ANNUAL REPORT 2018

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.*

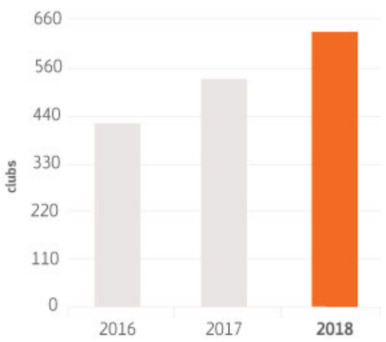
BASIC-FIT AT A GLANCE

Who we are

Basic-Fit is the value-for-money fitness brand that is changing the way people keep fit across Europe. With 629 clubs and more than 1.8 million members, Basic-Fit is the largest and fastest growing fitness chain in Europe.

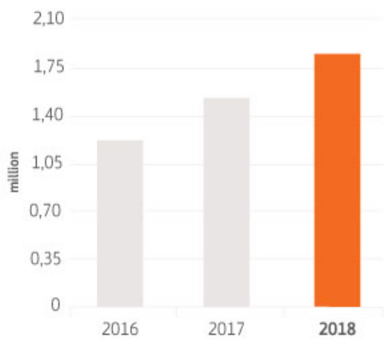
Clubs

629 **up 21%** year-on-year



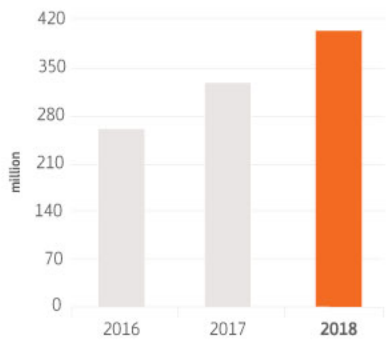
Memberships

1.843 million **up 21%** year-on-year



Revenue

€402 million **up 23%** year-on-year



Our purpose

We believe that everyone deserves to be fit and that's why we're on a mission to make fitness accessible to everyone in Europe.

Our approach

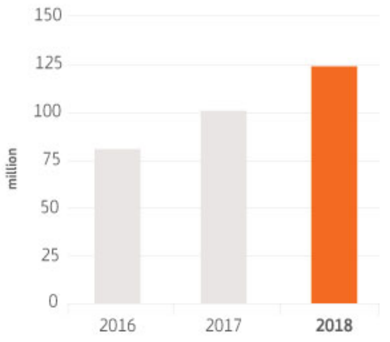
By constantly innovating and making the most of technology, we aim to make fitness easy, affordable and fun, and give our members unbeatable value every single day.

Our unique proposition

Building on our longstanding expertise, we combine a flexible low-cost membership model with high-quality fitness equipment plus virtual and live group lessons. Members have access to all our clubs in Europe and enjoy the benefits of the Basic-Fit app with personalised training and nutritional advice and other information that ensures they make the most of their workout and membership. Members can, at their own discretion, add a sport water subscription to their membership or make use of our personal trainers.

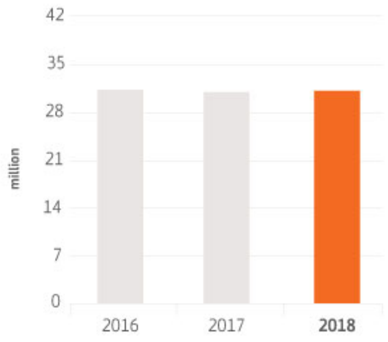
Adjusted EBITDA

€124 million **up 24%** year-on-year



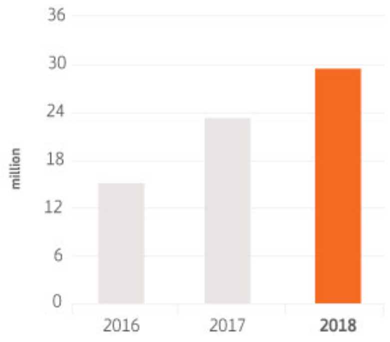
Adjusted EBITDA margin

30.9% **up 6 BPS** year-on-year

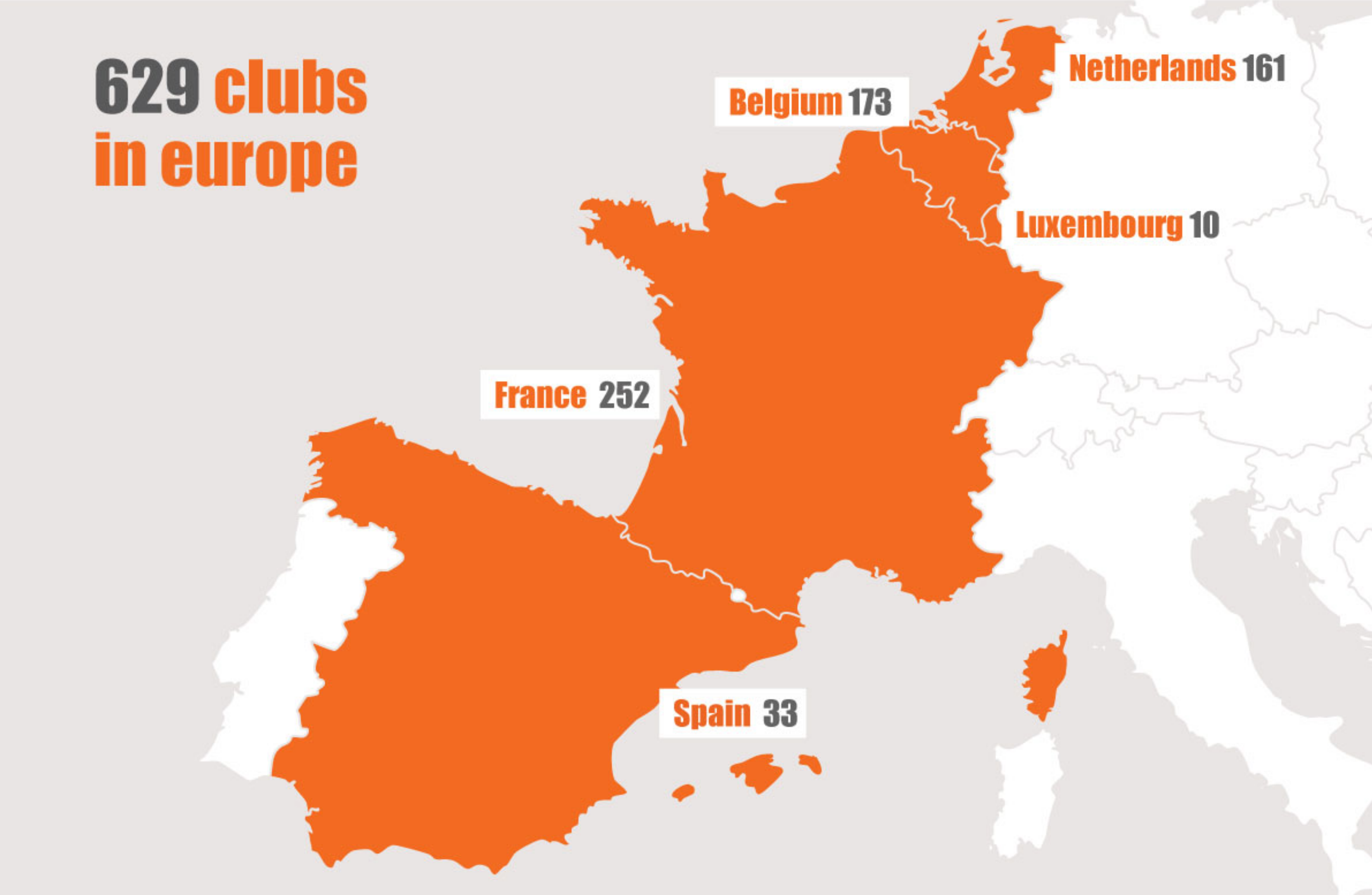


Adjusted earnings

€29.4 million **up 24%** year-on-year



629 clubs in europe



HISTORY

Early days

After ending his professional tennis career in 1984, René Moos started to manage and invest in tennis parks, to which he added fitness facilities. Fitness turned out to be a very profitable activity and he decided to shift his 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 over the next two years expanded to 74 clubs. In the years that followed, HealthCity optimised its mid-to-premium market concept. The company also expanded internationally, supported by the acquisition of parts of a competitor's network, with clubs in the Benelux, France, Spain and elsewhere.

The budget concept

In 2006, we decided to roll out a budget concept under the label HealthCity Basic. In 2010, as the budget concept became more popular, we acquired the Basic-Fit brand and 28 of its clubs. This enabled us to accelerate the growth of our budget line. We put all budget operations under the Basic-Fit brand and offered two different consumer propositions: the mid-to-premium market proposition HealthCity and the value-for-money proposition of Basic-Fit.

Focus on Basic-Fit

In 2013, the company was split into two independent entities. From that moment on, René and his team focused fully and exclusively on the value-for-money concept and the Basic-Fit brand. They continued to optimise the concept, 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. The network at that time still included previously acquired concepts and the HealthCity Basic clubs. A refurbishment programme was initiated to bring all the clubs in line with the new Basic-Fit concept and brand of well-equipped, value-for-money clubs.

One million members and listing

In early 2016, we reached the milestone of one million members and began preparations for an initial public offering (IPO). Following the listing on 10 June 2016, Basic-Fit was financially set for the next growth phase and we added more than 250 clubs to our network since.

Accelerated growth and focus on France

With the accelerated execution of our club openings plans since 2017, we have become Europe's largest and fastest-growing fitness chain. With the focus of our expansion strategy on France, most of our new clubs were opened in that country. At the end of 2018, France was our largest country with 252 clubs.

LETTER FROM THE CEO

Dear reader,

We had a very successful year in which revenue and adjusted EBITDA increased by 23% and 24% respectively; a continuation of the strong growth in the previous years. We added a record 108 clubs to our network growing it to 629 clubs. This growth solidifies our position as the largest and fastest-growing fitness chain in Europe.

New membership structure

At Basic-Fit, we aim to give our members unbeatable value, every day. To further increase the value of our memberships, we introduced a new membership model at the end of the year. Regardless of the subscription type a new member now gets the Basic-Fit app with all its functionalities as a standard. The Basic-Fit app helps our members to get the most out of their membership. From fitness instructions to nutritional advise, and it includes access to the GXR platform, which offers best-in-class virtual group classes, giving people the option to exercise wherever and whenever they want.

Membership engagement

To reap the full benefits of fitness, it is important to exercise frequently and regularly. People who do this enjoy it the most and remain member the longest. We encourage members to keep coming to our clubs and to make fitness part of their lifestyle and normal everyday routine. To achieve this, we need to make sure new members are given a proper introduction to fitness, have a clear understanding of what fitness has to offer and what they want to achieve, and are motivated to pursue their goals in an engaging way. To this end, we have introduced Ruby, our virtual assistant who helps our members achieve all of this. Following a thorough initial intake, Ruby provides new members with all kinds of useful information, such as the club lay-out, training schedules, exercise instructions, nutritional advice and lots more. In the coming year, we will continue to develop Ruby so she can provide our members with even more help to stay engaged and motivated throughout their stay.

Employee engagement

In addition to our members, we also want our employees to get the most out of Basic-Fit. In 2018, we conducted our first ever group-wide employee survey, kicking off a dialogue with our employees on how they believe they can add the most value to the company and how the company can empower them to do this. This survey was well received and we recorded a high response rate, demonstrating the engagement of our employees. We started the Host 2.0 project, which takes the outcomes of the survey into account. One of the results of this project is that we will be giving our club staff more opportunities to engage with our members.

Fitness for all across Europe

With 1.84 million people working out in our clubs – 319,000 more than a year ago - we are making progress in fulfilling our ambition to make fitness available to everyone across Europe. We opened a record number of 108 clubs last year and will continue to increase the pace of club openings to around 125 clubs in 2019 and expect to reach the 1,000 clubs mark in 2021. This year we will also reassess our strategy, to see how we can best achieve our mission, and set new medium-term strategic and financial targets.

“We are making fitness available to everyone across Europe.”

Our shareholders

Over the past year, we have welcomed many new investors to our shareholder base and continued our open dialogue with our shareholders through our active Investor Relations programme. The coming year, we will continue to reach out actively to investors to help them understand our strategy, our industry and how we work as a company. We also intend to organise a capital markets day for a more in-depth exploration of those topics that are important to Basic-Fit and the financial community.

Thank you

I would like to thank all members for choosing Basic-Fit as their partner in leading an active live and allowing us to help them to stay fit.

I would also like to thank my Basic-Fit colleagues for their dedication and hard work over the past year and for their help managing our strong controlled growth. Once again, we have grown faster than ever before and we are helping a growing number of people in Europe to be fitter and healthier.

In the coming years, we will continue to shape the European fitness landscape and make fitness available to more and more people with the ultimate goal to fulfil our mission and make fitness available to everyone in Europe.

René Moos, CEO

MANAGEMENT BOARD REPORT

Our strategy

Our mission

Basic-Fit has sustainability in its DNA, offering products and services that have a positive impact on people's fitness and well-being. Our core product clearly supports the United Nations' Sustainable Development Goal of good health and well-being. We believe that we can pursue this goal by fulfilling our mission to make fitness accessible to everyone in Europe.

> **Sustainable Development Goals 3**
> **Good Health and Well-Being**
>
> Ensure healthy lives and promote well-being for all at all ages

Societal trends that support our growth strategy

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

These trends support Basic-Fit's growth ambitions in a number of ways. A fitness workout is an ideal solution for people who want to remain in control and want to get fit at their own pace. Take low-impact fitness regimes: these are perfect for older people who want to limit the chances of injuries, but who also want to remain active and mobile for as long as they can.

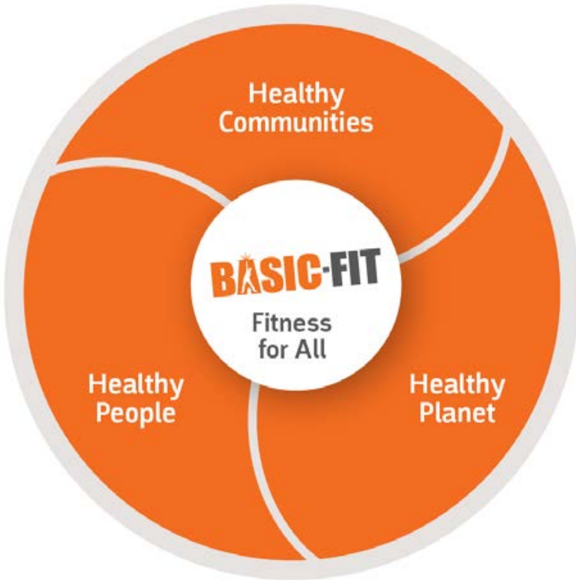
Our membership base is balanced in terms of the distribution of men and women and all age groups are well represented. In everything we do, we make sure that we are an inclusive organisation with room for everybody. We are focusing our marketing activities on millennials. We believe that if people grow up with the habit of going to a fitness club, they are more likely to continue to visit a fitness club later on in life. So our goal is to stimulate a generation to stay active throughout their lives. The increasing affluence of most European countries is increasing the incidence of lifestyle diseases, like diabetes and obesity. At the same time, more people are moving to cities, where the options for outdoor sports are more limited. This combined with the steady growth of the global population will leave less and less space for outdoor activities. All these trends are linked to increased inactivity, particularly among the younger generations, a trend that is being exacerbated by digitalisation and the increasing use of smartphones.

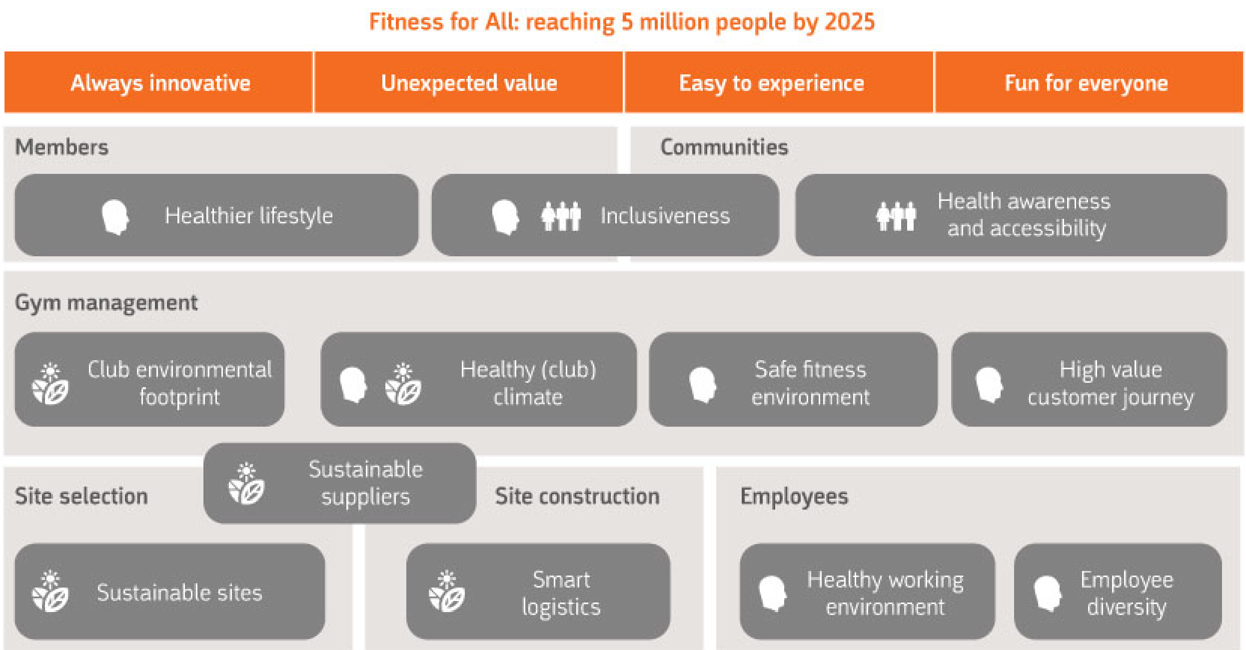
We are very pleased that this subject of growing inactivity is getting more and more attention and that people are starting to realise that inactivity can have a major negative impact on their health and well-being. Inactivity is now the cause of as many deaths as smoking. We have also noted that governments and the healthcare sector are now more aware of the need for activity and exercise. Fitness in general and Basic-Fit in particular offers a very effective, flexible and personalised way for people to remain active and stay fit. Basic-Fit caters to people who lead busy lives and are used to services that meet their needs whenever and wherever they want them. We offer all of this at a very affordable price, making it possible for the maximum number of people to take up a Basic-Fit subscription.

Sustainability strategy

We aim to create value by having a positive impact on the health of people, our planet and our communities.

Our sustainability strategy involves the full scope or our business processes (see figure below). Within that scope, we have identified six impact areas and twelve value drivers that are essential for us to achieve our ambitions. To enable us to set targets and measure progress, we have defined KPIs for each of the value drivers. The value drivers are all linked to the three sustainability focus areas: healthy people, healthy planet and healthy communities.





Getting people active across Europe

We believe that everyone should have access to the benefits that fitness offers. People have become increasingly aware of the need for a healthier life style. Too many people eat too much and exercise too little. 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.

In addition, our Basic-Fit app enables people to work out whenever they want. The video platform, the nutrition advise, the exercise instructions and motivational body composition progress tracker will get people active at home, or wherever they are.

To make fitness accessible to people, we need to build clubs where people live or work and continue with our ambitious club roll-out plans and offer new digital products, making it as easy as possible for people to exercise and have fun both in and outside our clubs. Our ambition is to reach five million people with our fitness clubs and other fitness products by 2025.

Organic growth by rolling out new clubs

We see huge growth potential for value-for-money fitness clubs in Europe and in our geographical markets, given the ever-increasing demand for affordable fitness and the current low penetration rates in some of the countries in which we operate, most notably Belgium, France and Spain.

We have identified many areas where there is potential demand for our fitness offering, but where no value-for-money fitness facilities are available. Based on a white space analysis and developments in the fitness industry, we believe there is a total growth potential for more than 600 additional value-for-money fitness clubs in our existing geographical markets. And if we assume a modest growth in penetration levels to the levels seen in more mature markets, the number of clubs that could potentially be opened in our markets more than doubles to 1,600.

We believe that France and Spain provide particularly attractive opportunities for the continued growth of our business. Both countries currently have relatively low penetration rates, an underdeveloped low-cost fitness segment, and a fragmented fitness club market with no major non-franchise fitness chains offering a proposition comparable to Basic-Fit's.

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

Growth through maturation of existing network

Once we open a club, it generally takes an average of 24 months for a club to mature. In this period, the club ramps up membership to an average of around 3,300 members, after which growth levels remain relatively stable. This means that even if we were not to open any new clubs Basic-Fit would still see considerable revenue and profit growth over the next 24 months. So, based on the number of clubs at the end of 2018, our club EBITDA could increase by an additional €68 million to €245 million, without us opening a single new club.

Advantages of scale

Basic-Fit is the largest and fastest-growing 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 excellent service agreements. As a result, we believe we can build a club for less than our competitors.

In previous years, we made significant investments in IT to optimise our operations. 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 and operational efficiencies put us in a positive cash flow position at club level once we reach an average of 1,600 to 1,700 memberships, and gives us a payback period of between three and four years.

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

Selective acquisition of fitness clubs

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

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

Any acquisitions we make will be on an opportunistic basis, with a view to generating clear revenue and cost synergies, as any club or chain of clubs we acquire is converted to the Basic-Fit brand and format, 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.

Add-ons and secondary income opportunities

In addition to base membership fees and joining fees, we generate revenue from a number of add-ons. Add-ons are additional fee-based services that can be added to a membership. The add-on income stream is part of our fitness revenue. Our add-ons include live group classes, the Basic-Fit Pro app (as of December 2018 included in the memberships as a standard) and a sports water subscription.

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 (3% of total revenue), the growth (potential) is significant. In addition, we have set up a dedicated team to develop new products and services for our members, for use both inside and outside our clubs. These services could help us increase secondary revenue, give us an additional competitive advantage and increase the length of stay of our members. Examples 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, as well as in-club advertising by third parties.

Financing

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

MAKING FITNESS ACCESSIBLE TO PEOPLE IN EUROPE

When you open clubs where people work and live, people will join and get active.

In the US, where fitness started, around 20% of the population are members of fitness clubs. In Europe, the fitness penetration levels differ quite significantly from country to country. In Norway and Sweden, levels are similar to the US, while fitness penetration levels are much lower in southern Europe. In Italy, France and Portugal, for instance, less than 10% of people are members of a fitness club.

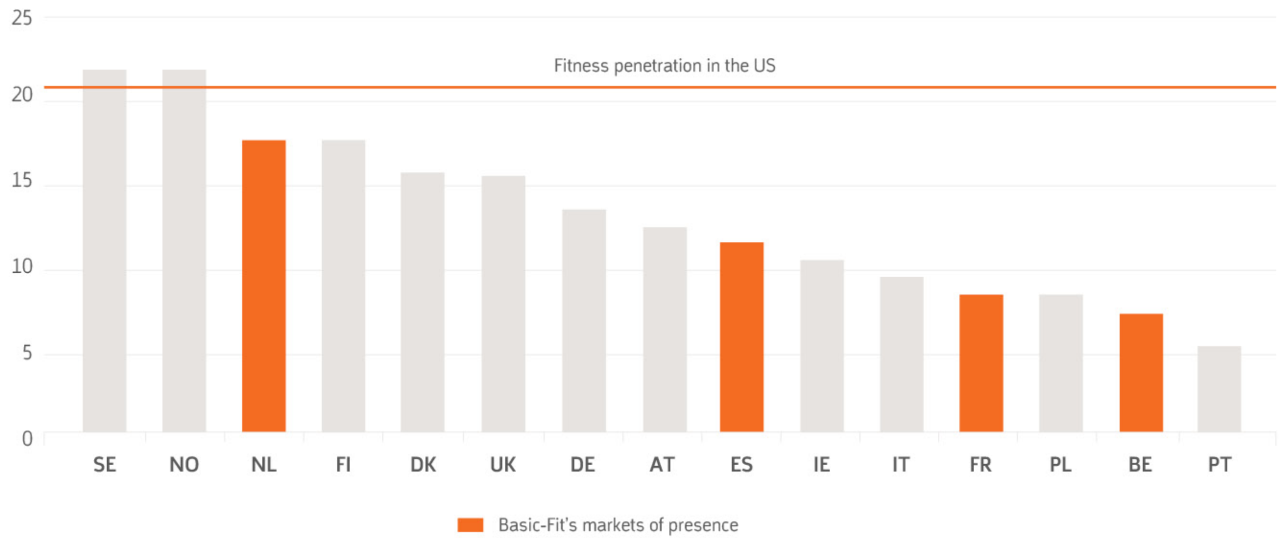
We believe the main reason why people choose a certain club is proximity. While people may be willing to travel 30 minutes to go for a swim, or drive an hour to a golf course, a fitness club needs to be close to where people live or work.

Basic-Fit builds its clubs close to where people live or work. We don't need to be located on city centre high streets. We open our clubs in any location that lowers barriers for people and encourages them to exercise on a regular basis.

We have seen clear proof of the importance of proximity in Belgium and France. When we started to open clubs in Belgium, fitness penetration levels were less than 4%. Since then, we have opened more than 170 clubs in Belgium and now 8% of the Belgian population have a fitness club membership. This shows that when you open clubs where people work and live, people will join and get active.

Membership penetration

(in %)



We have seen exactly the same in France, where we have clubs in areas where previously no affordable fitness was available. We are making fitness accessible to all, and it is quite telling that around 50% of the people who join one of our new clubs have never been a member of a fitness club before.

Thanks to our low-cost formula, we can open clubs in areas with limited population density, making it possible for even more people to join a fitness club. In 2025, Basic-Fit wants to reach five million people and help them to adopt an active and healthy life style.

How we create value for our stakeholders

Stakeholders

Basic-Fit works with stakeholders that operate within our value chain - such as employees, members and suppliers - and with stakeholders outside our value chain - such as investors, government authorities and local communities. We are in dialogue with all these stakeholders to gain an understanding of our shared interests and how we impact each other. The outcomes of these dialogues are included in our strategy formulation, how we assess and mitigate our risks and how we view business opportunities.

Employees

More than 4,000 people from many different nationalities, personal backgrounds, races, genders, religions and sexual orientations work at Basic-Fit. We aim to provide a healthy, engaging and safe work environment for all our employees. For more information about employees and our dialogue with them, see the People section.

Members

We have more than 1.8 million Basic-Fit members who work on their fitness in our clubs. Our operations are focused on engaging our members and motivating them to pursue an active and healthy lifestyle by exercising regularly over an extended period of time.

We have a centralised and in-house Customer Service department, as we believe that this offers enormous insight in what our members like and do not like. Our business managers are provided with a monthly analysis of the type of feedback and the locations this is linked to, enabling management to take action to redress any shortcoming or respond to newly-identified needs. Our regional managers are given daily updates on all the feedback received from any of their clubs.

