



Q2 2023

SATS

The Group, through our brands and concepts SATS, ELIXIA, Fresh Fitness, SATS Yoga, and SATS Online, is the leading provider of fitness and training services in the Nordics with 273 clubs, almost 9 000 employees, and 715 000 members.

Everyone is welcome at SATS, and our members have full flexibility to tailor their membership package to address their individual needs. We offer cutting-edge studio facilities for individual training, the broadest selection of group training with superior programming, and highly qualified personal trainers for specialized training and individual coaching. We also have a strong focus on supporting our members through online training and digital tools for when they are not able to physically visit our club facilities. We are also constantly working with trend research and innovation to be the industry's best and most forward-looking fitness chain.

THIS IS SATS

CONTENTS

Words from the CEO	3
Highlights	4
Board of Directors' Report	5
Consolidated Income Statement	11
Consolidated Statement of Comprehensive Income	12
Consolidated Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to the Consolidated Interim Financial Statements	16
Appendix	29
Definitions	31

WORDS FROM THE CEO

"Strong financials, stronger members and healthy society."

We are proud to present a strong financial delivery for Q2 2023. Following the positive development in Q1, we report a record-high EBITDA before IFRS 16 of NOK 194 million.

The result is driven by increased average revenue per member and member growth, in addition to solid cost control. The average revenue per member (ARPM) increased by 10% compared to the corresponding quarter last year, which in combination with continued member growth, proves a continued willingness to pay for gym memberships in spite of increased inflation and rising interest rates.

As we have repeatedly said over the past year, we have not yet seen the weakened consumer sentiment materializing into lower member sales, increased drop-offs, or trade-downs of memberships. So far, the Nordic population seems to prioritize their own health, as evidenced by our key member metrics moving in the right direction.

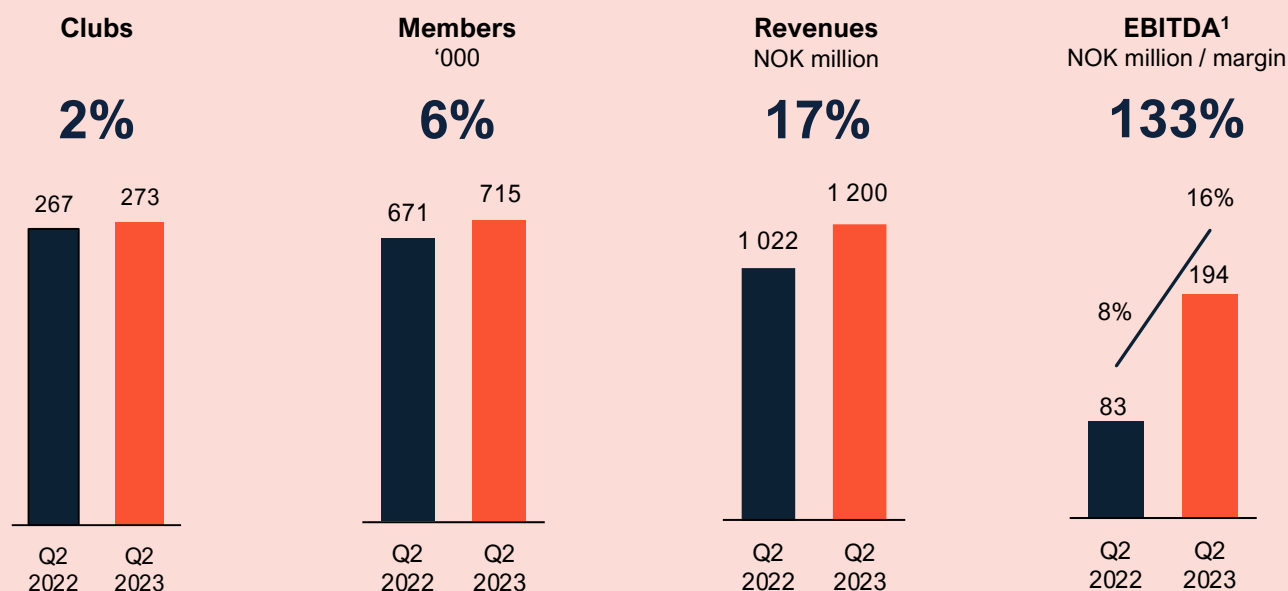
SATS' vision is to make people healthier and happier. We deliver on this vision by growing our member base, helping our members to succeed with their training and actively use our products. Active members are happy members, and they stay as members. This is why the number of visits is an important metric for us, and we are very happy to see a positive development in visits to our clubs.

We are month by month seeing activity records both on the gym floor and in our group training classes. In the second quarter, total visits increased by 16% compared to the corresponding quarter last year. This growth was fueled by a 6% expansion in our member base and a 9% rise in the average number of workouts per member. In essence, more people are visiting us more frequently! The result is a positive financial development for SATS, but also a significant positive contribution to public health. To achieve this, we continuously improve our product offering by e.g. upgrading our clubs or launching new classes and concepts. Further, we use our app with 390 000 weekly users as a communication channel to our members – nudging their activity.

With autumn approaching, we are embracing a new season with a new wave of members being welcomed into our clubs. We will continue to improve our product offering and do our utmost to make it easy for both new and existing members to stay healthy and happy going forward. We look forward to all the tough intervals, all the calm yoga moves, and all the happy smiles!

Sondre Gravir

CEO

1) EBITDA before impact of IFRS 16. For further information regarding definitions and Alternative Performance Measures, please see Appendix.

HIGHLIGHTS

- Total revenues were NOK 1 200 million in the quarter, up 17% from Q2 2022
- EBITDA before impact of IFRS 16 was NOK 194 million, which is the highest reported ever in the history of the company, again confirming that our actions to regain profitability have yielded results
- The member base decreased in line with the typical seasonality in Q2, but grew by 6% compared to the corresponding quarter last year
- The average revenue per member (ARPM) increased by 10% from last year, which in combination with the member growth, proves a continued willingness to pay for gym memberships
- With two consistent quarters in a row, H1 2023 revenues grew by 18% to NOK 2 401 million, and EBITDA before impact of IFRS 16 increased by 192% to NOK 332 million
- Expect to cancel the covenant waiver of the revolving credit facility ahead of expiry at the end of 2023, returning to the original covenant of 4.0x net debt to Adj. EBITDA
- The total number of workouts at SATS' clubs increased by 16%, driven by both member growth and higher activity per member

Key Financial Figures and Alternative Performance Measures (APM)¹

	Q2 2023	Q2 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	982	806	1 943	1 581
Other revenues	218	216	459	452
Total revenues	1 200	1 022	2 401	2 033
EBITDA	491	342	914	630
Margin (%)	41%	34%	38%	31%
Operating profit	201	67	328	81
Profit/loss for the period	94	12	157	-44
Earnings per share (NOK)	0.47	0.06	0.78	-0.23
Total overhead costs	-122	-130	-259	-271
EBITDA before impact of IFRS 16	194	83	332	113
Margin (%)	16%	8%	14%	6%
Maintenance Capex	19	36	34	54
Total Capex	28	61	53	107
Net debt	1 698	1 545	1 698	1 545
Operating cash flow	70	-65	170	-157
Clubs	273	267	273	267
Members ('000)	715	671	715	671
ARPM (NOK/month)	552	502	557	506

1) As defined in Appendix under Alternative Performance Measures

BOARD OF DIRECTORS' REPORT

ANALYSIS OF THE Q2 2023 FINANCIAL STATEMENTS

All financial statements show the period 1 April 2023 to 30 June 2023, compared to the accounts for the period 1 April 2022 to 30 June 2022.

Statement of comprehensive income

Total revenues increased by 17% (12% currency adjusted) to NOK 1 200 million in Q2 2023, compared to NOK 1 022 million in Q2 2022, mainly due to higher membership revenues. Membership revenues increased in all countries in Q2 2023 compared to Q2 2022. The total member base ended 6% above last year. ARPM increased by 10%, after the price increases for new members and existing members in Q4 2022 and Q1 2023 have started to yield results.

