



N.A.
CREW
EST. 1979

SATS Q3 2023

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 275 clubs, more than 9 700 employees, and 731 000 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

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WORDS FROM THE CEO

"We have delivered strong financial results three quarters in a row, but these are not extraordinary results, this is the new normal and illustrates the financial strength of SATS."

A new quarter is closed, and we rounded off with a robust member base of 731 000 members, up 3% from last year. The members worked out 13% more on average. In sum, this led to 17% more workouts at our clubs than in the third quarter last year. Our members are making a substantial contribution to reducing physical inactivity and improving public health. In the last 12 months, our members have contributed with around 16 000 quality-adjusted life years (QALYs) – in other words, years of good health – which translates into around NOK 22.6 billion in socio-economic welfare gain.

As the quarters fly by, it is interesting to zoom out and look at where we are heading. One year ago, we hosted a Capital Markets Day (CMD) and provided a comprehensive presentation of the company's history, current situation, and outlook. When revisiting the key messages from the CMD presentation, the main takeaways are that we have followed the road outlined closely and achieved good operational and financial results. SATS' long-term strategy remained unchanged but given the macro-economic environment and the challenges SATS was facing, we chose to go back to basic and focus on the core business; increase the utilization of the current club portfolio by growing the members base, increase the revenue per member, and maintain a high cost discipline.

Further on, we wanted to pause additional club expansion, prioritizing to reduce the net debt. As a result of the disciplined approach to the focus areas as outlined in the CMD, we have managed to increase the member base per square meter compared to pre-pandemic levels, lift the price level in line with inflation, hold the cost base stable, and reduce the financial leverage significantly. There is still a lot of potential to improve further, but the steps taken in the past year have been important. We will still focus on the core business and on delivering outstanding training experiences, but we are now in better position to continue investing in our club portfolio and make the product even more attractive for our members.

It is great to see that our members are happy with the SATS product. We follow the member satisfaction closely through a Net Promoter Score (NPS) on a range from -100 to 100, where scores above 30 are considered to be high. In the third quarter, the average NPS was as high as 58. This is thanks to all our hard-working employees, helping our members to succeed with their training. Thanks to every single one of you. You are extraordinary!

Sondre Gravir
CEO




Clubs

0%

275 275

Q3 2022 Q3 2023

Members '000

3%

708 731

Q3 2022 Q3 2023

Revenues NOK million

14%

967 1 106

Q3 2022 Q3 2023

EBITDA¹ NOK million / margin

673%

2% 14%

20 155

Q3 2022 Q3 2023

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

HIGHLIGHTS

- Successful measures implemented the past year focused on the core business, fully in line with the road outlined on the Capital Markets Day in October last year
- The total number of workouts at SATS' clubs increased by 17% in the quarter, driven by both member growth and higher activity per member
- The member base counted 731 000 members by the end of the quarter, representing a 2% increase in members per sqm from the pre-pandemic Q3 2019 and thus a higher utilization of the asset base
- The average revenue per member (ARPM) YTD increased by 7% (curr. adj.) from last year, and the average price for new memberships increased by 18% (curr.adj.) in the quarter, which in combination with the member growth, prove a continued willingness to pay for gym memberships
- Total revenues summed up to NOK 3 507 million YTD, up 12% (curr. adj.) from YTD 2022
- Maintained a strong cost discipline, resulting in a 1% (curr.adj.) increase in total operating costs YTD, and a conservative capex spend
- EBITDA before IFRS 16 reached NOK 486 million YTD, significantly lifted from NOK 133 million in the corresponding period last year
- Deleveraging at a high pace, reporting a leverage ratio of 3.1x net debt to EBITDA before IFRS 16, compared to 10.5x in Q3 2022

Key Financial Figures and Alternative Performance Measures (APM)¹

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	923	803	2 866	2 384
Other revenues	183	165	641	617
Total revenues	1 106	967	3 507	3 001
EBITDA	445	281	1 360	911
Margin (%)	40%	29%	39%	30%
Operating profit	156	5	483	86
Profit/loss for the period	31	-52	189	-96
Earnings per share (NOK)	0.15	-0.26	0.93	-0.49
Total overhead costs	-135	-137	-393	-408
EBITDA before impact of IFRS 16	155	20	486	133
Margin (%)	14%	2%	14%	4%
Maintenance Capex	22	62	57	116
Total Capex	34	121	86	228
Net debt	1 555	1 662	1 555	1 662
Operating cash flow	139	-15	309	-171
Clubs	275	275	275	275
Members ('000)	731	708	731	708
ARPM (NOK/month)	510	468	537	484

1) As defined in Appendix under Alternative Performance Measures

BOARD OF DIRECTORS' REPORT

ANALYSIS OF THE Q3 2023 FINANCIAL STATEMENTS

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

Statement of comprehensive income

Total revenues increased by 14% (11% currency adjusted) to NOK 1 106 million in Q3 2023, compared to NOK 967 million in Q3 2022, mainly due to higher membership revenues. Membership revenues increased in all countries in Q3 2023 compared to Q3 2022. After a 2%-member growth during the quarter, the total member base ended 3% above last year. ARPM increased by 9% (6% currency adjusted), as a result of price increases in Q4 2022 and Q1 2023 and lower campaign activity.

