



Your answer to a healthy way of life.SM

**LIFE TIME FITNESS, Inc.
Pre Earnings Release Teleconference & Web cast
February 5, 2009**

Ken Cooper, Vice President of Finance:

Thanks, Jerri. Good morning and thank you for joining us on today's conference call to share our preliminary business update for the fourth quarter and full year of 2008, as was provided in our news release issued this morning. It has also been posted to our Web site, which is lifetimefitness.com.

In a moment, Mike Robinson, our CFO, will provide some additional detail on preliminary results for our fourth quarter and full year 2008 and some preliminary information regarding our 2009 expectations.

As we are currently in the process of closing our year-end financial reporting, we also are in the midst of our quiet period. Accordingly, we will only provide prepared remarks on this call. Our full earnings release is scheduled for February 19, at which time, we expect to provide final results, additional details on trends, and further information about our 2009 expectations. In addition, we will conduct our typical Q & A session.

This conference call contains forward-looking statements and future results could differ materially from the forward-looking statements made today. Actual results may be affected by many factors, including the risks and uncertainties identified in this morning's earnings release and in our SEC filings.

Concurrent with the issuance of our press release, we have filed a Form 8-K with the SEC.

Before turning it over to our CFO, I would again like to remind you that we appreciate your support in respecting our quiet period and allow us to complete our financial reporting close process. We will be happy to answer your questions on our fourth quarter call on February 19. With that, let me now turn the call over to our CFO, Mike Robinson. Mike?

Mike Robinson, Executive Vice President and CFO:

Thanks, Ken. Following from today's preliminary financial results news release, I would like briefly speak to several areas, including our preliminary fourth quarter and 2008 results, recent trends, our current liquidity and center growth plans, and a preliminary look into our 2009 expectations.

We grew our memberships by approximately 13.6% for the year ended December 31, 2008, as compared to December 31, 2007. We were very pleased with this



Your answer to a healthy way of life.SM

achievement, especially given the current difficult economic environment. This included absorbing a slight increase in the quarter of our attrition rate to just over 42% for the year.

We expect this membership growth will drive revenue of approximately \$192 to \$194 million for the fourth quarter of 2008 and approximately \$768 to \$770 million for the full year in 2008.

For diluted EPS, we expect \$0.31 to \$0.34, for the fourth quarter of 2008 and \$1.80 to \$1.83 for the full fiscal year ended 2008. These results include non-recurring charges of approximately \$0.08 per diluted share related to the slowing of our expansion efforts in these uncertain economic and credit environments, as previously announced.

This compares to our previous 2008 total year guidance released on October 25th of approximately \$775 to \$780 million in revenue and diluted EPS of \$2.01 to \$2.04.

The fourth quarter revenue was impacted by several factors. Not only did we see more individual memberships enroll, as compared to couple and family memberships, but we also saw an impact from new lower priced dues programs which gained wider acceptance than anticipated. I'd like to take a second to make a few comments about this. The focus of these new dues programs has been on identifying opportunities for certain underserved audiences to more readily establish memberships with us and drive higher membership growth.

The program with the highest acceptance was a "young professionals" membership plan whereby individuals aged 26 and under qualify for up to \$20 in lower monthly dues.

In addition, we provided our entire employee base with the opportunity in the fourth quarter to refer one friend or family member to join at a reduced enrollment fee and a \$20 reduction in monthly dues per member. It was the success of these types of programs that led to very good membership growth, but lower dues growth than anticipated.

While lower average dues per incremental membership and the resulting lower profitability per incremental membership present some challenges, we fully believe the best long-term strategy is to attract new members to Life Time Fitness. It is in the best interest of our business to maintain existing membership levels and to ramp new memberships. We expect dues growth and in-center businesses to rebound as the economy improves.

As mentioned earlier and in today's news release, we expect approximately \$0.08 of diluted EPS in non-recurring costs to come in the form of several items, including severance. In the fourth quarter we made one of the most difficult decisions in our history; reducing our work force by approximately 100 team members as a result of slowing our expansion efforts and various efficiency initiatives. In addition to the severance, the non-recurring costs also included the write-down to lower-of-cost-or-market on certain assets we plan to sell and the write-off of development costs at several sites we will no longer pursue near-term. While we continue to see significant

opportunity for expansion, both for purchased sites as well as leased sites, we feel it was prudent to reduce our shorter term potential land deals in the pipeline.

During the fourth quarter we continued to exert tight control over G&A and center operating costs. However, member acquisition costs coupled with lower revenue per incremental membership and the high number of new centers in the system (7 openings in the second half of 2008) pressured operating margins.