Total operating expenses increased by 5% (-1% currency adjusted) to NOK 999 million in Q2 2023, while operating expenses excluding depreciation and amortization increased by 4% to NOK 709 million. The increase in operating expenses is mainly due to higher rent and price levels in general, as well as the addition of six new clubs to the portfolio. Approximately 60% of the electricity consumption for H1 2023 has been hedged as a risk mitigation measure. A realized loss of NOK 6 million was booked as a part of the electricity costs in Q2 2023.

The operating profit increased from NOK 67 million to NOK 201 million in the quarter. Operating profit increased in all countries compared to Q2 2022.

Net financial expense in Q2 2023 was NOK 78 million, an increase of NOK 32 million compared to Q2 2022. The increase was mainly driven by increased interest rates on bank loans and IFRS 16 interest rates, as well as increased unrealized currency effects on internal loans. Income tax expense in Q2 2023 was negative by NOK 30 million.

Profit before tax was NOK 123 million in Q2 2023, compared to NOK 21 million in Q2 2022. Profit for the period was NOK 94 million in Q2 2023, compared to NOK 12 million in Q2 2022. The total comprehensive income was NOK 112 million, compared to a loss of NOK 1 million in Q2 2022.

Statement of financial position

Consolidated assets increased by NOK 586 million to NOK 9 009 million in Q2 2023, compared to Q2 2022. The main drivers of the increased consolidated assets were the increase in rights-of-use assets, intangible assets, and cash and cash equivalents. Right-of-use assets and intangible assets were the most significant components of consolidated assets, amounting to NOK 4 452 million and NOK 2 660 million, respectively, on June 30, 2023. Non-current assets increased by NOK 468 million, while current assets increased by NOK 117 million. The increase in non-current assets was mainly driven by the increase in rights-of-use and intangible assets. The increase in current assets was primarily driven by an increase in prepaid expenses and accrued income, as well as cash and cash equivalents.

Total liabilities increased from NOK 7 382 million as of June 30, 2022, to NOK 8 033 million as of June 30, 2023, primarily due to increased borrowings and lease liability.

As of June 30, 2023, consolidated equity amounted to NOK 976 million, representing an equity ratio of 11%, compared to NOK 1 042 million and 12% in Q2 2022.

Statement of cash flows

In Q2 2023, consolidated cash and cash equivalents increased net by NOK 13 million, compared to a decrease of NOK 119 million in Q2 2022.

As of the balance sheet date, the Group had cash and cash equivalents of NOK 334 million, compared to NOK 245 million as of June 2022. In addition, the Group had NOK 367 million available in undrawn amount on the rolling credit facility.

Net cash flow from the Group's operations was NOK 379 million in Q2 2023, compared to NOK 225 million in Q2 2022. The increased cash flow from operations of NOK 153 million was mainly due to increased profit before tax and net financial items. In the quarter, the net working capital effect was negative by NOK 106 million, compared to a negative 113 million in Q2 2022, mainly driven by a change in account receivables and other receivables and accruals. Working capital tends to be lower in Nov-May and higher in June-Oct periods, with accrued holiday pay paid out in June for the Norwegian employees affecting the second quarter working capital.

Net cash outflow from investing activities amounted to NOK 34 million in Q2 2023, compared to an outflow of NOK 60 million in Q2 2022.

Net cash outflow from financing was NOK 332 million in Q2 2023, compared to a cash outflow of NOK 284 million in Q2 2022.

Segment development

The following sections of this report review each operating segment. Unless otherwise stated, comments regarding development reflect a comparison between Q2 2023 and Q2 2022.

NORWAY

Norway is the largest operating segment in the Group, with 48% of the consolidated total revenues for the financial year of 2022. SATS Norway had 319 000 members at the end of Q2 2023. SATS is a well-known brand in Norway and the largest operator of fitness clubs.

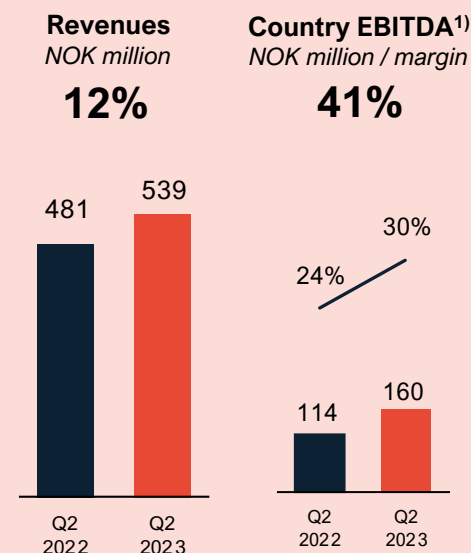
SATS Norway, including both the SATS and the Fresh Fitness brand, counted 118 clubs by the end of Q2 2023. The club portfolio optimization continued during the quarter, resulting in the closure of two clubs in addition to a swimming pool at Røa Bad. The member base declined in line with a typical seasonal pattern during the quarter, but increased by 6% from Q2 2022, with the number of clubs growing by 3%.

The member growth, in combination with a price lift, resulted in a member revenue increase of 17% to NOK 443 million. Other revenues decreased by 6% to NOK 96 million.

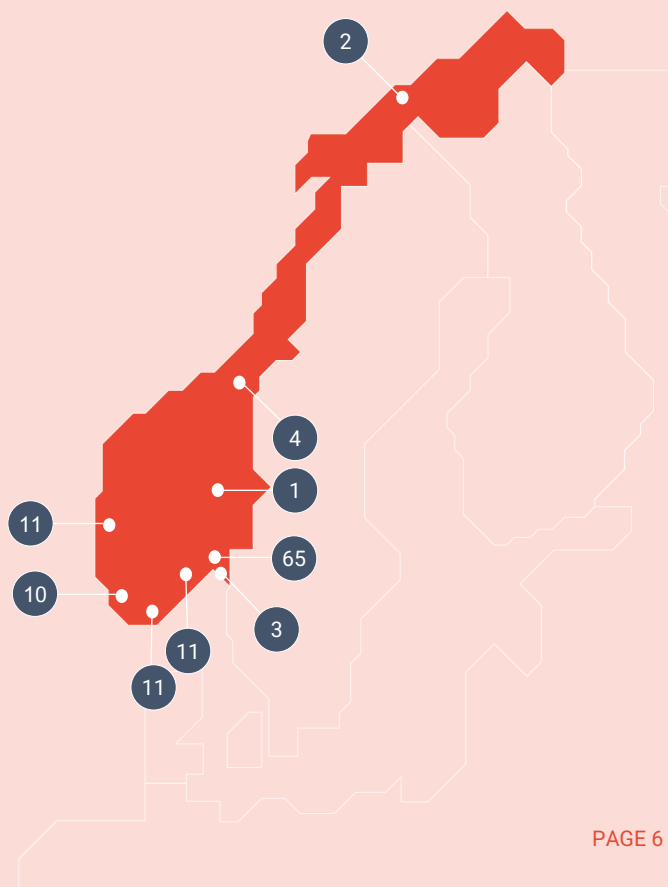
Country EBITDA increased by 41% to NOK 160 million, resulting in a quarterly Country EBITDA margin of 30%, 6 p.p. higher than in Q2 2022.

Key Financial figures and Alternative Performance Measures (APM)

	Q2 2023	Q2 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	443	379	888	751
Other revenues	96	102	207	212
Total revenues	539	481	1 096	963
EBITDA	243	178	440	323
Margin (%)	45%	37%	40%	34%
Operating profit	140	74	229	114
Profit/loss for the period	91	38	141	50
Country EBITDA before impact of IFRS 16	160	114	284	195
Margin (%)	30%	24%	26%	20%
EBITDA before impact of IFRS 16	125	67	203	100
Margin (%)	23%	14%	19%	10%
Clubs	118	115	118	115
Members ('000)	319	302	319	302
ARPM (NOK/month)	554	524	567	531



¹⁾ Country EBITDA before impact of IFRS 16



SWEDEN

Sweden is the second-largest segment in the Group, with 34% of the total consolidated revenues for 2022. SATS Sweden had 245 000 members at the end of Q2 2023. SATS has maintained a strong position in Sweden over many years.

