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SATS ANNUAL REPORT 2021

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SATS
OUR CORE BUSINESS IS TO CONTRIBUTE TO IMPROVING PUBLIC HEALTH

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LETTER FROM THE CEO

Dear Reader,

2021 also turned out to be a year where the pandemic highly affected our societies, our members and SATS. We started the year with closed clubs. Then we gradually opened up during early Summer. After a short period of close to normal operations and strong growth in all markets, new restrictions and club closures were implemented due to the Omicron wave.

The negative impact of club closures and restrictions on our members, employees, and shareholders is enormous. However, we are impressed by, and proud of, the extraordinary commitment and engagement among members and in the whole SATS organization during the pandemic.

Already in March 2020 when the pandemic hit, we decided to focus on the opportunities this created, and not only all the challenges. We wanted to improve and invest, to make sure that we came out as a stronger company and with improved offering to our members. We significantly increased the growth pace by investing in both new clubs and improved digital offering. During 2020 and 2021 we opened 29 new clubs, and late 2021 we launched Mentra by SATS, a new online home training platform.

SATS' vision is to make people healthier and happier, and we have been committed to delivering on this vision even when our clubs were under restrictions or closed. SATS' contribution to public health is significant; in a normal year, we have around 40 million visits in our clubs. With a growing club portfolio, and increasing activity level among our members, we expect to increase the number of visits, both physically and digitally, going forward. We truly make a difference in people's life, improving their physical and mental health! This is why our last three main commercial slogans have been #happynewyou, #trainyourbrain and #happynewhabit.

Now, we are at the end of the pandemic. We see that the focus on living a healthy lifestyle and staying active is stronger than ever before in the population. Our members are doing a fantastic job in finding their new training habits. We will focus even more on helping them in this journey. Activation is key, we want our members to use their membership even more, and visit us more often than ever before. Visit more clubs. Participate in more classes. We see already now that people are finding back to their pre-pandemic habits. Visits in our clubs are strong and usage of our digital solutions is normalizing. We believe this development will be further strengthened as people are returning to their offices instead of working from home.

Our financial performance in 2021 was hit by restrictions and closures. Total revenue amounted to NOK 3 247 million, a decrease of 8% compared to 2020. Adjusted EBITDA before the impact of IFRS 16 fell by 217% to NOK -170 million. But we ended the year with almost 670 000 members, after very strong sales during Q3 and coming into Q4. We have recovered, now we will grow. Making even more people healthier and happier!

Sondre Gravir
CEO

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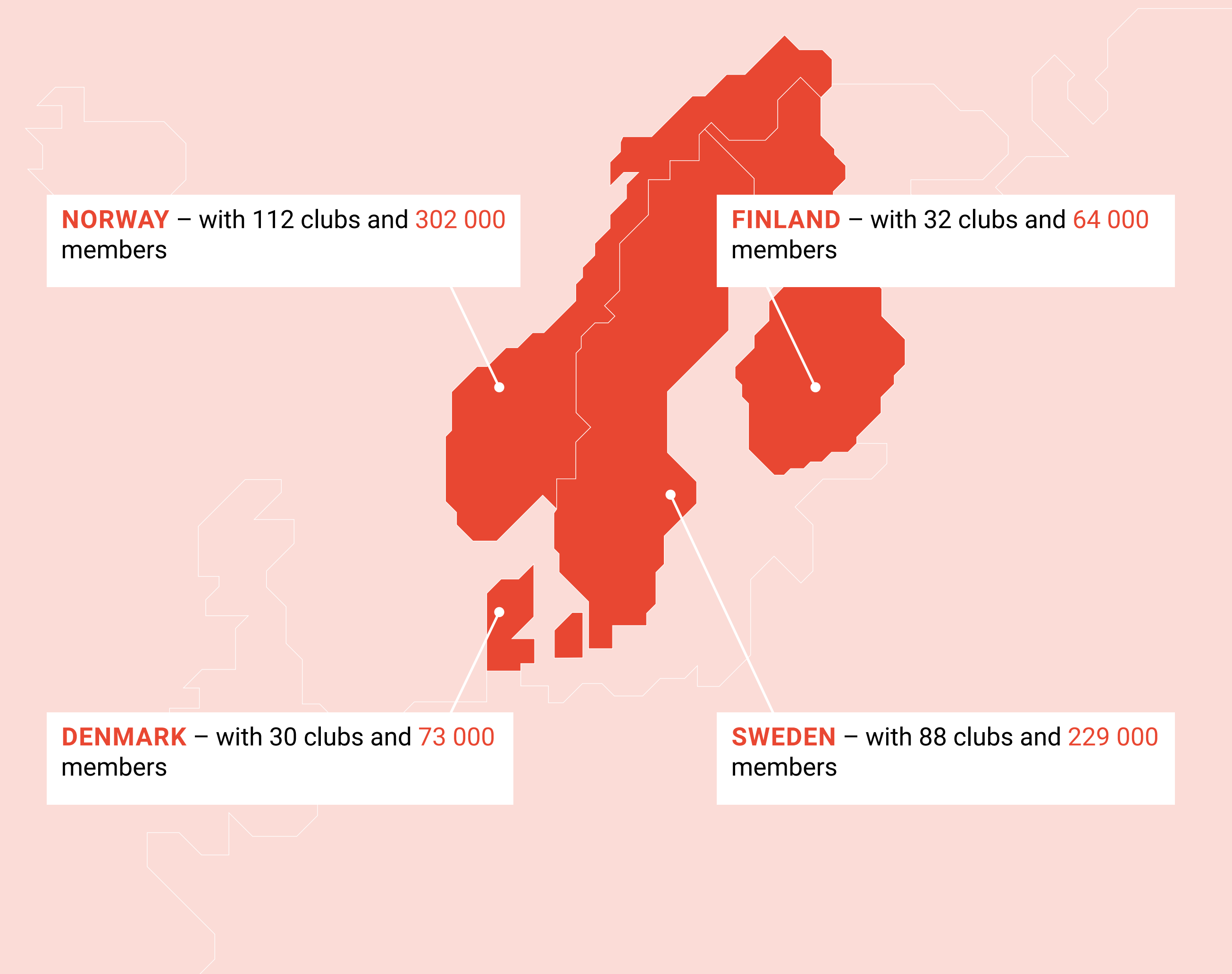
AT A GLANCE

THIS IS SATS

The Group, through our brands and concepts SATS, ELIXIA, Fresh Fitness, HiYoga and Mentra by SATS, is the leading provider of fitness and training services in the Nordics with over 260 clubs, close to 9 000 employees and almost 670 000 members.

Everyone is welcome at SATS, and our members have full flexibility to tailor their 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.



[1)] *Based on figures provided by EuropeActive.*

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HIGHLIGHTS FROM 2021

COVID-19 resulting in long club closures and strict restrictions

Member base returned to pre-pandemic level

SATS opened 9 new clubs during 2021, including one acquired club. 15 new clubs to be opened, including M&As

Loyality program SATS rewards well received

Mentra by SATS was launched, a new digital home training offering

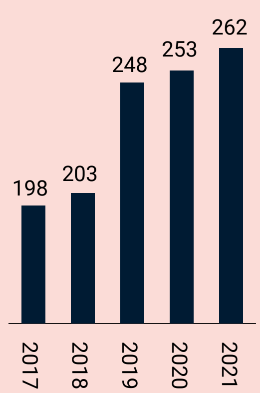
Outdoor training and free access to Mentra app when closed clubs

Significant contribution to public health and focus on inclusion, jobs and empowerment

Ambition to aligning climate targets to Science Based Targets initiative

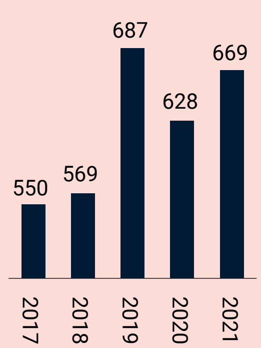
Clubs

+4%



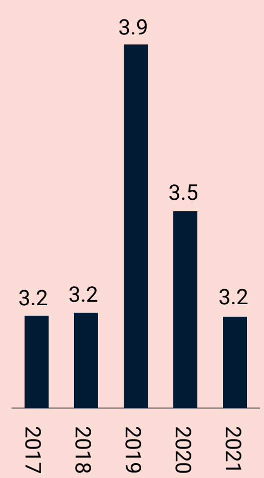
Members
Thousand

+7%



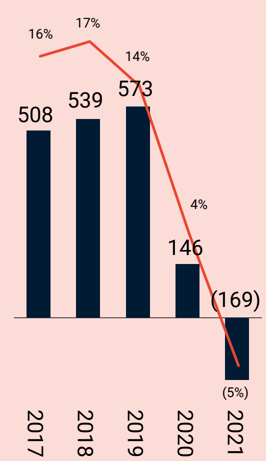
Revenues
NOK billion

-8%



Adjusted EBITDA[1)]
NOK million

-217%



[1)] *Adjusted EBITDA before the impact of IFRS 16.*

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OUR HISTORY

1995
SATS is launched in Norway by re-branding 8 existing fitness clubs.

1998
SATS is operating 49 fitness clubs and is acquired by the American fitness club group 24 Hour Fitness Worldwide.

1999
SATS acquires the Swedish Sports Club group and establishes its operations in Sweden.

2000
SATS becomes the first chain in the Nordics to offer personal training.

The expansion continues, and after entering Denmark, SATS is operating 100 clubs in the Nordics.

2001
ELIXIA is launched, and by year-end the chain operates a total of 16 fitness clubs in Norway and Finland.

2002
The private equity investor Nordic Capital and the Norwegian founders of SATS acquire SATS from 24 Hour Fitness Worldwide.

2003
SATS establish its first clubs in Finland.

2006
TryghedsGruppen smba acquired SATS.

2010
Fresh Fitness is launched as a low-cost alternative in Norway and Denmark.

2011
ELIXIA is acquired by Altor, a private equity investor (Altor Fund III).

2014
SATS and ELIXIA merge, creating the largest fitness chain in the Nordics.

2016
SATS launches Online Training along with multiple niche training concepts, including HiYoga, Build'n Burn, and Martial Arts.

2017
SATS introduces a modular membership structure, where members can tailor their own package.

2018
All ELIXIA clubs in Norway and 22 Fresh Fitness clubs across the Nordics are rebranded to the SATS/ELIXIA concept.

SATS launches a new member app with social networking functionality.

2019
SATS acquires fitness dk, consisting of 39 fitness clubs, to re-enter the Danish market after it had left in 2013.

SATS ASA is listed at the Oslo Stock Exchange.

2020
SATS steps up expansion and opens 15 clubs, of which 6 in Norway, 7 in Sweden and 2 in Finland.

2021
SATS opens 9 clubs and launches Mentra by SATS, a new digital home training offering with Rflex, a connected mirror with live classes and a library full of strength, cardio, yoga, and dance classes. Mentra by SATS brings engaging, high quality and personal training to new target groups outside physical clubs

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OUR VISION

We make people healthier and happier!

SATS' vision is to make people healthier and happier. To achieve this, we are dedicated to helping our members succeed in their training—since we know from decades of industry experience that regular training is the best way to stay committed and become healthier and happier.

To achieve our vision and help our members succeed in their training, we have the most competent, dedicated and inspiring staff, the broadest product offering with world-class quality, and the best presence with the widest network of physical clubs and industry-leading digital offerings. We promise both members and non-members that we will take an extended responsibility toward training and physical activity in society.

OUR VALUES

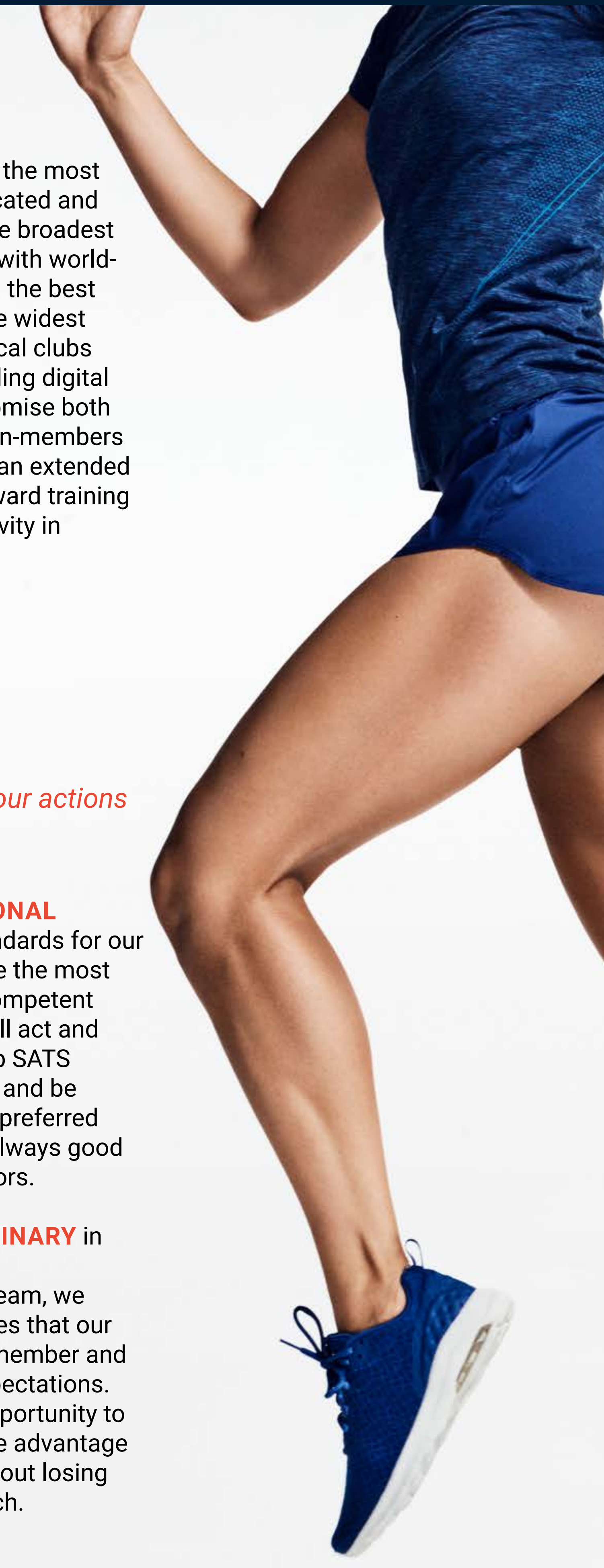
Our values serve as the compass that leads our actions and behaviour in our daily work.

I put **MEMBERS FIRST**
– our members are the foundation of everything we do and our number one priority. In every situation, we go out of our way to create value for our members. We make our members feel special, we encourage their progress, and we see the individual.

I am **ACCOUNTABLE** for what I do
– accountability is about delivering what we promise. We always set a good example for others and perform our duties diligently. In cases where errors are made, we take responsibility for fixing them as quickly as possible.

I am **PROFESSIONAL**
– we set the standards for our industry and have the most dedicated and competent employees. We all act and contribute to help SATS achieve its goals and be perceived as the preferred partner. We are always good SATS ambassadors.

I am **EXTRAORDINARY** in everything I do
– together as a team, we create experiences that our members will remember and surpass their expectations. We take every opportunity to glow, and we take advantage of being big, without losing the personal touch.



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COVID-19 BUSINESS IMPACT

The COVID-19 pandemic continued to have a negative impact on the fitness industry in 2021 in terms of restrictions on visit capacity and club closures across the Nordics.

SATS took a series of measures to make sure that open clubs were operated responsibly, including measures to ensure the required distance between members when training, reduced capacity in group training classes, outdoor group training and personal training sessions, higher cleaning frequency and closed childcare, etc. The result was clear – it has been proven to be safe to visit SATS. Norway had for a period very solid infection tracking. We had 4 million visits in our Norwegian clubs without any confirmed infection transmission. The lessons learned from best practice during the periods with infection control measures will be carried forward after the risk of infection has been reduced. Members clearly valued the measures, proven by improved net promoter scores compared to pre-Covid-19 levels.

Despite that we could prove that training was safe – and much safer than many activities not restricted by government, training centers were forced to implement strict restrictions or shut down. The table below illustrates the status per month and country in terms of open clubs, open clubs with restrictions, or imposed club closures for the industry and SATS. October and November represent the only period during the year without restrictions, with the exception of Finland. At the end of the year, restrictions were imposed due to the spread of the omicron variant.

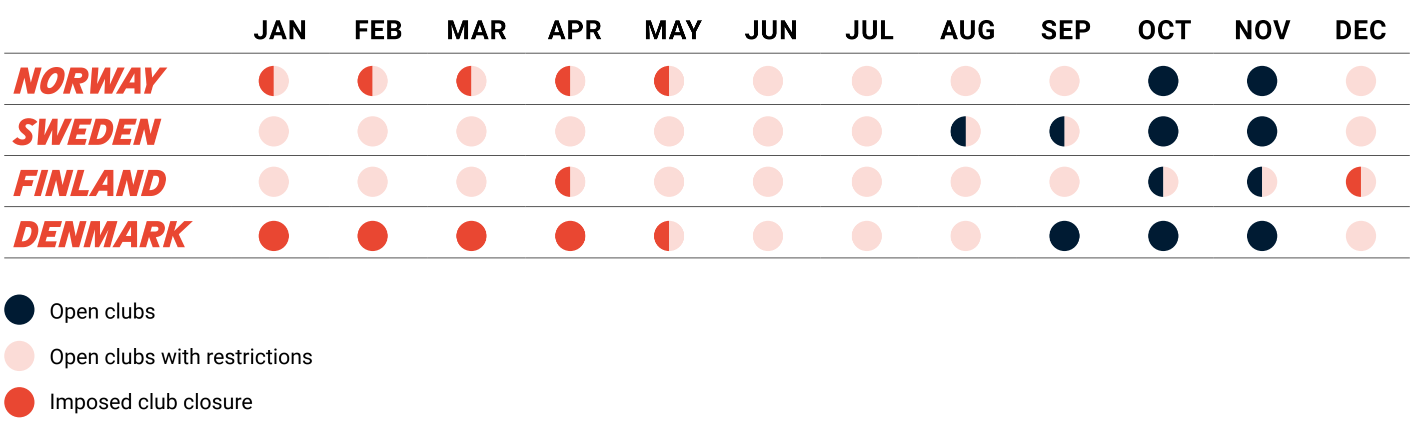
SATS maintained a close dialogue with government authorities, following their advice on how to act and balancing the considerations of limiting the spread of the virus while keeping the Nordic population healthy and happy through physical activity. National differences in the spread of the virus and governmental recommendations resulted in different development in the four Nordic countries. The Swedish clubs have remained open the whole year, while the Norwegian, Danish and Finnish clubs have been subject to imposed club closures. In addition, all clubs across the Nordics have been affected by various restrictions on visit capacity.