As we look to 2009, we have some important January trends to consider. January memberships were encouraging. Although the mix of new memberships continues to put pressure on average dues, we saw a net membership increase of approximately 20,000 memberships compared to the net 10,000 memberships added in January, 2008. We were ahead of our internal plan on new membership acquisition, and attrition was relatively stable in January 2009 as compared to the last part of 2008.

- Our **preliminary revenue guidance** for 2009 is \$830 - \$860 million. This guidance assumes revenue growth from ramping centers as well as the new centers we expect to open in 2009. We also assume our attrition rates and our membership mix remain approximately at levels we saw in late 2008.
- Our **preliminary diluted EPS guidance** for 2009 is \$1.50 - \$1.70 per share. We anticipate the mix of young centers, with lower margins as they ramp, coupled with higher member acquisition costs, current attrition trends and lower average dues per incremental membership will all impact our earnings in 2009.

We are continually on the offensive regarding our cost structure. G &A will remain the leading driver to controlling our cost structure in 2009. I was particularly pleased with the ability of the corporate office to be nimble with their prioritizations in 2008 and to maintain relatively flat organizations even with approximately 17% revenue growth and we are continually driving more efficiency. This is a tribute to the entire team thinking about scalability and project prioritization over the course of the past several years, not just what we felt in the last few quarters.

From a center operations perspective, we continue to use activity-based staffing and usage of our clubs as leading drivers of cost management. This will continue. We are also introducing new initiatives to decrease our attrition rates including more active member save programs as well as member advantage programs that allow members to save money on third party products and services that result from affiliations Life Time Fitness has established. In addition, we continue to enhance our member experience with the addition of many more connectivity programs included in our “club-within-a-club” program and the introduction of mylt.com, an interactive web site for members only.

We currently expect to spend \$150-\$200 million in capital expenditures in 2009. We have strong cash flow from operations and we have considerable ability to control our construction timing and activity. We will monitor and adjust this as appropriate. Our cash and revolver availability at the end of the fourth quarter was in excess of \$50 million. We are committed to maintaining adequate liquidity through our cash flow from operations and the judicious use of our revolver. In addition, we continue to have

productive discussions with a variety of financial institutions on mortgages, sale-leasebacks, and other forms of financing, such as equipment leases.

We continue to have room on all three of our primary financial covenants. For our revolving line of credit, which has over 3 years remaining, those financial covenants include: 1) Total debt to EBITDAR (which is a 4.0 or below covenant and we are at approximately 3.5 to 1.0); 2) Senior Debt to EBITDA (which is a 3.25 or below covenant, where we are below 2.5 to 1.0); and 3) Fixed Charge Ratio (which is a 1.6 or above covenant, where we are above 3.0 to 1.0).

In October, given the current credit and economic environment, we discussed our plans to slow our new center growth and fund this growth internally through our operating cash flow and current revolver availability. We opened one of these centers in Berkeley Heights, New Jersey, on Tuesday and our Atascocita (Houston), Texas site opens tonight. We have another 7 centers in various stages of construction that we plan to open over the next 23 months. Our plan is to closely monitor costs and cash flow and modify the construction schedules accordingly, if needed, to ensure we have adequate liquidity.

We can slow down further or add new sites to our opening mix depending on our cash flow generation and the credit environment. In the fourth quarter of 2008 we continued to have success raising capital, albeit small, via a small equipment leasing line and a small mortgage on a Minnesota center.

In closing, although our performance did not meet our high expectations, on behalf of the entire management team, it is important for me to reiterate some things that we are very proud of:

1. We continue to have strong performance relative to others in the consumer space.
2. Energy levels and usage levels in the clubs continue to stay strong as our entire company delivers on an exceptional member experience.
3. We continue to believe in the differentiation of our product and that for a majority of our members, a membership at Life Time Fitness is a core expense. And let's not forget, we are growing our membership base and we are improving our member satisfaction – all keys to the long-term continued success of our business.
4. And lastly, we have the flexibility in our capital structure and our cash flow generation to manage our business prudently.

That concludes our remarks regarding our preliminary look into the fourth quarter and full year 2008 financial results and 2009 outlook. I again respectfully ask that you please reserve your questions for our earnings release, which is scheduled for February 19. At that time, we will provide our final results, offer additional information on trends, and take your questions.



Your answer to a healthy way of life.™

FINAL REMARKS (Ken Cooper):

Thank you for participating. As a reminder, the transcript of this call will be posted to our Web site shortly.

We look forward to reporting to you our fourth quarter and full-year 2008 results, which will take place on February 19, 2009. For these and all other key dates, please see the “Events” section within the Investor Relations section of our Web site. Thank you and Good-bye