In Q2 2023, SATS Sweden successfully opened two new clubs, bringing the total count to 94 clubs. While experiencing the usual seasonal dip in the member base during the quarter, a year-on-year comparison shows a 7% increase from Q2 2022, outperforming the club growth of 2%.

The combination of a 7%-member base increase and a 9% increase in average revenue per member drove a 20% surge in membership revenue, amounting to NOK 326 million. Additionally, other revenues experienced an increase of 7% compared to Q2 2022.

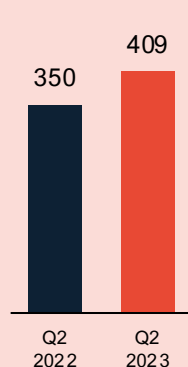
Country EBITDA increased by 45% to NOK 83 million, resulting in a quarterly Country EBITDA margin of 20%, 4 p.p. up from Q2 2022.

Key Financial Figures and Alternative Performance Measures (APM)

	Q2 2023	Q2 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	326	272	641	541
Other revenues	83	78	168	156
Total revenues	409	350	809	697
EBITDA	160	107	305	204
Margin (%)	39%	31%	38%	29%
Operating profit	56	18	100	27
Profit/loss for the period	25	-1	49	-3
Country EBITDA before impact of IFRS 16	83	58	164	109
Margin (%)	20%	16%	20%	16%
EBITDA before impact of IFRS 16	54	18	97	28
Margin (%)	13%	5%	12%	4%
Clubs	94	92	94	92
Members ('000)	245	228	245	228
ARPM (NOK/month)	552	508	552	509

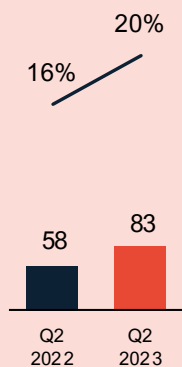
Revenues NOK million

17%



Country EBITDA¹⁾ NOK million / margin

45%



¹⁾ Country EBITDA before impact of IFRS 16

In Finland, the business is operated under the brand ELIXIA, and the Finnish operations constituted 9% of consolidated total revenues in 2022. At the end of Q2 2023, ELIXIA Finland had 70 000 members. The Finnish fitness market is highly fragmented, and ELIXIA is the market leader.

The number of clubs has been fairly stable in Finland, with the main focus of club optimization being on relocations. ELIXIA Finland counted 32 clubs by the end of the quarter. The member base has grown by 10% over the last twelve months despite only a 3% growth in the number of clubs.

In addition to the significant member growth, prices have also been lifted and ARPM was 18% higher in the second quarter compared to the comparable quarter last year. As a result, membership revenue increased by 38% to NOK 100 million. Other revenues increased by 2% to NOK 19 million.

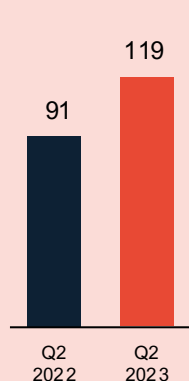
Country EBITDA increased by NOK 14 million to NOK 16 million in the quarter. Quarterly Country EBITDA margin was consequently 13%, up 11 p.p. from Q2 2022.

Key Financial Figures and Alternative Performance Measures (APM)

	Q2 2023	Q2 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	100	73	194	125
Other revenues	19	18	42	49
Total revenues	119	91	236	174
EBITDA	45	24	85	43
Margin (%)	38%	26%	36%	25%
Operating profit	11	-4	21	-13
Profit/loss for the period	5	-10	9	-24
Country EBITDA before impact of IFRS 16	16	2	31	-1
Margin (%)	13%	2%	13%	0%
EBITDA before impact of IFRS 16	11	-3	20	-11
Margin (%)	9%	-3%	9%	-6%
Clubs	32	31	32	31
Members ('000)	70	63	70	63
ARPM (NOK/month)	560	474	562	454

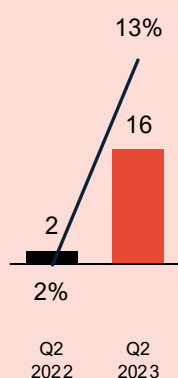
Revenues NOK million

31%



Country EBITDA¹⁾ NOK million / margin

777%



¹⁾ Country EBITDA before impact of IFRS 16

The Danish operation constituted 10% of consolidated total revenues in the financial year of 2022. SATS Denmark, with 81 000 members at the end of the quarter, is one of the largest fitness operators in the Greater Copenhagen area.

SATS Denmark ended the second quarter with 29 clubs, which is unchanged from last year. However, the member base grew by 4% in the same period.

On top of the member base increase, the revenue per member increased by 28% after the price increase made during the winter, lifting the membership revenues by 34% to NOK 112 million. Other revenues increased by 18% to NOK 20 million.

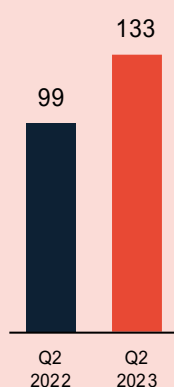
Country EBITDA increased by NOK 16 million to NOK 7 million, resulting in a quarterly Country EBITDA margin of 6%, 14 p.p. up from Q2 2022.

Key Financial Figures and Alternative Performance Measures (APM)

	Q2 2023	Q2 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	112	82	219	164
Other revenues	20	17	41	34
Total revenues	133	99	260	198
EBITDA	39	17	75	30
Margin (%)	30%	17%	29%	15%
Operating profit	-3	-19	-7	-41
Profit/loss for the period	-19	-27	-38	-63
Country EBITDA before impact of IFRS 16	7	-9	15	-21
Margin (%)	6%	-9%	6%	-11%
EBITDA before impact of IFRS 16	2	-15	2	-34
Margin (%)	1%	-15%	1%	-17%
Clubs	29	29	29	29
Members ('000)	81	78	81	78
ARPM (NOK/month)	537	418	532	437

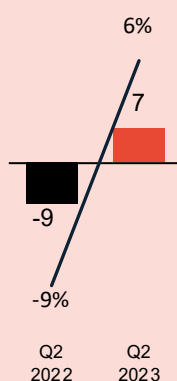
Revenues NOK million

34%



Country EBITDA¹⁾ NOK million / margin

n.a.



¹⁾ Country EBITDA before impact of IFRS 16.

BUSINESS AND INDUSTRY OUTLOOK

The health and wellness sector is growing due to society's increased focus on health and well-being. Strong global trends, such as political initiatives for health and digitalization, are fueling health and fitness awareness.

In the near-term future, SATS will be affected by inflationary pressure in general, as well as volatile electricity prices. However, in the long term, the Company is comfortable with its ability to increase prices in line with inflation. There are no signs of people decreasing their spending on fitness memberships due to lower purchasing power. With a combination of the underlying health and fitness wave and SATS' strong market position, the member base per club is also expected to develop favourably over time.

SATS will focus on offering a comprehensive and high-quality equipment park, leading personal training, and a range of highly regarded niche concepts. The Company will continue to offer flexible memberships ensuring that SATS is relevant for everyone.

The Company will continue participating in the fitness industry's digitalization as exciting opportunities exist to expand the product offering. SATS is committed to participating in this trend and developing an attractive, high-quality hybrid offering, to stay relevant both for people who want to work out at a fitness club, outdoors, and at home.

SHAREHOLDER INFORMATION

SATS ASA's share capital was NOK 435 million as at June 30, 2023, divided into 204 694 588 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS owned 1 087 264 treasury shares as at the balance sheet date. The number of shareholders as at June 30, 2023 was 5 509.

FINANCIAL POLICY AND DIVIDEND

The Company has an unsecured revolving credit facility ("RCF") agreement, consisting of a multicurrency revolving credit facility with a maximum principal amount of NOK 2 500 million.