Total operating expenses decreased by 1% (-5% currency adjusted) to NOK 950 million in Q3 2023, while operating expenses excluding depreciation and amortization decreased by 4% (-8% currency adjusted) to NOK 661 million. The decrease in operating expenses from last year is mainly due to lower electricity prices and a more restrictive marketing spend, outweighing the increase in rent and general inflation.

The operating profit increased from NOK 5 million to NOK 156 million in the quarter. Operating profit increased in all countries compared to Q3 2022.

Net financial expense in Q3 2023 was NOK 107 million, an increase of NOK 48 million compared to Q3 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 Q3 2023 was NOK 18 million.

Profit before tax was NOK 49 million in Q3 2023, compared to a loss of NOK 54 million in Q3 2022. Profit for the period was NOK 31 million in Q3 2023, compared to a loss of NOK 52 million in Q3 2022. The total comprehensive income was NOK 45 million, compared to a loss of NOK 58 million in Q3 2022.

Statement of financial position

Consolidated assets increased by NOK 578 million to NOK 9 009 million in Q3 2023, compared to Q3 2022. A significant driver of the increased consolidated assets was the increase in rights-of-use assets and cash and cash equivalents. Right-of-use assets and intangible assets were the most significant components of consolidated assets, amounting to NOK 4 423 million and NOK 2 621 million, respectively, on September 30, 2023. Non-current assets increased by NOK 262 million, while current assets increased by NOK 317 million. The increase in non-current assets was mainly driven by the increase in rights-of-use and other non-current receivables. The increase in current assets was primarily driven by the increase in cash and cash equivalents.

Total liabilities increased from NOK 7 447 million as of September 30, 2022 to NOK 7 987 million as of September 30, 2023, primarily due to increased borrowings and lease liability.

As of September 30, 2023, consolidated equity amounted to NOK 1 022 million, representing an equity ratio of 11.3%, compared to NOK 984 million and 11.7% in Q3 2022.

Statement of cash flows

In Q3 2023, consolidated cash and cash equivalents increased net by NOK 79 million, compared to a decrease of NOK 106 million in Q3 2022.

As of the balance sheet date, the Group had cash and cash equivalents of NOK 442 million, compared to NOK 125 million as of September 2022. In addition, the Group had NOK 380 million available in undrawn amount on the rolling credit facility.

Net cash flow from the Group's operations was NOK 439 million in Q3 2023, compared to NOK 303 million in Q3 2022. The increased cash flow from operations of NOK 136 million was mainly due to increased profit before tax. The net working capital has high seasonal fluctuations, typically being lower in Nov-May and higher in Jun-Oct. In the quarter, the net working capital effect was positive by NOK 7 million, compared to 27 million in Q3 2022, mainly driven by change in account receivables and trade payables.

Net cash outflow from investing activities amounted to NOK 34 million in Q3 2023, compared to an outflow of NOK 122 million in Q2 2023.

Net cash outflow from financing was NOK 327 million in Q3 2023, compared to a cash outflow of NOK 287 million in Q3 2022.

Segment development

The following sections of this report review each operating segment. Unless otherwise stated, comments regarding development reflect a comparison between Q3 2023 and Q3 2022.

Norway is the largest operating segment in the Group, with 46% of the consolidated total revenues YTD 2023. SATS Norway had 326 000 members at the end of Q3 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 119 clubs by the end of Q3 2023. The member base has grown by 1% since Q3 2022, despite a 2% reduction in the number of clubs, after closing selected clubs as a part of the club portfolio optimization.

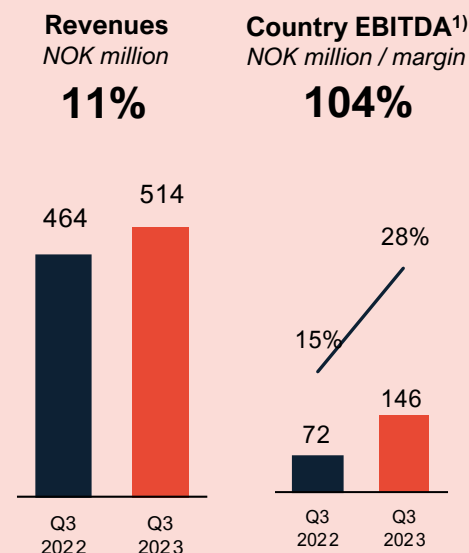
The average revenue per member (ARPM) was lifted by 7% to NOK 531, as a result of successful price adjustments during the winter.

The result of the positive volume and price development was an 11% increase in total revenues to NOK 514 million.