When the company was not able to offer physical club experience, its main priority became to provide alternatives that were as good as possible by offering outdoor training when allowed and access to the Mentra by SATS app. Members now have access to first-class training indoors, outdoors and digitally.

The club closures put significant pressure on revenues in 2021, The revenue loss has been partly compensated for by cost-reducing initiatives, both temporary and permanent. Employees in Norway and Denmark were temporarily laid off during the closures, which reduced personnel costs. Some fixed costs were also compensated for by the Norwegian, Danish and Finnish governments. Governmental compensation for fixed costs totaled NOK 247 million for the full year, up from NOK 195 million in 2020. The direct gross EBITDA effect of the club closures is estimated at approximately NOK 1 500 million for 2020 and 2021, not taking government compensations or growth into account.

On the commercial side, the company proved its ability to regain lost member sales after the club closures. At the end of October, the member base was fully recovered to pre-pandemic level, adjusted for the divested Danish clubs.

SATS continued to combine strong infection control measures with the delivery of positive member experiences, growth and product development in 2021. Once the member base is back at pre-COVID-19 levels, the company expects to return to the healthy financials proven prior to the pandemic.



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THIS IS SATS

VISION

At SATS, we always strive toward our vision of making people healthier and happier. The Nordic population is among the most physically active in the world, and approximately 20% of the population belongs to a fitness club. However the data is clear, people spend more than 60% of their waking hours sitting or resting. We aim to change this trend by helping people become more active. Helping people become healthier and happier is also at the core of building a profitable business. Based on decades of experience in the fitness industry, we know that members who stay committed over time are also those who regularly visit our clubs, use our products and stay as loyal members.

Our vision continued to be as important as ever in 2021. The past two years have seen people's daily lives being transformed massively due to the COVID-19 pandemic, with the effects still being felt across the Nordics as we enter 2022. Social distancing, home offices and strained finances are all factors that can lead to less physical activity and a more sedentary lifestyle, an unhealthy diet, increased nicotine and alcohol use, and more stress. We also know that the closing of fitness clubs has significant negative effects on health: the results from a SATS member survey conducted in December 2020 showed that 40–50% of respondents across the Nordic countries work out less now than before the pandemic. This does not bode well for public health.

Luckily, we are now beginning to see that the pandemic has helped highlight just how much physical exercise impacts well-being; not only physically, but also mentally. At SATS, we believe these two aspects are equally important. We strive to help people become both healthier and happier. During the periods in 2021 when the restrictions on the fitness industry were limited, we could clearly see that people wanted to work out. In total, our 669 000 members completed over 26 million workouts in 2021. Compared to 2019, this was a 23% decrease per member. However, looking at the period from June to September, when there were fewer restrictions, our members worked out just as much per member than in the same months in 2019.

As we slowly move out of the pandemic, we believe that people's desire to take care of their physical and mental health will continue to increase—and SATS will be here to help them succeed. Just like we did in 2021.

VALUES

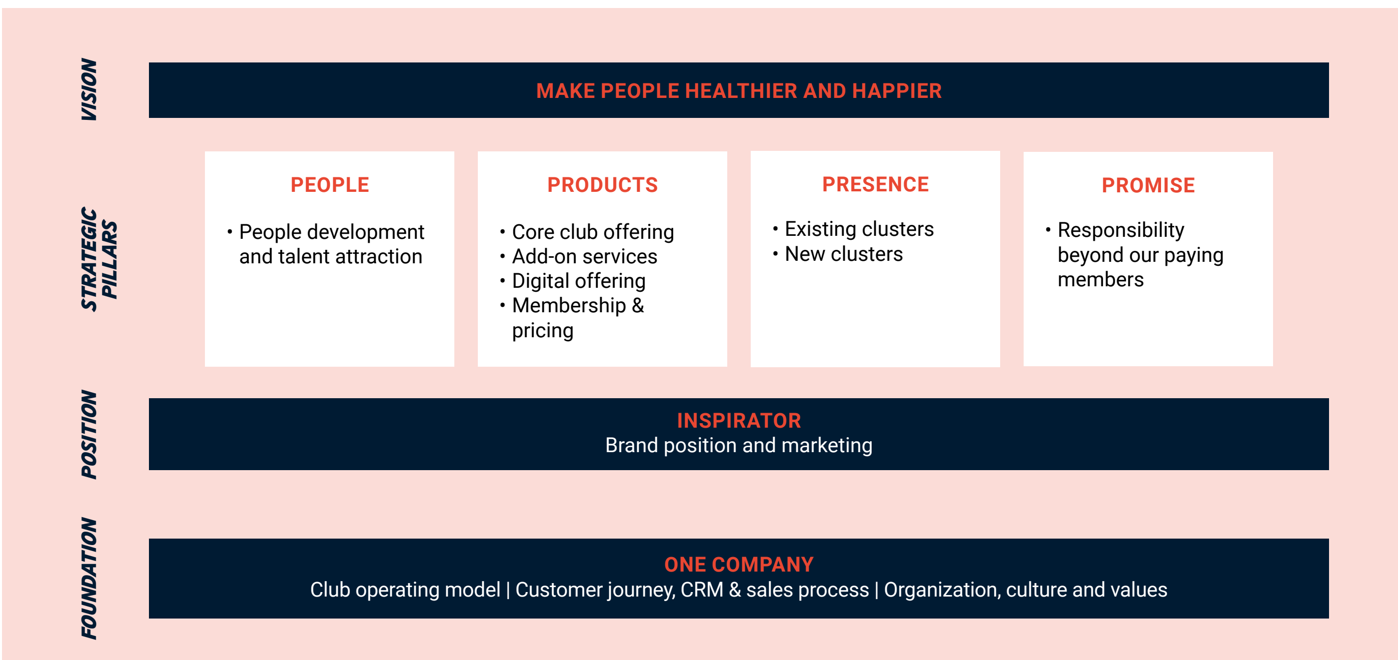
Our values are Members First, Accountable, Professional, and Extraordinary. They represent the heart of our culture and the "how" when we make decisions. When we interact with members and colleagues, our values should automatically guide us. We believe in the importance of building a strong value-based culture. Our overall goal is for everyone in the company to know the SATS vision and values, reflect on them, and use them in their daily work. In the SATS Engagement survey performed in December 2021, more than 90% of the respondents said that they live our SATS values in their daily work. In 2022 we will continue our culture work throughout our clubs and service offices in the Nordics.

STRATEGIC ASPIRATION

In order to achieve our vision, SATS has developed a strategy that aims to help its members succeed with their training while growing profitably at a faster rate than the market. This strategy is built on four pillars, People, Products, Presence, and Promise, and is enhanced by our Position and One Company model.

ONE VISION BASED ON FOUR PILLARS

SATS' vision is to make people healthier and happier. To achieve this vision, the company is working with four pillars: people, products, presence and promise. The promise pillar represents a commitment to take responsibility beyond paying members. Sustainability is thus integrated in the way of doing business at SATS and is at the core of all decision-making.



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PEOPLE

To maintain a healthy lifestyle, people need extraordinary and professional support. This is what our 9 000 employees do every day. The talent, commitment and energy of our staff are evident every day in the way they help and motivate our members at their own level, regardless of previous training experience, to better reach their goals. Our goal is for our members to succeed because we have the most competent, dedicated and inspiring employees.

We strive to continuously improve the whole employee journey. This starts with recruiting the best people. We strive to be the preferred employer, aiming to attract the very best and most interesting talent to our company. Our mantra is "hire for attitude and train for skill" as we employ a robust framework for developing our employees. We are constantly developing the way we recruit and attract new employees. During 2021 we took several steps to ensure new employees are welcomed in a good way and get the best possible start to their SATS career, in part with the introduction of a fully automated onboarding process. We strongly believe in fitness as a career and always strive to create processes that unlock the full potential of all our employees.

We aim to offer our employees a clear career progression regardless of their role and reward strong effort and performance. We invest heavily in training to make sure all our staff have the relevant qualifications to appropriately support our members and can develop professionally throughout their career at SATS. Our SATS Academy provides about 500 classroom (both in-person and live-stream) courses yearly, covering areas such as service, sales, safety, leadership and products. During 2021, more than 8 100 SATS employees participated in courses through SATS Academy and our Nordic Master Trainer team. In 2021, we launched SATS Strong Leader Program, a basic leadership training program to support aspiring leaders in Norway, Sweden and Finland. We also continued with the SATS Future Leaders Program, a program we started in 2019 to provide young aspiring club managers at SATS with the opportunity to learn, develop and take the next step in their careers.

To ensure our employees are satisfied, motivated and engaged, we launched a new feedback survey across the entire organization, SATS Engagement Survey. This tool enables measurement of the engagement and well-being of all SATS employees on a quarterly basis.

PRODUCT

Our ambition is to have the most complete and inspiring product offering distributed in the right clubs at the right time, thus creating unique member experiences. Our offering includes studio training for individual strength and cardio, more than 100 different group training classes, concepts, personal training, boot camps for smaller groups, out-of-club training including both digital and outdoor training, and retail shops providing members with the right equipment, apparel and nutrition. While our offering is comprehensive, we aim to make it easy to understand and tailored to our members' needs. Our product development strategy centers around continuous innovation and making sure we take part in the latest training trends. Based on customer insights and analysis, we adapt and bring a carefully selected number of these trends to our markets.

Studio training, or individual strength and cardio training, is the foundation of our offering. SATS clubs are spacious, with typically ~50% of the club area designated for studio training and filled with high-quality equipment provided by the most recognized suppliers in the industry. Over the past few years we have worked increasingly on optimizing our studio training area based on big-data analysis of actual equipment usage and member feedback. Through these efforts, we have upgraded 80+ clubs with new high-demand equipment and made functional changes to their layouts to improve the availability of equipment and increase capacity. The findings from this project have now been institutionalized and are part of our standard recommendations for not only new clubs but also upgrades at existing clubs. We will continue to increase the analytical and data-driven approach to further improve the studio training experience at our clubs.

Group training is at the heart of the SATS product offering. SATS has the broadest group training offering in the Nordic market, and it features highly attractive programming. We are seeing a huge demand for SATS group training concepts such as Cycling, Crosstraining, Indoor Running, and Pure Strength. In 2021, we continued to improve our group training

offering by implementing our "Perfect Scheduling" tool: a centralized data-driven approach to class scheduling based on the predicted performance of a given class. The aim of this initiative has been to secure the right classes, at the right clubs and at the right times based on member demand. Group training will continue to be a key strategic focus area during 2022, with several planned initiatives such as the launch of a completely new design of our group training rooms and piloting our first pure HIIT (high-intensity interval training) zone with specialized HIIT classes.
We seek to optimize our portfolio of club clusters (geographical areas in which we offer multiple clubs). All SATS clubs are therefore not alike but are differentiated with product offerings and club atmospheres tailored to relevant target groups and market competition.

The past two years have seen unprecedented growth in at-home training and digital fitness. Digital fitness has experienced increased traction over the past few years, with the COVID-19 pandemic accelerating the adoption of this type of offering. SATS offers its members a selection of more than 280 online classes through the SATS Online Training channel in the SATS mobile app or online and enables members to work out remotely with SATS group training classes. The online classes have the same content as in-club classes, which means members are familiar with the content and have an easy alternative if they want to work out at home.

In 2021, we also launched our new digital home training offering, Mentra by SATS. Please see separate section for more information about Mentra by SATS.

In addition to fitness services, SATS has an extended offering that includes the sale of fitness apparel, fitness accessories, food and drink. This is offered as part of the company's goal to encourage members to get the most out of their training by providing them with easy access to fitness apparel, equipment, nutrition and hydration products when they need it. During 2020, we launched our own comprehensive sports nutrition range, including sports drinks, protein shakes, bars, protein powders and oatmeal, as well as our own clothing collection with basic high-quality training clothes. Both ranges have been a big success, and in 2021 we expanded our nutrition range with new products and additional flavors. In addition, we piloted a new high-end shake bar concept, towel service and free vanity products in the locker rooms as part of our effort to improve the overall club atmosphere. In 2021 we entered into a collaboration with health food provider LETT to offer fresh food at select SATS clubs similar to the positive collaboration we have with BIM at many of our clubs in Stockholm.

PRESENCE

We know our members and understand their need for a healthier lifestyle. In order to help them maintain good training habits, our clubs must be in the most convenient locations. We have a growth strategy of establishing clubs strategically located in attractive and densely populated areas, ensuring that members can train near their home, work or other locations. SATS Group, with all brands together, is the third-largest fitness chain in Europe and the only chain that offers clubs in all four Nordic capital cities. In our two largest city clusters, Stockholm and Oslo, we have more clubs than any competing chain, especially in central areas. For example, in Stockholm, 21 of the 25 top public transport hubs are within 500 meters of a SATS club. Additionally, with many clubs in the same city, SATS can offer a broad and deep product portfolio, with specialized clubs, niche training concepts, and coordinated group training schedules. In both greater Stockholm and Oslo, we offer more than 6 000 group training classes weekly in peak season, which is unmatched by any competitor. This totals approximately 13 000 group training classes per week in peak season for all clubs. Since more than 55% of our members use more than one club, we know that our members value the opportunity to use multiple clubs.

Despite the COVID-19 pandemic, we have accelerated the expansion of our club portfolio the past two years. In 2021, we grew our club portfolio significantly, primarily through greenfields, opening in total 11 new clubs, of which 4 were in Norway, 3 were in Sweden, and 4 were in Finland. Increased club rollout is a core element in our strategy moving forward. We believe the fitness market will continue to grow, driven in part by a post-pandemic increasing number of health-conscious people, and SATS is well-equipped to take advantage of this growth. We still have significant room to grow within existing markets both by filling white spots to strengthen current clusters and expanding into new clusters in existing markets. This will be a core growth driver for SATS in the future.

In addition to its physical presence, SATS has a strong digital presence. Digital services have become an integral and core part of the SATS offering and will become increasingly important in the future. We have a clearly defined focus area for our digital strategy.

First, we aim to be more efficient in our club operations by digitizing processes and providing members with efficient self-service solutions. The SATS website functions as a self-service hub for members who want to change their memberships, see payment history/receipts, purchase personal trainer clips, and so on. During 2021, we have started to implement a new web content platform to ensure a better and more user-friendly website. This work will continue during the first half of 2022.

Second, we aim to improve our digital sales. We have already moved our online sales functionality to the mentioned new content platform, and we already see optimized flows and better conversion. During 2021 we have also implemented a new CRM platform in Salesforce, which will significantly improve the way we can support our existing members, how targeted we are with our marketing, and how efficient we are in our sales.

Third, we will use our digital services to be a true training partner for our members. In 2021, we continued to improve our SATS app with new features and better design. The app connects members with extraordinary fitness opportunities by simplifying the booking of classes and personal trainers and inspiring members through relevant class recommendations, training challenges, and digital training. It motivates members by showing them training statistics and making it easy to invite friends to join them during a workout. More than 319 000 members used the app on a weekly basis in October 2021, up from 291 000 weekly users in October 2020. This corresponds to a 10% increase in weekly usage. Between October 2018 and October 2021, weekly usage grew 154%. In 2020 we integrated SATS Online Training into the app, making it also much more attractive to continue using even when clubs are closed. This type of feature makes the app relevant for more members, and it also helps us convert monthly users into weekly users. In January 2021 alone, over 226 000 Online Training sessions were played in the app. During 2021 we also introduced studio booking in the app, making it easier for our members to plan their workouts during periods with heavy capacity restrictions. In 2021, we also implemented a new membership level where members keep access to the app, select Online Training sessions, and their stored data despite not being paying members. This allows us to keep their data and stay in contact with them until they hopefully return as full members in the future. We will continue to improve in-app digital training and other features that aim to inspire and trigger members to work out, making it easier for them to work out more consistently.

Fourth, we are taking significant steps within data and analytics. Last year we launched a completely new data platform to enhance data quality and scalability. The new data platform provides significant opportunities to drive member value.

To conclude, we will ensure that SATS has the leading digital training offering.

PROMISE

As a part of our promise, we also want to take our responsibility beyond membership and members. We believe that it's important to take an extended responsibility toward training and physical activity in society, and that our members and non-members will succeed because of this. Therefore, in 2019, we established an Internal Sustainability Committee to lead our cross-functional sustainability work going forward. This work, which is described in more detail in our sustainability report, will help us achieve our vision of making people healthier and happier and contribute to public health in society at large. Ultimately, we want to make people healthier and happier in an environmentally friendly way.

With its market leading position in the fitness and training industry in the Nordics, SATS is in a unique position and bears an important responsibility to contribute to the UN's sustainable development goals (SDGs). The company aims to play an important part in the lives of our 670 000 members, making it increasingly important to put sustainability on the agenda.

Following materiality assessments, the company decided to focus its contribution to SDGs #3 Good Health and Well-being and #12 Responsible Consumption and Production. These are the goals that overall are deemed most important to the company's stakeholders and most likely to benefit from the SATS contribution. They go hand in hand with the company's strategy and values and are closely linked to the core competences of the organization.

Foundation – our position as an inspirator
We want to make sure that our members, whenever and wherever they visit a SATS club or utilize the SATS digital offering, will have the same inspiring experience and personal service. All our staff, whatever their role, are expected to act in such a way that they are perceived to be true inspirators in our industry. We do this by motivating each member at their own level, ensuring that their training becomes a long-term habit. Everyone should feel welcome to join our SATS community, regardless of previous training experience. And we aim to create a joyful atmosphere that makes going to the gym a little bit easier.