In addition to reactive feedback, we do regular surveys on a range of topics to give us a better understanding of what our members value and find important. We also use focus groups to understand what they find important for Basic-Fit and how we should develop our fitness offering going forward to keep aligned with the changing consumer preferences.

Suppliers

Basic-Fit has a large range of suppliers, many of which we have long-term relationships with. We have outsourced many aspects of our operations and therefore work in close cooperation with these suppliers. We view our primary suppliers as an integral part of our operations and the execution of our sustainability strategy. We therefore stimulate responsible behaviour and ask our suppliers to sign and comply with our supplier code of conduct.

Financial community

Basic-Fit actively communicates with investors, banks and other financial parties. We are transparent about our purpose, strategy, goals, financials and operations. We communicate in a structured way, ensuring that all parties have equal and timely access to all relevant and price-sensitive information.

Public sector

We engage with a wide range of European, national and local government bodies, as we believe that Basic-Fit and the fitness industry as a whole have an important role to play in achieving the UN's Sustainable Development Goal (SDG) of good health and well-being. With the rise of sedentary life styles with all its negative effects, such as obesity and diabetes, fitness is an easy and effective way of getting people active. To promote fitness, increase the quality of fitness services in Europe and make our sector as low-threshold as possible, we take part in discussions with government bodies ranging from the European Union to local councils.

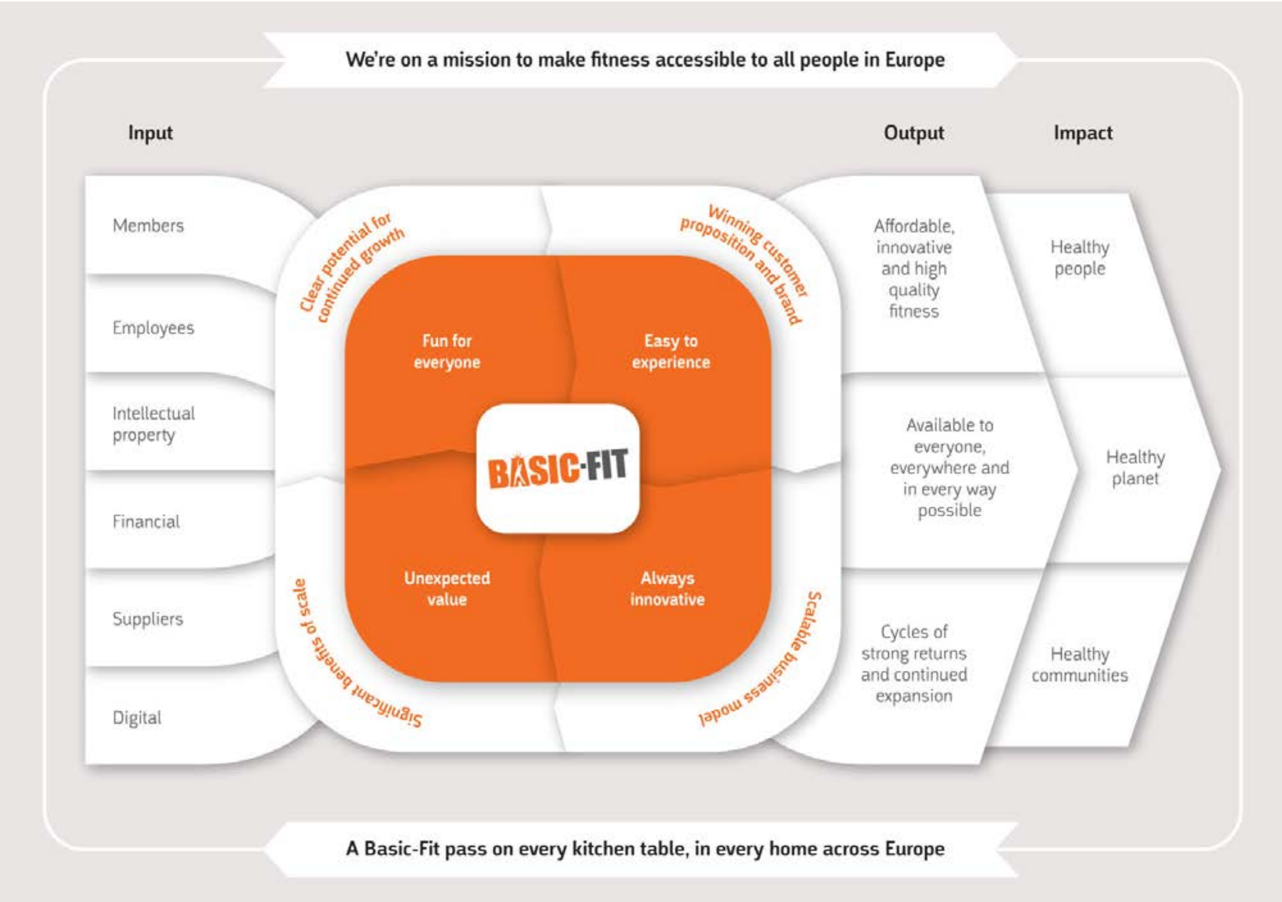
Local communities

We believe we can make a positive contribution to the communities in which we have opened our clubs. We provide employment, enable people to exercise using top-quality equipment at low cost and add to the well-being of people in the community by offering them a place to exercise and to meet and socialise. We connect directly with communities via social media and through open days for non-members and engage with our members through club visits and other initiatives.

Value creation model

Basic-Fit's value creation model provides insight into the resources that we use to achieve our strategic objectives and the impact that we ultimately have. Our business model is based on our mission to make fitness available to everyone across Europe. We try to achieve this by using technology and innovations to provide a fitness proposition that is easy to use, affordable and fun.

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



Input - Basic-Fit has a range of elements that are key to the success of our business model and help us achieve our strategic long-term goals.

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

Employees - Our employees play a decisive role in our value creation model. We stimulate entrepreneurship and talent development, which in turn stimulates further (long-term) value creation. We employ motivated and skilled people with various backgrounds. Basic-Fit strives to provide its staff with a safe and inspiring working environment. We offer them training courses and the resources they need to be effective and to develop their skills. Thanks to our people and their many years of experience, Basic-Fit has extensive knowledge of the industry, fitness operations, site selection and fitness trends.

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

Suppliers - Basic-Fit has a number of key suppliers, including manufactures of high-quality fitness equipment and construction companies. We foster local entrepreneurship and work with local partners, including the head trainer and the physiotherapists who provide their services in our clubs.

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

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

Output

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

In 2018, we increased our club network by 108 clubs to 629 clubs, in which 1.8 million members are now working to improve their fitness. Secondly, we included our Basic-Fit app as a standard in our membership offering, giving our members even more control over where, how and when they exercise. And last but not least, we reported a return on invested capital of more than 30% and see continued strong potential for the growth of our network in the years ahead.

Impact

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

Business and financial review

Key figures

in € millions	2018	2017	change
Total revenue	401.8	325.8	23%
Club operating expenses	(224.8)	(181.9)	24%
Adjusted club EBITDA	176.9	143.9	23%
Total overhead expenses	(52.8)	(43.4)	22%
Adjusted EBITDA	124.1	100.5	24%
Exceptional items	(3.0)	(3.7)	-18%
EBITDA	121.1	96.7	25%
Adjusted net earnings*	29.4	23.6	24%
Adjusted EPS*	0.54	0.43	24%

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

Club and membership development

Clubs per country	Clubs at year end 2017	Net club openings 2018	Clubs at year end 2018
Netherlands	152	9	161
Belgium	167	6	173
Luxembourg	9	1	10
France	160	92	252
Spain	33	0	33
Total	**521**	**108**	**629**

In 2018, we increased our network by a record 108 clubs – 110 openings and two mergers – to 629 clubs. In line with our expansion strategy we opened the vast majority of the clubs in France. The total number of net club openings of 108 compares to 102 new clubs in 2017.

In the year under review, we increased the number of Basic-Fit memberships by 21% to 1.84 million, from 1.52 million in 2017. This was mainly the result of the ramp-up of memberships at our immature clubs.

In 2018 we had 327 mature clubs of which the vast majority in the Benelux. A club is considered mature if it is 24 months or older at the start of the year. This number remains stable throughout the year, unless we close or merge mature clubs during the year. At the start of 2019 we had 410 mature clubs.

Mature clubs	2018	2017	2016
Netherlands	136	110	90
Belgium	136	108	70
Luxembourg	8	8	7
France	25	10	0
Spain	22	10	9
Total	**327**	**246**	**176**

Revenue

Group revenue increased by 23% to €402 million in 2018 compared to €326 million in the prior year. This strong growth was the result of 23% higher fitness revenue and 41% higher other revenue. The continued expansion in the number of clubs in our network and the membership growth at our existing clubs were the main drivers for the increase in fitness revenue. The increase of other revenue was largely due to the further rollout of the personal trainer concepts, and higher sales of day passes and webshop products. Without the adoption of IFRS 15 revenue would have been €2 million higher and the increase in revenue would have been 24%.

Revenue in € millions	2018	2017
Netherlands	119.3	112.1
Belgium	123.5	117.4
Luxembourg	9.9	9.0
France	126.1	66.0
Spain	22.9	21.3
Total	**401.8**	**325.8**

Totals are based on non-rounded figures

All countries showed good revenue growth compared to 2017. The growth countries France and Spain combines increased revenue by 71% to €149 million. The Benelux segment increased by 6% to €253 million.

On a like-for-like basis, the 246 clubs that were mature in both 2017 and 2018 increased revenue by 1% to €196 million. The increase was the result of a stable number of members per club combined with a modest increase in the average revenue per member at these clubs.

The average revenue per member per month at all clubs was stable at €19.39, compared with €19.41 in 2017.

We introduced a new membership structure in December 2018, and now offer two clear value for money membership types, the Comfort and Premium. Both membership types allow people to work out in any of our clubs in Europe and enjoy all the benefits a Basic-Fit club has to offer: free virtual GXR group classes all day, free showers and lockers and free Wi-Fi. In addition, the Basic-Fit app, which was previously available as an add-on, is now included as a standard. A Premium membership offers members the option to bring a friend when they visit a club. On top of this, members can share the Premium membership with one other person in their household, who can take full advantage of all the benefits the Premium membership has to offer. The fee for a one-year Comfort membership is €19.99 per four weeks, while a Premium membership costs €29.99 per four weeks.

As a result of the inclusion of the Basic-Fit app in the memberships, the Pro-Coach app has disappeared as add-on. At that time around 3% of our base paid €4.99 a month for the app. The sports water subscription remained in strong demand with 19% of our base paying for this add-on.

We believe it is important to maintain our low-cost proposition and further strengthen our long-term competitive position. To this end we will test an additional lower priced membership option in Spain this year. Based on the outcome of this pilot we could decide to introduce this membership in another country as well in the future.

Other revenue consists of all revenue items that are not included in the membership fee and mainly includes sales through vending machines, day passes, rental income from physiotherapists and personal trainers and income from our webshop and partner programme. In the year under review, we completed a successful pilot with vending machine partners in France and we will roll out the new vending machines in that country in 2019.

Our personal trainer model offers head trainers the exclusive rights to start their own business at one of our clubs. In return, we charge them a monthly fee for the use of the brand, the space and equipment and the connection to our members. We have personal trainers available in most of our clubs outside France and have started to introduce the personal trainer concept in France in 2018. There are now more than 1,000 personal trainers working in 375 Basic-Fit clubs (292 clubs at year-end 2017).

Adjusted club EBITDA and EBITDA

At club level, adjusted EBITDA increased by 23% to €177 million, up from €144 million in 2017. Total operating costs increased by 24% to €225 million, up from €182 million in 2017, while the adjusted club EBITDA margin remained stable at 44.0% (2017: 44.2%). The adjusted club EBITDA margin of the 327 mature clubs was 49.7% in 2018. The 246 mature clubs in 2017 reported an adjusted clubs EBITDA margin of 49.4%.

Overhead expenses increased by 22% to €52.8 million, up from €43.4 million in 2017. This was mainly due to the increase in international overhead and marketing costs. Marketing expenses increased due to the expansion into more regions in France and the first national advertising campaign in the country aimed at building our brand. International overhead increased due to the growth of our Customer Service department and the continued professionalisation of the company.

In the year under review, exceptional items amounted to €3.0 million and mainly related to the non-cash rental costs that we incur before a club is open for business. In addition, exceptional items include reorganisation costs and costs related to the retention shares plan awarded to key people at the time of the IPO. These costs were partly offset by a one-off insurance benefit of €0.8 million. Exceptional items totalled €3.7 million in 2017.

In 2018, adjusted EBITDA increased by 24% to €124 million, from €100 million in 2017. The adjusted EBITDA margin was 30.9% compared to 30.8% in 2017. Without the adoption of IFRS 15, adjusted EBITDA would have increased by 26% to €126 million representing an adjusted EBITDA margin of 31.2%.

Operating result

The operating result (EBIT) increased by 48% to €31.7 million, up from €21.3 million in 2017. The strong increase was mainly due to the 25% higher EBITDA, combined with the relatively lower depreciation and amortisation costs as a percentage of revenue. Depreciation was €73.9 million and includes €1.8 million in impairments related to club closures and relocations. Excluding the impairment, depreciation was €72.1 million and 18% as a percentage of revenue. Amortisation, which for €13.6 million related to the purchase price allocation when Basic-Fit was partly acquired by 3i Investments Plc. in 2013, remained stable at €15.5 million (2017: €15.4 million).

Interest

Total finance expenses were €9.3 million in 2018, compared to €8.2 million in 2017. In June, Basic-Fit successfully completed an amend and extend of its existing facilities agreement, taking advantage of current favourable market conditions. The facilities agreement now consists of a €250 million term loan and a €200 million revolving facility, increasing the aggregate amount by €100 million. As a result of the amendment, the maturities of both the term and revolving credit facilities have been extended to June 2023. In addition, Basic-Fit was able to reduce the margin on both facilities, reflecting Basic-Fit's strong financial performance over the past years.

Corporate tax

The corporate income tax expense for the year was €4.8 million representing an effective tax rate of 21%. Future tax rate adjustments in the Netherlands and the recognition of previously unrecognised deferred tax assets were the main reason for the effective tax rate to be lower than the Dutch applicable tax rate of 25%. In 2017, the corporate income tax expense was €2.0 million, representing an effective tax rate of 15%. Basic-Fit expects the effective tax rate to be a bit higher than 25% in 2019 due to the higher tax rates in the different countries outside the Netherlands, non-tax-deductible expenses like retention shares and specific French tax (CVAE) that increases with the growth of the number of clubs in that country.

Adjusted net earnings

Basic-Fit recorded a net profit of €17.6 million, up 58% from €11.1 million in 2017. Adjusted for amortisation, exceptional items and one-offs and the related tax effects, earnings were €29.4 million, an increase of 24% compared to the €23.6 million reported in 2017.

Reconciliation net result to adjusted net earnings

in € millions	2018	2017
Net result	17.6	11.1
Amortisation	15.5	15.4
Exceptional items	3.0	3.7
Pre-opening costs	1.6	1.7
Retention shares and other exceptional costs	1.5	2.0
One-off impairment	0.8	0.0
Tax effects	-4.8	-4.8
One-off tax effect due to change in tax rate local jurisdictions	-1.4	-2.2
One-off tax effect due to other (re)assessments of deferred taxes	-1.4	0. 4
Adjusted net earnings	**29.4**	**23.6**

Totals are based on non-rounded figures

Equity

At year-end 2018, total equity was €327 million, compared to €317 million at year-end 2017. The €9.8 million improvement was mainly the result of the profit for the period partly being offset by the €8.4 million adjustment of the initial application of IFRS 15. The solvency ratio, defined as equity divided by total assets, was 39%, compared to 43% at year-end 2017.

Net debt

Net debt was €333 million at year-end 2018, compared to €282 million at year-end 2017. This increase was mainly due to the large number of club openings and the investments in maintaining the current club network, which cannot be financed from net cash flow from operating activities yet. The leverage ratio, based on the bank covenant definition, was 2.3 compared to 2.4 at year-end 2017.

Working capital

Working capital was €113 million negative, compared to €80.1 million negative at year-end 2017. Working capital includes lease incentives, which are part of non-current liabilities. As a percentage of revenue, working capital was minus 28% compared to minus 25% at year-end 2017. The decrease was mainly the result of the large number of club openings at the end of the year and the impact of IFRS 15 on deferred revenue (trade & other payables). Without the adoption of IFRS 15 working capital would have been minus 25% of revenue.

Capital expenditure

Total capex in the year was €178 million compared to €161 million in 2017, an increase of 10%. Expansion capex was €140 million, compared to €131 million in 2017. Expansion capex includes expenses for the enlargement of existing clubs and small acquisitions; €13.3 million in 2018 and €13.9million in 2017. The initial capex per newly-built club was an average of €1.17 million, compared with €1.14 million in 2017. This is mainly due to more expensive club openings in large French cities. Regardless of the initial capex for a club, we only start building if we expect to achieve a return on invested capital (ROIC) of at least 30% at maturity.

Maintenance capex was €31.8 million in 2018, compared to €25.5 million in 2017. This increase was the result of the increased network. On average, we spent €55 thousand per club on maintenance, which compares to €54 thousand in the previous year and is in line with our guidance.

Other capex amounted to €5.6 million and consisted primarily of investments in innovations, like the development of the smart camera solution for the 24/7 club concept and digital products like the GXR virtual group classes platform and the online coach. In addition, other capex included software and IT development expenses. In 2017, other capex was €5.4 million.

Cash flow

The cash flow pre-expansion capex, defined as adjusted EBITDA less maintenance capex was €92.3 million, an increase of 23% compared to the €74.9 million recorded in 2017.

Net cash flow from operating activities amounted to €118 million, compared to €96.0 million in 2017. The sharp increase was largely due to the improved EBITDA and the cash inflow from working capital.

The net cash outflow from investing activities was €168 million, compared to €169 million in 2017.

The net cash flow from financing activities was €42.0 million, compared to €69.1 million in 2017.

Club openings pipeline and expectations

At the end of 2018, we had a pipeline of over 300 clubs with 29 clubs under construction, 79 contracts signed - which include clubs for which we are awaiting permit approval -, and 230 clubs for which we were in advanced negotiations with property owners or that are in the research phase.

Our club openings pipeline remains very well-filled and we intend to further accelerate the execution of our club roll-out plans and the growth opportunities in France and in the other countries remain relentlessly strong. In 2019, we expect to add around 125 clubs to our network.

Sustainability developments

In the past year, we made significant steps in the execution of our sustainability plans. In a group wide effort, we defined the relevant steering and output indicators for the value drivers that are essential to achieving our ambitions. We started to prepare the organisation and adjust our systems to measure the various KPIs. In the second half of the year, we ran a first exercise to measure the KPIs. These results helped us to assess where we stand in the various areas, but they also helped us to fine tune the definitions of the KPIs and start discussions on what targets we want to set if there were no existing targets.

For the value drivers, we have collated a set of output indicators that we are measuring and considering reporting on externally. We have started several initiatives to further improve the value drivers and are in the process of adjusting our systems and setting up new tools to measure all the KPIs in a consistent and efficient manner. The list below is a selection of the KPIs that we are considering for inclusion in our 2019 annual report.

1. **Sustainable sites:** % of property that meet our sustainability requirements
2. **Sustainable suppliers:** % of suppliers that signed supplier code of conduct
3. **Smart logistics:** % of collaborative construction suppliers
4. **Healthy & engaging work environment:** Absenteeism
5. **Employee diversity:** % of female employees
6. **High-value customer journey:** Net Promoter Score
7. **Safe fitness environment:** % of clubs with remote surveillance
8. **Healthy club climate:** % of clubs with smart air-conditioning
9. **Environmental footprint:** % of fully electric clubs
10. **Healthier lifestyle:** % of clubs with personal trainers
11. **Inclusiveness:** Ratio male / female members
12. **Health awareness and accessibility:** % of clubs with an Open to All day

Minimise impact on the environment

We realise that in doing business we consume natural resources and contribute to CO2 emissions. We aim to minimise the impact of this in a variety of ways. With the exception of our treadmills, we use equipment that does not use electricity, or that generates electricity through the movement of its users. For the electricity that we use, we buy green electricity whenever possible.

We also use LED lighting in our new clubs and are replacing conventional lighting with LED lighting in existing clubs.

We have started a pilot programme to investigate the use of solar panels on our clubs. Although this is not without complication as we are not the owners of the buildings, we would like to assess if we could become electricity self-sufficient.

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

Safety

We need to guarantee the safety of our members and staff in our clubs and offices. This 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 their club. They are also trained to handle an AED and can follow a course on dealing with different types of people, and aggression should this be necessary. To this end, all employees get first-aid and fire prevention and safety training. We perform regular safety audits and report and register all accidents/near-accidents.

Tax

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

Our people

We are proud to say that we are building communities. At Basic-Fit, our employees are an intrinsic part of our successes. While maintaining a welcoming, clean and safe environment for our members, they are also helping our members to achieve their own goals by advising them how to make the most out of their Basic-Fit membership. We believe our people are one of the key factors in improving member retention, as they create a friendly community within their club.

We are big believers in ownership and empowering people by giving them the opportunity to be responsible for their own club. We want employees to feel engaged, connected with our strategy and motivated to offer a positive experience to our members. With the right people, who embrace our company values and who are able to correctly execute our processes, we can drive operational excellence.

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

Employee overview

	2018	2017
# employees	4,135	3,562
Men/women	1,967 / 2,168	1,657 / 1,905
Average age	31.7	32.1

In 2018, the number of Basic-Fit employees increased to 4,135 from 3,562 in 2017. The increase was largely driven by the opening of new clubs. We also recorded growth in the number of professionals in 2018, mainly in marketing and IT, to support our goal of continued innovation and growth. The majority of our employees work part-time, especially at our clubs.

Diversity and inclusion open to all!

At Basic-Fit, we have created an environment where everybody has the opportunity to contribute to the success of the company while being themselves. We are proud to hire employees with various backgrounds, experience, gender, age, race and sexual orientation. This is what make us "Open to all"!

We treat all individuals equally at every stage of the hiring and employment process and we do not accept any form of harassment towards our employees or members.

The gender distribution of employees within the group is well balanced, with 52% being women and 48% men. One-third of our department heads are female and our focus is on increasing that number in the years ahead. We believe that diversity should be well-balanced at all management levels.

Careers at Basic-Fit

Our human resources strategy focuses on attracting talented employees, developing their skills and competencies, motivating them, and stimulating internal growth. Continuing to offer our members an outstanding customer experience is one of the main priorities in our recruitment process. To achieve this, it is essential to recruit employees who are a good fit with our culture and our values.

Our goal is to increase awareness of Basic-Fit as a potential employer for top talent. Last year, we increased our cooperation with international job boards, such as LinkedIn and Indeed, to strengthen our reach to potential candidates. To support our growth and fulfil our continuous need for new people, we have increased our recruitment team to help managers to find the right people.

Talent management

Talent management combined with succession planning are essential for Basic-Fit's long-term development and ambition. Part of our success is linked to our employees carrying the Basic-Fit DNA and their ability to grow within the organisation. We are proud when hosts become team leaders and when our talents develop towards more strategic roles.

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

We analyse the results of performance management on regular basis to draw up individual development plans for our top performers, as well as to identify potential successors for critical positions. During the course of the year, we also identify internal candidates for any vacant positions and prepare them for their next role and for the transitions to come. Last year, we also started to focus on the growth opportunities for our top leaders in France and Spain. By enabling our employees to grow and develop within Basic-Fit and to share our goal to be the "largest fitness brand in Europe", we are continuously building our pipeline of talent.

Training and development

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

For our new employees, we have developed an onboarding programme, using a combination of e-learning, corporate presentations and role-play to facilitate their journey. We focus on Basic-Fit's ambitions and strategy, in combination with components of customer service such as quality, hygiene and safety. Our desire is to increase our employees' general knowledge of fitness, using a certification system such as EREPS, to improve the quality of interactions with our members.

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

Communication

We need an engaged workforce if we are to offer our members a great experience. Last year, we launched our first annual survey to capture feedback on all kinds of topics and to measure employee engagement. More than half of our employees took the time and effort to answer a series of questions on working conditions, communications, career and development, colleagues, management and many other subjects. We conducted an in-depth review of all the results, including a review of all the written comments, in collaboration with the executive team.

Our executive team visited all our headquarters to report on the results and elaborate on the resultant action plans. This initiative gave our employees the chance to meet the members of our senior management team and to ask questions in an informal setting.

Club employee profile

Our human resources strategy is aligned with our corporate strategy, with a clear focus on creating the best experience for our members. Our employees can have a significant impact on how our members experience Basic-Fit's products and services. At the same time, our employees also believe that they can contribute the most by interacting with members and that this interaction, in which they help people to make the most out of their visit to a club, is one of the main reasons why they work at Basic-Fit. For this reason, we are increasing the opportunities our hosts and team leaders have to interact with members and improve their fitness knowledge and service-oriented behaviour. With the help of combined focus groups of employees and consumers, we have rebranded the host employee profile an added a focus on members' satisfaction. To facilitate these changes, we are currently revisiting our HR core processes, such as onboarding, training and performance management.

Non-financial information

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

Basic-Fit is committed to abiding by the laws and regulations of the countries in which it operates. Basic-Fit has a Code of Conduct reflecting the company's values and principles as described in the Our strategy section. In 2018, Basic-Fit completed the roll-out of its strengthened integrity and diversity policies and a new supplier code of conduct.

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

Business model

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

Environmental matters

In 2018, we made significant progress in the further development and execution of our sustainability strategy. We provide additional information on environmental matters in the Strategy and Sustainability sections of this annual report.

Social and employee matters

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

Respect for human rights

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

The above-mentioned policies and supplier code of conduct include specific standards regarding human rights. Basic-Fit also expects its suppliers to adhere to these standards.

Basic-Fit can improve the quality of life and health in the communities where it is active. We can increase this positive impact through the expansion of our business and the opening of new clubs. We make fitness available to everyone, without any distinction in terms of race, background, gender or age[2].

Basic-Fit respects the privacy of its members, employees and other stakeholders. Basic-Fit has implemented procedures and policies to collect and use their personal data fairly and to store and secure it safely, only to be disclosed in a way that is consistent with international best practices and applicable laws. This information will not be stored any longer than is necessary.

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

Finally, as explained in the People chapter, Basic-Fit has defined a new employee profile and started with the implementation of the new profile towards the end of 2018. The new profile entails clearly defined tasks and challenges, to increase the service levels in the clubs and promote the engagement amongst employees. To achieve this, all employees have or have to develop fitness knowledge at EREPS certification level. Armed with this knowledge, our employees can be more active in terms of how they help our members to pursue their goals, while adding more meaning to their jobs at the same time. For more details on this certification, please see the People chapter under training and development.