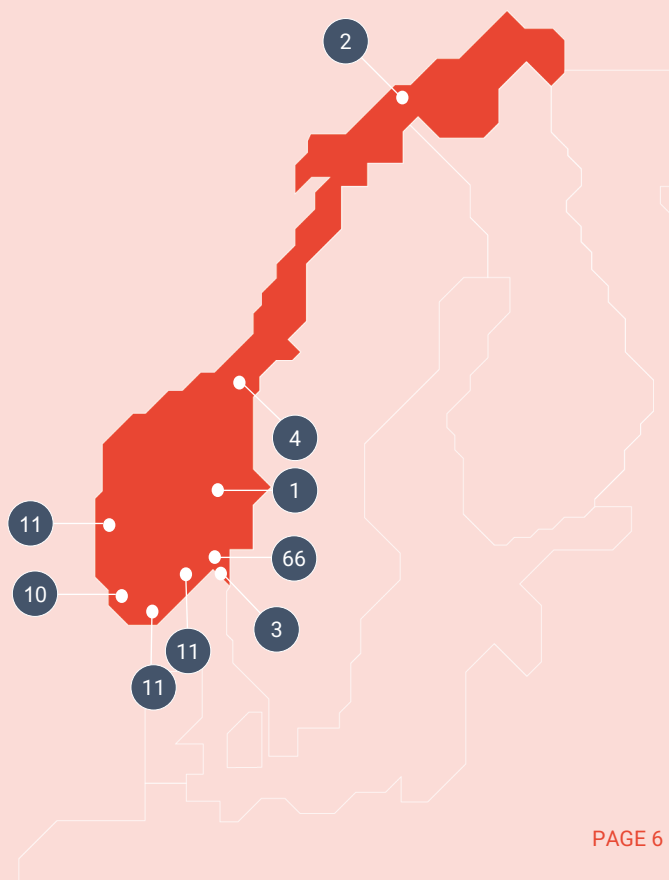
Country EBITDA increased by 104% to NOK 146 million, resulting in a quarterly Country EBITDA margin of 28%, 13 p.p. higher than in Q3 2022.

Key Financial figures and Alternative Performance Measures (APM)

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	429	384	1 317	1 135
Other revenues	85	80	293	292
Total revenues	514	464	1 610	1 428
EBITDA	222	138	662	461
Margin (%)	43%	30%	41%	32%
Operating profit	117	31	346	145
Profit/loss for the period	74	5	215	54
Country EBITDA before impact of IFRS 16	146	72	431	267
Margin (%)	28%	15%	27%	19%
EBITDA before impact of IFRS 16	103	24	307	124
Margin (%)	20%	5%	19%	9%
Clubs	119	122	119	122
Members ('000)	326	322	326	322
ARPM (NOK/month)	531	496	549	508



¹⁾ Country EBITDA before impact of IFRS 16



Sweden is the second-largest segment in the Group, with 33% of the total consolidated revenues YTD 2023. SATS Sweden had 250 000 members at the end of Q3 2023. SATS has maintained a strong position in Sweden over many years.

The member base has increased by 5% since the comparable period last year, despite only a 2% increase in the club count, up to 95 clubs across Sweden.

The average revenue per member (ARPM) was lifted through several price initiatives during the winter, leading to an 8% increase (5% curr. adj.) to NOK 492.

Total revenues increased by 14% (12% curr. adj.) to NOK 365 million in the quarter, driven equally by membership revenue and other revenue.

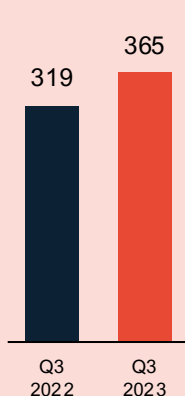
Country EBITDA increased by 81% (77% curr. adj.) to NOK 83 million, resulting in a quarterly Country EBITDA margin of 23%, 8 p.p. up from Q3 2022.

Key Financial Figures and Alternative Performance Measures (APM)

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	303	264	944	806
Other revenues	63	55	230	211
Total revenues	365	319	1 175	1 016
EBITDA	149	96	454	299
Margin (%)	41%	30%	39%	29%
Operating profit	49	6	149	33
Profit/loss for the period	23	-6	72	-10
Country EBITDA before impact of IFRS 16	83	46	247	155
Margin (%)	23%	14%	21%	15%
EBITDA before impact of IFRS 16	47	6	144	35
Margin (%)	13%	2%	12%	3%
Clubs	95	93	95	93
Members ('000)	250	238	250	238
ARPM (NOK/month)	492	457	529	484