This position is well-established among our staff. In the 2021 employee survey, around 90% of respondents answered that they integrate SATS' role as an inspirator into their daily work.

Foundation – one company
We work with one operating model, one culture, and one passion for training to make sure that we exceed our members' expectations. We strongly believe it is very important that we work together as a chain with a common operating model and culture across club formats and country borders. This means that our staff follow the same operating procedures in terms of cleaning, health and safety, and maintenance to make sure that every club offers the SATS experience. This common way of working and close collaboration between countries is a great platform that drives efficiency in our operations and continuous improvement. Working with the same routines across clubs enables us to identify high performers and bring their learnings into the rest of the clubs. A common operating model makes it easier to support the clubs with the tools they need to run the clubs efficiently, for example by digitalizing key parts of the club routines. All together this means that we are moving as one toward delivering a great member experience with every visit.

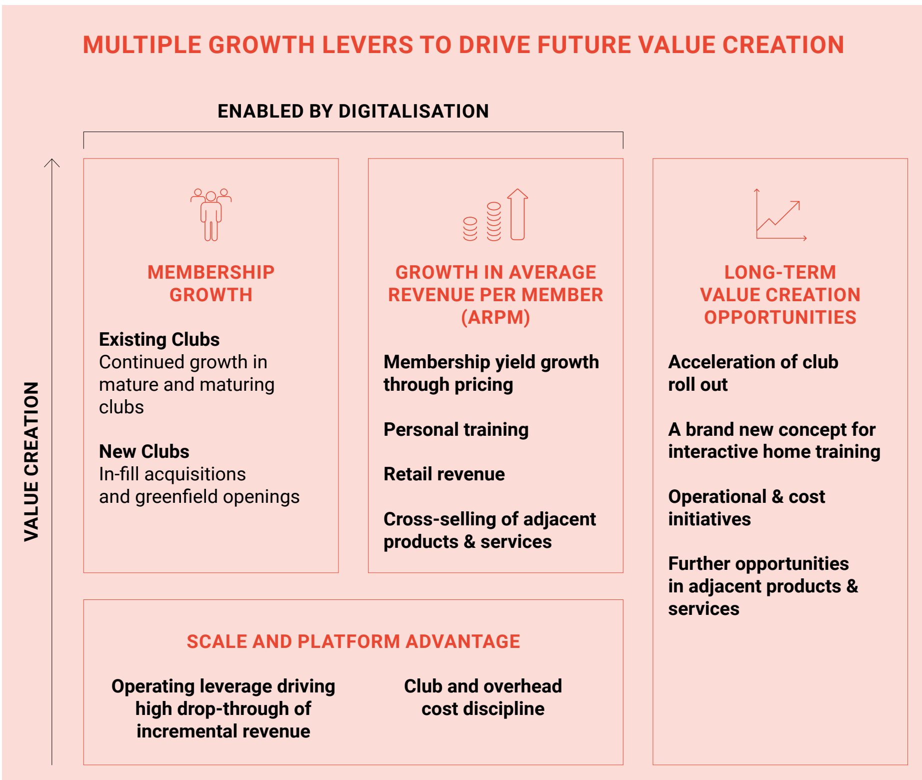
GROWTH LEVERS TO DRIVE VALUE CREATION

Throughout the pandemic, SATS has strengthened the foundation for future growth in multiple levers. We have capacity in our current clusters for continued membership growth. We have also an ambitious greenfield roll-out plan with 15 new clubs to be opened in 2022 and 2023, and we see a potential for in-fill acquisitions and additional greenfield openings.

We also see the opportunity of improving the average revenue per member by offering adjacent products and services, continued development of our personal training and retail offering, and pricing optimization.

We continue to improve the scale and platform advantages as the operating leverage drives high drop-through of incremental revenues. In addition, we will focus on club and overhead cost discipline.

There are also attractive longer term value creation opportunities. Acceleration of club rollout could be attractive in current and potential new clusters. We have launched Mentra by SATS, which will further increase our digital presence both in new and existing target groups. We will also seek to maximize operational efficiencies and explore opportunities with adjacent products and services.



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LAUNCH OF MENTRA BY SATS

Mentra by SATS was developed in 2021 as a response to the demand for a high-quality connected online training platform. The first Rflex mirrors were tested by families in Norway and Sweden in the spring of 2021, and the official launch was in October the same year. The first Rflex mirrors were delivered in December to customers in Norway and Sweden.

Mentra by SATS extends SATS' vision of making people healthier and happier beyond our physical clubs. SATS believes that physical and digital training are complementary products in two growing market markets.

Mentra by SATS strategy is to bring engaging, high quality and personal training to new target groups, not reached by SATS today including:

- People with gym access seeking increased flexibility including digital home training
- People who are not comfortable going to the gym for various reasons
- People without access to a gym in the area where they live

About 30% of the Rflex buyers are SATS members today, and about 65% live within the expected catchment area of a SATS club. Further, 70% of buyers are female.

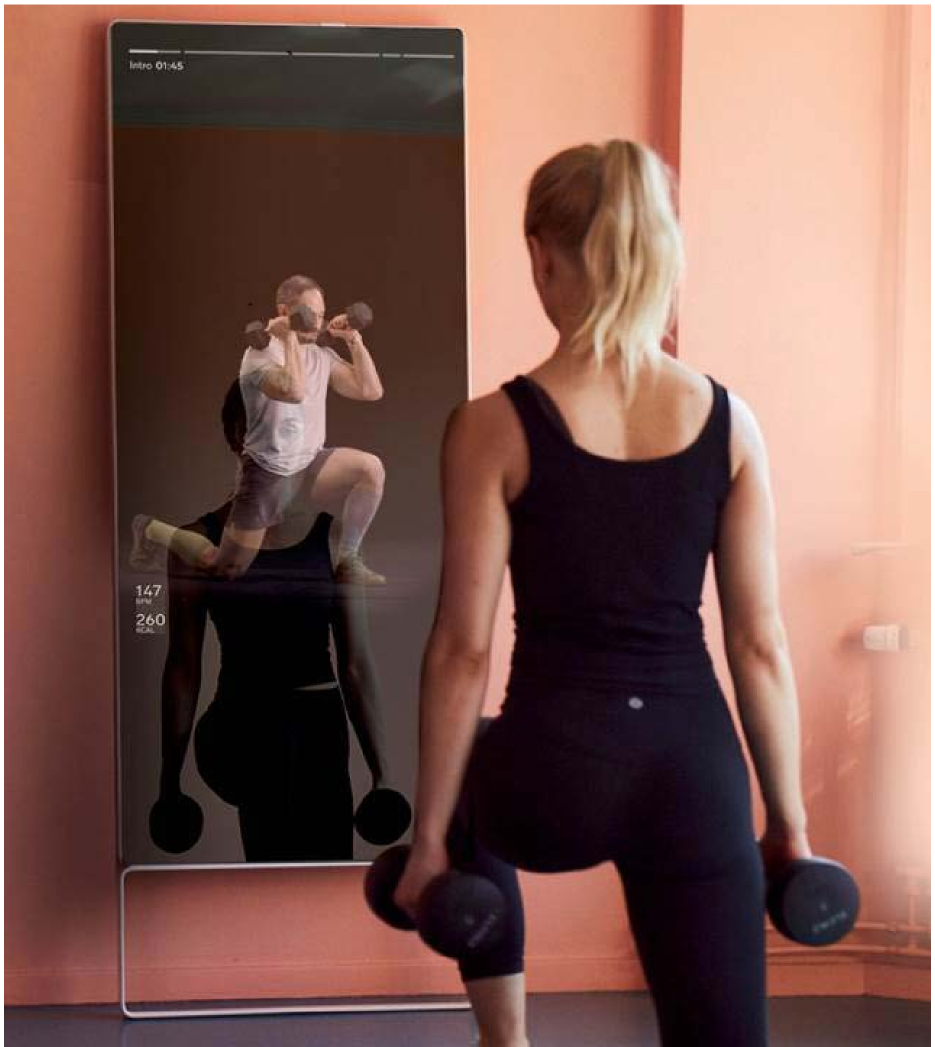
Mentra by SATS is focused on delivering our content through different hardware products also known as "connected fitness," where the user is interacting with the content through various metrics (heart rate, power, cadence, speed, etc.) depending on the hardware and capabilities.

The first hardware product that launched was the Rflex fitness screen. It is a full-size mirror with a 43" touch screen, two-way camera, microphone, Bluetooth and WiFi to allow for multi-interactive features such as 1-1 personal training, interactive group workouts, motion analysis and more. The benefits of Rflex are its flexibility in use and the beautiful design. There is content for the entire family, and more than one person can work out together in front of the Rflex mirror. The next product under development is a bike with an integrated screen that will create immersive and engaging cycling classes for any level. Mentra by SATS will also be delivering content as a "Digital Only" product that can be used for anyone without the hardware. "The digital only subscription will be launched in the first half of 2022." Digital Only will have some limitations in features compared to the connected hardware. All content is produced either live or on-demand in our own studio in Oslo, Norway.

Mentra by SATS is a subscription service where the user subscribes to either a Premium membership that supports connected fitness equipment or the coming Digital+ membership for a pure digital access.

At the time of the launch, the service included the Rflex Connected fitness screen, a companion app for iOS and about 150 classes for Strength, Cardio, Yoga and Dance. The classes include various skill levels, with different coaches and different languages to cater to members' levels.

Since the launch, 200 additional classes have been added, for a total of 350 on-demand classes. Ten live classes are also held each week.



Mentra by SATS continues to produce content to expand the variety within each vertical in addition to adding new verticals based on user input and feedback.

Planned new classes are Pilates, Running, Barre, Kettlebell, Step and more for the entire family.

Mentra by SATS uses licensed music our members know and love from artists within Universal Music Group.

By year-end 2021, Mentra by SATS had 6 000 registered users who completed more than 20 000 workouts and 19 FTEs, as well as part-time employees for content support and it had received inspiring reviews from magazines to websites for consumer technologies.

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WHERE WE OPERATE

NORWAY

Norway is the largest operating segment in the Group with 42% of the consolidated total revenues in 2021 and 302 000 members at year-end 2021. Norway had 79 SATS clubs, 31 Fresh Fitness clubs and two HiYoga clubs at the end of 2021. Our clubs are spread out between Kristiansand in the south and Tromsø in the north, and 64 are located in the greater Oslo area. During 2021 we opened three new clubs. SATS is a well-known brand in Norway and the largest operator of fitness clubs.

Imposed club closure reduced capacity by about 50% in Q1 and Q2. Following the re-opening in May, there were capacity restrictions in the entire club portfolio through September. Our clubs operated without restrictions in October and November, but new restrictions were re-introduced in December due to the spread of COVID-19 Omicron variant.

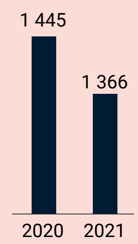
Sales of new memberships were negatively impacted by club closures and restrictions, but once restrictions were lifted, the year still ended with 8% growth in the member base as a result of successful sales campaigns. Churn was relative stable throughout the year.

Total revenues decreased by NOK 80 million in Norway in 2021, a decrease of -6% compared to 2020. The revenue decline was caused by a lower number of members and higher freeze levels through the year, somewhat offset by higher government compensation in 2021 compared to 2020. ARPM declined 6% to NOK 391 per month due to increased COVID-19-related freeze. Adjusted for the governmental support package, membership yield declined by 7%.

Operating expenses increased by 6%, and Adjusted Country EBITDA before the impact of IFRS 16 decreased from NOK 217 million last year to NOK 97 million in 2021, resulting in a Country EBITDA margin of 7%.

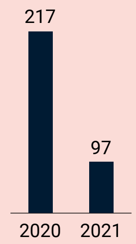
Revenues
NOK million

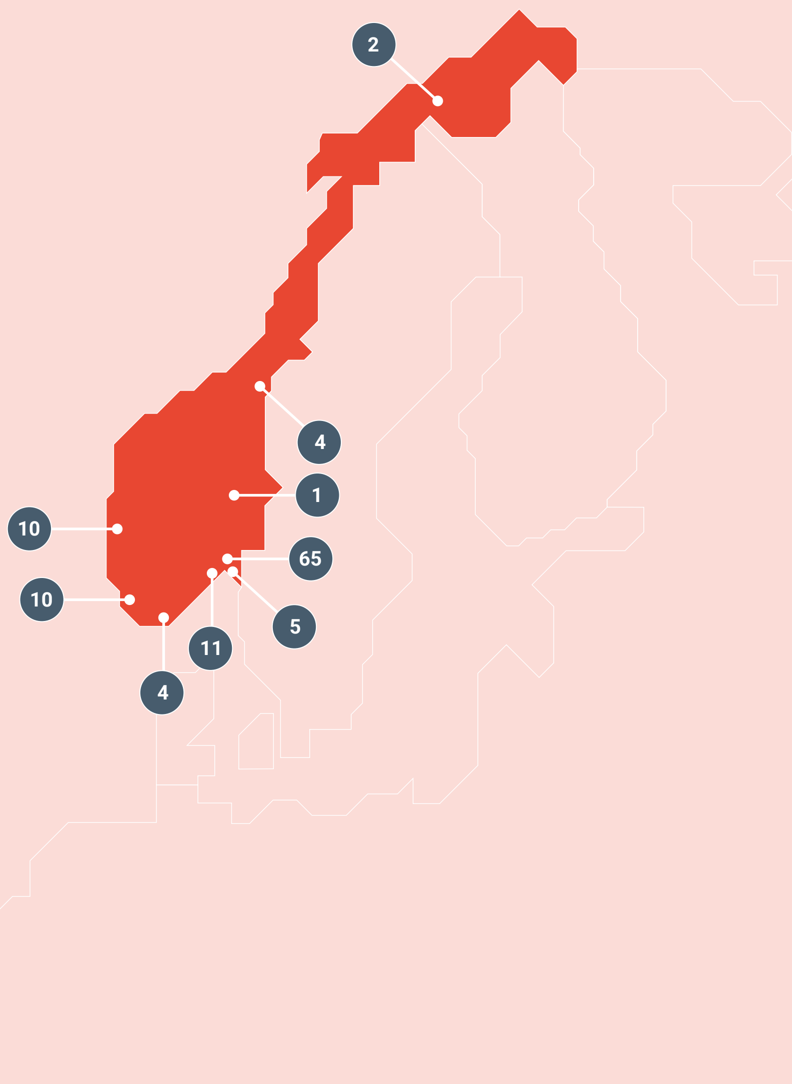
-6%



Country EBITDA[1)]
NOK million

-55%





Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2021**	2020
Membership revenue	933	1 032
Other revenues	432	414
Total revenues	1 366	1 445
Country EBITDA[1)]	97	217
Margin (%)	*7%*	*15%*
EBITDA[2)]	-68	82
Margin (%)	*-5%*	*6%*
Clubs	113	109
Members ('000)	302	280
ARPM (NOK/month)	391	416

[1)] *Adjusted Country EBITDA before the impact of IFRS 16.*
[2)] *Adjusted EBITDA before the impact of IFRS 16.*

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SWEDEN

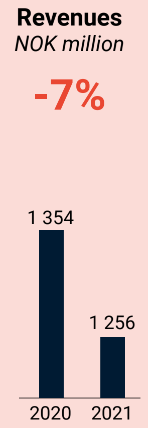
Sweden is the second-largest operating segment in the Group, with 39% of consolidated total revenues in 2021 and 229 000 members at year-end 2021. The club portfolio consisted of 88 clubs across the country at year-end, including a strong cluster of 71 clubs in the greater Stockholm area. During 2021, we opened three new clubs and acquired one club in Stockholm, which further strengthened the Stockholm cluster.

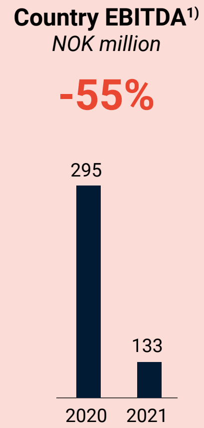
The clubs in Sweden remained open but operated under strict restrictions throughout 2021, except during October and November. New restrictions were re-introduced in December due to the spread of COVID-19 Omicron variant.

Sales of new memberships were negatively impacted by club closures and restrictions, but the year still ended with 6% growth in the member base, as a result of successful sales campaigns once restrictions were lifted. Churn was relative stable throughout the year.

Total revenues decreased by NOK 98 million in 2021, a decrease of 7% compared to last year, driven by a lower average member base and higher freeze level through the year coupled with a negative currency effect. The COVID-19 pandemic continued to negatively affect revenues in Sweden, with various capacity restrictions throughout the year and government recommendations reducing social mobility. ARPM declined 7% to NOK 470 per month due to increased COVID-related freeze.

Operating expenses increased 9% mainly due to new clubs adding cost compared to last year, bringing the Adjusted Country EBITDA before impact of IFRS 16 down from 295 million last year to 133 million in 2021, resulting in a Country EBITDA margin of 11%.

