduct is to define generally acceptable behaviour, and ensure that Basic-Fit and its employees conduct their operations in an honest, transparent and integer manner, in line with the best interests of Basic-Fit. The Code of Conduct is applied throughout the organisation, incorporated in the human resources policies and guidelines in each country and referred to in each employee contract.

To advise us on risk management and strengthening of our internal control framework we engaged an independent international audit firm. With the help of this firm, the processes and related controls have been optimised and important steps have been taken to improve the registration, documentation and formalisation of the processes and controls. Furthermore, segregation of duties has now been formalised in all processes and IT systems have been aligned. This internal control framework comprises a set of minimum internal control standards with which all employees must comply.

We believe that we now have corporate governance procedures, a risk management policy and an internal control framework that continue to facilitate the entrepreneurship that is embedded in our culture, but also ensures compliance with laws and regulations. It contributes to the identification and adequate management of strategic, operational, legal and compliance and financial risks. We believe we have achieved a balance between an effective and professional organisation on the one hand and flexibility and entrepreneurship on the other. Resulting in an acceptable risk profile that matches a company with Basic-Fit's international growth ambitions. Compliance with the corporate governance principles and best practices, the risk management policy and the internal control framework has been made an integral part of the management incentive schemes in 2017. At the start of 2017, the internal audit function has been outsourced to an independent international audit firm.

Within our company, the Management Board bears ultimate responsibility for designing and setting Basic-Fit's risk management and internal control framework, and for creating and promoting the right business culture and values, in order to be in compliance with all applicable internal and external standards. The Management Board discussed the strategic objectives, risk appetite, risk management and internal control systems. The Audit & Risk Committee supervises the effectiveness of the internal control systems, while the Supervisory Board approves the strategic objectives and validates the 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 for each country and centralised support department. The execution of effective controls is a day-to-day activity of all our staff.

Risk management approach

In general, Basic-Fit adopts an entrepreneurial but prudent approach to risk-taking. The approach to risk differs per risk category:

- Strategic risk – Basic-Fit is prepared to take above-average calculated and carefully weighted risk in pursuing its ambitions;
- Operational risk – Basic-Fit strives to minimise risks relating to the execution of operations and implementation of its strategy;
- Financial risk – Basic-Fit has adopted a prudent financial risk strategy;
- Legal and compliance risk – Basic-Fit strives for compliance with legal and regulatory requirements (including financial reporting).

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 as identified for the previous year. Except for liquidity risk, which has decreased due to improved access to capital as a result of the IPO and the new financing facility, the level of other risks 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.

Overview of key risks

Strategic risks

Risk area and possible impact	How does Basic-Fit mitigate this risk?
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 three basic membership forms with attractive add-on opportunities, all at attractive price levels; • Our investment in people, innovative fitness products and technologies, marketing campaigns and sales promotions all enable us to enhance the value of our brand and our members' connection to our brand.
Expansion into foreign markets Different market conditions, laws and regulations, consumer preferences and discretionary consumer spending habits in our growth markets France and Spain could impact future growth and profitability.	• Before entering a new market or region we do extensive research into the 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, transportation and parking facilities, site visibility, floor size and lay-out of the building; • Local laws and regulations are closely monitored by our centralised legal department, with support from local external advisors if required; • Our marketing campaigns focus on promoting and positioning our brand, and contain local marketing efforts and sales promotions that appeal to local inhabitants.
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 continuously invest in offering an attractive value-for-money proposition to our existing and new members: we offer a value-for-money membership at lower cost with longer opening hours; • We have localised marketing campaigns and sales promotions including pre-sales campaigns to win market share and increase the fitness penetration rate; • Due to our size, we benefit from operational leverage.
External economic & political risks, and natural disasters Possible adverse impact on growth and profitability.	• Our diversified portfolio of 419 clubs in five countries, 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.

Operational risks

Risk area and possible impact	How does Basic-Fit mitigate this risk?
Technology Our business model is partly technology driven and not keeping up with technological change or inabilities or delays in new system implementations could impact future growth and profitability. Cyber security issues are also becoming increasingly relevant.	• We continuously maintain, enhance and improve the functionality, capacity, accessibility, reliability and features of our automated member interfaces and other technology offerings; • We have selected experienced partners to help maintain and develop existing technology, and to adapt to and manage emerging technologies; • Data security is an area of major importance and we are committed to further improving our data protection measures.
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 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 consents for a site have been granted and are irrevocable; • Our management teams also work with local agents to obtain the required permits and permissions; • Construction of a new site can only take place after approval by the Management Board of a rigorous investment analysis including return on invested capital.
Our 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.	• Recruitment and training programmes for club staff (e.g. EREPS) and customer care employees have been developed and e-learning programs are obligatory for all new personnel; • The centralised support departments and their management have been strengthened during 2016 to support our strong growth ambition; • As a result of the IPO, Basic-Fit has raised its public profile and has become a more attractive employer.
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, IT services and marketing services; • In 2016, we set up a centralised property management department to support 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, thereby optimising the number of suppliers with whom we work.

Financial risks

Risk area and possible impact	How does Basic-Fit mitigate this risk?
Capital expenditure and cash flow risk In line with our growth strategy, we manage a large number of capital-intensive projects to roll out our club base. Overspending or price increases could impact our cash flows.	• Each new club analysis includes a detailed investment plan, and the required expansion and maintenance capital expenditure is analysed on a club-by-club basis; • In 2016, we set up centralised property management and procurement departments to improve control over all our investments and to even further minimise price risk. This is supported by a strengthened internal control framework.
Liquidity risk To fund our growth ambitions, access to capital is required.	• We have a five-year €275 million facility agreement in place with sufficient headroom. This facility was arranged in May 2016. In March 2017, we increased the revolving credit facility with the accordion option of €75 million to provide additional headroom to execute the accelerated growth; • Cash is managed on a daily basis, while on a weekly basis management prepares a cash flow forecast to identify the cash needs for the short-term; • Long-term liquidity needs are monitored on a quarterly basis.
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 fees that can't be collected upfront; • Access to clubs is no longer granted to members with overdue receivables until these have been fully paid; • Collection agencies are used 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.
Currency and interest rate risk Significant changes in financial markets could impact our financial condition or performance.	• Basic-Fit only operates in the Euro-zone, hence currency risk is limited. We do not use financial instruments to hedge any remaining currency risk; • Interest rate risk arises from the facility agreement, which is linked to Euribor. We have hedged about 44% of our variable interest exposure by using floating-to-fixed interest rate swaps; • A change of 100 basis points in Euribor would result in increased annual post-tax interest expenses of approximately €0.7 million (based on exposure at year end).

For more details see note 6 to the consolidated financial statements.

Legal and compliance risk

Risk area and possible impact	How does Basic-Fit mitigate this risk?
Ethical, legal, tax, health and safety, 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.	• In 2016, Basic-Fit started with the development of a compliance charter, which will be finalised in 2017. All employees will be trained on these policies through training courses; • 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; • In 2016, we have started with the development of a health and safety policy to comply with applicable legislation, which will be finalised in 2017. Security cameras are being installed with a view to optimising the security of our members and staff, first aid-trained personnel are generally present at our clubs and our clubs are typically supplied with defibrillators; • 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 these related to reporting and tax; • In 2016, Basic-Fit reviewed and strengthened the internal control framework in cooperation with an international audit firm.


FITNESS =
POWER

CORPORATE GOVERNANCE

Basic-Fit acknowledges 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 the way it is reported are all in line with the Dutch Corporate Governance Code 2008 ('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.

On 8 December 2016, the corporate governance code monitoring committee published a revised version of the Code. The revised Code does not apply to the 2016 financial year. In the course of 2017 Basic-Fit will bring its corporate governance in line with the revised Code.

With respect to the financial year 2016, Basic-Fit reports on compliance with the Code as applicable in 2016. We fully endorse the core principles of the Code and are committed to following the Code's best practices to the furthest extent possible. However, in consideration of our own interests and the interest of our stakeholders, we deviate from a limited number of best practice provisions, which are specified and explained in the Corporate Governance declaration of this document.

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 five members. The provisions in the Dutch Civil Code that are referred to as the 'large company regime' ('*structuurregime*') do not apply to Basic-Fit.

Management Board

Duties

Basic-Fit is managed on a day-to-day basis by the Management Board. The Management Board is collectively responsible for the management of Basic-Fit. Its tasks include the overall management, performance and general affairs of Basic-Fit, as well as formulating and implementing its strategy, policies, objectives and results. The Management Board provides the Supervisory Board with information in a transparant 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; 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 are available on the Basic-Fit website.

Certain resolutions of the Management Board are subject to prior approval by the Supervisory Board. These resolutions are outlined in Basic-Fit's articles of association (Articles of Association, also published on the Basic-Fit website) and the Management Board Rules.

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 by 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 such majority represents at least one-third of our 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 such 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 in the 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 our issued share capital.

The Articles of Association provide that the General Meeting has 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 the meeting.

Members of the Management Board may also be suspended by the Supervisory Board at any time. A suspension by the Supervisory Board may, at any time, be discontinued by the General Meeting and automatically lapses if the General Meeting does not resolve to dismiss such member of the Management Board within three months from the date of such suspension.

Composition

The Management Board of Basic-Fit consists of two or more members, and shall in any event compromise a CEO, who will act as chairman. On 31 December 2016, 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 Management Board Report contains more information.

Both members of the Management Board have entered into service agreements with Basic-Fit and are appointed for an indefinite period.

As long as René Moos is 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 (further 'Mito') and AM Holding BV (further 'AM Holding'), ahead of the IPO.

If the Management Board consists of two members and the CEO has been suspended, the Management Board can only validly adopt resolutions to the extend required to continue operating the business of Basic-Fit in its ordinary course, or to the extent required to safeguard the continuity of the business.

Remuneration

Information on the remuneration of the Management Board 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 the business affiliated with it, 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. 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 from 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 nomination 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 with an absolute majority of the votes cast votes in favour of overruling the binding nature of the nomination, 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 may be passed with an absolute majority of the votes cast, irrespective of the capital present or represented at such 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 exists of one person, the person nominated by the Supervisory Board is considered to be appointed by the General Meeting. If the Supervisory Board has not drawn up a binding nomination, the General Meeting is free in the 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 our issued capital.

Each member of the Supervisory Board is appointed for a maximum period of four years. At the time of Basic-Fit's IPO, a rotation schedule was drafted to ensure, as far as possible, that a situation is avoided whereby multiple members of the Supervisory Board are due for reappointment in the same year.

The Articles of Association provide that the General Meeting has 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 resolution of the General Meeting other than 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 our 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 our 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 such 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 2016, the Supervisory Board consisted of five 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 each of Mito and AM Holding 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 III.2.2 of the Code.

One of the Supervisory Board members 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 capital of Basic-Fit.

As at 31 December 2016, the Supervisory Board was composed as follows:
Ronald van der Vis
(1967, Dutch), chairman
Carin Gorter
(1963, Dutch), vice-chairman and chairman of the Audit & Risk Committtee
Herman Rutgers
(1949, Dutch), chairman of the Selection, Appointment & Remuneration Committee
Pieter de Jong
(1964, Dutch), member of the Selection, Appointment & Remuneration Committee and the Audit & Risk Committee

Hans Willemse
(1968, Dutch), member of the Selection, Appointment & Remuneration Committee and the Audit & Risk Committee

The Supervisory Board Profile contains more 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 assist in the decision-making of the Supervisory Board. The roles and responsibilities of each committee, as well as the composition and way it performs its duties, are set out in the respective charters of the committees, 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; compliance by the company with applicable laws and regulations; 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; and 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 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.

Conflict of interest

Our Management Board and Supervisory Board regulations contain provisions on the procedures to be followed in the event of a conflict of interest. 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. This is a chain of fitness clubs active in the mid-to-premium market segments of the health and fitness market that could be perceived to be competing with Basic-Fit and even though it operates 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 33 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 II.3.2 up to and including II.3.4 and III.6.4 of the Dutch Corporate Governance Code have been complied with.

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 to Basic-Fit, will adhere to these regulations, which can be found on Basic-Fit's corporate website.

Diversity in profile and composition

Certain gender diversity requirements under Dutch law for management and supervisory boards expired in 2016. In January 2017, the House of Representatives (*'Tweede Kamer'*) proposed legislation which aims to extend these requirements until 2020. This proposal has been adopted by the 'Senate' (*'Eerste Kamer'*) on 7 February 2017. Pursuant to these requirements, certain large Dutch companies must pursue a policy of having at least 30% of the seats of both the management board and supervisory board held by women, to the extent that these seats are held by natural persons. 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 currently does not meet the gender diversity targets for either the Supervisory Board or the Management Board. Diversity, including gender, is an important consideration in the selection process for (re)appointment of members of the Supervisory Board. However, the first priority when considering vacancies is finding a person with the required skills, expertise, experience and independence.

On 14 June 2016, the date of settlement of the offering of Basic-Fit, Supervisory Board members Robert van Goethem and Paul Liesker stepped down, and Carin Gorter and Herman Rutgers were appointed as Supervisory Board members. Herman Rutgers has extensive experience in the fitness industry and Carin Gorter is an expert with more than 20 years of experience in finance, compliance and risk management. As a result of these changes, the diversity was strengthened in terms of expertise, knowledge, skills, experience and gender, which will benefit the company.

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 during the past years, nor is it the intention in the short to medium-term to appoint an additional Management Board member. Basic-Fit does, however, attach great value to diversity within its main corporate bodies and senior leadership. We believe that diversity, both in terms of gender and background, is essential for pursuing our long-term strategy, and in this respect we will strive towards an adequate and balanced composition for all our corporate bodies. Although the first priority when considering vacancies is skills, expertise, experience and fit with the team, Basic-Fit encourages the development of female talent, which has led to appointments of several female experts in key senior management positions, resulting in more than 30% of senior management of Basic-Fit being female.

General Meeting of shareholders

The annual general meeting of shareholders (further 'General Meeting') must be held within six months of the end of each financial year. An extraordinary General Meeting may be convened whenever this is deemed in Basic-Fit's interests by the Supervisory Board or Management Board. 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 its 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 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 taken 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 annual accounts;
- 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 Articles of Association of the company.

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 with a nominal value of €0.06. On 31 December 2016, a total of 54,666,667 shares were issued.

The authorised share capital of the company consists of ordinary shares only. 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 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 corporate body authorised to resolve to issue ordinary shares or grant rights to subscribe for ordinary shares. Pursuant to the Dutch Civil 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 corporate body 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 27 May 2016 (i.e. until 27 November 2017), 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 issued share capital, at the time of the issue or at the time of granting rights to subscribe for shares; and (iii) an additional 10% of the issued share capital at the time of the issue, or at the time of granting rights to subscribe for shares, if the issue or granting of the right to subscribe for shares takes place in view of a merger of acquisition, and (iv) 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, for any issuance of new ordinary shares, or upon a grant 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 ordinary shares at any time for no consideration ('*om niet*'); or for consideration, subject to the approval of the General Meeting, certain provisions of the Dutch Law and Articles of Association, and 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. For the computation of the profit distribution, the ordinary shares held by Basic-Fit will not be included. On 27 May 2016, 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 27 November 2017), 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 with respect to its IPO, described in the Basic-Fit prospectus published on 27 May 2016 and available on Basic-Fit's corporate website.

External auditor

The external auditor is appointed by the General Meeting. For the financial years 2016 and 2017, 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 must therefore 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, refer to Risk Management.

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 a termination of these agreements in case of a change of control.

Corporate Governance declaration

The Management Board and Supervisory Board, who are jointly responsible for the corporate governance structure of Basic-Fit, acknowledge 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 almost all of the principles and best practice provisions of the Code are being applied. However, in the interest of Basic-Fit and its stakeholders, Basic-Fit deviates from the following best practice provisions:

> Best practice provision II.1.1 (term of appointment of members of the management board): 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.

This provision provides that a member of the Management Board is appointed for a maximum period of four years. Both members of the Management Board, René Moos and Hans van der Aar, are 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.

Best practice provision III.2.1 (independence of supervisory board members): All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.

On 31 December 2016, two out of five Supervisory Board members were not independent, as they are affiliated with Mito and AM Holding respectively. Under the new Corporate Governance Code 2016, effective as of 2017, the independency requirements are arranged in best practice provision 2.1.7 and 2.1.8. Under the revised Code each major shareholder or group of major shareholders may now have one representative in the Supervisory Board (best practice provision 2.1.7 iii), provided that the majority of the Supervisory Board members is independent within the meaning of best practice provision 2.1.8. Basic-Fit complies with the independency requirements under the revised Code.

Principle III.5 and best practice provision III.5.1 (composition and role of three key committees of the supervisory board): The supervisory board shall draw up terms of reference for each committee. The terms of reference shall indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties.

This provision provides that if the Supervisory Board consists of more than four members, it shall appoint 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 within one committee: the Selection, Appointment & Remuneration Committee.

In addition, this best practice provision provides that a maximum of one member of each committee is not independent within the meaning of best practice provision III.2.2. Two non-independent members of the Supervisory Board, both Hans Willemse and Pieter de Jong are members of both the Audit & Risk Committee and the Selection, Appointment & Remuneration Committee.

Best practice provision III.5.11 (chairmanship of the remuneration committee): the remuneration committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company, or by a supervisory board member who is a member of the management board of another listed company.

