ANNUAL REPORT 2017

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.

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

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

TABLE OF CONTENTS

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

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

> Revenue increased by **26%** to **€326 million** (2016: €259 million)

> Like-for-like revenue of mature clubs increased by **1.3%** to **€135 million** (2016: €134 million)

> Adjusted club EBITDA* margin of **44.2%** (2016: 43.7%)

> Adjusted EBITDA* increased by **25%** to **€100.5 million** (2016: €80.4 million)

> Net earnings of **€11.1 million** (2016: **-** €32.4 million)

> Adjusted net earnings* increased by **57%** to **€23.6 million** (2016: €15.0 million).

OPERATIONAL HIGHLIGHTS

> 102 net club openings, growing the network to **521 clubs** (up 24% year on year)

> Total number of memberships increased to **1.52 million** (up 26% year on year)

> Other revenue increased by **31%** to **€7.2 million** (2016: €5.5 million) due to increased demand for day passes and personal trainers.

OUTLOOK 2018

> We expect to grow our club network by around **100 clubs** in 2018

> Strong club openings pipeline with more than **250 clubs**

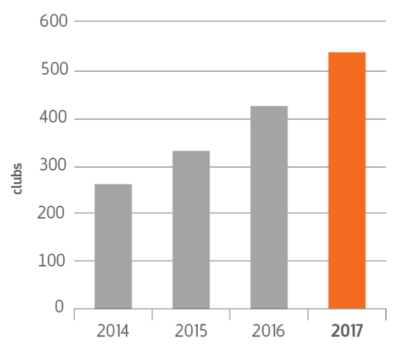
> Unchanged target of return on invested capital on mature clubs of at least **30%.**

* *For an explanation of non-IFRS financial measures please refer to the section non-IFRS measures in the back of this report.*
Change percentages and totals in this document are calculated before rounding. As a consequence, rounded amounts may not add up to the rounded total in all cases.

BASIC-FIT AT A GLANCE

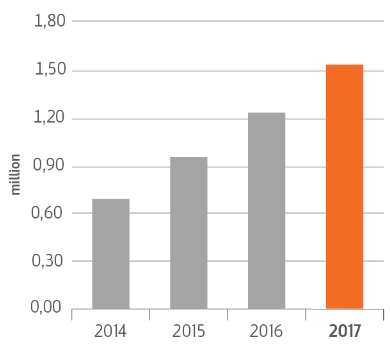
Clubs

521 up 24% year-on-year



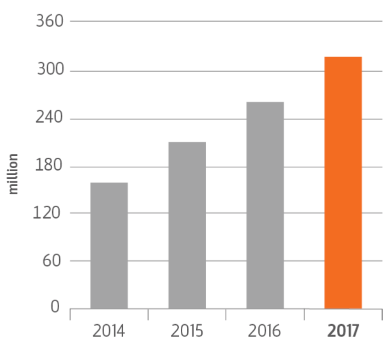
Memberships

1.52 million up 26% year-on-year



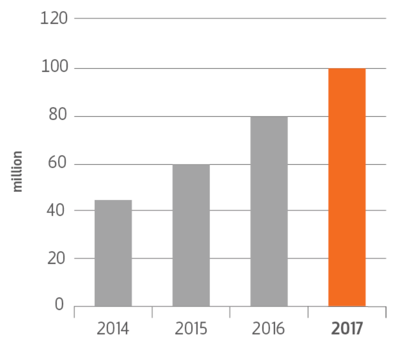
Revenue

€326 million up 26% year-on-year



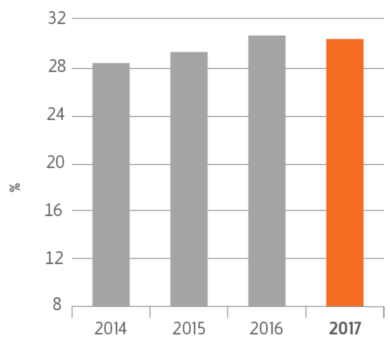
Adjusted EBITDA

€100 million up 25% year-on-year



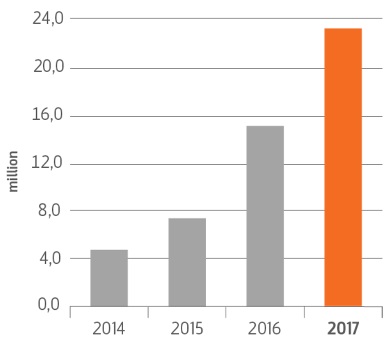
Adjusted EBITDA margin

30.8% -25 BPS year-on-year



Adjusted earnings

€23.6 million up 57% year-on-year



521 CLUBS IN EUROPE

OUR PROFILE

Who we are

Basic-Fit is the value-for-money fitness brand that is changing the way people keep fit across Europe. With 521 clubs and more than 1.5 million members, Basic-Fit is the largest fitness chain 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 presence

We are active in five countries in Europe with 152 clubs in the Netherlands, 167 in Belgium, 9 in Luxembourg, 160 in France and 33 clubs in Spain.

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. Membership passes are shareable with family members and give members access to all our clubs in Europe.

Members can, at their own discretion, add a sports water subscription to their membership or make use of the personal trainers. The Basic-Fit Pro Coach app provides members with personalised training and nutritional advice and other information that ensures they make the most of their workout and Basic-Fit membership.

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 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 rewarding activity and he decided to shift the focus to fitness and wellness.

HealthCity

In 2004, after a merger with another small chain in the Netherlands, the company continued with 11 clubs under the name HealthCity and 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 in the Benelux, France, Spain and elsewhere.

The budget concept

In 2006, HealthCity decided to roll out a budget concept under the brand HealthCity Basic. In 2010, as the budget concept became more popular, HealthCity acquired the Basic-Fit brand and 28 of its clubs, enabling the company to accelerate the growth of its budget line. All budget operations were put under the Basic-Fit brand.

Focus on Basic-Fit

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

Europe's largest fitness chain

In early 2016, Basic-Fit reached the milestone of one million members and began preparations for an initial public offering (IPO). With the listing on 10 June 2016, Basic-Fit was financially set up for the next growth phase. In 2017, Basic-Fit opened more than 100 clubs and, with more than 500 clubs, is Europe's largest fitness chain.

MESSAGE FROM THE CEO

We had a very successful 2017, as we increased the number of clubs, the number of members, revenue and EBITDA by at least 24%. We added 102 clubs to our network, taking the total to 521 clubs. Passing the 500-club mark was a historical moment for Basic-Fit and reconfirmed our position as the leading fitness chain in Europe.

We make affordable fitness available for all

We believe that everyone deserves to be fit and our aim is to make fitness available to everyone right across Europe. We currently have more than 1.5 million people who can work on improving their fitness in our clubs or online. We see huge demand for high-quality and affordable fitness facilities, but the availability is still limited, especially outside the larger cities. When we open a new club a significant part of our new members have never been a member of a fitness club before. In France it is even more than 40%.

Due to our low-cost model, we can also open clubs in small municipalities and provide people with the same opportunity to exercise in the same high-quality facilities as people in larger cities. Last year, we successfully tested the viability of a regional proposition in Belgium and France. The implications are significant. By opening clubs close to where people live or work, we can make high-quality and affordable fitness available to an ever-growing number of people. If we were to confine ourselves to cities with more than 30,000 inhabitants, say in France, we would only reach 40% of the French population. Our regional proposition means we can now bring fitness closer to the other 60%, which takes us closer to our ultimate goal of having a Basic-Fit pass on every kitchen table, in every home across Europe.

Unexpected value

At Basic-Fit, we do not think low-cost should mean low-value. In fact, just the opposite. We aim to give our members unbeatable value, every single day. To achieve this, we need to innovate continuously. This is why we constantly try to come up with new ways to make fitness available to everyone, everywhere and in every way possible.

We aim to make it as easy as possible for everyone to enjoy the Basic-Fit experience and offer real value. Not only can Basic-Fit members share their passes with family members, they also get access to all our clubs right across Europe. Our clubs have extended opening hours, and to make it even easier for people to exercise whenever they can or want to, we are planning to increase the number of clubs that are open 24 hours a day. On top of this, in early 2018, we launched our GXR platform, which offers the best-in-class virtual group classes. This platform is available at all our clubs, online and via the Basic-Fit app, making it possible for people to do their classes wherever and whenever they want.

Keeping our members motivated

To reap the full benefits of fitness, it is important to exercise effectively and regularly. People who do this enjoy it the most and stay members the longest. We encourage members to keep coming to our clubs and make fitness part of their lifestyle and normal everyday routine.

"A Basic-Fit pass on every kitchen table, in every home across Europe."

To achieve this, we have created a digital activation member journey that focuses on onboarding and activating new members at the start of their membership. We introduce the new members to the club and all the fitness equipment and we provide them with digital support by sending them all kinds of useful information, such as the club layout, training schedules, exercise instructions, nutritional advice and lots more. And this approach works; the members who take advantage of our welcome journey tend to make a significantly higher number of visits in the first couple of months of their membership. We have seen the average length of stay of members increase by 3 months in the past few years.

Reaching out to our investors

Since our listing in June 2016, we have been very active in reaching out to investors and explaining our strategy and how we operate. Thanks to this ongoing dialogue, we also discovered that there were a number of recurring topics that our investors wanted us to elaborate on. So at the end of last year, we organised a capital markets day to address these topics. In a full day of presentations by senior management, we explained in detail our expansion strategy, our site selection and club development process, our brand positioning and our marketing and innovation strategy. We also explained the club economics and how we look at capital expenditures and financial targets. We got very positive feedback on the day from investors. In the years ahead, we will continue to reach out actively to investors to discuss our strategy, how we work as a company and the industry.

Thank you

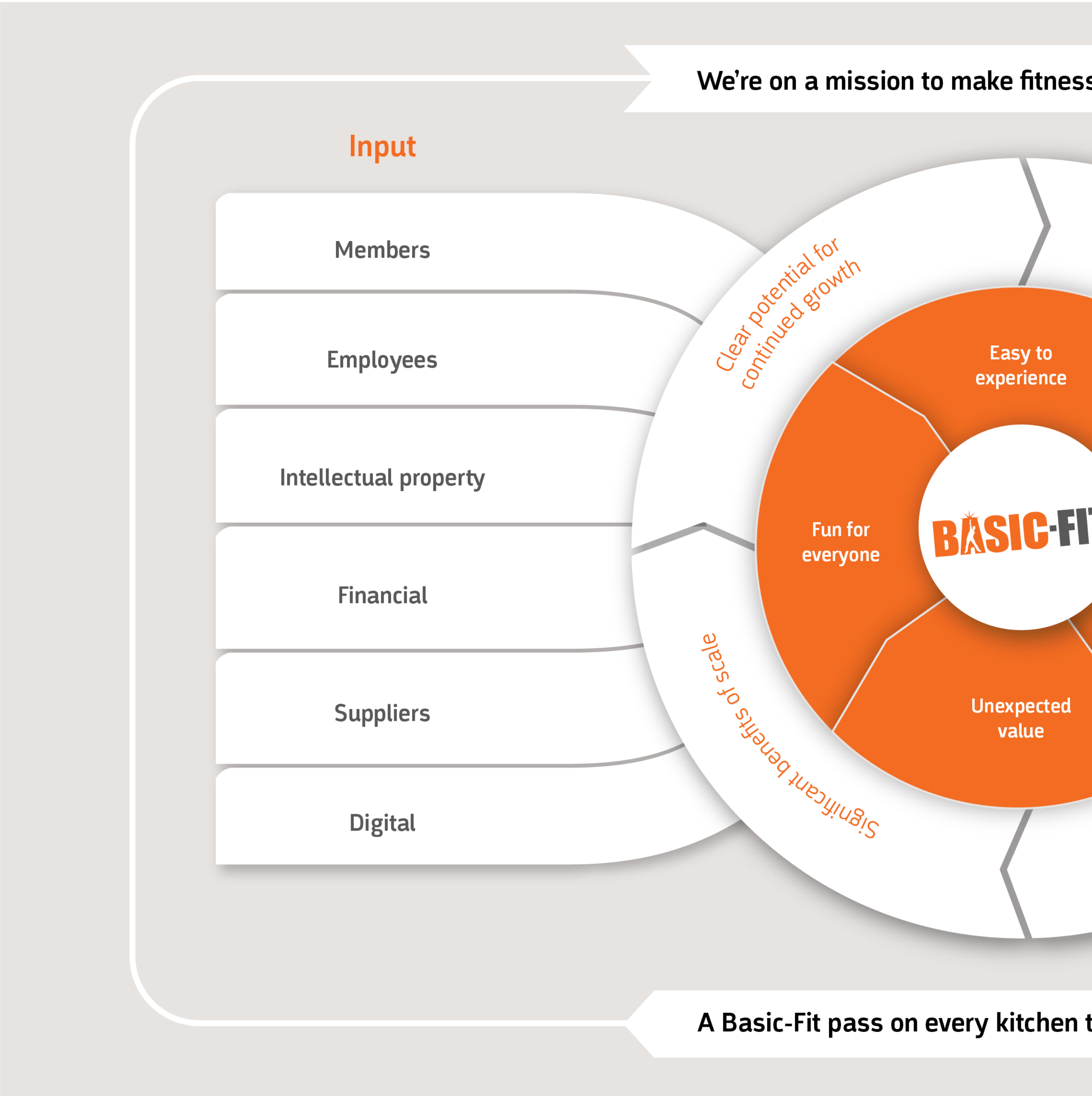
First of all, I would like to thank our members for joining Basic-Fit. That so many people are finding their way to our clubs is clear recognition of what we offer and shows that people really do appreciate our facilities and our services.

I would also like to thank all 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 along the way our people managed to improve the service and offering for our members even further.

I'm again looking forward to an exciting year with strong growth. We will continue to shape the European fitness landscape and work towards a future in which everyone can enjoy the benefits of a Basic-Fit membership.

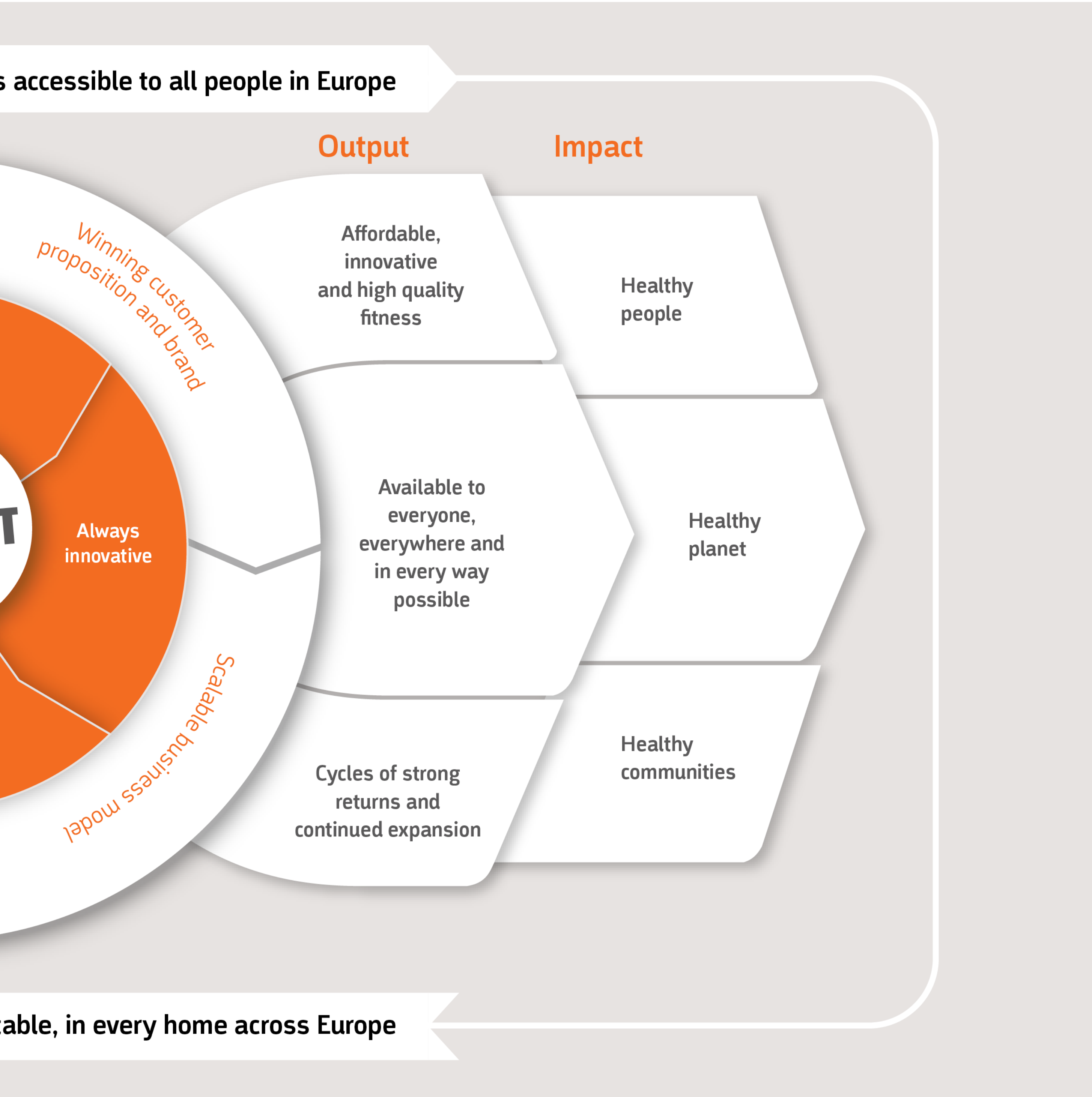
René Moos, CEO

VALUE CREATION MODEL



Basic-Fit's value creation model provides insight into the resources that we use to achieve our long term 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 flexible and 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 our mission. They are a 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 employees 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 and reduce costs or develop new products and services.

Suppliers

Basic-Fit has a number of key suppliers and partners, including manufacturers of high-quality fitness equipment and construction companies. We foster local entrepreneurship and work with local partners, including the head trainers 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 value to our intellectual property and help us to maintain our competitive advantage.

Output and outcomes

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

We increased our club network by 102 clubs to 521 clubs, in which an additional 313,000 members are now working to improve their fitness. Secondly, the introduction of our GXR platform will give our members even more control over where, how and when they are exercising. And last but not least, we reported a return on invested capital[1] of 34% and see continued strong potential for the growth of our network in the years ahead.

Impact

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

[1] Measured by adjusted club EBITDA of a mature club divided by the initial investments of building a club.

OUR STRATEGY

Mission

We believe that everyone deserves to be fit. Because when you are fit you feel happier, healthier and you get more out of life. That is why we are on a mission to make fitness accessible to all people in Europe.

Trends that impact Basic-Fit

We have identified six global trends that impact Basic-Fit. 1) The average life span is increasing. 2) Lifestyle diseases like obesity and diabetes are increasing. 3) More people are living in cities. 4) People are looking for instant gratification. 5) Digitalisation and the increased use of the smartphone. 6) World population continues to grow.

These trends affect Basic-Fit in a number of ways. A fitness workout is an ideal solution for people who want to choose how active they are and who 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 term of distribution of males and females and it represents all age groups. With everything we do, we make sure that we are inclusive for everybody. And to further broaden our membership base going forward, we focus 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 it is our aim 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 digitisation and the increasing use of smartphones.