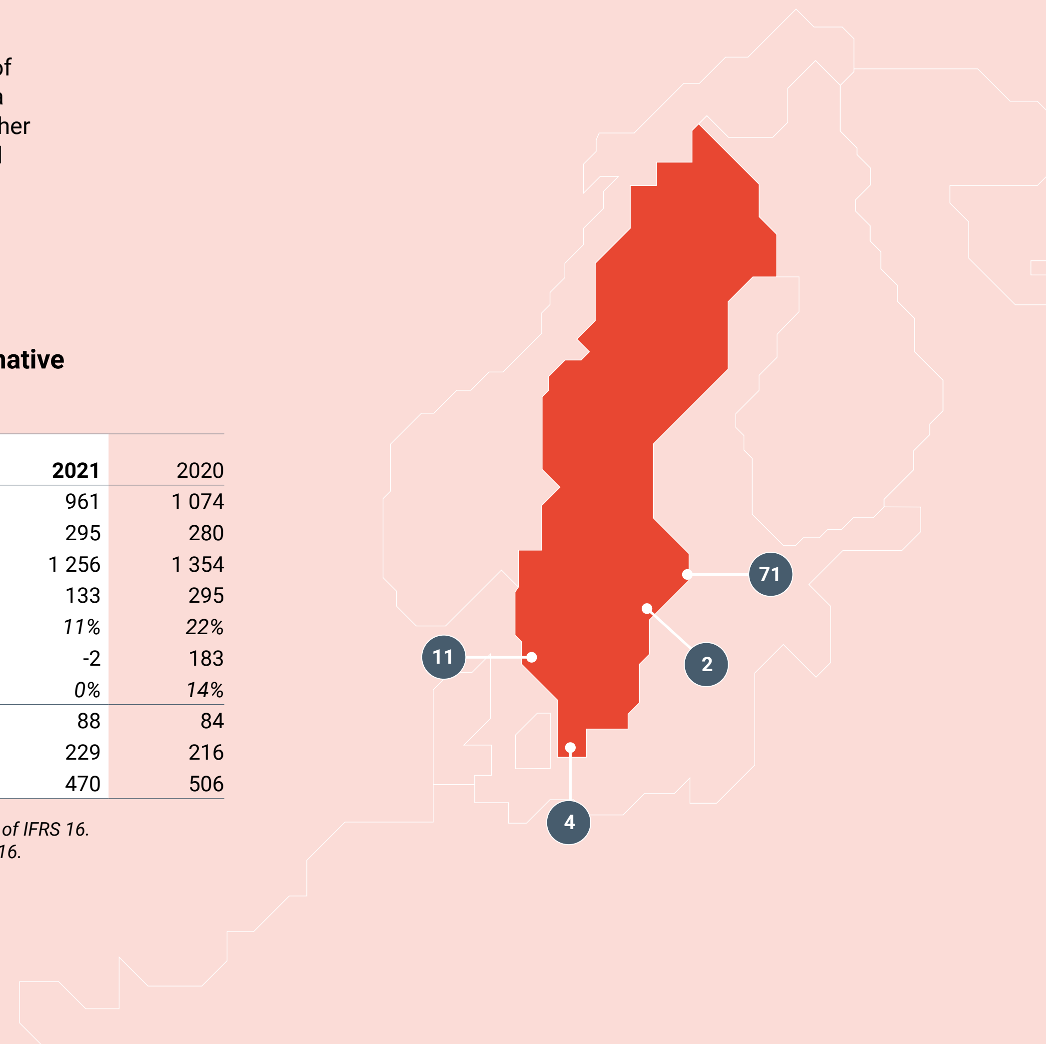




Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2021**	2020
Membership revenue	961	1 074
Other revenues	295	280
Total revenues	1 256	1 354
Country EBITDA[1)]	133	295
Margin (%)	*11%*	*22%*
EBITDA[2)]	-2	183
Margin (%)	*0%*	*14%*
Clubs	88	84
Members ('000)	229	216
ARPM (NOK/month)	470	506

[1)] Adjusted Country EBITDA before the impact of IFRS 16.
[2)] Adjusted EBITDA before the impact of IFRS 16.



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FINLAND

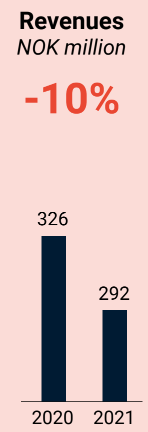
In Finland, the business is operated under the brand ELIXIA, and the Finnish operations, with 64 000 members at year-end 2021, constituted 9% of consolidated total revenues in 2021. By the end of 2021, we had 32 clubs in Finland, 24 of which are in the Helsinki cluster. Two new clubs were opened in 2021.

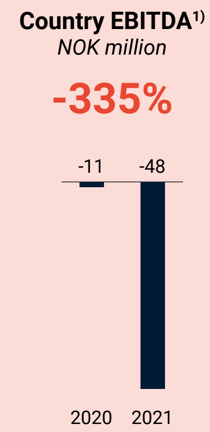
Our clubs in Finland have operated under strict restrictions during the whole year, with the exception of shorter time periods in October and November. The clubs in Finland were subject to imposed closure in April and December.

Sales of new memberships were negatively impacted by club closures and restrictions, but the year still ended with 7% growth in the member base as a result of successful sales campaigns once restrictions were lifted. Churn was relative stable throughout the year.

Total revenues decreased by NOK 34 million in Finland in 2021, a decrease of 10% compared to last year, primarily due to higher freeze level because of imposed club closures and restrictions throughout the year, and negative currency effect, somewhat offset by a higher government compensation. Membership sales have been under pressure as all clubs in Finland have been subject to capacity restrictions or imposed closure during the year, coupled with the government recommendations to reduce social mobility. ARPM declined 12% to NOK 390 per month due to increased COVID-related freeze.

Operating expenses increased 5%, and the Adjusted Country EBITDA before the impact of IFRS 16 fell from NOK -11 million last year to NOK -48 million in 2021, resulting in a Country EBITDA margin of -16%.

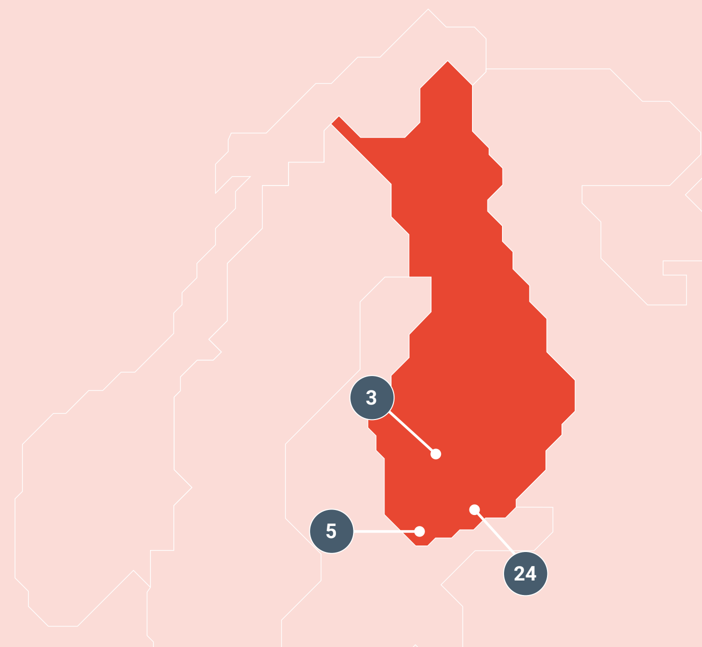




Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2021**	2020
Membership revenue	211	248
Other revenues	81	78
Total revenues	292	326
Country EBITDA[1)]	-48	-11
Margin (%)	*-16%*	*-3%*
EBITDA[2)]	-67	-29
Margin (%)	*-23%*	*-9%*
Clubs	32	30
Members ('000)	64	60
ARPM (NOK/month)	390	445

[1)] *Adjusted Country EBITDA before the impact of IFRS 16.*
[2)] *Adjusted EBITDA before the impact of IFRS 16.*



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DENMARK

The Danish operations contributed with 10% of consolidated total revenues in 2021 with 73 000 members at the end of 2021. By the end of 2021, we had 30 clubs in Denmark, all of which create a strong cluster in Greater Copenhagen. There were no new club openings in Denmark in 2021.

Imposed closure affected clubs in Denmark in Q1 and Q2. Following the reopening in May, there were capacity restrictions in the entire club portfolio throughout August. Our clubs operated without restrictions in September–November, but new restrictions were re-introduced in December due to the spread of the COVID-19 Omicron variant.

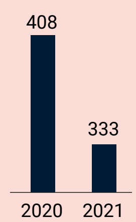
Sales of new memberships were negatively impacted by club closures and restrictions, but the year still ended with 2% growth in the member base as a result of successful sales campaigns once restrictions were lifted. Churn was relative stable throughout the year.

Total revenues decreased by NOK 75 million in Denmark in 2021, a decrease of 18% compared to last year. This decrease was due to the divestment of nine clubs in Jylland and Fyn on 1 July 2020, higher freeze level because of imposed club closures and restrictions throughout the year, and negative currency effects, somewhat offset by NOK 43 million higher compensation from the Danish government. ARPM declined 5% to NOK 382 per month due to increased COVID-related freeze.

The operating expenses decreased by 27%. Adjusted Country EBITDA was NOK -51 million, down from NOK -104 million in 2020, resulting in a Country EBITDA margin of -15%.

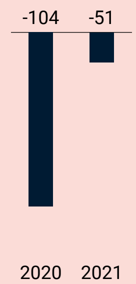
Revenues
NOK million

-18%



Country EBITDA[1)]
NOK million

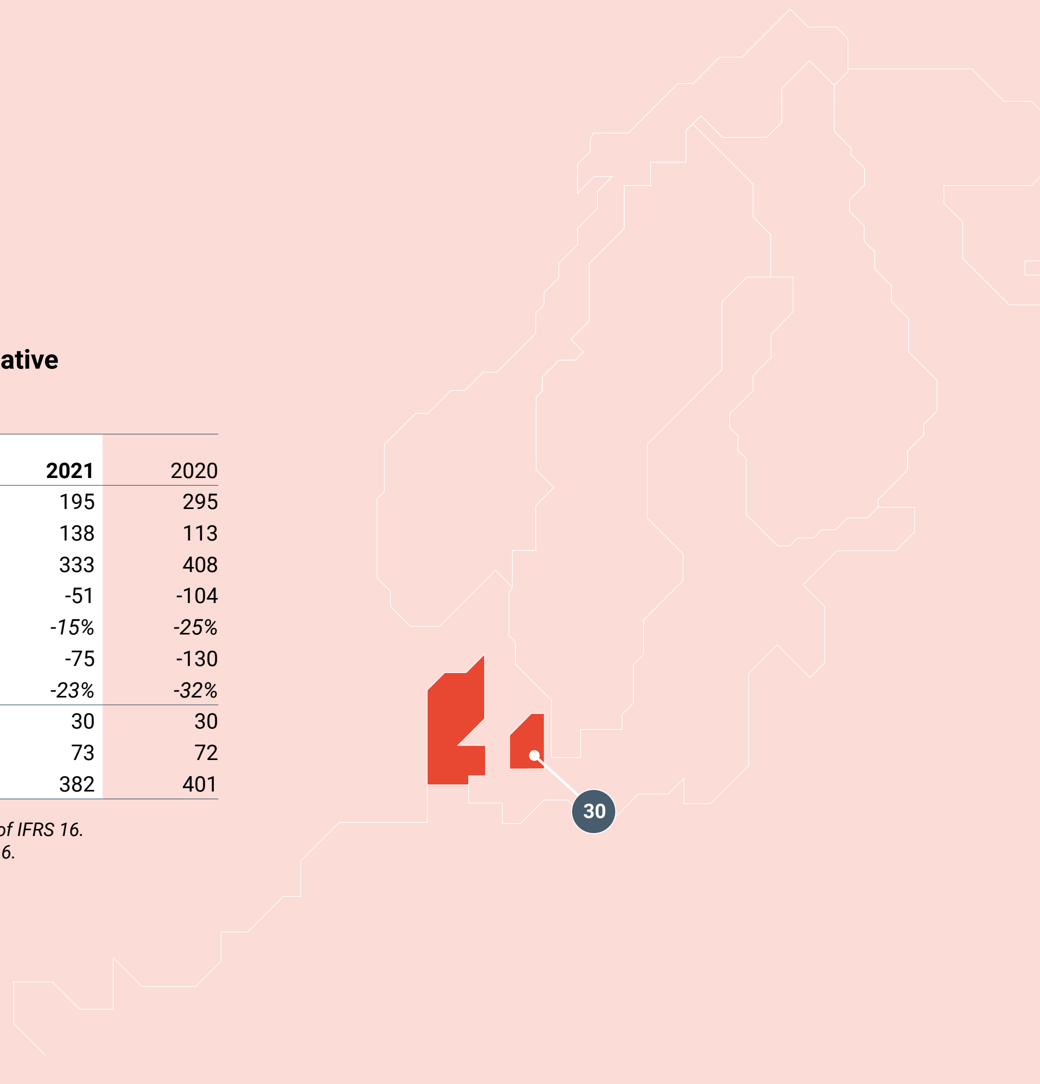
-51%



Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2021**	2020
Membership revenue	195	295
Other revenues	138	113
Total revenues	333	408
Country EBITDA[1)]	-51	-104
Margin (%)	*-15%*	*-25%*
EBITDA[2)]	-75	-130
Margin (%)	*-23%*	*-32%*
Clubs	30	30
Members ('000)	73	72
ARPM (NOK/month)	382	401

1) Adjusted Country EBITDA before the impact of IFRS 16.
2) Adjusted EBITDA before the impact of IFRS 16.



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SUSTAINABILITY HIGHLIGHTS 2021

ABOUT THE SUSTAINABILITY REPORT

SATS' sustainability and social responsibility work in 2021 is presented in the Sustainability Report for 2021. The report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. The full report is available at www.satsgroup.com.

SUSTAINABILITY AT SATS

SATS continuously strives to be a responsible corporate citizen, operating responsibly with respect for people and the environment. In 2015, the global community convened in Paris to sign a landmark climate agreement, joining forces to work toward a sustainable future. The UN also adopted the same year a set of sustainable development goals (SDGs) dealing with a wider range of global issues, such as human rights, good governance, peace and stability. Meeting these targets requires a concerted effort from all businesses and markets, and SATS is committed to making this effort.

With its market-leading position in the fitness and training industry in the Nordics, SATS is in a unique position and bears an important responsibility to contribute to achieving the SDGs. The company aims to play an important part in the lives of members, making it increasingly important to put sustainability on the agenda.

SATS' vision is to make people healthier and happier. To achieve this vision, the company is working with four pillars: people, products, presence and promise. The promise pillar represents a commitment to take responsibility beyond paying members. Sustainability is thus integrated in the way of doing business at SATS and is at the core of all decision-making.

STRATEGIC FOCUS AREAS

Based on an internal impact assessment that is described in more detail in its Sustainability Report, the company has focused its contribution to UN Sustainable Development Goals #3 Good Health, Well-being, #12 Responsible Consumption and Production, #8 Decent work and economic growth, #5 Gender equality and #13 Climate action. These are the goals that overall are deemed most important to the company's stakeholders and most likely to benefit from the SATS contribution. They go hand in hand with the company's strategy and values and are closely linked to the core competences of the organization.

Good health is essential to sustainable development, and individuals around the world cannot reach their full potential without good health: physical, mental and social. Goal #3 can thus be seen as a prerequisite for the other sustainable development goals, and it is strongly tied to many of them. Goal #3's targets touch on issues widespread in countries at all stages of development.

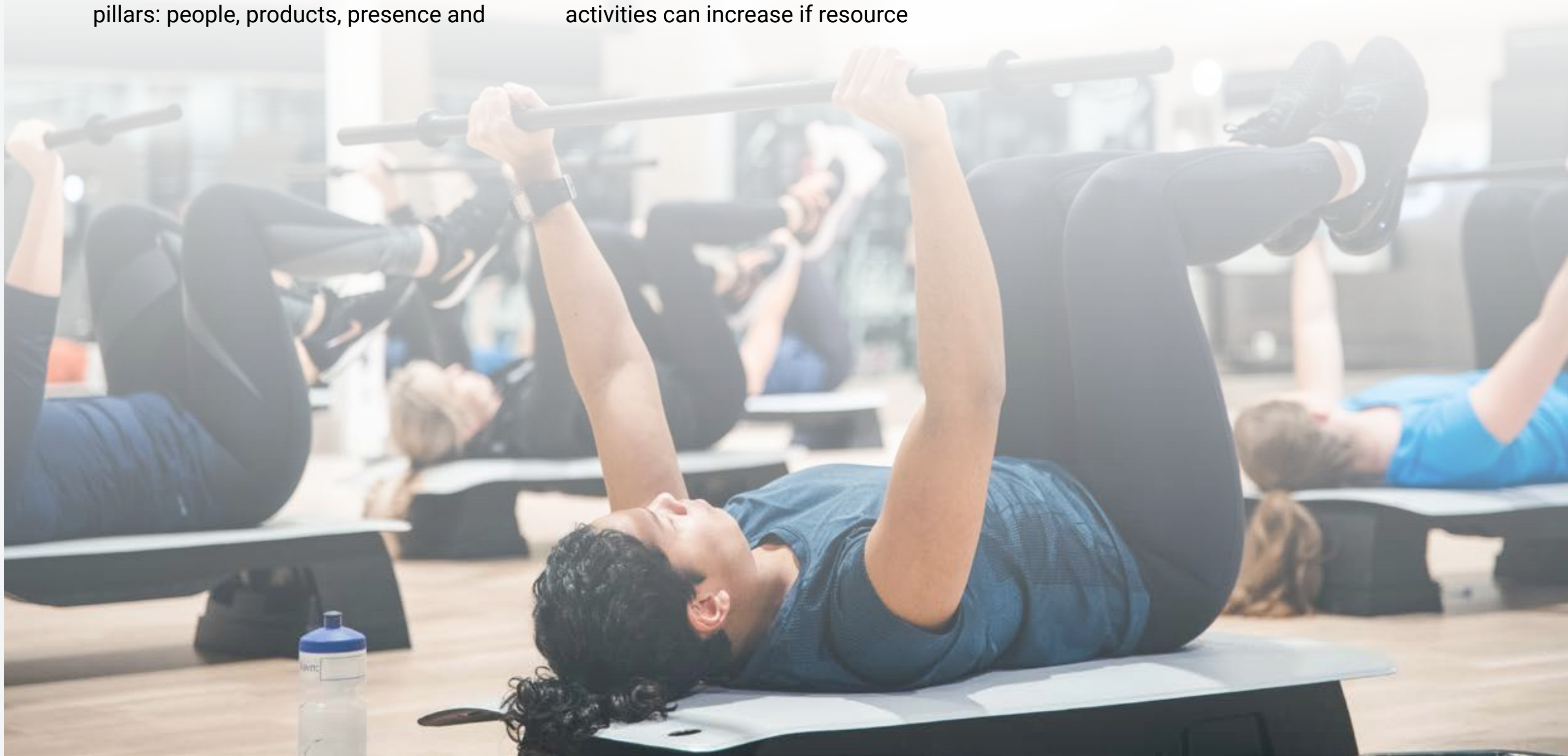
Since sustainable consumption and production aim to do more and better with less, net welfare gains from economic activities can increase if resource utilization, degradation and pollution along the whole life cycle can be reduced while increasing quality of life. There also needs to be a significant focus on the supply chain, from producer to final consumer. This includes, among other things, educating consumers on sustainable consumption and lifestyles, providing them with adequate information through standards and labels, and engaging in sustainable public procurement.