This provision provides that the chairperson of the Supervisory Board shall not be the chairperson of the remuneration committee. Basic-Fit currently complies with this best practice provision, but did not comply with it from the period of listing until 4 October 2016, as Ronald van der Vis was during this period both chairman of the Supervisory Board and chairman of the Selection, Appointment & Remuneration Committee. Given the background of Ronald van der Vis and Basic-Fit, the Supervisory Board deemed this situation acceptable while Herman Rutgers gained expertise in the company and the responsibilities of the Selection, Appointment & Remuneration Committee. In October 2016, Herman Rutgers replaced Ronald van der Vis as chairman of the Selection, Appointment & Remuneration Committtee and Pieter de Jong joined the Selection, Appointment & Remuneration Committee as third committee member next to Herman Rutgers and Hans Willemse.

Best practice provision IV.3.1. (meetings and presentations): Meetings with analysts, presentations to analysts, presentations to investors and institutional investors, and press conferences shall be announced in advance on the company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real-time, for example by means of webcasting or telephone. 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 concerning press releases. Basic-Fit does not offer this possibility 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 concerning their approach to corporate governance and compliance with the Code. This is referred to in Article 2a of the Decree on additional requirements for board reports *('Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag')*, as last amended on 22 December 2016. 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

Shareholders are obliged to give notice of interests exceeding certain thresholds to the Netherlands Authority for the Financial Markets (AFM). As per 31 December 2016, the following parties had made a notification to the AFM with respect to their shareholdings in Basic-Fit:

Shareholder	Interest
3i Investments plc*	27.84%
R.M. Moos*	22.15%
Pelham Capital Limited	5.26%
FIL Limited	3.31%
Allianz Global Investors GmbH	3.05%

* These are the interests reported to the AFM and concern both direct and indirect interests and voting rights. These parties do not necessarily reflect the actual shareholding in the company due to the notification requirements with 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 section Shareholder Information 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 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. During 2016, 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). Weaknesses were identified resulting in improvements in the registration, documentation and formalisation of processes and controls. Furthermore, segregation of duties has been formalised in all processes and IT systems have been aligned. The risk management and control systems have now been designed to: identify opportunities and risks in a timely manner; manage significant 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 the applicable laws and regulations. The reviews and enhancements, including changes and planned improvements, have been 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 optimally control risks, 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 have performed satisfactorily during the year 2016, and provided a reasonable assurance that the financial reporting does not contain any errors of material importance.

Responsibility statement

In accordance with Article 5.25c of the Dutch Financial Markets Supervision Act ('*Wet op het financieel toezicht*'), the Management Board confirms that, to the best of its knowledge:

- The financial statements for 2016 give a true and fair view of Basic-Fit's assets, liabilities, financial position and comprehensive income and of the companies included in the consolidation taken as a whole;
- The Management Board report includes a true and fair view of Basic-Fit's position as of 31 December 2016, and of Basic-Fit's development and performance during 2016 and of its affiliated companies whose information has been included in its financial statements, and describes the key risks Basic-Fit faces.

Hoofddorp, 22 March 2017

René Moos, CEO ***Hans van der Aar, CFO***


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BASIC-FIT SUPERVISORY BOARD REPORT

Basic-Fit Supervisory Board

Ronald van der Vis

(Chairman of the Supervisory Board)

Previously:
Executive Director of the Board & Group CEO of Esprit Holding Ltd., Hong Kong.
Group CEO for Pearle Europe B.V. (now Grandvision N.V.).
CEO Pearle Central Europe, Germany.
CEO for Royal Ahrend N.V. in Germany and Czech Republic.
Currently:
Industry advisor and operating partner.
Member of the supervisory board of Sonova Holding AG.
Member of the supervisory board of Beter Bed Holding N.V.
Education:
Bachelor's degree in Business Administration from Nyenrode Business Universiteit, the Netherlands.
Master's degree in Business Administration from the Alliance Manchester Business School, UK.

Carin Gorter

(Vice-chairman and chairman of the Audit & Risk Committee)

Previously:
Senior executive vice president and head of Group Compliance, Legal & Security department at ABN AMRO.
Member of several supervisory boards.
Currently:
Member of the supervisory board of TVM Verzekeringen.
Education:
Chartered Accountant ('*Registeraccountant/RA*').
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, Akzo-Organon, Sheaffer Pen, Prince/Benetton Sports Group) of which over 20 years in the fitness industry.
Executive VP for Global Marketing Sales & Service at Brunswick/Life Fitness in Chicago, USA.
Owner of Global Growth Partners.
Chairman of Octane Fitness International.
Board member of Health & Fitness Nordic.
Currently:
Supervisory Board member of Activage in Sweden.
Supervisory Board member 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.

Pieter de Jong

(Member of the Audit & Risk Committee; member of the Selection, Appointment & Remuneration Committee)

Previously:
25 years of experience in corporate finance, management and operations.
Partner at Van Den Boom Groep.
Head of Corporate Finance Advisory at NIBC.
Currently:
Partner and managing director of 3i Europe plc Benelux, an affiliate of Mito.
Member of the supervisory board of Refresco Group N.V.
Member of the supervisory board of Weener Plastic Holding B.V.
Education:
Bachelor's degree in Business Administration from Nyenrode Business Universiteit, the Netherlands.
Master's degree in Business Administration in Finance from Georgia State University, USA.

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 boutique founded and owned by Hans Willemse in 2008.
Education:
Master's degree in Dutch Civil Law from Leiden University, the Netherlands.

General introduction

The listing on 10 June 2016 on Euronext Amsterdam marked the beginning of an important new period for Basic-Fit. The listing gives Basic-Fit greater financial flexibility and a stronger balance sheet, which will support Basic-Fit in pursuing its long-term growth strategy. In 2016, the great efforts and dedication of the Basic-Fit management and all Basic-Fit employees resulted in both the successful listing, and a strong and sustainable operational performance in line with expectations.

This report gives an overview of the approach and activities undertaken by the Supervisory Board during the year. As well as supervising the general course of affairs, an important part of the activities was focused on ensuring Basic-Fit's successful listing and an appropriate governance structure.

In carrying out its duties, the Supervisory Board is guided by the Dutch Civil Code, the Dutch Corporate Governance Code, the company's Articles of Association, and the overall interests of Basic-Fit, its business and its stakeholders.

Composition, independence and education

Over the year, the composition of the Supervisory Board changed in connection with the listing in June 2016. The Supervisory Board currently consists of five members: Ronald van der Vis (chairman), Carin Gorter (vice-chairman), Pieter de Jong, Hans Willemse and Herman Rutgers.

Ronald van der Vis, Pieter de Jong and Hans Willemse have served as members of the supervisory board of Miktom Topco B.V. (the former holding company of the Basic-Fit group of companies) since 20 December 2013, and continued their services with their appointment as members of the Supervisory Board of Basic-Fit on 12 May 2016. On 27 May 2016, Carin Gorter (as vice-chairman) and Herman Rutgers were appointed by the General Meeting as new members of the Supervisory Board, these appointments becoming effective at the date of settlement of Basic-Fit's listing, being 14 June 2016.

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. Basic-Fit aims to comply with the Code and have a balance in terms of gender, age, experience, independence and active versus retired background.

On 14 June 2016, the date of settlement of the offering of Basic-Fit, Supervisory Board members Robert van Goethem and Paul Liesker stepped down, and Carin Gorter and Herman Rutgers were appointed as Supervisory Board members. Herman Rutgers has extensive experience in the fitness industry and is considered to be the industry expert referred to in the Supervisory Board profile. Carin Gorter is an expert with more than 20 years of experience in finance, compliance and risk management and brings the required financial expertise. As a result of these changes, the diversity was strengthened in terms of expertise, knowledge, skills, gender, age and independence, which will benefit Basic-Fit. Together, the members of the Supervisory Board have a diverse mix of knowledge, skills and expertise, in line with the required profile.

Although the Supervisory Board was strengthened with Carin Gorter, 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 (re)appointment of members of the Supervisory Board. However, the first priority when considering vacancies is finding a person with the required skills, expertise, experience and independence. If a vacancy arises in the coming years, the Supervisory Board will take into account the Supervisory Board profile and the Code in order to bring the diversity in the Supervisory Board further in line with the diversity requirements of the Code.

Prior to our IPO, Robert van Goethem and Paul Liesker stepped down as members of the supervisory board of Miktom Topco B.V. and we would like to express our gratitude to them for their important contribution to the development of Basic-Fit during their time with Basic-Fit.

The new members of the Supervisory Board attended induction sessions, during which they were informed about Basic-Fit's strategy, financial reporting, risk and audit, HR, marketing, legal and governance-related affairs. All members of the Supervisory Board visited Basic-Fit operational sites to gain deeper knowledge of operations, opportunities and challenges.

Supervisory board composition

Name	Nationality	International experience	Financial expertise	Specific expertise
Ronald van der Vis (male, 1967)	Dutch	Yes		Retail & Consumer goods
Pieter de Jong (male, 1964)	Dutch	Yes	Yes	Private Equity
Hans Willemse (male, 1968)	Dutch		Yes	Finance
Carin Gorter (female, 1963)	Dutch		Yes	Finance & Accounting
Herman Rutgers (male, 1949)	Dutch	Yes		Fitness Industry

Name	Year of possible reappointment	Final term expires	Supervisory board positions*	Committee
Ronald van der Vis (Chairman, since 2016)	2017	2021	3 (1 chair)	N/A
Hans Willemse (Member, since 2016)	2017	2021	1	Audit & Risk Committee and Selection, Appointment & Remuneration Committee
Pieter de Jong (Member, since 2016)	2018	2022	3	Audit & Risk Committee and Selection, Appointment & Remuneration Committee
Herman Rutgers (Member, since 2016)	2019	2023	3	Chairman Selection, Appointment & Remuneration Committee
Carin Gorter (Vice-chairman, since 2016)	2020	2024	2	Chairman Audit & Risk Committee

* Number of current supervisory board positions, including Basic-Fit

Supervisory Board members Hans Willemse and Pieter de Jong are considered non-independent members of the Supervisory Board, as defined in best practice provision III.2.2 of the Code. Hans Willemse is designated for appointment by AM Holding and Pieter de Jong is designated for appointment by Mito. Both AM Holding and Mito are major shareholders in Basic-Fit. The Supervisory Board believes strongly 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.

None of the Supervisory Board members were granted, nor do they possess, any Basic-Fit options or shares, with the exception of Ronald van der Vis who personally held 265,181 shares and Hans Willemse who personally held 72,029 shares in Basic-Fit on 31 December 2016.

Supervisory Board meetings in 2016

Before Basic-Fit's IPO, the supervisory board of Miktom Topco B.V. met twice, excluding additional IPO related meetings, with both members of the Management Board present. After the IPO, the Supervisory Board met five times (physical meetings and conference calls) with both members of the Management Board present, and independently held regular consultations by telephone and email. A part of all these meetings was held without the Management Board being present. The meeting of April 2016 was attended by the external auditor, where they presented their audit findings and other information on 2015. This was also the case in the meeting in March 2017 with respect to the audit findings on 2016. The meetings took place in the headquarters of Basic-Fit in Hoofddorp.

Between meetings, the chairman maintained regular and informal contact with the CEO and CFO.

None of the Supervisory Board members were absent during any of the meetings. 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 relation activities

Topics that were discussed in more detail during these meetings:

- Group strategy
- IPO-related issues
- Expansion strategy
- Quarterly results, H1 results 2016 and related reports
- Press releases on H1 results and Q3 trading update
- Budget 2017
- Refinancing and capital structure
- Management performance and succession planning
- Remuneration of the Management Board
- Outlook and strategy 2017–2019
- Innovation in fitness and service
- Governance model
- Risk and control framework

The meetings addressed routine commercial, financial and operational matters, and focused on strategy implementation. The Supervisory Board paid particular attention to the listing of Basic-Fit on Euronext Amsterdam, the refinancing of existing credit facilities and the activities regarding investors. The Supervisory Board also received training on its governance responsibilities following the IPO. External advisors were invited to educate the Supervisory Board and Management Board on amongst others corporate governance, Market Abuse Regulations and insider trading.

The Supervisory Board approved new board governance documents, including Management Board and Supervisory Board regulations.

One of the meetings of the Supervisory Board was dedicated to assessing its own functioning, and was held without the Management Board being present. The Supervisory Board reviewed areas of strength and of opportunity. The paragraph 'Functioning of the Management and Supervisory Board' in this Supervisory Board Report describes the assessment in more detail.

Activities of the Supervisory Board committees

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

Audit & Risk Committee

The Audit & Risk Committee consists of three members: Carin Gorter (chairman), Hans Willemse and Pieter de Jong. Collectively, the Audit & Risk Committee has the appropriate level of knowledge and experience in terms of financial administration and accounting for listed companies. The committee's main role is to assist the Supervisory Board in monitoring the systems of internal control, 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.

Since its installation, the Audit & Risk Committee met six times. All meetings were attended by all members of the Committee and both members of the Management Board, except for the one that was held without the Management Board being present. The Director of Finance attended four meetings. The meetings in August, October and December 2016 and January 2017 were attended by the external auditor, as well as the meeting in March 2017 where the external auditor presented their audit findings and other information on 2016. One meeting was held with the external auditor without the presence of the Management Board.

After the IPO, the chairman of the Audit & Risk Committee had regular contact with the CFO and the Director of Finance, mainly in order to prepare the Audit & Risk Committee meetings.

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

- Monthly reports
- H1 results 2016 and Q3 trading update
- Press releases
- Accounting policies
- External audit plan 2016 of the external auditor, including engagement conditions and audit policy for non-audit services and auditor independence
- Management letter auditor
- Cash and treasury management
- IT and Cybersecurity
- Pensions
- Tax-related issues
- Budget 2017
- Risk and control framework
- Compliance framework

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

Risk and control framework

The Supervisory Board oversees management's monitoring of compliance using 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 the year under review, Basic-Fit hired an independent international audit firm to evaluate its internal control framework and offer recommendations. Based on the outcome of this evaluation, Basic-Fit implemented the proposed internal control framework, and effectively set up and integrated the internal control processes within the company. The Supervisory Board, on proposal of the Audit & Risk Committee, proposed Basic-Fit to define the position of the internal audit role within Basic-Fit, at first through outsourcing, after the implementation of the internal control framework has been tested. The Audit & Risk Committee has been informed by the Management Board about the internal control framework and has been actively involved in the creation of the outsourced internal audit function.

Selection, Appointment & Remuneration Committee

The Selection, Appointment & Remuneration Committee consists of three members: Herman Rutgers (chairman), Hans Willemse and Pieter de Jong. During the year under review, and in order to comply with best practice provision III.5.11 of the Code, the composition of the Selection, Appointment & Remuneration Committee changed. Herman Rutgers replaced Ronald van der Vis as chairman and Pieter de Jong joined the Selection, Appointment & Remuneration Committee.

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 selection and appointment procedures for members of the Management Board.

Following its installation, the Selection, Appointment & Remuneration Committee convened five times in 2016. The main topics of discussion were:

- Performance and individual remuneration of the members of the Management Board
- Related performance targets for 2016 and 2017
- Retention share assignments for the members of the Management Board and key managers
- Performance of senior management and succession planning

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. Furthermore the functioning of the Management Board has been assessed and discussed 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 had meetings with each member of the Management Board in which feedback was given on their respective performance. Also the functioning of the Management Board as a team has been evaluated. The discussions were good and open minded. The conclusions were discussed in a closed meeting of the Supervisory Board.

At the beginning of 2017, 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 plenary discussed in a closed 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 improvement. These suggestions relate, among other things, to timely distribution of information, spending more time on human resources issues such as succession planning and further development of the knowledge on compliance and corporate governance in a listed environment.

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 aligns the medium and long-term interests of Basic-Fit, shareholders and other stakeholders in order to deliver sustainable performance in line with Basic-Fit's strategy. The remuneration policy published on Basic-Fit's corporate website contains further details.

In 2016, the remuneration policy was executed by the Supervisory Board. In accordance with the Selection, Appointment & Remuneration policy, 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 2016.

Information on the costs of the actual remuneration of the Management Board and Supervisory Board is contained in note 33 of the consolidated financial statements.

Financial statements 2016

The Audit & Risk Committee reviewed and discussed the annual report and financial statements for the financial year 2016.

The financial statements for 2016 have been audited and provided with an unqualified independent auditors report by Ernst & Young Accountants LLP (see the auditor's report in note 52 of the consolidated financial statements), and were extensively discussed by the Audit & Risk Committee in the presence of the Management Board in March 2017.

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 financial statements 2016 meet all requirements for correctness and transparency. The financial statements 2016 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 16 May 2017, adopts the financial statements 2016. In addition, it recommends that the members of the Management Board and Supervisory Board be discharged from liability in respect of their respective management and supervisory activities performed in 2016.

Gratitude

Last year was an exceptional year, with the IPO as a major milestone, but also one in which Basic-Fit further strengthened its leading position throughout Europe in the value-for-money segment of the fitness market. The Supervisory Board wishes to thank 3i (represented through Mito), AM Holding and the Management Board for their joint efforts in realizing a succesful IPO. Finally the Supervisory Board would like to thank all Basic-Fit employees, under the strong leadership of the Management Board, for their great efforts and dedication to making such a marked success.