We are pleased that the subject of growing inactivity is getting more and more attention and people are starting to realise that inactivity can have a major negative impact on their health and well-being. Inactivity now causes 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 be 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 this at a very affordable price making it possible for as many people as possible to take up a Basic-Fit subscription.

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 750 additional value-for-money fitness clubs in our existing geographical markets. And if we assume a modest growth in penetration levels towards the levels seen in more mature markets, the number of clubs that could potentially be opened in our markets more than doubles to 1,800.

We believe that France and Spain provide particularly attractive opportunities for the continued growth of our business. Both countries currently have, as mentioned, 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.

Based on the large number of clubs we identified in 2016, the growth of the pipeline of new club openings and the current window of opportunity in France, we decided early 2017 to accelerate the execution of our growth strategy and open around 100 clubs a year. This was an increase from the 65 to 75 clubs a year we previously set as a medium-term target.

We have institutionalised strict site selection and club development procedures to help country management identify and assess new sites and develop new clubs, and to make sure we meet our financial targets.

Growth through maturation of existing network

Once we open a club, it generally takes 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 it will 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 two years. So, based on the number of clubs at the end of 2017, our adjusted club EBITDA could increase to more than €200 million, compared to €144 million in 2017, without opening a single new club.

Advantages of scale

Basic-Fit is the largest value-for-money fitness chain in Europe measured by the number of clubs. With our strong growth profile and replacement cycle, we are also the largest buyer of fitness equipment in Europe. This position gives us significant bargaining power with our suppliers, who therefore offer us large discounts and 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 less 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 on average around 1,600 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 timeframe, so we can meet as much of the assessed demand for value-for-money fitness as possible, while at the same time making sure that each club we open will deliver on the minimum return on invested capital[1] (ROIC) threshold of 30% at maturity. This cluster strategy makes us a compelling choice for people, as it is more than likely that we have a club near where they work and where they live and membership gives people access to all our clubs.

Trends and innovation

Fitness has been around since the 1960s and in the midst of the countless trends and hypes that have come and gone over the years it has proven itself a highly resilient business with steady historical growth.

Our clubs are designed in such a way that we can modify their offering and adapt to changing fitness trends.

Basic-Fit sees innovation as crucial to its future growth and profitability. It has helped us to operate our clubs efficiently with a limited number of employees. It also helps us to better understand our members and to make our sales approach more effective. In the coming years, we will continue to invest in innovation to continue to improve the fitness experience for our members, reduce the operational costs and increase revenue by offering enhanced and new services. For example, automated administrative processes have freed up employees to spend more time on member interaction and improve our members' fitness experience. We have achieved automation efficiencies through such innovations as virtual group classes and the kiosk, where people can obtain a new membership or adapt their current membership to their needs without the help of our staff.

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. Our add-ons currently include the Basic-Fit Pro Coach app, a sports water subscription and live group classes (LiveGX). The add-on income stream is part of the fitness revenue.

[1] Measured by adjusted club EBITDA of a mature club divided by the initial investments of building a club.

We also 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 relatively small (2% of total revenue), we have been rolling out the offerings in across our network to further increase this revenue stream. 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 result we have started to implement a partnership programme in the Netherlands in the past year.

Selective acquisition of fitness clubs

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

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

Expansion into other geographical markets

We believe that there are several new geographical markets in Europe that could provide an attractive opportunity for us to establish a presence in the longer term.

If we were to pursue expansion into other geographical markets, we would be looking to pursue opportunities in sizeable markets with low levels of fitness penetration or an underdeveloped low-cost fitness segment, and where there is a significant gap between prevailing health and fitness club prices and our price levels. While further geographical diversification is something we will consider, we are currently focused on expanding our network in our existing markets.

Financing

We finance our growth by reinvesting generated cash and by drawing on our available credit facility. We believe we have sufficient liquidity to build new clubs, to make small acquisitions (one-off clubs or a small fitness chain), to run our day to day operations and develop new revenue streams. In the short term, we feel comfortable with a net debt of between two and a half and three times adjusted EBITDA. If the opportunity arises, we will also consider larger acquisitions. We would carefully assess the most suitable financing construction to finance such acquisitions.

Medium-term objectives

By pursuing our strategy, and assuming normal macro-economic conditions and market circumstances, and no material changes to the current regulatory or tax framework in our industry or our business, our medium-term goal is to (i) add around 100 clubs to our network each year; (ii) achieve an average annual revenue growth of at least 20% with operating leverage; (iii) achieve modest like-for-like revenue growth; and (iv) achieve a minimum return on invested capital of 30% on mature clubs.


BASIC-FIT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BASIC-FIT MANAGEMENT BOARD REPORT

Basic-Fit Management Board

René Moos

Chief Executive Officer and chairman of the Management Board
Year of birth: 1963
Nationality: Dutch
Other positions None

René, a former professional tennis player, has over 30 years of sector experience. In 1984, 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 2012, René was appointed CEO of Basic-Fit. René studied at the University of Tennessee in Knoxville, Tennessee, USA.

Hans van der Aar

Chief Financial Officer
Year of birth: 1958
Nationality: Dutch
Other positions None

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

Business and financial review

Key figures

In € millions	2017	2016	change
Total revenue	325.8	258.6	26%
Club operating expenses	(182.0)	(145.7)	25%
Adjusted club EBITDA	143.9	112.9	27%
Total overhead expenses	(43.4)	(32.5)	33%
Adjusted EBITDA	100.5	80.4	25%
Exceptional items	(3.7)	(11.0)	-66%
EBITDA	96.7	69.4	39%
Adjusted net earnings*	23.6	15.0	57%
Adjusted EPS*	0.43	0.34	26%

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

Club and membership development

In 2017, we increased our network by 102 clubs – 109 openings and seven closures – to 521 clubs. France is central to our international expansion plans and we increased the number of clubs in that country by 87 to 160 clubs last year. We added a further eight clubs to our network in Belgium, along with four new clubs in the Netherlands, two in in Spain and one new club in Luxembourg. The total number of net club openings of 102 compares to 81 new clubs in 2016. This increase was possible thanks to our well-defined expansion process. This enables us to build a strong new club opening pipeline with sites that should bring us a return on invested capital[1] of at least 30%.

In the year under review, we increased the number of Basic-Fit memberships by 26% to 1.52 million, from 1.21 million in 2016. This was mainly the result of the strong increase in the number of clubs.

Revenue development

Group revenue increased by 26% to €326 million in 2017, compared with €259 million in the previous year. This strong growth was the result of 26% higher fitness revenue and 31% higher other revenue. The continued expansion in the number of clubs in our network and the addition of members in our existing clubs were the main drivers for the increase in fitness revenue. The increase of other revenue was largely due to the higher sales of day passes and further rollout of the personal trainer offering.

All countries showed strong revenue growth compared to 2016. Revenue of the segment Benelux increased by 11% to €239 million. The growth segment France and Spain increased revenue by 98% to €87.3 million.

On a like-for-like basis, the 176 clubs that were mature in both 2016 and 2017 increased revenue by 1.3% to €135 million. This increase was the result of higher revenue per member in combination with a stable membership development.

	2017		2016	
Revenue in € millions	Clubs	Revenue	Clubs	Revenue
Netherlands	152	112.1	148	100.1
Belgium	167	117.4	159	106.2
Luxembourg	9	9.0	8	8.2
France	160	66.0	73	25.0
Spain	33	21.3	31	19.0
Total	**521**	**325.8**	**419**	**258.6**

[1] *Measured by adjusted club EBITDA of a mature club divided by the initial investments of building a club.*

The average revenue per member per month was stable at €19.41, compared with €19.46 in 2016. Basic-Fit has a transparent and uniform pan-European membership fee structure, and due to the higher VAT rate in France the strong growth in that country had a slightly negative impact on the net average fitness revenue per member. This was partly offset by the higher uptake of add-on subscriptions.

Other revenue consists of all revenue items that are not included in the membership fee and includes sales through vending machines, day passes, rental income from physiotherapists and personal trainers and income from our partner programme. We have personal trainers available in most of our clubs outside France and will start to make these trainers available in France in 2018. We now have self-employed personal trainers in nearly 300 clubs. In the year under review, we completed the rollout of the new vending machines in the Benelux and Spain. Early 2018 we have started a pilot in France, and if this will be successful we will also rollout a new vending machine offering in France in 2018.

Adjusted EBITDA

At club level, total operating costs increased by 25% to €182 million in 2017, up from €146 million in 2016, as a result of the growth in the number of clubs.

The growth of revenue outpaced the growth of operating expenses and as a result we saw adjusted club EBITDA increase by 27% to €144 million, from €113 million in 2016. As a percentage of revenue, the adjusted club EBITDA margin increased by 50 bps to 44.2%. The adjusted club EBITDA margin of the 246 mature clubs was 49.4%, this was 49.6% in 2016. Like-for-like, the 176 clubs that were mature both in 2017 and 2016, reported an adjusted club EBITDA margin of 50.3% compared to 50.0% in 2016.

Overhead expenses increased to €43.4 million from €32.5 million. This was largely due to the increase in country and international overhead costs as a result of the continued professionalization of the organisation in 2016 which costs have become fully visible in 2017. We also saw an increase in marketing costs, due to the expansion in various regions in France where we still rely on local advertising.

In the year under review, exceptional items included the non-cash rental costs that we incur before a club is open for business and amounted to €3.7 million. This compares to €11.0 million in 2016, when exceptional items included the IPO-related transaction costs.

In 2017, adjusted EBITDA (EBITDA adjusted for exceptional items) increased by 25% to €100.5 million, from €80.4 million in 2016. The adjusted EBITDA margin was 30.8% compared to 31.1% in 2016.

Operating result

The operating result (EBIT) was €21.3 million, compared to €4.0 million in 2016. The strong increase is mainly explained by the higher EBITDA and the lower exceptional items, which were partly offset by higher depreciation. Total depreciation costs were €60.0 million in 2017, compared to €48.7 million in 2016. As a percentage of revenue, depreciation declined to 18% from 19%.

The total amount of amortisation for the year was €15.4 million, compared to €16.7 million in 2016. Amortisation mainly relates to the purchase price allocations after the acquisition of part of Basic-Fit by 3i Group in 2013.

Net debt and financial result

Net debt was €282 million at year-end 2017, compared to €206 million at year-end 2016. 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, measured by dividing the net debt by adjusted EBITDA, was 2.8, compared to 2.6 at year-end 2016 and which is within the guided bandwidth of 2.5 to 3.0 times adjusted EBITDA.

In March 2017, we increased the revolving credit facility by €75 million to secure funding for the accelerated growth plan that we announced at that time. At the end of 2017, we had €46 million in undrawn credit facilities, compared to €44 million at the end of 2016.

Total finance expenses were €8.2 million in 2017, compared to €35.7 million in 2016. This decrease was the result of the new credit facility agreement we entered into at the time of the IPO, with significantly improved terms. In addition, finance expenses in 2016 included costs (€12 million) related to the early repayment of previous loans and lease commitments, and €11 million interest on shareholder loans.

Tax

The corporate income tax expense for the year was €2.0 million representing an effective tax rate of 15%. The relative low tax expense is primarily the result of announced future tax rate adjustments in France and Belgium. This resulted in the reassessment of deferred tax assets and liabilities with a net positive €2.2 million non-cash gain. In 2016, the corporate income tax expense was €0.7 million, representing an effective tax rate of minus 2%.

Adjusted net earnings

Basic-Fit recorded a net profit of € 11.1 million in 2017, compared to a net loss of €32.4 million in 2016. Adjusted for amortisation, interest on shareholder loans (in 2016 only), exceptional items and one-offs and the related tax effects, earnings were €23.6 million in 2017, an increase of 57% compared to the €15.0 million reported in 2016.

In 2017, the exceptional items mainly related to pre-opening costs, which are non-cash lease costs incurred ahead of opening a club. In addition, we incurred some minor restructuring costs. In 2016, exceptional items were primarily related to the IPO and to a lesser extent to pre-opening costs. The one-off costs are linked to the refinancing and early repayment of our financial leases and are included in interest expenses in the income statement. The one-off costs also include the one-off non-cash tax gain and charge in 2017 and 2016 respectively.

Equity

Total equity was €317 million at year-end 2017, an increase compared to €305 million at year-end 2016 due to the positive net result. The solvency ratio, defined as equity divided by total assets, was 43%, compared to 47% at year-end 2016.

Working capital

Working capital was €80.1 million negative at year-end 2017, compared to €82.1 million negative at year-end 2016. Working capital includes lease incentives, which are part of non-current liabilities as of 2017. As a percentage of revenue, working capital increased to minus 25%, from minus 32%. This is explained by Basic-Fit shortening the payment periods as announced in March 2017.

Capital expenditure

Total capex in the year was €161 million compared to €134 million in 2016. Expansion capex was € 131 million, compared to €105 million in 2016. The increase is largely explained by the fact that we opened 25 more clubs in 2017 than in 2016. This amount also includes expenses for the expansion of existing clubs and small acquisitions in 2017 (€13.9 million) and 2016 (€12.5 million). The expansion of successful existing clubs is a cost-effective alternative to building a new club near a successful existing one. The initial capex per newly-built club was an average of €1.14 million.

Reconcilliation net result to adjusted net earnings

In € millions	2017	2016
Net result	**11.1**	**(34.4)**
Amortisation	**15.4**	**16.7**
Exceptional Items		
Pre-opening costs	1.7	2.2
Transaction costs	0.0	4.9
Other exceptional costs	2.0	3.9
One-off costs		
Breakage costs related to early repayment	0.0	7.8
Amortisation of capitalised finance costs	0.0	4.6
Interest shareholder's loans	0.0	10.9
One-off tax effect of agreements with Dutch and Belgian tax authorities	0.0	9.2
One-off tax effect due to change in taks rate local jurisdictions	(2.2)	0.0
One-off tax effect due to other (re)assessments of deferred taxes	0.4	0.0
Tax effects	**(4.8)**	**(12.7)**
Adjusted Earnings	**23.6**	**15.0**

Maintenance capex was €25.5 million in 2017, compared to €14.5 million in 2016. This increase was the result of the increased network and the fact that we finished the refurbishment programme in 2016, which lowered the maintenance costs in that year. On average, we spent €54 thousand per club on maintenance, which is in line with our guidance.

In the year under review, we did not incur any one-off capex. In 2016, the one-off capex for the refurbishment programme was €11.0 million.

Other capex amounted to €5.4 million and consisted primarily of investments in innovations, like the GXR virtual group classes and the Virtual Coach, and software development costs. In 2016, other capex, totalling €3.5 million also included relocation costs for our international headquarters and our headquarters in Belgium and France. The increase in other capex was largely due to increased investments in innovations.

Cash flow

The cash flow pre-expansion capex, defined as adjusted EBITDA less maintenance capex, was €74.9 million, an increase of 14% compared to the €65.6 million recorded in 2016.

Net cash flow from operating activities amounted to €96.0 million, compared to €33.2 million in 2016. The sharp increase is largely explained by the improved EBITDA, the cash inflow from working capital and lower interest expenses.

The net cash outflow from investing activities was €169 million, compared to €112 million in 2016. This increase was due to higher capital expenditure.

The net cash flow from financing activities was €69.2 million, compared to €84.0 million in 2016.

IFRS 15

Basic-Fit will adopt and report in line with IFRS 15 as of 2018. IFRS 15 establishes principles for reporting information of revenue and cash flows arising from contracts with customers. It will mainly have an impact on how Basic-Fit recognises joining fees and discounts. On the opening balance sheet of 2018, we expect deferred revenues to increase by €11.9 million and shareholders' equity to decrease by approximately €8.6 million after recognising deferred tax assets of €3.3 million. The impact on revenue in 2018 is expected to be negative for an amount of between €3 million and €4 million.

Club openings pipeline

At the end of 2017, we had 31 clubs under construction and 37 contracts signed, which include contracts for which we are awaiting permit approval. In addition, we have around 200 clubs for which we are in advanced negotiations with property owners or that are in the research phase.

Outlook

We continue to have a very well-filled pipeline of new clubs. In 2018, we again expect to add around 100 clubs to our network. Our target of a return on invested capital on mature clubs of at least 30% is unchanged.

People

	2017	2016
# employees	3.562	3.146
Men/women	1,657 / 1,905	1,415 / 1,731
Average age	32.1	33.2

In 2017, the number of Basic-Fit employees increased to 3,562 from 3,146 at year-end 2016. The increase was largely driven by the number of clubs that we opened.

Culture

Every employee can contribute to the success of our company. Our people are responsible for their own clubs and we foster an ownership culture that includes every employee.

At Basic-Fit we foster four values that our employees 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. 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.

The attitude and behaviour of our employees can have a profound effect on the levels of member satisfaction and retention. With the right people, who embrace our company values and are able to execute our processes, we can drive operational excellence.

We like to celebrate our successes. When we reached the 500 Basic-Fit clubs mark, in December 2017 we celebrated the milestone with all employees. This is how we let them know that we could not have achieved this without them.

Recruitment

Our human resources strategy is aimed at attracting new employees, developing their knowledge and competencies, motivating them, and stimulating internal growth. Recruiting employees with the right skills and background is essential, as our employees have a direct impact on how successful we are at welcoming new members and retaining our existing members.

In our recruitment process, we look for people with the right skill set and competencies who fit our culture and values. Due to our strong growth we also need a strong inflow of new colleagues to man our new clubs and fill the growing centralised support staff positions at our headquarters. This offers employees internal growth opportunities and the opportunity to develop both professionally and personally.

Performance management

At Basic-Fit, we use an annual performance cycle. This cycle consists of a goal matching conversation about job-specific and competency-specific targets. Every employee agrees to these targets at the start of the year or at the start of their employment. The cycle also includes two evaluation moments: one evaluation halfway through the year and one at the end of the year to assess whether an employee has met their targets. Steering the performance of our employees helps us to provide our members the highest levels of service.

To assess the performance and potential of our employees, we use a nine-way grid. We use this matrix to identify high-potentials with whom we then discuss individual growth plans. As we are a fast-growing company, we need a well-filled talent pool that can help us fill future middle and senior management positions. That is how we create opportunities for professional and personal growth and how we retain the talent vital to our future growth as a company.

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 look very closely at the role our employees can play in helping us to achieve that goal. So one of our major priorities is to help our employees to increase their skills, knowledge and engagement and by doing so improve the quality of the services they provide to our members.

For our new employees, we have developed an onboarding programme, using an e-learning module to help them get acquainted with Basic-Fit. This e-learning module provides information on Basic-Fit's ambitions, strategy, values, culture and history, together with job-specific information for the employees in question. Once they have completed the module, our new employees know exactly what to expect from us and what we expect of them.

In 2018, we will roll out the e-learning platform in all our countries. The basic information on Basic-Fit and our values and ambitions will be available digitally and embedded in every introduction programme. On top of this, all our employees receive exactly the same training, aimed at providing them with the knowledge and skills they need to serve our members. As part of this training, we will use an e-learning module to increase their general knowledge of fitness and get all our club employees EREPS[1] certified. This internationally recognised fitness certification programme will help us to get the quality of our services to the same level right across the company.