The impact analysis points to two strategic focus areas for SATS: improving public health and ensuring environmentally sustainable operations. Helping to improve public health is a main priority of SATS, and the ambition is to do this with a low carbon footprint. In every aspect of its operations, SATS intends to follow the precautionary principle approach in order to prevent the company's activities from potentially harming human health and the environment.

In 2021 we included full scope 3 in our climate accounts, identified our GHG emission base line and stated the ambition to aligning climate targets to the Science Based Targets initiative (SBTi).

Regarding public health, we kept our goal of reaching 50 million workouts by the end of 2023 and 75 million by the end of 2030. This compares to 36 million workouts in 2019.

For more information, please find our Sustainability Report on our webiste.



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SHAREHOLDER INFORMATION

SATS ASA was listed on the Oslo Stock Exchange in 2019 and had a market capitalization of NOK 3 634 million at year-end 2021. SATS' objective is to provide positive value creation and a long-term return to shareholders that reflects the inherent risk in the company. The company plans to achieve this by delivering in accordance with its business plan and through precise communication to ensure that the share price accurately reflects the value and growth prospects of the company.

INVESTOR RELATIONS POLICY

SATS aims to have a transparent and open dialogue with the financial market and ensure timely disclosure of relevant information to the market and equal treatment of its shareholders. All disclosure, communication and reporting by SATS will comply with applicable laws and regulations as well as relevant recommendations for listed companies and market practice. Financial information and other information for investors, such as presentations on SATS' quarterly results and for capital market days, will be presented in English.

SATS will publish quarterly financial results in accordance with its financial calendar, which is published annually on its website and on the stock exchange. No investor and analyst meetings will be held during the three weeks prior to the presentation of the company's financial results. SATS ASA complies with the Oslo Børs Code of Practice for IR of March 1, 2021.

GOVERNANCE PRINCIPLES

SATS considers good corporate governance to be a prerequisite for value creation, trustworthiness and access to capital.

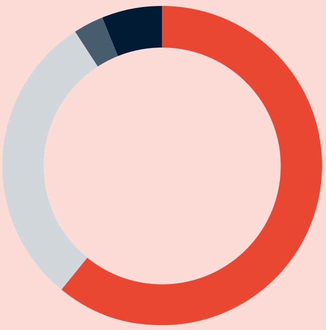
In order to secure strong and sustainable corporate governance, it is important that SATS ensures good and healthy business practices, reliable financial reporting, and an environment of compliance with legislation and regulations across the Group.

SATS has governance documents setting out principles for how its business should be conducted. These apply to all of SATS' subsidiaries as well as SATS itself. SATS' governance regime is approved by SATS' Board of Directors.

SHARE CAPITAL

SATS ASA's share capital was NOK 366 million as at 31 December 2021, divided into 172 246 142 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS owned 910 769 treasury shares as at the balance sheet date. The number of shareholders as at 31 December 2021 was 6 009.

Shareholders
by country of residence



Share price development
(NOK)

Shareholder

		Number of ordinary shares	Ownership percentage
1	TG Nordic Invest	51 500 971	29.9%
2	AF III HOLDCO AS	41 556 415	24.1%
3	Canica AS	12 558 497	7.3%
4	SATS Management Invest AS	8 651 488	5.0%
5	Maaseide Promotion AS	7 990 976	4.6%
6	J.P. Morgan Bank Luxembourg S.A.	2 631 952	1.5%
7	Salt Value AS	2 186 865	1.3%
8	Verdipapirfondet Eika Spar	2 177 272	1.3%
9	Ingvarda AS	1 904 943	1.1%
10	Verdipapirfondet Eika Norge	1 651 057	1.0%
11	Folketrygdefondet	1 398 378	0.8%
12	State Street Bank and Trust Comp	1 353 956	0.8%
13	Funkybiz AS	1 100 000	0.6%
14	Skandinaviska Enskilda Banken AB	1 038 541	0.6%
15	SATS ASA	910 769	0.5%
16	Skandinaviska Enskilda Banken AB: Fondita 2000+ Investment Fund	875 289	0.5%
17	Avanza Bank AB	838 061	0.5%
18	Skandinaviska Enskilda Banken AB: Fondita Nordic Small Cap Invt FD	832 500	0.5%
19	C Worldwide Norge III	796 387	0.5%
20	Skandinaviska Enskilda Banken AB: Norron Sicav - Target	769 392	0.4%
Other shareholders		29 500 387	17.1%
Total		**172 246 142**	**100.0%**

Financial calendar

SATS ASA will publish its quarterly interim financial statements on the following dates for 2022:

8 March 2022	Annual Report 2021
10 March 2022	Extraordinary General meeting
4 April 2022	Annual General Meeting 2022
3 May 2022	Q1 2022 Results
14 July 2022	Q2 2022 Results
28 October 2022	Q3 2022 Results

Analyst coverage

ABG Sundal Collier	Petter Nystrøm	+47 22 01 61 35
Carnegie	Eirik Rafdal	+47 22 00 93 78
DNB	Ole Martin Westgaard	+47 24 16 92 98
Kepler Cheuvreux	Markus Borge Heiberg	+47 23 13 90 84
Morgan Stanley	Adrija Chakraborty	+44 20 7425 6844
Sparebank 1 Markets	Øyvind Mossige	+47 24 13 37 02

Ownership structure

Percentage holding	Number of shareholders	Number of shares	Proportion of the share capital
<0.25%	5 975	21 435 999	12%
0.25–0.5%	18	11 300 728	7%
0.5–1%	7	8 350 036	5%
1–3%	4	8 901 032	5%
3–5%	1	7 990 976	5%
5–10%	2	21 209 985	12%
>10%	2	93 057 386	54%
Sum	6 009	172 246 142	100%

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MANAGEMENT

Sondre Gravir
Chief Executive Officer

- CEO of SATS since 2018
- Previously held several senior management positions, e.g. CEO Aftenposten, CEO FINN and CEO Schibsted Marketplaces (Now Adevinta)
- Member of Board of Directors in Norwegian and FINN.no
- Studied at Norwegian School of Economics and National University of Singapore

Cecilie Elde
Chief Financial Officer

- Long-standing relationship with SATS through various roles, CFO since 2016
- Prior to becoming CFO in SATS, Elde held managerial positions in NetCom and Tele2
- Currently member of the Board of Directors of RevolutionRace AB
- Elde has studied at Norwegian Business School

Anna Raftheim
HR Director

- Director of SATS since 2019
- Fitness industry experience since 1997 through different positions
- Raftheim has completed the Health Education Programme at the Swedish School of Sport and Health Sciences, GIH. She has also studied labour law and other selected courses in Sweden

Gaute Sandal
Director of Consumer, Insight & Technology

- Director of SATS since 2021
- Served as Business Development Director, Commercial Director and Nordic Customer Journey Director in SATS prior to his current role
- Sandal has studied at Norwegian Business School

Marianne Orderud
Director of Marketing, Communication and Member Care (maternity leave)

- Director of SATS since 2018
- Served as Marketing Manager in SAS and Marketing Manager in Tele2 prior to joining SATS
- Currently a member of the Board of Directors of Norstat
- Orderud has studied at Norwegian Business School

Bård Nordhagen
Acting Director of Marketing, Communication and Member Care

- Acting Director of SATS since 2021
- Served as Head of Marketing Programs in SAS and Nordic Marketing Manager in Grundig prior to joining SATS
- Nordhagen has studied at Norwegian Business School

Linda-Li Cederroth
Country Manager Sweden and Denmark

- Country Manager for Sweden since 2013 and for Denmark since 2019
- Served as regional manager of Lindex Sweden and senior positions at Åhléns prior to joining SATS
- Cederroth has studied Business Management at IHM Business School

Silje Garberg Ree
Director of Product and Retail

- Director of SATS since 2017
- Served in senior positions at Orkla and in BCG as management consultant prior to joining SATS
- Served in senior positions at Orkla prior to joining SATS
- Garberg Ree has studied at the Norwegian School of Economics

Jussi Raita
Country Manager Finland

- Country Manager for Finland since 2017
- Served as regional manager in Instru Optiikka Oy and Elixia prior to joining SATS
- Raita has studied at the University of Jyväskylä

Wenche Evertsen
Country Manager Norway

- Country Manager for Norway since 2020
- Long-standing relationship with SATS through various roles
- Evertsen has studied at the University of Texas and at Norwegian Business School

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"Wow! What a ride! I joined SATS many years ago, and it has been a personal experience making me grow as a person. I love inspiring our members through a group training class, knowing I'm actually contributing to their wellbeing ang joy"

– Sonqo

BOARD OF DIRECTORS' REPORT

In 2021, the number of members increased by 7% as we regained members during the second half of the year. Total revenues decreased by 8% due to imposed club closures. Going into 2022 the focus is to grow the member base, further expand through organic growth at existing clubs and selected acquisitions and greenfields, and support the growth of Mentra by SATS.

SATS has 26 years of experience within the fitness industry and is the leading operator of fitness clubs in the Nordic region. The Group operates the SATS brand in Norway, Sweden and Denmark and ELIXIA in Finland. The Group also operates the price-competitive, low-cost fitness club brand Fresh Fitness in Norway in addition to two clubs in Oslo marketed under the brand HiYoga. The company also launched Mentra by SATS in 2021, a new digital home training offer. The Group offers members access to studio training, group training, yoga and online training. In addition, highly qualified personal trainers offer individual coaching, and food, drinks, apparel and training accessories are available through the retail shops in the clubs' reception areas.

SATS is the third-largest fitness chain in Europe and the only chain that offers clubs in all four Nordic capital cities, making it the clear leader in the Nordic fitness market. As of the 2021 balance sheet date, the Group had a leading network of 262 clubs, with strongholds in key metropolitan cities throughout the Nordic region, and 669 000 members.

SATS ASA has been listed at the Oslo Stock Exchange since October 2019.

ANALYSIS OF THE 2021 FINANCIAL STATEMENTS

The Board of Directors believes that the 2021 financial statements give a true and fair view of the Group's assets and liabilities, financial position and profit for the period. The financial statement shows the results for the period 1 January 2021 to 31 December 2021 compared to the period from 1 January 2020 to 31 December 2020. The Board confirms that the Group's liquidity position will be adequate to fulfil short-term liabilities, including instalments on bank borrowings as they fall due.

The fitness industry and SATS have experienced a significant setback caused by the COVID-19 pandemic. Based on the Group's long-term strategy, including budgets and scenario forecasts, and with efforts to retain revenue and reduce costs during the prolonged situation related to the pandemic, the Board confirms that the use of the going concern assumption is appropriate. The 2021 financial statements have been prepared in accordance with this assumption. Please see the section COVID-19 business impact for more information on the effect of the coronavirus.

Statement of comprehensive income

Total revenues decreased by 8% to NOK 3 247 million, compared to NOK 3 534 million in 2020. NOK strenghthened during the year, causing negative currency translation effects on revenues, and currency-adjusted revenues fell by 6%. Revenues for all segments decreased compared to 2020. The decrease in revenues was primarily due to club closures and visit restrictions that limited sales of new memberships and other products, as well as affecting freeze levels, which were significantly higher during the year. Revenues were somewhat offset by higher government compensation, recognized as other revenues of NOK 247 million in 2021, compared to NOK 195 million in 2020. The first half of 2020 also included the nine clubs in Denmark that were sold on 1 July 2020, lowering the revenue base. The total member base increased by 7% compared to last year as a result of successful campaigns and sales efforts to regain lost membership sales during periods with club closures and heavy restrictions. Reported ARPM decreased by 8%, mainly driven by a higher average freeze level through 2021 and campaigns compared to 2020. Currency-adjusted ARPM fell by 7%.

The company received governmental support to compensate for the fixed cost of the imposed club closures. The compensation was reported as revenues. The support from the Norwegian government totaled NOK 140 million for SATS and Fresh Fitness in Norway, up from NOK 130 for 2020. The Danish government compensated SATS Denmark NOK 95 million in 2021, up from NOK 60 million in 2020, and the Finnish government compensated ELIXIA Finland NOK 11 million, up from NOK 5 million in 2020.

A strengthened NOK caused a 1% positive currency translation effect on operating expenses including depreciation and amortization. However, the operating expenses including currency effects increased by 1% from NOK 3 445 million in 2020 to NOK 3 472 million in 2021. The main driver behind the increased operating expenses was nine additional clubs on top

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of general cost inflation, partly offset by reduced salary cost from long periods with club staff on furlough.

As a result of the COVID-19 pandemic, operating profit decreased by NOK 235 million, from NOK 11 million in 2020 to NOK -224 million in 2021.

Net financial items increased by NOK 31 million, or 12%, from an expense of NOK 267 million in 2020 to an expense of NOK 298 million in 2021. This is mainly a result of higher interest expenses, lower financial income and lower financial expenses compared to 2020.

The income tax expense decreased by NOK 139 million, from NOK 69 million in 2020 to a tax income of NOK 70 million in 2021, driven by negative taxable results caused by the effects from the COVID-19 pandemic. Losses carried forward increased from NOK 17 million to NOK 229 million in the Norwegian entities in 2021, and the tax effect is reflected as a positive tax income in the profit and loss statement in 2021. Deferred tax assets from losses carried forward are not recognized for the Finnish or Danish segments in 2021 due to uncertainty to whether profits will be utilized against the unused tax losses within a reasonable time frame.

The loss before tax was NOK 522 million in 2021 compared to a loss before tax of NOK 255 million in 2020. Total comprehensive loss was NOK 416 million compared to a loss of NOK 345 million in 2020.

As of the balance sheet date, the Group's total tax loss carried forward is NOK 1 141 million, of which the NOK 823 million generated in Denmark and Finland is not recognized in the balance sheet.

Segment development

Norway

Total revenues decreased by NOK 80 million in Norway in 2021, a decrease of 6% compared to 2020. SATS Norway experienced club closures and restrictions during the period January–September and from mid-December. The revenue decline was caused by a lower number of members and higher freeze levels throughout the year, somewhat offset by higher government compensation in 2021 compared to 2020. Adjusted for the governmental support package, revenues declined by 7%. Operating expenses increased by 6%, and Adjusted Country EBITDA before the impact of IFRS 16 decreased from NOK 217 million last year to NOK 97 million in 2021, resulting in a Country EBITDA margin of 7%.

Sweden

Total revenues decreased by NOK 98 million in 2021, a decrease of 7% compared to last year, driven by a lower average member base and higher freeze levels throughout the year coupled with a negative currency effect. The COVID-19 pandemic continued to negatively affect revenues in Sweden, with various capacity restrictions throughout the year and government recommendations reducing social mobility. Operating expenses increased 9% mainly due to new clubs adding cost compared to last year, bringing the Adjusted Country EBITDA before the impact of IFRS 16 down from 295 million last year to 133 million in 2021, resulting in a Country EBITDA margin of 11%.

Finland

Total revenues decreased by NOK 34 million in Finland in 2021, a decrease of 10% compared to last year, primarily

Statement of Comprehensive Income

Amounts in NOK million	**2021**	2020
Total revenues	3 247	3 534
Operating expenses excluding impairment	-3 472	-3 445
Operating profit excluding impairment	-224	90
Impairment of assets held for sale	0	-78
Net financial items	-298	-267
Profit before tax	-522	-255
Income tax expense	70	-69
Profit/loss for the year	-452	-325
Total comprehensive income	-416	-345

Statement of financial position

Amounts in NOK million	**31.12.2021**	31.12.2020
Total assets	8 336	9 091
Total liabilities	7 853	8 206
Total equity	483	885

Statement of cash flows

Amounts in NOK million	**2021**	2020
Net cash flow from operations	920	1 113
Net cash flow from investments	-240	-331
Net cash flow from financing	-877	-499
Net increase/decrease in cash and cash equivalents	-197	283
Cash and cash equivalents at the end of the period	281	456

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due to higher freeze levels from imposed club closures and restrictions throughout the year and a negative currency effect, although it was somewhat offset by higher government compensation. Membership sales have been under pressure since all clubs in Finland have been subject to capacity restrictions or imposed closure during the year, coupled with the government recommendations to reduce social mobility. Operating expenses increased 5%, and the Adjusted Country EBITDA before the impact of IFRS 16 fell from NOK -11 million last year to NOK -48 million in 2021, resulting in a Country EBITDA margin of -16%.

Denmark

Total revenues decreased by NOK 75 million in Denmark in 2021, a decrease of 18% compared to last year. This decrease was due the divestment of nine clubs in Jylland and Fyn on 1 July 2020, higher freeze levels because of imposed club closures and restrictions throughout the year, and negative currency effects. Revenues were supported by NOK 43 million more in compensation from the Danish government. The operating expenses decreased by 27%. Adjusted Country EBITDA was NOK -51 million, down from NOK -104 million in 2020, resulting in a Country EBITDA margin of -15%.

Statement of financial position

Consolidated assets decreased by NOK 755 million to NOK 8 336 million from the balance sheet date of 2020 to 2021. A major driver of the decreased consolidated assets was currency translation effects from a strengthened NOK compared to last year. Right-of-use assets and intangible assets were the largest components of consolidated assets, amounting to NOK 4 077 million and NOK 2 569 million, respectively, on 31 December 2021. Both non-current assets and current assets decreased. The decrease in non-current assets was driven by decreased right-of-use assets and property, plant and equipment. The decrease in current assets was primarily driven by a decrease in prepaid expenses and accrued income and cash and cash equivalents.

Total liabilities decreased from NOK 8 206 million as at 31 December 2020 to NOK 7 853 million as at 31 December 2021. Lease liability declined by NOK 510 million due to the reversal of currency effects and removal of some options recognized in 2020. Borrowings increased by NOK 153 million from the end of 2020 to the end of 2021.