Hoofddorp, 22 March 2017

Ronald van der Vis
on behalf of the Supervisory Board.


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REMUNERATION REPORT

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

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 remuneration policy aims to attract, retain and reward highly-qualified executives with the required background, skills and experience needed for a company of 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 focusses 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 Management Board members 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 for the members of the Management Board, while the second part sets out the remuneration details that have been adopted for 2017 and subsequent years. The report concludes with the details of the remuneration policy applied to the Supervisory Board in 2016.

The level of remuneration of Management Board members is determined on the basis of a variety of factors, including periodic benchmark assessment provided by external independent advisors. The benchmark information is used to assess the market comparability of the remuneration package.

In the design of the remuneration policy and in determining the remuneration of the Management Board members, the Supervisory Board has taken into account possible outcomes of the variable remuneration elements and how they may affect the remuneration of the Management Board. In defining the structure of the policy these scenario analyses have been taking into account.

Pursuant to the remuneration policy, the remuneration packages 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. 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.

The Supervisory Board has the authority to deviate from the policies set out above, where the members of the Supervisory Board consider this necessary or desirable in specific individual cases. For instance, in order to attract and reward the best qualified people for the Management Board in the future.

Management Board remuneration 2016

The remuneration of the Management Board consists of four elements:

- Fixed compensation – Annual base salary
- Short-term incentive – Annual cash bonus plan
- Pension allowance and other benefits
- Severance payments

In addition, and in connection with and immediately following the IPO, a one-off Retention Share Plan was implemented for the Management Board and key managers, under which the members of the Management Board were awarded ordinary shares.

Retention Share Plan (RSP)

The purpose of the RSP is 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 ordinary shares under the RSP are awarded by the Supervisory Board 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 will vest in three equal annual instalments. Once the award has vested, the awarded ordinary shares will be 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 provided that they are permitted to sell a sufficient number of ordinary shares in order to cover any taxes due upon vesting.

With effect on 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.

Fixed compensation

The annual base salary of the members of the Management Board is a fixed compensation and set by the Supervisory Board, taking into account a variety of factors such as the level compared to other Dutch-based listed companies, also taking into account the size and complexity of those companies. Based on this benchmark due diligence exercise, the fixed compensation for the Management Board was adjusted as per 10 June 2016. As a result, as of 10 June 2016, the annual base salary for René Moos (CEO) has been set at €500,000 and for Hans van der Aar (CFO) at €385,000.

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.

Targets are set yearly by the Supervisory Board based on the budget and taking into account the strategy aspirations. Financial targets such as EBITDA and number of new clubs, determine 70% of the bonus, non-financial or personal targets determine the remaining 30%. For each of the financial targets a performance zone is set, 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 STI achievement for 2016 for the Management Board was approved by the Supervisory Board on 16 February 2017. Looking at the overperformance of the Management Board and Basic-Fit regarding the set targets in 2016, which resulted in a 100% achievement of the targets, the resulting STI pay-out for 2016 will be 60% of the annual base salary for the CEO and 60% of the annual base salary for the CFO, where the Supervisory Board considers it reasonable and fit to define the annual base salary as the annual base salary as from the IPO. The STI amount will be paid in 2017 after adoption of the Annual Accounts 2016.

2016 Remuneration*

(consisting of pre IPO remuneration until 10 June 2016 and post-IPO remuneration as from 10 June 2016)

	Base Salary	Short-term incentive **	Pension***	Total 2016 (cash)	RSP
René Moos	€ 434,065	€ 300,000	€ 41,193	€ 775,732	33,333 shares
Hans van der Aar	€ 365,439	€ 231,000	€ 31,719	€ 628,522	25,667 shares

* This table does not include social charges and other costs, such as car costs. For the full overview we refer to the section Management Board compensation in the Annual Accounts.

** 2016 STI to be paid in 2017.

*** Pro rata for the period from IPO date until year end. No pension before IPO.

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 with a maximum of 15% of their base salary. They are entitled to customary fringe benefits, such as a company car and other benefits.

Severance payment

The service agreements with the Management Board contain a severance payment in case of involuntary termination of six months fixed salary and a notice period of six months, which 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.

Performance share plan (PSP)

As part of the remuneration policy a Performance share plan has been installed. Shares under this plan will be granted for the first time in 2017. The purpose of the PSP is to align the interests of the company, shareholders and Management Board over the medium and long-term; to foster and reward sustainable performance; and to provide an incentive for longer-term commitment and retention of the Management Board. A PSP award consists of an annual grant of conditional performance shares. Vesting is subject to continuous employment and performance testing after three years.

The number of conditionally granted shares is set for a period of three years. In 2016 no shares under the Performance Share Plan were granted. A conditional award for the years 2017 - 2019 will be granted to the

Management Board in the second quarter of 2017, 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.

Awards of performance shares will vest at the end of a three-year performance period, subject to (i) the achievement of predetermined group financial targets that appropriately reflect the longer-term strategy of Basic-Fit (i.e. realisation of a certain net/debt ratio level and revenue growth), and (ii) continued service as a member of the Management Board.

When considered appropriate, the Selection, Appointment & Remuneration Committee may apply at its discretion a performance incentive zone between 0% and 150%. Where such a zone is applied, the Supervisory Board may reduce at target and threshold percentages to ensure awards appropriately reflect performance.

Shares acquired at the end of the performance period by members of the Management Board must be held for a further period of two years, in accordance with best practice provision II.2.5 of the Code, with the exception of a sale to cover the tax obligations of the members of the Management Board connected to the award shares.

Supervisory Board remuneration 2016

The remuneration of the members of the Supervisory Board consists of fixed annual fees for their role as Supervisory Board member. 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.

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

2016 Fees of Supervisory Board members*	
Ronald van der Vis	€ 29,500
Carin Gorter	€ 27,083
Pieter de Jong	€ 26,893
Hans Willemse	€ 26,500
Herman Rutgers	€ 25,271

* For their services for Basic-Fit N.V. from their appointment until year end. No fees have been paid to the Supervisory Board in 2016 prior to the listing.

Basic-Fit does not grant variable remuneration, shares or options to members of the Supervisory Board. As per 31 December 2016, the members of the Supervisory Board have no loans outstanding with Basic-Fit, and no guarantees of advance payments are granted to members of the Supervisory Board.

Company-related travel and lodging expenses in relation to meetings are paid by Basic-Fit.


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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

Consolidated statement of profit or loss

For the year ended 31 December 2016 (In € x 1,000)	Note	2016	2015
Revenue	**10**	258,561	202,222
		258,561	202,222
Costs of consumables used		(2,316)	(1,160)
Employee benefits expense	**11**	(51,501)	(39,748)
Depreciation, amortisation and impairment charges	**13**	(65,356)	(47,983)
Other operating income	**14**	780	1,779
Other operating expenses	**15**	(136,133)	(107,407)
Operating profit		**4,035**	**7,703**
Finance income	**16**	13	-
Finance costs	**16**	(35,754)	(37,016)
Finance costs - net		**(35,741)**	**(37,016)**
Profit (loss) before income tax		(31,706)	(29,313)
Income tax	**17**	(667)	6,348
Profit (loss) for the period attributable to the owners of the company		**(32,373)**	**(22,965)**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (in €)	**27**	(0.74)	(0.77)
Diluted earnings per share (in €)	**27**	(0.74)	(0.77)

For the year ended 31 December 2016 (In € x 1,000)	Note	2016	2015
Profit (loss) for the period attributable to the owners of the company		**(32,373)**	**(22,965)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	6	574	(273)
Deferred tax on cash flow hedges	17	(144)	68
Other comprehensive income for the period, net of tax		**430**	**(205)**
Total comprehensive income for the period attributable to owners of the company		**(31,943)**	**(23,170)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

At 31 December 2016 (In € x 1,000)	Note	31 December 2016	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	**18**	329,290	247,388
Intangible assets	**19**	278,846	292,347
Deferred tax assets	**17**	4,590	1,113
Receivables	**22**	2,062	2,330
Total non-current assets		**614,788**	**543,178**
Current assets			
Inventories	**23**	811	791
Trade and other receivables	**22**	19,595	12,391
Cash and cash equivalents	**24**	17,365	12,328
Total current assets		**37,771**	**25,510**
Total assets		**652,559**	**568,688**
Equity	**25**		
Share capital		3,280	300
Share premium		358,360	29,700
Other capital reserves		729	-
Retained earnings		(56,457)	(52,330)
Cash flow hedge reserve		(835)	(1,265)
Total equity		**305,077**	**(23,595)**
Liabilities			
Non-current liabilities			
Borrowings	**28**	172,711	226,181
Long-term loan from shareholders	**28**	-	201,082
Derivative financial intruments	**20**	1,367	1,687
Deferred tax liabilities	**17**	14,692	14,580
Provisions	**29**	4,185	5,105
Total non-current liabilities		**192,955**	**448,635**
Current liabilities			
Trade and other payables	**30**	102,465	100,826
Current income tax liabilities	**17**	287	40
Current portion of borrowings	**28**	50,400	35,091
Loan from key management member	**28**	-	6,000
Provisions	**29**	1,375	1,691
Total current liabilities		**154,527**	**143,648**
Total liabilities		**347,482**	**592,283**
Total equity and liabilities		**652,559**	**568,688**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

Attributable to equity owners of Basic-Fit N.V.

For the year ended 31 December 2016 (In € x 1,000)	Share capital	Share premium	Other capital reserves	Retained earnings	Cash flow hedge reserve	Total equity
Balance – 1 January 2015	**300**	**29,700**	**-**	**(29,365)**	**(1,060)**	**(425)**
Comprehensive income:						
Profit (loss) for the period	-	-	-	(22,965)	-	(22,965)
Other comprehensive income (loss)	-	-	-	-	(205)	(205)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(22,965)**	**(205)**	**(23,170)**
Balance – 31 December 2015	**300**	**29,700**	**-**	**(52,330)**	**(1,265)**	**(23,595)**
Balance – 1 January 2016	**300**	**29,700**	**-**	**(52,330)**	**(1,265)**	**(23,595)**
Comprehensive income:						
Profit (loss) for the period	-	-	-	(32,373)	-	(32,373)
Other comprehensive income (loss)	-	-	-	-	430	430
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(32,373)**	**430**	**(31,943)**
Issue of ordinary shares	1,525	356,860	-	-	-	358,385
Capital reorganisation under common control	1,455	(29,700)	-	28,245	-	-
Capital contribution	-	1,500	-	-	-	1,500
Share based payments	-	-	729	-	-	729
Transactions with owners recognised directly in equity	**2,980**	**328,660**	**729**	**28,245**	**-**	**360,615**
Balance – 31 December 2016	**3,280**	**358,360**	**729**	**(56,457)**	**(835)**	**305,077**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flow

For the year ended 31 December 2016 (In € x 1,000)	Note	2016	2015
Cash flows from operating activities			
Profit (loss) before income tax		(31,706)	(29,313)
Non-cash adjustments to reconcile profit before tax to net cash flows:			
- Depreciation and impairment of property, plant and equipment	18	48,676	33,076
- Amortisation and impairment of intangible assets	19	16,680	14,907
- Share-based payment expense	26	729	-
- Gain on disposal of property, plant and equipment		(498)	(864)
- Gain on disposal of fitness club		-	(745)
- Finance costs - net	16	35,741	37,016
- Movements in provisions		(1,586)	(2,412)
Working capital adjustments:			
- Increase in Inventories		(21)	(568)
- Increase in Trade and other receivables		(7,186)	(1,876)
- Increase (decrease) in Trade and other payables		(7,085)	15,537
Cash generated from operations		**53,744**	**64,758**
Interest received		13	-
Interest paid		(12,772)	(12,869)
Early repayment fees		(7,780)	-
Income tax (paid) received		(40)	27
Net cash flows from operating activities		**33,165**	**51,916**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,530	2,887
Purchase of property, plant and equipment	18	(109,235)	(64,916)
Purchase of other intangible assets	19	(2,361)	(1,539)
Acquisition of a subsidiary, net of cash acquired	32	(2,338)	(13,834)
Repayment of loans granted		26	-
Disinvestments (investments) in other financial fixed assets		241	(575)
Net cash flows used in investing activities		**(112,137)**	**(77,977)**
Cash flows from financing activities			
Proceeds from borrowings (previous facility)		17,500	51,530
Proceeds from borrowings (new facility)		225,000	-
Repayments of borrowings		(15,419)	(25,047)
Repayments of borrowings (refinancing)		(494,855)	-
Financing costs paid (previous facility)		(611)	(1,349)
Financing costs paid (new facility)		(3,604)	-
Proceeds of newly issued shares (incorporation of Basic-Fit N.V.)		45	-
IPO-proceeds		370,000	-
Proceeds from share premium		1,500	-
Incremental costs paid directly attributable to IPO		(15,547)	-
Net cash flows from financing activities		**84,009**	**25,134**
Net (decrease)/increase in cash and cash equivalents		**5,037**	**(927)**
Cash and cash equivalents at 1 January	24	12,328	13,255
Cash and cash equivalents at 31 December	24	**17,365**	**12,328**

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1 General information

Basic-Fit N.V. (the 'Company') is a company domiciled in the Netherlands and was incorporated on 12 May 2016. The address of the Company's registered office is Wegalaan 60, Hoofddorp, the Netherlands. The Company is registered under trade registration number of 66013577 in the Chamber of Commerce in Amsterdam.

The financial statements of the Company for the period 1 January 2016 to 31 December 2016 comprise the Company and its subsidiaries (together referred as the 'Group' and individually as 'Group entities').

In June 2016, the Company became the parent of the Group by the contribution of the entire issued and outstanding share capital of Miktom Topco B.V. as a capital contribution. The capital contribution has been accounted for as a capital reorganisation under common control and measured at the IFRS historical carrying values of Miktom Topco B.V. The consolidated financial statements are therefore presented as if the Company had been the parent company of the Group throughout the periods presented (including 2015). Any reference in these financial statements to the annual financial statements 2015 is to the financial statements 2015 of Miktom Topco B.V.

The Company began trading its shares on Euronext Amsterdam on 10 June 2016, following an Initial Public Offering (IPO). The settlement of the IPO took place on 14 June 2016 (IPO settlement date).

The Group operates fitness clubs in the Netherlands, Belgium, Luxembourg, France and Spain. The Group aims to offer a value-for-money, high-quality fitness experience that appeals to the fitness needs of active people of all ages and genders who care about their personal health and fitness.

2 Initial Public Offering and listing on Euronext Amsterdam and Refinancing

In 2016, the Company and its shareholders initiated a process to actively explore a new capital structure to support future growth, which resulted in an IPO and listing on Euronext Amsterdam on 10 June 2016. During the IPO and listing on Euronext Amsterdam the Company issued 24,666,667 new shares for a total share price of €15.00, resulting in an increase in total equity value of €370.0 million (excluding transaction costs net of tax of €11.7 million). In addition, on 14 June 2016 the Group refinanced the Senior loans and Capex/acquisition facility of nominal €203.7 million and a Revolving Credit Facility of €22.5 million into a new term facility of €175.0 million and a Revolving Credit Facility of €100.0 million, both for five years, against an interest rate of applicable Euribor plus a margin (currently 2%), depending on the leverage ratio and unsecured.

The proceeds of the IPO and the refinancing have been used to repay the shareholder loans in full, the Senior loans, the Capex/acquisition facility and Revolving Credit Facility, and the majority of the finance leases, and to fund the costs related to the transactions.

Total costs incurred related to the process of a search for new capital structure alternatives

The total costs related to the process of a search for new capital structure alternatives amounted to €20.4 million. The incremental costs directly attributable to the newly issued shares amounted to €15.6 million and is accounted as a deduction from equity, net of tax (€3.9 million). The costs accounted for in operating profit (loss) amounted to €4.9 million, of which €1.4 million is recorded in Employee benefits expense and €3.5 million recorded in Other operating expenses.

Cash flow related to the costs of the process of a search for new capital structure alternatives

The incremental costs of €15.6 million directly attributable to the newly issued shares are classified as cash flow from financing activities. The costs accounted for in operating profit (loss) of €4.9 million are included in “profit (loss) before income tax”. All costs have been paid in 2016.

Total costs incurred related to the refinancing

The costs related to the refinancing amounted to €3.6 million. These costs are classified as Capitalised finance costs and recorded at the balance sheet in Borrowings, and will be amortised over the financing period of five years. Of these costs, €2.7 million is related to bank fees. The costs related to early repayment fees (€7.8 million) and the amortistion of Capitalised finance costs related to the previous financing (€4.6 million) are classified as a Finance expense.

Cash flow related to the refinancing

The new received bank loan of €225.0 million (€175.0 million term loan and €50.0 million drawn revolving credit facility) is classified as Proceeds from borrowings and the repaid loan of €203.7 million is classified as Repayment of borrowings, both in Cash flow from finance activities. The financing costs of €3.6 million are classified as Financing costs paid as part of Cash flow from financing activities.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of Basic-Fit N.V. are prepared in accordance with 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 are prepared under the historical cost convention, except for the financial assets and liabilities (including derivative instruments) that are measured at fair value.