On March 15, 2022, an agreement of extending the RCF agreement until September 2025 entered into force. The adjusted covenants apply to and including December 31, 2023. The adjusted covenants set quarterly minimum levels for liquidity and reported EBITDA, with the latter entering into force from Q1 2023. SATS cannot distribute any dividend during the amendment period and shall comply with the original covenants once the amendment period expires.

RISK AND UNCERTAINTY FACTORS

SATS operates in a broad range of geographical markets in the highly competitive health and fitness industry. In achieving its long-term strategic objectives, SATS is inherently involved in taking risks. Please see the Group's 2022 Annual Report (Board of Directors' Report and Note 25), for a detailed description of the Group's risk factors and risk management policies and procedures.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events subsequent to the reporting period that might significantly affect the consolidated interim financial statements for the second quarter of 2023.

DISCLAIMER

This report includes forward-looking statements based on our current expectations and projections about future events. Statements herein regarding future events or prospects, other than statements of historical facts, are forward-looking statements. All such statements are subject to inherent risks and uncertainties, and many factors can lead to actual profit and developments deviating substantially from what has been expressed or implied in such statements. As a result, undue reliance should not be placed on these forward-looking statements.

Oslo, August 23, 2023
The Board of Directors

CONSOLIDATED INCOME STATEMENT

	Notes	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
(Amounts in NOK million)						
Revenue	2	1 200	1 022	2 401	2 033	4 082
Operating expenses						
Cost of goods sold		-31	-29	-62	-67	-147
Personnel expenses		-402	-382	-843	-784	-1 587
Other operating expenses		-276	-268	-582	-552	-1 208
Depreciation and amortization	6, 7, 8	-289	-275	-587	-549	-1 120
Total operating expenses		-999	-954	-2 074	-1 952	-4 062
Operating profit		201	67	328	81	20
Interest income		12	1	22	1	12
Finance income		24	30	78	50	80
Interest expense		-101	-71	-194	-142	-300
Finance expense		-13	-7	-26	-22	-73
Net financial items		-78	-46	-120	-113	-281
Profit/loss before tax		123	21	208	-32	-261
Income tax expense	3	-30	-10	-50	-12	15
Profit/loss for the period		94	12	157	-44	-246
Profit/loss for the year is attributable to:						
Equity holders of the Group		94	12	157	-44	-246
Total allocation		94	12	157	-44	-246
Earnings per share in NOK						
Basic earnings per share attributable to equity holders of the company	4	0,47	0,06	0,78	-0,23	-1,25
Diluted earnings per share attributable to equity holders of the company	4	0,46	0,06	0,77	-0,23	-1,25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
Profit/loss for the period	94	12	157	-44	-246
Other comprehensive income					
Currency translation adjustment - may be reclassified to profit or loss	18	-12	-37	12	28
Other comprehensive income, net of tax	18	-12	-37	12	28
Total comprehensive income for the period	112	-1	120	-33	-219
Total comprehensive income is attributable to:					
Equity holders of the Group	112	-1	120	-33	-219
Total comprehensive income for the period	112	-1	120	-33	-219

CONSOLIDATED BALANCE SHEET

	Notes	June 30 2023	June 30 2022	December 31 2022
(Amounts in NOK million)				
ASSETS				
Non-current assets				
Intangible assets	6	2 660	2 576	2 588
Right-of-use assets	8	4 452	4 165	4 161
Property, plant and equipment	7	702	684	723
Other non-current receivables		62	35	50
Derivative financial instruments	9	66	46	47
Deferred tax assets	3	245	213	239
Total non-current assets		8 187	7 719	7 806
Current assets				
Inventories		57	65	57
Accounts receivables		105	92	126
Other current receivables		53	72	54
Prepaid expenses and accrued income		274	231	287
Cash and cash equivalents		334	245	345
Total current assets		822	705	868
Total assets		9 009	8 424	8 675
EQUITY				
Share capital		435	431	431
Share premium ¹⁾		3 050	3 045	3 045
Treasury shares		-28	-17	-14
Other reserves		30	59	65
Retained earnings ¹⁾		-2 511	-2 476	-2 668
Total equity		976	1 042	860
LIABILITIES				
Non-current liabilities				
Deferred tax liability	3	115	88	71
Borrowings	5	2 009	1 780	1 970
Lease liability	5	3 894	3 685	3 666
Other non-current liabilities		0	0	0
Total non-current liabilities		6 019	5 552	5 707
Current liabilities				
Borrowings	5	22	11	19
Lease liability	5	932	853	869
Contract liability		486	439	584
Trade and other payables		94	132	116
Current tax liabilities		6	0	6
Public fees and charges payable		90	101	91
Other current liabilities		384	294	423
Total current liabilities		2 014	1 829	2 108
Total liabilities		8 033	7 382	7 815
Total equity and liabilities		9 009	8 424	8 675

¹⁾ A reclassification between Share premium and Retained earnings of NOK 10 million is recognized as of June 30, 2022.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium ¹⁾	Treasury shares	Foreign exchange translation reserve	Share-based payments reserve	Retained earnings ¹⁾	Total attributable to owners of the Group	Total equity
(Amounts in NOK million)									
Equity January 1, 2022		366	2 521	-17	30	4	-2 421	483	483
Loss for the period							-44	-44	-44
OCI for the period					12			12	12
Total comprehensive income for the period		0	0	0	12	0	-44	-33	-33
Investment program						1		1	1
Share issues and capital increase expenses		65	525					590	590
Equity June 30, 2022		431	3 045	-17	42	5	-2 466	1 042	1 042
Equity January 1, 2023		431	3 045	-14	58	6	-2 668	860	860
Profit for the period							157	157	157
OCI for the period					-37			-37	-37
Total comprehensive income for the period		0	0	0	-37	0	157	120	120
Investment program						2		2	2
Share issues and capital increase expenses	4	4	5					8	8
Repurchase of shares				-20				-20	-20
Proceeds from sale of own shares				6				6	6
Equity June 30, 2023		435	3 050	-28	21	8	-2 511	976	976

¹⁾ A reclassification between Share premium and Retained earnings of NOK 10 million is recognized as of June 30, 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>						
Cash flow from operations						
Profit/loss before tax		123	21	208	-32	-261
Adjustment for:						
Taxes paid in the period		-6	-4	-10	-26	-23
Loss from disposal or sale of equipment		0	0	0	0	9
Depreciation, amortization and impairment	6, 7, 8	289	275	587	549	1 120
Net financial items		78	46	120	113	281
Change in inventory		2	-3	0	-8	0
Change in accounts receivables		21	15	21	25	-8
Change in trade payables		-9	-13	-22	-6	-21
Change in other receivables and accruals		-119	-112	-125	-227	-15
Net cash flow from operations		379	225	777	387	1 082
Cash flow from investing						
Purchase of property, plant and equipment and intangible assets	6, 7	-28	-60	-53	-106	-256
Loan to related parties	10	-6	0	-6	0	-10
Proceeds from property, plant and equipment		0	0	1	1	1
Acquisition of subsidiary, net of cash acquired		0	0	0	0	-49
Net cash flow from investing		-34	-60	-59	-106	-313
Cash flow from financing						
Repayments of borrowings	5	0	0	0	-309	-309
Proceeds from borrowings	5	0	0	0	0	200
Installments on lease liabilities	5	-241	-212	-475	-422	-852
Paid interests on borrowings	5	-32	-26	-62	-62	-120
Interests on lease liabilities	5	-55	-47	-108	-94	-189
Proceeds from issues of shares	4	8	0	8	601	601
Purchase of own shares	1	-20	0	-20	0	0
Proceeds from sale of own shares	1	6	0	6	0	3
Transaction costs from issues of new shares	4	0	0	0	-13	-13
Other financial items		2	1	2	2	-1
Net cash flow from financing		-332	-284	-648	-299	-681
Net increase/decrease in cash and cash equivalents		13	-119	70	-17	88
Effect of foreign exchange rate changes on cash and cash equivalents		-19	-40	-81	-19	-24
Cash and cash equivalents at the beginning of the period		340	403	345	281	281
Cash and cash equivalents at the end of period		334	245	334	245	345

NOTES

PAGE

Note 1	General information and basis for preparation	17
Note 2	Segment information	18
Note 3	Profit and loss information	20
Note 4	Earnings per share	20
Note 5	Interest-bearing liabilities	21
Note 6	Intangible assets	22
Note 7	Property, plant and equipment	23
Note 8	Right of use ("RoU") assets	24
Note 9	Financial instruments	25
Note 10	Related parties	26
Note 11	Events after the balance sheet date	26
Note 12	New IFRS standards	26
Note 13	Critical estimates and judgements	27

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 General information and basis for preparation

General information

SATS (the "Group") consists of SATS ASA (the "Company") and its subsidiaries. The accompanying consolidated interim financial statements include the financial statements of SATS ASA and its subsidiaries. The consolidated financial statements of the Group for the year ended December 31, 2022 are available at www.satsgroup.com.