As at 31 December 2021, consolidated equity amounted to NOK 483 million, representing an equity ratio of 6%, compared to NOK 885 million and 10% as at the balance sheet date of 2020. The decrease is the result of the loss for the year.

Statement of cash flows

Net cash flow from the Group's operations was NOK 920 million in 2021, compared to NOK 1 113 million in 2020. The decreased cash flow from operations of NOK 193 million was mainly due a reduction in profit for the year, partly offset by a positive change in payables and other receivables and accruals.

Net cash outflow from investing activities amounted to NOK 240 million in 2021, compared to an outflow of NOK 331 million in 2020. The main reason for the decreased outflow was significantly lower M&A activity in 2021 compared to 2020. Maintenance activities were lower in 2021 than 2020, amounting to 4% of the total revenues, which is below the normal of about 5%.

Net cash outflow from financing activities was NOK 877 million in 2020, compared to an outflow of NOK 499 million in 2020. A draw-down of NOK 200 million on the credit facility was made in Q1 2021 to ensure liquidity during the continued COVID-19 pandemic.

In 2021, consolidated cash and cash equivalents decreased net by NOK 197 million, compared to an increase of NOK 283 million in 2020. As at the balance sheet date, the Group had cash and cash equivalents of NOK 281 million, compared to NOK 456 million as at the balance sheet date in 2020.

Parent company

The parent company had no operating income in 2021 and NOK 14 million in operating expenses.

The parent company's equity was NOK 2 063 million as at the balance sheet date.

BUSINESS AND INDUSTRY OUTLOOK

The COVID-19 pandemic continued to have a significant negative impact on the fitness industry in 2021 and the start of 2022, as reduced sales during closure periods and other restrictions led to a reduced membership sales. However, after the club closures, SATS focused on activating members and new membership sales. The company believes the megatrend around health and well-being has been strengthened during the pandemic and expects to return to the healthy financials proven prior to the pandemic once the member base is back to pre-COVID-19 levels.

Furthermore, the pandemic has supported the digitalization of the fitness industry. SATS will take part in this trend shift and sees opportunities to expand its product offering. The digital expansion provides an opportunity to grow at a higher pace than only through physical clubs. Mentra by SATS was launched in late 2021 and experience a great interest for the offering.

The health and wellness sector overall is growing due to an increased focus on health and well-being in society. Robust global trends such as digitalization and a political push for health are fueling health and fitness awareness. Fitness clubs, in particular full-service operators, are at the center of the health and wellness economy and positioned to expand into adjacencies. The addressable market in the Nordics is the most advanced in Europe in terms of penetration. Given the fragmented markets in terms of market value, clubs and members, the consolidation potential is still considerable. The Nordic markets have sustained their "penetration premium" relative to Europe and are expected to continue to do so. Nordic fitness club memberships are Europe's most affordable relative to both overall leisure spending and other comparable products/services, and the Nordic market is rebalancing as a result of reduced supply side growth, which supports industry consolidation and profitability. Low-cost concepts have been present in the Nordics for several years. However, the roll-out pace, especially in Sweden, picked up notably in 2021.

SATS has a broad product offering, performing well compared to competitors in all training categories. With an exhaustive and high-quality equipment park, a position as the leading personal trainer destination in the Nordics, and a range of highly regarded niche concepts, SATS has proven its ability to innovate attractive concepts and stay on top of relevant trends. Flexible membership increases the perceived value of a SATS membership and makes SATS relevant for all people and budgets—from price-sensitive one-club users to active members utilizing the full width of SATS' offering.

The company aims to continue to expand in the next few years through acquisitions, greenfields and expansion of complementary product offerings. It will also focus on growing and expanding in the digital health and fitness space through Mentra by SATS.

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

The Group strives for a balanced gender distribution, and as of 2021 it employed 6 107 female and 2 546 male employees. The Group's leaders consist of 60% female and 40% male executives. The Board of Directors is composed of three men and two women.

The personnel policy of the Group is deemed to be gender neutral in all respects. The company is of the view that equal opportunity issues have been adequately accommodated, and no specific measures have been initiated or planned regarding this. No feedback has been received to the effect that the personnel policy of the Group is considered to discriminate based on gender.

On a Group level, there is a salary gap in favor of men with fixed paid contracts. This is mainly a result of differences in seniority. There is a salary gap in favor of women with hourly paid contracts. The company is continuously working to ensure equal pay for equal work, which in most roles is secured through an extensive use of wage matrices.

Through our culture, routines and practices, the Group ensures equal treatment and recruitment of employees regardless of ethnicity, gender, nationality, sexual orientation, language, religion or faith. The Group should be a good and safe workplace where no discrimination of any kind is acceptable.

During 2021, the Group as a whole registered sick leave of 6%. No significant workplace accidents or incidents occurred in 2021 in either of the operating segments.

At the end of the year, the parent company had no employees.

The Board of Directors expresses its appreciation for the work done by all employees during 2021. Specifically, the Board of Directors would like to thank all employees for their extraordinary efforts and sacrifices made due to the COVID-19 pandemic, especially those who have been negatively affected by club closures and restrictions.

EXTERNAL ENVIRONMENT

The Group's goal is to contribute to an environmentally sustainable society. Please refer to the sustainability highlights included in this report or the full sustainability report for more information about the Group's activities related to and approach toward sustainability and social responsibility.

EVENTS AFTER THE BALANCE SHEET DATE

SATS announced a successful private placement on 16 February 2022, through an allocation of 30.8 million new shares at a subscription price of NOK 19.5 per share, with gross proceeds of NOK 600.6 million. The net proceeds from the private placement will predominately be used to ensure sufficient strategic flexibility for the company to act on potential organic and in-organic growth opportunities in the short to medium term and to ensure a more robust liquidity position in order to exploit opportunities in the longer run.

The company signed an addendum to the RCF agreement February 2022. For more information see Note 27 Financial covenants.

The Board of Directors is not aware of any other events after the balance sheet date, or any new information regarding existing matters, that could have a material effect on the 2021 consolidated financial statements.

GOING CONCERN

The Board of Directos confirms that the accounts have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS). The Board of Directors believes the SATS Group has sufficient equity and liquidity to fulfil both its short-term and long-term obligations.

DISCLAIMER

This report includes forward-looking

Employee statistics

Employment	**Norway**	**Sweden**	**Finland**	**Denmark**	**Total**
Number of employees	3 938	2 933	909	873	8 653
Number of full-time equivalents	842	819	264	206	2 132
of which are on permanent contracts	91%	70%	99%	100%	86%
of which are on temporary contracts	9%	30%	1%		14%
of which are on fixed paid contracts	11%	15%	12%	7%	12%
of which are on hourly paid contract	89%	85%	88%	93%	88%
Number of GX instructors	1 807	1 076	419	383	3 985
Number of personal trainers	497	514	129	94	1 234
Number of employees at the service office	243	172	45	30	490
Sick leave	7.5%	3.1%	9.2%	3.4%	6.4%
Diversity					
Percentage of women, total	72%	68%	84%	60%	71%
Percentage of women among leaders[1]	68%	65%	86%	58%	69%
Percentage of women, Nordic Group Management					60%
Percentage of women, Board of Directors					40%
Percentage of employees below age 30	46%	41%	49%	48%	45%
Percentage of employees between age 30–50	44%	48%	47%	36%	45%
Percentage of employees above age 50	9%	11%	4%	16%	10%
Equal salary					
Ratio of average salary for woman to men, fixed paid contracts	0.88	0.96	0.88	1.02	0.92
Ratio of average salary for woman to men, hourly paid contracts	1.02	1.06	1.05	1.06	1.04

[1] *Defined as persons having personnel responsibility.*

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statements that are 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.

SHAREHOLDER INFORMATION

SATS ASA's share capital was NOK 366 million as at 31 December 2021, divided into 172 246 142 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS owned 910 769 treasury shares as at the balance sheet date. The number of shareholders as at 31 December 2021 was 6 009.

CORPORATE GOVERNANCE

Good corporate governance is a priority for the Board of Directors. SATS' objective for its corporate governance principles is based on openness, independence, equal treatment, control and management, with the ultimate goal of maximizing shareholder value while creating added value for all stakeholders. The principles are designed in compliance with laws, regulations and ethical standards.

SATS is incorporated and registered in Norway and subject to Norwegian law. SATS' shares are listed on the Oslo Stock Exchange (Oslo Børs). As a Norwegian public limited liability company listed on Oslo Børs, SATS must comply with the Norwegian Securities Trading Act and Regulation, the Continuing Obligations for Companies Listed on Oslo Børs, the Norwegian Public Limited Liability Companies Act, and all other applicable laws and regulations. The company endorses the Norwegian Code of Practice for Corporate Governance ("Norsk anbefaling for eierstyring og selskapsledelse") issued by the Norwegian Corporate Governance Board and most recently revised on 17 October 2018 ("the Code").

The annual corporate governance statement is approved by the Board of Directors and is pursuant to Section 5-6 of the Public Limited Companies Act, subject to approval by the Annual General Meeting. SATS has adapted to the Code and subsequent amendments in all areas. The annual statement on SATS' compliance with the Code and the Norwegian Accounting Act's requirements for corporate governance is included as a separate document in a separate section of the annual report and is available at the Group's website satsgroup.com.

RISK

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. Hence, risk management is an essential element of SATS' culture, corporate governance, strategy and operational and financial management.

SATS has defined risk as anything that could have a material adverse effect on the achievement of SATS' goals. Risks can be threats, uncertainties or lost opportunities relating to SATS' current or future operations or activities.

SATS has an established risk management framework in place to regularly identify, analyze, assess and report business, financial as well as ethics and sustainability risks and uncertainties, and to mitigate such risks when appropriate. A risk management process is used to aggregate and categorize risks identified across the organization with the risk management framework.

We aim to make continuous improvements; we have a risk strategy, corporate governance procedures, a risk management policy and an internal control framework that ensure compliance with laws and regulations. These continue to contribute to the identification and adequate management of strategic, operational, financial, legal and compliance risks. SATS's risk management strategy is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations.

RISK PROFILE

In general, SATS takes a commercial but prudent approach to risk-taking. The risk boundaries are defined by the company's culture and its corporate governance, defined in SATS' strategy, values, code of conduct, policies and procedures. The risk management approach to risk is identified, assessed and managed for each risk category and topic. The risks that potentially have the greatest adverse effect on the achievement of SATS objectives are described in the following section. This is not an exhaustive list, and there may be risks or risk categories that are currently identified as not having a significant impact on the business but that could develop into key risks. The objective of SATS' risk management systems is to identify changes in risk profiles and any risk-related incidents in a timely manner, so that appropriate and timely measures can be taken.

RISK	RISK DESCRIPTION	HOW DOES SATS MITIGATE THIS RISK
Member experience	SATS' success depends upon its ability to attract new members and reduce its churn rate by retaining existing members within its existing markets. Becoming less attractive to existing and new members, due to increased competition, changes in member preferences, communication, marketing, pricing and/or harm to SATS' reputation, could have a negative impact on SATS' growth and profitability.	• SATS operates a transparent, flexible and straightforward membership model, comprising several membership forms with attractive add-on opportunities, all at marketable price levels, with the option of making these memberships flexible. • By improving and expanding the digital training offering, SATS is continuously analyzing new membership forms and add-on opportunities to keep up with new market developments. • With our cluster strategy and online training offering, we make fitness accessible for members, wherever they are and whenever they want. Due to our size, we benefit from operating leverage. • SATS is actively monitoring changes in customer and market behavior to create and execute mitigation plans and developing business transformation programs and new business initiatives in line with its existing business strategy.
Technology and data security	SATS' business model relies on technology and may need to adapt to significant and rapid technological change in order to compete successfully. Any material failure, hacking or hijacking, interruption or weakness in SATS' information technology systems may prevent it from effectively enrolling members, providing member services and utilizing its financial and administrative systems.	• To remain competitive, SATS strives to ensure that it has access to the required expertise at all times in order to develop, maintain, enhance and improve the functionality, capacity, accessibility, reliability and features of its technological offerings and services on a cost-effective and timely basis. • During 2021, internal capabilities have been strengthened both in number of resources, as well as within more technical domains to support technology offerings and digital the platform. • Data security is an area of major importance, and SATS is committed to always taking appropriate data protection measures.
People	SATS is highly dependent on the services of its personal trainers, group training instructors and other service-minded staff at its fitness clubs. Failure to retain, recruit and motivate the staff could impact SATS' future growth and profitability.	• SATS has recruitment and training programs for club staff, including customer service training, etc. All club roles have a clear education path, starting with the automated onboarding journey, which aims to support careers at SATS. • The popularity of SATS as an attractive employer is based, for example, on the brand value and size of the Group, and SATS continuously develops its HR strategy to retain and recruit employees based on in part employee surveys for existing employees. • SATS has a performance assessment process in place to constantly identify and steer performance development. This process also enables SATS to identify its talent pool to create promotion opportunities, increase employee engagement and maintain this talent in the company. • Our size and brand value is increasing the popularity of SATS as an attractive employer. We use the feedback from employee surveys to constantly develop our HR strategy and our approach to employees.
Quality, health, safety and environment	Use of SATS' fitness clubs inherently poses some potential health and safety risks to members and staff, including general security issues, physical exertion, injuries resulting from breakdown of equipment, and cleanliness issues increasing risks of infection/disease and outbreak of epidemics/pandemics. The realization of any of these risks could severely impact the reputation of the company and/or its long-term growth and profitability.	• SATS has developed a health and safety policy to optimize security of members and staff. The company has established incident reporting routines, and security cameras are installed in order to facilitate this policy. • Personnel trained in first aid are generally present at the fitness clubs, and the clubs have defibrillators and first aid kits.
GDPR	SATS receives, stores and processes highly sensitive personal information and other data about its employees and members and is subject to strict legal and regulatory requirements, including the General Data Privacy Act Regulation (GDPR). Non-compliance with the GDPR's requirements can result in significant penalties, which may impact SATS' business and impair its reputation.	• SATS has implemented GDPR in its organization and offers mandatory training on data security and privacy awareness for all employees. • Based on the important GDPR ruling by the Court of Justice of the European Union in July 2020 on data transfers ("Privacy Shield"), SATS has reviewed all of the Group's Data Processor Agreements (DPAs). In the agreements where Privacy Shield was identified as a basis for such a transfer, SATS approached the relevant supplier and updated the DPA in question with a new and valid basis for further data transfer.
Liquidity risk	Access to capital is required in order to fund SATS' growth ambitions. This access may be affected by changed financial and macroeconomic conditions. Failure to obtain additional capital to finance the operations could affect SATS' plans for growth as well as the results of its operations.	• Management and control of financial risk are carried out centrally in the finance division by the treasury management at the Group's headquarters. The Group's central finance functions identify, measure, mitigate and report on financial risks.
Credit risk	SATS' members have historically demonstrated a high payment capacity. However, the payment behavior of its existing and future members could change, which may have an impact on profitability and cash flows.	• SATS' credit risk relates to the Group's account receivables, contract assets and investment in liquid financial instruments. Since the daily business is based to a large extent on customer prepayments and direct debit arrangements, SATS' credit risk is considered low. • SATS has a credit management policy to only cooperate with financial institutions with a high credit rating. Its credit risk in relation to regular customers is deemed to be acceptable since SATS has no individually significant customers. The relatively few members who default on their payments are routinely transferred to debt collecting agencies.
Currency and interest rate risk	Exchange rate fluctuations may impact SATS' income statement, balance sheet and/or cash flows as a result of its reporting currency being Norwegian krone, which is different from the functional currency of its foreign subsidiaries. Furthermore, significant changes in the financial markets could impact SATS' financial condition.	• SATS only operates in the Nordic markets. Hence, its foreign exchange rate fluctuation risk is limited. SATS' business model is such that the subsidiaries' sales revenue and operating expenses are incurred in local currency, reducing the exposure to foreign exchange rate fluctuations in the statement of profit or loss. • SATS hedges part of its interest rate risk by entering into interest rate swap agreements that provide the Group with fixed interest rates on parts of its bank borrowings.
Tax and accounting risk	SATS conducts its operations in Norway, Sweden, Finland and Denmark and is therefore subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in all such jurisdictions. If applicable laws, treaties or regulations change, or if taxing authorities do not agree with SATS' assessment of the effects of applicable laws, this could impact SATS' financial condition.	• The centralized finance division monitors and reviews local practices to provide reasonable assurance that SATS remains aware of, and is in line with, relevant laws and policies related to reporting and tax.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2021, have been prepared in accordance with IFRS as adopted by the EU, that the financial statements for the parent company for the year ended 31 December 2021, have been prepared in accordance with the Norwegian Accounting Act and simplified IFRS in Norway, that they give a true and fair view of the company's and Group's assets, liabilities, financial position and results of operations, and that the Board of Directors' Report gives a true and fair view of the development, performance and financial position of the company and the Group and includes a description of the principal risks and uncertainties that they face.

Oslo, 8 March 2022

Hugo Lund Maurstad *Chair of the Board*	**Rebekka Glasser Herlofsen** *Board Member*	**Martin Folke Tiveus** *Board Member*
Siren Sundby *Board Member*	**Søren Rene Kristiansen** *Board Member*	**Sondre Gravir** *CEO*

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CORPORATE GOVERNANCE

IMPLEMENTING AND REPORTING ON CORPORATE GOVERNANCE

SATS considers good corporate governance to be a prerequisite for value creation and trustworthiness as well as for access to capital. In order to secure strong and sustainable corporate governance, it is important that SATS ensures good and healthy business practices, reliable financial reporting, and an environment of compliance with legislation and regulations across the Group.

SATS has governance documents setting out principles for how its business should be conducted. These apply to all of SATS' subsidiaries as well as SATS itself. SATS' governance regime is approved by SATS' Board of Directors.

Applicable rules and regulations
SATS is incorporated and registered in Norway and subject to Norwegian law. SATS' shares are listed on the Oslo Stock Exchange (Oslo Børs). As a Norwegian public limited liability company listed on Oslo Børs, SATS must comply with the Norwegian Securities Trading Act and Regulation, the Continuing Obligations for Companies Listed on Oslo Børs, the Norwegian Public Limited Liability Companies Act, and all other applicable laws and regulations.