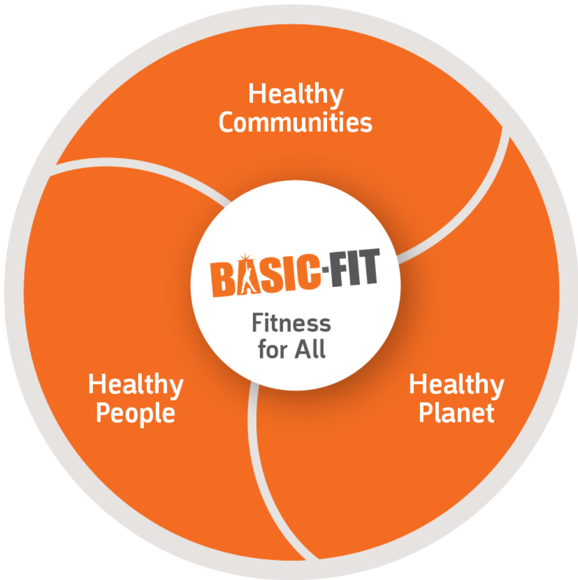
Basic-Fit also offers a Management Development programme that focuses on leadership skills and personal effectiveness. This management development programme will stimulate growth and development and enables people to grow within the company. It will also provide us with a steady flow of the management talent that we need to achieve our ambitious growth targets in the future.

Club employee profile

The role our employees play has a major impact on how our members experience Basic-Fit. That is why we continuously look at what we expect from our employees. Research among members has shown that they would like to see more fitness knowledge and service-oriented behaviour from our employees, confirmation that we have been moving in the right direction in the development of our employee profile. In 2017, we started a project to come up with a clearly defined employee profile covering all the knowledge and skills our employees need to carry out their assigned tasks. We aim to conclude this study in 2018 and start the rollout of the newly-defined employee profile in our recruitment and appraisal processes.

[1] *European register of exercise professionals, providing training and accreditations for exercise professionals on various levels.*

Sustainability



Basic-Fit has sustainability in its DNA; its products and services have a positive impact on people's fitness and wellbeing and positively impacts the communities in and around its clubs. We are a low-cost company and automatically strive to minimise waste and consumption of natural resources like water and fossil energy. In the long-term we aim to create value by having a positive impact on the health of people, our planet and our communities. In that sense our corporate and sustainability strategy are exactly the same.

Last year, we started a project aimed at clearly articulating our sustainability strategy, defining the relevant key performance indicators (KPIs) and assessing what relevant and ambitious targets we can set for Basic-Fit. In order to make this possible we need to embed sustainable thinking even deeper in our operations. To achieve this, we need to set measurable sustainability targets which are linked to the different key business processes.

Across our business processes we have identified a number of impact areas. These impact areas range from site selection and construction to gym management and how we interact with our members and our communities. In the coming year we will pay significant attention to define the relevant KPIs for each impact area and set measurable and ambitious targets that will allow us to communicate on our advancements in achieving our long-term sustainability goals.

Impact areas in our business processes

Get 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 to live a healthier life style. Too many people eat too much and exercise too little. Recent studies show that sedentary lifestyles and a lack of physical exercise are responsible for as many deaths as smoking. We provide an appealing and fun environment in which people can work out and exercise. We have made our memberships affordable and our clubs accessible. We open clubs in cities close to where people live and where people work, making it possible for more and more people to lead an active and healthy life.

Basic-Fit wants to have a significant positive impact on the fitness and well-being of people in Europe. Fitness is a local business, so to achieve this we need to make fitness available where people live and continue with our ambitious club rollout plans, making it as easy as possible for people to exercise and have fun outside our clubs, too. Our ambition is to reach five million people with our fitness clubs and other fitness products by 2025.

Employee development

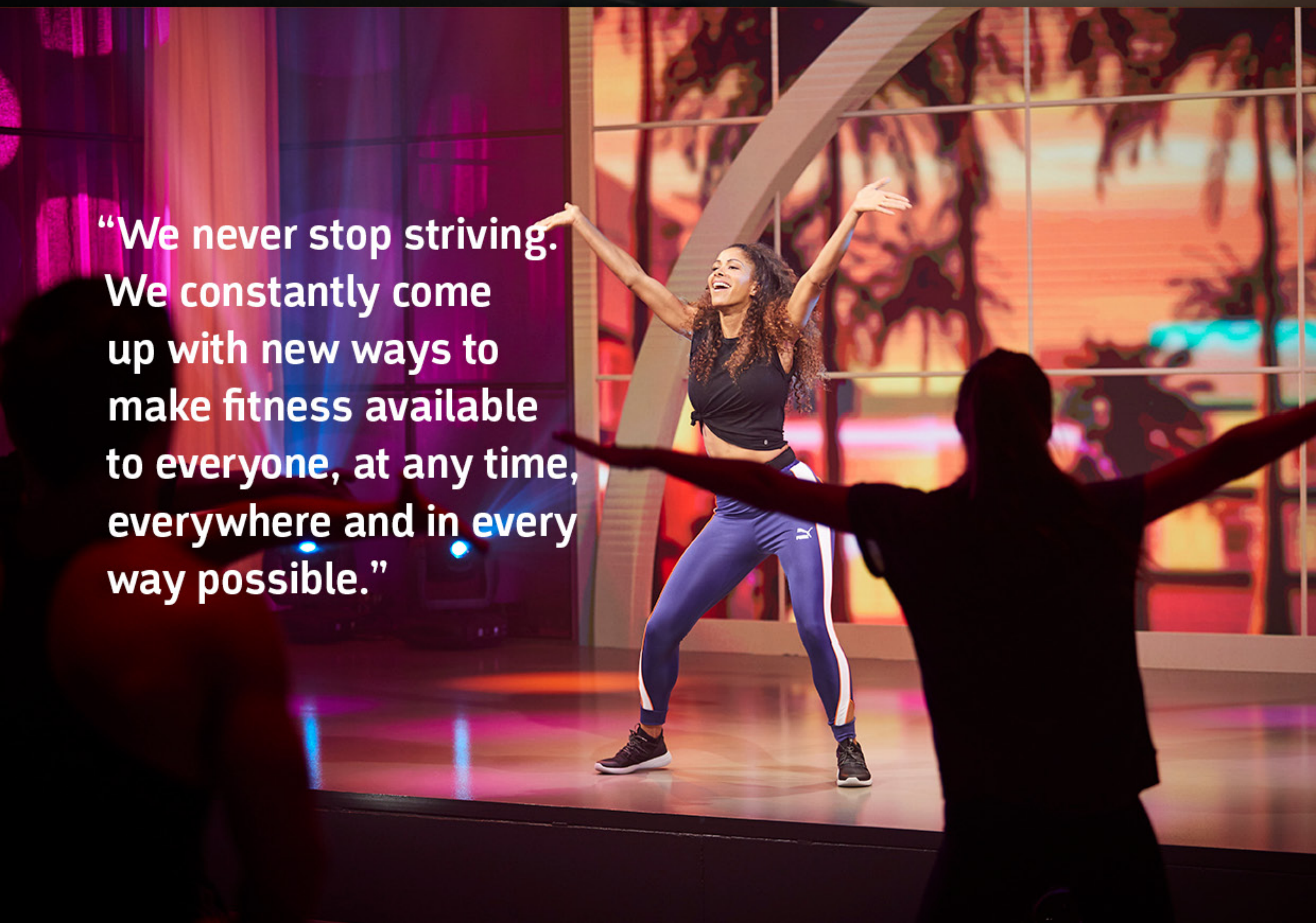
At Basic-Fit we employ people with many different backgrounds, orientations and nationalities, and believe that our workforce is a representation of the social environment in which our clubs are located. We invest in the development of our employees and their ability to help our members make the best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

Safety

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

Minimise impact on the environment

We realise that in doing business we consume natural resources and contribute to CO_2 emission. We aim to minimise the impact of this in different ways. Except for our treadmills, we buy equipment that does not use electricity, or that produces electricity through the movement of its users. We also use LED lighting in our new clubs and are installing LED lighting in existing clubs that still have conventional lighting. In our operations we have a clear focus on reducing waste, in line with our low-cost business objectives. In addition, we are having a closer look at our logistic and site selection processes to see how we can further optimise that to further reduce environmental impact.



"We never stop striving. We constantly come up with new ways to make fitness available to everyone, at any time, everywhere and in every way possible."

A REVOLUTIONARY APPROACH: GXR

Five years ago, Basic-Fit was one of the first fitness club operators to introduce virtual group classes in its fitness clubs. Since then, the fitness industry has continued to evolve and customer expectations have continued to increase. Thanks to our large scale and technological advancements, we have now been able to introduce a new platform with a revolutionary approach to virtual group classes: GXR.

GXR stands for Group Exercise Revolution and was launched at the start of 2018 after two years of intensive development. It offers the highest quality, motivational and fun group classes and we have selected some of the best instructors in the field. Many of them are known from the worlds of sport, dance and television, including Louis Talpe, Laurent Maistret and Nouchka Fontijn.

GXR offers a broad range of classes, including the latest fitness market trends, varying from HIIT-trainings to Yoga classes. The exercise classes last 20 to 40 minutes, which makes them easy to combine with other workouts in the club. There is always a class to join, and new classes are available every two months.

GXR classes are available free of charge to Basic-Fit members in all our clubs in all five countries and always in the local language. For a small fee, the GXR classes and introduction videos are also available online via a new video platform and on the Basic-Fit app.

We are always looking to find innovative ways to make fitness available for everyone, everywhere and in every way possible. And with GXR this is now a reality.

RISK MANAGEMENT AND CONTROL SYSTEMS

Description and governance

Basic-Fit values the importance of corporate governance, risk management and internal controls. These elements play an important role in achieving our strong international growth ambitions and we see them as performance drivers to create long-term value.

We continuously aim to make further improvements; we have corporate governance procedures, a risk management policy and an internal control framework that continue to facilitate the entrepreneurship that is embedded in our culture, but also ensures compliance with laws and regulations. These policies and procedures continue to contribute to the identification and adequate management of strategic, operational, legal and compliance and financial risks that support our international growth ambitions. Compliance with the corporate governance principles and best practices, the risk management policy and the internal control framework continue to be an integral part of the management incentive schemes.

Within our company, the Management Board bears ultimate responsibility for designing and implementing Basic-Fit's risk management and internal control framework, and for creating and promoting the right business culture and values, to remain compliant with all applicable internal and external standards. The Management Board frequently discusses the strategic objectives, risk appetite, risk management and internal control systems. As defined in the internal audit charter, internal audit develops and implements an annual internal audit plan using an appropriate risk-based methodology, including risks or control concerns identified by the Management Board and the Audit & Risk Committee, and addresses compliance with policies, procedures, laws and regulations. The yearly internal audit plan is submitted to the Management Board and Audit & Risk Committee for review and approval.

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

Developments in 2017

As we continue on our growth path, we need to continuously review and further develop these elements, which we also did in 2017: we further optimised the new procedures set up in 2016 related to corporate governance, risk management and internal controls.

The corporate governance procedures were updated to bring them in line with the new Corporate Governance Code. Furthermore, we reviewed the Code of Conduct. This Code applies to all employees working for Basic-Fit and defines generally acceptable behaviour and ensures that Basic-Fit and its employees conduct their operations in an honest, transparent and ethical manner, in line with the best interests of Basic-Fit. Last year, we also developed an IT strategy, which also addressed cyber security related matters. Furthermore, our legal department finalised the compliance charter and compliance plans for each department, executed an integrity risk analysis and is taking the lead in the preparation and implementation of the General Data Protection Regulation, which comes into force in May 2018.

At the start of 2017, Basic-Fit outsourced its internal audit function to an independent international audit firm. For 2017, the Management Board and the Audit & Risk Committee agreed to have the internal audit function focus fully on the design and implementation of Basic-Fit's internal control framework, which was developed in 2016 and has been in use since January 2017.

The internal audit function conducted a series of reviews during the year, assessing the implementation of the internal control framework and our general internal control environment for all countries and centralised support departments. The reviews provided management opportunities for control and process improvements. The results of each internal audit review have been shared and discussed with the Audit & Risk Committee in the presence of the internal auditor.

The outcomes of the internal audits performed demonstrated that Basic-Fit has rapidly transformed into an internal control environment that meets corporate standards. Process owners were dedicated in implementing the controls resulting in a significant improvement since the initial development of the framework and adequate follow-up on recommendations made by the internal function during the year

Plan for 2018

For 2018, internal audit developed an internal audit plan, taking into account a risk-based approach. The risk-based internal audit plan enables the internal audit function to provide the Management Board with assurance it needs on how Basic-Fit manages key risks, including the effectiveness of the controls and other responses to them. Based on the risk assessment performed, a number of specific topics have been selected, including GDPR compliance, cyber risks and the risk culture.

Furthermore, the plan includes a follow-up review on the implementation of the internal control framework. The Audit & Risk Committee has approved the internal audit plan for 2018.

Risk management approach

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

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

Key risks

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

STRATEGIC RISKS

Risk area and possible impact	Impact 1-5	Probability 1-5	How does Basic-Fit mitigate the risk?
Attracting and retaining members Being less attractive to our existing and new members, due to competition, harm to our reputation, pricing and membership structure or changes in consumer preferences and behaviour could impact future growth and profitability.	3	2	• We continuously invest in an attractive value proposition and customer journeys to remain relevant to our existing and new members; • We operate a transparent, flexible and straightforward membership model comprising three basic membership forms with attractive add-on opportunities, all at attractive price levels. 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, marketing campaigns and sales promotions all enable us to enhance the value of our brand and our members' connection to our brand.
Expansion into foreign markets Different market conditions, laws and regulations, consumer preferences and discretionary consumer spending habits in our growth markets France and Spain or potential new markets could impact future growth and profitability.	2	2	• Although we are currently only expanding in our 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 centralised legal department closely monitors local laws and regulations, with support from local external advisors if required; • Our marketing campaigns focus on promoting and positioning our brand, and include local marketing efforts and sales promotions that appeal to local inhabitants.
Competition The health and fitness industry is highly competitive and localised and competitors could succeed in attracting our existing and new members, which could impact future growth and profitability.	3	2	• 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, including pre-sales campaigns to win market share and increase the fitness penetration rate; • Due to our size, we could benefit from operating leverage.
External economic & political risks, and natural disasters Possible adverse impact on growth and profitability.	3	2	• Our diversified portfolio of clubs in five countries, with local operational management, is a mitigating factor against individual political, country, regional or local economic risk. We monitor these risks through the normal course of business.

OPERATIONAL RISKS

Risk area and possible impact	Impact 1-5	Probability 1-5	How does Basic-Fit mitigate the risk?
Technology Our business model is partly technology driven and when 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.	4	2	• 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 further improving our data protection measures.
Suitable sites Crucial to our growth ambition is the identification and securing of suitable sites, obtaining the required permits and permissions and agreeing acceptable lease terms.	3	2	• We work with selected real estate agents in all countries to help us identify and secure the best available sites and negotiate acceptable leases that only become effective once all required permits and consents for a site have been granted and are irrevocable; • Our management teams also work with local agents to obtain the required permits and permissions; • Construction of a new site can only take place after approval by the Management Board and after a rigorous investment analysis including return on invested capital.
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.	3	3	• Recruitment and training programmes for club staff (e.g. EREPS) and customer care employees have been developed and e-learning programmes are obligatory for all new 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.
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.	3	2	• We have multi-year agreements in place with certain key suppliers related to the procurement of fitness equipment, the building of new clubs, the member registration system, member payment processing, IT services and marketing services; • 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 number of suppliers with whom we work.

FINANCIAL RISKS

Risk area and possible impact	Impact 1-5	Probability 1-5	How does Basic-Fit mitigate the risk?
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.	3	3	• 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.	3	2	• We have a five-year €350 million facility agreement in place with sufficient headroom; • Cash is managed on a daily basis, while on a weekly basis management prepares a cash flow forecast to identify the cash needs for the short-term; • Long-term liquidity needs are monitored on a quarterly basis.
Credit risk The payment behaviour of our existing and future members could change, which would have an impact on our profitability and cash flows.	2	2	• 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.	1	1	• 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 July 2017, we have hedged about 56% 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 €4.2 million (based on exposure at year end).

For more details about financial risk management see note 5 to the consolidated financial statements and note 6 to the consolidated financial statements for capital management. These notes are considered to be part of the Management Board report.

LEGAL AND COMPLIANCE RISKS

Risk area and possible impact	Impact 1-5	Probability 1-5	How does Basic-Fit mitigate the risk?
Ethical, legal, tax, health and safety, compliance and regulatory risks Failure to comply with internal and external policies, rules and regulations could have a negative impact on our reputation and future growth and profitability.	3	3	• At Basic-Fit, we are committed to complying with the laws and regulations of the countries in which we operate. In specialist areas, the relevant country and centralised support teams are responsible for setting detailed standards to comply with regulations and laws that are relevant to their roles. In 2017, Basic-Fit finalised its compliance charter. All employees will be trained on these policies through training courses and further implementation and finetuning of the compliance plan per department will take place; • An assessment on GDPR compliance has been performed, leading to an action plan for the implementation of GDPR; • The legal team has been strengthened to give dedicated attention to the compliance charter including the appointment of a Privacy Officer; • In 2017, we further strengthened the health and safety policy to comply with applicable legislation. Security cameras are being installed with a view to optimising the security of our members and staff, first aid-trained personnel are generally present at our clubs and our clubs are typically supplied with defibrillators; • The centralised support departments monitor and review local practices to provide reasonable assurance that we remain aware of, and are in line with, relevant laws and policies, including these related to reporting and tax. For the introduction of IFRS 16, we have selected an IT-tool that will be implemented in Q1 2018.

OVERVIEW OF KEY RISKS

Financial risk
1 Liquidity risk
2 Capital expenditure and cash flow risk
3 Credit risk
4 Currency and interest rate risk

Strategic risk
5 Competition
6 Attracting and retaining members
7 External economic & political risks
8 Expansion into foreign markets

Operational risk
9 Dependency on suppliers
10 Suitable sites
11 People
12 Technology

Compliance risk
13 Ethical, legal, tax, health and safety

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

"We don't think low-cost should mean low-value. In fact, just the opposite. We aim to give our members unbeatable value, every day."

NON-FINANCIAL INFORMATION

In this chapter we provide insight into 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 we provide information on how Basic-Fit stimulates good governance and social responsibility.

Basic-Fit commits to abide by the laws and regulations of the countries in which it operates. Basic-Fit has a Code of Conduct that reflects the company's values and principles. Basic-Fit started with the definition and implementation of a stricter integrity policy, diversity policy and a new supplier code of conduct in 2017, which we will finalise and implement in 2018, including a strengthened and further developed health and safety policy.

Basic-Fit is an international company, with divers 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 new integrity policy that will be finalised and implemented during the beginning of 2018. 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. It is the intention of Basic-Fit to define clear KPIs and targets related to non-financial information.

This process requires time and stakeholder involvement and was not yet completed in 2017. In 2018, Basic-Fit will complete this process of defining KPIs and targets and will continue the implementation of these policies. This process will include a stakeholder dialogue, which will enable us to assess the relevance and impact of the material topics for Basic-Fit.

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 2017, we made significant progress in the articulation of our sustainability strategy. We provide additional information on environmental matters in the Sustainability section 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

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[1].