Basis for preparation

These consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union (the "EU") and additional requirements in the Norwegian Securities Trading Act. This interim financial report does not include all information and disclosures required by International Financial Accounting Standards ("IFRS") for a complete set of annual financial statements. Accordingly, this report should be read in conjunction with the annual report for the year ended December 31, 2022.

These consolidated interim financial statements are unaudited.

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2022. Because of rounding differences, numbers or percentages may not add up to the sum totals. Subsidiaries are all entities (including structured 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 can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Significant changes in the current reporting period

Repurchase program

On March 30, 2023, SATS announced a share repurchase program under which the company repurchased 2 000 000 own shares, representing 0.98% of the total number of shares in the company. The repurchased shares will be used for the following two purposes under the share investment program:

1. Delivery of matching shares to the relevant employees in accordance with the terms and conditions of the Share Investment Program. As of the balance sheet date of June 30, 2023, the company will deliver 507 600 matching shares to employees in 2023, 93 360 shares in 2024, 161 530 shares in 2025 and 972 661 shares in 2026.
2. Delivery of shares to new employees who was offered to participate in the Share Investment Program, in total 1 269 553 shares.

The financial position and the performance of the Group was not, other than mentioned above, mainly affected by any events or transactions during the six first months of 2023.

General

The Group's business is primarily the sale of fitness club memberships, personal trainer sessions and retail sales through the fitness clubs' stores and the Group's website. The Group's sales are made primarily from fitness clubs in Norway, Sweden, Finland and Denmark.

The Group's chief operating decision maker is the Nordic Management Group, consisting of the CEO, country managers and the heads of Group functions. The Nordic Management Group is responsible for allocating resources and assessing the performance of the segments.

The Group's performance is reviewed by the Nordic Management Group by geographical area of operations which are identified as Norway, Sweden, Finland and Denmark. The "Group functions and other" column relates to other business activities, such as HQ functions and other unallocated items (mainly financing and derivatives).

The Nordic Management Group primarily uses EBITDA¹⁾, EBITDA before impact of IFRS 16¹⁾ and Country EBITDA before impact of IFRS 16¹⁾ to assess the performance of the operating segments. However, the Nordic Management Group also receives information about the segments' revenue and the consolidated balance sheet of the Group on a monthly basis.

None of the Group's customers amounts to 10% or more of total revenues.

Operating segment information

The segment information provided to the Nordic Management Group for the reportable segments for Q2 2023, Q2 2022, YTD 2023, YTD 2022 and the year ended December 31, 2022 is as follows:

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	Total
<i>(Amounts in NOK million)</i>						

Q2 2023**Revenue**

Membership revenue	443	326	100	112	0	982
Other revenues	96	83	19	20	0	218
Total revenues	539	409	119	133	0	1 200

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	125	54	11	2	3	194
Impact of IFRS 16	118	106	34	38	0	296
EBITDA¹⁾	243	160	45	39	3	491
Depreciation and amortization	-104	-105	-33	-42	-6	-289
Operating profit/loss	140	56	11	-3	-3	201
Net financial items ²⁾	-23	-24	-6	-17	-7	-78
Income tax expense	-25	-6	0	0	2	-30
Profit/loss for the period	91	25	5	-19	-8	94

Q2 2022**Revenue**

Membership revenue	379	272	73	82	0	806
Other revenues	102	78	18	17	1	216
Total revenues	481	350	91	99	1	1 022

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	67	18	-3	-15	17	83
Impact of IFRS 16	112	89	27	32	0	259
EBITDA¹⁾	178	107	24	17	17	342
Depreciation and amortization	-105	-89	-28	-35	-18	-275
Operating profit/loss	74	18	-4	-19	-1	67
Net financial items ²⁾	-25	-20	-5	-9	13	-46
Income tax expense	-11	0	0	0	0	-10
Profit/loss for the period	38	-1	-10	-27	11	12

¹⁾ For further information about definitions, please see the appendix Alternative Performance Measures.

²⁾ Financial income and expenses are allocated to Group functions and other since this type of activity is derived by the central treasury function, which manages the cash position of the Group.

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	Total
(Amounts in NOK million)						

YTD 2023

Revenue

Membership revenue	888	641	194	219	0	1 943
Other revenues	207	168	42	41	1	459
Total revenues	1 096	809	236	260	1	2 401

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	203	97	20	2	8	332
Impact of IFRS 16	237	208	65	73	0	583
EBITDA¹⁾	440	305	85	75	8	914
Depreciation and amortization	-211	-205	-64	-82	-25	-587
Operating profit/loss	229	100	21	-7	-17	328
Net financial items ²⁾	-49	-39	-13	-32	13	-120
Income tax expense	-39	-12	0	0	1	-50
Profit/loss for the period	141	49	9	-38	-3	157

YTD 2022

Revenue

Membership revenue	751	541	125	164	0	1 581
Other revenues	212	156	49	34	1	452
Total revenues	963	697	174	198	1	2 033

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	100	28	-11	-34	30	113
Impact of IFRS 16	223	175	54	64	0	516
EBITDA¹⁾	323	204	43	30	30	630
Depreciation and amortization	-210	-177	-56	-71	-35	-549
Operating profit/loss	114	27	-13	-41	-5	81
Net financial items ²⁾	-50	-32	-11	-22	2	-113
Income tax expense	-14	1	0	0	0	-12
Profit/loss for the period	50	-3	-24	-63	-4	-44

2022

Revenue

Membership revenue	1 543	1 088	280	335	0	3 246
Other revenues	397	289	81	67	1	836
Total revenues	1 940	1 377	361	403	1	4 082

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	123	14	-20	-74	56	99
Impact of IFRS 16	451	355	109	126	0	1 041
EBITDA¹⁾	574	369	89	53	56	1 140
Depreciation and amortization	-438	-358	-111	-142	-72	-1 120
Operating profit/loss	136	11	-22	-90	-16	20
Net financial items ²⁾	-100	-62	-21	-54	-44	-281
Income tax expense	-11	9	0	1	15	15
Profit/loss for the year	25	-42	-43	-143	-45	-246

¹⁾ For further information about definitions, please see the appendix Alternative Performance Measures.

²⁾ Financial income and expenses are allocated to Group functions and other since this type of activity is derived by the central treasury function, which manages the cash position of the Group.

NOTE 3 Profit and loss information

Income tax expense

Standardized tax rates are used for tax reporting purposes for Norway and Sweden for Q2 2023, whereas there are not recognized any deferred tax assets in Finland and Denmark due to uncertainty that future taxable profits will be available against the unused tax losses within a reasonable time frame. The actual tax expense is used as basis for the 2022 full-year income tax recognition.

Definitions

In the interim financial statements, Q2 is the reporting period from April 1 to June 30.