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

Basic-Fit expects all suppliers to adhere to local laws and regulations. Starting in 2018, Basic-Fit required new suppliers to adhere to Basic-Fit's supplier code of conduct. This includes human rights standards, to ensure that our suppliers provide fair labour conditions, do not make use of forced labour or child labour and that all employees are treated with dignity and respect. All employees have to be provided with a safe and healthy workplace in compliance with all applicable local and national laws and regulations. New suppliers all received this supplier code of conduct. Existing suppliers will also be asked to sign the supplier code of conduct, usually at the time of a contract renewal. The percentage of suppliers that have signed the supplier code of conduct is included in the sustainability KPIs we have set (see Our Sustainable Strategy chapter).

By implementing these policies and procedures, not only does Basic-Fit create a working environment in its value chain that complies with laws and regulations; it also improves Basic-Fit's position as a preferred employer. On top of this, these policies and procedures boost learning and development in a healthy and fun workplace in line with Basic-Fit's values and principles.

Anti-corruption and bribery matters

In 2018, Basic-Fit updated and further integrated its integrity risk assessment, which also addressed corruption and anti-bribery. Based on this assessment, Basic-Fit is further enhancing its integrity policy with additions to be implemented over the course of 2019. The principles and rules for ethical conduct, anticorruption and anti-bribery are laid down in Basic-Fit's code of conduct, the supplier code of conduct, the employee handbook, our insider trading policy, our policy on bilateral contracts, our whistle-blower policy, our internal data security policy and our integrity policy. We have defined a number of integrity-related KPIs that will enable us to monitor developments and progress. Internally, we aim to have a flawless internal audit and externally we aim to have all our suppliers comply with our supplier code of conduct (see also the Strategy section].

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

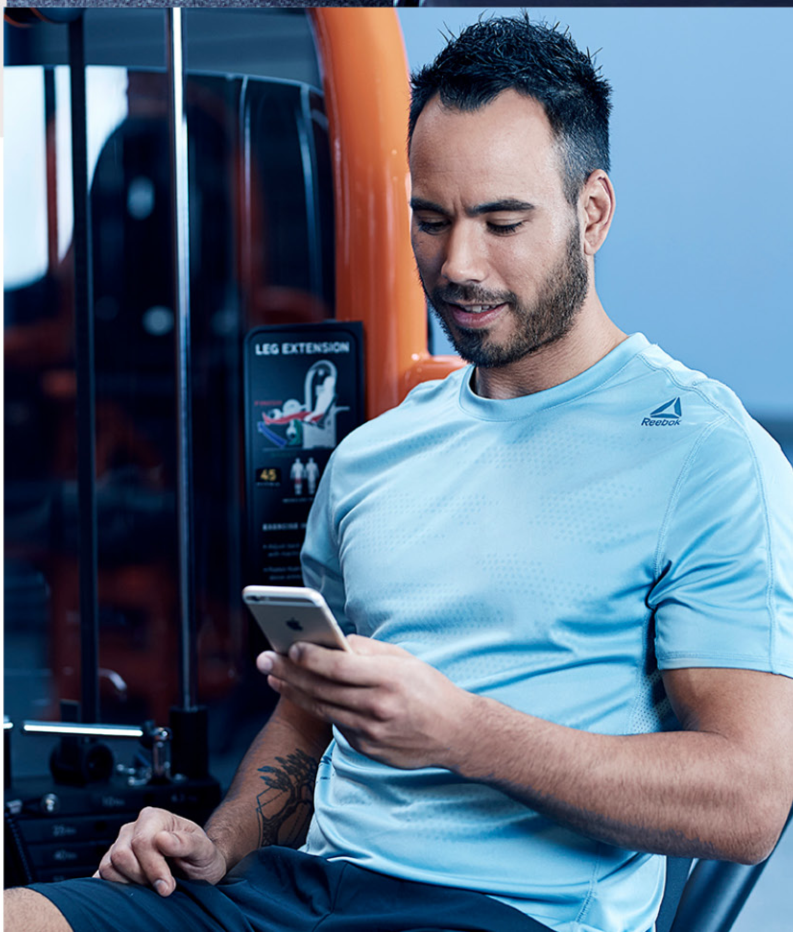
In 2018, Basic-Fit continued to enhance and update its procurement policy to closely monitor the procurement process and to engage and partner with carefully selected suppliers. When entering into any engagement with suppliers, Basic-Fit always tries to apply its own contract documentation, including the principles and values related to sustainability, human rights and anti-corruption and anti-bribery. Depending on the size of the supplier and the power balance between Basic-Fit and the supplier, this could also be one of the supplier's conditions. Basic-Fit strives for a situation in which the majority of all principal suppliers are in compliance with the company's supplier code of conduct.

Basic-Fit has implemented the option to perform audits on its suppliers and will start performing due diligence investigations on certain new suppliers before the start of any co-operation. The new centrally organised procurement department will control these processes.

THE BASIC-FIT APP

We have a clear mission statement. We believe that everyone deserves to be fit, and our aim is to make fitness available to everyone right across Europe. We will do this by building clubs close to where people live and work. But if we want to be a true partner to our members and help them to lead an active life, we also need to be there for our members outside our clubs.

Over the years, we have worked on a wide range of innovations and technologies aimed at improving customer experience both in and outside our clubs. The Basic-Fit App is a perfect example of how we help our members to stay fit and work out whenever and wherever they want. It serves as a coach and private personal trainer. It helps our members to draw up workout schedules and includes instructions on how to perform certain exercises correctly, to improve fines levels while avoiding injury. It also helps members to measure and track their progress and achieve their fitness goals.



The Basic-Fit app is a perfect example of how we help our members to stay fit and work out whenever and wherever they want.

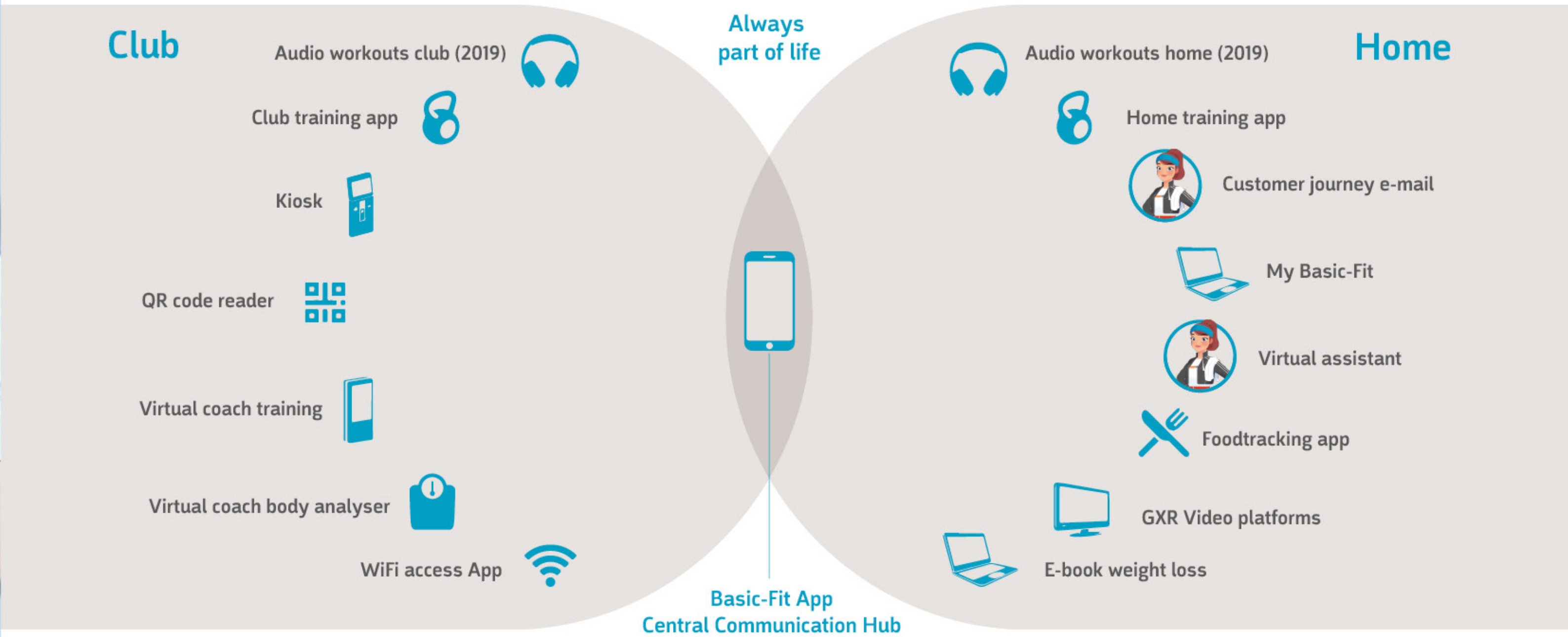
Ruby, the app's virtual assistant, provides members with the best personalised fitness advice and much more, at any time of the day and anywhere they happen to be. The Basic-Fit app provides members with nutritional advice, helps them schedule workouts, to prepare and practice for their group classes or do a virtual group class in the comfort of their own home. The GXR video platform offers our members a broad range of best-in-class virtual group classes, from boxing to yoga and from ABS & Core to Latin Dance. In the year ahead, we expect to stream more than one million group classes to our members' homes.

The app also gives our members access to free wifi in our clubs. And it offers members numerous other benefits through the partnership programmes we have with various brands. For instance, our members can buy the products of our brand partners at significant discounts. In 2018, these deals included sports footwear and apparel from Reebok and Flinndal vitamins and food supplements.

The Basic-Fit app offers significant value to our members. It is now included as a standard in our memberships and we plan to add even more value to the app in the future. For instance, to make life even easier for our members, we are currently working on club access via the Basic-Fit app, so people don't have to worry about carrying their membership pass with them.

24/7 CONNECTION WITH OUR MEMBERS

Reaching 5 million people by 2025



RISK MANAGEMENT AND CONTROL SYSTEMS

Description and governance

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

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

We aim to continuously make further improvements; we have corporate governance procedures, a risk management policy and an internal control framework that respect the entrepreneurship that is embedded in our culture, but also ensures compliance with laws and regulations. These continue to contribute to the identification and adequate management of strategic, operational, financial, legal and compliance risks. The risk management strategy of Basic-Fit is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations. Compliance with the corporate governance principles, the risk management policy and the internal control framework continue to be an integral part of the performance indicators that determine the management incentive schemes.

The Management Board, under the supervision of the Supervisory Board, is responsible for identifying and managing the risks associated with the company's strategy and activities. Therefore 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 compliant with all applicable internal and external standards, the Management Board discusses frequently the strategic objectives, risk appetite, risk management and internal control systems.

The Management Board is on a daily basis assisted in carrying out these responsibilities by its employees and senior management, being encouraged to work in an entrepreneurial manner and to take risks, provided they are equipped to manage these risks and operate within the boundaries set by senior management within the risk management framework. Senior management is accountable for effective internal controls and risk management for the activities under their responsibility. Furthermore, the Management Board is advised by the staff departments, such as legal, compliance, finance, HR and IT, who monitor risk management within their respective functions. Finally, the independent Internal Audit function plays an assuring role within the risk management strategy of the company. He reports to the Management Board and the Audit & Risk Committee on the functioning of the internal control system.

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

Furthermore, Basic-Fit appointed a compliance officer who internally supports and monitors the risk strategy and integrity in conformity with the compliance charter and yearly defined compliance plan.

As defined in the internal audit charter, internal audit develops and implements an annual internal audit plan applying an appropriate risk based methodology, including risks or control concerns identified by the Management Board or the Audit & Risk Committee and addresses compliance with policies, procedures, laws and regulations. This internal audit plan is submitted to the Management Board and Audit & Risk Committee for review, after which it is presented to the Supervisory Board for approval.

The Audit & Risk Committee supervises the effectiveness of the internal control systems, while the Supervisory Board approves the overall strategic objectives and validates the risk appetite concerned with it. Country management and the centralised support departments are responsible for implementing the strategy, achieving results, identifying underlying opportunities and risks, and ensuring effective controls. They are also responsible for preparing and implementing risk mitigation in their fields of responsibility. The execution of effective controls is a day-to-day activity of all our staff.

Developments in 2018

In 2018, the company further enhanced its vision to make fitness accessible for everyone. To achieve this we implemented a new pricing structure and membership model for our members, launched GXR, a digital platform with tools also accessible at home and a further developed app for members and reinforced the member joining journey. We launched our first national TV campaign in France.

The IT strategy was further updated during the year, including a further strengthening of the internal controls regarding cyber security. A general and technical information security policy has been implemented. Internal Audit performed an audit on the cyber security strategy and approach of the company. Overall the conclusion is, that company sufficiently mitigates the cyber security risks. However, based on the review, company will take over some advices of Internal Audit to strengthen cyber security even further and implement these advices in 2019.

We continued the opening of new clubs according to our objectives and have noticed in several cases unexpected delays in opening dates, due to longer regulatory and construction processes than anticipated. This impacted the member gain throughout the year.

We further integrated our vision and the value drivers of the company within the culture and entrepreneurial drive of the company. The culture of the company gives room for its employees to grow and develop and to be healthy. The company further enhanced its vision on integrity and transparency, strengthened the employee profiles and renewed the salary structure to be sustainable for the future.

As we continue on our growth path we need to continuously review and further develop these elements, as we also did in 2018: our risk management processes and internal controls were further optimised and redefined based on the constant development and growth of the organization.

The general counsel is responsible for the corporate governance of the company, the day to day legal involvement with the development of the company and the compliance and monitoring of laws and regulations and the risks evolving from this. To pursue these goals, the general counsel implemented a legal department being the day to day legal advisor of the company with a strong business orientation. The legal department pro-actively assures compliance with its corporate governance, laws and regulations and plays a clear role in protecting the assets, integrity and reputation of the company. We constantly work on building awareness of legal developments, laws, regulations, integrity and risks within the company, through training and communication.

The compliance officer reviews and monitors the risk strategy, risk mitigation and conformity with relevant legislation, with a focus on fields and areas in strong development, from a broad perspective taking the risk assessment and risk table in this section as starting point. The compliance officer further implemented the compliance charter and compliance plans to support the mitigation of the key risks for the company including an integrity risk analysis.

In the first half of 2018, the company implemented a new privacy policy in accordance with the General Data Protection Regulation and appointed a privacy officer responsible for the execution and monitoring of the privacy policy. The privacy policy and implementation has been reviewed by internal audit. This review confirmed a proper implementation of the new privacy regulation applicable in all relevant countries of Basic-Fit.

Furthermore the Business Continuity Plan has been further enhanced to secure the functioning and continuity of the business in case of severe internal or external incidents.

Internal audit in 2018

The internal audit function is outsourced to an independent international audit firm. Their primary focus lies with the monitoring of the compliance with the internal control framework of Basic-Fit which was developed during 2016 and in use since January 2017.

Internal audit developed an internal audit plan taking into account a risk based approach. During the yearly review of the internal control framework, opportunities for control and process improvements were identified, including recommendations for further improvements. The outcome of this review, including the detailed action plans of management, was discussed in the Audit & Risk Committee in the presence of internal audit. Further focus of internal audit was on GDPR compliance, cyber risks and the risk culture. Regarding this last topic, a survey was performed under all local and international headquarter employees about risk appetite and risk culture within the company, which confirmed that the perceived risk appetite on all levels in the company is in line with the risk appetite of Basic-Fit as described in this chapter.

Plan for 2019

Internal audit uses a risk based internal audit plan that enables them to provide the Management Board with the needed assurance on how Basic-Fit manages key risks, including the effectiveness of the controls and other responses to them. The same approach will be used for 2019, with a focus on the HR strategy and the further implementation of the IT strategy in 2019. Furthermore, the plan includes a follow up review on the compliance with the internal control framework. The internal audit plan for 2019 has been reviewed by the Audit & Risk Committee and approved by the Supervisory Board.

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

Risk appetite and sensitivity

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

	Change	Impact	On	Assumption (based on 2018 financials excluding exceptional items)
Revenue (members)	1%	€4 million	EBITDA	No change to yield
Revenue (yield)	1%	€4 million	EBITDA	No change to volume
Operating expenses	1%	€-3 million	EBITDA	No change to revenue
Clubs	10 clubs	€0 million	EBITDA	No (material) EBITDA impact during the first year from opening clubs
		€12 million	Net debt	
Net debt	50 million	€-1 million	Net profit	Stable interest rates

RISKS AT A GLANCE

STRATEGIC

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

OPERATIONAL

Risk	Risk description	General risk appetite	Trend	Risk appetite
5 Technology	Our business model is partly technology driven and if we can't keep up with technological changes or when we are not able to (timely) implement new systems it could impact future growth and profitability. Cyber security issues are also becoming increasingly relevant.	Operational risks are weighted in relation to the implementation of its strategy and the impact of its execution and in general handled with a moderate risk appetite. However, topics related to quality, security and integrity are subject to a low risk appetite.	↑	
6 Sites	The identification and securing of suitable sites is crucial for the realization of our growth ambition. It is necessary to obtain the required permits and permissions and agreeing acceptable lease terms. Delays in regulatory procedures or in construction activities could impact our club opening process and objectives for the year.		↔	
7 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.		↔	
8 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.		↓	
9 QHSE	Quality, health, safety and environment procedures and strategy are important to the company. Any failure to respect external laws and regulation on health and safety issues or following our own procedures and policies could impact the reputation of the company and the long-term growth and profitability.		↔	
10 Growth	Our extensive and ambitious long-term growth plan has an impact on the organisation. The rapid and continuous growth can put constraints on the efficiency and availability of the centralised support organisation and requires continuous adaptation, balancing, flexibility of the strategy in line with the new phase of Basic-Fit. If Basic-Fit is not able to timely adapt and adjust its support operation, this could impact the profitability.		↑	

FINANCIAL

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

LEGAL, COMPLIANCE, INTEGRITY

Risk	Risk description	General risk appetite	Trend	Risk appetite
16 Legal and compliance	Failure to comply with internal and external policies, rules and regulations could have a negative impact on our reputation and future growth and profitability.	Basic-Fit strives for the highest level of compliance with legal and regulatory requirements (including financial reporting) and therefore these risks are handled with a low risk appetite. All issues that could negatively impact Basic-Fit's reputation, as well as the implementation and monotoring of its corporate values and its code of conduct, are handled with a low to medium risk appetite.		
17 Reputation	The risk of a negative pubilicity, not well received marketing campaign or incidents occurring which will adversely affect the Basic-Fit brand.			
18 CSR	The risk of infringements on general accepted corporate and social respoinsibilities and of those reflected in Basic-Fit's values and code of conduct, could have an adversely effect in the profitability and reputation of the Basic-Fit brand.			

Increasing Stable Decreasing Averse Low Medium High

Key risks

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

STRATEGIC

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions next to mitigating measures in 2018 and Developments 2019
Attracting and retaining members Being less attractive to our existing and new members, due to competition, harm to our reputation, pricing and membership structure or changes in consumer preferences and behaviour could impact future growth and profitability.	• We continuously invest in an attractive value proposition and customer journey to remain relevant to our existing and new members. • We operate a transparent, flexible and straightforward membership model comprising two membership forms with attractive add-on opportunities, all at attractive price levels and with the option to make these memberships flexible. We are analysing new membership forms and add-on opportunities continuously to keep up with new market developments. • Our investment in people, innovative fitness products and technologies for usage both in and outside the clubs, complementary product offering online and on site, marketing campaigns and sales promotions all enable us to enhance the value of our brand and our members' connection to our brand.	**Additional actions next to mitigating measures in 2018** • New pricing and membership model has been implemented. • Member communication has been facilitated better with multiple support tools. • New tools and advanced app have been implemented to improve member experience both in the clubs and at home through for example GXR, new group classes also visible at the app with the appropriate membership, new virtual classes. **Developments 2019** • In 2019, additional focus will go to the enhancement of our customer lifecylce and the retention of our members. Through constant new and attractive productoffering, but also through optimising the customer journey for our members in all touchpoints. A new data driven approach towards member communication and motivation will be further improved and implemented. • Our website will be updated and redesigned for an improved member experience.
Expansion into existing or new markets Different or changing market conditions, laws and regulations, consumer preferences and discretionary consumer spending habits in our growth markets or potential new markets could impact future growth and profitability.	• Although we currently only expand in existing markets, before entering a new market or region we would 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, local fitness penetration and required site characteristics. • Our expansion team gained a lot of experience in selecting and negotiating the right clubs in these countries. This experience will help us in our expansion proces going forward. • Local laws and regulations are closely monitored by our centralised international legal department, with support from local external advisors if required. • Our international marketing campaigns focus on promoting and positioning our brand, and contain group-wide as well as local marketing efforts and sales promotions that appeal to local inhabitants.	**Additional actions next to mitigating measures in 2018** • We have strengthened our business analysis and development team.
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 low cost with longer opening hours. • We have localised marketing campaigns and sales promotions to win market share and increase the fitness penetration rate. • With our clusterstrategy and online off-site fitness offer, we make fitness accessible for (potential) members where-ever they are and whenever they want. • Due to our size, we could benefit from operating leverage.	**Additional actions next to mitigating measures in 2018** • We have launched our first national TV campaign in France.
External economic & political risks, and natural disasters Possible adverse impact on growth and profitability.	• Our diversified portfolio of 629 clubs at year end 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. • As one of the larger fitness players in the European market, we want to contribute to the growth of the entire fitness market and penetration and we actively participate in the development of the industry and its standards on local and European level.	**Additional actions next to mitigating measures in 2018** • Company is well aware of the unrest at the French market and the impact of the Brexit, which in general impact the economic climate. The Basic-Fit concept proved to be a business model also performing well within period of economic depression.

OPERATIONAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions next to mitigating measures in 2018 and Developments 2019
Technology Our business model is partly technology driven and if we can't keep up with technological changes or when we are not able to (timely) implement new systems it 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 (e.g. virtual coaches and GXR concept). • We have selected experienced partners to help maintain and develop existing systems and to help us adopt new emerging technologies. • Data security is an area of major importance and we are committed to always take appropriate data protection measures.	**Additional actions next to mitigating measures in 2018** • We have performed various IT strategy and Cybersecurity assessments and implemented measures to strengthen the position of the company. **Developments 2019** • A new dedicated GXR department has been implemented to further enhance the offering of virtual and Live group lessons in our clubs (GXR). • Smart and highly innovative camera's have been selected and tested and will be implemented in all clubs with 24 hour opening to further improve club safety and service. • Our internal technology development team will be streghtened further to increase control and efficiency of technological developments. • Based on the internal audit performed on cyber security, certain recommendations will be implemented to further increase data security in preparation of the future growth of the company.
Suitable sites Crucial to our growth ambition is the identification and securing of suitable sites, obtaining the required permits and permissions and agreeing acceptable lease terms.	• We work with both our own real estate specialists and selected real estate agents in all countries to help us identify and secure the best available sites and negotiate acceptable leases that only become effective once all required permits and consents for a site have been granted and are irrevocable. • Our management teams 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 and after a rigorous investment analysis including return on invested capital. • Our property management department implemented a management and control mechanism and tool to control the entire club selection and development chain, to secure a uniform and coherent club approach.	**Developments 2019** • The company's property management team will be strengthened further, as well as the expansion teams in our countries to be able to serve and maintain the long-term growth plans of the company in terms of opening new clubs and exploring new opportunities. • Further attention and focus will be directed towards building our brand, clarifying the added value of our concept to communities to support an environment in which Basic-Fit clubs are welcomed and supported.
People Any failure to recruit, train, motivate and retain service-minded staff in our clubs and customer care centre, or suitably qualified management, could impact future growth and profitability.	• We do have recruitment and training programmes for club staff (e.g. basics of fitness. customer service and management training). Furthermore customer care employees are constantly being developed further and e-learning programmes are obligatory for all new employees. • The size and brand value is increasing the popularity of Basic-Fit as interesting employer and based on employee surveys we constantly develop the HR strategy and approach of employees. • We aim to optimise the service to our members by offering high quality personal service by our staff at peak hours and remotely monitoring and servicing our members at off-peak hours. • We have a performance assessment proces in place to constantly identify and steer on performance development. With this we also identify our talent pool to grow promotion opportunities, increase employee engagement and maintain this talent in the company.	**Additional actions next to mitigating measures in 2018** • We have updated our function house and salary structure to bring salaries in line with each other and the market. • In 2018, company revised its function and salary house and redefined the profile of our club employees. **Developments 2019** • The onboarding and elearning tools and programmes will be extended to a broader range of topics and a renewed approach of communication, to bring awareness regarding content, value and purpose of the company, with the purpose to increase engagement. • This will be implemented and rolled out further in 2019 to increase employee engagement and increase retention of our employees.

OPERATIONAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions next to mitigating measures in 2018 and Developments 2019
Dependency on suppliers The limited number of suppliers for various aspects of our business makes us vulnerable to interruptions to our existing and new operations, and could impact future growth and profitability.	• We have multi-year agreements in place with certain key suppliers related to the procurement of fitness equipment, the building of new clubs, the member registration system, member payment processing and IT services; For many products or services we work with different suppliers to spread the dependency and workload. • The centralised property management department supports control over investments related to our club rollout strategy. This department is involved in maintaining long and good relationships with key suppliers. It also regularly evaluates and re-assesses our suppliers, thereby optimising the quality and number of suppliers with whom we work, cost control and timely execution of the expansion strategy.	**Additional actions next to mitigating measures in 2018** • We have entered into agreements with several new partners for construction of our clubs and with an additional equipment supplier.
Quality, Health, Safety and Environment Any failure to respect external laws and regulation on health and safety issues or following our own procedures and policies could impact the reputation of the company and the long-term growth and profitability.	• Smart 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 and we further enhanced our incident reporting procedure to further mitigate these incident risks in our clubs.	**Additional actions next to mitigating measures in 2018** • We have set up a centralised department for the development, implementation and monitoring of club facilities and the Q.H.S.E. strategy of Basic-Fit, with the purpose to offer a uniform, high quality level in all of our clubs in accordance with our policies and the health and safety regulations. • In 2018, we further strengthened the health and safety policy to comply with applicable legislation. **Developments 2019** • Further development and implementation of tools and procedures to achieve the goals of this newly developed department. • Further roll out and implementation of smart camera's to support remote surveillance and further enhancement of a 24 hour security room working on the principles and values of Basic-Fit customer service.
Extensive growth and impact on operations The rapid and continuous growth can put constraints on the efficiency and availability of the centralized support organisation and requires continuous adaptation, balancing, flexibility of the strategy in line with the new phase of Basic-Fit.	• The centralised support departments and the uniform strategy, business model and membership model, offer enormous advantage of scale. • For the rollout of new products or innovations, experts are hired or co-operations with external partners is established to guide and establish a solid development and implementation of a new product.	**Additional actions next to mitigating measures in 2018** • Basic-Fit continuously revises its management structure and implemented an executive committee existing of Management Board, Director of expansion and strategy and Director New Developments and innovation to support the extensive growth of the company in a controlled manner. • A project management department has been installed to align and prioritise the key strategic projects of Basic-Fit. **Developments 2019** • Selection and implementation of new technology tools to support the operations and staff departments in further enhancement of smart and agile ways of working and to further prepare them for the long-term goals of the company.