[1] *With the exception of minors under the age of 16, whose access to our facilities is limited in order to protect their wellbeing.*

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 Sustainability chapter under club employee profile, Basic-Fit is currently defining a new employee profile, with clearly defined tasks and challenges, to increase the service levels in the clubs, and to provide our employees with the fitness knowledge and experience they need to assist and support our members. All Basic-Fit employees will obtain EREPS[1] certification. For more details on this certification, please see the People chapter under training and development.

Basic-Fit expects all suppliers to adhere to local laws and regulations and from 2018 onwards requires all its key suppliers to sign its 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.

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.

Over the course of 2018, Basic-Fit will continue the implementation of the above policies and define specific KPIs and targets on this front.

Anti-corruption and bribery matters

In 2017, Basic-Fit performed an integrity risk assessment, which also addressed corruption and anti-bribery. Based on this assessment, Basic-Fit started to develop an integrity policy, which will be implemented in 2018.

We will also define a number of integrity-related KPIs that will enable us to monitor developments and progress on this end. Given this development, Basic-Fit expects to be able to report on those KPIs in the board report for 2018.

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

The corporate governance framework of the company and the 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 primarily in developed EU countries. Most suppliers are local partners. 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 more existing within these non-EU markets. 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 BasicFit has been working for years, this risk is adequately controlled. Basic-Fit will further develop its supply chain policies focused on sustainability-related risks.

In 2017, Basic-Fit developed a procurement policy to closely monitor the procurement process and to engage and partner with carefully selected suppliers. In 2018, Basic-Fit will continue to define and implement this policy, adding KPIs that will enable us to monitor developments on this front.

[1] European register of exercise professionals, providing training and accreditations for exercise professionals on various levels.

We have also drawn up a standard set of documents to arrange any engagement with suppliers. Basic-Fit strives towards a situation in which all principal suppliers are in compliance with the company's supplier code of conduct by the end of 2018, including the principles and values related to sustainability, human rights and anti-corruption and anti-bribery.

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

Diversity

We describe our diversity policy, targets and outcomes in the Diversity in profile and composition section of the Corporate Governance chapter.

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 the way 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.

On 8 December 2016, the corporate governance code monitoring committee published the revised version of the Code. In the course of 2017, Basic-Fit brought its corporate governance in line with the revised Code. We fully endorse the core principles of the Code and are 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.

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 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 outlined in Basic-Fit's articles of association also published on the Basic-Fit corporate website and in the Management Board Rules.

Appointment, dismissal and suspension

The General Meeting appoints the members of the Management Board (i) pursuant to and in accordance with a proposal of the Supervisory Board or (ii) from a binding nomination to be drawn up by the Supervisory Board. A resolution of the General Meeting to appoint a member of the Management Board pursuant to and in accordance with a proposal 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 2017, 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 paragraph on 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 the business affiliated with it, taking into consideration the interests of Basic-Fit's stakeholders.

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

Appointment, removal and suspension

The General Meeting appoints the members of the Supervisory Board from a binding nomination to be drawn up by the Supervisory Board, with due observance of the profile for the size and the composition of the Supervisory Board as adopted by the Supervisory Board from time to time.
The General Meeting may only overrule the binding nature of such nomination by the Supervisory Board by resolution of the General Meeting adopted with an absolute majority of the votes cast, provided such majority represents at least one-third of the issued share capital.

If the General Meeting 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 is implemented to avoid, as far as possible, a situation whereby 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 resolution of the General Meeting other than pursuant to and in accordance with a proposal thereto by the Supervisory Board requires an absolute majority of the votes cast, which majority must represent at least one-third of 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 2017, 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 capital of Basic-Fit.
As at 31 December 2017, the Supervisory Board was composed as follows:

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

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

Committees of the Supervisory Board

The Supervisory Board has established two committees: the Audit & Risk Committee and the Selection, Appointment & Remuneration Committee. The function of these committees is to 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.

Conflict 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. This is a chain of fitness clubs active in the mid-to-premium market segments of the health and fitness market that could be perceived as competing with Basic-Fit and, even though it operates in a separate fitness market segment, could in theory benefit from changes in the health and fitness market harmful to the business of Basic-Fit.

Furthermore, Basic-Fit leases a number of premises for its clubs, as well as its international headquarters, from companies that are directly or indirectly owned by the CEO, René Moos.
All transactions between Basic-Fit and the holders of at least 10% of the shares are listed in note 33 of the consolidated financial statements. All these transactions are related to board members and are agreed on terms that are customary in the sector concerned. In entering into these transactions, the best practice provisions 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 profile 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 the 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, it was confirmed by the Dutch Senate ('Eerste Kamer') to extend certain gender diversity requirements in the context of the Dutch Management and Supervision Act ('Wet Bestuur en Toezicht') 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.

In 2017 Basic-Fit strengthened and specified its diversity policy in more detail in a dedicated diversity policy, which was approved by the Supervisory Board. The preferred composition of the Supervisory 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 enables the Supervisory Board to carry out its duties and responsibilities in the best possible way. In the event of a new appointment, the Supervisory Board 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 qualification, 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 is 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.
The size and composition of the Management Board, and its combined experience and expertise, should be such that it best fits the profile and strategy of Basic-Fit.

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

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 2017, a total of 54,666,667 shares were issued.

The authorised share capital of the company consists of ordinary shares only. All issued shares are fully paid up and each share confers the right to cast a single vote in the General Meeting. The General Meeting may resolve to issue shares, or grant rights to subscribe for ordinary shares, if proposed by the Management Board and the proposal has been approved by the Supervisory Board.

Issuance of shares

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

Pursuant to the 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 16 May 2017 (i.e. until 16 November 2018), 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 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 16 May 2017, 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 16 November 2018), 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. 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 rollout of new clubs. As a result, Basic-Fit does not anticipate paying any dividends in the short to medium term. Capital will be invested with strict financial discipline and applying target 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 2017 and 2018, 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 therefore is 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 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 almost all of the principles and best practice provisions of the Code are being applied. However, in the interest of Basic-Fit and its stakeholders, Basic-Fit deviates from the following best practice provisions:

Best practice provision 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. This same situation was applicable to the Audit & Risk committee until June 2017. In May, Rob van der Heijden was appointed as new Supervisory Board member and replaced Pieter de Jong as committee member in the Audit & Risk committee.

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 board reports ('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 2017, the following parties had notified the AFM with respect to their shareholdings in Basic-Fit:

Shareholder	**Interest***
3i Investments plc	27.84%
R.M. Moos	22.21%
Pelham Capital Limited	5.26%
FIL Limited	3.31%

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

See also the section Shareholder Information of this Annual Report.

Special rights of control and limitation on voting rights

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

MANAGEMENT STATEMENTS

In control statement

The Management Board manages the company and is responsible for achieving the company's strategy, objectives, goals and results, and for taking appropriate measures in relation to the design and operation of the internal risk management and control systems in a way that is consistent with Basic-Fit's business. During 2017, 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). Further improvements in the registration, documentation and formalisation of processes and controls have been implemented. Furthermore, segregation of duties has been formalised in all processes and IT systems have been aligned. The risk management and control systems have now been designed to: identify opportunities and risks in a timely manner; manage 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 the applicable laws and regulations. The reviews and enhancements, including changes and planned improvements, have been discussed with the Audit & Risk Committee and the Supervisory Board.

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

Based on the approach described above, the Management Board believes that, with respect to financial reporting, the internal risk management and control systems have performed satisfactorily during the year 2017, 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 2017 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 2017, and of Basic-Fit's development and performance during 2017 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 state of affairs, 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 expectation as to the continuity of Basic-Fit for the 12-month period after the date of issue of this Management Board report.*

Hoofddorp, 12 March 2018
René Moos, CEO
Hans van der Aar, CFO

BASIC-FIT SUPERVISORY BOARD

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 Supervisory Board of Carlsberg A/S in Denmark
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 the FSHD muscular dystrophy.
Education:
Master's degree in Business Engineering from the University of Twente.

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.
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.

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.

Education:
Bachelor's degree in Business Administration from Nyenrode Business Universiteit, the Netherlands.
Master's degree in Business Administration in Finance from Georgia State University, USA.

Hans Willemse

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

Previously:
Several positions at ABN AMRO, mainly in the financial restructuring and recovery department.
Member of the management team and credit committee at Hollandse Bank Unie (a former ABN AMRO subsidiary).

Currently:
Managing partner at Craic Capital, a corporate finance boutique founded and owned by Hans Willemse in 2008.

Education:
Master's degree in Dutch Civil Law from Leiden University, the Netherlands.

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.

General introduction

Last year was the first full year after the listing of Basic-Fit on Euronext Amsterdam. A strong financial position and focus on innovation, expansion and the further professionalisation of processes helped Basic-Fit to pursue its long-term growth strategy in 2017.

This report gives an overview of the approach and activities undertaken by the Supervisory Board during the year. As well as supervising the general course of affairs, an important part of the Board's activities was focused on supervising the extensive expansion and innovation plans and strengthening the internal control frameworks of the company. 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 16 May 2017, the former Chairman of the Supervisory Board, Ronald van der Vis, stepped down, and Kees van der Graaf was appointed to replace him in this position. The Supervisory Board would like to express their gratitude to Ronald van der Vis for his significant contribution to the development of Basic-Fit leading up to the listing in June 2016 and the related adjustments in the structure and organisation of the Company as a result of this listing.

Furthermore, on 16 May 2017, Rob van der Heijden was appointed as additional Supervisory Board member. Hans Willemse was reappointed as Supervisory Board member on the same date. Kees van der Graaf added extensive international retail and marketing experience and has an outstanding profile for the role of Chairman. Rob van der Heijden has an entrepreneurial and financial background and valuable expertise in owner-led companies.

Following the appointment of an additional member, the Supervisory Board currently consists of six members. These changes in composition strengthened the diversity of the Supervisory Board in terms of expertise, knowledge, skills, gender, age and independence, in line with the required profile. This will benefit Basic-Fit in the execution of 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.

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

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 (re)appointment round of May 2017, a thorough assessment supported the decision that the new members were the best fit to strengthen the composition of the Supervisory Board. All diversity elements were weighted at the time, leading to the selection of the appointed members. At that moment the diversity and balance in age, skills and expertise was further improved. However, the gender and nationality diversity within the Supervisory Board has not been achieved yet. 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	Nationality	International experience	Financial expertise	Specific expertise
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	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)	2018	2022	2	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 chairs)	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 is currently in his 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 holding 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 on 31 December 2017. 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 2017

The Supervisory Board met eight times in 2017, with two of these meetings in the form of a conference call. Both members of the Management Board were present at all meetings, except the one of the conference calls and the part of the meeting regarding the self-assessment of the Supervisory Board and the assessment of the Management Board. None of the Supervisory Board members were absent during any of the meetings, except for one member during the August meeting 2017. Therefore, all members were present 100% of the required time, except for Pieter de Jong, who was present

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 2017 were attended by the external auditor, where they presented their audit findings for 2016 and the audit plan

2017 respectively. An additional meeting was held in March 2018 with respect to the audit findings on 2017. The meetings generally took place in Basic-Fit head office in Hoofddorp, with one meeting held in local headquarters in Lille, France. 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 2017 results and related reports
- Press releases on H1 results and Q3 trading update
- Budget 2018
- 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 2018–2020
- Innovation in fitness and service
- Governance and Compliance model
- Internal Audit Plan
- Risk and control framework
- Integrity and fraud
- GDPR implementation
- Corporate story, values and culture
- Corporate social responsibility

The meetings addressed routine commercial, financial and operational matters, and focused on strategy implementation, the maturing 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. 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, in line with which Basic-Fit plays a vital role in the development of a strategy with long-term value creation for all stakeholders, including members, communities, employees, partners and shareholders. Basic-Fit focused its strategy on developing a fitness concept available for everybody, everywhere and at all times

As described in the CEO letter and the Strategy paragraph, 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 mission to make fitness available to all. With the cluster strategy, the potential to increase fitness penetration, a well thought through 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 specific with respect to the following topics throughout the year:

- During the year, the Company defined a clear set of corporate values and 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 business cases. Pilots are part of new product and innovation projects, of which the outcome, risk and potential is presented to the Supervisory Board. Examples are the innovation projects and methods to offer opportunities to exercise Basic-Fit classes even without the boundaries of the clubs, through the Pro-Coach 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 high focus on quality, service and retention.
- The financial means to support the strategy and to keep the Company in financial health for the long term. Generated cash is reinvested, and a solid credit facility is available to support the budget and the strategy.
- The Company started to define a sustainability strategy that can further strengthen and support the long-term strategy and mission of Basic-Fit. In every decision the company makes, the focus is to get as many people as possible to exercise and work on their health. The way of working, building and operating is critically observed to further improve environmental awareness and limit impact. The Company contributes to a society with healthy people, a happy planet and happy communities.
- Therefore, the growth strategy, the cluster vision, a pass on every kitchen table, is closely monitored and followed by the Supervisory Board.
- The Supervisory Board is also focused on making sure that the remuneration policy and the targets set for long and short-term bonus programmes, reflect the long-term strategy of the company. The targets are focused on the growth strategy, number of clubs and members and implementation of innovation projects. The success in the implementation of these innovations, directly contributes to new members and members staying longer, supporting the long-term vision and are therefore part of the target setting in the bonus and performance share plans of the Management Board and senior management.
- The company is working on the definition of an employee profile that further supports the strategy of the company and the service and fitness knowledge levels in the clubs. This profile, the development of staff and employees were discussed 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 organisation structure, management structure and culture of the Company have to support the strategy and was adjusted where necessary to make it more efficient. The team and culture show high motivation with an urge to get things done, being open and transparent. The values are carried out and supported from top to bottom and are implemented in the recruitment and onboarding process, in the overall internal and external communication and in the cooperation with colleagues, partners, members and everyone related to Basic-Fit.

The Supervisory Board received training on its governance responsibilities, fitness industry developments and the GDPR (new privacy regulation) and the impact of this regulation on Basic-Fit. This training was given by industry experts and the general counsel for the GDPR.

The Supervisory Board approved new board governance documents, including Management Board Rules, Supervisory Board Rules, the Audit & Risk committee Charter, the Selection, Appointment and Remuneration Committee Charter and Policy Bilateral contacts. The Supervisory Board also adopted a Diversity policy,

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 of 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

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

Audit & risk Committee

The Audit & Risk Committee consists of three members: Carin Gorter (chairman), Hans Willemse and 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.

During the year, the Audit & Risk Committee has met eight times, including one meeting in October that was combined with the Supervisory Board meeting. All meetings were attended by all members of the Committee and both members of the Management Board, except for the self-assessment that was held in the absence of the Management Board. The Director of Finance attended six meetings. The meetings in January, March, August and October 2017 were attended by the external auditor, as well as the meeting in March 2018 at which the external auditor presented their audit findings and other information on 2017. One meeting was held with the external auditor in the absence of the Management Board.

After the IPO, the chairman of the Audit & Risk Committee had regular contact with the CFO and the Director of Finance, mainly in order to prepare the Audit & Risk Committee meetings.
The items and topics on the agenda of the Audit & Risk Committee included:

- Monthly reports
- HY results 2017 and Q3 trading update
- Press releases
- Accounting policies
- The external auditors 2017 audit plan, including engagement conditions and audit policy for non-audit services and auditor independence
- Management letter auditor
- Cash and treasury management
- IT and cyber security
- Pensions
- Tax-related issues
- Budget 2018
- Risk and control framework
- Compliance framework
- IFRS 9, IFRS 15 and IFRS 16
- Internal Audit Plan
- All communication 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 2017, Basic-Fit implemented and strengthened its internal control framework. In October, the Supervisory Board, at the proposal of the Audit & Risk Committee, approved the appointment of an independent international audit firm to perform the role of outsourced internal auditor. An internal audit plan has been presented and approved. The Audit & Risk Committee has been informed by the Management Board about the internal audit processes and framework and was actively involved in the creation of the outsourced internal audit function.

Selection, Appointment & Remuneration Committee

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

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.

During the year, the Selection, Appointment & Remuneration Committee convened three times in 2017. All members were present at all meetings, resulting in a 100% presence. The main topics of discussion were:

- Performance and individual remuneration of the members of the Management Board
- Related performance targets for 2017 and 2018
- Long-term Incentive assignments for the members of the Management Board and key managers
- Performance of senior management and succession planning of Management Board and senior management
- The succession planning, search for and appointment of Supervisory Board members
- Organisation 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. Furthermore, the functioning of the Management Board has been assessed and discussed with the members of the Management Board.

The Supervisory Board evaluated the performance of the Management Board and its individual members. Following this, the chairman of the Selection, Appointment & Remuneration Committee had meetings with each member of the Management Board in which feedback was given on their respective performance. The Supervisory Board also evaluated the functioning of the Management Board as a team. The 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 relate, among other things, to timely distribution of information, spending more time on human resources issues such as succession planning and further development of the knowledge on compliance and corporate governance in a listed environment.

Management Board remuneration

Basic-Fit's remuneration policy aims to attract, retain and reward highly-qualified executives with the required background, skills and experience. It is transparent and is in alignment with the medium and long-term interests of Basic-Fit, shareholders and other stakeholders, with the aim of delivering a strong and sustainable performance in line with Basic-Fit's strategy.
The remuneration policy published on Basic-Fit's corporate website contains further details.
In 2017, 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 2017.
Information on the costs of the actual remuneration of the Management Board and Supervisory Board can be found in note 33 of the consolidated financial statements.

Financial statements 2017

The Audit & Risk Committee reviewed and discussed the Management Board report and financial statements for the financial year 2017.

The financial statements for 2017 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 2018.

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 2017 financial statements meet all requirements for correctness and transparency. The 2017 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 26 April 2018, adopts the financial statements 2017. In addition, it recommends that the members of the Management Board and Supervisory Board be discharged from liability in respect of their respective management and supervisory activities performed in 2017.

Gratitude

Last year was an impressive year, with the opening of more than 100 clubs, taking the company past the major milestone of more than 500 clubs in total. Basic-Fit further strengthened its leading position throughout Europe in the value-for-money segment of the fitness market. The Supervisory Board wishes to thank the Management Board for their continuous efforts to build on a strong and solid company with impressive perspectives 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 effort and dedication to making Basic-Fit the success it is.

Hoofddorp, 12 March 2018
Kees van der Graaf
on behalf of the Supervisory Board

"We put the fun into fitness. We know that making fitness fun is the key to motivating our members."

REMUNERATION REPORT

This report has been prepared by the Selection, Appointment & Remuneration Committee of the Supervisory Board. This committee makes recommendations to the Supervisory Board regarding the remuneration policy, as adopted by the General Meeting, for the Management Board and 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 has been implemented in 2017. The report concludes with the details of the remuneration policy of the Supervisory Board and how the remuneration policy in this respect has been implemented in 2017.

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 has been performed in 2016, for which the report EY Executive Remuneration in the Netherlands 2015 for AsX companies and the Hay analyses for the Dutch retail market has been used. The total package of remuneration components has been taken into account.

When drawing up the remuneration policy and determining the remuneration of the Management Board members, the Supervisory Board has taken into account possible outcomes of the variable remuneration elements and how they may affect the remuneration of the Management Board. These scenario analyses were taken into account when defining the structure of the policy. Furthermore, the Supervisory Board took note of the views of the Management Board on their own remuneration.