NOTE 4 Earnings per share

Earnings per share are calculated by dividing profit attributable to holders of shares in the parent company by a weighted average number of shares outstanding. Earnings per share after dilution is calculated by dividing profit/loss attributable to holders of shares in the parent company by the average number of shares outstanding, adjusted for the dilution effect of shares from share investment programs delivering matching shares. Dilutive shares are disregarded in the calculation of diluted EPS when a loss is reported.

On March 30, 2023, SATS announced a share repurchase program under which the company repurchased 2 000 000 own shares in Q2 2023.

On the basis of the resolution by the general meeting of SATS ASA on May 31, 2023, senior executives and certain other key employees of the company were invited to apply for shares under a share investment program for the purpose of seeking to align the interests of the employees with those of the shareholders of the company. The share capital increase pertaining to the issuance of shares was registered with the Norwegian Register of Business Enterprises (Nw. Foretaksregisteret) on June 24, 2023. The company's new share capital is NOK 434 975 999,50, comprising in total 204 694 588 shares, each with a nominal value of NOK 2.125. The denominator for Q2 2023 and full year 2023 is calculated as a weighted average.

The share investment programs for employees in the SATS ASA Group imply that the company, on the balance sheet date of June 30, 2023, will deliver 507 600 matching shares to employees in 2023, 93 360 shares in 2024, 161 530 shares in 2025 and 972 661 shares in 2026. Allocation of matching shares is further contingent upon the company's performance over time.

As of the balance sheet date of June 30, 2023, the company holds 1 087 264 treasury shares.

Basic earnings per share attributable to equity holders of the company

(NOK per share)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Basic earnings	0,47	0,06	0,78	-0,23	-1,25
Total basic earnings per share	0,47	0,06	0,78	-0,23	-1,25
Total number of outstanding shares	201 596 822	202 136 012	202 140 056	190 385 440	196 915 471

Diluted earnings per share attributable to equity holders of the company

(NOK per share)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Diluted earnings	0,46	0,06	0,77	-0,23	-1,25
Total diluted earnings per share	0,46	0,06	0,77	-0,23	-1,25
Total number of outstanding shares	203 331 973	202 136 012	203 402 301	190 385 440	196 915 471

Reconciliation of earnings used in calculating earnings per share

(Amounts in NOK million)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Basic earnings per share					
Profit/loss attributable to equity holders of the Group	94	12	157	-44	-246
Profit/loss used in calculating basic earnings per share	94	12	157	-44	-246
Diluted earnings per share					
Profit/loss used in calculating diluted earnings per share	94	12	157	-44	-246
Profit/loss used in calculating diluted earnings per share	94	12	157	-44	-246

NOTE 5 Interest-bearing liabilities

	June 30 2023	June 30 2022	December 31 2022
Overview of interest-bearing liabilities			
<i>(Amounts in NOK million)</i>			
Current			
Bank borrowings	22	11	19
Lease liabilities	932	853	869
Total current interest-bearing liabilities	954	864	888
Non-current			
Bank borrowings	2 009	1 780	1 970
Lease liabilities	3 894	3 685	3 666
Total non-current interest-bearing liabilities	5 903	5 465	5 636
Total interest-bearing liabilities	6 858	6 328	6 524
Total bank borrowings	2 031	1 791	1 989
Cash and cash equivalents	334	245	345
Net debt¹⁾	1 698	1 545	1 644

¹⁾ For further information regarding Net debt, please see the appendix Alternative Performance Measures.

The long-term loan facility agreement

The company has an unsecured revolving credit facility (RCF) agreement, consisting of a multicurrency RCF with a maximum principal amount of NOK 2 500 million. At the end of the second quarter, the remaining undrawn credit amounted to NOK 367 million.

Interests on borrowings under the facility will be paid at an annual interest rate equal to the applicable IBOR plus a margin reliant on the leverage ratio of the Group.

The facility will fully mature in September 2025, and no installment payments are due before this time. Interest payable will depend on the principal amount of the facility at any given time. However, based on the current draw-down, IBOR and margin, the interest payment for the next twelve months is expected to be at 122 million before any gains or losses from the swap, please see note 9 for details.

Covenants

In February 2022, the company signed an addendum to the NOK 2 500 million facility, extending the RCF by one year until September 2025. The addendum also includes adjusted covenants that will be applicable up to and including December 31, 2023, subject to voluntary cancellation by SATS at any time. The financial covenants set out quarterly minimum levels for liquidity and EBITDA. SATS cannot distribute any dividend to the shareholders during the amendment period and shall comply with the original covenants once the amendment period expires. On January 1, 2024, the original financial covenants will be reinstated in accordance with the original agreement.

The loan facility agreement includes financial covenants requiring the leverage ratio, Net Debt to EBITDA, not to exceed 4.0x. The facility agreement does not contain any restrictions on dividend payments.

Compliance with financial borrowing covenants

SATS ASA executes the financing functions within the Group, holds the long-term financing agreement with the Group's long-term lenders, and provides long-term financing to other Group entities. SATS ASA has complied with the financial covenants related to its borrowing facility throughout 2022 and 2023.

Payment profile

The following table shows the undiscounted payment profile of the Group's interest-bearing liabilities, based on the remaining period as of June 30, 2023:

Bank borrowings	Total	Lease liabilities	Total
<i>(Amounts in NOK million)</i>		<i>(Amounts in NOK million)</i>	
Less than 1 year	122	Less than 1 year	1 128
1–2 years	109	1–2 years	996
2–3 years	2 040	2–3 years	853
3–5 years	0	3–5 years	1 312
More than 5 years	0	More than 5 years	1 283
Total payments	2 272	Total payments	5 572

NOTE 6 Intangible assets

Goodwill	Norway	Sweden	Finland	Denmark	Total goodwill
<i>(Amounts in NOK million)</i>					
At December 31, 2022					
Cost	1 868	209	611	0	2 687
Accumulated impairment	-199	0	-10	0	-209
Net book value	1 669	209	601	0	2 478
Period ended June 30, 2023					
Opening net book amount	1 669	209	601	0	2 478
Net effect of changes in foreign exchange	0	10	68	0	78
Closing Net book value	1 669	219	669	0	2 557
At June 30, 2023					
Cost	1 868	219	679	0	2 765
Accumulated impairment	-199	0	-10	0	-209
Net book value	1 669	219	669	0	2 557
Useful life	Indefinite	Indefinite	Indefinite		
Amortization method	Not amortized	Not amortized	Not amortized		

Other intangible assets	Trademark	Internally developed software ¹⁾	Customer list	Other	Total other intangible assets
<i>(Amounts in NOK million)</i>					
At December 31, 2022					
Cost	267	447	68	4	785
Accumulated amortization and impairment	-266	-363	-44	-4	-676
Net book value	1	84	25	0	109
Period ended June 30, 2023					
Opening net book amount	1	84	25	0	109
Effect of changes in foreign exchange cost	0	22	5	0	26
Effect of changes in foreign exchange accumulated amortization	0	-18	-3	0	-20
Additions	0	19	0	0	19
Amortization charge	0	-25	-6	0	-31
Closing Net book value	1	81	21	0	103
At June 30, 2023					
Cost	267	487	73	4	830
Accumulated amortization and impairment	-266	-406	-52	-4	-727
Net book value	1	81	21	0	103
Useful life	10 years	3 years	3–7 years	1–10 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	

¹⁾ Software consists of capitalized development expenditure being an internally generated intangible asset.