The company endorses the Norwegian Code of Practice for Corporate Governance ("Norsk anbefaling for eierstyring og selskapsledelse") issued by the Norwegian Corporate Governance Board and most recently revised on 14 October 2021 ("the Code"). If SATS does not fully comply with the Code, the company will provide an explanation for the deviation and the relevant basis for the chosen solution.

Deviations from the Code, Section 1: None

MAIN OBJECTIVES FOR CORPORATE GOVERNANCE IN SATS

Corporate governance in SATS involves the set of relationships between the company's management, its Board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set and determines the means of attaining those objectives and monitoring performance.

The SATS governance structure consists of (governing bodies):

- The shareholders annual general meeting (AGM), which elects the Board of Directors after input from the Nomination Committee
- The Board of Directors, which sets the strategic direction and overall organization of the company, hires the Chief Executive Officer (CEO), and monitors performance, risks and controls
- The CEO, who operationalizes and implements the Board of Directors' strategies and directions, is responsible for the day-to-day management of the company and reports back to the Board of Directors
- Group functions, which support the CEO in maintaining Group-wide policies and oversight and follow up on Group-wide initiatives
- Business units, which have been delegated responsibility for achieving business objectives

SATS' corporate governance policy is based on the Code and, as such, it is designed to establish a basis for good corporate governance and support achievement of SATS' core objectives on behalf of its shareholders, including the achievement of sustainable profitability for the shareholders. The manner in which SATS is governed is vital to the development of its value over time. SATS believes that good corporate governance involves openness and trustful cooperation between all parties involved in the Group: the shareholders, the Board of Directors, executive management, employees, members, suppliers, public authorities and the society in general. By pursuing the principles of corporate governance that were approved by SATS' Board of Directors, the Board and management must contribute to achieving the following objectives:

Openness. Communication with SATS' interest groups shall be based on openness on issues relevant for the evaluation of the development and position of the company.

Independence. The relationship between the Board of Directors, management and shareholders shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.

Equal treatment. One of SATS' primary objectives is equal treatment and equal rights for all of its shareholders.

Control and management. Good control and corporate governance mechanisms shall contribute to predictability and reduce the level of risk for shareholders and other interest groups.

SHAREHOLDERS

TG Nordic Invest is the largest shareholder, owning 29.9% of total shares at year-end 2021.

For more information on the share and the shareholder structure, see Shareholder information.

SUSTAINABILITY

SATS' sustainability and social responsibility is part of the company's strategy. SATS is focused on creating shareholder value within a sustainable framework considering economic, social and environmental factors. The initiatives, projects and impact are presented in the company's annual sustainability report. The report is prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. SATS' main focus areas for sustainability and social responsibility work are public health, inclusion, jobs & empowerment, reliable and safe societies, and environmentally sustainable operations. In 2021 SATS included Scope 3 in the climate accounts, arriving at a complete carbon footprint for the year. The company also set targets as described earlier in this report.

Deviations from the Code, Sections 2–6 and 13: None

THE NOMINATION COMMITTEE

The articles of association stipulate a Nomination Committee composed of between two and three members. The company's Nomination Committee for 2021 comprised Erik Thorsen (chairperson), Søren Rene Kristiansen (committee member) and Øistein Widding (committee member). The members of the Nomination Committee are appointed until the company's 2023 Annual General Meeting, however Mr. Kristiansen has informed that he will resign as member

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of the Nomination Committee with effect from April 2021. The Nomination Committee shall recommend shareholder-elected members of the Board of Directors and remuneration for the Board members.

Deviations from the Code, Section 7: The Code recommends that the nomination committee should not include any member of the company's Board of Directors. Following the resignation Mr. Kristiansen, who is also a Board member of the Company, there is no deviation form the Code.

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The articles of association stipulate that the Board of Directors shall consist of a minimum of three and a maximum of nine members elected by the company's shareholders. The current Board of Directors consists of five Board members as listed below:

- Hugo Lund Maurstad (Chair)
- Søren Rene Kristiansen (Board member)
- Siren Sundby (Board member)
- Rebekka Glasser Herlofsen (Board member)
- Martin Folke Tiveus (Board member)

Pursuant to the Code, the majority of the shareholder-elected members of the Board of Directors should be independent of the company's executive management and material business contacts, at least two of the shareholder-elected members of the Board of Directors should be independent of the company's main shareholders (shareholders holding more than 10% of the shares in the company), and no members of the company's executive management should be on the Board of Directors. All Board members are independent of the company's executive management and material business contacts, and Siren Sundby, Rebekka Glasser Herlofsen and Martin Folke Tiveus are all independent of the company's main shareholders TG Nordic Invest and AF III HOLDCO AS. The Board of Directors of SATS ASA is therefore in compliance with the recommendations in the Norwegian Corporate Governance Code.

Deviations from the Code, Section 8: None.

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the governance and administration of the company and must ensure an appropriate organization of the company's business. While the Board of Directors has the formal and overall responsibility for the administration of the company, the day-to-day administration and activities

must be delegated to the CEO. However, it is the Board of Directors' responsibility to ensure that the company's activities are properly organized, and the Board of Directors must keep itself informed on the company's financial position and ensure that its activities, accounts and asset management are subject to adequate control.

The Board of Directors conducts its work according to the "Instructions for the Board of Directors" and the Board of Directors' annual agenda. Key activities include:

- Setting and overseeing achievement of SATS' overall long-term strategies and goals
- Setting the overall organization and principles for company operations and monitoring compliance with these
- Approving budgets, business plans and investment limits
- Handling capital and financing issues (capitalization, etc.)
- Issuing CEO instructions and monitoring the CEO's work and the company's performance
- Evaluating the company's internal control functions, risk management, sustainability reporting and Code of Conduct compliance

A new Related Party Policy, to be included as part of the "Instructions for the Board of Directors," was adopted by the Board of Directors in February 2022 in line with the updated recommendation in Section 9 of the Code.

Additional matters requiring the Board of Directors' attention are included in the Board of Directors' agenda as needed.

The Board of Directors' agenda, meeting materials and minutes are distributed and archived by the CFO.

SATS' Board of Directors is composed with the intention of exercising significant involvement and extensive oversight of SATS' operations.

CEO

The CEO is responsible for the company's business development and leads and coordinates the day-to-day operations in accordance with the Board of Directors' instructions for the CEO and other decisions made by the Board. Having the overall responsibility, the CEO has the final say in all decisions according to legal requirements after consulting and receiving feedback from relevant members of the management team.

The CEO issues a delegation of obligations and authority, which defines the responsibilities of the country managers and group functions, and within which limits they may make decisions. Within this framework, duties and decision authorities are further delegated person-to-person via solid reporting lines based on the roles in the operational organization.

Deviations from the Code, Section 9: None

RISK MANAGEMENT AND INTERNAL CONTROL

SATS operates in a broad range of geographical markets in the highly competitive health and fitness industry. In striving to achieve its long-term strategic objectives, SATS is inherently involved

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in taking risks. Hence, risk management is an essential element of SATS' culture, corporate governance, strategy and operational and financial management, as further outlined in SATS' Risk Management Policy and in the risk chapter of the Annual Report.

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

The SATS system for ICFR is based on the COSO framework and three lines of defense model. The approach is top-down and risk-based, beginning with the assessment of risks of significant errors in the Group financial statements. The controls are designed from the top (Entity Level Controls) down to the process level (Process Level Controls), and it is the sum of all these controls that make up the total ICFR design for SATS.

The ICFR Framework at SATS is an integral part of our governance system, and the company has designed an annual process to ensure compliance with policies and procedures, the effectiveness of process level controls, and maintenance of system effectiveness. An ICFR plan for ensuring ongoing effective and efficient ICFR must be prepared every year and presented to the Board of Directors for approval prior to the start of the fiscal year. The ICFR plan must be prepared by the ICFR Officer, taking into account the control owners' learning and the results from this year's ICFR process and any changes expected to impact ICFR.

COMPLIANCE FUNCTION

SATS' compliance function is responsible for supporting and monitoring compliance with legal requirements and internal governing documents. The function is independent of operational activities and reports to the CEO. The function monitors the development of the company risk exposure and internal control regime and conducts its support and control work according to an annual plan that has been approved by the CEO. The function has the right and obligation to report directly to the Board of Directors if material risks and compliance incidents have not been communicated timely to the Board of Directors through ordinary reporting lines.

Deviations from the Code, Section 10: None

THE REMUNERATION COMMITTEE

The Remuneration Committee is a sub-committee of the Board of Directors and consists of two Board members. The members of the Remuneration Committee are appointed for a two-year term, expiring in September 2023. The appointed members of the Remuneration Committee are Hugo Lund Maurstad (chair) and Siren Sundby (committee member). The primary purpose of the Remuneration Committee is to assist the Board of Directors in matters relating to the remuneration of the executive management of the Group, review succession policies, career planning and management development plans, and prepare matters relating to other material employment issues in respect of executive management. The Remuneration Committee must report and make recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

REMUNERATION OF EXECUTIVE PERSONELL

SATS' Board of Directors has prepared new and updated guidelines for salary and other remuneration for executive personnel, in line with the amended provisions in section 6–16a of the Norwegian Public Limited Liability Companies Act and the updated recommendation in Section 12 of the Code. The guidelines will be considered at the 2022 Annual General Meeting and are included as a separate document in the appendices to the notice calling the AGM.

Deviations from the Code, Section 12: None

THE AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board of Directors that consists of three Board members, expanded from two to three members during 2021. The Audit Committee supports the Board of Directors in fulfilling the Board's responsibilities with respect to financial reporting, internal controls, internal and external audit, risk management and risk framework.

The members of the Audit Committee are appointed for a two-year term, expiring in September 2023. The appointed members of the Audit Committee are Rebekka Glasser Herlofsen (chairperson), Søren Kristiansen (committee member) and Siren Sundby (committee member), and the composition of the Audit Committee fulfils the required qualifications and competence in accounting and auditing under the Norwegian Public Limited Companies Act.

The primary purposes of the Audit Committee are to:

- assist the Board of Directors in discharging its duties relating to the safeguarding of assets, the operation of adequate system and internal controls, the control processes and the preparation of accurate financial reporting and statements in compliance with applicable legal requirements, corporate governance and accounting standards;
- monitor and assess the quality of the statutory audit of Group companies and the Group's financial statements;
- help to ensure the independence of the external auditor and ensure compliance with applicable rules and guidelines regarding the provision of additional services by the auditor to the Group or Group companies;
- provide support to the Board of Directors on the risk profile and risk management of the Group; and
- initiate investigations, if necessary, and propose measures relating to the above-mentioned.

The Audit Committee reports and makes recommendations to the Board of Directors, but the Board retains responsibility for implementation such recommendations.

Deviations from the Code, Section 15: None

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THE BOARD OF DIRECTORS

Hugo Lund Maurstad
Chair of the Board

- Managing Partner and majority shareholder of Monte Rosa Capital
- Prior to joining Altor, Maurstad worked for McKinsey & Company
- Maurstad has many years of experience as the chair and board member of multiple private and public companies
- Maurstad has a Master in Economics from the Norwegian Business School

Søren Rene Kristiansen
Board Member

- Kristiansen is CEO of Dades A/S
- Prior to Dades, Kristiansen served as CEO and CFO in TryghedsGruppen
- Kristiansen has broad experience in directorial work
- Kristiansen has an MSc in Business Administration

Rebekka Glasser Herlofsen
Board Member

- Herlofsen is an independent board member and investor and serves as the chair of Norwegian Hull Club and Handelsbanken Norge in addition to several other boards.
- Herlofsen has management experience from Wallenius Wilhelmsen, Torvald Klaveness, Enskilda Securtities and Bergesen
- Herlofsen has a business degree and AFA from NHH, and attended the Breakthrough Program for Top Executives at IMD Business School

Siren Sundby
Board Member

- Sundby is a Vice President at Capgemini Invent Norway
- Sundby is currently a board member and vice president in Redningsselskapet
- Sundby has previous directorial experience, including from her work on the Lillehammer 2016 Youth Olympic Games' board of directors
- Sundby has an MSc in Economics from the Norwegian Business School and a BSc in Engineering from the Technical University of Denmark

Martin Folke Tivéus
Board Member

- Tivéus is the CEO of Attendo and has held managerial positions at Klarna, Evidensia Djursjukvård and Avanza Bank
- Tivéus is currently a board member of Telia Company and has previous board experience from Danske Bank and Teracom Group
- Tivéus has a BSc in Marketing, Economics, Business and Politics from the Stockholm University

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2021	2020
(Amounts in NOK million for the period ended 31 December)			
Revenue	4, 5, 8	**3 247**	**3 534**
Operating expenses			
Cost of goods		-106	-122
Personnel expenses	6	-1 399	-1 352
Other operating expenses	7, 8, 12	-925	-925
Depreciation and amortization	11, 12, 13	-1 042	-1 045
Total operating expenses excluding impairment		**-3 472**	**-3 445**
Operating profit excluding impairment[1)]		**-224**	**90**
Impairment of assets held for sale	4	0	-78
Operating profit		**-224**	**11**
Financial income	9	54	100
Interest expense	20	-284	-269
Financial expense	9	-68	-98
Net financial items		**-298**	**-267**
Profit/loss before tax		**-522**	**-255**
Income tax expense	10	70	-69
Profit/loss for the year		**-452**	**-325**
Profit/loss for the year is attributable to:			
Equity holders of the parent company		-452	-325
Total allocation		**-452**	**-325**
Earnings per share in NOK			
Basic earnings per share attributable to the ordinary equity	19	-2.65	-1.90
Diluted earnings per share attributable to the ordinary equity	19	-2.65	-1.90

[1)] *For further information regarding Operating profit excluding impairment, please see the appendix, Alternative Performance Measures.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
(Amounts in NOK million for the period ended 31 December)		
Profit/loss for the year	**-452**	**-325**
Other comprehensive income		
Foreign exchange rate changes - may be reclassified to profit or loss	36	-20
Other comprehensive income, net of tax	**36**	**-20**
Total comprehensive income	**-416**	**-345**
Total comprehensive income is attributable to:		
Equity holders of the parent company	-416	-345
Total comprehensive income	**-416**	**-345**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	*Notes*	**31.12.2021**	31.12.2020
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	*11*	2 425	2 458
Customer relations	*11*	29	40
Trademark	*11*	2	2
Internally developed software	*11*	113	78
Total non-current intangible assets		**2 569**	**2 578**
Property, plant and equipment			
Right-of-use assets	*12*	4 077	4 568
Leasehold improvements	*13*	431	486
Fitness equipment	*13*	200	208
Other equipment, fixtures and fittings	*13*	61	64
Total non-current property, plant and equipment		**4 769**	**5 325**
Financial assets			
Other non-current receivables		34	38
Total non-current financial assets		**34**	**38**
Deferred tax asset	*10*	213	166
Total non-current assets		**7 584**	**8 107**
CURRENT ASSETS			
Inventories	*15*	57	48
Other current receivables	*16*	59	85
Accounts receivables	*16*	117	120
Prepaid expenses and accrued income	*16*	237	274
Cash and cash equivalents	*17, 21*	281	456
Total current assets		**751**	**983**
Total assets		**8 336**	**9 091**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2021	31.12.2020
(Amounts in NOK million)			
EQUITY			
Share capital	18	366	365
Share premium[1)]		2 521	2 513
Treasury shares		-17	-19
Other reserves		34	-4
Retained earnings[1)]		-2 421	-1 969
Total equity		**483**	**885**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	72	90
Borrowings	20, 21	2 090	1 938
Derivative financial instruments	22, 23	1	36
Other non-current liabilities		4	0
Lease liability	12, 20, 21	3 632	4 167
Total non-current liabilities		**5 798**	**6 231**
Current liabilities			
Borrowings	20, 21	12	11
Lease liability	12, 20, 21	820	795
Contract liability	24	487	441
Trade and other payables		138	119
Current tax liabilities	10	4	40
Public fees and charges payable		225	145
Other current liabilities	24	369	424
Total current liabilities		**2 055**	**1 975**
Total liabilities		**7 853**	**8 206**
Total equity and liabilities		**8 336**	**9 091**

[1)] *A reclassification between Share premium and Retained earnings as of 31 December 2020 is recognized in Annual Accounts 2021.*

Oslo, 8 March 2022

Hugo Lund Maurstad
Chair of the Board

Rebekka Glasser Herlofsen
Board Member

Martin Folke Tiveus
Board Member

Siren Sundby
Board Member

Søren Rene Kristiansen
Board Member

Sondre Gravir
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK million)	Share capital	Share premium[1)]	Treasury shares	Other reserves[2)]	Retained earnings[1)]	**Total attributable to owners of the Group**	**Total equity**
Equity 1 January 2020	**361**	**2 490**	**0**	**15**	**-1 643**	**1 223**	**1 223**
Profit/loss for the year					-325	-325	-325
OCI for the year				-20		-20	-20
Total comprehensive income for the year	**0**	**0**	**0**	**-20**	**-325**	**-345**	**-345**
Investment program				1		1	1
Capital increase	4	23				26	26
Repurchase of shares			-20			-20	-20
Proceeds from sale of own shares			1			1	1
Capital increase expenses from IPO					-2	-2	-2
Equity 31 December 2020	**365**	**2 513**	**-19**	**-4**	**-1 969**	**885**	**885**
Equity 1 January 2021	**365**	**2 513**	**-19**	**-4**	**-1 969**	**885**	**885**
Profit/loss for the year					-452	-452	-452
OCI for the year				36		36	36
Total comprehensive income for the year	**0**	**0**	**0**	**36**	**-452**	**-416**	**-416**
Investment program				3		3	3
Capital increase	1	8				9	9
Proceeds from sale of own shares			2			2	2
Equity 31 December 2021	**366**	**2 521**	**-17**	**34**	**-2 421**	**483**	**483**

[1)] *A reclassification between Share premium and Retained earnings as of 31 December 2020 is recognized in Annual Accounts 2021.*
[2)] *Other reserves consist of currency translation adjustments and investment program according to IFRS 2.*

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021	2020
(Amounts in NOK million for the period ended 31 December)			
Cash flow from operating activities			
Profit before tax		-522	-255
Adjustment for:			
Taxes paid in the period	10	-32	-22
Gain/loss from sale of gym equipment	13	3	-1
Depreciation, amortization and impairment	11, 12, 13	1 042	1 123
Net financial items	9	298	267
Change in inventory	15	-9	-7
Change in accounts receivables	16	3	16
Change in trade payables		18	-3
Change in other receivables and accruals	24	119	-5
Net cash flow from operations		**920**	**1 113**
Cash flow from investing			
Sale of subsidiary, net of cash		0	-42
Purchase of property, plant and equipment	13	-232	-230
Proceeds from property, plant and equipment		1	1
Acquisition of subsidiary, net of cash acquired		-9	-60
Net cash flow from investing		**-240**	**-331**
Cash flow from financing			
Repayments of borrowings	20	-2	-2
Proceeds from borrowings	20	200	575
Instalments on lease liabilities	12	-800	-803
Paid interest on borrowings	20	-109	-78
Interest on lease liabilities	12	-187	-196
Proceeds from issues of shares	19	9	26
Purchase of own shares	18	0	-20
Proceeds from sale of own shares	18, 19	2	1
Transaction costs from issues of new shares IPO		0	-2
Other financial items	9	10	-1
Net cash flow from financing		**-877**	**-499**
Net increase/decrease in cash and cash equivalents		**-197**	**283**
Effect of foreign exchange changes on cash and cash equivalents		22	7
Cash and cash equivalents at the beginning of the period		456	165
Cash and cash equivalents at the end of the period	17	**281**	**456**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 General information

SATS ASA (parent) and subsidiaries represent the leading training enterprise in the Nordic region with 262 fitness clubs. The business is run through wholly owned subsidiaries in Norway, Sweden, Finland and Denmark. The Group is present in approximately 20 larger cities in these four countries. The Group operates through the brands SATS, ELIXIA, Fresh Fitness, HiYoga and Mentra by SATS.