FINANCIAL

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions next to mitigating measures in 2018 and Developments 2019
Capital expenditure and cash flow risk In line with our growth strategy, we manage a large number of capital-intensive projects to expand our club base. Overspending or price increases could impact our cash flows.	• Each new club analysis process includes a detailed investment plan, and the required expansion and maintenance capital expenditure is analysed on a club-by-club basis. • The centralised property management and procurement departments control all our investments and try to further minimise price risk.	
Liquidity risk To fund our growth ambitions, access to capital is required.	• We have a five-year €450 million facility agreement in place with sufficient headroom; In June 2018, the original €350 million facility agreement (expiring in May 2021) was amended and extended. The new facilities agreement consists of a €250 million term loan and a €200 million revolving facility. As a result of the amendment, the maturities of both the term and revolving credit facilities have been extended to June 2023. In addition, Basic-Fit was able to reduce the margin on both facilities. The new agreement also includes an accordion option up to a maximum of €150 million. • Cash is managed on a daily basis, while on a bi-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.	**Additional actions next to mitigating measures in 2018** • Company was provided with additional financing facilities to strengthen its financial position and investment power for the medium to long-term.
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. • We have strenghtened our Credit department and 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. With new hedges in place since January 2019, we continue to have hedged around 70% of our variable interest exposure by using floating-to-fixed interest rate swaps. • A decrease of 100 basis points in Euribor would result in increased annual post-tax interest expenses of approximately €2.5 million (based on exposure at year-end).	
Tax and accounting risk Changing tax and accounting regimes could impact our financial performance or tax treatment.	• Based on our internal control framework, the centralised support departments monitor and review local practices to provide reasonable assurance that we remain aware of, and are in line with, relevant laws and policies, including these related to reporting and tax.	**Additional actions next to mitigating measures in 2018** • For the introduction of IFRS 16, we have implemented an IT-tool that will be used as of 2019.

For more details about financial risk management see note 5.4 of the consolidated financial statements, respectively note 5.5 regarding financial instruments and note 5.6 regarding capital management of the consolidated financial statements. These notes are considered to be part of the Management Board report..

LEGAL AND COMPLIANCE RISK

Risk area and possible impact	How does Basic-Fit mitigate this risk?	Additional actions next to mitigating measures in 2018 and Developments 2019
Legal, compliance and regulatory risks Failure to comply with internal and external policies, rules and regulations could have a negative impact on our reputation and future growth and profitability.	• At Basic-Fit, we are committed to complying with the laws and regulations of the countries in which we operate. In specialist areas, the relevant country and centralised support teams are responsible for setting detailed standards to comply with regulations and laws that are relevant to their roles. • Basic-Fit has a well embedded centralised legal department with legal professionals for all jurisdictions, a compliance officer and a privacy officer. The focus of the department lies with compliance with laws and regulations in alignment with the business strategy, training and legal awareness creation and protection of the integrity and reputation of the Basic-Fit brand. An annual compliance plan is executed on priority topics of Basic-Fit, such as procurement, Health & Safety and the consumer regulatory framework. • Basic-Fit invests in creating a work culture that supports the vision of company on entrepreneurship, responsibility and integrity. Several surveys are performed under employees on a regular basis with topics such as work culture, satisfaction and risk culture. Based on the outcome of these surveys, Basic-Fit continuously develops its employee model and the development- and growth opportunities of its employees to enhance employee motivation and commitment to Basic-Fit values and vision.	**Additional actions next to mitigating measures in 2018** • Basic-Fit implemented a compliance charter, which is further developed and reviewed in 2018. All employees have been trained and will continue to be trained on these policies through training courses. • Basic-Fit has implemented the General Data Privacy Regulation in the first half of 2018 and appointed a privacy officer to further implement, define and monitor the privacy policy of Basic-Fit. • The legal team has been strengthened further with legal counsels trained in all jurisdictions of the companies activities. **Developments 2019** • Further implementation and finetuning of the compliance plan per department will take place according to the priorities defined in the annual compliance plan.
Reputation The risk of a negative publicity, not well received marketing campaign or incidents occurring which will adversely affect the Basic-Fit brand.	• Next to our internal controls and legal compliance, we have extensive marketing, corporate communications and Investor relations departments in place to manage our commercial communications, corporate communications and PR, in order to protect our reputation and brand value. • We have insight in all publications and communications on Basic-Fit in public markets through a news service, in order to have a quick response system in place.	**Additional actions next to mitigating measures in 2018** • We have further strengthened both the Marketing department and the corporate communication departments. • We have a Business Continuity Plan, to act and mitigate on incidents that could harm the reputation of Basic-Fit.
CSR The risk of infringements on general accepted corporate and social respoinsibilities and of those reflected in Basic-Fit's values and code of conduct, could have an adversely effect in the profitability and reputation of the Basic-Fit brand.	• Basic-Fit is developing a Corporate and Social Responsibility framework and strategy with a vision on people, planet and communities. Basic-Fit has a high focus on limiting the use of energy sources in its clubs and works with largery non electrical equipment, smart light and airco solutions. Suppliers are more and more bound by the supplier code of conduct of Basic-Fit. Basic-Fit has ia mission to make fitness available to everyone across Europe everywhere and whenever.	

OVERVIEW OF KEY RISKS

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

Operational risk
5 Technology
6 Suitable sites
7 People
8 Dependency on suppliers
9 Quality, Health, Safety and Environment
10 Extensive growth and impact on operations

Financial risk
11 Capital expenditure and cash flow risk
12 Liquidity risk
13 Credit risk
14 Currency and interest rate risk
15 Tax and accounting risk

Compliance risk
16 Legal, compliance and regulatory risks
17 Reputation
18 CSR

High impact / probability
Medium impact / probability
Low impact / probability

CORPORATE GOVERNANCE

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

Basic-Fit fully endorses the core principles of the Code and is committed to following the Code's best practices to the greatest extent possible. However, in consideration of our own interests and the interests of our stakeholders, we deviate from a limited number of best practice provisions, which are specified and explained in the Corporate Governance declaration in this 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 six members. The provisions in the Dutch Civil Code that are referred to as the 'large company regime' ('structuurregime') do not apply to Basic-Fit, since the majority of Basic-Fit employees are not based in the Netherlands.

Management Board

Duties

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

The Management Board is supervised by the Supervisory Board and has adopted rules (Management Board Rules) describing its duties, responsibilities, composition, decision-making and procedures. The Management Board Rules were last revised to bring them in line with the Code on 30 October 2017 and are available on the Basic-Fit corporate website.

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

Appointment, dismissal and suspension

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

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

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

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

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

Composition

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

On 31 December 2018, the Management Board was composed as follows:

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

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

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

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 its affiliated business, taking into consideration the interests of Basic-Fit's stakeholders.

The Supervisory Board is responsible for the quality of its own performance. The Supervisory Board has adopted rules (Supervisory Board Rules) describing its duties, responsibilities, composition, decision-making and procedures, which were last revised on 30 October 2017. The Supervisory Board Rules are available on Basic-Fit's corporate website.

Appointment, removal and suspension

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

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

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

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

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

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

Composition

The Supervisory Board must consist of a minimum of three members. The number of members is to be determined by the Supervisory Board. The profile of the Supervisory Board is available on Basic-Fit's corporate website. On 31 December 2018, the Supervisory Board consisted of six members.

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

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

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

As at 31 December 2018, the Supervisory Board was composed as follows:

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

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

Committees of the Supervisory Board

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

Audit & Risk Committee

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

Selection, Appointment & Remuneration Committee

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

Conflicts of interest

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

Basic-Fit's CEO, René Moos, is an indirect shareholder in HealthCity in the Netherlands and Germany and has an indirect majority interest in fitness club Saints & Stars. HealthCity is a chain of fitness clubs active in the mid-to-premium market segments of the health and fitness market. Saints & Stars is a fitness club active in the premium market segments.

These clubs could be perceived as competing with Basic-Fit and, even though it operates in a separate fitness market segment, and could in theory benefit from changes in the health and fitness market harmful to the business of Basic-Fit.

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

All transactions between Basic-Fit and the holders of at least 10% of the shares are listed in note 7.3 of the consolidated financial statements. All these transactions are related to board members and are agreed on terms that are customary in the sector concerned. In entering into these transactions, the best practice provisions 2.7.3, 2.7.4 and 2.7.5 of the Dutch Corporate Governance Code have been complied with.

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 profiles and composition

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

On 7 February 2017, the Dutch Senate ('Eerste Kamer') confirmed that certain gender diversity requirements in the context of the Dutch Management and Supervision Act ('Wet Bestuur en Toezicht') would be extended until 2020. Pursuant to these requirements, certain large Dutch companies, including Basic-Fit, 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 has a diversity policy approved by the Supervisory Board to promote diversity within its main corporate bodies, being the Management Board and the Supervisory Board. The preferred composition of the Supervisory Board and the Management Board shall be such that inter alia the combination of experience, expertise, independence and the diversity of its members meets the qualifications as stipulated in the profile and the diversity policy and enables both the Management and the Supervisory Board to carry out its duties and responsibilities in the best possible way. In the event of a new appointment, both bodies will take into account the most relevant profile aspects that should be added for a balanced composition, giving preference to women in the event of equal qualifications, in order to achieve the targets stipulated above.

Basic-Fit encourages the development of female talent, which has led to the appointment of several female experts in key senior management positions, as a result of which more than 30% of Basic-Fit's senior management are now female. However, Basic-Fit does not currently meet the gender diversity targets stipulated above for either the Supervisory Board or the Management Board.

Although the first priority when considering vacancies is finding a person with the required skills, expertise, experience and independence, all aspects of diversity, including gender and nationality, will remain an important consideration in the selection process for the (re)appointment of members of the Supervisory Board. There have been no changes in the composition of the Supervisory Board since last year, nor will this happen in 2019, since there is no election of new board members, only the re-election of Herman Rutgers, who is considered an industry expert and who is available for a new term and wishes to be reappointed to the Supervisory Board based on his expertise.

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

The Management Board is composed of René Moos, CEO, and Hans van der Aar, CFO. There have been no vacancies in the Management Board in past years.

General meeting of shareholders

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

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

Admission to General Meetings

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

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

Powers of the General Meeting

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

- Adoption of the 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 company's Articles of Association

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

Share capital

Basic-Fit's authorised share capital consists of 150,000,000 ordinary shares with a nominal value of €0.06. On 31 December 2018, 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 this is proposed by the Management Board and the proposal has been approved by the Supervisory Board.

Issuance of shares

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

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

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

Furthermore, the General Meeting has designated the Management Board for a period of 18 months from 26 April 2018 (i.e. until 26 October 2019), 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 is effected with a view to a merger or 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, to 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 up ordinary shares at any time for no consideration ('om niet'); or for consideration, subject to the approval of the General Meeting, certain provisions of the Dutch Law and the Articles of Association, and the prior approval of the Supervisory Board. Basic-Fit may not cast votes on ordinary shares it holds itself, nor is it entitled to dividends paid on those ordinary shares, nor will such shares be counted for the purpose of calculating a voting quorum. The ordinary shares held by Basic-Fit will not be included in the calculation of the profit distribution. On 26 April 2018, 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 26 April 2019), up to a maximum of 10% of the issued share capital.

Transfer of shares and transfer restrictions

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

Dividend policy

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

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

External auditor

The external auditor is appointed by the General Meeting. For the financial years 2018 and 2019, Ernst & Young Accountants LLP was appointed as the external auditor for Basic-Fit. The external auditor may be questioned at the General Meeting regarding its audit opinion on the financial statements. The external auditor is therefore invited to attend, and is entitled to address, the General Meeting.

Internal risk management and control systems

For more information regarding Basic-Fit's Risk and Control framework, we refer you to the chapter 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 the termination of these agreements in the event of a change of control.

Corporate governance declaration

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

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

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

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

Best practice provision 2.3.2 Establishment of committees:

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

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

Best practice provision 2.3.4 Composition of the committees:

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

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

Best practice provision 4.2.3 Meetings and presentations: *Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real-time, by means of webcasting or telephone or otherwise. After the meetings, the presentations shall be posted on the company's website.*

This provision provides that all shareholders should be able to follow in real-time all Basic-Fit meetings with and presentations to analysts and investors, as well as presentations related to press releases. Basic-Fit does not offer this possibility 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 the contents of management report ('Besluit inhoud bestuursverslag'), as last amended on 29 August 2017. The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the Corporate Governance section. Major shareholders are obliged to give notice of interests exceeding certain thresholds to the Dutch Financial Markets Authority (AFM). As per 31 December 2018, the following parties had notified the AFM with respect to their shareholdings in Basic-Fit:

Shareholder	**Interest***
3i Investments plc	21.1%
R.M. Moos	16.3%
Dynamo Internacional Gestao de Recursos Ltda.	5.0%
Pelham Capital Limited	4.1%
Marshall Wace LLP	3.0%

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

Special rights of control and limitation on voting rights

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

See also the Shareholder Information section of this Annual Report.

RUBY BIDS YOU A WARM WELCOME

Walking into a fitness club for the first time can be a pretty daunting experience. The first thing you see is lots of very fit-looking people working out on machines or doing exercise routines that look challenging if not impossible. So where do you begin? Many of our members join with a goal but without a clear plan. Getting fit is like any other project. You need a clear goal, a realistic timeline and a clear action plan.

Of course getting off to a good start is vital if you're to maintain that initial motivation. But there is also a clear link between early success in the gym and regular visits many months later. This is why last year we launched Ruby, our virtual assistant that bids our new members a warm welcome, helps them navigate our clubs and their membership and puts them firmly on the road to long-term fitness.

Ruby is the face of Basic-Fit and helps members in the join-up phase and hosts our warm welcome – the process that helps members get started in the club.

Meet Ruby, your guide and fitness assistant

Ruby is the newest (virtual) member of our team. She's helping us to improve customer experience by helping members find what they need when they need it. Ruby is the face of Basic-Fit that helps members in the join-up phase and hosts our warm welcome – the process that helps members get started in the club. She is also our virtual fitness assistant. We have put the fitness knowledge of the best and the brightest in Ruby, making her a fitness resource for our members 24/7 as a fitbot within the Basic-Fit app.

How often and regularly a new member visits one of our clubs in their first couple of months has a noticeable impact on their length of stay as a member. We have seen this in industry reports, and it is reflected in our own customer behaviour data. However, members who complete the warm welcome hosted by Ruby are visiting the club more frequently than members who didn't and they are remaining members for longer.

Following the introduction of the original six-week email programme in 2016, we saw the length of stay increase significantly over the next three years. While the average length of Basic-Fit membership was around 18 months in 2015, we are now seeing people remain a member for 22 months or more. We expect the launch of virtual assistant Ruby to both improve our members' experience throughout their membership journey and to extend the average length of stay even further. Ruby effectively removes yet another barrier to fitness for our members and takes us a step closer to realising our mission to make fitness available to everyone in Europe.

MANAGEMENT STATEMENTS

In control statement

The Management Board manages the company and is responsible for achieving the company's strategy, objectives, goals and results, and for taking appropriate measures in relation to the design and operation of the internal risk management and control systems in a way that is consistent with Basic-Fit's business. In 2018, Basic-Fit reviewed and further enhanced the company's internal risk management and control processes with regard to its strategic, operational, legal and compliance and financial risks (including risks related to financial reporting). Basic-Fit has implemented continuous improvements in the registration, documentation and formalisation of processes and controls in line with the development of the strategy and the growth of the company. Segregation of duties is part of all processes and IT systems have been aligned to the growth level of the company. The risk management and control systems have been designed to: identify opportunities and risks in a timely manner; manage key risks; facilitate the realisation of the company's strategic, operational and financial objectives, while safeguarding the reliability of the company's financial reporting and complying with applicable laws and regulations. The reviews and enhancements, including changes and planned improvements, 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 control risks optimally, provide absolute assurance as to the realisation of operational and strategic objectives. Nor that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

Based on the approach described above, the Management Board believes that, with respect to financial reporting, the internal risk management and control systems have performed satisfactorily in the year 2018, and provided reasonable assurance that the financial reporting does not contain any material inaccuracies.

Responsibility statement

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

- The financial statements for 2018 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 provides a true and fair view of Basic-Fit's position as of 31 December 2018, and of Basic-Fit's development and performance in 2018 and of its affiliated companies whose information has been included in its financial statements and describes the key risks Basic-Fit faces.
- Based on Basic-Fit's current status regarding the amounts of clubs budgeted to open and the prognoses of revenue, it is justified that the financial reporting is prepared on a going concern basis.
- The Management Board report discloses all material risks and uncertainties that are relevant regarding the expectations as to the continuity of Basic-Fit for the 12-month period after the date this Management Board report was prepared.

Hoofddorp, 5 March 2019
René Moos, CEO
Hans van der Aar, CFO
Basic-Fit Management Board

BASIC-FIT MANAGEMENT BOARD

From left to right: Rene Moos, Hans van der Aar

René Moos
Chief Executive Officer and chairman of the Management Board

Year of birth: 1963
Nationality: Dutch
Other positions: None
René has over 30 years of fitness sector experience. In 1984, after ending his professional tennis career, René started to manage and invest in tennis parks, to which he added fitness facilities. He co-founded HealthCity, a premium health and fitness club operator, and was appointed CEO in 2004. In 2013, following the demerger of Basic-Fit from HealthCity, René was appointed CEO of Basic-Fit. René studied at the University of Tennessee in Knoxville, Tennessee, USA.

Hans van der Aar
Chief Financial Officer

Year of birth: 1958
Nationality: Dutch
Other positions: None
Hans has over 30 years of experience in accounting. He started his career as an auditor in the audit practice of BDO Accountants Advisors, where he was audit partner from 2000 to 2011. From 2004 to 2011, Hans also served as general manager for the BDO office in The Hague. Following this period, he was appointed CFO of Leisure Group Europe B.V., the parent company of HealthCity and Basic-Fit, which position Hans held until he was appointed CFO of Basic-Fit in 2012. Hans holds a Bachelor's degree in Slavic Languages & Literature from the University of Amsterdam and qualified as a chartered accountant (RA) at the RSM Erasmus University in Rotterdam.

From left to right: Rob van der Heijden, Carin Gorter, Herman Rutgers, Hans Willemse, Pieter de Jong, Kees van der Graaf

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

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

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

Herman Rutgers (Chairman of the Selection, Appointment & Remuneration Committee)
Previously:
Extensive international executive experience (Quaker Oats, AkzoOrganon, Sheaffer Pen, Prince/Benetton Sports Group, Life fitness and Octane fitness), with over 20 years in the fitness industry.
Supervisory Board member of Activage in Sweden (until 1 July 2017).
Currently:
Member of the Supervisory Board of EuropeActive (European trade association for the health & fitness industry).
International Ambassador for Reed Exhibitions/FIBO in Germany.
Co-author of the European Health & Fitness Market Report; contributor to several books on the fitness sector.
Education:
Bachelor's degree in Business Administration from Hogere Textielschool, Enschede, the Netherlands.

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

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

SUPERVISORY BOARD REPORT

General introduction

Last year was the second full year after the listing of Basic-Fit on Euronext Amsterdam. A strong financial position and focus on innovation, expansion and the continued professionalisation of processes with a focus on future long-term growth and development of the company, helped Basic-Fit to pursue its long-term growth strategy in 2018.

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

Composition, independence and education

The Supervisory Board Profile is aligned with the profile and strategy of Basic-Fit, with a balanced distribution of specific expertise in relation to the business activities, strategy and long-term goals. At the General Meeting of Shareholders held on 26 April 2018, Pieter de Jong was reappointed as Supervisory Board member. The Supervisory Board currently consists of six members. The composition and diversity of the Supervisory Board in terms of expertise, knowledge, skills, gender, age and independence, remained unchanged and are in line with the required profile. This will help Basic-Fit to execute its long-term strategy. The current composition of the Supervisory Board is as follows: Kees van der Graaf (chairman), Carin Gorter (vice-chairman), Pieter de Jong, Hans Willemse, Herman Rutgers and Rob van der Heijden.

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

Basic-Fit aims to comply with the Code and have a balance in terms of gender, age, experience, independence and active versus retired background. With Carin Gorter being the only female Supervisory Board member out of six members, Basic-Fit currently does not meet the gender diversity targets for the Supervisory Board. Diversity, including gender, is an important consideration in the selection process for the (re)appointment of members of the Supervisory Board. The first priority when considering vacancies is finding a person with the required skills, expertise, experience and independence. In the rotation round of April 2018, the decision to reappoint Pieter de Jong was backed by a thorough analysis, which found that he was adding value, expertise and relevant knowledge to the diversity in the Supervisory Board. However, the diversity goals for the Supervisory Board in terms of gender and nationality have not yet been achieved. 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. In that case, specific attention will be given to gender and nationality.

Supervisory Board composition

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

Name	Position	Year of possible reappointment*	Expiration date in case of reappointment	Supervisory Board positions incl. Basic-Fit**	Committee
Kees van der Graaf	(Chairman, since 2017)	2021	2025	2 (2 chairs)	N/A
Carin Gorter	(Vice-chairman, since 2016)	2020	2024	3	Chairman Audit & Risk Committee
Hans Willemse	(Member, since 2016)	2021	2023***	1	Audit & Risk Committee and Selection, Appointment & Remuneration Committee
Pieter de Jong	(Member, since 2016)	2022	2024	3 (1 chair)	Selection, Appointment & Remuneration Committee
Herman Rutgers	(Member, since 2016)	2019	2023	1	Chairman Selection, Appointment & Remuneration Committee
Rob van der Heijden	(Member, since 2017)	2021	2025	2 (1 chair)	Audit & Risk Committee

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

Supervisory Board members Hans Willemse and Pieter de Jong are considered non-independent members of the Supervisory Board, as defined in best practice provision 2.1.8. vii of the Code. Hans Willemse was designated for appointment by AM Holding and Pieter de Jong was designated for appointment by Mito. Both AM Holding and Mito are major shareholders who directly or indirectly hold more than ten percent of the shares of Basic-Fit. The Supervisory Board 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.

The members of the Supervisory Board who hold shares in the company are Kees van der Graaf, who personally held 3,275 shares, Herman Rutgers who personally held 1,000 shares and Hans Willemse, who personally held 72,029 shares in Basic-Fit as at 31 December 2018. They own their shares with a long-term perspective. None of the other Supervisory Board members were granted, nor do they possess, any Basic-Fit options or shares.

Supervisory Board meetings in 2018

The Supervisory Board met eight times in 2018. Both members of the Management Board were present at all meetings, except for the part of the meeting regarding the self-assessment of the Supervisory Board and the assessment of the Management Board and the starts of all meetings that are held only with Supervisory Board members. All Supervisory Board members were present during all of the meetings, except for the meeting in August where Pieter de Jong was not present and the meeting of December where Herman Rutgers could not be present. Therefore, all members were present 100% of the meetings, except for Herman Rutgers and Pieter de Jong, who were present at 87.5% of the meetings.

Furthermore, the members of the Supervisory Board consulted regularly with each other and with the Management Board by telephone and by email. Between meetings, the chairman maintained regular and informal contact with the CEO and CFO. The meetings held in March and October 2018 were attended by the external auditor, where they presented their audit findings for 2017 and the audit plan 2018 respectively. An additional meeting was held in March 2019 with respect to the audit findings for 2018. The meetings generally took place at the Basic-Fit head office in Hoofddorp, with one meeting held in local headquarters in Brussels, Belgium, and one two-day strategy meeting in July at another location in the Netherlands.

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

Recurring topics at the Supervisory Board meetings included:

- CEO and CFO updates
- Monthly results
- Market and business updates
- Risk reports
- Legal updates, including compliance and governance-related matters
- Investor relations activities

Topics that were discussed in more detail during these meetings:

- Group strategy and long-term value creation
- Expansion strategy
- Quarterly results, H1 2018 results and related reports
- Press releases on H1 results and Q1 and Q3 trading update
- Budget 2019
- Refinancing and capital structure
- Management performance and succession planning
- Supervisory Board performance and succession planning
- Other positions of Supervisory Board and Management Board
- Remuneration of the Management Board
- Outlook and strategy 2019–2021
- Innovation in fitness and service
- GDPR implementation
- Corporate story, values and culture
- Corporate social responsibility

Governance and Compliance model

- Internal Audit Plan
- Management letter
- Risk and control framework
- Integrity and fraud
- New pricing and membership model
- The opening of partly unstaffed 24/7 fitness clubs
- Compliance assessment and compliance plan 2019

The meetings addressed routine commercial, financial and operational matters, and focused on strategy implementation, the further maturation of the organisational (risk and control) structures required for a listed company and the basis of a corporate and social responsibility framework for the organisation. The company introduced a new membership and pricing model, which was discussed intensively within the Supervisory Board, as well as the strategic plans to make the Basic-Fit concept available at all times and places, through a virtual online programme offering and the opening of 24/7 clubs. All developments are focused on the protection and growth of the long-term interests of the company and continued development of a strong and sustainable business model.

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

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

The expansion and growth strategy are ambitious but support the company's mission to make fitness available to all. With the cluster strategy, the potential to increase fitness penetration, a well thought-out marketing approach and the assurance that each club will deliver a minimum return on invested capital (ROIC) threshold of 30% at maturity, the Supervisory Board feels comfortable about the long-term growth path of the company.

The Supervisory Board was closely involved in the overall strategy definition of the company and more specifically with respect to the following topics throughout the year:

- During the year, the company further embedded its corporate values and the ambitions that reflect the

company's focus, drive and ambition. This was discussed extensively with the Supervisory Board.
- All new innovations and ideas pass the Supervisory Board and are backed up by extensive research and solid business cases. Pilots are part of new product and innovation projects and the outcome, risk and potential of these pilots are presented to the Supervisory Board. Examples of these pilots include the innovation projects and methods to offer opportunities to exercise using Basic-Fit classes beyond the boundaries of the clubs, through the Basic-Fit app, the GXR programme and the Virtual Coach. The innovation strategy is crucial for the future growth and profitability of the company and always supports the strategy to operate the clubs effectively and efficiently with a limited number of employees and with a strong focus on quality, service and retention.
- The financial resources to support the strategy and to keep the company in financial health for the long term. The company reinvests generated cash and has a solid credit facility to support the budget and the strategy.
- The company continued to enhance its sustainability strategy, which can further strengthen and support Basic-Fit's long-term strategy and mission. Every decision the company makes is focused on getting as many people as possible to exercise and work on their health. A critical analysis showed that how the company works, builds and operates continues to raise environmental awareness and limit impact. The company contributes to a society by helping people to improve their health and fitness, reducing environmental impact and the promotion of strong and cohesive communities.
- This is why the Supervisory Board closely monitors and follows the company's growth strategy, its cluster vision and its ambition to put a pass on every kitchen table.
- The Supervisory Board is also focused on making sure that the remuneration policy and the targets set for short-term and long-term bonus schemes reflect the company's long-term strategy. The targets are focused on the growth strategy, the number of clubs and members and the implementation of innovation projects. The success in the implementation of these innovations contributes directly to the recruitment of new members and members staying longer and support the company's long-term vision, and they are therefore part of the target setting in the bonus and performance share plans of the Management Board and senior management.
- In the year under review, the company continued to develop its employee profile and has implemented a salary structure for club employees and Headquarter employees that gives an additional boost to the company's strategy, the motivation and engagement of its staff and the service and fitness knowledge levels in the clubs. The Supervisory Board discussed this profile, the development of staff and employees extensively.