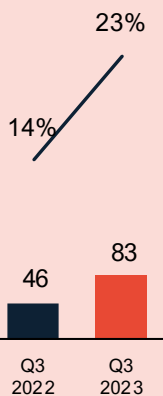
Revenues
NOK million

14%

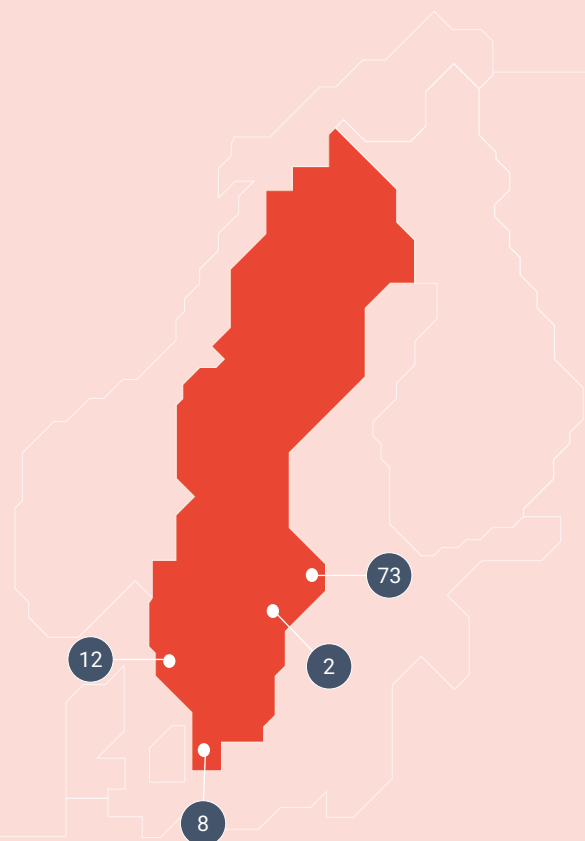


Country EBITDA¹⁾
NOK million / margin

81%



¹⁾ Country EBITDA before impact of IFRS 16



In Finland, the business is operated under the brand ELIXIA, and the Finnish operations constituted 10% of consolidated total revenues YTD 2023. At the end of Q3 2023, ELIXIA Finland had 71 000 members. The Finnish fitness market is highly fragmented, and ELIXIA is the market leader.

The number of clubs has been fairly stable in Finland, up 3% year-on-year, with the main focus of club optimization being on relocations. The member base growth has outperformed the club growth in Finland, as in the other markets, up 5% since Q3 2022.

Adding on to the volume growth, the average revenue per member (ARPM) is up 17% (3% curr. adj.) to NOK 515.

As a result of the abovementioned increases, total revenues increased by 26% (11% curr. adj.) to NOK 109 million. The increase was mainly driven by membership revenues.

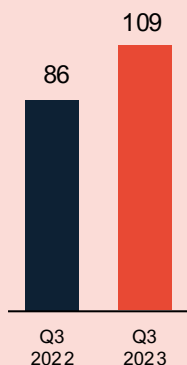
Country EBITDA increased by NOK 17 million to NOK 16 million in the quarter. Quarterly Country EBITDA margin was consequently 14%, up 16 p.p. from Q3 2022.

Key Financial Figures and Alternative Performance Measures (APM)

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	93	72	288	197
Other revenues	15	14	57	63
Total revenues	109	86	345	260
EBITDA	43	20	129	63
Margin (%)	40%	23%	37%	24%
Operating profit	11	-7	32	-20
Profit/loss for the period	5	-12	14	-36
Country EBITDA before impact of IFRS 16	16	-1	46	-2
Margin (%)	14%	-2%	13%	-1%
EBITDA before impact of IFRS 16	10	-7	30	-17
Margin (%)	9%	-8%	9%	-7%
Clubs	32	31	32	31
Members ('000)	71	67	71	67
ARPM (NOK/month)	515	439	544	439

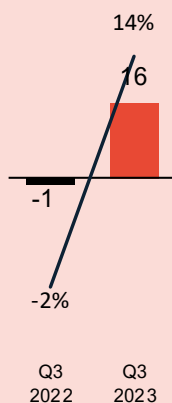
Revenues
NOK million

26%

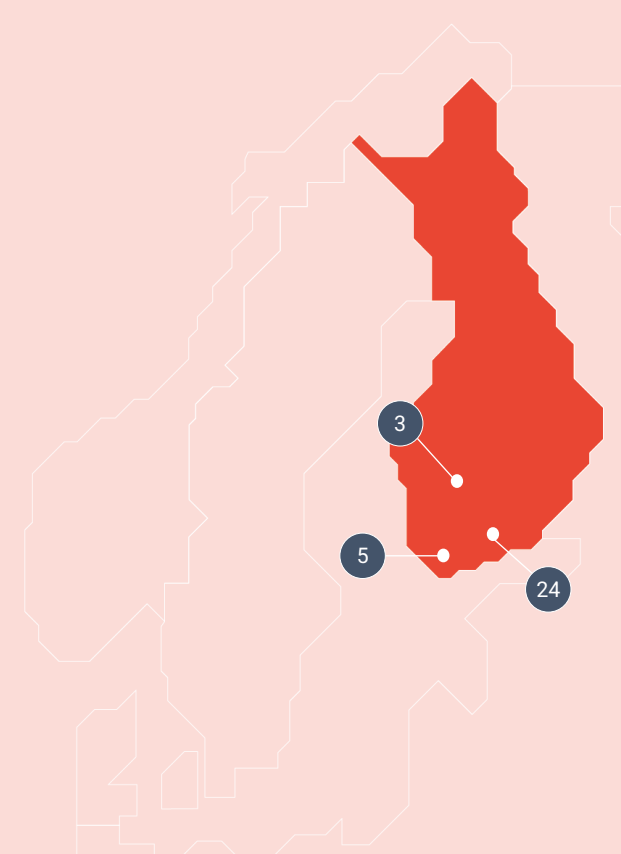


Country EBITDA¹⁾
NOK million / margin

n.a.



¹⁾ Country EBITDA before impact of IFRS 16



The Danish operation constituted 11% of consolidated total revenues YTD 2023. SATS Denmark, with 84 000 members at the end of the quarter, is one of the largest fitness operators in the Greater Copenhagen area, and the number two operator in the Danish fitness club market.

SATS Denmark ended the second quarter with 29 clubs, 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 (ARPM) increased by 15% (1% curr. adj.). As a result, total revenues increased by 20% (6% curr. adj.) to NOK 117 million.