NOTE 7 Property, plant and equipment

Property, plant and equipment (Amounts in NOK million)	Capitalized leasehold improvements	Fitness equipment	Other fixtures and equipment	Total tangible fixed assets
At December 31, 2022				
Cost	1 431	937	503	2 870
Accumulated depreciation	-1 001	-704	-443	-2 148
Net book value	431	233	59	723
Period ended June 30, 2023				
Opening net book amount	431	233	59	723
Additions	13	12	9	34
Effect of changes in foreign exchange cost	75	38	18	131
Depreciation charge	-45	-29	-14	-89
Effect of changes in foreign exchange accumulated depreciation	-55	-27	-16	-98
Disposals costs	-13	-3	-3	-19
Disposals costs accumulated depreciations	13	3	2	18
Closing Net book value	418	226	57	702
At June 30, 2023				
Cost	1 506	983	528	3 017
Accumulated depreciation	-1 088	-757	-471	-2 316
Net book value	418	226	57	702
Useful life	10 years	5–9 years	3–7 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

NOTE 8 Right of use ("RoU") assets

RoU assets	Premise rental	Other leases	Total RoU assets
<i>(Amounts in NOK million)</i>			
At January 1, 2022			
Cost	9 904	82	9 986
Accumulated depreciation	-5 841	-68	-5 909
Net book value	4 063	15	4 077
Year ended December 31, 2022			
At January 1, 2022	4 063	15	4 077
Effect of changes in foreign exchange cost	24	2	26
Additions/disposals	932	4	936
Depreciation charge	-851	-9	-860
Effect of changes in foreign exchange accumulated depreciation	-16	-2	-18
Closing Net book value	4 152	9	4 161
At December 31, 2022			
Cost	10 815	87	10 903
Accumulated depreciation	-6 663	-78	-6 741
Net book value	4 152	9	4 161
Period ended June 30, 2023			
At January 1, 2023	4 152	9	4 161
Effect of changes in foreign exchange cost	320	6	326
Additions/disposals	576	5	581
Depreciation charge	-463	-4	-467
Effect of changes in foreign exchange accumulated depreciation	-143	-6	-149
Closing Net book value	4 441	11	4 452
At June 30, 2023			
Cost	11 701	99	11 800
Accumulated depreciation	-7 260	-88	-7 348
Net book value	4 441	11	4 452
Useful life	1–15 years	1–5 years	
Depreciation method	Straight-line	Straight-line	

Overview

Through its activities, the Group will be exposed to different financial risks: market risk, credit risk, and liquidity risk. This note presents information related to the Group's exposure to such risks, the Group's objectives, policies, and procedures for risk management and handling, as well as the Group's management of capital. The interim financial statements do not include all financial risk information and should be read in conjunction with the annual report. There have not been any changes in the Group's risk management policies since year-end. The Group does not apply hedge accounting.

Exchange rate – sensitivity analysis

The Group is primarily exposed to changes in the SEK/NOK, EUR/NOK, and DKK/NOK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the profit or loss in the Group's foreign subsidiaries, borrowings, intercompany loans, and bank accounts in currencies other than where the legal entity is located. The sensitivity analysis below illustrates the impact of EUR, SEK, and DKK strengthened by 10% against NOK. A 10% weaker NOK against SEK/EUR/DKK results in a negative effect of NOK 17 million on Profit/loss before tax when reconsolidating the last twelve months. Reconsolidating borrowings, intercompany loans, and bank accounts in foreign currency as of June 30, 2023 with a weaker NOK results in a positive effect of NOK 80 million.

	Loss in foreign currency	Borrowings, intercompany loans and bank accounts in foreign currency	Total
(Amounts in NOK million)			
SEK/NOK exchange rate - increase 10% ¹⁾	-4	72	69
EUR/NOK exchange rate - increase 10% ¹⁾	-1	8	7
DKK/NOK exchange rate - increase 10% ¹⁾	-12	0	-12
Effect on profit/loss before tax	-17	80	64

¹⁾ Holding all other variables constant.

Financial instruments by category

Derivatives are only used for economic hedging purposes to reduce cash flow risk and not as speculative investments.

Derivatives are classified as held for trading and initially recognized at fair value on the date a derivative contract is entered into. They are subsequently remeasured to their fair value through profit and loss at the end of each reporting period. The fair values are based on observable market prices obtained from external parties and are based on mid-range marked interest rates and prices, excluding margins, at the reporting date. The derivatives are defined as Level 2 in the fair value hierarchy. The derivatives are classified as non-current asset or liability if the maturity date is later than twelve months from the balance sheet date and there is no intention to close the position within twelve months from the balance sheet date. Otherwise they are classified as current asset or liability.

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments from the last balance sheet date.

	June 30 2023		June 30 2022		December 31 2022	
Financial instruments - Assets	Assets measured at amortized cost	Fair value through profit and loss	Assets measured at amortized cost	Fair value through profit and loss	Assets measured at amortized cost	Fair value through profit and loss
(Amounts in NOK million)						
Other non-current receivables	62	0	35	0	50	0
Accounts receivables	105	0	92	0	126	0
Other current receivables	53	0	72	0	54	0
Derivatives	0	66	0	46	0	47
Cash and cash equivalents	334	0	245	0	345	0
Total financial assets	553	66	444	46	574	47

	June 30 2023		June 30 2022		December 31 2022	
Financial instruments - Liabilities	Liabilities measured at amortized cost	Fair value through profit and loss	Liabilities measured at amortized cost	Fair value through profit and loss	Liabilities measured at amortized cost	Fair value through profit and loss
(Amounts in NOK million)						
Borrowings	2 031	0	1 791	0	1 989	0
Lease liabilities	4 826	0	4 538	0	4 535	0
Trade and other payables	94	0	132	0	116	0
Other current liabilities	384	0	294	0	423	0
Total financial liabilities	7 335	0	6 754	0	7 063	0

Financial derivative instruments

The Group has the following derivative financial instruments:

	June 30 2023	June 30 2022	December 31 2022
<i>(Amounts in NOK million)</i>			
Non-current assets			
Interest rate swap contracts	66	46	47
Total non-current derivative financial instrument assets	66	46	47

Overview of interest rate swaps per June 30, 2023

Interest rate swaps	Notional in currency million	Maturity	Fixed rate	Unrealized gain
IRS NOK	694	28.10.2026	1,751	56
IRS SEK	200	28.10.2024	0,430	10
Fair value of the Group's interest rate swaps as of June 30, 2023 in NOK million				66

Changes in fair value are presented within finance income and finance expense in the income statement.

NOTE 10 Related parties

The company has related party transactions with the shareholder Altor, of which the transactions are of no significant character either in Q2 2023, Q2 2022 nor full year 2022.

In December 2022 and March 2023, total loans of NOK 9.7 million and 6.5 million, respectively, were issued to key employees participating in a partly debt-financed share investment program. The terms are regulated according to the arm's length principle.

All transactions with related parties are priced at market terms, and there are no special conditions attached to them. Transactions with subsidiaries have been eliminated in consolidated statements and do not represent transactions with related parties.

NOTE 11 Events after the balance sheet date

There have been no material events subsequent to the reporting period that might significantly affect the consolidated interim financial statements for the second quarter of 2023.

NOTE 12 New IFRS standards

New standards adopted by the Group.

No standards or amendments have been adopted by SATS Group for the first time for the financial year beginning on January 1, 2023.

NOTE 13 Critical estimates and judgements

Critical estimates

Preparing financial statements requires using accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgment or complexity and of items more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

The areas involving significant estimates or judgments are a typical estimation of current tax payable and current tax expense, potential goodwill impairment, estimated useful life of intangible assets, recognition of deferred tax assets for carried forward tax losses, etc.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and are believed to be reasonable under the circumstances.

Goodwill

Goodwill is recognized at NOK 2 557 million per the balance sheet date. Goodwill is not amortized, but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. The recoverable amount of the cash-generating units (CGUs) is determined based on value-in-use calculations, which require several assumptions. The calculations use cash flow projections based on financial budgets and prognoses approved by management covering five years for all segments. Cash flows beyond the five years are extrapolated using the estimated growth rates stated in Note 13 Intangible assets in the Annual Report for 2022. These growth rates are consistent with forecasts included in economic outlook reports specific to the area in which each CGU operates.

Sensitivity analyses show that no reasonable change in any fundamental assumptions would cause the recoverable amount to be lower than the carrying value. For Finland, sensitivity analyses show that the headroom is limited, and the development will be monitored closely in the coming months.

Deferred tax assets

Deferred tax assets for Denmark and Finland are not recognized in Q2 2023 due to uncertainty that future taxable profits will be available against the unused tax losses within a reasonable time frame.

Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option related to premise lease contracts. This assessment is reviewed if a significant event or change in circumstances occurs, affecting this assessment. During the current financial period, there was no material financial effect of revising lease terms to reflect the impact of exercising extension or termination options.

Fair value estimates

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for certain derivative contracts where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the first half of 2023, which have been prepared in accordance with IFRS as adopted by EU and IAS 34 Interim Financial Reporting, give an accurate and fair view of the Company's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge, the interim report for the first half of 2023 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements, the principal risks and uncertainties for the remaining half of 2023, and significant related party transactions.

Oslo, August 23, 2023

Hugo Lund Maurstad
Chair of the Board

Martin Tivéus
Board Member

Maria Tallaksen
Board Member

Andreas Holm
Board Member

Lisa Åberg
Board Member

Sondre Gravir
CEO

APPENDIX

ALTERNATIVE PERFORMANCE MEASURES

The Group reports its financial results in accordance with accounting principles IFRS as issued by the IASB and endorsed by the EU. However, management believes that specific Alternative Performance Measures (APMs) provide management and other users with additional meaningful financial information that should be considered when assessing the Group's ongoing performance. These APMs are non-IFRS financial measures and should not be considered a substitute for any IFRS financial measure. Management, the Board of Directors, and the long-term lenders regularly use supplemental APMs to understand, manage and evaluate the business and its operations. These APMs are among the factors used in planning for and forecasting future periods, including assessment of financial covenants compliance.

Alternative Performance Measures reflect adjustments based on the following items:

EBITDA

EBITDA is a measure of earnings before deducting net financial items, taxes, amortization, and depreciation charges. The Group has presented this APM because it considers it an important supplemental measure to understand the overall picture of profit generation in the Group's operating activities. Please see the reconciliation to profit or loss before tax in the table below.

EBITDA before impact of IFRS 16

EBITDA before impact of IFRS 16 is a measure of EBITDA adjusted for lease expenses applying IAS 17 Leases, and the Group has presented this APM because it considers it to be an important supplemental measure to understand the underlying profit generation in the Group's operating activities. Please see the reconciliation to profit or loss before tax in the table below.

EBITDA before impact of IFRS 16 margin

EBITDA before impact of IFRS 16 divided by total revenue.

Net debt

Current and non-current borrowings (excluding property lease liabilities recognized under IFRS 16) less cash and cash equivalents for the period. Net debt is a non-IFRS financial measure, which the Group considers to be an APM, and this measure should not be viewed as a substitute for any IFRS financial measure. The Group has presented this APM as a helpful indicator of the Group's indebtedness, financial flexibility, and capital structure because it indicates the level of borrowings after taking into account cash and cash equivalents within the Group's business that could be utilized to pay down the outstanding borrowings. Net Debt is also used as part of the assessment for financial covenants compliance. Please see note 5 Interest-bearing liabilities for reconciliation to Total interest-bearing liabilities.

Leverage ratio

Net debt divided by last twelve months EBITDA before impact of IFRS 16.

Capital expenditure

Capital expenses (CAPEX) is a measure of total investments in the period both in the operations and in new business, either through business combinations (acquisitions) or through new club openings (greenfields). Capital expenditures consist of both upgrades and maintenance CAPEX and expansion CAPEX, and the source of CAPEX is the Statement of cash flows.

Upgrades and maintenance CAPEX

Upgrades and maintenance capital expenditures are a measure of investments made in the operations and consist of investments in tangible and intangible assets, excluding business combinations (acquisitions) and greenfields. The measure is defined as the sum of purchase of property, plant, and equipment from the Statement of cash flows less investments in greenfields. Upgrades and maintenance CAPEX can be divided into IT CAPEX and Club portfolio CAPEX where IT CAPEX is investments and development of common software programs used by the whole Group, and Club portfolio CAPEX is physical investments at the clubs.

Expansion CAPEX

Expansion capital expenditures are a measure of business combinations (acquisitions), investments in greenfields, and digital expansion. The measure is defined as the sum of Acquisition of subsidiary from the Statement of cash flows in addition to investments in greenfields and digital expansion.

Operating cash flow

Operating cash flow is a measure of how much cash that is generated by the operations and is used to evaluate SATS's liquidity. The definition is EBITDA excluding IFRS 16 less Upgrades and maintenance CAPEX and working capital.

Cash conversion

Operating cash flow divided by EBITDA before impact of IFRS 16.

Reconciliation of EBITDA before impact of IFRS 16 for the period to Country EBITDA before impact of IFRS 16¹

TOTAL	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	194	83	332	113	99
Extraordinary items	0	0	0	0	46
EBITDA before impact of IFRS 16 excluding extraordinary items	194	83	332	113	145
Group overhead and cost allocation	72	81	162	169	338
Country EBITDA before impact of IFRS 16	267	164	494	282	484
NORWAY	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	125	67	203	100	123
Extraordinary items	0	0	0	0	24
EBITDA before impact of IFRS 16 excluding extraordinary items	125	67	203	100	147
Group overhead and cost allocation	-35	-47	-81	-95	-190
Country EBITDA before impact of IFRS 16	160	114	284	195	337
SWEDEN	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	54	18	97	28	14
Extraordinary items	0	0	0	0	18
EBITDA before impact of IFRS 16 excluding extraordinary items	54	18	97	28	32
Group overhead and cost allocation	-29	-39	-67	-81	-160
Country EBITDA before impact of IFRS 16	83	58	164	109	192
FINLAND	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	11	-3	20	-11	-20
Extraordinary items	0	0	0	0	1
EBITDA before impact of IFRS 16 excluding extraordinary items	11	-3	20	-11	-19
Group overhead and cost allocation	-5	-5	-11	-10	-20
Country EBITDA before impact of IFRS 16	16	2	31	-1	1
DENMARK	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	2	-15	2	-34	-74
Extraordinary items	0	0	0	0	2
EBITDA before impact of IFRS 16 excluding extraordinary items	2	-15	2	-34	-71
Group overhead and cost allocation	-6	-6	-13	-13	-25
Country EBITDA before impact of IFRS 16	7	-9	15	-21	-46

¹⁾ The extraordinary items shown in this table do not include extraordinary items of NOK 22 million recorded as impairments and extraordinary financial costs in 2022. Total extraordinary items was NOK 68 million in 2022.

DEFINITIONS

Term	Definition
Average number of members per club	Outgoing member base divided by outgoing number of clubs
Average revenue per member (ARPM)	Calculated as monthly total revenue divided by the average member base
Capex: Expansion capital expenditures	The sum of investments related to acquisitions and greenfields, as well as capex related to the perfect club initiative and digital expansion
Capex: Maintenance capital expenditures	Club maintenance and IT capital expenditures
Cash conversion	Operating cash flow divided by EBITDA before impact of IFRS 16
Country EBITDA before impact of IFRS 16	EBITDA before impact of IFRS 16 less allocation of Group overhead and cost allocations
EBITDA	Profit/(loss) before net financial items, income tax expense, depreciation and amortization
EBITDA before impact of IFRS 16	EBITDA adjusted for the impact of implementation of the IFRS 16 lease standard
Group overhead	Consists of group services such as commercial functions, IT, finance and administration
Leverage ratio	Net debt divided by last twelve months EBITDA before impact of IFRS 16
Member base	Number of members, including frozen memberships, excluding free memberships
Operating cash flow	EBITDA before impact of IFRS 16 less maintenance capital expenditures and working capital
Other yield	Calculated as monthly other revenue in the period, divided by the average member base
Total overhead	The sum of country overhead and group overhead
Underlying operating cash flow	Operating cash flow less expansion capital expenditures
Yield	Calculated as monthly member revenue in the period, divided by the average member base

Financial Calendar

14 FEB 2023	Q4 2022 Results
26 APR 2023	Q1 2023 Results
28 APR 2023	Annual Report 2022
31 May 2023	Annual General Meeting 2023
24 AUG 2023	Q2 2023 Results
26 OCT 2023	Q3 2023 Results

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