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

- Miktom Topco B.V., Hoofddorp (the Netherlands) (100%) (*);
- Miktom International Holding B.V., Hoofddorp (the Netherlands) (100%) (*);
- Basic Fit International B.V., Hoofddorp (the Netherlands) (100% interest of Miktom International Holding B.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.);
- Just Fit N.V., Jette (Belgium) (100% interest of Basic-Fit Belgium BVBA);
- HealthCity België N.V., Jette (Belgium) (100% interest of Basic-Fit Belgium BVBA);
- Basic-Fit Spain S.A., Madrid (Spain) (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 Germany GmbH, Cologne (Germany) (100% interest of Basic Fit International B.V.);
- Basic-Fit Luxembourg S.à.r.l., Sandweiler (Luxembourg) (100% interest of Basic Fit International B.V.);

- HealthCity Luxembourg S.A., Sandweiler (Luxembourg) (100% interest of Basic-Fit Luxembourg S.à.r.l.).

* After the IPO and refinancing in June 2016, Miktom Topco B.V. and Miktom International Holding B.V. were intermediate holding companies with no other activities than holding all shares in the "Basic-Fit International Group". In October 2016 Miktom Topco B.V. and Miktom International Holding B.V. merged. In December 2016 Miktom Topco B.V. was liquidated, as a result of which Basic-Fit N.V. became 100% shareholder in Basic Fit International B.V.

Basic-Fit Germany GmbH is a dormant company (it does not run fitness clubs). Basic-Fit Luxembourg S.à.r.l. and Basic Fit France S.A. are intermediate holding companies (i.e. they do not run fitness clubs or undertake other operations).

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 9.

All amounts in the notes to the consolidated financial statements are stated in Euros ('€ x 1,000'), unless otherwise stated.

3.2 Changes in accounting policies and disclosures

To the extent relevant, all IFRS standards and interpretations including amendments that were in issue and effective from 1 January 2016, have been adopted by the Group from 1 January 2016. These standards and interpretations had no material impact for the group.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group. The Group's current status regarding the assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets appear to satisfy the conditions for classification at amortised cost. There is no impact expected on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the group does not have any such liabilities. Moreover, it is expected that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships. The Group intends to make a detailed quantitative assessment of the new impairment model concerning the doubtful debtors in the upcoming reporting period. An action plan was initiated regarding the new impairment requirements by the Group, and will be executed over the next twelve months.

The European Commission endorsed IFRS 9 Financial Instruments Standard in 2016 and the new standard must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group recognises revenue from the following major sources:

- Membership fees (including joining fees);
- Personal trainer services; and
- Sales of nutritional products and drinks.

The Group's preliminary assessment is that IFRS 15 potentially impacts on its revenue recognition for joining fees. IFRS 15 does not consider the joining fee as a separate performance obligation as administrative tasks to set up a contract do not transfer a service to the customer. The Group therefore expects that the joining fees will no longer be recognised in the month that a new membership contract is signed. The Group is still in the process of assessing the full impact of the application of IFRS 15 on the Group's financial statements, and it is not practicable to provide a reasonable financial estimate of the effect until the Group completes this detailed review. As a result, the above preliminary assessment is subject to change. The proposed transition approach is full retrospective, with the cumulative effect recognised on 1 January 2017.

IFRS 15 was endorsed by the EU on 22 September 2016 and is mandatory for financial years commencing on or after 1 January 2018. The Group expects to apply IFRS 15 as of 1 January 2018.

IFRS 16 Leasing

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group expects the impact of IFRS 16 to be significant and is in the process of gathering the data and assessing the full impact of the application of IFRS 16 on the Group's financial statements. Until the Group completes the detailed review, it is not practicable to provide a reasonable estimate, but the standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of €637 million (undiscounted), see note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Group will recognise a right of use asset and a corresponding liability in respect of these leases. Some of the commitments may be covered by the exception for short-term and low-value leases. EBITDA is expected to increase due to lease payments from operating leases, previously being recognised in operating profit being replaced by depreciation and interest expenses which are excluded from EBITDA. It is also expected that the change will have a less significant impact on Earnings before tax. Based on the current portfolio of leases, the negative impact on Earnings before tax is expected to decrease over time. The above preliminary assessment is subject to change following completion of the detailed review. Based on the process of data gathering and the related outcome, the proposed transition approach is prospective with the cumulative effect of initial application recognised as an adjustment to the opening balance of equity on 1 January 2019. Under this approach, the Group does not restate comparative information.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019 (subject to EU endorsement) and the Group expects to apply IFRS 16 as of 1 January 2019. No early adoption will be applied and the Group will further assess certain available transition reliefs.

Disclosure Initiative – Amendments to IAS 7

This amendment requires disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group is currently assessing the impact of the amendment on the Group's consolidated financial statements. This disclosure initiative is mandatory for financial years commencing on or after 1 January 2017.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

3.3 Principles of consolidation, business combinations

(a) Subsidiaries

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.

(b) Business combinations and goodwill

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 the acquisition date fair value 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 consideration (except that which is classified as equity) is 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 is in excess of 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 disposed 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 disposed 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 a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of each entity is Euro (€), and the consolidated financial statements are presented in Euros, which is the Group's presentation currency and equals the functional currency of the Company.

(b) Transactions and balances

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.

3.5 Property, plant and equipment

Property, plant and equipment is stated at historical costs 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 or revalued amounts, 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. During 2016 the useful lives of exercise equipment was revised from 5-6 years to 6-8 years. Reference is made to note 9 "Critical accounting estimates and assumptions".

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

3.6 Intangible assets

Goodwill

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 costs 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 allocation is made 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, as access cards of members give access to all clubs in a certain country. Therefore, goodwill has been allocated to the Netherlands, Belgium, France, Spain and Luxembourg.

Customer relationships, brand name and favourable contracts

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 shown at historical cost. Customer relationships and brand names have a finite useful life and are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of customer relationships and brand names over their estimated useful lives. For customer relationships, the estimated useful life is 7-8 years and for brand names the estimated useful life is 20 years.

Favourable contracts acquired as part of business combinations have been recognised at fair value on the acquisition date for certain contracts whose terms are favourable to current market terms, and they are carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method, based on the term of the lease contracts.

Other intangible assets

Other intangible assets acquired separately are mostly software related and are measured on initial recognition at cost. Following initial recognition, other intangible assets are carried at costs 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 5 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.

3.7 Impairment of non-financial assets

Besides goodwill as described above, other 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 suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.8 Financial assets and liabilities

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired, or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

At initial recognition, the Group classifies its financial instruments in the following categories:

i. Financial assets and liabilities at fair value through profit or loss;
ii. Loans and receivables; and
iii. Financial liabilities at amortised cost.

The Group does not have any 'available for sale' financial assets.

i. Financial assets and liabilities at fair value through profit or loss:

Derivatives are classified as fair value through profit and loss unless they are designated as hedges. They are presented as current assets if they are expected to be realised within 12 months after the reporting period, or current liabilities if they are due to be settled within 12 months after the reporting period. Derivatives with maturities greater than 12 months after the end of the reporting period are classified as non-current assets or liabilities.

ii. Loans and receivables:

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are classified as 'loans and receivables', and due to their short-term nature are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are initially recognised at fair value plus any transaction costs that are attributable to the acquisition of this financial asset. Subsequently, loans and receivables are measured at amortised costs using the effective interest method less a provision for impairment.

iii. Financial liabilities at amortised costs:

Financial liabilities at amortised costs include trade and other payables and borrowings. Trade and other payables and borrowings are initially recognised at fair value net of directly attributable costs. Subsequently, trade and other payables and borrowings are measured at amortised costs using the effective interest method.

3.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value, using an observable market price.

If in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Individual receivables which are known to be uncollectable are written off by directly reducing the carrying amount. The other 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. The Group considers there to be evidence of impairment if any of the following indicators are present:

- default or delinquency in payments (more than 90 days overdue);
- significant financial difficulties of the debtor; and/or
- probability that the debtor will enter bankruptcy or financial reorganisation.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

3.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if it is, on the nature of the item being hedged.

Certain derivative instruments are not designated as a hedged item. Changes in the fair value of any derivative instrument that are not designated as a hedged item are recognised immediately in profit or loss and included in other income, other expenses or finance income/expense, depending on the nature of the underlying item.

The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities. The Group documents at the inception of the hedging transaction the relationship between the hedging instrument and the hedged item, as well as its risk management objective and the strategy for undertaking hedge transactions. The Group documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of the hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance income or costs.

Amounts accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity, and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. Movements in the cash flow hedge reserve in other comprehensive income are shown in note 6c. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

3.11 Inventories

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.

3.12 Trade and other receivables

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 recognised initially at fair value and subsequently measured at amortised costs, using the effective interest method, less provision for impairment.

3.13 Cash and cash equivalents

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.

3.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Borrowings

Borrowings are recognised initially 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

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

3.16 Provisions

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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 passage of time is recognised as an interest expense.

3.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 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 recognised initially at their fair value and subsequently measured at amortised costs using the effective interest method.

3.18 Employee benefits

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.

3.19 Share-based payments

The Group operates an equity-settled share-based payment plan, under which services are received from Management Board members and eligible selected employees as consideration for equity instruments of the Company.

The total amount to be expensed for services received 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 vesting period, based on the Group's estimate of the number of awards that will eventually vest, with a corresponding credit to equity.

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 income statement for the period.

3.20 Revenue recognition

The Group's principal sources of revenue are membership services, principally fitness club memberships, including joining fees and add-on's for drinks, live group lessons and/or an app for mobile phones. 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 nutritional products and drinks within the club by a third party. Within 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.

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. Delivery of fitness club services extends throughout the term of membership. A joining fee is recognised in the month that a new customer signs the membership contract. Membership revenues are recognised on a monthly basis over the contract term. 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) or waiving of the joining fee (fully or partly), or a combination of these two. The payments of the member will be based on the applicable promotion, but the monthly revenue is determined for the entire period by taking into consideration the discounts granted which are allocated to the joining fee and membership revenues 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.

3.21 Expenses

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

3.22 Marketing expenses and contributions

Marketing expenses arising from the Group's business operations are accounted in the year incurred. The Group receives significant 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 distinct services. The amount of the contribution is determined between the Group and the relevant suppliers on a quarterly basis by evaluating the joint marketing efforts. The Group recognises these contributions as reduction against the marketing expenses in the income statement, as these are reimbursements for joint marketing costs incurred by the Group.

3.23 Leases

Leases of property, plant and equipment where the Group, as a lessee, has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the current value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance costs are charged to the profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are charged to profit or loss on a straight-line basis over the period of the lease, unless such expenses qualify as directly attributable costs related to the construction of new fitness clubs as part of property, plant and equipment.

3.24 Finance income and expenses

Finance income and expenses are recognised using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

3.25 Corporate income tax

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.

The current income tax charge is calculated on the basis of the tax laws enacted, or substantively enacted, at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not 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. 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. 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.

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.

3.26 Notes to the cash flow statement

The cash flow statement 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.

4 Events after the reporting period

Subsequent events were evaluated up to 22 March 2017, which is the date the financial statements included in this annual report were approved.

In March 2017, to support the accelerated roll out of clubs, the revolving credit facility providers committed to increase the revolving credit facility by €75.0 million (the accordion option) to €175.0 million. No other events have occurred since balance sheet date that would change the financial position of the Group and require adjustment of or disclosure in the statutory financial statements now presented.

5 Segment information

The chief operating decision-maker ('CODM'), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's directors (CEO and CFO). 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 how these clubs are operated 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 western European 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 to one another (Adjusted EBITDA), 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, type of customers, 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:

31 December 2016	Benelux	France & Spain	Total
Revenues	214,545	44,016	258,561
Adjusted EBITDA	85,152	8,118	93,270
Other reconciling items			(12,909)
Total Adjusted EBITDA			80,361
Reconciliation of adjusted EBITDA to profit before tax:			
Adjusted EBITDA			**80,361**
Depreciation, amortisation and impairment charges			(65,356)
Finance costs – net			(35,741)
Exceptional items:			
- Transaction costs			(4,895)
- Pre-opening costs new clubs			(2,191)
- Other exceptional costs			(3,884)
Profit before tax			**(31,706)**

31 December 2015	Benelux	France & Spain	Total
Revenues	180,817	21,405	202,222
Adjusted EBITDA	64,524	2,299	66,823
Other reconciling items			(6,766)
Total Adjusted EBITDA			60,057
Reconciliation to profit before tax:			
Adjusted EBITDA			**60,057**
Depreciation, amortisation and impairment charges			(47,983)
Finance costs – net			(37,016)
Exceptional items			
- Pre-opening costs new clubs			(1,550)
- Other exceptional costs			(2,821)
Profit before tax			**(29,313)**

Entity-wide information

The Group operates in five countries. Note 10 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 comprise 10% or more of revenue in any year presented.

Breakdown of the non-current assets is as follows:	**Year ended 31 December 2016**	**Year ended 31 December 2015**
The Netherlands (country of domicile)	236,793	237,820
Belgium	234,011	222,123
Luxembourg	20,996	21,508
France	82,138	27,672
Spain	34,198	30,612
Total	**608,136**	**539,735**

The non-current assets by geographical area are given based on the location of the assets, and includes only property, plant and equipment, and intangible assets.

6 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 22 and 24 represent the Group's maximum credit exposure.

The Group's policy is that all members need to pay the membership fees upfront, therefore credit risk for membership fees is limited to those fees which could not be collected upfront. The first measure to limit credit risk is that access to the services provided by the Group is no longer granted to customers with overdue receivables until the receivables have been fully paid. The second measure is that the Group's collection policy is to use 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 2016	10,956	2,845	827	2,074	5,210
At 31 December 2015	7,616	1,433	755	470	4,958

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 historical evidence with respect to the collectability in each of the ageing buckets. The provision at 31 December 2016 was €5,582 thousand (2015: €4,335 thousand).

The Group avoids the concentration of credit risk on its cash and cash equivalents by spreading them over the Rabobank, KBC, ING and ABN AMRO. 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 on a daily basis monitors the intra-month cash needs by assessing the cash in- and outflows.

The liquidity risk is reduced by the revolving credit facility of €100.0 million with a maturity date of 20 May 2021. 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 tables below analyses the Group's financial liabilities into 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

	31 December 2016						
	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total	Carrying amount
Non-derivatives							
Borrowings (excluding finance leases and capitalised financing costs)	1,125	53,375	3,500	183,361	-	241,361	225,000
Finance lease liabilities	256	604	4	-	-	864	832
Trade payables	34,924	-	-	-	-	34,924	34,924
Other long-term payables	81	229	106	129	-	545	518
Total non-derivatives	**36,386**	**54,208**	**3,610**	**183,490**	**-**	**277,694**	**261,274**
Derivative financial liability	214	605	615	-	-	1,434	1,367
Total derivatives	**214**	**605**	**615**	**-**	**-**	**1,434**	**1,367**

	31 December 2015						
	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total	Carrying amount
Non-derivatives							
Borrowings (excluding finance leases and capitalised financing costs)	5,985	14,187	23,298	179,186	665	223,321	189,917
Finance lease liabilities	7,337	21,712	25,455	30,527	-	85,031	74,662
Trade payables	47,763	-	-	-	-	47,763	47,763
Other long-term payables	411	617	235	235	-	1,498	1,351
Long-term loan from shareholders	-	-	-	-	495,539	495,539	201,082
Loan from key management member	-	6,000	-	-	-	6,000	6,000
Total non-derivatives	**61,496**	**42,516**	**48,988**	**209,948**	**496,204**	**859,152**	**520,775**
Derivative financial liability	209	703	625	270	-	1,807	1,687
Total Derivatives	**209**	**703**	**625**	**270**	**-**	**1,807**	**1,687**

As at 31 December 2016, the Group had €44.2 million in undrawn facilities (2015: €17.6 million).

(c) Market risk

i. Foreign exchange risk
The Group only operates in the Euro zone, hence the currency risk is limited, due to the fact that all revenues (and almost all expenses) are incurred in Euro. The exposure with regard to fluctuation of foreign currency is therefore not significant.

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

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 and an interest rate cap. 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. Under the rate cap, the Group agreed with a counterparty to cap the interest rate at 1% for a portion of the forecasted interest rate exposure.
The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the fixed interest rate borrowings at the end of the reporting period are as follows:

	2016	2015
Variable rate borrowings	225,000	189,917
Fixed interest rate borrowings	1,350	283,095
	226,350	**473,012**

Financial instruments in use by the Group

Swaps currently in place cover approximately 44.44% (2015: 48.44%) 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 2016			31 December 2015		
	Weighted average interest rate	**Balance**	**% of the total loans**	**Weighted average interest rate**	**Balance**	**% of the total loans**
Bank Overdrafts and Bank Loans	2.00%	225,000	99.40%	4.46%	189,917	40.15%
Interest Rate Swaps (Notional Amount)		(100,000)			(92,000)	
Net Exposure to Cash flow interest rate risk		**125,000**	**55.22%**		**97,917**	**20.70%**

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income in relation to interest rate swaps and an interest rate cap:

	2016	2015
(Loss)/gain recognised in other comprehensive income	301	(273)
Gains reclassified from other comprehensive income to profit or loss (finance costs)	273	-

Sensitivity analysis

According to interest rate sensitivity analyses performed for the years ending 31 December 2016 and 2015, the impact on the profit and loss and components of equity due to up or down 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	**2016**	**2015**	**2016**	**2015**
Increase by 100 basis points	(207)	(734)	435	2,634
Decrease by 100 basis points (*)	(671)	NA (*)	(435)	(2,635)

** For 2015 the impact on post-tax profit is not applicable, as Euribor cannot be lower than zero, due to an interest rate floor on the floating loan. There will therefore be no impact to the consolidated statement of comprehensive income if the interest rate decreases by 100 basis points.*

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 a change in market interest rates.