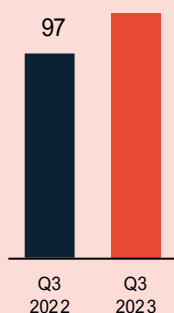
Country EBITDA increased by 38% (45% curr. adj.) to a negative NOK 8 million, resulting in a negative quarterly Country EBITDA margin of 7%, 7 p.p. higher than in Q3 2022.

Key Financial Figures and Alternative Performance Measures (APM)

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	98	82	317	246
Other revenues	18	15	59	50
Total revenues	117	97	376	295
EBITDA	21	11	96	41
Margin (%)	18%	11%	25%	14%
Operating profit	-19	-24	-26	-65
Profit/loss for the period	-38	-35	-77	-98
Country EBITDA before impact of IFRS 16	-8	-13	7	-34
Margin (%)	-7%	-14%	2%	-12%
EBITDA before impact of IFRS 16	-15	-20	-13	-54
Margin (%)	-13%	-20%	-3%	-18%
Clubs	29	29	29	29
Members ('000)	84	81	84	81
ARPM (NOK/month)	470	410	504	426

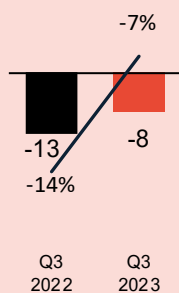
Revenues
NOK million

20%



Country EBITDA¹⁾
NOK million / margin

38%



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.

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, 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.

In the short to medium term, SATS will keep a cautious approach to further club growth, prioritizing reducing net debt.

SHAREHOLDER INFORMATION

SATS ASA's share capital was NOK 435 million as at September 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 650 904 treasury shares as at the balance sheet date. The number of shareholders as at September 30, 2023 was 5 643.

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.

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.

SATS has chosen to voluntarily cancel the covenant waiver prior to expiration and will return to the original financial covenants with effect from November 2023. The financial covenant of the original agreement requires the leverage ratio, Net Debt to EBITDA before IFRS 16, not to exceed 4.0x. The facility agreement does not contain any restrictions on dividend payments.

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 third 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, October 25, 2023
The Board of Directors

CONSOLIDATED INCOME STATEMENT

	Notes	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>						
Revenue	2	1 106	967	3 507	3 001	4 082
Operating expenses						
Cost of goods sold		-28	-33	-90	-100	-147
Personnel expenses		-371	-357	-1 213	-1 141	-1 587
Other operating expenses		-263	-297	-844	-849	-1 208
Depreciation and amortization	6, 7, 8	-289	-276	-876	-825	-1 120
Total operating expenses		-950	-963	-3 024	-2 915	-4 062
Operating profit		156	5	483	86	20
Interest income		16	3	38	4	12
Finance income		2	30	68	77	80
Interest expense		-107	-75	-300	-217	-300
Finance expense		-19	-17	-32	-36	-73
Net financial items		-107	-59	-227	-172	-281
Profit/loss before tax		49	-54	257	-86	-261
Income tax expense	3	-18	2	-68	-10	15
Profit/loss for the period		31	-52	189	-96	-246
Profit/loss for the year is attributable to:						
Equity holders of the Group		31	-52	189	-96	-246
Total allocation		31	-52	189	-96	-246
Earnings per share in NOK						
Basic earnings per share attributable to equity holders of the company	4	0.15	-0.26	0.93	-0.49	-1.25
Diluted earnings per share attributable to equity holders of the company	4	0.15	-0.26	0.93	-0.49	-1.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
Profit/loss for the period	31	-52	189	-96	-246
Other comprehensive income					
Currency translation adjustment - may be reclassified to profit or loss	14	-6	-23	6	28
Other comprehensive income, net of tax	14	-6	-23	6	28
Total comprehensive income for the period	45	-58	165	-90	-219
Total comprehensive income is attributable to:					
Equity holders of the Group	45	-58	165	-90	-219
Total comprehensive income for the period	45	-58	165	-90	-219

CONSOLIDATED BALANCE SHEET

	Notes	September 30 2023	September 30 2022	December 31 2022
<i>(Amounts in NOK million)</i>				
ASSETS				
Non-current assets				
Intangible assets	6	2 621	2 615	2 588
Right-of-use assets	8	4 423	4 179	4 161
Property, plant and equipment	7	674	719	723
Other non-current receivables		64	39	50
Derivative financial instruments	9	64	54	47
Deferred tax assets	3	243	222	239
Total non-current assets		8 089	7 827	7 806
Current assets				
Inventories		57	69	57
Accounts receivables		118	119	126
Other current receivables		69	68	54
Prepaid expenses and accrued income		234	223	287
Cash and cash equivalents		442	125	345
Total current assets		920	603	868
Total assets		9 009	8 431	8 675
EQUITY				
Share capital		435	431	431
Share premium ¹⁾		3 050	3 045	3 045
Treasury shares		-24	-17	-14
Other reserves		37	42	65
Retained earnings ¹⁾		-2 476	-2 518	-2 668
Total equity		1 022	984	860
LIABILITIES				
Non-current liabilities				
Deferred tax liability	3	131	91	71
Borrowings	5	1 997	1 787	1 970
Lease liability	5	3 878	3 690	3 666
Total non-current liabilities		6 007	5 567	5 707
Current liabilities				
Borrowings	5	24	14	19
Lease liability	5	910	860	869
Contract liability		509	471	584
Trade and other payables		116	130	116
Current tax liabilities		0	0	6
Public fees and charges payable		78	73	91
Other current liabilities		342	331	423
Total current liabilities		1 980	1 879	2 108
Total liabilities		7 987	7 447	7 815
Total equity and liabilities		9 009	8 431	8 675