Pursuant to the remuneration policy, the remuneration packages of the Management Board consist of fixed and variable components. The variable remuneration is linked to predetermined, assessable and influenceable targets, which are predominantly of a long-term nature. The remuneration policy fits an entrepreneurial environment with a good balance between fixed and variable income, with an emphasis on the fixed part of the remuneration.

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 organization when formulating the remuneration policy and determining the remuneration of individual members of the Management Board. In light of transparency and clarity, Basic-Fit applies a methodology to calculate the internal pay ratio that is IFRS-driven (i.e. linked to Basic-Fit's 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 purposes of this calculation:

- Total CEO remuneration consists of the following components for the full year 2017: base salary €563 thousand (2016: €434 thousand including management fee up to IPO) + short-term incentives €259 thousand (2016: €300 thousand) + long-term incentives at fair value at grant €337 thousand (2016: €546 thousand) + pension allowance €84 thousand, (2016: €41 thousand). All figures are full year, based on the information provided in note 33, Related party transactions (2016: Note 33);
- Employee average remuneration based on total employee benefit expenses as disclosed in note 10, Employee benefit expense, and total average number of employees in FTEs as disclosed in note 11, Average number of employees.

Consequently, Basic-Fit's calculated pay ratio in 2017 is 36 (2016: 38), implying that the CEO pay is 36 (2016: 38) times the average pay of an employee.

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

Management Board remuneration 2017

The remuneration of the Management Board consists of four 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 listed companies, also taking into account the size and complexity of those companies. Based on this benchmark due diligence exercise, the fixed compensation for the Management Board was adjusted as per 1 January 2017. As a result, as of 1 January 2017, the annual base salary for René Moos (CEO) has been set at €562,500 and for Hans van der Aar (CFO) at €433,125.

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 target. The pay-out at threshold level will be 20%, at target 40% and in case of overperformance 60%, to be determined for each separate target.

Targets are set yearly by the Supervisory Board based on the budget and taking into account the strategy aspirations. Financial targets such as EBITDA and number of new clubs determine 70% of the bonus, while non-financial or personal targets determine the remaining 30%. 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 STI achievement for 2017 for the Management Board was approved by the Supervisory Board on 15 February 2018. The financial targets have both been achieved at target (40% of 70%). With respect to the non-financial targets, the CEO succeeded in the implementation of GXR and the virtual coach in the Basic-Fit club concept and was more than successful in the realization of the growth in clubs in France. The CFO was very successful in the implementation of a property management department and the implementation of an internal control framework. Both the CEO and CFO overperformed on their personal objectives which led for the personal targets to a maximum STI achievement (60% of 30%). Together this resulted in a STI pay-out for 2017 of 46% of the annual base salary for both the CEO and the CFO. The STI amount will be paid in 2018 after adoption of the financial statements 2017.

Performance share plan (PSP)

As part of the remuneration policy, Basic-Fit has installed a Performance share plan. 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 continuous 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 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, the CEO, René Moos, and the CFO, Hans van der Aar, were granted 21,746 and 13,954 ordinary shares respectively under the PSP.

Awards of performance shares will vest at the end of a three-year performance period, subject to (i) the achievement of predetermined group financial targets that appropriately reflect the longer-term strategy of Basic-Fit (i.e. realisation of a certain net/debt ratio level and revenue growth, both reflecting 50% of the total target), and (ii) continued service as a member of the Management Board. Vesting of the grant of June 2017 will take place in June 2020 for the performance period 2017 through 2019.

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 to cover the tax obligations of the members of the Management Board connected 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 payment

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

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 on 1 July 2016, the CEO, René Moos, and the CFO, Hans van der Aar, were awarded 33,333 and 25,667 ordinary shares respectively under the RSP, which shares will vest in three equal annual instalments. The first vesting under the plan took place in July 2017. In this vesting 11.111 shares and 8.555 were released respectively to Rene Moos and Hans van der Aar. The same amount of shares will be released to them in the second and third vesting in July 2018 and July 2019.

Management Board Remuneration*

	Base Salary	Short-term incentive	Pension	Total 2017 (cash)	Total 2016 (cash)	RSP 2017 (1st vesting) **	PSP 2017 award ***
René Moos	€562,500	€258,750	€84,375	€821,250	€775,732	€166,667	€337,500
Hans van der Aar	€433,125	€199,238	€64,969	€632,363	€628,522	€128,333	€216,563

** This table does not include social charges and other costs, such as car costs. For the full overview we refer to the section Management Board compensation in the 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% will vest in 2018 and 33.3% will vest in 2019, fully conditional on their still being employed at Basic-Fit.*
**** In 2017, René Moos and Hans van der Aar were granted 21,746 and 13,954 shares respectively under the long-term incentive plan (LTIP). These numbers can increase up to 27,183 and 17,443 respectively in case of overperformance. Under this plan, the aforementioned number of shares will vest in 2020, fully conditional on their still being employed at Basic-Fit and achievement of targets. For P&L impact of these plans reference is made to Note 33 Management Board remuneration in the consolidated financial statements.*

Supervisory Board remuneration 2017

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

Basic-Fit does not grant variable remuneration, shares or options to members of the Supervisory Board. As per 31 December 2017, the members of the Supervisory Board have no loans outstanding with Basic-Fit, and no guarantees of advance payments are granted to members of the Supervisory Board. 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

2017 Fees of Supervisory Board members	
Kees van der Graaf*	€34,375
Carin Gorter	€50,000
Herman Rutgers	€48,000
Hans Willemse	€53,000
Pieter de Jong**	€50,250
Rob van der Heijden*	€29,687
Ronald van der Vis***	€20,625

**For the period 16 May 2017 until 31 December 2017.*
*** Including remuneration for membership of the Audit & Risk committee only for the period January until June 2017.*
****For the period 1 January 2017 until 16 May 2017, after which he stepped down as Supervisory Board member.*

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

Consolidated statement of profit or loss

For the year ended 31 December 2017 (in € x 1,000)	Note	2017	2016
Revenue	9	325,831	258,561
		325,831	**258,561**
Costs of consumables used		(3,683)	(2,316)
Employee benefits expense	10	(61,775)	(51,501)
Depreciation, amortisation and impairment charges	12	(75,398)	(65,356)
Other operating income	13	922	780
Other operating expenses	14	(164,555)	(136,133)
Operating profit		**21,342**	**4,035**
Finance income	15	9	13
Finance costs	15	(8,195)	(35,754)
Finance costs - net		**(8,186)**	**(35,741)**
Profit (loss) before income tax		13,156	(31,706)
Income tax	16	(2,029)	(667)
Profit (loss) for the year		**11,127**	**(32,373)**

Earnings per share for profit (loss) attributable to the ordinary equity holders of the company:			
Basic earnings per share (in €)	26	0.20	(0.74)
Diluted earnings per share (in €)	26	0.20	(0.74)

For the year ended 31 December 2017 (in € x 1,000)	Note	2017	2016
Profit (loss) for the year		**11,127**	**(32,373)**

Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	5	634	574
Deferred tax on cash flow hedges	16	(159)	(144)
Other comprehensive income for the year net of tax		**475**	**430**
Total comprehensive income for the year		**11,602**	**(31,943)**

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

Consolidated statement of financial position

At 31 December 2017 (in € x 1,000)	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	17	424,420	329,290
Intangible assets	18	269,723	278,846
Deferred tax assets	16	6,264	4,590
Receivables	21	2,645	2,062
Total non-current assets		**703,052**	**614,788**
Current assets			
Inventories	22	1,226	811
Trade and other receivables	21	25,654	19,595
Cash and cash equivalents	23	13,033	17,365
Total current assets		**39,913**	**37,771**
Total assets		**742,965**	**652,559**
Equity			
Share capital		3,280	3,280
Share premium		358,360	358,360
Other capital reserves		1,344	729
Retained earnings		(45,313)	(56,457)
Cash flow hedge reserve		(360)	(835)
Total equity		**317,311**	**305,077**
Liabilities			
Non-current liabilities			
Borrowings	27	294,568	172,711
Derivative financial instruments	19	325	1,367
Deferred tax liabilities	16	16,756	14,692
Other non-current liabilities	28	13,110	-
Provisions	29	3,592	4,185
Total non-current liabilities		**328,351**	**192,955**
Current liabilities			
Trade and other payables	30	93,913	102,465
Current income tax liabilities	16	1,721	287
Current portion of borrowings	27	20	50,400
Derivative financial instruments	19	567	-
Provisions	29	1,082	1,375
Total current liabilities		**97,303**	**154,527**
Total liabilities		**425,654**	**347,482**
Total equity and liabilities		**742,965**	**652,559**

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

Consolidated statement of changes in equity

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

For the year ended 31 December 2017 (in € x 1,000)	Share capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Total equity
Balance – 1 January 2016	**300**	**29,700**	**-**	**-**	**(52,330)**	**(1,265)**	**(23,595)**
Comprehensive income:							
Loss for the period	-	-	-	-	(32,373)	-	(32,373)
Other comprehensive income	-	-	-	-	-	430	430
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(32,373)**	**430**	**(31,943)**
Issue of ordinary shares	1,525	356,860	-	-	-	-	358,385
Equity-settled share based payments	-	-	-	729	-	-	729
Capital reorganisation under common control	1,455	(29,700)	-	-	28,245	-	-
Capital contribution	-	1,500	-	-	-	-	1,500
Transactions with owners recognised directly in equity	**2,980**	**328,660**	**-**	**729**	**28,245**	**-**	**360,615**
Balance – 31 December 2016	**3,280**	**358,360**	**-**	**729**	**(56,457)**	**(835)**	**305,077**
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)
Excercised sharebased 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**

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

Consolidated statement of cash flow

For the year ended 31 December 2017 (in € x 1,000)	Note	2017	2016
Cash flows from operating activities			
Profit (loss) before income tax		**13,156**	**(31,706)**
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	17	60,009	48,676
Amortisation and impairment of intangible assets	18	15,389	16,680
Share-based payment expense	25	1,410	729
Gain on disposal of property, plant and equipment		(222)	(498)
Finance income	15	(9)	(13)
Finance costs	15	8,195	35,754
Movements in provisions		(886)	(1,586)
Working capital adjustments:			
Increase in Inventories		(414)	(21)
Increase in trade and other receivables		(6,050)	(7,186)
Increase (decrease) in trade and other payables		13,186	(7,085)
Cash generated from operations		**103,764**	**53,744**
Interest received		9	13
Interest paid		(7,444)	(12,772)
Early repayment fees		-	(7,780)
Income tax paid		(363)	(40)
Net cash flows from operating activities		**95,966**	**33,165**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,780	1,530
Purchase of property, plant and equipment	17	(162,190)	(109,235)
Purchase of other intangible assets	18	(4,203)	(2,361)
Acquisition of a subsidiary, net of cash acquired	32	(5,252)	(2,338)
Repayment of loans granted		27	26
Disinvestments (investments) in other financial fixed assets		(610)	241
Net cash flows used in investing activities		**(169,448)**	**(112,137)**
Cash flows from financing activities			
Proceeds from borrowings		72,497	242,500
Repayments of borrowings		(2,193)	(510,274)
Financing costs paid		(375)	(4,215)
Proceeds of newly issued shares (incorporation of Basic-Fit N.V.)		-	45
IPO-proceeds		-	370,000
Proceeds from share premium		-	1,500
Incremental costs paid directly attributable to IPO		-	(15,547)
Purchase less sale treasury shares		(779)	-
Net cash flows from financing activities		**69,150**	**84,009**
Net (decrease)/increase in cash and cash equivalents		**(4,332)**	**5,037**
Cash and cash equivalents at 1 January	23	17,365	12,328
Cash and cash equivalents at 31 December	23	**13,033**	**17,365**

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

Notes to the consolidated financial statements

1 General information

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

The financial statements of the Company for the period 1 January 2017 to 31 December 2017 comprise the Company and its subsidiaries (together referred as the 'Group' and individually as 'Group entities').

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

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

With 521 clubs and more than 1.5 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.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

- 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.) (*);
- Just Fit N.V., Jette (Belgium) (100% interest of Basic-Fit Belgium BVBA) (*);
- HealthCity België N.V., Jette (Belgium) (100% interest of Basic-Fit Belgium BVBA);

- Basic-Fit 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.).

(*) Just Fit N.V. and Basic-Fit Belgium BVBA were merged in 2017, retrospectively to the situation at 1 January 2017.

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 (i.e. these legal entities do not run fitness clubs or undertake other operations).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 8.

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

2.2 Changes in accounting policies and disclosures

2.2.1 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 2017, have been adopted by the Group from 1 January 2017. These standards and interpretations had no material impact for the group.

The amendments to IAS 7 (Statement of cash flows) requires entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has provided the information for the current period in note 20 (Derivative financial instruments) and note 27 (Borrowings).

2.2.2 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 2017 reporting periods and have not been adopted early by the Group. The Group's current status regarding the assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Instruments

Adoption of IFRS 9
The Group will adopt IFRS 9 (as issued by the IASB and subsequently endorsed by the European Union in November 2016) by the required effective date of 1 January 2018. Set out below is an overview of IFRS 9 as well as the impact of the adoption of IFRS 9 on the Group.

Classification and Measurement
The classification and measurement of financial assets will depend on how these are managed (the business model test) and their contractual cash flow characteristics (the contractual cash flows characteristics test). The outcome of these tests will determine how financial assets are subsequently measured: at amortised cost, fair value through OCI or fair value through profit or loss. The classification and measurement of financial liabilities remain substantially unchanged from the existing standard, IAS 39.

The Group has undertaken a detailed assessment as to the classification and measurement of financial assets under IFRS 9, the results of which indicate that the Groups assets will continue to be classified and subsequently measured at amortised cost (with the exception of derivatives, which will continue to be classified and subsequently measured at fair value through profit or loss). There is no impact expected on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, of which the Group has none.

Impairment
The IFRS 9 expected credit loss (ECL) model will replace the current "incurred loss" model of IAS 39.

The ECL model will require the recognition of ECLs upon initial recognition of a financial asset. The ECL model requires reporting in three stages, which are based on the change in credit quality of financial assets. Depending on the stage, the ECL allowance is measured either as 12-month (stage one) or lifetime expected credit losses (stages two and three).

The Group has chosen, as an accounting policy choice, to use the Simplified Approach under IFRS 9 in measuring the loss allowance for trade debtors arising from contracts with customers under IFRS 15. As a result, the ECL allowance is always measured as lifetime expected credit losses. The Group has developed ECL models that calculate ECL by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These models also incorporate forward looking information through the use of three different scenarios of future economic developments.

The Group has undertaken an assessment as to the impairment of its financial assets classified and subsequently measured at amortised cost (trade and other debtors), the results of which indicate that the Group's provision for doubtful debtors for is not expected to vary significantly under IFRS 9 as compared to its existing policy, based upon existing and reasonably foreseeable economic conditions.

Hedge Accounting
IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. The Group will apply the accounting policy choice to defer the application of the IFRS 9 guidance on hedge accounting and continue applying the hedge accounting requirements of IAS 39 in their entirety until the standard resulting from the IASB's separate project on macro hedge accounting becomes effective.

Transition impact
As permitted by the transitional provisions of IFRS 9, the Group will elect not to restate comparative figures. Consequently, any adjustments to the carrying amounts of financial assets and liabilities at the date of transition will be recognised against the opening balance of retained earnings as at 1 January 2018. Based on the outcome of the impact assessment, the Group estimates the IFRS 9 transition will have no material impact on the consolidated balance sheet at 1 January 2018 and 31 December 2018, nor on the consolidated statement of comprehensive income for the year 2018.

IFRS 15 Revenue from contracts with customers

Adoption of IFRS 15
The Group will adopt IFRS 15 (as issued by the IASB and subsequently endorsed by the European Union in October 2016) by the required effective date of 1 January 2018. Set out below is an overview of IFRS 15 as well as the impact of the adoption of IFRS 15 on the Group.

IFRS 15 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is expected to impact the Group's arrangements with customers as follows:

- Joining fees: IFRS 15 does not consider the joining fee as a separate performance obligation as the Group does not provide goods or services in return. As a result, in case of one-year contracts ('Smart' and 'Easy'), 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' instead of the contract period (which is one month) because the joining fee creates a material right in case of these contract types. The difference between the joining fees charged and the joining fees recognised as revenue is recorded as deferred revenue.
- 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', instead of the contract period (which is one month), in line with the joining fee.

Transition impact
As permitted by the transitional provisions of IFRS 15, the Group will apply IFRS 15 according to the modified retrospective approach.

As a result, the Group estimates the IFRS 15 transition amount will increase deferred revenues by €11.9 million as at 1 January 2018, reducing shareholders' equity by approximately €8.6 million, after recognising deferred tax assets of €3.3 million. For the year 2018, the impact of the IFRS 15 transition on revenue is expected to be negative for an amount of between €3 million and €4 million. As a result, the impact on net profit for the year 2018 is expected to be between €2.3 million and €3.0 million negative, based on an effective tax rate of 25%.

IFRS 16 Leasing

Adoption of IFRS 16
As permitted by the transitional provisions of IFRS 15, the Group will apply IFRS 15 according to the modified retrospective approach.

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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). 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. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is expected to have a significant impact upon the following types of arrangements entered into by the Group:

- Properties: the Group has strategically elected not to purchase, but rather lease the properties in which the clubs are located. Given these leases have historically been accounted for as operating leases, they will now be recognised in the Group's statement of financial position for the first time. At 31 December 2017, the undiscounted value of future instalments for which are currently disclosed as commitments within these financial statements (€785 million).
- Motor vehicles: similarly to properties, the Group leases a number of motor vehicles for the use of its staff. The group currently has a fleet of vehicle leases, the undiscounted value of future instalments for which are currently disclosed as commitments within these financial statements (€2.5 million).

The Group is in the process of collecting the required lease data, and is currently implementing an IFRS 16 software solution. Simultaneously, the Group is investigating the practical application of the new standard including, but not limited, to issues such as:
- Determination of rates for the purpose of discounting lease obligations to present value; and
- Establishing lease terms in which the arrangement contains an extension / termination option.

Transition impact
The Group is currently assessing the full impact of IFRS 16, and as such is not in a position to quantify its impact. Related to the aforementioned arrangements, the Group will recognise a right of use asset and a corresponding liability in respect of these leases. Some of the commitments may be covered by the exception for short-term and low-value leases. EBITDA is expected to increase due to lease payments from operating leases, previously being recognised in operating profit being replaced by depreciation and interest expenses which are excluded from EBITDA. It is also expected that the change will have a less significant impact on Earnings before tax. Based on the current portfolio of leases, the negative impact on Earnings before tax is expected to decrease over time. The proposed transition approach is modified retrospective with the cumulative effect of initial application recognised as an adjustment to the opening balance of equity on 1 January 2019. Under this approach, the Group does not restate comparative information.

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.

2.3 Principles of consolidation, business combinations

(a) Subsidiaries

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

(b) Business combinations and goodwill

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired 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 disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.5 Property, plant and equipment

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

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

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

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

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

2.6 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at costs less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The 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, as members' access cards give access to all clubs in a certain country. Therefore, goodwill has been allocated to the Netherlands, Belgium, France, Spain and Luxembourg.

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.