Management did not identify any other market risks which could have a significant impact on the Group.

7 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders.

In June 2016 the Group closed a new multicurrency term (€175 million) and revolving credit facilities agreement (€100 million). 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 net debt at 31 December 2016 and at 31 December 2015 was as follows:

	31 December 2016	**31 December 2015**
Total borrowings (incl. capitalised finance costs)	223,111	468,354
Less: long-term loan from shareholders	-	(201,082)
Less: cash and cash equivalents	(17,365)	(12,328)
Net debt excluding long-term shareholder loans	**205,746**	**254,944**

Despite the investments in new club openings the Group reduced its Net debt as a direct result of the IPO and refinancing in June 2016.

Loan covenants

Under the terms of the new facilities, per 31 December 2016, the Group is required to comply with certain financial covenants as defined in the facilities agreement:

- The Interest cover ratio should be more than 2.0;
- The Leverage ratio should not be more than 4.0.

The Group has complied with these covenants throughout the reporting period, including the covenants before the refinancing in June 2016. As at 31 December 2016, the Interest cover ratio was 4.6 and the Leverage ratio was 2.2.

8 Fair value estimation

As at 31 December 2016, the Group had 5 (2015: 5) financial instruments measured at fair value. These instruments relate to interest rate swaps which are designated as hedging instrument in a cash flow hedge relationship. In addition there is one rate cap that is not included in a hedge relationship. The derivatives are classified as level 2 valuation, in accordance with the fair value hierarchy as described in IFRS 13. An explanation of each level follows below the table.

The different levels have been defined as follows:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable data (that is, unobservable inputs).

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, and there were also no 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 fair value 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).

31 December 2016

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivatives used for hedging - interest rate swaps	-	-	-	-
Total assets	-	-	-	-
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivatives used for hedging - interest rate swaps	-	1,367	-	1,367
Total liabilities	-	**1,367**	-	**1,367**

31 December 2015

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivatives used for hedging - interest rate swaps	-	-	-	-
Total assets	-	-	-	-
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivatives used for hedging - interest rate swaps	-	1,687	-	1,687
Total liabilities	-	**1,687**	-	**1,687**

Fair values, including valuation methods and assumptions

- At 31 December 2016 and 31 December 2015, 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.

- At 31 December 2016 and 31 December 2015, the fair values of other long-term financial assets (security deposits) were not materially different from the carrying amounts.
- At 31 December 2016 and 31 December 2015, the reasonable approximations of the fair values of the long-term borrowings were as follows:

	31 December 2016		31 December 2015	
Long-term borrowings (incl. short-term portion)	**Carrying amount***	**Fair value**	**Carrying amount***	**Fair value**
Lease commitments	832	853	74,662	78,113
Other Long-term financing	518	491	1,351	1,351
Bank borrowings at variable interest rates	225,000	225,000	124,917	122,935
Capex/acquisition facilities	-	-	65,000	65,410
Shareholder loans at fixed rates	-	-	201,082	219,057
Total	**226,350**	**226,344**	**467,012**	**486,866**

* Excluding capitalised finance costs.

9 Critical accounting estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 discussed below.

Impairment of non-current assets

The Group determines whether property, plant and equipment 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. 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 value 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 are required to be made in respect of highly uncertain matters.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3. The recoverable amounts of CGUs have been determined based on value-in-use calculations.

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. When management identifies that actual useful life differs materially from the estimates used to calculate depreciation and amortisation, that charge is adjusted prospectively. 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.

During the current financial year, the Group assessed the useful lives of fitness equipment in line with the accounting policy and IAS 16: Property, Plant and Equipment. This review has resulted in the following new estimates of useful lives, which have been used as per 1 October 2016:

- Increase in the useful lives of fitness equipment from 5-6 years to:
    - 6 years for cardio fitness equipment;
    - 8 years for strength fitness equipment; and
    - 6 years for other fitness equipment

This change has impacted the current year results as follows:

- Decrease in depreciation of fitness equipment: €1,799 thousand.

	2016
Current year depreciation fitness equipment	(23,041)
The depreciation on fitness equipment for the current year would have been:	
- If the adjustment had been recognised as of 1 January 2016	(17,502)
- If the adjustment had not been recognised	(24,840)
The impact on current and future years is as follows:	
- Lower depreciation 2016	(1,799)
- Lower depreciation 2017	(8,272)
- Lower depreciation 2018	(6,070)
- Lower depreciation 2019	(2,409)
- Higher depreciation 2020	2,839
- Higher depreciation 2021	6,462
- Higher depreciation 2022	5,158
- Higher depreciation 2023	3,200
- Higher depreciation 2024	891
	-

Deferred tax assets

The Group is subject to income taxes both in the Netherlands and a number of other jurisdictions. Judgement is required in determining current tax expense, uncertain tax positions, deferred tax assets and deferred tax liabilities; and the extent to which deferred tax assets can be recognised. Estimates are based on forecasted 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.

9.1 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have a significant effect 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. In making an assessment as to whether such factors require either provision or disclosure, management is required to consider, amongst 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 bring locations back 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, only a very few requests for restorations have been made by lessors of locations over the years. Therefore, no decommissioning liabilities have been recognised by the Group.

10 Revenue

The Group derives the following types of revenue:

	2016	2015
Fitness revenue	253,074	197,482
Other revenue	5,487	4,740
	258,561	**202,222**

Other revenue mostly relate to revenue from personal trainer services, revenue from sales of energy drinks and nutritional bars, rental income and other revenue.

The breakdown of revenue geographically:

	2016	2015
The Netherlands	100,119	82,970
Belgium	106,249	90,539
Luxembourg	8,177	7,308
France	25,025	9,151
Spain	18,991	12,254
	258,561	**202,222**

11 Employee benefits expense

The employee benefits can be broken down as follows:

	2016	2015
Salaries and wages	(41,614)	(31,040)
Social security contributions	(9,414)	(8,473)
Pension costs – defined contribution plans	(473)	(235)
	(51,501)	**(39,748)**

12 Average number of employees

During the year 2016, the average number of employees calculated on a full-time equivalent basis was 1,495 (2015: 1,257). Of these employees, 914 were employed abroad (2015: 722).

During the years, employees were employed in the following geographies and functional areas:

	2016	**2015**
The Netherlands	581	535
Belgium	502	457
Luxembourg	-	-
France	222	85
Spain	190	180
	1,495	**1,257**

Club	1,281	1,077
Headquarters	214	180
	1,495	**1,257**

For the disclosure of the remuneration of the Management Board, reference is made to note 33.

13 Depreciation, amortisation and impairment charges

	2016	**2015**
Depreciation of property, plant and equipment	(48,279)	(35,337)
Amortisation of other intangible assets	(16,680)	(14,907)
Impairment on property, plant and equipment	(397)	(125)
Reversal of impairment on property, plant and equipment	-	2,386
	(65,356)	**(47,983)**

14 Other operating income

	2016	**2015**
Net gain on disposal of property, plant and equipment	498	864
Net gain on disposal of fitnessclub	-	745
Recharged overhead costs to related parties	-	170
Other operating income	282	-
	780	**1,779**

15 Other operating expenses

	2016	2015
Other personnel expenses	(13,850)	(12,570)
Rent expenses	(53,903)	(44,513)
Housing expenses	(33,661)	(26,182)
Marketing expenses	(9,983)	(8,956)
Write-off of bad debts, incl. collection agency costs	(7,858)	(5,422)
Lease equipment (operating lease)	(404)	(396)
Car expenses	(1,328)	(1,337)
Overhead and transaction related expenses	(15,146)	(8,031)
	(136,133)	**(107,407)**

Marketing expenses are recognised net of received marketing contributions as described in note 3.22.

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 Accounting Firms Oversight Act (Dutch acronym: Wta):

	EY Accountants LLP		Other EY member firms and affiliates		Total network	
	2016	2015	2016	2015	2016	2015
Audit of the financial statements	253	121	93	64	346	185
Transactional audit fees	267	-	-	7	267	7
Other audit procedures	52	-	-	-	52	-
Tax Services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	572	**121**	**93**	**71**	**665**	**192**

16 Finance income and costs

	2016	2015
Finance costs:		
Interest on external debt and borrowings	(11,895)	(15,477)
Breakage costs related to early repayment	(7,780)	-
Amortisation capitalised finance costs related to previous financing	(4,605)	-
Interest on shareholder loans	(10,908)	(21,217)
Other finance costs	(566)	(322)
Total finance costs	**(35,754)**	**(37,016)**
Finance income:		
Other interest income	13	-
Total finance income	**13**	**-**
Net finance expenses	**(35,741)**	**(37,016)**

17 Income tax

Income tax

The major components of income tax expense for the years 31 December 2016 and 2015 are:

Consolidated statement of comprehensive income	**2016**	**2015**
Consolidated statement of profit or loss		
Current income tax:		
Current income tax charge	(287)	(18)
	(287)	(18)
Deferred income tax:		
Adjustment deferred tax asset for carry forward losses as a result of agreements with Dutch and Belgian tax authorities	(9,179)	-
Addition to deferred tax asset for carry forward losses available for offsetting against future taxable income	8,239	6,657
	(940)	6,657
Changes in other deferred tax assets and liabilities recognised in profit or loss	560	(291)
	(380)	6,366
Total income tax	**(667)**	**6,348**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Deferred tax on cash flow hedges	**(144)**	**68**

The effective income tax rate is calculated as follows:

	2016	**2015**
Profit (loss) before income tax	(31,706)	(29,313)
Income tax	(667)	6,348
Effective income tax rate	(2.1)%	21.7%
Applicable income tax rate	25.0%	25.0%

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 further reconciled below. For 2016, the income tax benefit is negatively impacted due to agreements with Dutch and Belgian tax authorities, as a result of which the deferred tax assets reduced by €9.2 million.

Amounts recognised directly in equity

All aggregate current and deferred tax arising in the reporting period have been recognised in either the net profit or loss, or other comprehensive income. In addition, an amount of €3.9 million in deferred taxes has been directly credited to equity relating to incremental costs directly attributable to the newly-issued shares, amounting to €15.6 million.

Effective income tax reconciliation

	2016	%	2015	%
Profit (loss) before income tax expense	**(31,706)**		**(29,313)**	
At the Dutch applicable income tax rate	**7,950**	**25.0%**	**7,328**	**25.0%**
Difference in foreign tax rates	906	2.9%	308	1.1%
Adjustments in respect to income tax of prior periods	424	1.3%	-	-
Adjustments as a result of agreements with Dutch and Belgian tax authorities	(9,179)	(28.9)%	-	-
Utilisation of previously unrecognised tax losses	-	-	415	1.5%
Recognition of previously unrecognised deferred tax assets and liabilities	49	0.2%	-	-
Tax losses for which no deferred tax asset has been recognised	(442)	(1.4)%	(1,459)	(5.0)%
Correction tax free income	12	0.0%	35	0.1%
Non-deductible expenses for tax purposes:				
Share-based payments	(183)	(0.6)%	-	-
Other non-deductible expenses	(204)	(0.6)%	(279)	(1.0)%
At the effective income tax rate	**(667)**	**(2.1)%**	**6,348**	**21.7%**

Deferred taxes

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Consolidated statement of financial position at 31 December		Consolidated statement of comprehensive income at 31 December	
	2016	**2015**	**2016**	**2015**
Losses available for offsetting against future taxable income	13,645	14,585	(940)	6,657
Temporary differences in the valuation of assets	4,113	76	15	(1,705)
Deferred tax on cash flow hedges reported in the other comprehensive income section of the consolidated statement of comprehensive income	145	422	(144)	68
Total deferred tax assets before offsetting	**17,903**	**15,083**	**(1,069)**	**5,020**
Recognition of (in)tangible assets due to PPA	(22,069)	(24,621)	2,552	3,155
Temporary differences in the valuation of liabilities	(5,936)	(3,929)	(2,007)	(1,741)
Total deferred tax liabilities before offsetting	**(28,005)**	**(28,550)**	**545**	**1,414**
Deferred tax expense/(income)			**(524)**	**6,434**
Net deferred tax assets/(liabilities)	**(10,102)**	**(13,467)**		
Reflected in the statement of comprehensive income as follows:				
Statement of profit or loss			(380)	6,366
Statement of other comprehensive income			(144)	68
			(524)	**6,434**

The deferred tax assets and deferred tax liabilities are reflected in the consolidated statement of financial positon at 31 December 2016 taking into consideration the offsetting of deferred tax assets and liabilities within the same tax jurisdiction (IAS12.74). The deferred tax positions as reflected in the 2015 financial statements did not take into consideration this offsetting requirement in the amount of €14 million. This change in presentation is not considered material; however the comparative figures have been adjusted for comparability reasons.

The net deferred tax assets and deferred tax liabilities are as follows:

	31 December 2016	31 December 2015
Deferred tax assets	4,590	1,113
Deferred tax liabilities	(14,692)	(14,580)
Deferred tax liabilities net	**(10,102)**	**(13,467)**

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

	31 December 2016	31 December 2015
To be recovered within 12 months	2,760	(2,883)
To be recovered after more than 12 months	(12,862)	(10,582)
	(10,102)	**(13,465)**

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

	2016	2015
Opening balance as at 1 January	**(13,467)**	**(19,566)**
Income tax benefit during the period recognised in profit or loss	(380)	6,366
Deferred taxes acquired in business combinations	-	(335)
Deferred taxes asset recognised directly in equity related to IPO-costs	3,889	-
Deferred tax on cash flow hedges reported in the other comprehensive income section of the consolidated statement of comprehensive income	(144)	68
Closing balance as at 31 December	**(10,102)**	**(13,467)**

Tax losses

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 taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

No deferred tax assets have been recognised for gross loss carry-forwards amounting to €49,943 thousand (2015: €55,114 thousand).

The unrecognised gross amount of tax losses and tax credits expire as follows:

	31 December 2016	31 December 2015
Within 1 year	-	-
In the next 2 to 5 years	7	895
In the next 6 to 9 years	8,279	10,649
After 9 years	37,802	40,668
Never expire	3,855	2,902
Total	**49,943**	**55,114**

18 Property, plant and equipment

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

	Building improvement	Other fixed assets	Total
At 1 January 2015:			
Cost	91,507	86,111	177,618
Accumulated impairments and depreciation	(11,863)	(13,900)	(25,763)
Net book value	**79,644**	**72,211**	**151,855**
Year ended 31 December 2015			
Opening net book value	**79,644**	**72,211**	**151,855**
Additions	65,859	53,778	119,637
Cost of disposals	(1,911)	(5,265)	(7,176)
Acquisition of subsidiary	8,910	109	9,019
Depreciation for the year	(13,393)	(21,944)	(35,337)
Impairment	(125)	-	(125)
Reversal on impairment	2,386	-	2,386
Transfer from intangibles (cost)	1,567	107	1,674
Transfer from intangibles (amortisation)	(244)	(21)	(265)
Accumulated depreciation of disposals	1,380	4,340	5,720
Closing net book value	**144,073**	**103,315**	**247,388**
At 31 December 2015			
Cost	165,932	134,840	300,772
Accumulated impairments and depreciation	(21,859)	(31,525)	(53,384)
Closing net book value	**144,073**	**103,315**	**247,388**
Year ended 31 December 2016			
Opening net book value	**144,073**	**103,315**	**247,388**
Additions	87,907	41,569	129,476
Cost of disposals	(1,573)	(4,068)	(5,641)
Acquisition of subsidiary	2,099	35	2,134
Depreciation for the year	(18,937)	(29,342)	(48,279)
Impairment	(291)	(106)	(397)
Accumulated depreciation of disposals	1,271	3,338	4,609
Closing net book value	**214,549**	**114,741**	**329,290**
At 31 December 2016:			
Cost	254,365	172,376	426,741
Accumulated impairments and depreciation	(39,816)	(57,635)	(97,451)
Closing net book value	**214,549**	**114,741**	**329,290**

At 31 December 2016, the carrying amount includes assets under construction for building improvement of €545 thousand (2015: nil).

In 2015, the impairment loss of €125 thousand represented the write-down of certain property, plant and equipment in Belgium (€90 thousand) and Spain (€35 thousand). In 2015, an impairment recognised in France in 2014 was reversed for an amount of €2,386 thousand due to the adjustment of the expected results. This reversal is presented as part of Depreciation, amortisation and impairment charges in the income statement (see note 3).

In 2016 the impairment loss of €397 thousand represented the write-down of certain property, plant and equipment in the Netherlands (€254 thousand) and France (€143 thousand).