¹⁾ A reclassification between Share premium and Retained earnings of NOK 10 million is recognized as of September 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
<i>(Amounts in NOK million)</i>									
Equity January 1, 2022		366	2 521	-17	30	4	-2 421	483	483
Loss for the period							-96	-96	-96
OCI for the period					6			6	6
Total comprehensive income for the period		0	0	0	6	0	-96	-90	-90
Investment program						2		2	2
Share issues and capital increase expenses		65	525					590	590
Equity September 30, 2022		431	3 045	-17	36	6	-2 518	984	984
Equity January 1, 2023		431	3 045	-14	58	6	-2 668	860	860
Profit for the period							189	189	189
OCI for the period					-23			-23	-23
Total comprehensive income for the period		0	0	0	-23	0	189	165	165
Investment program				4		-5	4	3	3
Share issues and capital increase expenses	4	4	5					8	8
Repurchase of shares				-21				-21	-21
Proceeds from sale of own shares				6				6	6
Equity September 30, 2023		435	3 050	-24	35	2	-2 476	1 022	1 022

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>						
Cash flow from operations						
Profit/loss before tax		49	-54	257	-86	-261
Adjustment for:						
Taxes paid in the period		-11	-5	-22	-31	-23
Gain/loss from disposal or sale of equipment		-1	0	-2	0	9
Depreciation, amortization and impairment	6, 7, 8	289	276	876	825	1 120
Net financial items		107	59	227	172	281
Change in inventory		0	-4	-1	-12	0
Change in accounts receivables		-13	-26	7	-1	-8
Change in trade payables		23	-1	0	-7	-21
Change in other receivables and accruals		-2	59	-127	-168	-15
Net cash flow from operations		439	303	1 216	691	1 082
Cash flow from investing						
Purchase of property, plant and equipment and intangible assets	6, 7	-34	-73	-86	-180	-256
Loan to related parties	10	0	0	-6	0	-10
Proceeds from property, plant and equipment		0	0	1	1	1
Acquisition of subsidiary, net of cash acquired		0	-49	0	-49	-49
Net cash flow from investing		-34	-122	-92	-228	-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	-234	-213	-709	-635	-852
Paid interests on borrowings	5	-34	-24	-95	-86	-120
Interests on lease liabilities	5	-57	-48	-165	-142	-189
Proceeds from issues of shares	4	0	0	8	601	601
Purchase of own shares	4	0	0	-21	0	0
Proceeds from sale of own shares	4	0	0	6	0	3
Transaction costs from issues of new shares	4	0	0	0	-13	-13
Other financial items		-2	-2	-1	-1	-1
Net cash flow from financing		-327	-287	-975	-586	-681
Net increase/decrease in cash and cash equivalents		79	-106	149	-123	88
Effect of foreign exchange rate changes on cash and cash equivalents		30	-15	-52	-33	-24
Cash and cash equivalents at the beginning of the period		334	245	345	281	281
Cash and cash equivalents at the end of period		442	125	442	125	345

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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

The financial position and the performance of the Group was not, other than mentioned above, mainly affected by any events or transactions during the nine 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 Q3 2023, Q3 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>						

Q3 2023**Revenue**

Membership revenue	429	303	93	98	0	923
Other revenues	85	63	15	18	1	183
Total revenues	514	365	109	117	1	1 106

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

EBITDA before impact of IFRS 16¹⁾	103	47	10	-15	10	155
Impact of IFRS 16	119	102	33	36	0	290
EBITDA¹⁾	222	149	43	21	10	445
Depreciation and amortization	-105	-100	-32	-40	-12	-289
Operating profit/loss	117	49	11	-19	-2	156
Net financial items ²⁾	-22	-20	-6	-20	-39	-107
Income tax expense	-21	-6	0	0	9	-18
Profit/loss for the period	74	23	5	-38	-32	31

Q3 2022**Revenue**

Membership revenue	384	264	72	82	0	803
Other revenues	80	55	14	15	0	165
Total revenues	464	319	86	97	0	967

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

EBITDA before impact of IFRS 16¹⁾	24	6	-7	-20	16	20
Impact of IFRS 16	114	89	27	31	0	261
EBITDA¹⁾	138	96	20	11	16	281
Depreciation and amortization	-107	-89	-27	-35	-18	-276
Operating profit/loss	31	6	-7	-24	-2	5
Net financial items ²⁾	-25	-14	-5	-11	-3	-59
Income tax expense	-1	2	0	0	1	2
Profit/loss for the period	5	-6	-12	-35	-4	-52

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
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(Amounts in NOK million)

YTD 2023

Revenue

Membership revenue	1 317	944	288	317	0	2 866
Other revenues	293	230	57	59	2	641
Total revenues	1 610	1 175	345	376	2	3 507