The Supervisory Board was also involved in the discussion of how to implement these goals, objectives and values in the Basic-Fit culture and the Company's behavioural codes. In these discussions, the company specified its Code of Conduct in more detail in terms of the relationship with its employees and with its suppliers and partners. The organisational structure, management structure and culture of the company have to support the strategy and the company adjusted these where necessary to make them more efficient. The company conducted an employee satisfaction survey and a risk appetite survey among Basic-Fit employees. The team and culture display high levels of motivation and a strong urge to get things done and be open and transparent. The company's values are broadly supported and are evident in how people act at every level of the company. They are communicated and embedded in the recruitment and onboarding process and in the overall internal and external communications, as well as in the cooperation with colleagues, partners, members and everyone related to Basic-Fit.

The Supervisory Board received training on its governance responsibilities, compliance, fitness industry developments, customer and employee motivation and engagement and the developments within the marketing landscape as this shifts from traditional marketing to digital marketing. This training was given by industry experts, other successful entrepreneurs and the general counsel.

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

Activities of the Supervisory Board Committees

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

Audit and Risk Committee

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

In the year under review, the Audit & Risk Committee met eight times, including one meeting in August and two meetings in October that were combined with the Supervisory Board meetings. All meetings were attended by all members of the Committee and both members of the Management Board, except for the self-assessment preparation and one executive meeting with the external auditor that was held in the absence of the Management Board. The meetings in March, April, August and October (twice) were attended by the external auditor, as well as the meeting in March 2019, at which the external auditor presented their audit findings and other information on 2018. The presence of the members resulted in a 100% attendance, except for the combined meeting with the Supervisory Board in August where Pieter de Jong was not present, leading to his presence of 87,5%.

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

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

- Monthly reports
- Results H1 2018 and Q1 and Q3 trading update
- Press releases
- Accounting policies
- The external auditor's 2018 audit plan, including engagement conditions and audit policy for non-audit services and auditor independence
- Cash and treasury management
- IT and cyber security
- Integrity and fraud
- Pensions
- Tax-related issues
- Budget 2019
- Risk and control framework
- Compliance framework
- IFRS 9, IFRS 15 and IFRS 16
- Internal Audit Plan
- All communications with auditor (e.g. Accountants report/ Management letter)

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

Risk and control framework

The Supervisory Board oversees the 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 2018, Basic-Fit continued to apply and adapt its internal control framework to the development and growth of the company. Internal Audit presented the internal audit plan, which was assessed by the Audit & Risk Committee and approved by the Supervisory Board.

Selection, Appointment and Remuneration Committee

The Selection, Appointment & Remuneration Committee consists of three members: Herman Rutgers (chairman), Hans Willemse and Pieter de Jong. The main responsibilities of the Committee are to assist the Supervisory Board in supervising the Management Board in respect of the determination of the remuneration policy, compensation programmes and compensation for Basic-Fit's managers and executive officers; to make proposals for the remuneration of the individual members of the Management Board and Supervisory Board; and to assist in the selection and appointment procedures for members of the Management Board.

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

The main topics of discussion were:

- Performance and individual remuneration of the members of the Management Board
- Related performance targets for 2018 and 2019
- Long-term incentive target setting for the members of the Management Board and key managers
- Performance of senior management and succession planning for the Management Board and senior management
- The succession planning, search for and appointment of Supervisory Board members
- Organisational structure and development
- Development employee profile and culture
- Diversity policy

Functioning of the Management Board and the Supervisory Board

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

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

At the beginning of 2018, the Supervisory Board also reviewed its composition and its own performance and that of its two committees. The internal self-assessment was based on a questionnaire, which was completed by each Supervisory Board member and discussed in a closed plenary meeting. The Supervisory Board concluded that the relationship with the Management Board allows open and in-depth discussions, which is very valuable. Several suggestions were made for further improvements. These suggestions were related subjects including the timely distribution of information and devoting more time to human resources issues such as succession planning.

Management Board remuneration

Basic-Fit's remuneration policy aims to attract, retain and reward highly-qualified executives with the required background, skills and experience. It is transparent and is aligned with the medium and long-term interests of Basic-Fit, its shareholders and other stakeholders, with the aim of delivering a strong and sustainable performance in line with Basic-Fit's strategy. You will find additional details in the remuneration policy published on Basic-Fit's corporate website and in the remuneration report in the section remuneration report. In 2018, the remuneration policy was executed by the Supervisory Board. In accordance with the Selection, Appointment & Remuneration Charter, the Supervisory Board determined the individual remuneration of Management Board members, as well as the performance conditions and metrics for the short and long-term incentive plans for 2018.

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

Financial statements 2018

The Audit & Risk Committee reviewed and discussed the Management Board report and financial statements for the financial year 2018.

The financial statements for 2018 have been audited and provided with an unqualified independent auditors report by Ernst & Young Accountants LLP (see the independent auditor's report in Other information in this annual report), and were discussed extensively by the Audit & Risk Committee in the presence of the Management Board in March 2019.

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 2018 financial statements meet all requirements for correctness and transparency. The 2018 financial statements are endorsed by all Management Board and Supervisory Board members, and are included in this Annual Report.

The Supervisory Board recommends that the General Meeting, to be held on 18 April 2018, adopts the financial statements 2018. In addition, it recommends that the meeting discharge the members of the Management Board and Supervisory Board from liability for their respective management and supervisory activities performed in 2018.

Gratitude

Last year was another impressive year with constant growth for Basic-Fit, with the opening of again more than 100 clubs and the addition of close to 320,000 members to the Basic-Fit community. Basic-Fit continuously strengthens its leading position throughout Europe in the value-for-money segment of the fitness market, is maturing its corporate values and integrating this constantly in a dynamic, flexible and entrepreneurial culture with talented, engaged and highly motivated people making fitness accessible to everyone. The Supervisory Board wishes to thank the Management Board for their continuous efforts to build on a strong and solid company with an impressive perspective for the long term. Finally, the Supervisory Board would like to thank all Basic-Fit employees, under the strong leadership of the Management Board, for their enormous commitment and dedication to making Basic-Fit the success it is.

Hoofddorp, 5 March 2019
Kees van der Graaf, on behalf of the Supervisory Board

REMUNERATION REPORT

This report was 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 how 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 the size and complexity of Basic-Fit. The policy is transparent and aligns the interests of the company, shareholders and other stakeholders. Variable compensation is an important part of the total package. The policy focuses on the medium and long-term and aims to deliver long-term value creation and sustainable performance in line with Basic-Fit's strategy.

The management agreements with the 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 policy for the members of the Management Board, while the second part sets out how the remuneration policy was implemented in 2018. The report concludes with the details of the remuneration policy of the Supervisory Board and how the remuneration policy in this respect was implemented in 2018.

The level of remuneration of Management Board members is determined on the basis of a variety of factors, including a periodic benchmark assessments, performed every three years to assess the market comparability of the remuneration package. The last assessment was performed in 2016, and was based on the report EY Executive Remuneration in the Netherlands 2015 for AscX companies and the Hay analyses for the Dutch retail market. Furthermore, an audit firm performed a benchmark analysis leading to the definition of the remuneration package for the Management Board within the framework of the remuneration policy for 2017 and 2018. The total package of remuneration components was taken into account.

The peer group was identified in a comparability study taking into account industry, geography, ownership structure and size parameters, In order to capture the different labor market dynamics and competitive perspectives, both international sector-specific companies as well as Dutch general market companies are included in the labor market reference group, based on comparability to Basic-Fit. Selection criteria taken into account are market capitalisation between 0.25x and 4.0x the market capitalisation of the company), employees, total assets, revenue between 0.4x and 2.5x the size parameters of Basic-Fit.

This led to 18 peer companies active in recreational services, semiconductors, food products and specialised customer services, being Tom Tom, BE Semiconductor, Corbion, Refresco Group, Wessanen, Accell Group, Amsterdam Commodities, Beter Bed Holding, Takeaway Com, Brunel International, The Gym Group, Planet Fitness CLA, Nautilus, Nutrisystem, Technogym, Fitbit CLA, Weightwatchers International and Medifast.

The average positioning of Basic-Fit within the labor market reference group is just below the median (on the 48th percentile), based on market capitalisation, net revenues, total assets and number of employees size parameters.

In 2018, the remuneration elements, height and balance between the elements are all considered to be acceptable in light of the position and growth of the company. The Total Direct Compensation (TDC) for the CEO is around the 25th percentile of the labor market reference group, due to the relatively low total variable remuneration as % of the base salary for Basic-Fit.

For the CFO, the TDC is just below the 75th percentile of the reference group.

In this context, it should be noted that the majority of the companies in the labor market reference groups have larger management boards. Furthermore the CFO fulfils a double role as CFO /COO.
The ratio of base salary of the CFO compared to the CEO within Basic-Fit is aligned to the average ratio of the five peer companies that also have a management board with two members.

When drawing up the remuneration policy in 2016 and determining the remuneration of the Management Board members, the Supervisory Board took into account possible outcomes of the variable remuneration elements and how they may affect the remuneration of the Management Board. These scenario analyses were taken into account when defining the structure of the policy.

The Remuneration Committee discusses each year if the remuneration policy is still suitable for the level and size of the company. At the end of 2018, the company performed a new benchmark assessment to determine if the remuneration proposal for 2019 was still in conformity with market practice and within the boundaries of the remuneration policy and concluded that this is still the case.

The company will assess if the policy needs revision after its third year. The company therefore expects to have the remuneration policy extensively assessed and compared with the market in 2019, to decide if and how the remuneration policy needs to be adjusted. In that case, scenario analyses will be performed again to arrive at a remuneration policy that is balanced and in line with market practices, which will then have to be approved by the General Meeting.

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

Pursuant to the remuneration policy, the remuneration packages of the members of the Management Board consist of fixed and variable components. The variable remuneration is linked to predetermined, assessable and influenceable targets, which are predominantly of a long-term nature. The remuneration policy is line with an entrepreneurial environment with a good balance between fixed and variable income, with an emphasis on the fixed part of the remuneration. In 2018, the fixed part was given slightly more weight than the variable part when compared to 2017. This is in line with the tendency seen more frequently among peer group companies over the past year. It should be taken in account that the CEO has considerable stake in the company, which strengthens the vision of a long-term value creation strategy for the company and which is also reflected in the short and long-term performance targets for the Management Board.

In determining the remuneration of the Management Board, the Supervisory Board also takes into account the impact of the overall remuneration of the Management Board on the pay differential within Basic-Fit. In line with the revised Dutch Corporate Governance Code (2016), Basic-Fit takes into account the internal pay ratios within the organisation when formulating the remuneration policy and determining the remuneration of individual members of the Management Board. With a view to transparency and clarity, Basic-Fit calculated the internal pay ratio's based on the notes to the consolidated financial statements.

Basic-Fit's internal pay ratio is calculated as the total CEO remuneration divided by the employee average remuneration. For the purposes of this calculation:

- Total CEO remuneration consists of the following components for the full year 2018: base salary €632,250 (2017: €562,500) + short-term incentives €325,609 (2017: €258,750) + long-term incentives at fair value at grant €379,350 (2017: €337,498) + pension allowance €94,383 (2017: €84,375). All figures are full year, based on the information provided in note 7.1,

remuneration of members of the Management Board;
- Employee average remuneration based on total employee benefit expenses as disclosed in note 2.4, Employee benefits expense, and total average number of employees in FTEs as disclosed in note 2.4, Employee benefits expense.

Consequently, Basic-Fit's calculated pay ratio in 2018 is 38.3 (2017: 35.9), implying that the CEO pay is 38.1 (2017: 35.9) times the average pay of an employee, which increase is due to a higher variable pay-out.

If the pay ratio is calculated between CEO and CFO and the next level management, this leads to a pay ratio of 1.3 between CEO and CFO (compared to 1.4 in 2017). The pay ratio of the CEO compared to the next senior management level is 6.8 in 2018 (compared to 6.7 in 2017).

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

The Supervisory Board has the authority to make discretionary adjustments to the outcome of variable remuneration, is the outcome is deemed to be unfair. In that case Supervisory Board can 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 2018

The remuneration of the Management Board consists of five elements:

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

Fixed compensation

The annual base salary of the members of the Management Board is a fixed compensation and set by the Supervisory Board, taking into account a variety of factors, such as the level compared to other Dutch and international listed companies, also taking into account the size and complexity of those companies and the broadness of the responsibility of the Management Board members. Based on this benchmark due diligence exercise, the fixed compensation for the Management Board was adjusted as per 1 January 2018. As a result, as of 1 January 2018, the annual base salary for René Moos (CEO) has been set at €632,250 and for Hans van der Aar (CFO) at €487,266, which is considered to be in line with the remuneration policy.

Short-term incentive (STI)

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

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

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

A performance zone is set for each of the financial targets, with no bonus below the threshold level and the maximum bonus when the performance exceeds the upper end of the performance zone. The Supervisory Board may change the exact percentages and targets from time to time. The Management Board's STI achievement for 2018 was approved by the Supervisory Board on 5 February 2019. One financial target (total revenue) was achieved at target, while the other financial target (EBITDA) was achieved at the highest level, resulting in an on average achievement at 35% of base salary (40% of 35% (total revenue) and respectively 60% of 35% (EBITDA)). With respect to the non-financial targets, the CEO succeeded in the implementation of a strong and efficient expansion strategy and a club opening model that supported the number of clubs opened in line with budget. A second achievement was the implementation of a strong management structure in Belgium, with the transfer of its country manager to France to maintain continuity, while simultaneously engaging the management team in Belgium. Furthermore the CEO was successful in the development of a renewed ladies club concept.

The CFO achieved the target to implement IFRS 16 and the preparation of the company for this impactful new accounting standard on at target level, maintaining cost controls according to the ratio of the costs per club according to budget above target, and the assurance of a good functioning and in control finance department above target.

Both the CEO and CFO outperformed on their personal objectives; the CFO performed for 22.5% against 60% (out performance) and for 7.5% against 40% (at target) and for the CFO 15% against 60% (out performance) and for 15% against 40% (at target) with respect to their personal objectives which resulted in a total STI achievement of 51.5% for the CEO and 50% for the CFO of the base salary as STI pay-out for 2018. The STI amount will be paid in 2019 following the adoption of the financial statements for 2018.

Performance share plan PSP

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

The number of conditionally granted shares is set for a period of three years. Shares under this plan were granted for the first time in 2017. A conditional award for the years 2017 - 2019 was granted to the members of Management Board in June 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. As a result of this, in 2018 the CEO, René Moos, and the CFO, Hans van der Aar, were granted 14,050 and 10,828 ordinary shares respectively under the PSP.

Award 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, both reflecting 50% of the total target), and (ii) continued service as a member of the Management Board. Vesting of the shares granted in June 2017 will take place in June 2020 for the performance period 2017 through 2019. Vesting of the shares granted in June 2018 will take place in June 2021 for the performance period 2018 – 2020.

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

Pension allowance and other benefits

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

Severance pay

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

Claw-back and ultimum remedium

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

Retention share plan RSP

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

The purpose of the RSP 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 Supervisory Board awarded ordinary shares under the RSP at its discretion to selected key employees, including the members of the Management Board. Subject to a participant's continued employment with Basic-Fit, awards under the RSP 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 to cover any taxes due upon vesting.

With effect of 1 July 2016, the CEO, René Moos, and the CFO, Hans van der Aar, were awarded 33,333 and 25,667 ordinary shares respectively under the RSP, which shares vest in three equal annual instalments, of which the first and second instalment vested in July 2017 and July 2018. In this vesting 11,111 shares and 8,555 were released respectively to René Moos and Hans van der Aar. The same amount of shares will be released to them in the third and final vesting in July 2019.

Management board remuneration

	Base Salary	Short-term incentive	Pension	Total 2018 (cash)	Total 2017 (cash)	RSP 2018 (2nd vesting) **	PSP 2018 award ***
René Moos	€632,250	€ 325,609	€94,838	€957,859	€821,250	€166,667	€379,350
Hans van der Aar	€487,266	€243,633	€73,090	€730,899	€632,363	€128,333	€292,360

** This table does not include social premiums and other costs, such as car costs. For the full overview, we refer you to the section Management Board compensation in the consolidated financial statements.*
*** In 2016, René Moos and Hans van der Aar were granted 33,333 and 25,667 shares respectively under the Retention Share Plan (RSP). Under this plan, 33.3% vested in 2017, 33.3% vested in 2018 and 33.3% will vest in 2019, fully conditional on them still being employed at Basic-Fit. The amounts in the table are based on the share price on the grant date (€15,00). The share price on the date of vesting was €28,90 (2017: €15,56).*
**** In 2018, René Moos and Hans van der Aar were granted 14,050 and 10,828 shares respectively under the long-term incentive plan (LTIP). These numbers can increase to 17,563 and 13,535 respectively in the event of outperformance. Under this plan, the aforementioned number of shares will vest in 2021, fully conditional on them still being employed at Basic-Fit and achievement of targets. For P&L impact of these plans reference is made to section 7.1, Remuneration of members of the Management Board.*

Supervisory Board Remuneration 2018

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

Basic-Fit does not grant variable remuneration, shares or options to members of the Supervisory Board. As per 31 December 2018, the members of the Supervisory Board have no loans outstanding with Basic-Fit, and no guarantees or advance payments are granted to members of the Supervisory Board. Basic-Fit pays company-related travel and lodging expenses related to meetings.

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

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

Fees of Supervisory Board members in 2018	
Kees van der Graaf	€55,000
Carin Gorter	€50,000
Herman Rutgers	€48,000
Hans Willemse	€53,000
Pieter de Jong	€45,500
Rob van der Heijden	€47,500

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Consolidated statement of comprehensive income

Consolidated statement of profit or loss

For the year ended 31 December (in € x 1,000)	Note	2018	2017
Revenue	2.2	401,784	325,831
		401,784	**325,831**
Costs of consumables used	2.3	(6,395)	(3,683)
Employee benefits expense	2.4	(70,834)	(61,775)
Depreciation, amortisation and impairment charges	2.6	(89,401)	(75,398)
Other operating income	2.7	1,921	922
Other operating expenses	2.8	(205,396)	(164,555)
Operating profit		**31,679**	**21,342**
Finance income	5.7	66	9
Finance costs	5.7	(9,340)	(8,195)
Finance costs - net		**(9,274)**	**(8,186)**
Profit before income tax		22,405	13,156
Income tax	2.9	(4,811)	(2,029)
Profit for the year		**17,594**	**11,127**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (in €)	5.2	0.32	0.20
Diluted earnings per share (in €)	5.2	0.32	0.20

For the year ended 31 December (in € x 1,000)	Note	2018	2017
Profit for the year		**17,594**	**11,127**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	5.5	480	634
Deferred tax on cash flow hedges	2.9	(120)	(159)
Other comprehensive income for the year net of tax		**360**	**475**
Total comprehensive income for the year		**17,954**	**11,602**

Consolidated statement of financial position

At 31 December (in € x 1,000)	Note	2018	2017
Assets			
Non-current assets			
Goodwill	3.1	187,351	187,351
Other intangible assets	3.2	73,171	82,372
Property, plant and equipment	3.3	521,758	424,420
Deferred tax assets	2.9	6,477	6,264
Receivables	4.2	3,621	2,645
Total non-current assets		**792,378**	**703,052**
Current assets			
Inventories	4.1	3,048	1,226
Income tax receivable	2.9	3,151	-
Trade and other receivables	4.2	28,080	25,654
Cash and cash equivalents	4.3	5,626	13,033
Total current assets		**39,905**	**39,913**
Total assets		**832,283**	**742,965**
Equity			
Share capital		3,280	3,280
Share premium		358,360	358,360
Other capital reserves		2,105	1,344
Retained earnings		(36,678)	(45,313)
Cash flow hedge reserve		-	(360)
Total equity		**327,067**	**317,311**
Liabilities			
Non-current liabilities			
Borrowings	5.3	338,662	294,568
Derivative financial instruments	5.5	1,068	325
Deferred tax liabilities	2.9	16,742	16,756
Other non-current liabilities	4.4	18,005	13,110
Provisions	6.1	2,721	3,592
Total non-current liabilities		**377,198**	**328,351**
Current liabilities			
Trade and other payables	4.5	126,168	93,913
Current income tax liabilities	2.9	832	1,721
Current portion of borrowings	5.3	-	20
Derivative financial instruments	5.5	-	567
Provisions	6.1	1,018	1,082
Total current liabilities		**128,018**	**97,303**
Total liabilities		**505,216**	**425,654**
Total equity and liabilities		**832,283**	**742,965**

Consolidated statement of changes in equity

For the year ended 31 December (in € x 1,000)	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Total equity
Balance – 1 January 2017	**3,280**	**358,360**	**-**	**729**	**(56,457)**	**(835)**	**305,077**
Comprehensive income:							
Profit for the period	-	-	-	-	11,127	-	11,127
Other comprehensive income	-	-	-	-	-	475	475
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**11,127**	**475**	**11,602**
Equity-settled share-based payments	-	-	-	1,410	-	-	1,410
Purchase of treasury shares	-	-	(869)	-	-	-	(869)
Exercised share-based payments and sale of remaining treasury shares	-	-	869	(795)	17	-	91
Transactions with owners recognised directly in equity	**-**	**-**	**-**	**615**	**17**	**-**	**632**
Balance – 31 December 2017	**3,280**	**358,360**	**-**	**1,344**	**(45,313)**	**(360)**	**317,311**

For the year ended 31 December (in € x 1,000)	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Total equity
Balance – 1 January 2018	**3,280**	**358,360**	**-**	**1,344**	**(45,313)**	**(360)**	**317,311**
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	(8,432)	-	(8,432)
Adjusted balance – 1 January 2018	3,280	358,360	-	1,344	(53,745)	(360)	308,879
Comprehensive income:							
Profit for the period	-	-	-	-	17,594	-	17,594
Other comprehensive income	-	-	-	-	-	360	360
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**17,594**	**360**	**17,954**
Equity-settled share-based payments	-	-	-	1,486	-	-	1,486
Purchase of treasury shares	-	-	(665)	-	-	-	(665)
Exercised share-based payments	-	-	665	(725)	(527)	-	(587)
Transactions with owners recognised directly in equity	**-**	**-**	**-**	**761**	**(527)**	**-**	**234**
Balance – 31 December 2018	**3,280**	**358,360**	**-**	**2,105**	**(36,678)**	**-**	**327,067**

Consolidated statement of cash flows

For the year ended 31 December (in € x 1,000)	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		**22,405**	**13,156**
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	2.6	73,896	60,009
Amortisation and impairment of intangible assets	2.6	15,505	15,389
Share-based payment expense	2.5	1,486	1,410
Gain on disposal of property, plant and equipment		(132)	(222)
Finance income	5.7	(66)	(9)
Finance costs	5.7	9,340	8,195
Movements in provisions	6.1	(935)	(886)
Working capital adjustments:			
Increase in inventories	4.1	(1,823)	(414)
Increase in trade and other receivables	4.2	(2,682)	(6,050)
Increase in trade and other payables	4.5	14,864	13,186
Cash generated from operations		**131,858**	**103,764**
Interest received		66	9
Interest paid		(8,245)	(7,444)
Income tax paid		(5,746)	(363)
Net cash flows from operating activities		**117,933**	**95,966**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		234	2,780
Purchase of property, plant and equipment	3.3	(160,082)	(162,190)
Purchase of other intangible assets	3.2	(6,161)	(4,203)
Acquisition of a subsidiary, net of cash acquired	3.4	(634)	(5,252)
Repayment of loans granted	4.2	94	27
Investments in other financial fixed assets	4.2	(814)	(610)
Net cash flows used in investing activities		**(167,363)**	**(169,448)**
Cash flows from financing activities			
Proceeds from borrowings	5.3	45,003	72,497
Repayments of borrowings	5.3	(20)	(2,193)
Financing costs paid	5.3	(1,710)	(375)
Purchase less sale treasury shares and exercised share-based payments	5.1	(1,250)	(779)
Net cash flows from financing activities		**42,023**	**69,150**
Net decrease in cash and cash equivalents		**(7,407)**	**(4,332)**
Cash and cash equivalents at 1 January	4.3	13,033	17,365
Cash and cash equivalents at 31 December	4.3	**5,626**	**13,033**

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Section 1 General information and basis of reporting

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

1.1 Corporate information

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

With 629 clubs and more than 1.8 million members, Basic-Fit is the largest fitness chain in Europe. The group is active in five countries: the Netherlands, Belgium, Luxembourg, France and Spain. Basic-Fit aims to make fitness easy, affordable and fun, and give its members unbeatable value.

The consolidated financial statements of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Management Board on 5 March 2019.

1.2 Group information

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

There was no change in the percentages of interest during the years 2017 and 2018. Basic-Fit Luxembourg S.à.r.l. and Basic Fit France S.A. are intermediate holding companies and Basic-Fit Germany GmbH is a dormant company. These legal entities do not run fitness clubs or undertake other operations. BF Developments B.V. and B-Securité B.V. were incorporated in November 2018 and were inactive in 2018.

1.3 Shareholder structure

On 31 December 2018, Basic-Fit's main shareholders were:
- Mito Holdings S.à.r.l., an entity controlled by 3i Investments plc: 11,520,033 shares (21.1%)
- AM Holding B.V., an entity controlled by René Moos, our CEO: 8,916,280 shares (16.3%)

Our CFO, Hans van der Aar, owns 98,970 shares (0.2%).

1.4 Basis of preparation

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

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

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

1.4.1 Summary of significant accounting policies

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

1.4.2 Basis of consolidation

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

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

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

1.4.3 Current versus non-current classification

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

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle

- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

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

1.4.4 Foreign currency translation

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

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

1.4.5 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.

1.4.6 New and amended standards and interpretations

To the extent relevant, all IFRS standards and interpretations including amendments that were in issue and effective from 1 January 2018, were adopted by the Group from 1 January 2018. The Group has decided not to opt for early adoption of standards, interpretations or amendments that have been issued but are not yet effective.