Finance leases

The Group leases various fitness equipment under non-cancellable finance lease agreements. The remaining lease terms are between 1-2 years and economic ownership of the assets lies within the Group. The carrying value of property, plant and equipment held under finance leases at 31 December 2016 was €1.0 million (2015: €74.7 million). Additions during the year 2016 don't include property, plant and equipment held under finance leases (2015: €47.8 million). The lower amounts in 2016 compared to 2015 can be explained by the fact that, as described in note 2, part of the proceeds of the IPO and the refinancing have been used to repay the majority of the finance leases. Since the IPO no fixed assets were acquired under finance leases.

19 Intangible assets

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

	Goodwill	Trademark	Customer relationships	Other intangible assets	Total
At 1 January 2015					
Cost	187,015	44,918	54,482	26,152	312,567
Accumulated impairments and amortisation	-	(2,246)	(7,462)	(3,909)	(13,617)
Net book value	**187,015**	**42,672**	**47,020**	**22,243**	**298,950**
Year ended 31 December 2015					
Opening net book value	**187,015**	**42,672**	**47,020**	**22,243**	**298,950**
Additions	-	-	-	2,947	2,947
Cost of disposals	-	-	-	(66)	(66)
Acquisition of subsidiary	335	-	2,442	3,988	6,765
Amortisation for the year	-	(2,246)	(7,909)	(4,752)	(14,907)
Transfer to tangibles (cost)	-	-	-	(1,674)	(1,674)
Transfer to tangibles (amortisation)	-	-	-	266	266
Accumulated depreciation of disposals	-	-	-	66	66
Closing net book value	**187,350**	**40,426**	**41,553**	**23,018**	**292,347**
At 31 December 2015					
Cost	187,350	44,918	56,924	31,347	320,539
Accumulated impairments and amortisation	-	(4,492)	(15,371)	(8,329)	(28,192)
Net book value	**187,350**	**40,426**	**41,553**	**23,018**	**292,347**
Year ended 31 December 2016					
Opening net book value	**187,350**	**40,426**	**41,553**	**23,018**	**292,347**
Additions	-	-	64	2,264	2,328
Cost of disposals	-	-	-	(8)	(8)
Acquisition of subsidiary	-	-	551	268	819
Amortisation for the year	-	(2,246)	(8,076)	(6,358)	(16,680)
Accumulated depreciation of disposals	-	-	-	40	40
Closing net book value	**187,350**	**38,180**	**34,092**	**19,224**	**278,846**
At 31 December 2016					
Cost	187,350	44,918	57,539	33,871	323,678
Accumulated impairments and amortisation	-	(6,738)	(23,447)	(14,647)	(44,832)
Net book value	**187,350**	**38,180**	**34,092**	**19,224**	**278,846**

Impairment tests for goodwill

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

	Netherlands	Belgium	France	Spain	Luxembourg	Total
As at 1 Jan 2015	**87,800**	**83,425**	**-**	**3,195**	**12,595**	**187,015**
Acquisitions	335	-	-	-	-	335
As at 31 December 2015	**88,135**	**83,425**	**-**	**3,195**	**12,595**	**187,350**
Acquisitions	-	-	-	-	-	-
As at 31 December 2016	**88,135**	**83,425**	**-**	**3,195**	**12,595**	**187,350**

The Group performed its impairment tests as at 31 December 2015 and 2016 in accordance with the accounting policy as stated in note 3.

Calculation of recoverable amount

The recoverable amount as at 31 December 2015 and 2016 has been 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 consider 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	France	Spain	Luxembourg
Year ended 31 December 2015	10.2%	12.5%	12.2%	12.8%	10.8%
Year ended 31 December 2016	11.0%	12.7%	12.6%	13.0%	10.3%

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 whilst 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 which 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. Segment-specific risks are incorporated by applying individual beta factors.

Growth in membership revenues whilst maintaining relatively stable EBITDA margins – The cash flow projections assume a compound annual growth rate of fitness membership revenues over the forecasted budget period of 2.6% for the Netherlands, 2.7% for Belgium, 3.3% for Luxembourg, 7.3% for France and 2.4% for Spain (2015: 3.3% for the Netherlands, 2.9% for Belgium, 4.3% for Luxembourg, 5.0% for France and 3.9% 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 consider 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, the revenues are expected to grow by 0.5% annually. At the same time, the cash flow projections assume that Adjusted EBITDA margins over the budget period will remain relatively stable overall compared to historical Adjusted EBITDA margins.

Based on the calculated recoverable amounts, significant headroom exists and the sensitivity analysis prepared 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.

20 Financial instruments by category

Financial instruments by category comprise the following:

	31 December 2016		31 December 2015	
Assets	**Derivatives at FVPL**	**Loans and receivables**	**Derivatives at FVPL**	**Loans and receivables**
Trade and other receivables excluding prepayments	-	10,956	-	7,616
Cash and cash equivalents	-	17,365	-	12,328
Total	**-**	**28,321**	**-**	**19,944**

	31 December 2016		31 December 2015	
Liabilities	**Derivatives at FVPL**	**Other financial liabilities at amortised cost**	**Derivatives at FVPL**	**Other financial liabilities at amortised cost**
Borrowings (excluding finance lease liabilities)	-	221,761	-	185,259
Finance lease liabilities	-	832	-	74,662
Derivative financial instruments	1,367	-	1,687	-
Long-term loan from shareholders	-	-	-	201,082
Short-term loan key management member	-	-	-	6,000
Other long-term payables	-	518	-	1,351
Trade and other payables excluding non-financial liabilities	-	34,924	-	47,763
Total	**1,367**	**258,035**	**1,687**	**516,117**

The carrying amount of the above financial instruments represents the maximum exposure. See note 6a for a description of the credit quality of financial assets that are neither past due nor impaired.

21 Derivative financial instruments and hedging activities

The Group entered into interest rate swaps with Rabobank, ING and ABN AMRO on 7 January 2014 with a total notional amount of €74 million at inception (reducing to zero in 5 years) in order to hedge interest risks related to the loan with variable interest rate entered into in 2013. The swap is effective from 7 January 2015 with a termination date of 20 December 2018. The contract will swap quarterly interest payments, where the Group will pay a fixed interest of 0.855% and receives interest based on the 3 Months Euribor. No ineffective portion of these swaps has been recognised in the profit or loss, as the swaps were determined as effective.

On 26 June 2015, the Group entered into interest rate swaps with Rabobank and ING with a total notional amount of €25 million at inception (increased to €70 million at year end 2016 and reducing to zero in 2 years) in order to hedge interest risks related to the loan with variable interest rate entered into in 2015. The swap is effective from 31 December 2015 with a termination date of 31 December 2018. The contract will swap quarterly interest payments where the Group will pay a fixed interest of 0.293% and receives interest based on the 3 Months Euribor. An amount of €155 thousand (loss) of these swaps has been recognised in the profit or loss 2016 for the period that the hedge relationship continued. At 30 June 2016, the second hedge relationship no longer met the criteria for hedge accounting, which are described in IAS 39 paragraph 88. The Group therefore discontinued the second hedge relationship prospectively. The cumulative loss on the hedging instrument that has been recognised in other comprehensive income until the moment that the hedge was last effective (31 March 2016) of €653 thousand will be amortised into the consolidated statement of profit or loss over the life of the hedge relationship (in 2016, €118 thousand).

Additionally, there is one rate cap which is not included in a hedge relationship.

22 Receivables

	31 December 2016	31 December 2015
Member and trade receivables	16,538	11,951
Less: allowance for doubtful accounts	(5,582)	(4,335)
Receivables – net	**10,956**	**7,616**
Security deposit	1,938	2,180
Loan receivable	124	150
Taxes and social charges	3,711	2,434
Receivable from shareholders	-	10
Other receivables, prepayments and accrued income	4,928	2,331
Total receivables	**21,657**	**14,721**
Less: non-current portion of security deposits	1,938	2,180
Less: non-current loans receivable	124	150
Total non-current portion	**2,062**	**2,330**
Total current portion	**19,595**	**12,391**

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 on the Group provision for impairment of receivables are as follows:

	2016	2015
At 1 January	**(4,335)**	**(4,097)**
Provision for impairment recognised during the year	(4,494)	(4,427)
Receivables written off during the year as uncollectable	3,247	4,189
At 31 December	**(5,582)**	**(4,335)**

The creation and release of provision for impaired receivables have been included in 'Other operating expenses' in the income statement (note 15). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

As described in note 6a regarding credit risk, all member receivable balances are automatically past due. The estimated provision for impairment losses is recognised based on historical evidence with respect to the collectability in 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 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).

23 Inventories

The composition of the inventories is as follows:

	31 December 2016	31 December 2015
Goods for resale	811	791
Total	**811**	**791**

Goods for resale mainly consist of sports drinks which members with a (paid) 'sports water add-on' can drink in the clubs.

The Group did not write down inventory balances during the year 2016 (2015: nil).

24 Cash and cash equivalents

The composition of cash and cash equivalents is as follows:

	31 December 2016	31 December 2015
Cash in bank and on hand	16,593	12,169
Cash in transit	772	159
Total	**17,365**	**12,328**

There are no restrictions on the usage of cash.

25 Equity

Share capital

The subscribed capital as at 31 December 2016 amounts to €3,280 thousand and is divided into 54,667 thousand shares fully paid-up with a nominal value per share of €0.06. The movements during the periods were as follows:

	In number of shares		In € x 1,000	
	2016	2015	2016	2015
Issued ordinary shares at January 1	30,000,000	30,000,000	300	300
Effect of capital reorganisation under common control:				
- Issued ordinary shares at May 12	750,000	-	45	-
- Contribution of outstanding shares of Miktom Topco B.V.	(30,000,000)	-	(300)	-
- Issue of shares for capital contribution	29,250,000	-	1,755	-
Effect of issue of shares IPO June 2016	24,666,667	-	1,480	-
On issue at 31 December	**54,666,667**	**30,000,000**	**3,280**	**300**

In June 2016, the Company became the parent of the Group by the contribution of the entire issued and outstanding share capital of Miktom Topco B.V. as a capital contribution. This capital contribution has been accounted for as a capital reorganisation under common control and has been measured at the historical Miktom Topco B.V. carrying values in accordance with IFRS. During the IPO and listing on Euronext Amsterdam on 10 June 2016, the Company issued 24,666,667 new ordinary shares with a nominal value of €0.06 each, resulting in a share capital of €3,280 thousand.

Share premium

At 31 December 2016, the share premium amounted to €358,360 thousand. The movements during the periods were as follows:

	In number of shares		In € x 1,000	
	2016	2015	2016	2015
Issued ordinary shares at January 1	30,000,000	30,000,000	29,700	29,700
Effect of capital reorganisation under common control:	-	-	-	-
- Issued ordinary shares at May 12	750,000	-	-	-
- Contribution of outstanding shares of Miktom Topco B.V.	(30,000,000)	-	(29,700)	-
- Issue of shares for capital contribution	29,250,000	-	-	-
Effect of issue of shares IPO June 2016	24,666,667	-	356,860	-
Capital contribution	-	-	1,500	-
On issue at 31 December	**54,666,667**	**30,000,000**	**358,360**	**29,700**

During the IPO and listing on Euronext Amsterdam the Company has issued 24,666,667 new shares for a total share price of €15.00 resulting in an increase in total equity value of €370 million. Of this amount, €368.5 million is recorded in the share premium reserve and €1.5 million in the share capital. The share premium from the proceeds of the listing of €368.5 million is recorded less incremental costs qualified to be directly attributable to the newly issued shares of €15.6 million, net of the related tax impact of €3.9 million. The Company also received a capital contribution of €1.5 million from shareholder (and related party) Mito Holdings S.à.r.l., which is recorded as share premium.

Other capital reserves

	Share-based payments	
	31 December 2016	31 December 2015
As at 1 January	-	-
Share-based payments expense during the year	729	-
As at 31 December	**729**	**-**

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. Refer to note 33 for further details.

Retained Earnings

The losses for the periods 2016 and 2015 have been included in retained earnings, as well as the capital reorganisation under common control.

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, pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

26 Share-based payments

In 2013, selected managers of the Group, statutory directors and supervisory directors ('the participants') were given the opportunity to participate indirectly in the share capital of the former holding company, Miktom Topco B.V. via Miktom Manco B.V. ('Manco'), which held Class C shares in Miktom Topco B.V.. The shares in Manco were held by the foundation Stichting Administratiekantoor Miktom ('STAK'), which had issued Depositary Receipts corresponding to each share in Manco. Manco was directly or indirectly owned by approximately 20 of our employees and directors, including Mr Van der Aar (our CFO), Mr Van der Vis (chairman of the Supervisory Board) and Mr Willemse (member of the Supervisory Board).

This arrangement was classified as an equity-settled share-based payment arrangement.

Following the IPO we dissolved Manco, as a result of which the employees and directors who held a stake in Miktom Topco B.V. through Manco hold ordinary shares directly in Basic-Fit N.V.

The movements in the number of shares that the participants had indirectly acquired under this share-based payment arrangement are as follows:

	2016	2015
At January 1	1,445,350	1,467,750
Transferred during the year	(1,445,350)	-
Forfeited during the year	-	(22,400)
At 31 December	**-**	**1,445,350**

Given that the participants had paid the estimated fair market value of the underlying shares at each grant date, the fair value of these share-based payment awards was nil. Furthermore, the shares held under this arrangement were transferred to Basic Fit N.V. in exchange for ordinary shares in the Company, which were partly included in the IPO offering. As a result, there was no impact on the Group's results or its financial position from this share-based payment arrangement operated prior to the IPO.

New Retention Share Plan

Following the listing on Euronext Amsterdam, the Group has introduced two equity-settled share-based payment plans. In 2016, awards have been made to eligible selected employees only under the one-off Retention Share Plan. As from 2017, performance shares will be awarded on an annual basis under the new long-term incentive plan.

Subject to a participant's continued employment with the Group, the awards made in 2016 under the Retention Share Plan will vest in three equal annual instalments, after which the ordinary shares will be released to the participant. Where a given participant's employment terminates, unvested ordinary shares awarded under the plan will be forfeited.

The Retention Shares that have not vested do not entitle the participant to any share ownership rights, such as the right to receive dividends, if any, or voting rights.

Ordinary shares awarded under the Retention Share Plan that vest and are released to the members of the Management Board are subject to a mandatory holding period of five years from the award date, provided that a board member is permitted to sell a sufficient number of such ordinary shares in order to cover any taxes due upon vesting.

Details of the number of Retention Shares outstanding are as follows:

	2016	2015
At January 1	-	-
Awarded during the year	145,674	-
Forfeited during the year	-	-
At 31 December	**145,674**	**-**

The fair value of the Retention Shares awarded in 2016 has been determined with reference to the share price of the Company's ordinary shares at the date of grant.

For the Management Board members, the vested Retention Shares are subject to a holding period of five years from the award date, which has not been taken into account when determining grant date fair value of the Retention Shares. Since dividends are not expected during the vesting period, the fair value of all the Retention Shares awarded in 2016 is equal to share price at the date of grant of €16.38.

The share-based payment expenses recognised in 2016, with a corresponding entry directly in equity, amount to €729 thousand (2015: nil).

27 Earnings per share

Basic earnings per share (EPS) 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.

Diluted EPS 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.

The basic and diluted EPS are as follows:

	2016	2015
Earnings		
Profit (loss) for the period attributable to the ordinary equity holders of the Company	(32,373)	(22,965)
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	43,748,634	30,000,000
Effect of dillutive potential ordinary shares	-	-
Weighted average number of ordinary shares for diluted earnings per share	43,748,634	30,000,000
Earnings per share (in €)		
Basic earnings per share	(0.74)	(0.77)
Diluted earnings per share	(0.74)	(0.77)

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

28 Borrowings

The Group's interest-bearing borrowings as at 31 December 2016 and 31 December 2015 are summarised in the following tables:

	2016	2015
Shareholder loans	-	201,082
Short-term loan from key management member	-	6,000
Bank borrowings (excluding finance lease liabilities)	225,000	189,917
Finance lease liabilities	832	74,662
Other liabilities	518	1,351
	226,350	**473,012**
Capitalised finance costs	(3,239)	(4,658)
	223,111	**468,354**
Of which:		
Non-current (> 1 year)	172,711	427,263
Current (< 1 year)	50,400	41,091

	31 December 2016			31 December 2015		
	Interest rate*	**Maturity**	**Amount**	**Interest rate***	**Maturity**	**Amount**
Non-current interest-bearing loans and borrowings						
Lease commitments	5.3%	Oct 2018	4	8.7%	Oct 2020	50,962
Other long-term financing	8.7%	Apr 2020	237	9.2%	Apr 2020	409
Senior debt loan A (new facility) (***)	2.0%	May 2021	95,500			-
Senior debt loan B (new facility) (***)	2.0%	May 2021	79,500			-
Senior debt loan A (***)			-	4.3%	Dec 2019	31,500
Senior debt loan B1 (***)			-	4.8%	Dec 2020	56,000
Senior debt loan B2 (***)			-	4.5%	Dec 2019	25,667
Capex/acquisition facility (***)			-	4.3%	Dec 2019	65,000
Shareholder senior loan (A)			-	10.0%	Jan 2021	54,614
Shareholder subordinated loan (B)			-	13.0%	Jan 2021	124,446
Shareholder subordinated loan (C)			-	10.0%	Jun 2024	22,022
Total non-current interest-bearing loans and borrowings			175,241			430,620
Non-current portion of capitalised finance costs			(2,530)			(3,357)
Total carrying value of non-current interest-bearing loans and borrowings			**172,711**			**427,263**
Current interest-bearing loans and borrowings						
Lease commitments	5.3%	Dec 2017	828	8.7%	Dec 2016	23,700
Other long-term financing	8.7%	Sep 2017	281	8.0%	Dec 2016	942
Bank borrowings (***)			-	4.3%	Dec 2016	11,750
Drawn revolving credit facillity (***)	2.0%	2017 (**)	50,000			-
Loan from key management member			-	6.0%	Dec 2016	6,000
Total current interest-bearing loans and borrowings			51,109			42,392
Current portion of capitalised finance costs			(709)			(1,301)
Total carrying value of current interest-bearing loans and borrowings			**50,400**			**41,091**
Total interest-bearing loans and borrowings			**223,111**			**468,354**

* These are the weighted average interest rates

** Drawn on a 3-month basis

*** Variable interest rates

The repayments of the total current interest-bearing loans and borrowings due within 12 months of the reporting date are presented as current liabilities.