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

EBITDA before impact of IFRS 16¹⁾	307	144	30	-13	19	486
Impact of IFRS 16	356	310	99	109	0	873
EBITDA¹⁾	662	454	129	96	19	1 360
Depreciation and amortization	-316	-305	-97	-121	-37	-876
Operating profit/loss	346	149	32	-26	-18	483
Net financial items ²⁾	-71	-59	-19	-52	-26	-227
Income tax expense	-60	-18	0	1	9	-68
Profit/loss for the period	215	72	14	-77	-35	189

YTD 2022

Revenue

Membership revenue	1 135	806	197	246	0	2 384
Other revenues	292	211	63	50	1	617
Total revenues	1 428	1 016	260	295	1	3 001

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

EBITDA before impact of IFRS 16¹⁾	124	35	-17	-54	46	133
Impact of IFRS 16	337	265	81	94	0	777
EBITDA¹⁾	461	299	63	41	46	911
Depreciation and amortization	-316	-266	-83	-106	-53	-825
Operating profit/loss	145	33	-20	-65	-7	86
Net financial items ²⁾	-76	-46	-16	-33	-1	-172
Income tax expense	-15	3	0	1	1	-10
Profit/loss for the period	54	-10	-36	-98	-8	-96

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 Q3 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, Q3 is the reporting period from July 1 to September 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 Q3 2023 and full year 2023 is calculated as a weighted average.

On July 2, 2023, the board of directors resolved to award a total of 475,157 matching shares to 15 participants as a part of the share investment program implemented in 2020. The value of the matching shares is NOK 8.10 each, representing the trading price of the company's shares at the close of trading on June 30, 2023, with a 19% discount to reflect the one-year lock-up obligation.

The share investment programs for employees in the SATS ASA Group imply that the company, on the balance sheet date of September 30, 2023, will deliver 32 443 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 September 30, 2023, the company holds 650 904 treasury shares.

Basic earnings per share attributable to equity holders of the company

(NOK per share)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Basic earnings	0.15	-0.26	0.93	-0.49	-1.25
Total basic earnings per share	0.15	-0.26	0.93	-0.49	-1.25
Total number of outstanding shares	204 024 712	202 136 012	202 775 178	194 969 703	196 915 471

Diluted earnings per share attributable to equity holders of the company

(NOK per share)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Diluted earnings	0.15	-0.26	0.93	-0.49	-1.25
Total diluted earnings per share	0.15	-0.26	0.93	-0.49	-1.25
Total number of outstanding shares	205 284 706	202 136 012	203 721 629	194 969 703	196 915 471

Reconciliation of earnings used in calculating earnings per share

(Amounts in NOK million)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Basic earnings per share					
Profit/loss attributable to equity holders of the Group	31	-52	189	-96	-246
Profit/loss used in calculating basic earnings per share	31	-52	189	-96	-246
Diluted earnings per share					
Profit/loss used in calculating diluted earnings per share	31	-52	189	-96	-246
Profit/loss used in calculating diluted earnings per share	31	-52	189	-96	-246

NOTE 5 Interest-bearing liabilities

	September 30 2023	September 30 2022	December 31 2022
Overview of interest-bearing liabilities			
<i>(Amounts in NOK million)</i>			
Current			
Accrued interest cost	24	14	19
Lease liabilities	910	860	869
Total current interest-bearing liabilities	934	874	888
Non-current			
Bank borrowings	1 997	1 787	1 970
Lease liabilities	3 878	3 690	3 666
Total non-current interest-bearing liabilities	5 875	5 476	5 636
Total interest-bearing liabilities	6 810	6 350	6 524
Total bank borrowings	1 997	1 787	1 970
Cash and cash equivalents	442	125	345
Net debt¹⁾	1 555	1 662	1 625

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 third quarter, the remaining undrawn credit amounted to NOK 380 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 123 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.

SATS has chosen to voluntarily cancel the covenant waiver prior to expiration and will return to the original financial covenants with effect from November 2023. The financial covenant of the original agreement requires the leverage ratio, Net Debt to EBITDA before IFRS 16, 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 September 30, 2023:

Bank borrowings	Total	Lease liabilities	Total
<i>(Amounts in NOK million)</i>		<i>(Amounts in NOK million)</i>	
Less than 1 year	123	Less than 1 year	1 115
1–2 years	2 119	1–2 years	990
2–3 years	0	2–3 years	847
3–5 years	0	3–5 years	1 322
More than 5 years	0	More than 5 years	1 302
Total payments	2 242	Total payments	5 576