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

IFRS 15 Revenue from Contracts with Customers

The effect of the initial application of IFRS 15 is mainly attributed to the following:

- revenues from joining fees are no longer recognised as revenue in the month that a new membership contract is signed, but on a monthly basis over the contract period for one-year contracts and over the expected duration of the membership ('average length of stay') for 'Flex contracts' (contracts that can be cancelled every month); and
- discounts (promotions) related to one-year contracts are recognised over the contract period rather than over the 'average length of stay'.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of the initial application of this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following table summarises the impact, net of tax, of the transition to IFRS 15 on retained earnings on 1 January 2018:

	Impact IFRS 15 on 1 January 2018
Increase in deferred revenues	(11,884)
Related tax effect (deferred tax)	3,452
Impact on retained earnings	**(8,432)**

The following table summarises the impact of adopting IFRS 15 on the Group's statement of profit or loss for the year ended 31 December 2018 for each of the affected line items:

For the year ended 31 December 2018	As reported	Adjustments	Without adoption of IFRS 15
Revenue	401,784	1,999	403,783
Operating costs	(370,105)	-	(370,105)
Operating profit	**31,679**	**1,999**	**33,678**
Finance costs - net	(9,274)	-	(9,274)
Profit (loss) before income tax	**22,405**	**1,999**	**24,404**
Income tax	(4,811)	(679)	(5,490)
Profit (loss) for the period attributable to the owners of the company	**17,594**	**1,320**	**18,914**
Earnings per share for profit attributable to ordinary equity holders of the company:			
Basic earnings per share (in €)	0.32	0.03	0.35
Diluted earnings per share (in €)	0.32	0.03	0.35

The adjustments of €1,999 thousand can be allocated to the "Benelux" segment for an amount of (€94) thousand and to the segment "France & Spain" for an amount of €2,093 thousand.
The adoption of IFRS 15 had no impact on other comprehensive income.

The following table summarises the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018:

At 31 December 2018	As reported	Adjustments	Without adoption of IFRS 15
Assets			
Non-current assets			
Deferred tax assets	6,477	(2,343)	4,134
Other non-current assets	785,901	-	785,901
Total non-current assets	**792,378**	**(2,343)**	**790,035**
Total current assets	39,905	-	39,905
Total assets	**832,283**	**(2,343)**	**829,940**
Equity			
Retained earnings	(36,678)	9,752	(26,926)
Other equity components	363,745	-	363,745
Total equity	**327,067**	**9,752**	**336,819**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	16,742	1,788	18,530
Other non-current liabilities	360,456	-	360,456
Total non-current liabilities	**377,198**	**1,788**	**378,986**
Current liabilities			
Trade and other payables (including deferred revenues)	126,168	(13,883)	112,285
Other non-current liabilities	1,850	-	1,850
Total current liabilities	**128,018**	**(13,883)**	**114,135**
Total liabilities	**505,216**	**(12,095)**	**493,121**
Total equity and liabilities	**832,283**	**(2,343)**	**829,940**

The impact of IFRS 15 on the Group's statement of cash flow for the year ended 31 December 2018 is limited to a shift within net cash flows from operating activities, where higher profit before income tax without adoption of IFRS 15 (€1,999 thousand) is offset by a lower change in working capital (deferred revenues) for the same amount. IFRS 15 had no impact on net cash flows from investing and financing activities, nor on total net cash flows.
The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various revenue streams are set out below:

Revenue stream	**Impact**
Joining fees	IFRS 15 does not consider a joining fee as a separate performance obligation as the Group does not provide goods or services in return. As a result, in the event of one-year contracts, joining fees will no longer be recognised as revenue in the month that a new membership contract is signed, but on a monthly basis over the contract period. For 'Flex' contracts (which can be cancelled every month) the joining fee will be spread out over the 'average length of stay' rather than the contract period (which is one month) as the joining fee creates a material right in the case of these contract types. The difference between the joining fees charged and the joining fees recognised as revenue is recorded as deferred revenue.
Membership fee and add-on fees	None
Discounts (free period / no joining fee)	Based on IFRS 15, discounts on membership fees and add-on fees can no longer be recognised over a longer period (the 'average length of stay') than the one-year contract period as the discounts do not give an incentive or material right for the member to prolong the contract. For 'Flex' contracts the discount will still be allocated to the 'average length of stay', rather than the contract period (which is one month), in line with the joining fee.
Day passes	None
Personal trainer revenue (personal trainer services) and rental income	None
Revenues from sales from vending machines and other revenues	None

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.

IFRS 9 had no material impact on the consolidated statement of financial position at 1 January 2018 and 31 December 2018, nor on the consolidated statement of comprehensive income for the year ended 31 December 2018. The impact is not material because the receivables, payables and borrowings continue to be measured at amortised cost and the derivative financial instruments are still measured at fair value through profit or loss. In addition, the switch from an incurred credit loss model to an expected credit loss model does not have a material impact as members pay up front and, therefore, member receivable balances are always past due.

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

From 2018 onward, the Company applies the exception introduced by the amendments to IFRS 2 and is now settling the share-based payment plans on a net basis by withholding the number of shares with a fair value equal to the monetary value of the employee's tax obligation (2018: €586 thousand) and only issuing the remaining shares on completion of the vesting period. The Group expects to withhold an amount of €3.0 million and pay this to the relevant taxation authorities with respect to the vesting of outstanding share-based payment awards, with €0.5 million of this within one year.

Other

All other amended standards and interpretations had no material impact for the financial statements.

1.4.7 Standards and interpretations issued but not yet effective and/or adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been adopted early by the Group. The Group intends to adopt these standards, if applicable, when they become effective. The Group's current status regarding the assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leasing

Introduction

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. This standard is effective for annual periods beginning on or after 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

Our work on implementing this new standard for leases is in its final stage and the initial impact on the Company's consolidated results and financial position is under internal review. The Company completed the data collection and data enrichment process of its lease contracts and finalised the implementation of a lease accounting tool to determine the impact assessment on a contract-by-contract basis to prepare for the transition.

Transition method

Basic-Fit will apply the standard using the full retrospective approach. During 2019, Basic-Fit will restate 2018 financial information included in these Financial Statements. The impact of IFRS 16 will be reflected in the opening balance of 1 January 2018.

Basic-Fit performed a full assessment as to whether the company's arrangements contain a lease. This means that the practical expedient under IFRS 16.C3 not to reassess whether a contract is, or contains, a lease has not been applied.

Presentation and key accounting choices

Basic-Fit will present the right-of-use assets and lease liabilities as a separate line-item on the statement of financial position. Lease liabilities will be split in current (due within one year) and non-current (due after more than one year). In the statement of profit or loss, the depreciation and impairment expenses related to the right-of-use asset will be presented as part of the total depreciation and impairment expenses. The interest expenses related to the lease liabilities will be presented as part of the finance cost.

Main assumptions applied in determining the appropriate book values of the lease liability and right-of-use asset include the assessment of the lease term and the appropriate discount rate. The lease term is impacted by the assessment of the reasonably certain criterion in respect of renewal or termination options.

As the implicit discount rates of Basic-Fit's leases were not readily available, Basic-Fit applies the incremental borrowing rate applicable at commencement date of a lease to determine the discounted value of the lease liabilities. Upon modification of a lease, the remeasurement of the lease liability is performed using the applicable discount rate at the date of the remeasurement.

The two capitalisation exemptions proposed by the standard (lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value) will be used. The payments for such leases will be recognised in the income statement on a straight-line basis over the lease term.

Regarding vehicles leases, Basic-Fit applies the practical expedient not to separate non-lease components from lease components. Therefore, the full monthly lease fees will be reflected on Basic-Fit's balance sheet.

The Company will recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received. The right-of-use asset for acquired leases is adjusted for any favorable or unfavorable lease rights recognised as part of the purchase price allocation. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has elected to separate lease and non-lease components included in lease payments for property leases. Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate; initially measured using the index or rate as at the commencement date;
- (if any) amounts expected to be payable under a residual value guarantee;
- (if any) the exercise price of a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Basic-Fit will record a deferred tax position for those jurisdictions for which it is expected that the IFRS 16 accounting methodology will not be accepted in the corporate income tax return.

Estimated financial Impact

In the interim financial report, which will be available as of 23 July 2019, Basic-Fit expects to publish more details on the impact of IFRS 16. Nonetheless, the estimated impact of the adoption of IFRS 16 may be subject to change until the publication of Basic-Fit's Financial Statements 2019.

Preliminary calculations indicate that as of 1 January, 2018, IFRS 16 will lead to the recognition of Right-of-use assets in a range of €540 - €570 million and of financial lease liabilities in a range of €575 - €605 million. Taking into account the impact of IFRS 16 on other assets and liabilities and the impact of deferred taxes, the net downward impact on equity is in a range of €10 - €30 million.

Based on the outcome of the same calculations, the Right-of-use asset at 31 December 2018 is expected to be in a range of €710 - €740 million and the leases liability in a range of €760 - €790 million. Taking into account the impact of IFRS 16 on other assets and liabilities and the impact of deferred taxes, the net downward impact on equity at 31 December 2018 is in a range of €20 - €40 million.

The impact on other assets and liabilities mainly relates to the reversal of deferred rental incentives and the reclassification of favorable and unfavorable lease rights.

Based on IFRS 16, profit before tax 2018 is expected to decrease in the range of €5 - €15 million. EBITDA 2018 will increase with €87 million due to lease payments from operating leases, previously being recognised in operating profit being replaced by depreciation and interest expenses (in a range of €92 - €102 million) which are excluded from EBITDA.

The cash flows related to the payments on lease liabilities will transfer from cash flow from operating activities to cash flow used in financing activities. The interest paid on the lease liabilities will remain part of cash flow from operating activities. The total net cash flow for 2018 will not be affected.

Impact on calculation of bank covenants

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

Other

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.

1.5 Accounting estimates

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

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

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

The table below presents the areas where assumptions and estimates are significant to the financial statements:

	Note
Deferred tax assets	2.9
Impairment of goodwill	3.1
Impairment of other non-current assets	3.2
Useful lives of non-current assets	3.2

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

Refinancing
As explained in Note 5.3 Borrowings, the Group successfully completed an amend and extend of its existing facilities agreement resulting in a lower margin, extended duration and increased amount. Management has assessed that the terms are not substantially different and, therefore, the adjustment should not be accounted for as an extinguishment. In addition, management took into account that the agreement has a prepayment option at par without significant penalty. The borrowing can be considered analogous to a borrowing with an option to reset the interest rate to the then prevailing market rate. A reset to a lower market rate of such a borrowing would result in a lower prospective effective interest rate and would not result in a gain at the moment of reset. Therefore, management considered it appropriate to treat this adjustment as a modification with a prospective adjustment of the effective interest rate to reflect the new market rate. As a consequence, no gain on the modification has been recognised and the future interest expenses will reflect the decline in margin.

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

Decommissioning liabilities
For certain fitness club locations, the Group has a contractual obligation to restore locations to an agreed upon state. The Group has not recognised a decommissioning liability for such obligations. Management's 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 ten years or longer. As a consequence, lessors have made very few requests for the restoration of locations over the years. Therefore, the Group has not recognised any decommissioning liabilities.

Section 2 Results for the year

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

2.1 Segment information

The chief operating decision-maker ('CODM'), who is responsible for allocating resources and assessing 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 the operation of these clubs is the same in all countries: memberships and membership fees are similar and the cost structure is similar. Furthermore, all operating segments and their business activities are located in EU-member countries. The political and economic environment of these countries is similar and the euro is used in all countries. Moreover, the Benelux countries (Belgium, the Netherlands and Luxembourg) generate similar profit margins 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, types of customer, method for distribution and regulatory environment are similar, the operating segments Belgium, the Netherlands and Luxembourg have been aggregated into one reportable segment (Benelux), and the operating segments France and Spain have also been aggregated into one reportable segment (France & Spain). Other reconciling items represent corporate costs that are not allocated to the operating segments.

Segment disclosure

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

2018	Benelux	France & Spain	Total
Revenues	**252,740**	**149,044**	**401,784**
Adjusted EBITDA	107,239	38,858	146,097
Other reconciling items			(21,989)
Total adjusted EBITDA			124,108

Reconciliation of adjusted EBITDA to profit before tax:

Adjusted EBITDA		124,108
Depreciation, amortisation and impairment charges		(89,401)
Finance costs – net		(9,274)
Exceptional items:		
- Pre-opening costs new clubs		(1,565)
- Other exceptional costs		(1,463)
Profit before tax		**22,405**

2017

	Benelux	France & Spain	Total
Revenues	**238,541**	**87,290**	**325,831**
Adjusted EBITDA	99,398	18,528	117,926
Other reconciling items			(17,472)
Total adjusted EBITDA			100,454

Reconciliation of adjusted EBITDA to profit before tax:

Adjusted EBITDA	100,454
Depreciation, amortisation and impairment charges	(75,398)
Finance costs – net	(8,186)
Exceptional items	
- Pre-opening costs new clubs	(1,677)
- Other exceptional costs	(2,037)
Profit before tax	**13,156**

Entity-wide information

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

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

	2018	2017
The Netherlands (country of domicile)	228,978	231,701
Belgium	224,300	229,083
Luxembourg	20,904	21,425
France	275,984	176,399
Spain	32,114	35,535
Total	**782,280**	**694,143**

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

2.2 Revenue

2.2.1 Disaggregation of revenue

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

	2018	2017 (*)
Type of goods or service		
Fitness revenue	391,697	318,642
Other revenue	10,087	7,189
Total	**401,784**	**325,831**
Geographical markets		
The Netherlands	119,289	112,110
Belgium	123,545	117,414
Luxembourg	9,906	9,017
France	126,106	65,970
Spain	22,938	21,320
Total	**401,784**	**325,831**
Timing of revenue recognition		
Products and services transferred over time	390,678	323,057
Products transferred at a point in time	11,106	2,774
Total	**401,784**	**325,831**

(*) The Group has applied IFRS 15 as of 1 January 2018. Under the transition methods chosen, comparative information is not restated. Reference is made to note 1.4.6.

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

2.2.1 Contract balances

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

	31 December 2018	1 January 2018 (*)
Receivables, which are included in 'Trade and other receivables'	13,540	11,441
Deferred revenues, which are included in 'Trade and other payables'	37,010	37,854

(*) The Group recognised the cumulative effect of applying IFRS 15 as an adjustment to the opening balance as at 1 January 2018.

The receivables relate to amounts due from customers for services performed in past period(s), less provision for impairment. The deferred revenues primarily relate to the advance considerations received from customers, for which revenue is recognised over time.

Accounting policy

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 devices. In addition, within the Basic-Fit clubs, additional services are provided by external parties (e.g. personal trainers, physiotherapists), who pay a monthly fee to obtain access to the club and the members, and these are accounted for under other revenues. Other revenues also include revenues related to the sale of day passes and revenues related to the sale of nutritional products and drinks within the club by a third party. Under this full-service vending construction, the Group receives a percentage of the revenue generated by the vending machines. These amounts are shown as revenues for the Group in its income statement. Revenues are measured at the fair value of the consideration received or receivable, and represent amounts receivable for goods supplied and services rendered, stated net of discounts, returns and value added taxes. The Group recognises revenues when the amount of revenues can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

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

Up until year-end 2017, a joining fee was recognised in the month that a new customer signed the membership contract and membership revenues were recognised on a monthly basis over the contract term

As of 2018, joining fees are recognised over the contract period (for one-year contracts) and over the expected duration of the membership ('average length of stay') for 'Flex contracts' (contracts that can be cancelled every month). Membership revenues continue to be 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), waiving of the joining fee (fully or partly), granting a promotional item, or a combination of these three. The member's payment will be based on the applicable promotion, but the monthly revenue is determined for the entire period by taking into consideration the discounts granted which are allocated using relative amounts. Until year-end 2017, all discounts were recognised over the length of stay for all contracts. As of 2018, discounts related to one-year contracts are recognised over the contract period.

Reference is made to note 1.4.6 IFRS 15 'Revenue from contracts with customers' for more disclosures related to the first time adoption of IFRS 15.

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

2.3 Cost of consumables used

	2018	2017
Cost of food and drink	(5,099)	(2,979)
Other cost of sales	(1,296)	(704)
Total	**(6,395)**	**(3,683)**

2.4 Employee benefits expense

Employee benefits can be broken down as follows:

	2018	2017
Salaries and wages (including share-based payments)	(57,156)	(50,004)
Social security contributions	(12,494)	(10,954)
Pension costs – defined contribution plans	(1,184)	(817)
Total	**(70,834)**	**(61,775)**

During the year, the average number of employees calculated on a full-time equivalent basis was 1,883 (2017: 1,770).

	2018	2017
Benelux	1,225	1,192
France & Spain	658	578
Total	**1,883**	**1,770**
Club	1,573	1,510
Headquarters	310	260
Total	**1,883**	**1,770**

Accounting policy

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

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

2.5 Share-based payments

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

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

When a particular participant’s employment is terminated, unvested awards will be forfeited. The unvested awards do not entitle the participant to any share ownership rights, such as the right to receive dividends and voting rights.

Ordinary shares released to the members of the Management Board after vesting of awards are subject to a mandatory holding period of five years from the award date, provided that a board member is permitted to sell a sufficient number of such ordinary shares to cover any taxes due upon vesting.

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

	2018	**2017**
At 1 January	188,573	145,674
Awarded during the year	67,867	109,006
Exercised during the year	(44,292)	(48,542)
Forfeited during the year	(5,780)	(17,565)
At 31 December	**206,368**	**188,573**

The fair value of the performance shares awarded in 2018 and 2017 has been determined with reference to the share price of the Company’s ordinary shares at the date of grant. Since dividends are not expected during the vesting period, the weighted average fair value of the performance shares awarded in 2018 is equal to the share price at the date of grant of €27.00 (2017: €15.52).
The share-based payment expenses recognised in 2018, with a corresponding entry directly in equity, amount to €1.5 million (2017: €1.4 million).

Accounting policy

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

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

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

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

2.6 Depreciation amortisation and impairment charges

	2018	2017
Depreciation of property, plant and equipment	(72,113)	(59,314)
Amortisation of other intangible assets	(15,505)	(15,389)
Impairment of property, plant and equipment	(1,783)	(695)
Total	**(89,401)**	**(75,398)**

Accounting policy

Reference is made to note 3.2 Other intangible assets and note 3.3 Property, plant and equipment.

2.7 Other operating income

	2018	2017
Net gain on disposal of property, plant and equipment	132	222
Insurance reimbursements	1,276	194
Other operating income	513	506
Total	**1,921**	**922**

Accounting policy

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

2.8 Other operating expenses

	2018	2017
Other personnel expenses	(16,731)	(14,639)
Rental expenses	(85,601)	(68,620)
Housing expenses	(54,072)	(43,697)
Marketing expenses	(19,815)	(13,196)
Write-off of bad debts, incl. collection agency costs	(8,360)	(7,832)
Lease equipment (operating lease)	(522)	(476)
Car expenses	(1,910)	(1,689)
Overhead and administrative expenses	(18,385)	(14,406)
Total	**(205,396)**	**(164,555)**

Accounting policy

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

Marketing expenses arising from the Group's business operations are accounted for in the year incurred. The Group receives 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 qualify as 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.

2.9 Income tax and deferred income tax

Income tax

The major components of income tax expense for the years 31 December 2018 and 2017 are:

Consolidated statement of comprehensive income	2018	2017
Consolidated statement of profit or loss		
Current income tax:		
Current income tax charge	(1,706)	(1,798)
	(1,706)	**(1,798)**
Deferred income tax:		
Change in deferred tax asset related to one-off impact of adopting IFRS 15	(3,452)	-
Change in deferred tax asset for carry forward losses available for offsetting against future taxable income	(1,159)	(3,728)
Changes in other deferred tax assets and liabilities recognised in profit or loss	1,506	3,497
	(3,105)	**(231)**
Total income tax	**(4,811)**	**(2,029)**

Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Deferred tax on cash flow hedges	(120)	(159)

The current income tax charge includes an amount of €1,303 thousand related to CVAE tax in France. CVAE ("cotisation sur la valeur ajoutée des entreprises") is a corporate value added contribution which meets, based on the Group's analysis, the definition of an income tax as established under IAS 12. To fall within the scope of IAS 12, a tax must be calculated based on a net amount of income and expenses, and this net amount can be different from the net book results. The Group has judged that the corporate value added contribution satisfies the characteristics outlined in this conclusion, insofar as the value added constitutes the intermediate level of income that systematically serves as the basis, according to French tax law, for determining the amount owing in relation to the corporate value added contribution.

The effective income tax rate is calculated as follows:

	2018	2017
Profit (loss) before income tax	22,405	13,156
Income tax	(4,811)	(2,029)
Effective income tax rate	**21.5%**	**15.4%**
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 reconciled below. For 2018, adjustments in deferred tax assets and liabilities due to changes in tax rates had a positive impact of € 1.4 million (2017: €2.2 million) on income tax.

Effective income tax reconciliation

	2018	%	2017	%
Profit (loss) before income tax expense	**22,405**		**13,156**	
At the Dutch applicable income tax rate	**(5,601)**	**25.0%**	**(3,289)**	**25.0%**
Difference in foreign tax rates	(981)	4.4%	(144)	1.1%
Adjustments with respect to income tax of prior periods	775	(3.5)%	(387)	2.9%
Impact CVAE Tax France (based on IAS 12 recognised as income tax)	(861)	3.8%	-	-
Future tax rate adjustments in the Netherlands	1,312	(5.9)%	-	-
Future tax rate adjustments in Luxembourg	57	(0.3)%	-	-
Future tax rate adjustments in Belgium	-	-	2,777	(21.1)%
Future tax rate adjustments in France	-	-	(567)	4.3%
Recognition of previously unrecognised deferred tax assets	826	(3.7)%	-	-
Tax losses for which no deferred tax asset was recognised	(12)	0.1%	(8)	0.1%
Correction tax free income	61	(0.3)%	52	(0.4)%
Non-deductible expenses for tax purposes:				
Share-based payments	(371)	1.7%	(353)	2.7%
Other non-deductible expenses	(16)	0.1%	(110)	0.8%
At the effective income tax rate	**(4,811)**	**21.5%**	**(2,029)**	**15.4%**

Amounts recognised directly in equity

All aggregate current and deferred tax arising in the reporting period has been recognised in either the net profit or loss, or other comprehensive income. As a result of the adoption of IFRS 15, an amount of €3.5 million has been directly credited to equity on 1 January 2018 (transition date). Reference is made to note 1.4.6.

Deferred taxes

The movement in deferred income tax assets and liabilities during the year is as follows:

	Consolidated statement of financial position at 31 December		Consolidated statement of comprehensive income at 31 December	
	2018	**2017**	**2018**	**2017**
Losses available for offsetting against future taxable income	8,758	9,917	(1,159)	(3,728)
Purchase price allocation	(12,595)	(16,589)	3,994	5,480
Goodwill amortisation for tax purposes	(6,370)	(5,432)	(938)	(496)
Temporary differences in the valuation of assets	(58)	1,551	(5,002)	(1,487)
Deferred tax on cash flow hedges reported in the other comprehensive income section of the consolidated statement of comprehensive income	-	61	(120)	(159)
Deferred tax (expense)			**(3,225)**	**(390)**
Net deferred tax liabilities	**(10,265)**	**(10,492)**		

Reflected in the statement of comprehensive income as follows:				
Statement of profit or loss			(3,105)	(231)
Statement of other comprehensive income			(120)	(159)
Total			**(3,225)**	**(390)**

After netting deferred tax assets and deferred tax liabilities within the same tax entity for an amount of €3.5 million (2017: €6.1 million), these positions are as follows:

	2018	2017
Deferred tax assets	6,477	6,264
Deferred tax liabilities	(16,742)	(16,756)
Deferred tax liabilities net	**(10,265)**	**(10,492)**

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

	2018	2017
To be recovered within 12 months	(51)	(354)
To be recovered after more than 12 months	(10,214)	(10,138)
Total	**(10,265)**	**(10,492)**

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

	2018	2017
Opening balance as at 1 January	**(10,492)**	**(10,102)**
Income tax benefit during the period recognised in profit or loss	(3,105)	(231)
Deferred taxes asset recognised directly in equity related to adopting IFRS 15	3,452	-
Deferred tax on cash flow hedges reported in the other comprehensive income section of the consolidated statement of comprehensive income	(120)	(159)
Closing balance as at 31 December	**(10,265)**	**(10,492)**

Tax losses

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

The tax entities HealthCity België N.V., HealthCity Luxembourg S.A. and Basic Fit II S.A. (our operating company in France) were profitable in 2018 and, based on the budget for 2019-2023, the Group expects to be able to offset the carry forward losses in the coming years.

Most of the carry forward losses of Basic-Fit Spain S.A. were incurred in the period before the company started operating under the Basic-Fit brand (by the end of 2013 with 17 clubs). At the end of 2018, Basic-Fit Spain S.A. was operating 33 clubs. In 2018, Basic-Fit Spain realised a modest taxable profit. Based on the budget for 2019 onwards, and in line with the track record of other more mature tax entities, the Group expects profitability to continue to increase and that it will be able to offset at least part of the losses against taxable profits in the coming years. As a result, Basic-Fit decided to recognise €7.7 million (2017: €8.4 million) of carry forward losses, resulting in a deferred tax asset of €1.9 million (2017: € 2.1 million). The Group has not recognised any deferred tax asset, for an amount of approximately €47 million (2017: € 47 million) carry forward losses in Spain. Basic-Fit will evaluate from year to year, whether to recognise more of the currently unrecognised carry forward losses related to Basic-Fit Spain S.A., resulting in a higher deferred tax asset. Such recognition of a deferred tax asset will result in lower (deferred) income tax in the consolidated statement of profit or loss and therefore higher profit in the year of recognition.

In total, the Group has not recognised any deferred tax assets for gross loss carry-forwards amounting to €50.5 million (2017: €50.2 million). As Spanish tax legislation has changed, there are no longer any restrictions on the expiration of carry forward losses.

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

	2018	2017
Within 1 year	-	-
In the next 2 to 5 years	-	7
In the next 6 to 9 years	-	6,878
After 9 years	-	40,144
Never expire	50,545	3,162
Total	**50,545**	**50,191**

Accounting policy

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

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 income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

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.

Significant estimates

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

Section 3 Non-current assets and investments

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

3.1 Goodwill

During the years 2018 and 2017, there was no movement in goodwill.

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	Luxembourg	France	Spain	Total
As at 1 Jan 2017	**88,136**	**83,425**	**12,595**	**-**	**3,195**	**187,351**
Acquisitions	-	-	-	-	-	-
As at 31 December 2017	**88,136**	**83,425**	**12,595**	**-**	**3,195**	**187,351**
Acquisitions	-	-	-	-	-	-
As at 31 December 2018	**88,136**	**83,425**	**12,595**	**-**	**3,195**	**187,351**

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

Accounting policy

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

Reference is also made to note 3.4 Business combinations.

Significant estimates

Calculation of recoverable amount

The recoverable amount as at 31 December 2017 and 2018 was determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by management, covering a five-year period. These cash flow projections only include existing clubs and do not take into account any new club openings. The pre-tax discount rates applied to the cash flow projections are shown in the table below. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 0.5% for all CGUs, which is the estimated long-term average growth rate in the industry.