Loan from key management member/shareholder loans

These loans have been repaid after the IPO.

Bank borrowings (senior debt loans and capex/acquisition facility)

In June 2016, the Group closed a new multicurrency term and revolving facilities agreement of €275.0 million in total (€175.0 million term facility and €100.0 million revolving facility) for a period of five years and against an interest rate of applicable Euribor plus a margin (currently 2%), depending on the leverage ratio and unsecured. As at 31 December 2016, of the revolving facility of €100.0 million an amount of €5.8 million was used for bank guarantees and €50 million was drawn in cash.

The carrying value of the borrowings are presented net of finance costs (2016: €3,239 thousand; 2015: €4,658 thousand). The finance costs are charged to the income statement based on the effective interest rate method over the period to maturity of the loans.

Lease liabilities

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The present value of finance lease liabilities is further described in note 31. The leased items have been pledged as security for the lease commitments. The rate of interest ranges between approximately 5.0% and 5.4%.

Other liabilities

The rate of interest on the other debts is within the range 4.7% to 9.8%.

29 Provisions

The composition of the provisions is as follows:

	31 December 2016	31 December 2015
Unfavourable lease contracts	5,036	6,635
Other provisions	524	161
	5,560	**6,796**
Of which:		
Current portion of provisions (< 1 year)	1,375	1,691
Non-current portion of provisions (> 1 year)	4,185	5,105
	5,560	**6,796**

	Unfavourable lease contracts	Other provisions	Total
At 1 January 2015	**8,583**	**625**	**9,208**
Charged/ (credited) to profit or loss	(1,948)	86	(1,862)
Usages	-	(550)	(550)
At 31 December 2015	**6,635**	**161**	**6,796**
At 1 January 2016	**6,635**	**161**	**6,796**
Additions	-	350	350
Charged/ (credited) to profit or loss	(1,599)	108	(1,491)
Usages	-	(95)	(95)
At 31 December 2016	**5,036**	**524**	**5,560**

Unfavourable lease contracts

Provisions for unfavourable lease contracts were identified as part of the purchase price allocation for the Group's past acquisitions. The amount of the provision is released to rental expenses on a straight-line basis over the remaining lease term.

Other provisions

These provisions mostly consist of costs associated with the restructuring of operations and are formed if the Group has a constructive or legal obligation.

30 Trade and other payables

The composition of Trade and other payables is as follows:

	31 December 2016	31 December 2015
Trade payables	34,924	47,763
Deferred revenues	29,751	24,378
Payables to related parties	-	1,897
Holiday allowance and vacation days accrual	3,694	2,676
Wage tax payable	1,772	1,954
Interest payable	458	1,894
Other liabilities and accrued expenses	31,866	20,264
Total	**102,465**	**100,826**

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

31 Contingencies and commitments

Capital commitments

Significant capital expenditure contracted for the end of the reporting period but not recognised as liability is as follows:

	31 December 2016	31 December 2015
Property, plant and equipment	25,746	11,750

(Long-term) financial obligations

The Group has assumed the following obligations: Building leases for periods ranging from 1 to 20 years and operating leases for vehicles and other equipment (expiring in 2017-2022). The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess building space is sub-let to third parties.

Future minimum rentals payable under non-cancellable operating leases, such as rental agreements for buildings and cars, (including service costs) are as follows:

	31 December 2016	31 December 2015
Within one year	64,440	53,961
After one year but not more than five years	264,314	189,213
More than five years	308,523	218,276
Total	**637,277**	**461,450**

No discount factor is used in determining the operating lease commitments.

Sub-lease payments

	31 December 2016	31 December 2015
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	2,926	4,487

The Group does not have any contingent rentals or sub-lease expenses.

Finance leases

The Group has finance leases for various items of fitness equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	31 December 2016	31 December 2015
Within one year	859	29,050
After one year but not more than five years	4	54,315
More than five years	-	-
	863	**83,365**
Future finance charges on finance lease liabilities	(31)	(8,703)
Present value of finance lease liabilities	**832**	**74,662**

Other commitments

As per 31 December 2016 an amount of approximately €5.8 million in total was issued in bank guarantees (2015: €4.9 million).

Claims

The Group is involved in a number of legal proceedings that have arisen in the ordinary course of business. Although the outcome of these disputes cannot be predicted with reasonable certainty, management does not expect these pending or threatening legal proceedings to have any materially unfavourable impact on the Group's consolidated financial position or profitability. Accordingly, no legal provisions have been recognised in these consolidated financial statements, as it is not probable that an outflow of economic resources will be required. The outcome of legal proceedings, however, 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. and Basic Fit Nederland B.V. formed a fiscal unity for income tax at year-end 2016. Basic Fit International B.V. and Basic Fit Nederland B.V. formed a VAT group at year-end 2016. As of 1 January 2017, Basic-Fit N.V. joined this VAT group. As a result, the companies within a fiscal unity are jointly and severally liable for each other's income tax and VAT debts.

Tax group liability (Belgium)

HealthCity België N.V. and Just Fit N.V. formed a VAT group with Basic-Fit Belgium BVBA at year-end 2016. As a result, the companies are jointly and severally liable for each other's VAT debts.

32 Business combinations

Acquisitions 2016

During 2016, the Group acquired 2 fitness clubs in the Netherlands and 2 fitness clubs in Spain. The total purchase price net of cash was €2.3 million, which was mostly allocated to leasehold improvements, the acquired customer relationships and favourable leases of new geographical locations. There was no excess of the consideration transferred, after the recognition of newly acquired net identifiable assets. As a result no goodwill was recognised. All of these acquisitions were acquired through an asset deal.

The following table summarises the considerations paid for the acquisitions in 2016, the provisional fair value of assets acquired and the liabilities assumed at the acquisition date.

	2016
Purchase consideration:	
Cash paid	2,338
Total purchase consideration	**2,338**

Assets acquired and liabilities assumed

The fair values of assets and liabilities recognised as a result of the acquisition are as follows:

	2016 Fair value recognised on acquisition
Assets	
Property, plant and equipment	2,134
Customer relationships	551
Favourable lease contracts (included in Other intangible assets)	268
Inventories and receivables	17
Liabilities	
Other liabilities and accrued expenses	(282)
Other provisions	(350)
Total identifiable net assets acquired at fair value	**2,338**
Goodwill arising on acquisition	-
Purchase consideration transferred	**2,338**
Less: cash acquired	-
Net outflow of cash - investing activities	**2,338**

No external acquisition-related costs have been charged to other operating expenses in the consolidated income statement for the year ended 31 December 2016 (2015: nil).

From the date of acquisition, the revenue and net income of the acquired group for the period 2016 amounts to €572 thousand and a loss of €2 thousand 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 €2,152 and a loss of €23 thousand respectively.

Acquisitions 2015

During 2015, the Group acquired 13 fitness clubs in the Netherlands (including 3 fitness clubs operating under the HealthCity brand from HealthCity Nederland B.V.), 1 fitness club in Belgium and 3 fitness clubs in Spain. As a result of the acquisition, the Group increased its market share in these countries. The total purchase price net of cash was €13.8 million, which was mostly allocated to leasehold improvements, the acquired customer relationships and favourable leases of new geographical locations. The excess of the consideration transferred, after the recognition of newly acquired net identifiable assets, represents goodwill amounting to €335 thousand. Of these acquisitions, 15 clubs were acquired through an asset deal and 2 clubs acquired 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 and favourable leases of new geographical locations that are not deductible for income tax purposes.

The following table summarises the considerations paid for the acquisitions in 2015, the provisional fair value of assets acquired and the liabilities assumed at the acquisition date.

	2015
Purchase consideration:	
Cash paid	13,955
Total purchase consideration	**13,955**

Assets acquired and liabilities assumed

The fair values of assets and liabilities recognised as a result of the acquisition are as follows:

	2015 Fair value recognised on acquisition
Assets	
Property, plant and equipment	9,019
Customer relationships	2,442
Favourable lease contracts (included in Other intangible assets)	3,988
Cash and cash equivalents	121
Liabilities	
Other liabilities and accrued expenses	(1,950)
Total identifiable net assets acquired at fair value	**13,620**
Goodwill arising on acquisition	335
Purchase consideration transferred	**13,955**
Less: cash acquired	(121)
Net outflow of cash - investing activities	**13,834**

From the date of acquisition, the revenue and net income of the acquired group for the period 2015 amounts to €4,395 thousand and a loss of €270 thousand 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 €7,708 thousand and a loss of €747 thousand respectively.

33 Related party transactions

Shareholder structure

In the IPO, shares were offered to institutional and retail investors in the Netherlands, and institutional investors in certain other jurisdictions. The listing significantly broadened the Company's shareholder base, and the shares are widely spread over a large number of shareholders in various countries. As of 31 December 2016, Basic-Fit's main shareholders continue to be Mito Holdings S.à.r.l. and AM Holding B.V.

Mito Holdings S.à.r.l., an entity controlled by 3i Investments plc, owns 15,220,033 shares (27.8%) and AM Holding B.V. owns 12,135,999 shares (22.2%). AM Holding B.V. is controlled by René Moos, our CEO. Our CFO, Hans van der Aar, owns 90,069 shares (0.2%).

Identification of related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company or other subsidiaries of the Group are considered a related party. In addition, statutory and supervisory directors and close relatives are regarded as related parties.

Intercompany transactions are carried out at arm's length.

The following transactions were carried out with related parties:

- Management Board compensation;
- Receivables (refer to note 22);
- Capital contribution (refer to note 25);
- Loans to related parties (refer to the note 28).

Transactions and balances held with related parties

The table below provides the total amount of transactions that have been entered into with related parties for the relevant financial year. 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
Entity with significant influence over the Group:					
Moos Holding B.V.	2016	-	159	-	-
	2015	-	350	-	6,328
3i c.s.	2016	-	176	-	-
	2015	-	400	-	-
Management Board of the Group:					
Other director's interest	2016	-	6,179	-	1,119
	2015	684	6,803	2	2,963

Terms and conditions of transactions with related parties

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. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Related party rent

Future related party rent obligations are as follows:

Related party rent:	31 December 2016	31 December 2015
Within one year	5,997	5,706
After one year but not more than five years	23,748	21,154
More than five years	57,789	50,749
Total	**87,534**	**77,609**

Management Board compensation

Compensation of the Management Board members comprised the following in 2016:

	René Moos		Hans van der Aar		Total	
	2016	2015	2016	2015	2016	2015
Management fee (until IPO)	159	350	-	-	159	350
Base salary	275	-	365	342	640	342
Retention shares	167	-	128	-	295	-
Short-term incentive	300	-	231	-	531	-
Social charges	6	-	10	9	16	9
Pension allowance	41	-	32	-	73	-
Other	35	46	31	34	66	80
Total compensation	**983**	**396**	**797**	**385**	**1,780**	**781**

- Until the IPO, René Moos was compensated via a management fee (via Moos Holding B.V.). See also “Transactions and balances held with related parties”.
- Annual base salary from the date of the IPO for René Moos and Hans van der Aar amounts to €500,000 and €385,000 respectively.
- In 2016 René Moos and Hans van der Aar received 33,333 and 25,667 shares respectively under the Retention Share Plan. Under this plan, 33.3% will vest in 2017, 33.3% will vest in 2018 and 33.3% will vest in 2019, fully conditional to being employed at Basic-Fit. The amounts included represent the amounts recognised in the Income Statement.
- The STI achievement for 2016 for the Management Board was approved by the Supervisory Board on 16 February 2017. Looking at the overperformance of the Management Board and Basic-Fit regarding the set targets in 2016 which resulted in a 100% achievement of the targets, the resulting STI pay-out for 2016 will be 60% of the annual base salary for the CEO and 60% of the annual base salary for the CFO, where the Supervisory Board considers it reasonable and fit to define the annual base salary as the annual base salary as from the IPO. The STI amount will be paid in 2017 after adoption of the Annual Accounts 2016.
- The members of the Management Board do not participate in the Company’s collective pension scheme, but receive a comparable payment (pension allowance) with a maximum of 15% of their base salary.

As at 31 December 2016, the members of the Management Board have no loans outstanding with Basic-Fit.

Supervisory Board compensation

The remuneration for Supervisory Board members was €135 thousand in 2016 (2015: €50 thousand).

	2016	2015
Ronald van der Vis	29	50
Pieter de Jong	27	-
Hans Willemse	27	-
Carin Gorter	27	-
Herman Rutgers	25	-
Total	**135**	**50**

The Company does not grant variable remuneration, shares, options or loans to members of the Supervisory Board. As at 31 December 2016, R. van der Vis owned 265,181 shares (0.5%) and H. Willemse owned 72,029 shares (0.1%).

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Company balance sheet

At 31 December 2016 (In € x 1,000)	Note	31 December 2016	12 May 2016
Assets			
Non-current assets			
Property, plant and equipment	35	113	-
Financial fixed assets	36	305,822	-
Deferred tax assets	37	144	-
Total non-current assets		**306,079**	**-**
Current assets			
Trade and other receivables	38	65	-
Cash and cash equivalents	39	-	45
Total current assets		**65**	**45**
Total assets		**306,144**	**45**
Shareholders' equity	40		
Share capital		3,280	45
Share premium account		358,360	-
Legal reserves		368	-
Other capital reserves		729	-
Retained earnings		(38,249)	-
Profit (loss) for the year		(19,411)	-
Total equity		**305,077**	**45**
Current liabilities			
Trade and other payables	41	991	-
Interest-bearing borrowings	42	76	-
Total liabilities		**1,067**	**-**
Total equity and liabilities		**306,144**	**45**

The above Company balance sheet should be read in conjunction with the accompanying notes.

Company statement of income

For the year ended 31 December 2016 (In € x 1,000)	Note	2016	2015
Revenue		-	-
		-	-
Employee benefits expense	**43**	(1,847)	-
Depreciation, amortisation and impairment charges	**35**	(17)	-
Other operating income	**44**	1,179	-
Other operating expenses	**45**	(265)	-
Operating profit		**(950)**	**-**
Finance income		10	-
Finance costs		-	-
Finance costs - net	**46**	**10**	**-**
Profit (loss) before income tax		(940)	-
Income tax		46	-
Profit (loss) after income tax		(894)	-
Net income of subsidiaries	**36**	(18,517)	-
Profit (loss) for the year		**(19,411)**	**-**

The above Company statement of income should be read in conjunction with the accompanying notes.

Notes to the Company financial statements

34 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 subarticle 8 of article 362, Book 2 of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of 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 subarticle 8 Part 9 of Book 2 of the Dutch Civil Code). See the notes to the Consolidated Financial Statements. 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 acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the Company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. 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 measured initially 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 under 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 determination of profit based as applied in the consolidated financial statements.

When consolidated subsidiaries have an equity deficit (after considering 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.

Financial instruments

For information on the risk exposure, risk management and fair values of financial instruments see notes 6 and 8 of the notes to the consolidated financial statements.

35 Property, plant and equipment

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

	2016	2015
At 1 January		
Cost	-	-
Accumulated depreciation	-	-
Net book value	**-**	**-**
Additions	182	-
Cost of disposals	(60)	-
Depreciation	(17)	-
Accumulated depreciation of disposals	8	-
	113	**-**
At 31 December		
Cost	122	-
Accumulated depreciation	(9)	-
Closing net book value	**113**	**-**

36 Financial fixed assets

The Company has direct and indirect interests in the subsidiaries listed in note 3.1 (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. In 2016, the Company became the parent of the Group by the contribution of the entire issued and outstanding share capital of Miktom Topco B.V. as a capital contribution. After the IPO and refinancing in June 2016, Miktom Topco B.V. and Miktom International Holding B.V. were intermediate holding companies with no other activities than holding all shares in the "Basic-Fit International Group". In October 2016 Miktom Topco B.V. and Miktom

International Holding B.V. merged. In December 2016 Miktom Topco B.V. was liquidated, as a result of which Basic-Fit N.V. became 100% shareholder in Basic Fit International B.V.