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 September 30, 2023					
Opening net book amount	1 669	209	601	0	2 478
Net effect of changes in foreign exchange	0	7	42	0	49
Closing Net book value	1 669	215	643	0	2 527
At September 30, 2023					
Cost	1 868	215	653	0	2 736
Accumulated impairment	-199	0	-10	0	-209
Net book value	1 669	215	643	0	2 527
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 September 30, 2023					
Opening net book amount	1	84	25	0	109
Effect of changes in foreign exchange cost	0	14	3	0	17
Effect of changes in foreign exchange accumulated amortization	0	-11	-2	0	-13
Additions	0	25	0	0	25
Amortization charge	0	-37	-8	0	-45
Closing Net book value	1	75	18	0	94
At September 30, 2023					
Cost	267	486	71	4	828
Accumulated amortization and impairment	-266	-411	-53	-4	-734
Net book value	1	75	18	0	94
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	Capitalized leasehold improvements	Fitness equipment	Other fixtures and equipment	Total tangible fixed assets
<i>(Amounts in NOK million)</i>				
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 September 30, 2023				
Opening net book amount	431	233	59	723
Additions	23	24	14	61
Effect of changes in foreign exchange cost	47	24	11	82
Depreciation charge	-67	-44	-21	-131
Effect of changes in foreign exchange accumulated depreciation	-33	-17	-10	-60
Disposals costs	-16	-4	-3	-22
Disposals costs accumulated depreciations	15	3	3	22
Closing Net book value	400	220	55	674
At September 30, 2023				
Cost	1 485	981	526	2 992
Accumulated depreciation	-1 085	-761	-471	-2 317
Net book value	400	220	55	674
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 September 30, 2023			
At January 1, 2023	4 152	9	4 161
Effect of changes in foreign exchange cost	194	4	197
Additions/disposals	846	5	851
Depreciation charge	-694	-6	-700
Effect of changes in foreign exchange accumulated depreciation	-83	-4	-87
Closing Net book value	4 414	9	4 423
At September 30, 2023			
Cost	11 840	96	11 936
Accumulated depreciation	-7 425	-88	-7 513
Net book value	4 414	9	4 423
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 13 million on Profit/loss before tax when reconsolidating the last twelve months. Reconsolidating borrowings, intercompany loans, and bank accounts in foreign currency as of September 30, 2023 with a weaker NOK results in a positive effect of NOK 84 million.

	Loss in foreign currency	Borrowings, intercompany loans and bank accounts in foreign currency	Total
<i>(Amounts in NOK million)</i>			
SEK/NOK exchange rate - increase 10% ¹⁾	-1	76	75
EUR/NOK exchange rate - increase 10% ¹⁾	1	8	9
DKK/NOK exchange rate - increase 10% ¹⁾	-12	0	-12
Effect on profit/loss before tax	-13	84	71

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.

	September 30 2023		September 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
<i>(Amounts in NOK million)</i>						
Other non-current receivables	64	0	39	0	50	0
Accounts receivables	118	0	119	0	126	0
Other current receivables	69	0	68	0	54	0
Derivatives	0	64	0	54	0	47
Cash and cash equivalents	442	0	125	0	345	0
Total financial assets	693	64	350	54	574	47

	September 30 2023		September 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
<i>(Amounts in NOK million)</i>						
Borrowings	2 021	0	1 800	0	1 989	0
Lease liabilities	4 788	0	4 550	0	4 535	0
Trade and other payables	116	0	130	0	116	0
Other current liabilities	342	0	331	0	423	0
Total financial liabilities	7 268	0	6 811	0	7 063	0

Financial derivative instruments

The Group has the following derivative financial instruments:

	September 30 2023	September 30 2022	December 31 2022
<i>(Amounts in NOK million)</i>			
Non-current assets			
Interest rate swap contracts	64	54	47
Total non-current derivative financial instrument assets	64	54	47

Overview of interest rate swaps per September 30, 2023

Interest rate swaps	Notional in currency million	Maturity	Fixed rate	Unrealized gain
IRS NOK	694	28.10.2026	1.751	55
IRS SEK	200	28.10.2024	0.430	9
Fair value of the Group's interest rate swaps as of September 30, 2023 in NOK million				64

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 Q3 2023, Q3 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 third 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 2 527 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 Q3 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.

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	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	155	20	486	133	99
Extraordinary items	0	0	0	0	46
EBITDA before impact of IFRS 16 excluding extraordinary items	155	20	486	133	145
Group overhead and cost allocation	82	83	245	252	338
Country EBITDA before impact of IFRS 16	237	103	731	386	484
NORWAY	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	103	24	307	124	123
Extraordinary items	0	0	0	0	24
EBITDA before impact of IFRS 16 excluding extraordinary items	103	24	307	124	147
Group overhead and cost allocation	-43	-48	-124	-143	-190
Country EBITDA before impact of IFRS 16	146	72	431	267	337
SWEDEN	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	47	6	144	35	14
Extraordinary items	0	0	0	0	18
EBITDA before impact of IFRS 16 excluding extraordinary items	47	6	144	35	32
Group overhead and cost allocation	-36	-40	-103	-120	-160
Country EBITDA before impact of IFRS 16	83	46	247	155	192
FINLAND	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	10	-7	30	-17	-20
Extraordinary items	0	0	0	0	1
EBITDA before impact of IFRS 16 excluding extraordinary items	10	-7	30	-17	-19
Group overhead and cost allocation	-6	-5	-16	-15	-20
Country EBITDA before impact of IFRS 16	16	-1	46	-2	1
DENMARK	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	-15	-20	-13	-54	-74
Extraordinary items	0	0	0	0	2
EBITDA before impact of IFRS 16 excluding extraordinary items	-15	-20	-13	-54	-71
Group overhead and cost allocation	-7	-6	-20	-19	-25
Country EBITDA before impact of IFRS 16	-8	-13	7	-34	-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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