Pre-Tax WACC discount rate	Netherlands	Belgium	Luxembourg	France	Spain
Year ended 31 December 2017	8.8%	9.4%	9.0%	9.7%	10.4%
Year ended 31 December 2018	8.3%	9.5%	9.0%	9.5%	10.7%

Key assumptions used
The calculations of value in use for the CGUs are most sensitive to the following assumptions:
- Terminal growth rate;
- Discount rates; and
- Growth in membership revenues while maintaining relatively stable EBITDA margins.

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

Discount rates - The pre-tax WACC discount rate represents management's market assessment of the risks specific to the CGUs regarding the time value of money and individual risks of the underlying assets 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.

Growth in membership revenues while maintaining relatively stable EBITDA margins – The cash flow projections assume a compound annual growth rate of fitness membership revenues over the forecast budget period of 1.2% for the Netherlands, 2.7% for Belgium, 1.8% for Luxembourg, 2.9% for France and 1.5% for Spain (2017: 2.4% for the Netherlands, 2.3% for Belgium, 3.0% for Luxembourg, 6.9% for France and 1.0% for Spain). The cash flow projections are based on the Group's analyses and the financial budgets approved by management covering a five-year period. These projections only include existing clubs and do not take into account any new club openings. The growth rates are based on management's historical experience of membership developments taking into consideration the maturity of existing clubs. After the forecast period, revenues are expected to increase by 0.5% annually. 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.

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

3.2 Other intangible assets

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

	Trademark	Customer relationships	Other intangible assets	Total
As at 1 January 2017				
Cost	44,918	57,539	33,870	136,327
Accumulated impairments and amortisation	(6,738)	(23,447)	(14,647)	(44,832)
Net book value	**38,180**	**34,092**	**19,223**	**91,495**
Year ended 31 December 2017				
Opening net book value	38,180	34,092	19,223	91,495
Additions	-	-	4,202	4,202
Acquisition of subsidiary	-	816	65	881
Cost of disposals	-	-	(22)	(22)
Amortisation for the year	(2,246)	(8,283)	(4,860)	(15,389)
Transfer to tangibles (cost)	-	-	1,182	1,182
Accumulated depreciation of disposals	-	-	23	23
Closing net book value	**35,934**	**26,625**	**19,813**	**82,372**

As at 31 December 2017				
Cost	44,918	58,355	39,297	142,570
Accumulated impairments and amortisation	(8,984)	(31,730)	(19,484)	(60,198)
Net book value	**35,934**	**26,625**	**19,813**	**82,372**
Year ended 31 December 2018				
Opening net book value	35,934	26,625	19,813	82,372
Additions	-	-	6,161	6,161
Acquisition of subsidiary	-	143	-	143
Cost of disposals	-	-	(131)	(131)
Amortisation for the year	(2,246)	(8,347)	(4,912)	(15,505)
Accumulated depreciation of disposals	-	-	131	131
Closing net book value	**33,688**	**18,421**	**21,062**	**73,171**
As at 31 December 2018				
Cost	44,918	58,498	45,327	148,743
Accumulated impairments and amortisation	(11,230)	(40,077)	(24,265)	(75,572)
Net book value	**33,688**	**18,421**	**21,062**	**73,171**

Accounting policy

Customer relationships and brand name

Customer relationships and brand names acquired in a business combination are recognised at fair value at the acquisition date. Separately acquired customer relationships and brand names are recognised at historical cost. Customer relationships and brand names have a finite useful life and are carried at 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. In line with IAS 38.97, we use a straight-line amortisation for these intangibles, as the pattern cannot be determined reliably.

Other intangible assets

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

Other intangible assets are mostly initial direct costs and 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 five years.

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

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

Significant estimates

Impairment testing

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

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying 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 need to be made in respect of highly uncertain matters.

Useful lives

The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. Estimated useful economic lives of property, plant and equipment, and intangibles are based on management's judgement and experience. When management identifies that the 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.

Changes in useful lives and residual values did not result in any material changes to the Group's deprecation or amortisation charge in 2018.

3.3 Property plant and equipment

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

	Land and building	Building improvement	Other fixed assets	Total
As at 1 January 2017:				
Cost	-	254,365	172,376	426,741
Accumulated impairments and depreciation	-	(39,816)	(57,635)	(97,451)
Net book value	**-**	**214,549**	**114,741**	**329,290**
Year ended 31 December 2017				
Opening net book value	-	214,549	114,741	329,290
Additions	-	108,052	45,386	153,438
Acquisition of subsidiary	2,265	2,271	905	5,441
Cost of disposals	(2,265)	(1,177)	(3,095)	(6,537)
Depreciation for the year	(65)	(28,846)	(30,403)	(59,314)
Impairment	-	(425)	(270)	(695)
Transfer from intangibles (cost)	-	(553)	(629)	(1,182)
Transfer from intangibles (amortisation)	-	(77)	77	-
Accumulated depreciation of disposals	65	1,253	2,661	3,979
Closing net book value	**-**	**295,047**	**129,373**	**424,420**
As at 31 December 2017				
Cost	-	362,958	214,943	577,901
Accumulated impairments and depreciation	-	(67,911)	(85,570)	(153,481)
Closing net book value	**-**	**295,047**	**129,373**	**424,420**

Year ended 31 December 2018

Opening net book value	-	295,047	129,373	424,420
Additions	-	111,639	59,196	170,835
Acquisition of subsidiary	-	462	40	502
Cost of disposals	-	(899)	(1,824)	(2,723)
Depreciation for the year	-	(36,329)	(35,784)	(72,113)
Impairment	-	(1,323)	(460)	(1,783)
Accumulated depreciation of disposals	-	897	1,723	2,620
Closing net book value	**-**	**369,494**	**152,264**	**521,758**

As at 31 December 2018:

Cost	-	474,160	272,355	746,515
Accumulated impairments and depreciation	-	(104,666)	(120,091)	(224,757)
Closing net book value	**-**	**369,494**	**152,264**	**521,758**

At 31 December 2018, the carrying amount includes assets under construction of €667 thousand (2017:€497 thousand). In 2017, the impairment loss of €695 thousand represented the write-down of certain property, plant and equipment in the Netherlands (€281 thousand), Belgium (€318 thousand), Luxembourg (€3 thousand) and Spain (€93 thousand). In 2018, the impairment loss of €1,783 thousand represented the write-down of certain property, plant and equipment in the Netherlands (€54 thousand), Belgium (€437 thousand), Luxembourg (€320 thousand), France (€780 thousand) and Spain (€192 thousand).

Accounting policy

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

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

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

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

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

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

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

Significant estimates

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

3.4 Business combinations

Acquisitions 2018

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

Acquisitions 2017

In 2017, the Group acquired four fitness clubs in the Netherlands and two fitness clubs in Spain. The total purchase price net of cash was €5.3 million, which was mostly allocated to property, plant and equipment, 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 asset deals.

The following tables summarise the considerations paid for the acquisitions in 2018 and 2017, the provisional fair value of assets acquired and the liabilities assumed at the acquisition date.

Fair value recognised on acquisition	**2018**	**2017**
Assets		
Property, plant and equipment	502	5,441
Customer relationships	143	816
Favourable lease contracts (included in other intangible assets)	-	65
Inventories and receivables	-	6
Liabilities		
Other liabilities and accrued expenses	(11)	(213)
Debt-like items (lease commitments and other long-term loans)	-	(863)
Total identifiable net assets acquired at fair value	**634**	**5,252**
Goodwill arising on acquisition	-	-
Purchase consideration transferred	**634**	**5,252**
Less: cash acquired	-	-
Net outflow of cash - investing activities	**634**	**5,252**

No external acquisition-related costs were charged to other operating expenses in the consolidated income statement for the year ended 31 December 2018 (2017: nil).

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

From the date of acquisition, the revenue and net income of the acquired group in 2017 for the period 2017 amounts to €1,786 thousand and a loss of €25 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 €2,667 thousand and a profit of €14 thousand respectively.

Accounting policy

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

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

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

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

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

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

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

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

Section 4 Working capital

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

4.1 Inventories

The composition of the inventories is as follows:

	2018	2017
Goods for resale	3,048	1,226
Total	**3,048**	**1,226**

Goods for resale consist primarily of sports drinks that members with a (paid) 'sports water add-on' can drink in the clubs. Furthermore, it includes goods that are sold via the webshop, vending machines and third parties.
The Group did not write down inventory balances during the year 2018 (2017: nil).

Accounting policy

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

4.2 Receivables

	2018	2017
Member and trade receivables	21,653	18,565
Less: allowance for doubtful accounts	(8,113)	(7,124)
Receivables – net	**13,540**	**11,441**
Security deposit	3,362	2,548
Loan receivable	259	97
Taxes and social charges	5,678	6,166
Prepayments	4,419	4,332
Other receivables and accrued income	4,443	3,715
Total receivables	**31,701**	**28,299**
Less: non-current portion of security deposits	3,362	2,548
Less: non-current loans receivable	259	97
Total non-current portion	**3,621**	**2,645**
Total current portion	**28,080**	**25,654**

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

	2018	2017
As at 1 January	(7,124)	(5,582)
Provision for impairment recognised during the year	(8,685)	(7,429)
Receivables written off during the year as uncollectable	7,696	5,887
As at 31 December	**(8,113)**	**(7,124)**

The creation and release of provisions for impaired receivables have been included in 'Other operating expenses' in the income statement (note 2.8). Amounts charged to the allowance account are generally written off, when there is

no expectation of recovering additional cash.
As described in note 5.4 regarding credit risk, all member receivable balances are automatically past due. The estimated provision for impairment losses is recognised based on the expected credit loss for each of the ageing buckets.
The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due (the Group does not hold any collateral in relation to these receivables).

Accounting policy

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

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

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

4.3 Cash and cash equivalents

The composition of cash and cash equivalents is as follows:

	2018	2017
Cash in bank and on hand	5,167	12,152
Cash in transit	459	881
Total	**5,626**	**13,033**

Accounting policy

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

4.4 Other non-current liabilities

	2018	2017
Rental incentives	18,005	13,110
Total	**18,005**	**13,110**

Accounting policy

Rental incentives, such as rent-free periods and contributions by the lessor, relate to the straight-lining of operating lease payments over the lease term. The portion with a duration longer than 12 months is recognised as non-current.

4.5 Trade and other payables

The composition of trade and other payables is as follows:

	2018	2017
Trade payables	53,958	39,345
Deferred revenues	37,010	25,970
Holiday allowance and vacation days accrual	5,651	4,556
Payroll tax payable	3,625	2,078
Interest payable	6	366
Investment obligations	9,600	7,300
Housing costs	8,688	8,209
Rental incentives	2,596	1,736
Other liabilities and accrued expenses	5,034	4,353
Total	**126,168**	**93,913**

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

Accounting policy

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

For deferred revenues, reference is made to note 2.2.

Section 5 Financing financial risk management and financial instruments

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

5.1 Equity

Share capital

The subscribed capital as at 31 December 2018 amounted to €3,280 thousand and was divided into 54,666,667 shares fully paid-up with a nominal value per share of €0.06. There were no movements during the periods.

Share premium

On 31 December 2018, the share premium amounted to €358,360 thousand. There were no movements during the periods.

Treasury shares

In 2018, the Company purchased and shortly thereafter reissued 24,018 shares to satisfy obligations under the equity-settled share-based compensation plans.

Other capital reserves

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

	2018	2017
As at 1 January	1,344	729
Share-based payments expense during the year	1,486	1,410
Exercised share-based payments during the year	(725)	(795)
As at 31 December	**2,105**	**1,344**

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

Retained Earnings

The profits for the respective periods 2018 and 2017 have been included in retained earnings.

Cash flow hedge reserve

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

Accounting policy

Ordinary shares are classified as share capital.

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

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

5.2 Earnings per share

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

	2018	2017
Earnings		
Profit for the period attributable to the ordinary equity holders of the Company	17,594	11,127
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	54,666,404	54,663,473
Effect of dilutive potential ordinary shares	-	-
Weighted average number of ordinary shares for diluted earnings per share	**54,666,404**	**54,663,473**
Earnings per share (in €)		
Basic earnings per share	0.32	0.20
Diluted earnings per share	0.32	0.20

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

Accounting policy

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

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

5.3 Borrowings

The Group's interest-bearing borrowings as at 31 December 2018 and 31 December 2017, including the movements during 2018 and 2017, are summarised in the following table:

				Cash flows	Other changes (non-cash)		
	Balance as at 1 January 2018	New loans	Modification	Repayments	Amortisation	Other changes	Balance as at 31 December 2018
Non-current Interest-bearing loans and borrowings							
Bank borrowings (*)	175,000	-	75,000	-	-	-	250,000
Drawn RCF (*)/(**)	122,497	45,003	(75,000)	-	-	-	92,500
Borrowing costs	(2,929)	(1,710)		-	801	-	(3,838)
	294,568	**43,293**	**-**	**-**	**801**	**-**	**338,662**
Current Interest-bearing loans and borrowings							
Lease commitments	4	-	-	(4)	-	-	-
Other long-term financing	16	-	-	(16)	-	-	-
	20	**-**	**-**	**(20)**	**-**	**-**	**-**
Total	**294,588**	**43,293**	**-**	**(20)**	**801**	**-**	**338,662**

(*) Variable interest rates
(**) Drawn on a three-month basis

	Balance as at 1 January 2017	New loans	Modification	Cash flows Repayments	Other changes (non-cash) Amortisation	Other changes	Balance as at 31 December 2017
Non-current Interest-bearing loans and borrowings							
Bank borrowings (*)	175,000	-	-	-	-	-	175,000
Drawn RCF (*)/(**)	-	72,497	-	-	-	50,000	122,497
Lease commitments	4	-	-	(287)	-	283	-
Other long-term financing	237	-	-	(817)	-	580	-
Borrowing costs	(2,530)	(375)	-	-	-	(24)	(2,929)
	172,711	**72,122**	**-**	**(1,104)**	**-**	**50,839**	**294,568**
Current Interest-bearing loans and borrowings							
Drawn RCF (*)/(**)	50,000	-	-	-	-	(50,000)	-
Lease commitments	828	-	-	(824)	-	-	4
Lease commitments	281	-	-	(265)	-	-	16
Borrowing costs	(709)	-	-	-	685	24	-
	50,400	**-**	**-**	**(1,089)**	**-**	**(49,976)**	**-**
Total	**223,111**	**72,122**	**-**	**(2,193)**	**685**	**863**	**294,588**

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

Bank borrowings (senior debt loans, maturity June 2023) and drawn revolving credit facility (RCF)

In June 2018, the Group successfully completed an amend and extend of its existing facilities agreement, which is recognised as modification with a prospective adjustment of the effective interest rate to reflect the new market rate and without recognising a modification gain. Since then, the facilities agreement consists of a €250.0 million term loan and a €200.0 million revolving facility. As a result of the amendment, the maturities of both the term and revolving credit facilities have been extended to June 2023 and the margins (which are based on the leverage ratio) on both facilities were reduced (currently 1.7%).

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

The carrying value of the borrowings is presented net of finance costs (2018: €3,838 thousand; 2017: €2,929 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.

Accounting policy

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

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. However, a revolving credit facility is classified as non-current if the Group expects, and has the discretion, to roll over for at least twelve months after the reporting period.
The Group does not have any qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Therefore, borrowing costs are not capitalised and are expensed in the period in which they are incurred.

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

5.4 Financial risk management

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

(a) Credit risk

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

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

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

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

Receivables	Balance incl. provision	Overdue < 30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue > 90 days
At 31 December 2018	13,540	3,042	2,485	575	7,438
At 31 December 2017	11,441	2,158	1,541	794	6,948

The receivables consist of member receivables and trade receivables. These receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment, which is based on the expected credit loss for each of the ageing buckets. The provision at 31 December 2018 was €8.1 million (2017: €7.1 million).

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

(b) Liquidity risk

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

The liquidity risk is reduced by the revolving credit facility of €200.0 million with a maturity date of 27 June 2023. The facilities can only be cancelled by the lenders upon the receipt of a timely notice after an event of default (including non-payment, breach of (financial) covenants or breach of other obligations, in each case subject to materiality thresholds, qualifications and cure periods).

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

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

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

Contractual maturities of financial liabilities

2018	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)	1,582	4,746	6,328	358,321	-	370,977	342,500
Trade payables	53,958	-	-	-	-	53,958	53,958
Total non-derivatives	**55,540**	**4,746**	**6,328**	**358,321**	**-**	**424,935**	**396,458**
Derivative financial liability	151	453	434	51	-	1,089	1,068
Total derivatives	**151**	**453**	**434**	**51**	**-**	**1,089**	**1,068**

2017	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)	1,488	4,462	5,950	305,760	-	317,660	297,497
Finance lease liabilities	1	3	-	-	-	4	4
Trade payables	39,345	-	-	-	-	39,345	39,345
Other long-term payables	9	9	-	-	-	18	16
Total non-derivatives	**40,843**	**4,474**	**5,950**	**305,760**	**-**	**357,027**	**336,862**
Derivative financial liability	236	758	336	(448)	-	882	892
Total derivatives	**236**	**758**	**336**	**(448)**	**-**	**882**	**892**

As at 31 December 2018, the Group had €100.0 million in undrawn facilities (2017: €45.8 million).

(c) Market risk

i. Foreign exchange risk

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

ii. Price risk

The Group has limited exposure to price risk. The Group's main exposure is to fluctuations in 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. Under the swap agreements, the Group agrees with another party to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

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

	2018	2017
Variable rate borrowings	342,500	297,497
Fixed interest rate borrowings	-	20
Total	**342,500**	**297,517**

Financial instruments in use by the Group

Swaps currently in place cover approximately 46.2% (2017: 55.8%) 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 2018			31 December 2017	
	Weighted average interest rate	Balance	% of the total loans	Weighted average interest rate	Balance	% of the total loans
Bank overdrafts and bank loans	1.70%	342,500	100.00%	2.00%	297,497	99.99%
Interest rate swaps (notional amount)		(158,100)			(166,000)	
Net exposure to cash flow interest rate risk		**184,400**	**53.84%**		**131,497**	**44.20%**

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:

	2018	2017
(Loss) Gain recognised in profit or loss	(176)	376
Reclassified from other comprehensive income to profit or loss	480	634

Sensitivity analysis

According to interest rate sensitivity analyses performed for the years ending 31 December 2018 and 2017, the impact on the consolidated statement of profit or loss and components of equity due to upward or downward movements in the interest rates of 1 % are as follows:

	Impact on post Tax Profit		Impact on other components of equity pre Tax Profit	
Interest rate movement	2018	2017	2018	2017
Increase by 100 basis points	650	2,696	-	156
Decrease by 100 basis points	(2,457)	(4,250)	-	(158)

The Group's receivables are carried at amortised cost. They are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate due to changes in market interest rates.

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

Accounting policy

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

5.5 Financial instruments

Financial instruments by category comprise the following:

	2018		2017	
Assets	**Derivatives at FVPL (*)**	**Loans and receivables**	**Derivatives at FVPL**	**Loans and receivables**
Trade and other receivables excluding prepayments	-	13,540	-	11,441
Cash and cash equivalents	-	5,626	-	13,033
Total	**-**	**19,166**	**-**	**24,474**

(*) Fair value through profit or loss

	2018		2017	
Liabilities	**Derivatives at FVPL**	**Other financial liabilities at amortised cost**	**Derivatives at FVPL**	**Other financial liabilities at amortised cost**
Borrowings (excluding finance lease liabilities)	-	338,662	-	294,568
Finance lease liabilities	-	-	-	4
Derivative financial instruments (> 12 months)	1,068	-	325	-
Other long term payables	-	-	-	16
Trade and other payables excluding non-financial liabilities	-	53,958	-	39,345
Derivative financial instruments (< 12 months)	-	-	567	-
Total	**1,068**	**392,620**	**892**	**333,933**

The carrying amount of the above financial instruments represents the maximum exposure. See note 5.4 for a description of the credit quality of financial assets that are neither past due nor impaired.

Derivative financial instruments and hedging activities

The Group entered into interest rate swaps with Rabobank, ING and ABN AMRO in 2014 and 2015 with a termination date in December 2018. In 2016 and 2017, these interest rate swaps no longer met the criteria for hedge accounting, which are described in IAS 39.88. The Group therefore discontinued the hedge relationships prospectively. The cumulative loss on these hedging instruments that was recognised in other comprehensive income until the moment that these hedges were last effective was amortised in the consolidated statement of profit or loss over the remaining life of the hedge relationships (2018 €480 thousand).

On 4 July 2017, the Group entered into interest rate swaps with Rabobank, ING, ABN AMRO, KBC and NIBC with a total notional amount of €90 million at inception to hedge interest risks, in so far as these were not already partly hedged by the existing swaps. These swaps are effective from 4 July 2017 with a termination date of 31 March 2021. The contracts swap quarterly interest payments, where the Group pays a fixed interest of 0.083% and receives interest based on the three-month Euribor rate. The Group does not apply hedge accounting for these swaps. In 2018, the Group ended the interest rate contract with NIBC. The current total notional amount of the four remaining interest rate swaps is € 158 million until maturity.

The movements in 2018 arising from cash flows and non-cash changes in the Group's derivative financial instruments are summarised in the following table:

For the year ended 31 December 2018 (in € x 1,000)	Balance as at 1 January	Cash flows Repayments	Other changes (non-cash) Fair value changes through P&L	Fair value changes through OCI	Balance as at 31 December
Derivative financial instruments	**892**	**(77)**	**733**	**(480)**	**1,068**
Of which:					
Non-current (> 1 year)	325				1,068
Current (< 1 year)	567				-

Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 2.2 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of financial assets

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in note 4.2.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangementÍ¾ and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. If the terms are not substantially different, the original liability is not derecognised and a modification gain or loss is determined based on the original effective interest rate. However, in case the financing agreement has a prepayment option at par without significant penalty, the adjustment is treated as a modification with a prospective adjustment of the effective interest rate to reflect the new market rate and without recognising a gain or loss on modification.

Derivative financial instruments and hedging activities

Initial recognition and subsequent measurement

The Group uses interest rate swaps as derivative financial instrumens to hedge its interest rate risks. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group does not apply hedge accounting for the remaining financial instruments at 31 December 2018. Therefore, all changes related to these financial instruments will be recognised in profit or loss.

Fair value measurement

The Group measures financial instruments such as derivates at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

As at 31 December 2018, the Group had four (2017: ten) financial instruments measured at fair value. These instruments relate to interest rate swaps. At 31 December 2017 Basic-Fit applied hedge accounting for five of these financial instruments, which are designated as hedging instrument in a cash flow hedge relationship. At 31 December 2018 Basic-Fit no longer applied hedge accounting. The derivatives are classified as Level 2 valuation, in accordance with the fair value hierarchy as described in IFRS 13.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For all years presented, the Group only held financial instruments that classify as Level 2 fair values. The Group did not hold any Level 1 or Level 3 financial instruments, nor were there any transfers between levels during the year. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques, that maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to assign a fair value to an instrument are observable, the instrument is included in Level 2. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows, based on observable yield curves (discounted cash flow model).

Fair values, including valuation methods and assumptions

- On 31 December 2018 and 31 December 2017, the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.
- On 31 December 2018 and 31 December 2017, the fair values of other long-term financial assets (security deposits) were not materially different from the carrying amounts.
- On 31 December 2018 and 31 December 2017, the fair values of long-term borrowings were not materially different from the carrying amounts.

5.6 Capital management

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

The Group closed a multicurrency term (€250 million) and revolving credit facilities agreement (€200 million). 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 2018 and at 31 December 2017 was as follows:

	2018	2017
Total borrowings (incl. capitalised finance costs)	338,662	294,588
Less: cash and cash equivalents	(5,626)	(13,033)
Net debt	**333,036**	**281,555**

The increase in net debt is directly related to the investments in new club openings in 2018.

Loan Covenants

Under the terms of the new facilities, as at 31 December 2018, the Group is required to comply with certain financial covenants as defined in the facilities agreement:

- The interest cover ratio should be more than 2.00;
- The leverage ratio should not be more than 3.50.

The Group has complied with these covenants throughout the reporting period. As at 31 December 2018, the interest cover ratio was 18.7 and the leverage ratio was 2.3.

5.7 Finance income and costs

	2018	2017
Finance income:		
Other interest income	66	9
Total finance income	**66**	**9**
Finance costs:		
Interest on external debt and borrowings	(8,538)	(7,819)
Other finance costs	(802)	(376)
Total finance costs	**(9,340)**	**(8,195)**
Total finance costs - net	**(9,274)**	**(8,186)**

Accounting policy

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

Section 6 Provisions contingencies and commitments

This section includes notes related to provisions, contingencies and commitments.

6.1 Provisions

The composition of the provisions is as follows:

	2018	2017
Unfavourable lease contracts	2,934	3,830
Other provisions	805	844
	3,739	**4,674**
Of which:		
Current portion of provisions (< 1 year)	1,018	1,082
Non-current portion of provisions (> 1 year)	2,721	3,592
	3,739	**4,674**

The movement in provisions during the years was as follows:

	Unfavourable lease contracts	Other provisions	Total
On 1 January 2017	**5,036**	**524**	**5,560**
Charged/ (credited) to profit or loss	(1,206)	459	(747)
Usages	-	(139)	(139)
On 31 December 2017	**3,830**	**844**	**4,674**
On 1 January 2018	**3,830**	**844**	**4,674**
Charged/ (credited) to profit or loss	(896)	476	(420)
Usages	-	(515)	(515)
On 31 December 2018	**2,934**	**805**	**3,739**

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

Other provisions consist of:

- costs associated with the restructuring of operations; and
- other expected outflows of resources (costs) as a result of past events

These provisions are formed if the Group has a constructive or legal obligation.

Accounting policy

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 severance payments. Provisions are not recognised for future operating losses.

When 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 the passage of time is recognised as an interest expense.

6.2 Contingencies and commitments

Capital commitments

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

	2018	2017
Property, plant and equipment	**26,905**	**31,604**

(Long-term) financial obligations

The Group has assumed the following obligations: building leases for periods ranging from one to 20 years and operating leases for vehicles and other equipment (expiring in the period 2019-2024). 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:

	2018	2017
Within one year	106,993	83,183
After one year but not more than five years	421,249	336,172
More than five years	409,255	368,953
Total	**937,497**	**788,308**

Compared with the disclosure of lease liabilities under IFRS 16 as described in note 1.4.6, the €937 million of obligations is undiscounted and includes approximately €46 million obligations that will not be included in the lease liabilities in the statement of financial position at 31 December 2018 because at that date, these obligations do not (yet) meet the definition of a lease or because the low-value or short-term exemption option will be used.

Furthermore, before 31 December 2018, the Group had entered into several rental agreements for new locations for a total amount of €139 million (of which approximately €80 million expires after more than five years). These agreements can be dissolved on the basis of resolutive conditions, for example if the required permits are not obtained.