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 costs 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. Initial direct costs that are directly attributable to negotiating and arranging a lease are amortised over the term of the lease contract.

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.

2.7 Impairment of non-financial assets

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

2.8 Financial assets and liabilities

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

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

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

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

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

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

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

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

2.9 Impairment of financial assets

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

Assets carried at amortised cost

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

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

Individual receivables that are known to be uncollectable are written off by directly reducing the carrying amount. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group considers there to be evidence of impairment if any of the following indicators are present:

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

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

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

2.10 Derivative financial instruments and hedging activities

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

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

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

Cash flow hedge

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 19. Movements in the cash flow hedge reserve in other comprehensive income are shown in note 5c. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2.11 Inventories

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

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Equity

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

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.

2.15 Borrowings

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

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

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. 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.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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.

2.17 Trade and other payables

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 recognised initially at their fair value and subsequently measured at amortised costs using the effective interest method.

2.18 Employee benefits

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

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

2.19 Share-based payments

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

The total amount to be expensed for services received is determined by reference to the grant date fair value of the share-based payment awards made, including the impact of any non-vesting conditions and market conditions. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of awards that will eventually vest, with a corresponding credit to equity.

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

2.20 Revenue recognition

The Group's principal sources of revenue are membership services, principally fitness club memberships, including joining fees and add-on's for drinks, live group lessons and/or an app for mobile 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. Within this full-service vending construction, the Group receives a percentage of the revenue generated by the vending machines. These amounts are shown as revenues for the Group in its income statement. Revenues are measured at the fair value of the consideration received or receivable, and represent amounts receivable for goods supplied and services rendered, stated net of discounts, returns and value added taxes. The Group recognises revenues when the amount of revenues can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the

Group's activities, as described below.

Sales of services
The Group provides fitness club services for its customers. For sales of services, revenue is recognised in the accounting period in which the services are rendered. Delivery of fitness club services extends throughout the term of membership. A joining fee is recognised in the month that a new customer signs the membership contract. Membership revenues are recognised on a monthly basis over the contract term. Membership fees collected but not earned are included in deferred revenue. The promotional offers of the Group often contain a discount granting a free period (e.g. current month free or next month free) or waiving of the joining fee (fully or partly), or a combination of these two. The payments of the member will be based on the applicable promotion, but the monthly revenue is determined for the entire period by taking into consideration the discounts granted which are allocated to the joining fee and membership revenues using relative amounts.

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

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

2.22 Marketing expenses and contributions
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.

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

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

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

2.25 Corporate income tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on

the applicable income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

2.26 Notes to the cash flow statement

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

3 Events after the reporting period

No subsequent events occurred that are significant to the Group which would require adjustment or disclosure in the annual accounts now presented. Subsequent events were evaluated up to 12 March 2018, which is the date the financial statements included in this annual report were approved.

4 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, type of customers, method for distribution and regulatory environment are similar, the operating segments Belgium, the Netherlands and Luxembourg have been aggregated into one reportable segment (Benelux), and the operating segments France and Spain have also been aggregated into one reportable segment (France & Spain). Other reconciling items represent corporate costs that are not allocated to the operating segments.

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

			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**

	Benelux	France & Spain	2016 Total
Revenues	214,545	44,016	258,561
Adjusted EBITDA	85,152	8,118	93,270
Other reconciling items			(12,909)
Total adjusted EBITDA			80,361

Reconciliation of adjusted EBITDA to profit before tax:

Adjusted EBITDA	**80,361**
Depreciation, amortisation and impairment charges	(65,356)
Finance costs – net	(35,741)
Exceptional items	
- Transaction costs	(4,895)
- Pre-opening costs new clubs	(2,191)
- Other exceptional costs	(3,884)
Profit before tax	**(31,706)**

Entity-wide information

The Group operates in five countries. Note 9 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.

Breakdown of the non-current assets is as follows:	2017	2016
The Netherlands (country of domicile)	231,701	236,793
Belgium	229,083	234,011
Luxembourg	21,425	20,996
France	176,399	82,138
Spain	35,535	34,198
Total	**694,143**	**608,136**

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.

5 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 21 and 23 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 2017	11,441	2,158	1,541	794	6,948
At 31 December 2016	10,956	2,845	827	2,074	5,210

The receivables consist of member receivables and trade receivables. These receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment, which is based on historical evidence with respect to the collectability in each of the ageing buckets. The provision at 31 December 2017 was €7.1 million (2016: €5.6 million).

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

The liquidity risk is reduced by the revolving credit facility of €175.0 million with a maturity date of 20 May 2021. The facilities can only be cancelled by the lenders upon the receipt of a timely notice after an event of default (including non-payment, breach of (financial) covenants or breach of other obligations, in each case subject to materiality thresholds, qualifications and cure periods).

The 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 3 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.

	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**

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

As at 31 December 2017, the Group had €45.8 million in undrawn facilities (2016: €44.2 million).

(c) Market risk

i. Foreign exchange risk

The Group only operates in the euro zone, hence the currency risk is limited, due to the fact that all revenues (and almost all expenses) are incurred in euro. 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 and, until June 2017, an interest rate cap. Under the swap agreements, the Group agrees with another party to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Under the rate cap, the Group agreed with a counterparty to cap the interest rate at 1% for a portion of the forecasted interest rate exposure.

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

	2017	2016
Variable rate borrowings	297,497	225,000
Fixed interest rate borrowings	20	1,350
	297,517	**226,350**

Financial instruments in use by the Group

Swaps currently in place cover approximately 55.8% (2016: 44.4%) 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:

			2017			2016
	Weighted average interest rate	Balance	% of the total loans	Weighted average interest rate	Balance	% of the total loans
Bank overdrafts and bank loans	2.00%	297,497	99.99%	2.00%	225,000	99.40%
Interest rate swaps (notional amount)		(166,000)			(100,000)	
Net exposure to cash flow interest rate risk		**131,497**	**44.20%**		**125,000**	**55.22%**

Amounts recognised in profit or loss and other comprehensive income

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

	2017	2016
Gain recognised in other comprehensive income	-	301
Gain recognised in profit or loss	376	19
Reclassified from other comprehensive income to profit or loss	634	273

Sensitivity analysis

According to interest rate sensitivity analyses performed for the years ending 31 December 2017 and 2016, the impact on the profit and loss and components of equity due to up or down movements in the interest rates of 1 % are as follows:

	Impact on post Tax Profit		Impact on other components of equity pre Tax Profit	
Interest rate movement	2017	2016	2017	2016
Increase by 100 basis points	2,696	(207)	156	435
Decrease by 100 basis points (*)	(4,250)	(671)	(158)	(435)

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.

6 Capital management

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

In June 2016 the Group closed a new multicurrency term (€175 million) and revolving credit facilities agreement (€100 million). In March 2017, to support the accelerated roll-out of clubs, the revolving credit facility was increased by €75 million to €175 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 2017 and at 31 December 2016 was as follows:

	2017	2016
Total borrowings (incl. capitalised finance costs)	294,587	223,111
Less: cash and cash equivalents	(13,033)	(17,365)
Net debt	**281,554**	**205,746**

The increase in net debt is directly related to the investments in new club openings in 2017.

Loan Covenants

Under the terms of the new facilities, as at 31 December 2017, 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 3.75.

The Group has complied with these covenants throughout the reporting period, including the covenants before the refinancing in June 2016. As at 31 December 2017, the interest cover ratio was 15.9 and the leverage ratio was 2.4.

7 Fair value estimation

As at 31 December 2017, the Group had 10 (2016: 6) financial instruments measured at fair value. These instruments relate to interest rate swaps which are designated as hedging instrument in a cash flow hedge relationship, plus one rate cap that is not included in a hedge relationship. This rate cap was ended in 2017. The derivatives are classified as Level 2 valuation, in accordance with the fair value hierarchy as described in IFRS 13. An explanation of each level follows below the table.

		2017		
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivatives used for hedging - interest rate swaps	-	-	-	-
Total assets	-	-	-	-
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Derivatives used for hedging - interest rate swaps	-	892	-	892
Total liabilities	-	**892**	-	**892**

		2016		
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivatives used for hedging - interest rate swaps	-	-	-	-
Total assets	-	-	-	-
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Derivatives used for hedging - interest rate swaps	-	1,367	-	1,367
Total liabilities	-	**1,367**	-	**1,367**

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

For all years presented, the Group only held financial instruments that classify as Level 2 fair values. The Group did not hold any Level 1 or Level 3 financial instruments, 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 2017 and 31 December 2016, 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 2017 and 31 December 2016, the fair values of other long-term financial assets (security deposits) were not materially different from the carrying amounts.
- On 31 December 2017 and 31 December 2016, the fair values of long-term borrowings were not materially different from the carrying amounts.

8 Critical accounting estimates and assumptions

The key assumptions regarding the future, and other key sources for estimating uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-current assets
The Group determines whether property, plant and equipment are impaired whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This requires an estimation of the recoverable amount of the relevant CGU. 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.

Estimated impairment of goodwill
The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy stated in note 2. The recoverable amounts of CGUs have been determined based on value-in-use calculations.

Useful lives

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

Historically changes in useful lives and residual values did not result in any material changes to the Group's deprecation or amortisation charge in 2017.

Deferred tax assets

The Group is subject to income taxes both 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.

8.1 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have a significant impact on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with above).

Recognition of provisions

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

Decommissioning liabilities

For certain fitness club locations, the Group has a contractual obligation to restore locations to an agreed upon state. For such obligations, the Group has not recorded a decommissioning liability. Management judgement is that, based on limited historical experience, the likelihood that the Group will be required to restore a location to its original state is remote. Fitness club locations are often renovated to a better state than their original state and moreover the duration of a lease contract is usually longer than ten years. As a consequence, lessors have made very few requests for the restoration of locations over the years. Therefore, no decommissioning liabilities have been recognised by the Group.

9 Revenue

The Group derives the following types of revenue:

	2017	2016
Fitness revenue	318,642	253,074
Other revenue	7,189	5,487
Total	**325,831**	**258,561**

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

The breakdown of revenue geographically:

	2017	2016
The Netherlands	112,110	100,119
Belgium	117,414	106,249
Luxembourg	9,017	8,177
France	65,970	25,025
Spain	21,320	18,991
Total	**325,831**	**258,561**

10 Employee benefits expense

Employee benefits can be broken down as follows:

	2017	2016
Salaries and wages (including share-based payments)	(50,004)	(41,614)
Social security contributions	(10,954)	(9,414)
Pension costs – defined contribution plans	(817)	(473)
Total	**(61,775)**	**(51,501)**

11 Average number of employees

During the year, the average number of employees calculated on a full-time equivalent basis was 1,770 (2016: 1,473).

	2017	2016
Benelux	1,192	1,120
France & Spain	578	353
Total	**1,770**	**1,473**
Club	1,510	1,259
Headquarters	260	214
Total	**1,770**	**1,473**

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

12 Depreciation amortisation and impairment charges

	2017	2016
Depreciation of property, plant and equipment	(59,314)	(48,279)
Amortisation of other intangible assets	(15,389)	(16,680)
Impairment of property, plant and equipment	(695)	(397)
Total	**(75,398)**	**(65,356)**

13 Other operating income

	2017	2016
Net gain on disposal of property, plant and equipment	222	498
Insurance reimbursements	194	-
Other operating income	506	282
Total	**922**	**780**

14 Other operating expenses

	2017	2016
Other personnel expenses	(14,639)	(13,850)
Rental expenses	(68,620)	(53,903)
Housing expenses	(43,697)	(33,661)
Marketing expenses	(13,196)	(9,983)
Write-off of bad debts, incl. collection agency costs	(7,832)	(7,858)
Lease equipment (operating lease)	(476)	(404)
Car expenses	(1,689)	(1,328)
Overhead and administrative expenses	(14,406)	(15,146)
Total	**(164,555)**	**(136,133)**

Marketing expenses are recognised net of received marketing contributions as described in note 2.22.

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

	EY Accountants LLP		Other EY member firms and affiliates		Total network	
	2017	2016	2017	2016	2017	2016
Audit of the financial statements	448	253	68	93	516	346
Transactional audit fees	-	267	-	-	-	267
Other audit procedures	-	52	-	-	-	52
Tax Services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
Total	**448**	**572**	**68**	**93**	**516**	**665**

15 Finance income and costs

	2017	2016
Finance costs:		
Interest on external debt and borrowings	(7,819)	(11,895)
Breakage costs related to early repayment	-	(7,780)
Amortisation capitalised finance costs related to previous financing	-	(4,605)
Interest on shareholder loans	-	(10,908)
Other finance costs	(376)	(566)
Total finance costs	**(8,195)**	**(35,754)**
Finance income:		
Other interest income	9	13
Total finance income	**9**	**13**
Total finance costs - net	**(8,186)**	**(35,741)**

16 Income tax

Income tax

The major components of income tax expense for the years 31 December 2017 and 2016 are:

Consolidated statement of comprehensive income	2017	2016
Consolidated statement of profit or loss		
Current income tax:		
Current income tax charge	(1,798)	(287)
	(1,798)	**(287)**
Deferred income tax:		
Adjustment deferred tax asset for carry forward losses as a result of agreements with Dutch and Belgian tax authorities	-	(9,179)
Change in deferred tax asset for carry forward losses available for offsetting against future taxable income	(3,728)	8,239
	(3,728)	**(940)**
Changes in other deferred tax assets and liabilities recognised in profit or loss	3,497	560
	(231)	**(380)**
Total income tax	**(2,029)**	**(667)**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Deferred tax on cash flow hedges	(159)	(144)

The effective income tax rate is calculated as follows:

	2017	2016
Profit (loss) before income tax	13,156	(31,706)
Income tax	(2,029)	(667)
Effective income tax rate	**15.4%**	**(2.1)%**
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 2017, adjustments in deferred tax assets and liabilities due to changes in tax rates as of 2018 in Belgium and France had a positive impact of €2.2 million on income tax. In 2016, agreements with Dutch and Belgian tax authorities had a negative impact on income tax, as a result of which the deferred tax assets were reduced by €9.2 million.

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. In 2016, an amount of €3.9 million in deferred taxes was directly credited to equity. This was related to incremental costs directly attributable to the newly-issued shares, amounting to €15.6 million.

Effective income tax reconciliation

	2017	%	2016	%
Profit (loss) before income tax expense	13,156		(31,706)	
At the Dutch applicable income tax rate	**(3,289)**	**25.0%**	**7,950**	**25.0%**
Difference in foreign tax rates	(144)	1.1%	906	2.9%
Adjustments with respect to income tax of prior periods	(387)	2.9%	424	1.3%
Adjustments as a result of agreements with Dutch and Belgian tax authorities	-	-	(9,179)	(28.9)%
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 and liabilities	-	-	49	0.2%
Tax losses for which no deferred tax asset was recognised	(8)	0.1%	(442)	(1.4)%
Correction tax free income	52	(0.4)%	12	0.0%
Non-deductible expenses for tax purposes:				
Share-based payments	(353)	2.7%	(183)	(0.6)%
Other non-deductible expenses	(110)	0.8%	(204)	(0.6)%
At the effective income tax rate	**(2,029)**	**15.4%**	**(667)**	**(2.1)%**

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	
	2017	2016	2017	2016
Losses available for offsetting against future taxable income	9,917	13,645	(3,728)	(940)
Purchase price allocation	(16,589)	(22,069)	5,480	2,552
Goodwill amortisation for tax purpose	(5,432)	(4,936)	(496)	(2,007)
Temporary differences in the valuation of assets	1,551	3,113	(1,487)	15
Deferred tax on cash flow hedges reported in the other comprehensive income section of the consolidated statement of comprehensive income	61	145	(159)	(144)
Deferred tax (expense)			**(390)**	**(524)**
Net deferred tax liabilities	**(10,492)**	**(10,102)**		
Reflected in the statement of comprehensive income as follows:				
Statement of profit or loss			(231)	(380)
Statement of other comprehensive income			(159)	(144)
Total			**(390)**	**(524)**

After netting deferred tax assets and deferred tax liabilities within the same tax entity for an amount of €6.1 million (2016: €13.3 million), these positions are as follows:

	2017	2016
Deferred tax assets	6,264	4,590
Deferred tax liabilities	(16,756)	(14,692)
Deferred tax liabilities net	**(10,492)**	**(10,102)**

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

	2017	2016
To be recovered within 12 months	(354)	2,760
To be recovered after more than 12 months	(10,138)	(12,862)
Total	**(10,492)**	**(10,102)**

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

	2017	2016
Opening balance as at 1 January	(10,102)	(13,467)
Income tax benefit during the period recognised in profit or loss	(231)	(380)
Deferred taxes asset recognised directly in equity related to IPO-costs	-	3,889
Deferred tax on cash flow hedges reported in the other comprehensive income section of the consolidated statement of comprehensive income	(159)	(144)
Closing balance as at 31 December	**(10,492)**	**(10,102)**

Tax losses

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

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

The tax entities Basic-Fit Belgium BVBA, HealthCity België N.V. and Basic Fit Nederland B.V. were profitable in 2017 and, based on the budget for 2018-2022, the Group expects to be able to offset the carry forward losses (mostly) in 2018 and for the remaining amount in the years thereafter.

Basic Fit II S.A., our operating company in France, has opened 152 clubs since it started in 2014 with eight clubs. The incurred losses are directly attributable to the start-up phase of Basic Fit II S.A. Since more and more clubs are maturing, the Group expects that, based on the budget for 2018-2022 and in line with the track record of other more mature tax entities, Basic Fit II S.A. will realise taxable profits in the foreseeable future. As a result, the Group expects to be able to utilise all 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 2017, Basic-Fit Spain S.A. operated 33 clubs, with one-third of these immature. Based on the budget for 2018 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. Given the fact that offsetting of carry forward losses in Spain is limited, it was decided to recognise €8.4 million (2016: €7.0 million) of carry forward losses, resulting in a deferred tax asset of €2.1 million (2016: €1.8 million). For an amount of approximately €47.0 million (2016: €47.0 million) carry forward losses in Spain, no deferred tax asset has been recognised.

In total, no deferred tax assets have been recognised for gross loss carry-forwards amounting to €50.2 million (2016: €49.9 million).

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

	2017	2016
Within 1 year	-	-
In the next 2 to 5 years	7	7
In the next 6 to 9 years	6,878	8,279
After 9 years	40,144	37,802
Never expire	3,162	3,855
Total	**50,191**	**49,943**

17 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
At 1 January 2016:				
Cost	-	165,932	134,840	300,772
Accumulated impairments and depreciation	-	(21,859)	(31,525)	(53,384)
Net book value	**-**	**144,073**	**103,315**	**247,388**
Year ended 31 December 2016				
Opening net book value	**-**	**144,073**	**103,315**	**247,388**
Additions	-	87,907	41,569	129,476
Acquisition of subsidiary	-	2,099	35	2,134
Cost of disposals	-	(1,573)	(4,068)	(5,641)
Depreciation for the year	-	(18,937)	(29,342)	(48,279)
Impairment	-	(291)	(106)	(397)
Accumulated depreciation of disposals	-	1,271	3,338	4,609
Closing net book value	**-**	**214,549**	**114,741**	**329,290**
At 31 December 2016				
Cost	-	254,365	172,376	426,741
Accumulated impairments and depreciation	-	(39,816)	(57,635)	(97,451)
Closing net book value	**-**	**214,549**	**114,741**	**329,290**
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 (cost)	-	(553)	(629)	(1,182)
Transfer (accumulated depreciation)	-	(77)	77	-
Accumulated depreciation of disposals	65	1,253	2,661	3,979
Closing net book value	**-**	**295,047**	**129,373**	**424,420**
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**

At 31 December 2017, the carrying amount includes assets under construction of €497 thousand (2016: €545 thousand).