The movements in the participating interests in Group companies were as follows:

	2016	2015
Balance at 1 January	-	-
Capital reorganisation under common control	(36,677)	-
Share premium contribution (IPO-proceeds less incremental costs net of tax)	358,841	-
Share of result of participating interests	(18,517)	-
Changes in cash flow hedge reserve	551	
Liquidation Miktom Topco B.V. at the end of December 2016	(304,198)	-
	-	-
Shareholders' equity Basic Fit International B.V. transferred to the Company	305,822	-
Balance at 31 December	**305,822**	**-**

37 Deferred tax assets

The deferred tax assets are recognised due to temporary differences in the valuation of assets and liabilities. An amount of €56 thousand is expected to be recovered within 12 months.

38 Receivables

	31 December 2016	12 May 2016
Trade receivables	60	-
Taxes	5	-
	65	**-**

The fair value of the current receivables approximates the book value due to their short-term character.

39 Cash and cash equivalents

	31 December 2016	12 May 2016
Cash in bank and on hand	-	45
Total	**-**	**45**

The cash and cash equivalents are at the Company’s free disposal.

40 Shareholders' equity

Reconciliation of Group equity with Company equity

The movements in shareholders' equity are as follows:

	Share capital	Share premium	Other capital reserves	Retained earnings	Result for the year	Legal reserves	Total
At 12 May 2016	**45**	**-**	**-**	**-**	**-**	**-**	**45**
Result from cash flow hedge	-	-	-	-	-	551	551
Net result for the year	-	-	-	-	(19,411)	-	(19,411)
Issue of ordinary shares	1,480	356,860	-	-	-	-	358,340
Capital reorganisation under common control (*)	1,755	-	-	(38,188)	-	(244)	(36,677)
Capital contribution	-	1,500	-	-	-	-	1,500
Share-based payments	-	-	729	-	-	-	729
Development expenditures	-	-	-	(61)	-	61	-
Total movements	3,235	358,360	729	(38,249)	(19,411)	368	305,032
At 31 December 2016	**3,280**	**358,360**	**729**	**(38,249)**	**(19,411)**	**368**	**305,077**

For details on the capital reorganisation and movements in share capital, share premium and other reserves, refer to notes 1 and 25 of the consolidated financial statements.

Legal reserves at the level of Basic-Fit N.V. consist of reserves that have to be established in certain circumstances in accordance with the Dutch Civil Code. The legal reserves consist of the hedging reserve, a reserve for capitalised development expenditures made by Basic Fit International B.V. and a non-distributable reserve that is recorded for an amount equal to the restricted reserves of subsidiaries of Basic Fit International B.V.

(*) The aggregated amount of Capital reorganisation under common control can be specified as follows:

	2016
Shareholders' equity Miktom Topco B.V. at 1 Januari 2016	(23,595)
Share of profit Miktom Topco B.V. for the period until the capital reorganisation under common control	(12,962)
Other comprehensive income Miktom Topco B.V. for the period until the capital reorganisation under common control	(120)
Capital reorganisation under common control in Company financial statements	**(36,677)**

Reconciliation of Group profit/(loss) with Company profit/(loss)

	2016
Profit/(loss) in the consolidated financial statements	(32,373)
Share of profit Miktom Topco B.V. for the period until the capital reorganisation under common control	12,962
Profit/(loss) Basic-Fit N.V. in the Company financial statements	**(19,411)**

41 Trade and other payables

The composition of Trade and other payables is as follows:

	31 December 2016	12 May 2016
Trade payables	105	-
Payables to Group companies	260	-
Holiday allowance and vacation days accrual	17	-
Wage tax payable	50	-
Other liabilities and accrued expenses	559	-
Total	**991**	**-**

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.

Payables to Group companies relate to Basic Fit International B.V.

42 Interest-bearing borrowings

This amount of €76 thousand represents a part of the drawn credit facility.

43 Employee benefits expense

	2016	2015
Salaries and wages	1,836	-
Social security contributions	11	-
	1,847	**-**

Salaries and wages include an amount of €729 thousand related to share-based payments (see note 26 of the consolidated financial statements).

The number of employees employed by Basic-Fit N.V. at year-end 2016 was 2, both of whom are based in the Netherlands. For information regarding the remuneration of the members of the Management Board see note 33 of the consolidated financial statements.

44 Other operating income

	2016	2015
Recharged overhead costs to Group companies	1,179	-
	1,179	**-**

45 Other operating expenses

Other operating expenses mainly consist of Supervisory Board compensation (see note 33 of the consolidated financial statements), audit fees and insurance costs.

Audit fees

Reference is made to note 15 in the consolidated financial statements.

46 Finance income and costs

Finance income and costs mainly consist of interest related to Group companies.

47 Contingencies and commitments

The provisions of Section 403(2), Book 2 of the Netherlands Civil Code apply to group companies Basic Fit International B.V. and Basic Fit Nederland B.V. The Company is joint and severally liable as a result.

48 Events after the reporting period

Reference is made to note 4 in the consolidated financial statements.

49 Proposed profit appropriation

The Management board proposes to add the loss of 2016 to the Retained earnings.

50 Authorisation of the financial statements

Hoofddorp, the Netherlands

22 March 2017

Prepared by Management board:

R.M. Moos

H.J. van der Aar

OTHER INFORMATION

51 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, increased by 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 thereto of the Management Board, which proposal has been approved by the Supervisory Board.

52 Independent auditor's report

To: the shareholders and supervisory board of Basic-Fit N.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Basic-Fit N.V., based in Hoofddorp. 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 2016, and of its result and its cash flows for 2016 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 2016, and of its result for 2016 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 2016;
- The following statements for 2016: the consolidated statements of comprehensive income, changes in equity and cash flow;
- 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 2016;
- The company statement of income 2016;
- 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 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.

Materiality

Materiality	€1.4 million.
Benchmark applied	2 per cent of consolidated EBITDA.
Explanation	The users of the financial statements of a for-profit entity typically focus on operating performance, particularly profit before tax. However, given the fact that this is a loss, we applied the materiality based on EBITDA. EBITDA is the most important parameter for (local) management for directing and supervising the company. All significant decisions, such as investment decisions, are based on EBITDA.

We have also taken misstatements into account 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 €69,000, 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.

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.

In our audit approach, we have qualified the following countries as significant based on their scale and/or their risk profile:

- the Netherlands;
- Belgium.

We have performed full scope procedures with respect to the Netherlands and Belgium. Furthermore we performed specific scope procedures with respect to France and desk-top review procedures with respect to Spain and Luxembourg.

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.

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.

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.

Risk	Our audit response
The measurement of revenue *Refer to note 3.20 (Significant accounting policies - Revenue) and note 10 (Revenue).*	
Revenue recognition and the accounting for deferred revenues is based on estimates and assumptions that require significant management judgement. Consequently we have considered revenue recognition as significant to our audit.	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 specific substantive analytical procedures on revenue per club and data analysis with respect to sources of revenue and the correlation between revenue and accounts receivable. Furthermore, we have specifically assessed the completeness and proper cut-off of revenues.
Valuation of goodwill *Refer to note 9 (Critical accounting estimates and assumptions) and note 19 (Intangible assets).*	
Basic-Fit N.V. has a significant amount of goodwill on its balance sheet amounting to €187.4 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). The annual goodwill test was performed on 31 December 2016, 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 and requires management judgment, and is based on assumptions that are affected by expected future market conditions.	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. 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 others, 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 (assumed to be 1%), 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.
Treatment marketing expenses and contributions *Refer to note 3.22 (Marketing expenses and contributions) and note 15 (Other operating expenses).*	
Basic Fit N.V. recognizes marketing contributions of their fitness suppliers in the profit and loss account, netted with the marketing expenses. This has a direct impact on EBITDA, a significant parameter for stakeholders. Consequently we	We evaluated management's process and methodology applied relating to the marketing expenses and contributions. Given the complexity around this topic, we have involved an EY IFRS specialist to assist us in evaluating the accounting

Risk	Our audit response
have considered treatment of marketing expenses and contributions as significant to our audit.	method applied. Furthermore we have performed detailed procedures on received discounts of fitness suppliers, focusing on the related transactions (supply or marketing activities) and correct recording in the financial reporting,
Valuation income taxes *Refer to note 3.25 (Corporate income tax), note 9 (Critical accounting estimates and assumptions) and note 17 (Income tax).*	
The valuation of the income tax position was significant to our audit, since the amounts are material to the financial statements and the assessment process is complex and requires careful consideration and judgment. The company operates in various jurisdictions in Europe, made losses the past few years and processed several complex transactions (with tax implications). Given the uncertainty involved we have considered this area as significant to our audit.	We tested the amounts recognized as current and deferred tax, including the accounting for uncertain tax positions. The audit team was supported by EY tax experts in testing the relevant (uncertain) tax positions, including the assumptions and estimates used. In our audit of the uncertain tax positions, we considered the correspondence with the relevant tax authorities, the appropriateness of management's assumptions and estimates in relation to uncertain tax positions, challenging those assumptions and considering the advice management received from external parties to support the accounting for the uncertain tax positions in accordance with EU-IFRS. Furthermore, in respect of the deferred tax assets we assessed management's assumptions to determine the probability that the recognized deferred tax assets are expected to be recovered in future years. During these procedures we used for example, management's forecast.

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:

- The management board's report;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- Corporate governance.

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 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 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is 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's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 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. as of the audit for year 2015 and have operated as statutory auditor since that date.

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 assignment 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 have detected all material errors and fraud.

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. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in 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;
- 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.

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.

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.

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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 22 March 2017

Ernst & Young Accountants LLP

Signed by M. Bangma-Tjaden

SHAREHOLDER INFORMATION

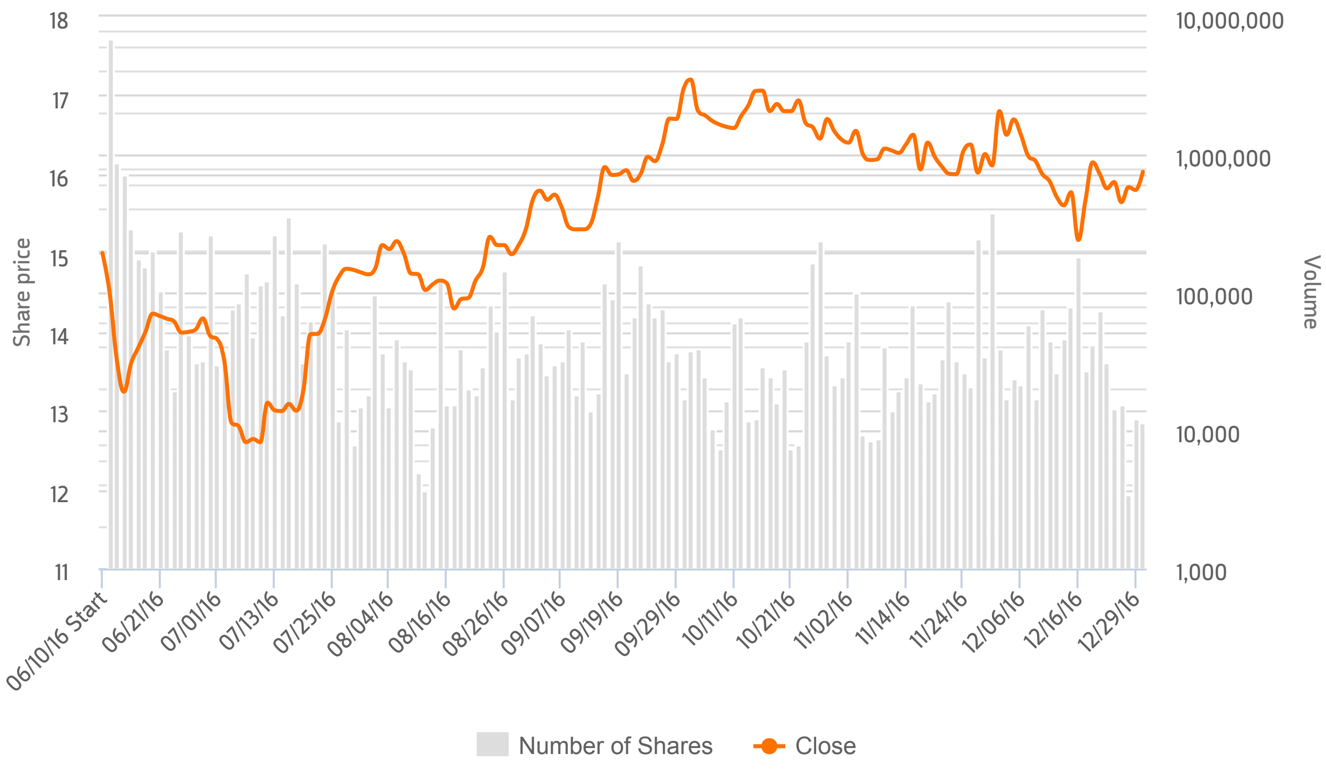
Initial public offering and listing

On 10 June 2016, Basic-Fit was listed on Euronext Amsterdam at a price of €15, implying a market capitalisation of €820 million and an enterprise value of €994 million at that time.

The IPO consisted of a primary offering of 24,666,667 newly-authorised ordinary shares, raising approximately €370 million, and a secondary offering of 2,000,000 existing ordinary shares, resulting in gross proceeds of approximately €30 million. The total number of shares offered in the IPO was 26,666,667, leading to a total value of the offering of €400 million. After the IPO, the total number of outstanding shares was 54,666,667 and these are traded with the ticker BFIT.

Share price performance

The 2016 closing price for the share was €16.03, a 7% increase compared to the €15.00 per share offer price in June. The average daily traded volume was 122 thousand shares.



Shareholders

At the end of 2016, our main shareholders were Mito Holdings S.à.r.l. and AM Holding BV, holding 28% and 22% of shares respectively.

Shareholder structure

3i Investments plc*	15,220,033	28%
R. M. Moos*	12,135,999	22%
Pelham Capital Ltd.	2,877,143	5%
Free float	24,433,492	45%
Total shares outstanding	54,666,667	

* These are the interests reported to the AFM and concern both direct and indirect interests and voting rights. These parties do not necessarily reflect the actual shareholding in the company due to the notification requirements with 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.

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 institutions also had a holding of 3% or more: FIL Limited (3%) and Allianz Global Investors GmbH (3%).

Basic-Fit aims to provide its shareholders, potential shareholders and other stakeholders with relevant information about its business model, strategy and results. The majority of our communications to the investment community take place through corporate press releases that are widely distributed, made generally available, and filed with the AFM. In addition, the company makes all relevant and important information available on its corporate website (http://corporate.basic-fit.com/).

Basic-Fit also communicates directly with the investment community on a regular basis. These exchanges with shareholders, analysts and potential investors are based on information that is publicly available.

At present, Basic-Fit is covered by nine sell-side analysts.

Financial year and reporting

Basic-Fit's book year runs from 1 January until 31 December. We publish a full set of results at full-year and half-year (in line with IFRS requirements). After the first and third quarter, we publish trading updates in which we update the market on revenue, club openings and membership developments.

Quiet period

Basic-Fit enters into a quiet period from ten days into the first and third quarter, and eight days into the second and fourth quarter, until the publication of our results or trading updates. During this period, we do not engage in any discussions with analysts, investors or financial journalists, or make presentations at investor conferences.

Annual general meeting

At least once a year a general meeting is held. Votes representing shares can be cast at the general meeting either personally or by proxy. No restrictions are imposed on these proxies, which can be granted electronically or in writing to the company or to independent third parties. Basic-Fit shareholders may cast one vote for each share.

All resolutions adopted by the General Meeting are passed by an absolute majority of the votes cast, unless the law or the articles of association prescribe a larger majority.

The company's articles of association detail the proposals that the Management Board may submit to the meeting, and the procedure according to which shareholders may submit matters for consideration by the meeting, and can be found on Basic-Fit's corporate website.

Dividends

Basic-Fit has no current plans to issue dividends, as all retained earnings will be used to finance the growth strategy.

Important dates

- 11 May 2017: Q1 trading update
- 16 May 2017: AGM
- 16 August 2017: Half-Year results
- 2 November 2017: Q3 trading update

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 the International Financial Reporting Standards (IFRS), as adopted by the European Union. Certain parts of Basic-Fit's Management Board report contains non-IFRS financial measures and ratios (e.g. comparable growth, 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.

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 or similar names.

Term	Definition
Adjusted club EBITDA	Profit (loss) before overhead, interest, taxes, depreciation and amortisation, and before exceptional expenses
Adjusted club EBITDA margin	Adjusted club EBITDA divided by revenue
Adjusted EBITDA	Profit (loss) before interest, taxes, depreciation and amortisation, and before exceptional expenses
Adjusted EBITDA margin	Adjusted EBITDA divided by revenue
EBITDA	Profit (loss) before interest, taxes, depreciation and amortisation
EBITDA margin	EBITDA divided by revenue
EBIT	Earnings before interest and taxes
Adjusted net earnings	Net earnings adjusted for amortisation, interest on shareholder loans, exceptional items and one-offs and the related tax effects
Adjusted EPS	Adjusted net earnings divided by the weighted average number of diluted shares
ROIC	Adjusted club EBITDA divided by initial capital expenditure incurred in opening a club
Mature club revenue	Revenue of clubs that at the start of the year were open for 24 months or more
Mature club EBITDA margin	EBITDA of mature clubs divided by mature club revenue

Colophon

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2132 JC Hoofddorp
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Website
www.basic-fit.com

Concept and realisation
F19 Digital Reporting, Eindhoven

Photography
NoPoint Fotostudio, Vught