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

Sub-lease payments

	2018	2017
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**5,304**	**2,799**

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

Other commitments

On 31 December 2018, approximately €7.4 million in total had been issued in bank guarantees (2017: €6.7 million).

Claims

The Group is involved in a number of legal proceedings that have arisen in the ordinary course of business. Although it is not possible to predict the outcome of these disputes with reasonable certainty, management does not expect these pending or potential legal proceedings to have any materially unfavourable impact on the Group's consolidated financial position or profitability. Accordingly, 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., BF Developments and Basic Fit Nederland B.V. formed a fiscal unity for income tax and VAT purposes at year-end 2018. As a result, the companies within the fiscal unity are jointly and severally liable for each other's income tax and VAT debts.

Tax group liability (Belgium)

HealthCity België N.V. formed a VAT unity with Basic-Fit Belgium BVBA at year-end 2018. As a result, the companies are jointly and severally liable for each other's VAT debts.

Section 7 Other disclosures

This section includes notes related to the remuneration of members of the Management Board and the Supervisory Board, related party transactions, auditor's remuneration and subsequent events.

7.1 Remunerations of members of the Management Board

Compensation of the Management Board members comprised the following:

	René Moos		Hans van der Aar		Total	
	2018	2017	2018	2017	2018	2017
Base salary	632	563	487	433	1,119	996
Pension allowance	95	84	73	65	168	149
Total fixed compensation	**727**	**647**	**560**	**498**	**1,287**	**1,145**
Short-term incentive	326	259	244	199	570	458
Long-term share-based payments	366	365	266	266	632	631
Total variable compensation	**692**	**624**	**510**	**465**	**1,202**	**1,089**
Social charges	11	10	11	10	22	20
Other	40	53	29	30	69	83
Total other benefits/expenses	**51**	**63**	**40**	**40**	**91**	**103**
Total remuneration	**1,470**	**1,334**	**1,110**	**1,003**	**2,580**	**2,337**

The annual base salaries for René Moos and Hans van der Aar amount to €632,250 and €487,266 respectively.

The members of the Management Board do not participate in the Company's collective pension scheme, but receive a comparable payment (pension allowance) set at a maximum of 15% of their base salary.

The short-term incentive (STI) achievement for 2018 for the Management Board was approved by the Supervisory Board on 5 February 2019. This resulted in an STI pay-out for 2018 of 51.5% of the annual base salary for the CEO and 50% for the CFO. The STI amount will be paid in 2019 after adoption of the Financial Statements for 2018.

The remuneration reported as long-term share-based payments is based on cost incurred under IFRS (see note 2.5).

Details of the performance shares granted to the members of the Management Board as long-term share-based payments are as follows:

Board member	Year of grant	Outstanding on 1 January 2018	Number of shares on target 2018	Vested in 2018	Outstanding on 31 December 2018	Fair value at grant date in €	lock-up date
René Moos	2016	22,222	-	(11,111)	11,111	€ 16.38	1-7-2021
	2017	21,746	-	-	21,746	€ 15.52	7-6-2022
	2018	-	14,050	-	14,050	€ 27.00	15-6-2023
Total shares		**43,968**	**14,050**	**(11,111)**	**46,907**		
Hans van der Aar	2016	17,112	-	(8,556)	8,556	€ 16.38	1-7-2021
	2017	13,954	-	-	13,954	€ 15.52	7-6-2022
	2018	-	10,828	-	10,828	€ 27.00	15-6-2023
Total shares		**31,066**	**10,828**	**(8,556)**	**33,338**		

All awards under the share plans will vest under the condition that the Management Board members are still employed at Basic-Fit.

The awards from the years 2017 and 2018 can increase up to 25 percent in the event of outperformance.

On 31 December 2018, the members of the Management Board did not have any loans outstanding with Basic-Fit.

7.2 Remunerations of members of the Supervisory Board

The total remuneration for Supervisory Board members was €299 thousand in 2018 (2017: €286 thousand).

	2018	2017
Kees van der Graaf	55	34
Ronald van der Vis	-	21
Hans Willemse	53	53
Carin Gorter	50	50
Pieter de Jong	45	50
Herman Rutgers	48	48
Rob van der Heijden	48	30
Total	**299**	**286**

None of the Supervisory Board members have been granted, nor do they possess, any Basic-Fit options or shares, with the exception of Kees van der Graaf, who personally held 3,275 shares, Herman Rutgers who held 1,000 shares and Hans Willemse who held 72,029 shares in Basic-Fit on 31 December 2018.

7.3 Related party transactions

Identification of related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered related parties. Entities that can control the Company or other subsidiaries of the Group are also considered related parties. In addition, statutory and supervisory directors and close relatives are regarded as related parties.
Intercompany transactions are carried out at arm's length.

The following transactions were carried out with related parties:
- Management board compensation (note 7.1);
- Purchases from related parties (mainly rent)

Transactions and balances held with related parties

The table below provides the total amount of transactions that were entered into with related parties for the relevant financial year (excluding management board compensation). In addition, the table provides an overview of all balances held with these related parties.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties (*)
Management Board of the Group:					
Other director's interest	2018	-	6,288	-	1,756
	2017	2,200	5,629	-	1,082

(*) Included in trade and other payables (note 4.5)

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. No guarantees have been provided or received for any related party receivables or payables.

Related party rent

Future related party rent obligations are as follows:

Related Party Rent:	**2018**	**2017**
Within one year	6,577	6,045
After one year but not more than five years	26,177	24,326
More than five years	62,940	64,988
Total	**95,694**	**95,359**

7.4 Auditors remuneration

The following table sets out the aggregate fees for professional audit services and other services provided to the Group by Ernst & Young Accountants LLP and their network inside and outside the Netherlands, as referred to in Section 1(1) of the Dutch Audit Firms Supervision Act (Dutch: Wta, Wet toezicht accountantsorganisaties):

	EY Accountants LLP		**Other EY member firms and affiliates**		**Total network**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Audit of the financial statements	380	448	76	68	456	516
Transactional audit fees	-	-	-	-	-	-
Other audit procedures	-	-	7	-	7	-
Tax Services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
Total	**380**	**448**	**83**	**68**	**463**	**516**

7.5 Events after the reporting period

In January 2019, Basic-Fit entered into a new floating to fixed interest rate swap agreement to replace the swaps that expired at the end of December 2018 and to take advantage of the current low swap rates. The swaps in place since then have a total notional amount of €263.1 million.

No other subsequent events occurred that are significant to the Group which would require adjustment or disclosure in the annual accounts now presented. Subsequent events were evaluated up to 5 March 2019, which is the date the financial statements included in this annual report were approved.

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Company balance sheet

On 31 December (in € x 1,000)	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	B	113	86
Financial fixed assets	C	330,643	319,262
Deferred tax assets	D	32	88
Total non-current assets		**330,788**	**319,436**
Current assets			
Trade and other receivables	E	253	222
Total current assets		**253**	**222**
Total assets		**331,041**	**319,658**
Shareholders' equity	F		
Share capital		3,280	3,280
Share premium		358,360	358,360
Legal reserves		2,553	1,368
Other capital reserves		2,105	1,344
Retained earnings		(56,825)	(58,168)
Profit (loss) for the year		17,594	11,127
Total equity		**327,067**	**317,311**
Current liabilities			
Trade and other payables	G	3,890	2,315
Interest-bearing borrowings	H	84	32
Total liabilities		**3,974**	**2,347**
Total equity and liabilities		**331,041**	**319,658**

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

Company statement of profit or loss

For the year ended 31 December (in € x 1,000)	Note	2018	2017
Revenue		-	-
		-	**-**
Employee benefits expense	I	(3,466)	(3,016)
Depreciation, amortisation and impairment charges	B	(34)	(27)
Other operating income	J	2,360	2,029
Other operating expenses	K	(695)	(849)
Operating profit		**(1,835)**	**(1,863)**
Finance costs	L	(148)	(117)
Finance costs - net		**(148)**	**(117)**
Profit (loss) before income tax		**(1,983)**	**(1,980)**
Income tax		124	142
Profit (loss) after income tax		**(1,859)**	**(1,838)**
Net income of subsidiaries	C	19,453	12,965
Profit for the year		**17,594**	**11,127**

The above Company statement of profit or loss should be read in conjunction with the accompanying notes.

Notes to the company financial statements

A. Basis of preparation

The Company financial statements of Basic-Fit N.V. (hereafter 'the Company') have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with article 362 (8), Book 2 of the Dutch Civil Code, the Company's financial statements have been prepared on the basis of the accounting principles for recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

All amounts are presented in euros ('€ x 1,000'), unless stated otherwise.

The accounting policies used in the preparation of the Company Financial Statements are the same as those used in the preparation of the Consolidated Financial Statements (in accordance with article 362 (8), Part 9 of Book 2 of the Dutch Civil Code). See the notes to the Consolidated Financial Statements, including note 1.4.6 New and amended standards and interpretations.

In addition to these accounting policies, the following accounting policy applies to the Company Financial Statements:

Financial fixed assets

Investments in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary, and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the date on which control is transferred to the Company or its intermediate holding entities. They are derecognised from the date that control ceases.

The Company applies the acquisition method to account for the acquisition of subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary 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 initially measured at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured using the equity method. The measurement of the financial fixed assets under the equity method is based on the measurement principles of assets, provisions and liabilities, and the determination of profit as applied in the consolidated financial statements.

When consolidated subsidiaries have an equity deficit (after taking into account loans that qualify as net investments in the subsidiary) they are measured at zero under the equity method, unless the Company has given a liability undertaking or any other guarantee for the consolidated subsidiary.

Financial Instruments

For information on the risk exposure, risk management and fair values of financial instruments see notes 5.4 and 5.5 of the notes to the consolidated financial statements.

B. Property, plant and equipment

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

	2018	2017
As at 1 January		
Cost	122	122
Accumulated depreciation	(36)	(9)
Net book value	86	113
Years ended 2018 and 2017 respectively		
Opening net book value	86	113
Additions	121	-
Cost of disposals	(122)	-
Depreciation	(34)	(27)
Accumulated depreciation of disposals	62	-
Closing net book value	113	86
As at 31 December		
Cost	121	122
Accumulated depreciation	(8)	(36)
Closing net book value	**113**	**86**

C. Financial fixed assets

The Company has direct and indirect interests in the subsidiaries listed in note 1.2 (in the notes to the consolidated financial statements) and is the owner of 100% of Basic Fit International B.V., based in Hoofddorp, the Netherlands.

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

	2018	2017
Balance as at 1 January	**319,262**	**305,822**
Adjustment on initial application of IFRS 15	(8,432)	-
Share of result of participating interests	19,453	12,965
Changes in cash flow hedge reserve	360	475
Balance as at 31 December	**330,643**	**319,262**

D. Deferred tax assets

The deferred tax assets are recognised due to temporary differences in the valuation of assets and liabilities. The Company expects to recover the full amount within 12 months.

E. Trade and other receivables

	2018	2017
Trade receivables	40	-
Receivables from Group companies	37	91
Other receivables and prepayments	176	131
Total	**253**	**222**

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

Receivables from Group companies relate to Basic Fit II S.A. (France).

F. Shareholders' equity

The movements in shareholders' equity were as follows:

	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Result for the year	Legal reserves	Total
Balance - 1 January 2017	**3,280**	**358,360**	**-**	**729**	**(38,249)**	**(19,411)**	**368**	**305,077**
Prior year profit appropriation	-	-	-	-	(19,411)	19,411	-	-
Result from cash flow hedge	-	-	-	-	-	-	475	475
Net result for the year	-	-	-	-	-	11,127	-	11,127
Equity-settled share-based payments	-	-	-	1,410	-	-	-	1,410
Purchase of treasury shares	-	-	(869)	-	-	-	-	(869)
Exercised share-based payments and sale of remaining treasury shares	-	-	869	(795)	17	-	-	91
Development expenditures	-	-	-	-	(531)	-	531	-
Other changes legal reserves	-	-	-	-	6	-	(6)	-
Total movements	**-**	**-**	**-**	**615**	**(19,919)**	**30,538**	**1,000**	**12,234**
Balance - 31 December 2017	**3,280**	**358,360**	**-**	**1,344**	**(58,168)**	**11,127**	**1,368**	**317,311**
Balance - 1 January 2018	**3,280**	**358,360**	**-**	**1,344**	**(58,168)**	**11,127**	**1,368**	**317,311**
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	(8,432)	-	-	(8,432)
Adjusted balance - 1 January 2018	**3,280**	**358,360**	**-**	**1,344**	**(66,600)**	**11,127**	**1,368**	**308,879**
Prior year profit appropriation	-	-	-	-	11,127	(11,127)	-	-
Result from cash flow hedge	-	-	-	-	-	-	360	360
Net result for the year	-	-	-	-	-	17,594	-	17,594
Equity-settled share-based payments	-	-	-	1,486	-	-	-	1,486
Purchase of treasury shares	-	-	(665)	-	-	-	-	(665)
Exercised share-based payments and sale of remaining treasury shares	-	-	665	(725)	(527)	-	-	(587)
Development expenditures	-	-	-	-	(798)	-	798	-
Other changes legal reserves	-	-	-	-	(27)	-	27	-
Total movements	**-**	**-**	**-**	**761**	**9,775**	**6,467**	**1,185**	**18,188**
Balance - 31 December 2018	**3,280**	**358,360**	**-**	**2,105**	**(56,825)**	**17,594**	**2,553**	**327,067**

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

G. Trade and other payables

The composition of Trade and other payables was as follows:

	2018	2017
Trade payables	209	15
Payables to Group companies	2,745	1,645
Payroll tax payable	118	55
Other liabilities and accrued expenses	818	600
Total	**3,890**	**2,315**

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.

H. Interest-bearing borrowings

This amount of €84 thousand represents a part of the drawn credit facility.

I. Employee benefits expense

	2018	2017
Salaries and wages (including share-based payments)	(3,445)	(2,996)
Social security contributions	(21)	(20)
Total	**(3,466)**	**(3,016)**

Salaries and wages include an amount of €1,486 thousand (2017: €1,410 thousand) related to share-based payments (see note 2.5 of the consolidated financial statements).

The number of employees employed by Basic-Fit N.V. at year-end 2018 was two, both of whom are based in the Netherlands. For information regarding the remuneration of the members of the Management Board see note 7.1 of the consolidated financial statements.

J. Other operating income

	2018	2017
Overhead costs charged on to Group companies	2,360	2,029
Total	**2,360**	**2,029**

K. Other operating expenses

Other operating expenses consist primarily of Supervisory Board compensation (see note 7.2 of the consolidated financial statements), audit and consulting fees, plus insurance costs.

Audit fees
Reference is made to note 7.4 in the consolidated financial statements.

L. Finance costs

Finance costs consist primarily of interest related to Group companies.

M. Contingencies and commitments

The provisions of Section 403(2), Book 2 of the Dutch Civil Code apply to the group companies Basic Fit International B.V. and Basic Fit Nederland B.V. The Company is consequently jointly and severally liable.

N. Events after the reporting period

Reference is made to note 7.5 in the consolidated financial statements.

O. Proposed profit appropriation

The Management board proposes to add the profit for 2018 (€17,594 thousand) to the retained earnings.

P. Authorisation of the financial statements

Hoofddorp, the Netherlands

5 March 2019

Prepared by the Management Board:

R.M. Moos
H.J. van der Aar

OTHER INFORMATION

Provision in the Articles of Association relating to profit appropriation

According to the Company's Articles of Association, the Company may make distributions to the shareholders provided that the Company's shareholders' equity exceeds the sum of the called-up and paid-in capital of the Company, plus legal and statutory reserves. If the adopted annual accounts show a profit, the Management Board shall determine which part of the profits shall be reserved. The General Meeting may only resolve on any distribution from the Company's reserves pursuant to and in accordance with a proposal to that effect by the Management Board, which proposal has been approved by the Supervisory Board.

Independent auditor's report

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

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Basic-Fit N.V, based in Hoofddorp, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Basic-Fit N.V. as at 31 December 2018 and of its result and its cash flows for 2018 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 2018 and of its result for 2018 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 2018
- The following statements for 2018: 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 2018
- The company statement of profit or loss for 2018
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Basic-Fit N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 2.4 million (2017: € 1.65 million)
Benchmark applied	Approximately 2 per cent of consolidated EBITDA
Explanation	Based on our professional judgment we have considered earnings-based measures, such as EBITDA, as an appropriate benchmark to determine materiality. We believe EBITDA is a suitable basis, as EBITDA is an important measure of the company's performance

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 € 121,000, 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 selected the Netherlands, Belgium and France as significant components based on their scale and/or their risk profile and performed full scope procedures with respect to these countries.This means that an audit has been performed on the complete set of financial information, thereby obtaining the following coverage: total assets (96%), revenue (92%) and EBITDA (88%). Furthermore we performed desk-top review procedures with respect to Spain and Luxembourg.

All components are audited by EY and its international network. For group audit purposes, most audit procedures are executed by the Dutch group audit team, except for payroll and taxes in France and Belgium (EY France respectively EY Belgium). The group audit team provided detailed instructions to EY France and EY Belgium that covered payroll and taxes, and set out the information required to be reported back to the group audit team. The group audit team discussed the findings and observations reported and performed any further work deemed necessary.

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.

Compared to prior year, we made a reassessment of the key audit matters relevant to our audit. We determined that the key audit matter "Valuation income taxes" is not considered a key audit matter for the audit of the 2018 financial statements. Our reassessment is based on an evaluation of the likelihood of occurrence and potential impact of material misstatement of the audit matters. We have assessed the likelihood of occurrence and/or the potential impact as to be lower compared to previous year.

Risk	Our audit approach	Key observations
The measurement of revenue *Refer to note 1.4.6. (New and amended standards and interpretations – IFRS 15 Revenue from contracts with customers) and note 2.2 (Revenue)*		
Revenue recognition and the accounting for deferred revenues is based on estimates and assumptions that require management judgment. Furthermore, 2018 is the first year in which IFRS 15 is adopted. 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. We have specifically assessed the completeness and proper cut-off of revenues. Furthermore, we assessed the nature of transactions and impact analysis related to the first year of adoption of IFRS 15. We also focused on the adequacy of the company's disclosures in respect of IFRS 15.	We did not identify evidence of material misstatement in the revenue recognized in the year.
Valuation of goodwill *Refer to note 3.1 (Goodwill)*		
Basic-Fit N.V. has a significant amount of goodwill on its balance sheet of € 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 2018, 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.	We consider management's key assumptions and estimates to be within an acceptable range. We agree with management's conclusion that no impairment of goodwill is required in 2018. We assessed that the disclosures in respect of goodwill (Note 3.1) in the financial statements are appropriate.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Management Board report
- Supervisory Board report
- Remuneration report
- Other information

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 substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by 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. on 16 November 2015, as of the audit for year 2015 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

Our services are only related to the audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:

- 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. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

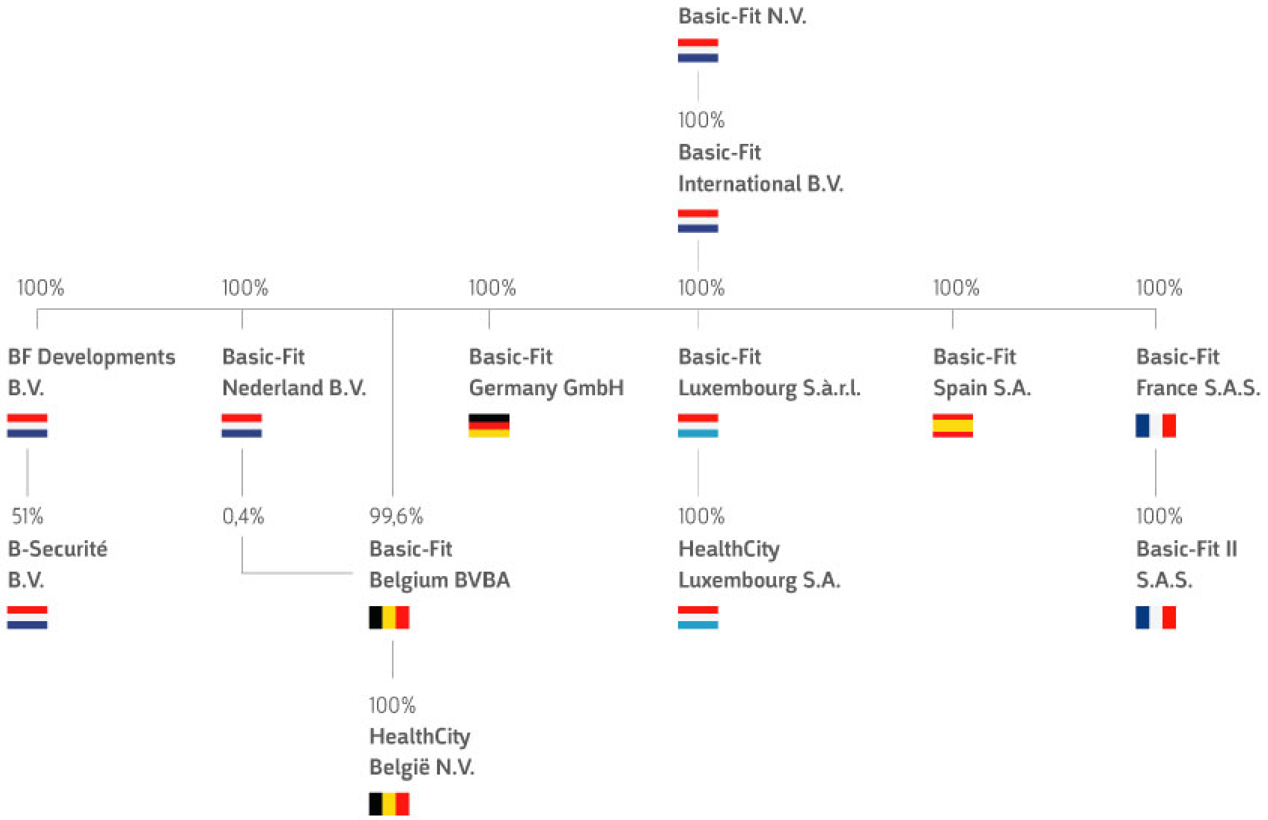
From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 5 March 2019

Ernst & Young Accountants LLP

Signed by M. Bangma-Tjaden

Organisation chart Basic-Fit



SHAREHOLDER INFORMATION

Investor relations

Basic-Fit is committed to providing transparency and consistency in its reporting. We have an extensive communication programme and engage and maintain an open dialogue with investors and analysts. Our Investor Relations programme includes roadshows, investor conferences and in-house meetings and the AGM. In the Investor Relations section of our website, we provide an up-to-date financial calendar with relevant events.

The majority of our communications with the investment community take place through press releases, which are widely distributed, made generally available, and filed with the AFM. We make all relevant and important information available on our corporate website.

Basic-Fit strictly adheres to applicable rules and legislation on fair disclosure. Our quiet period starts on the eleventh day of the first and third quarters, and the ninth day of the second and fourth quarters, until the publication of our results or trading updates. During these periods, we do not engage in any discussions with analysts, investors or financial journalists, or make presentations at investor conferences.

Investors and analysts are invited to contact our Investor Relations team with any queries they might have:
email: investor.relations@basic-fit.com
Phone: +31 23 3022385

Listing

Basic-Fit has been listed on Euronext Amsterdam since 10 June 2016 and is included in the Small Cap Index (ASCX). The total number of outstanding shares is 54,666,667 and based on the closing price of 31 December 2018 our market capitalisation was €1.4 billion.

Euronext Amsterdam symbol: BFIT
ISIN: NL0011872650

Share price performance

The closing price for the Basic-Fit share was €25,95 at year-end 2018, a 29% increase compared to the €20.11 closing price at the end of 2017. The average daily traded volume was approximately 58 thousand shares.

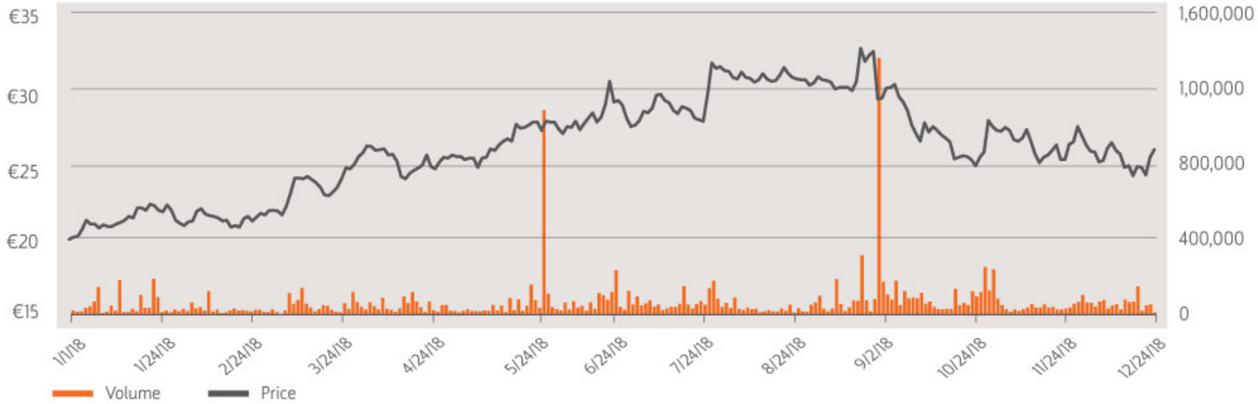
Shareholders

Under Dutch law, shareholdings of 3% or more in Basic-Fit's total outstanding share capital must be disclosed to the Dutch Financial Markets Authority (AFM). According to the AFM's Substantial Holdings register, the following institution also had substantial holdings in Basic-Fit.
At the end of 2018, our main shareholders were Mito Holdings S.à.r.l. (3i Investments plc) and AM Holding BV (R.M. Moos), holding 21.1% and 16.3% of the company's shares respectively. Dynamo Internacional Gestão de Recursos Ltda. had a holding of over 5% and Marshall Wace LLP and Pelham Capital Ltd. had a holding of more than 3% in Basic-Fit.

Financial year and reporting

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

Share price development



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 contain non-IFRS financial measures and ratios (e.g. adjusted 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. The table below provides an overview of the non-IFRS measures used with their definitions.

Term	**Definition**
Adjusted club EBITDA	Earnings before overhead, interest, taxes, depreciation, amortisation and exceptional expenses
Adjusted club EBITDA margin	Adjusted club EBITDA as a percentage of revenue
Adjusted EBITDA	Earnings before interest, taxes, depreciation, amortisation and exceptional expenses
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of revenue
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDA margin	EBITDA as a percentage of revenue
EBIT	Earnings before interest and taxes
Adjusted net earnings	Net earnings adjusted for amortisation, 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 of a mature clubs divided by the initial investment to build a club
Mature club revenue	Revenue of clubs that had been open for 24 months or more at the start of the year
Mature club EBITDA margin	EBITDA of mature clubs as a percentage of mature club revenue
Net debt	Total of long- and short-term borrowings less cash and cash equivalents

Colophon

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