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

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).

Finance leases

At 31 December 2017, the carrying value of equipment held under finance lease is nil. The corresponding lease debt is €4 thousand and will be repaid in 2018.

18 Intangible assets

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

	Goodwill	Trademark	Customer relationships	Other intangible assets	Total
At 1 January 2016					
Cost	187,351	44,918	56,924	31,346	320,539
Accumulated impairments and amortisation	-	(4,492)	(15,371)	(8,329)	(28,192)
Net book value	**187,351**	**40,426**	**41,553**	**23,017**	**292,347**
Year ended 31 December 2016					
Opening net book value	**187,351**	**40,426**	**41,553**	**23,017**	**292,347**
Additions	-	-	64	2,264	2,328
Acquisition of subsidiary	-	-	551	268	819
Cost of disposals	-	-	-	(8)	(8)
Amortisation for the year	-	(2,246)	(8,076)	(6,358)	(16,680)
Accumulated depreciation of disposals	-	-	-	40	40
Closing net book value	**187,351**	**38,180**	**34,092**	**19,223**	**278,846**
At 31 December 2016					
Cost	187,351	44,918	57,539	33,870	323,678
Accumulated impairments and amortisation	-	(6,738)	(23,447)	(14,647)	(44,832)
Net book value	**187,351**	**38,180**	**34,092**	**19,223**	**278,846**
Year ended 31 December 2017					
Opening net book value	**187,351**	**38,180**	**34,092**	**19,223**	**278,846**
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 from tangibles (cost)	-	-	-	1,182	1,182
Accumulated depreciation of disposals	-	-	-	23	23
Closing net book value	**187,351**	**35,934**	**26,625**	**19,813**	**269,723**
At 31 December 2017					
Cost	187,351	44,918	58,355	39,297	329,921
Accumulated impairments and amortisation	-	(8,984)	(31,730)	(19,484)	(60,198)
Net book value	**187,351**	**35,934**	**26,625**	**19,813**	**269,723**

Impairment tests for goodwill

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

	Netherlands	Belgium	France	Spain	Luxembourg	Total
As at 1 Jan 2016	**88,136**	**83,425**	**-**	**3,195**	**12,595**	**187,351**
Acquisitions	-	-	-	-	-	-
As at 31 December 2016	**88,136**	**83,425**	**-**	**3,195**	**12,595**	**187,351**
Acquisitions	-	-	-	-	-	-
As at 31 December 2017	**88,136**	**83,425**	**-**	**3,195**	**12,595**	**187,351**

The Group performed its impairment tests on 31 December 2016 and 2017 in accordance with the accounting policy as stated in note 2.

Calculation of recoverable amount

The recoverable amount as at 31 December 2016 and 2017 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	France	Spain	Luxembourg
Year ended 31 December 2016	11.0%	12.7%	12.6%	13.0%	10.3%
Year ended 31 December 2017	8.8%	9.4%	9.7%	10.4%	9.0%

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

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 2.4% for the Netherlands, 2.3% for Belgium, 3.0% for Luxembourg, 6.9% for France and 1.0% for Spain (2016: 2.6% for the Netherlands, 2.7% for Belgium, 3.3% for Luxembourg, 7.3% for France and 2.4% 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.

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.

19 Financial instruments by category

Financial instruments by category comprise the following:

	2017		2016	
Assets	**Derivatives at FVPL (*)**	**Loans and receivables**	**Derivatives at FVPL**	**Loans and receivables**
Trade and other receivables excluding prepayments	-	11,441	-	10,956
Cash and cash equivalents	-	13,033	-	17,365
Total	**-**	**24,474**	**-**	**28,321**

(*) Fair value through profit and loss

	2017		2016	
Liabilities	**Derivatives at FVPL**	**Other financial liabilities at amortised cost**	**Derivatives at FVPL**	**Other financial liabilities at amortised cost**
Borrowings (excluding finance lease liabilities)	-	294,568	-	221,761
Finance lease liabilities	-	4	-	832
Derivative financial instruments (> 12 months)	325	-	1,367	-
Other long-term payables	-	16	-	518
Trade and other payables excluding non-financial liabilities	-	39,345	-	34,924
Derivative financial instruments (< 12 months)	567	-	-	-
Total	**892**	**333,933**	**1,367**	**258,035**

The carrying amount of the above financial instruments represents the maximum exposure. See note 5a for a description of the credit quality of financial assets that are neither past due nor impaired.

20 Derivative financial instruments and hedging activities

The Group entered into interest rate swaps with Rabobank, ING and ABN AMRO on 7 January 2014 with a total notional amount of €74 million at inception (31 December 2017 €21 million) to hedge interest risks related to the loan with variable interest rate entered into in 2013. The swap is effective from 7 January 2014 with a termination date of 20 December 2018. The contract will swap quarterly interest payments, where the Group will pay a fixed interest of 0.855% and receives interest based on the 3 months Euribor rate. At 31 December 2017, this hedge relationship no longer met the criteria for hedge accounting, which are described in IAS 39.88. The Group therefore discontinued the first hedge relationship prospectively as of 31 December 2017. The cumulative loss on the hedging instrument of €579 thousand that was recognised in other comprehensive income until the moment that the hedge was last effective (31 December 2016) will be amortised in the consolidated statement of profit or loss over the life of the hedge relationship (in 2017 €336 thousand).

On 26 June 2015, the Group entered into interest rate swaps with Rabobank and ING with a total notional amount of €25 million at inception (increased to €55 million at year end 2017), to hedge interest risks related to the loan with variable interest rate entered into in 2015. The swap is effective from 31 December 2015 with a termination date of 31

December 2018. The contract will swap quarterly interest payments where the Group will pay a fixed interest of 0.293% and receives interest based on the 3 months Euribor rate. At 30 June 2016, this hedge relationship no longer met the criteria for hedge accounting, which are described in IAS 39.88. The Group therefore discontinued the second hedge relationship prospectively as of 30 June 2016. The cumulative loss on the hedging instrument of €653 thousand that was recognised in other comprehensive income until the moment that the hedge was last effective (31 March 2016) will be amortised in the consolidated statement of profit or loss over the life of the hedge relationship (in 2017 €298 thousand and in 2016 €118 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 (increasing to €170 million in September 2018), to hedge interest risks, in so far as these were not already partly hedged by the existing swaps, related to the loan with variable interest rate entered into in 2016 during the IPO. The swap is effective from 4 July 2017 with a termination date of 31 March 2021. The contract will swap quarterly interest payments, where the Group will pay a fixed interest of 0.083% and receives interest based on the 3 months Euribor rate. The Group does not apply hedge accounting for these swaps.

Additionally, there was one rate cap (not included in a hedge relationship) which was ended in 2017.

The movements in 2017 arising from cash flows and non-cash changes in the Group's derivative financial instruments are summarised in the following table:

		Cash flows	Other changes (non-cash)		
For the year ended 31 December 2017 (in € x 1,000)	**Balance at 1 January**	**Repayments**	**Fair value changes through P&L**	**Fair value changes through OCI**	**Balance at 31 December**
Derivative financial instruments	**1,367**	**(99)**	**258**	**(634)**	**892**
Of which:					
Non-current (> 1 year)	1,367				325
Current (< 1 year)	-				567

21 Receivables

	2017	2016
Member and trade receivables	18,565	16,538
Less: allowance for doubtful accounts	(7,124)	(5,582)
Receivables – net	**11,441**	**10,956**
Security deposit	2,548	1,938
Loan receivable	97	124
Taxes and social charges	6,166	3,711
Prepayments	4,332	1,860
Other receivables and accrued income	3,715	3,068
Total receivables	**28,299**	**21,657**
Less: non-current portion of security deposits	2,548	1,938
Less: non-current loans receivable	97	124
Total non-current portion	**2,645**	**2,062**
Total current portion	**25,654**	**19,595**

The fair value of the receivables approximates the book value. No breakdown of the fair values of trade and other receivables has been included as the differences between the book values and the fair values are insignificant.

The carrying amounts of the Group's trade and other receivables are all denominated in euros.

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

	2017	2016
At 1 January	**(5,582)**	**(4,335)**
Provision for impairment recognised during the year	(7,429)	(4,494)
Receivables written off during the year as uncollectable	5,887	3,247
At 31 December	**(7,124)**	**(5,582)**

The creation and release of provisions for impaired receivables have been included in 'Other operating expenses' in the income statement (note 14). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As described in note 5a regarding credit risk, all member receivable balances are automatically past due. The estimated provision for impairment losses is recognised based on historical evidence with respect to the collectability in each of the ageing buckets.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on 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).

22 Inventories

The composition of the inventories is as follows:

	2017	2016
Goods for resale	1,226	811
Total	**1,226**	**811**

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 2017 (2016: nil).

23 Cash and cash equivalents

The composition of cash and cash equivalents is as follows:

	2017	2016
Cash in bank and on hand	12,152	16,593
Cash in transit	881	772
Total	**13,033**	**17,365**

There are no restrictions on the usage of cash.

24 Equity

Share capital

The subscribed capital as at 31 December 2017 amounts to €3,280 thousand and is divided into 54,667 thousand shares fully paid-up with a nominal value per share of €0.06. The movements during the periods were as follows:

	In number of shares		In € x 1,000	
	2017	2016	2017	2016
Issued ordinary shares on 1 January	54,666,667	30,000,000	3,280	300
Effect of capital reorganisation under common control:				
- Issued ordinary shares on 12 May	-	750,000	-	45
- Contribution of outstanding shares of Miktom Topco B.V.	-	(30,000,000)	-	(300)
- Issue of shares for capital contribution	-	29,250,000	-	1,755
Effect of issue of shares IPO June 2016	-	24,666,667	-	1,480
On issue on 31 December	**54,666,667**	**54,666,667**	**3,280**	**3,280**

Share premium

On 31 December 2017, the share premium amounted to €358,360 thousand. The movements during the periods were as follows:

	In number of shares		In € x 1,000	
	2017	2016	2017	2016
Issued ordinary shares on 1 January	54,666,667	30,000,000	358,360	29,700
Effect of capital reorganisation under common control:	-	-	-	-
- Issued ordinary shares on 12 May	-	750,000	-	-
- Contribution of outstanding shares of Miktom Topco B.V.	-	(30,000,000)	-	(29,700)
- Issue of shares for capital contribution	-	29,250,000	-	-
Effect of issue of shares IPO June 2016	-	24,666,667	-	356,860
Capital contribution	-	-	-	1,500
On issue on 31 December	**54,666,667**	**54,666,667**	**358,360**	**358,360**

Treasury share

In June 2017, the Company purchased 55.000 shares in anticipation of the vesting (in July 2017) of 48,542 shares granted to employees. The remaining shares were sold in July 2017. The net result on these transactions (€17 thousand) was recognised in retained earnings.

Other capital reserves

	Share-based payments	
	2017	2016
As at 1 January	**729**	**-**
Share-based payments expense during the year	1,410	729
Excercised share-based payments during the year	(795)	-
As at 31 December	**1,344**	**729**

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 33 for further details.

Retained Earnings
The profits and losses for the respective periods 2017 and 2016 have been included in retained earnings, as well as the capital reorganisation under common control in 2016.

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.

25 Share-based payments

Following the listing on Euronext Amsterdam, the Company has implemented two 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 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 3-year performance period 2017-2019. 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:

	2017	2016
At 1 January	**145,674**	**-**
Awarded during the year	73,306	145,674
Exercised during the year	(48,542)	-
Forfeited during the year	(17,565)	-
At 31 December	**152,873**	**145,674**

The fair value of the Retention Shares awarded in 2016 has been determined with reference to the share price of the Company's ordinary shares at the date of grant. For the Management Board members, the vested Retention Shares are subject to a holding period of five years from the award date, which has not been taken into account when determining grant date fair value of the Retention Shares. Since dividends are not expected during the vesting period, the weighted average fair value of the performance shares awarded in 2017 is equal to the share price at the date of grant of €15.52 (2016: €16.38).

The share-based payment expenses recognised in 2017, with a corresponding entry directly in equity, amount to €1.4 million (2016: €729 thousand).

26 Earnings per share

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

The basic and diluted EPS were as follows:

	2017	2016
Earnings		
Profit (loss) for the period attributable to the ordinary equity holders of the Company	11,127	(32,373)
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	54,663,473	43,748,634
Effect of dillutive potential ordinary shares	-	-
Weighted average number of ordinary shares for diluted earnings per share	**54,663,473**	**43,748,634**
Earnings per share (in €)		
Basic earnings per share	0.20	(0.74)
Diluted earnings per share	0.20	(0.74)

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.

27 Borrowings

The Group's interest-bearing borrowings as at 31 December 2017 and 31 December 2016, including the movements during 2017, are summarised in the following table:

		Cash flows		Other changes (non-cash)			
	Balance at 1 January 2017	New loans	Repayments	non-current to current	Acquired via business combination	Amortisation	Balance 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)**	**49,976**	**863**	**-**	**294,568**
Current Interest-bearing loans and borrowings							
Drawn RCF (*)/(**)	50,000	-	-	(50,000)	-	-	-
Lease commitments	828	-	(824)	-	-	-	4
Other long-term financing	281	-	(265)	-	-	-	16
Borrowing costs	(709)	-	-	24	-	685	-
	50,400	**-**	**(1,089)**	**(49,976)**	**-**	**685**	**20**
Total	**223,111**	**72,122**	**(2,193)**	**-**	**863**	**685**	**294,588**

(*) Variable interest rates
(**) Drawn on a 3-month basis

The repayments of the total current interest-bearing loans and borrowings due within 12 months of the reporting date are presented as current liabilities. As of 2017, 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 3 months until maturity date.

Bank borrowings (senior debt loans, maturity May 2021) and drawn revolving credit facility (RCF)
In June 2016, the Group closed a new multicurrency term and revolving facilities agreement of €275 million in total (€175 million term facility and €100 million revolving facility) for a period of five years and at an interest rate of applicable Euribor plus a margin (currently 2%), depending on the leverage ratio and unsecured. In March 2017, to support the accelerated roll out of clubs, the revolving credit facility was increased by €75 million to €175 million. As at 31 December 2017, an amount of €6.7 million of the revolving facility of €175 million had been used for bank guarantees and €122.5 million had been drawn in cash.

The carrying value of the borrowings is presented net of finance costs (2017: €2,929 thousand; 2016: €3,239 thousand). The finance costs are charged to the income statement based on the effective interest rate method over the period to maturity of the loans.

Lease liabilities (maturity October 2018)
Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The present value of finance lease liabilities is described in more detail in note 31. The leased items have been pledged as security for the lease commitments. The interest rate is 8.75%.

Other liabilities (maturity April 2020)
The rate of interest on the other debts is within the range of 4.7% to 8.0%.

28 Other non-current liabilities

	2017	**2016**
Rental incentives	13,110	-
Total	**13,110**	**-**

Rental incentives, like rent-free periods and contributions by the lessor, relate to the straight-lining of operating lease payments over the lease term. The long-term rental incentives were included in the 2016 financial statements under trade and other payables for an amount of €7,455 thousand. As of 2017, long-term rental incentives are disclosed separately as part of non-current liabilities.

29 Provisions

The composition of the provisions is as follows:

	2017	**2016**
Unfavourable lease contracts	3,830	5,036
Other provisions	844	524
	4,674	**5,560**
Of which:		
Current portion of provisions (< 1 year)	1,082	1,375
Non-current portion of provisions (> 1 year)	3,592	4,185
	4,674	**5,560**

	Unfavourable lease contracts	Other provisions	Total
On 1 January 2016	**6,635**	**161**	**6,796**
Additions	-	350	350
Charged/ (credited) to profit or loss	(1,599)	108	(1,491)
Usages	-	(95)	(95)
On 31 December 2016	**5,036**	**524**	**5,560**
At 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**

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 outflow of resources (costs) as a result of past events

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

30 Trade and other payables

The composition of trade and other payables is as follows:

	2017	2016
Trade payables	39,345	34,924
Deferred revenues	25,330	29,751
Holiday allowance and vacation days accrual	4,556	3,694
Payroll tax payable	2,078	1,772
Interest payable	366	458
Other liabilities and accrued expenses	22,238	31,866
Total	**93,913**	**102,465**

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.

31 Contingencies and commitments

Capital commitments

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

	2017	2016
Property, plant and equipment	**31,604**	**25,746**

(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 2018-2023). 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:

	2017	2016
Within one year	83,183	64,440
After one year but not more than five years	336,172	264,314
More than five years	368,953	308,523
Total	**788,308**	**637,277**

Furthermore, before 31 December 2017 the Group has entered into several rental agreements for new locations for a total amount of €76 million (of which approximately €39 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

	2017	2016
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	2,799	2,926

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

Finance leases

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

	2017	2016
Within one year	4	859
After one year but not more than five years	-	4
More than five years	-	-
	4	**863**
Future finance charges on finance lease liabilities	-	(31)
Present value of finance lease liabilities	**4**	**832**

Other commitments

On 31 December 2017 approximately €6.7 million in total had been issued in bank guarantees (2016: €5.8 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. and Basic Fit Nederland B.V. formed a fiscal unity for income tax and VAT purposes at year-end 2017. 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 2017. As a result, the companies are jointly and severally liable for each other's VAT debts.

32 Business combinations

Acquisitions 2017

During 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. As part of one of these acquisitions, the Group acquired a building, which was sold later in 2017 at arm’s length to a company controlled by a Management Board member.

Acquisitions 2016

During 2016, the Group acquired two fitness clubs in the Netherlands and two fitness clubs in Spain. The total purchase price net of cash was €2.3 million, which was mostly allocated to leasehold improvements, the acquired customer relationships and favourable leases of new 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 2017 and 2016, the provisional fair value of assets acquired and the liabilities assumed at the acquisition date.

Fair value recognised on acquisition	2017	2016
Assets		
Property, plant and equipment	5,441	2,134
Customer relationships	816	551
Favourable lease contracts (included in other intangible assets)	65	268
Inventories and receivables	6	17
Liabilities		
Other liabilities and accrued expenses	(213)	(282)
Other provisions	-	(350)
Debt-like items (lease commitments and other long-term loans)	(863)	-
Total identifiable net assets acquired at fair value	**5,252**	**2,338**
Goodwill arising on acquisition	-	-
Purchase consideration transferred	**5,252**	**2,338**
Less: cash acquired	-	-
Net outflow of cash - investing activities	**5,252**	**2,338**

No external acquisition-related costs have been charged to other operating expenses in the consolidated income statement for the year ended 31 December 2017 (2016: nil).

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.

From the date of acquisition, the revenue and net income of the acquired group in 2016 for the period 2016 amounts to €572 thousand and a loss of €2 thousand respectively. If the group had been acquired at the beginning of the annual reporting period, the revenue and net income of the acquired group would have been €2,152 thousand and a loss of €23 thousand respectively.

33 Related party transactions

Shareholder structure

On 31 December 2017, Basic-Fit's main shareholders were:
- Mito Holdings S.à.r.l., an entity controlled by 3i Investments plc: 15,220,033 shares (27.8%)
- AM Holding B.V., an entity controlled by René Moos, our CEO: 12,141,816 shares (22.2%)

Our CFO, Hans van der Aar, owns 94,548 shares (0.2%).

Identification of related parties

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

Intercompany transactions are carried out at arm's length.

The following transactions were carried out with related parties:

- Management board compensation;
- As part of the acquisition of a business combination, the Group acquired a building. As part of a sale and lease-back transaction, this building was sold to a company controlled by a Management Board member;
- Purchases from related parties (mainly rent).

Transactions and balances held with related parties

The table below provides the total amount of transactions that have been entered into with related parties for the relevant financial year (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 (*)
Entity with significant influence over the Group:					
Moos Holding B.V.	2017	-	-	-	-
	2016	-	159	-	-
3i c.s.	2017	-	-	-	-
	2016	-	176	-	-
Management Board of the Group:					
Other director's interest	2017	2,200	5,629	-	1,082
	2016	-	6,179	-	1,119

(*) Included in Trade and other payables (note 30)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Related party rent

Future related party rent obligations are as follows:

Related Party Rent:	31-Dec-17	31-Dec-16
Within one year	6,045	5,997
After one year but not more than five years	24,326	23,748
More than five years	64,988	57,789
Total	**95,359**	**87,534**

Management Board compensation

Compensation of the Management Board members comprised the following:

	René Moos		Hans van der Aar		Total	
	2017	2016	2017	2016	2017	2016
Management fee (up to IPO)	-	159	-	-	-	159
Base Salary	563	275	433	365	996	640
Share-based payments	365	167	266	128	631	295
Short-term incentive	259	300	199	231	458	531
Social charges	10	6	10	10	20	16
Pension allowance	84	41	65	32	149	73
Other	53	35	30	31	83	66
Total compensation	**1,334**	**983**	**1,003**	**797**	**2,337**	**1,780**

- Up until the IPO, René Moos was compensated via a management fee (via Moos Holding B.V.). See also “Transactions and balances held with related parties”.
- Annual base salary for René Moos and Hans van der Aar amounts to €562,500 and €433,125 respectively.
- 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% will vest in 2018 and 33.3% will vest in 2019, fully conditional on their still being employed at Basic-Fit.
- In 2017, René Moos and Hans van der Aar were granted 21,746 and 13,954 shares respectively under the long-term incentive plan (LTIP). These numbers can increase up to 27,183 and 17,443 respectively in case of overperformance. Under this plan, the aforementioned number of shares will vest in 2020, fully conditional on their still being employed at Basic-Fit. The amounts included in the table for the RSP and LTIP represent the amounts recognised in the consolidated statement of comprehensive income for the years 2017 and 2016.
- The STI achievement for 2017 for the Management Board was approved by the Supervisory Board on 15 February 2018. The financial targets have been achieved at target. Both the CEO and CFO overperformed on their personal objectives, which led for the personal targets to a maximum STI achievement. Together this resulted in a STI pay-out for 2017 of 46% of the annual base salary for the CEO and the CFO. The STI amount will be paid in 2018 after adoption of the Annual Accounts 2017.
- The members of the Management Board do not participate in the Company’s collective pension scheme, but receive a comparable payment (pension allowance) with a maximum of 15% of their base salary.

On 31 December 2017, the members of the Management Board did not have any loans outstanding with Basic-Fit.

Supervisory Board compensation

The total remuneration for Supervisory Board members was €286 thousand in 2016 (2015: €135 thousand).

	2017	2016
Kees van der Graaf	34	-
Ronald van der Vis	21	29
Pieter de Jong	50	27
Hans Willemse	53	27
Carin Gorter	50	27
Herman Rutgers	48	25
Rob van der Heijden	30	-
Total	**286**	**135**

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 2017.

COMPANY FINANCIAL STATEMENTS

Company balance sheet

On 31 December 2017 (in € x 1,000)	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	35	86	113
Financial fixed assets	36	319,262	305,822
Deferred tax assets	37	88	144
Total non-current assets		**319,436**	**306,079**
Current assets			
Trade and other receivables	38	222	65
Total current assets		**222**	**65**
Total assets		**319,658**	**306,144**
Shareholders' equity	39		
Share capital		3,280	3,280
Share premium		358,360	358,360
Legal reserves		1,368	368
Other capital reserves		1,344	729
Retained earnings		(58,168)	(38,249)
Profit (loss) for the year		11,127	(19,411)
Total equity		**317,311**	**305,077**
Current liabilities			
Trade and other payables	40	2,315	991
Interest-bearing borrowings	41	32	76
Total liabilities		**2,347**	**1,067**
Total equity and liabilities		**319,658**	**306,144**

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

Company statement of income

For the year ended 31 December 2017 (in € x 1,000)	Note	2017	2016
Revenue		-	-
		-	-
Employee benefits expense	42	(3,016)	(1,847)
Depreciation, amortisation and impairment charges	35	(27)	(17)
Other operating income	43	2,029	1,179
Other operating expenses	44	(849)	(265)
Operating profit		**(1,863)**	**(950)**
Finance income	45	-	10
Finance costs	45	(117)	-
Finance costs - net		**(117)**	**10**
Profit (loss) before income tax		**(1,980)**	**(940)**
Income tax		142	46
Profit (loss) after income tax		**(1,838)**	**(894)**
Net income of subsidiaries	36	12,965	(18,517)
Profit (loss) for the year		**11,127**	**(19,411)**

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

Notes to the company financial statements

34 Basis of preparation

The Company financial statements of Basic-Fit N.V. (hereafter 'the Company') have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with subarticle 8 of article 362, Book 2 of the Dutch Civil Code, the Company's financial statements 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 subarticle 8 Part 9 of Book 2 of the Dutch Civil Code). See the notes to the Consolidated Financial Statements. In addition to these accounting policies, the following accounting policy applies to the Company Financial Statements:

Financial fixed assets

Investments in consolidated subsidiaries

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

The Company applies the acquisition method to account for 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 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 and 7 of the notes to the consolidated financial statements.

35 Property plant and equipment

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

	2017	2016
On 1 January		
Cost	122	-
Accumulated depreciation	(9)	-
Net book value	**113**	**-**
Years ended 2017 and 2016 respectively		
Opening net book value	**113**	**-**
Additions	-	182
Cost of disposals	-	(60)
Depreciation	(27)	(17)
Accumulated depreciation of disposals	-	8
Closing net book value	**86**	**113**
On 31 December		
Cost	122	122
Accumulated depreciation	(36)	(9)
Closing net book value	**86**	**113**

36 Financial fixed assets

The Company has direct and indirect interests in the subsidiaries listed in note 2.1 (in the notes to the consolidated financial statements) and is the owner of 100% of Basic Fit International B.V., based in Hoofddorp, the Netherlands. In 2016, the Company became the parent of the Group by the contribution of the entire issued and outstanding share capital of Miktom Topco B.V. as a capital contribution. After the IPO and refinancing in June 2016, Miktom Topco B.V. and Miktom International Holding B.V. were intermediate holding companies with no other activities than holding all shares in the "Basic-Fit International Group". In October 2016 Miktom Topco B.V. and Miktom International Holding B.V. merged. In December 2016 Miktom Topco B.V. was liquidated, as a result of which Basic-Fit N.V. became 100% shareholder in Basic Fit International B.V.

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

	2017	2016
Balance at 1 January	**305,822**	**-**
Capital reorganisation under common control	-	(36,677)
Share premium contribution (IPO-proceeds less incremental costs net of tax)	-	358,841
Share of result of participating interests	12,965	(18,517)
Changes in cash flow hedge reserve	475	551
Liquidation effect Miktom Topco B.V.	-	1,624
Balance at 31 December	**319,262**	**305,822**

37 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 an amount of €56 thousand within 12 months.

38 Receivables

	2017	2016
Trade receivables	-	60
Taxes	-	5
Receivables from Group companies	91	-
Other receivables and prepayments	131	-
Total	**222**	**65**

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).

39 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
On 12 May 2016	**45**	**-**	**-**	**-**	**-**	**-**	**-**	**45**
Result from cash flow hedge	-	-	-	-	-	-	551	551
Net result for the year	-	-	-	-	-	(19,411)	-	(19,411)
Issue of ordinary shares	1,480	356,860	-	-	-	-	-	358,340
Capital reorganisation under common control	1,755	-	-	-	(38,188)	-	(244)	(36,677)
Capital contribution	-	1,500	-	-	-	-	-	1,500
Equity-settled share-based payments	-	-	-	729	-	-	-	729
Development expenditures	-	-	-	-	(61)	-	61	-
Total movements	**3,235**	**358,360**	**-**	**729**	**(38,249)**	**(19,411)**	**368**	**305,032**
On 31 December 2016	**3,280**	**358,360**	**-**	**729**	**(38,249)**	**(19,411)**	**368**	**305,077**
On 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**
On 31 December 2017	**3,280**	**358,360**	**-**	**1,344**	**(58,168)**	**11,127**	**1,368**	**317,311**

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.

40 Trade and other payables

The composition of Trade and other payables was as follows:

	2017	2016
Trade payables	15	105
Payables to Group companies	1,645	260
Holiday allowance and vacation days accrual	-	17
Payroll tax payable	55	50
Other liabilities and accrued expenses	600	559
Total	**2,315**	**991**

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

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

41 Interest-bearing borrowings

This amount of €32 thousand represents a part of the drawn credit facility.

42 Employee benefits expense

	2017	2016
Salaries and wages (including share-based payments)	(2,996)	(1,836)
Social security contributions	(20)	(11)
Total	**(3,016)**	**(1,847)**

Salaries and wages include an amount of €1,410 thousand related to share-based payments (see note 25 of the consolidated financial statements).

The number of employees employed by Basic-Fit N.V. at year-end 2017 was two, both of whom are based in the Netherlands. For information regarding the remuneration of the members of the Management Board see note 33 of the consolidated financial statements.

43 Other operating income

	2017	2016
Overhead costs charged on to Group companies	2,029	1,179
Total	**2,029**	**1,179**

44 Other operating expenses

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

Audit fees
Reference is made to note 14 in the consolidated financial statements.

45 Finance income and costs

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

46 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.

47 Events after the reporting period

Reference is made to note 3 in the consolidated financial statements.

48 Proposed profit appropriation

The Management board proposes to add the profit of 2017 (€11,127 thousand) to the Retained earnings.

49 Authorisation of the financial statements

Hoofddorp, the Netherlands

12 March 2018

Prepared by Management board:

R.M. Moos

H.J. van der Aar

OTHER INFORMATION

50 Provision in the Articles of Association relating to profit appropriation

According to the Company's Articles of Association, the Company may make distributions to the shareholders, provided that the Company's Shareholders' equity exceeds the sum of the called-up and paid-in capital of the Company, increased by legal and statutory reserves. If the adopted annual accounts show a profit, the Management Board shall determine which part of the profits shall be reserved. The General Meeting may only resolve on any distribution from the Company's reserves pursuant to and in accordance with a proposal to that effect by the Management Board, which proposal has been approved by the Supervisory Board.

51 Independent auditors report

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

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Basic-Fit N.V, based in Hoofddorp. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Basic-Fit N.V. as at 31 December 2017 and of its result and its cash flows for 2017 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 2017 and of its result for 2017 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 2017
- The following statements for 2017: 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 2017
- The company income statement for 2017
- 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	€ 1.65 million (2016: € 1.4 million)
Benchmark applied	2 per cent of consolidated EBITDA
Explanation	Based on our professional judgment we have considered earnings-based measures, such as profit before tax and EBITDA, as the 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 € 82,500, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Basic-Fit N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Basic-Fit N.V.

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

- the Netherlands
- Belgium
- France

We have performed full scope procedures with respect to the Netherlands, Belgium and France. This means that an audit has been performed on the complete set of financial information, thereby obtaining the following coverage: total assets (88%), revenue (86%) and EBITDA (90%). 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 purpose, most audit procedures are executed by the Dutch Holding 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.

Risk	Our audit approach	Key observations
The measurement of revenue *Refer to note 2.20 (Significant accounting policies - Revenue recognition) and note 9 (Revenue)*		
Revenue recognition and the accounting for deferred revenues is based on estimates and assumptions that require significant management judgement. Consequently we have considered revenue recognition as significant to our audit.	Our audit strategy included an assessment of the appropriateness of the company's revenue recognition policies, understanding of the internal control environment, data analytics procedures on revenues and receivables and substantive procedures relating to contractual terms and conditions and the appropriate accounting thereof. We have performed specific substantive analytical procedures on revenue per club and data analysis with respect to sources of revenue and the correlation between revenue and accounts receivable. Furthermore, we have specifically assessed the completeness and proper cut-off of revenues.	We did not identify evidence of material misstatement in the revenue recognized in the year.
Valuation of goodwill *Refer to note 2.6 (Significant accounting policies - Intangible assets), note 8 (Critical accounting estimates and assumptions) and note 18 (Intangible assets)*		
Basic-Fit N.V. has a significant amount of goodwill on its balance sheet amounting to € 187.4 million. In accordance with EU-IFRS, Basic-Fit N.V. is required to perform a goodwill impairment test on an annual basis. The goodwill is allocated to five Cash Generating Units (CGU). The annual goodwill test was performed on 31 December 2017, 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 judgement 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 2017. We assessed that the disclosures (Note 18) in the financial statements are appropriate.

Risk	Our audit approach	Key observations
Valuation income taxes *Refer to note 8 (Critical accounting estimates and assumptions) and note 16 (Income tax)*		
The valuation of the income tax position was significant to our audit, since the amounts are material to the financial statements and the assessment process is complex and requires careful consideration and judgment. The Company operates in various jurisdictions in Europe, made losses the past few years and processed several complex transactions (with tax implications). Given the uncertainty involved we have considered this area as significant to our audit.	We tested the amounts recognized as current and deferred tax, including the accounting for uncertain tax positions. The audit team was supported by EY tax experts in testing the relevant (uncertain) tax positions, including the assumptions and estimates used. In our audit of the uncertain tax positions, we considered the correspondence with the relevant tax authorities, the appropriateness of management's assumptions and estimates in relation to uncertain tax positions, challenging those assumptions and considering the advice management received from external parties to support the accounting for the uncertain tax positions in accordance with EU-IFRS. Furthermore, in respect of the deferred tax assets we assessed management's assumptions to determine the probability that the recognized deferred tax assets are expected to be recovered in future years. During these procedures we used for example, management's forecast.	We consider the Company's accounting policies acceptable and the management assumptions and estimates to be within the reasonable range. We assessed that the disclosures in note 16, Income tax are appropriate.

Compared to prior year, we made a reassessment of the key audit matters relevant to our audit. We determined that the key audit matter "Treatment of marketing expenses and contributions" is not considered a key audit matter for the audit of the 2017 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.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board report
- Basic-Fit Supervisory Board
- 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 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 pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the supervisory board as auditor of Basic-Fit N.V. 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 assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. 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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 12 March 2018

Ernst & Young Accountants LLP

Signed by M. Bangma-Tjaden

Basic-Fit Group legal structure

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 to the investment community take place through press releases, which are widely distributed, made generally available, and filed with the Dutch Financial Markets Authority (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 2017 our market capitalisation is €1.1 billion.

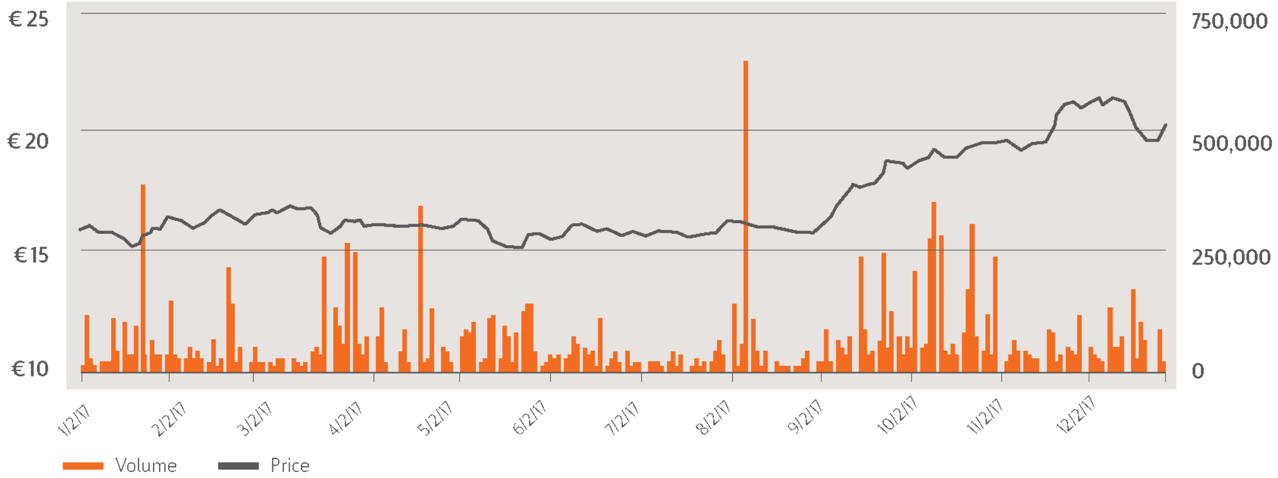
Euronext Amsterdam symbol: BFIT

ISIN: NL0011872650

Share price performance

The 2017 closing price for the share was €20.11, a 25% increase compared to the €16.03 closing price at the end of 2016. The average daily traded volume was 60 thousand shares.

Share price development



Shareholders

At the end of 2017, our main shareholders were Mito Holdings S.à.r.l. and AM Holding BV, holding 28% and 22% of shares respectively. In addition, Pelham Capital Ltd. had a holding of over 5%.

Under Dutch law, shareholdings of 3% or more in Basic-Fit's total outstanding share capital must be disclosed to the AFM. According to the AFM's Substantial Holdings register, the following institution also had a holding of 3% or more: FIL Limited (3.31%).

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.

Shareholder structure

Shareholder	**Shares**	**Interest***
3i Investments plc	15,220,033	27.84%
R. M. Moos	12,141,816	22.21%
Pelham Capital Ltd.	2,877,143	5.26%
Free float	24,433,492	44.69%
Total shares outstanding	54,666,667	

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

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, as adopted by the European Union (IFRS). Certain parts of Basic-Fit's Management Board report contain non-IFRS financial measures and ratios (e.g. comparable growth, adjusted club EBITDA, adjusted EBITDA, adjusted earnings and net debt) that are not recognised measures of financial performance or liquidity under IFRS.

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 and amortisation, and before exceptional expenses
Adjusted club EBITDA margin	Adjusted club EBITDA as a percentage of revenue
Adjusted EBITDA	Earnings before interest, taxes, depreciation and amortisation, and before 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, interest on shareholder loans, exceptional items and one-offs and the related tax effects
Adjusted EPS	Adjusted net earnings divided by the weighted average number of diluted shares
ROIC	Adjusted club EBITDA of a mature club divided by the initial investments of building a club
Mature club revenue	Revenue of clubs that at the start of the year were open for 24 months or more
Mature club EBITDA margin	EBITDA of mature clubs as a percentage of mature club revenue

Colophon

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