SATS (the "Group") consists of SATS ASA (the "company") and its subsidiaries. To comply with the Oslo Stock Exchange (Oslo Børs) listing requirements, the Group's parent company was transformed from an AS (limited company) to an ASA (public company) entity in September 2019 and the company was thus renamed "SATS ASA". As an ASA entity, the Group's parent company is subject to the Norwegian Public Limited Company Act. The accompanying consolidated financial statements include the financial statements of SATS ASA and its subsidiaries. The consolidated financial statements of the Group for the year ended 31 December 2021 are available at satsgroup.com.

The Group ownership is as follows: 29.9% by TG Nordic Invest, 24.1% by AF III Holdco AS, 7.3% by Canica AS, 5.0% by SATS Management Invest AS and 33.7% by other shareholders.

The parent, SATS ASA, is registered and domiciled in Norway and has its head office at Nydalsveien 28, Oslo. The parent was established on 11 March 2011.

The consolidated financial statements were approved by the Board of Directors on 8 March 2022.

NOTE 2 Basis of preparation

Financial reporting framework and basis of preparation
SATS ASA's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Union (EU). There are no material differences between IFRS as issued by the IASB and as endorsed by the EU for the consolidated financial statements of the Group.

Historical cost convention
The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value
- Right-of-use assets – initially measured based on the corresponding lease liability
- Lease liabilities – initially measured at net present value of future lease payments

The functional currency of the parent company is Norwegian Kroner (NOK), and this is also the presentation currency of both the parent company and the Group. All amounts are rounded to the nearest NOK million, unless stated otherwise.

Significant accounting estimates
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 29 Critical estimates.

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NOTE 3 Principles of consolidation and significant accounting policies

Subsidiaries
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 has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

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

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in NOK which is SATS ASA's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss within financial expenses. All other foreign exchange gains and losses are presented within operating profit.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Business combinations
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:
- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the
- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Revenue recognition
Please find a description of the nature of external revenues in SATS in Note 5 Revenue, contract assets and advance payments from customers.

SATS recognizes as revenue the agreed transaction price in the contract with the customer at the time when the Group transfers the control of a distinct product or service to a customer. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognized net of VAT, discounts and foreign exchange effects if the transaction is in a foreign currency. Intra-group sales are eliminated on consolidation.

The nature of SATS revenue recognition is categorized as follows:
- Revenue related to sales of fitness center membership is recognized over the subscription period, analogous with the previous financial statement treatment in accordance with IAS 18
- Revenue related to membership joining fees is recognized at contract inception
- Revenue from the sale of products in stores is recognized when the entity sells a product to the customer
- Revenue from personal trainer sessions is recognized when the session has been delivered to the customer

Right-of-use assets
The Group recognizes a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, adjusted for initial direct costs and lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by any impairment charges and adjusted for certain remeasurements of the lease liability.

Lease liabilities
The Group recognizes a lease liability at the lease commencement date. The lease liability is measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. SATS utilizes the incremental borrowing rate as the discount rate for virtually all lease agreements. The Group has elected to separate lease and non-lease components included in lease payments for property leases. Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (if any) amounts expected to be payable under a residual value guarantee;
- (if any) lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Other financial assets
All financial assets, excluding derivatives, meet the SPPI (solely payments of principal and interest) criteria and are managed in a business model of Hold to Collect. These financial assets are in the measurement category amortized cost. The Group measures its trade receivables and cash and cash equivalents at amortized cost. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognized in the income statement. Financial assets are classified as current assets, except for those where management has the intention to hold the investment for over 12 month or financial assets with maturities later than 12 months after the balance sheet date. These assets are classified as non-current assets.

Impairment of financial assets
The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

While cash and cash equivalents also are subject to the impairment requirements, the expected credit losses are immaterial. For trade receivables and contract assets, the Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables and contract assets.

Statement of cash flows
The cash flow statement is prepared using the indirect method.

Interest paid on trade payables and interest received on accounts receivables receivables are presented as operating cash flows. Interest paid on borrowings is classified as financial cash flows.

Cash flows are only classified as investing activities if they result in the recognition of an asset in the balance sheet.

Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities, whereas cash payments for short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented as cash flows from operating activities.

Cost of goods
Cost of goods is the cost of acquiring the products that a company sells during the period and includes impairment of inventory, scrapping and obsolescence write-down.

NOTE 4 Segment information

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

The Group's chief operating decision maker is the Nordic Management Group, consisting of the CEO, Group functions (CFO, Director of Consumer, Insights & Technology, Director of Marketing, Communication and Member Care, Director of Product and Retail and HR Director), and the country managers. 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 derivatives).

The Nordic Management Group primarily uses EBITDA[1], EBITDA before impact of IFRS 16[1], Adjusted EBITDA before impact of IFRS 16[1] and Adjusted Country EBITDA before impact of IFRS 16[1] 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.

Revenue recognition
The revenue recognition criteria in the segment information note are based on the Group's accounting principles and are in accordance with IFRS 15. Please see Note 5 Revenue, contract assets and advanced payments from customers for further information.

Operating segment information

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	**Total**
(Amounts in NOK million)						
FINANCIAL YEAR 2021						
Revenue						
Membership revenue	933	961	211	195	0	2 301
Other revenues	432	295	81	138	0	946
Total revenues	**1 366**	**1 256**	**292**	**333**	**0**	**3 247**

EBITDA[1] and EBITDA before impact of IFRS 16[1] reconcile to profit/loss as follows:

	Norway	Sweden	Finland	Denmark	Group functions and other	Total
EBITDA before impact of IFRS 16[1]	**-68**	**-2**	**-67**	**-75**	**42**	**-170**
Impact of IFRS 16	421	335	102	129	0	987
EBITDA[1]	**353**	**333**	**35**	**53**	**42**	**818**
Depreciation and amortization	-395	-343	-103	-145	-55	-1 042
Operating profit	**-42**	**-9**	**-68**	**-92**	**-13**	**-224**
Net financial items[2]	-103	-45	-21	-32	-97	-298
Income tax expense	30	13	2	2	23	70
Profit/loss for the year	**-115**	**-41**	**-87**	**-122**	**-87**	**-452**

[1] *For further information about definitions, please see the appendix Alternative Performance Measures.*

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	Total
(Amounts in NOK million)						
FINANCIAL YEAR 2020						
Revenue						
Membership revenue	1 032	1 074	248	295	0	2 649
Other revenues	414	280	78	113	1	885
Total revenues	**1 445**	**1 354**	**326**	**408**	**1**	**3 534**

Underlying EBITDA[1)] and EBITDA before impact of IFRS 16[1)] reconcile to profit/loss as follows:

	Norway	Sweden	Finland	Denmark	Group functions and other	Total
EBITDA before impact of IFRS 16[1)]	**78**	**183**	**-29**	**-133**	**37**	**136**
Impact of IFRS 16	406	323	110	159	0	998
EBITDA[1)]	**484**	**506**	**81**	**26**	**37**	**1 135**
Depreciation and amortization	-386	-328	-110	-170	-51	-1 045
Operating profit excluding impairment	**98**	**179**	**-29**	**-144**	**-13**	**90**
Impairment of assets held for sale	0	0	0	-78	0	-78
Operating profit	**98**	**179**	**-29**	**-223**	**-13**	**11**
Net financial items[2)]	-99	-78	-24	-33	-33	-267
Income tax expense	1	-11	-10	-61	12	-69
Profit/loss for the year	**0**	**90**	**-64**	**-317**	**-34**	**-325**

1) For further information about definitions, please see the appendix Alternative Performance Measures.
2) Finance income and expenses are allocated to Group functions and other, as this type of activity is derived by the central treasury function, which manages the cash position of the Group.

Financial statement per segment
Segments' assets and liabilities are measured in the same way as in the financial statements. The assets are allocated based on the operations of the segment and the physical location of the asset. The Group's borrowings and derivative financial instruments are not considered to be segment liabilities but are managed by the treasury function.

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	Total
(Amounts in NOK million)						
FINANCIAL YEAR 2021						
Total non-current intangible assets	1 641	223	571	18	115	2 569
Non-current tangible assets[1)]	2 133	1 531	561	543	0	4 769
Total non-current financial assets	0	1	0	32	0	34
Deferred tax asset	98	60	21	1	33	213
Current assets	364	362	74	-391	343	751
Total assets	**4 236**	**2 178**	**1 227**	**204**	**491**	**8 336**
Total liabilities	**2 321**	**2 032**	**703**	**575**	**2 222**	**7 853**
Investments	55	49	19	7	99	229
FINANCIAL YEAR 2020						
Total non-current intangible assets	1 646	229	599	24	80	2 578
Non-current tangible assets[1)]	2 381	1 730	573	641	0	5 325
Total non-current financial assets	0	3	2	33	0	38
Deferred tax asset	68	62	20	1	15	166
Current assets	430	674	109	-293	64	983
Total assets	**4 524**	**2 698**	**1 303**	**406**	**159**	**9 091**
Total liabilities	**2 497**	**2 228**	**712**	**669**	**2 100**	**8 206**
Investments	48	79	21	30	51	230

1) Non-current tangible assets consist mainly of right-of-use assets, capitalized improvements on the leased fitness center facilities and fitness equipment, and exclude financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

NOTE 5 Revenue, contract assets and advanced payments from customers

Disaggregation of revenue
In accordance with IFRS 15, management analyzes the revenue contracts with customers and disaggregates the revenue into the following product categories, which depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

- Membership fees, consisting of subscription and joining fees
- Other revenue, mainly consisting of personal training (PT) and product sales

Revenue from customers is disaggregated in the table below by geographical location, type of product, the timing of the reception of revenue, and segment.

Revenue recognition - Membership fees
Membership subscription fees
The main product from SATS is fitness center memberships, where customers get access to one or more of the Group's fitness center facilities. Most SATS memberships entail access at all opening hours, giving the customer access to utilize the facilities at their own discretion, and should be defined as a service arrangement. The subscription members simultaneously receive and consume the fitness center services provided by SATS, and SATS therefore satisfies its performance obligation to its customers over time. Consequently, membership subscription revenue is also recognized over time.

The customers enter into a contract with SATS when signing up for a subscription, through the website registration page, at a fitness center, or through customer service center or sales representatives. The customer chooses the preferred subscription arrangement, where the terms, adjusted for any given rebates, are the same for all customers. The normal binding subscription period is 12 months where neither SATS nor the customer can terminate the subscription.

Revenue related to sales of fitness center membership is recognized over the subscription period.

Discounts with binding agreements
For some sales campaigns, customers can receive free months if they agree to a corresponding addition to the binding subscription period. The transaction price will be calculated based on the monthly subscription fee multiplied by the commitment period, i.e., twelve months of monthly fee payments over a thirteen-month subscription period.

Joining fees
When a customer signs up for a fitness center membership, a joining fee will be charged to the overall subscription amount. For this fee, the new members receive a membership registration, an automatic payment arrangement, and one free PT introduction session. The introduction session has commercial value to the customer, and normally the customer utilizes the PT introduction session the first month after the contract inception date.

As the customer has accepted the subscription arrangement when entering into a membership agreement, regardless of whether the new member choses to utilize the free PT introduction session, management has made the assessment that the performance obligation related to the joining arrangement has been satisfied at the membership inception date, and the joining fee is consequently recognized as revenue at the subscription contract date. All other revenue related to membership subscriptions is recognized over the membership period.

Revenue recognition - Other
PT sessions
PT sessions, where customers receive advice, inspiration and guidance from a certified fitness instructor, are offered as an additional service to SATS membership subscribers. PT sessions can be purchased individually or as prepaid access cards containing a given number of sessions. The price of a PT session is determined by the experience level of the instructor, the number of participants at each session and the number of prepaid sessions included in the access cards. Since the customer simultaneously receives and consumes the benefits provided by the PTs as the sessions unfold, the performance obligation is satisfied when the session is delivered. Revenue related to PT sessions is thus recognized at the point in time when the session is carried out.

Product sales
Various fitness and training products, like sportswear, fitness gear, bars and energy drinks, are sold at the SATS fitness center stores.

Sales are recognized when control of the products has transferred, which is the point in time when the products are delivered to the customer. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in-store. The Group has a limited return policy for the customers, which does not materially affect the revenue recognition from the sale of goods.

Disaggregation of revenue from contracts with customers

(Amounts in NOK million)	Membership revenue	Other revenue	**2021**
Norway	933	432	1 366
Sweden	961	295	1 256
Finland	211	81	292
Denmark	195	138	333
Revenue from contracts with customers	**2 301**	**946**	**3 247**
Point-of-time revenue recognition			
Other revenue			946
Membership revenue[1)]			42
Total point-of-time revenue recognition			**989**
Period-of-time revenue recognition			
Membership revenue			2 259
Total period-of-time revenue recognition			**2 259**

(Amounts in NOK million)	Membership revenue	Other revenue	**2020**
Norway	1 032	414	1 445
Sweden	1 074	280	1 354
Finland	248	78	326
Denmark	295	113	408
Revenue from contracts with customers	**2 649**	**885**	**3 534**
Point-of-time revenue recognition			
Other revenue			885
Membership revenue[1)]			41
Total point-of-time revenue recognition			**927**
Period-of-time revenue recognition			
Membership revenue			2 608
Total period-of-time revenue recognition			**2 608**

[1)] *Consists of joining fee and invoicing fee.*

Contract assets and contract liabilities
Contract assets and contract liabilities (advance payments from customers) are disclosed in the Statement of financial position.

Practical expedient
Management expects that a minimum of 90% of the transaction price allocated to the unsatisfied contracts as at 31 December will be recognized as revenue during the next financial year. The remaining 10% is expected to be recognized in the financial year thereafter. The amount disclosed above does not include variable consideration.

Contract assets
Contract assets are recognized whenever a performance obligation is satisfied before consideration is received and relates mainly to PT subscription arrangements where the customer can pay the consideration over an extended credit period. Access to 25 PT sessions is normally paid over six months, whereas access to 50 PT sessions is normally paid over twelve months. Contract assets are assessed for impairment in accordance with IFRS 9. As at 31 December 2021, contract assets have been reviewed for impairment, with no material impaired charge recognized.

Contract liabilities (Advance payments from customers)
Advance payments from customers are recognized if SATS receives consideration or if it has the unconditional right to receive consideration in advance of performance. A large portion of the Group's customers pay the monthly membership subscription fee in advance, and these prepayments are recognized as non-financial debt and will be settled in the Group's services. Non-redeemed gift cards relate to prepayments from customers related to the use of PT training sessions. Non-redeemed gift cards are recognized as revenue at the card's expiry date, normally after one year.

The following table shows the revenue recognized in 2021 that relates to advance payments from customers.

Contract liabilities	**31.12.2021**
(Amounts in NOK million)	
Contract liabilities as of the balance sheet date	
Membership subscriptions	313
Gift cards	6
PT sessions	204

Revenue recognized from contract liabilities	**2021**
(Amounts in NOK million)	
Revenue recognized in this period that was included in the contract liability balance at the beginning of the period	
Membership subscriptions	277
Gift cards	4
PT sessions	202

Compensation packages related to COVID-19
The 2021 result is negatively affected by various restrictions and imposed club closures across the club network. The revenue loss is mainly related to lower membership fees, due to both frozen memberships at the closed clubs and higher freeze rates at the open clubs, but also due to paused personal training and retail sales. The revenue loss is partly compensated for by governmental compensation packages from the Norwegian, Danish and Finnish governments, in addition to reduced personnel costs due to temporary layoffs of personnel at closed clubs. The compensation for 2021 totals NOK 245 million (NOK 195 million in 2020) and is recorded as other revenues. The Norwegian government compensated NOK 139 million (NOK 130 million in 2020), and the governmental packages from the Danish and Finnish governments were NOK 95 million and NOK 11 million respectively in 2021 (NOK 60 million and NOK 5 million in 2020).

NOTE 6 Personnel expenses

Employee benefits
Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service, are recognized in respect of employees' services up to the end of the reporting period. The liabilities are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations
The liabilities for long-term leave and annual leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. These liabilities are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Personnel expenses	**2021**	2020
(Amounts in NOK million)		
Salary expenses including bonuses, holiday pay and other costs	-1 195	-1 158
Social security contributions	-145	-136
Pension costs	-59	-58
Total personnel expenses	**-1 399**	**-1 352**

Full-time equivalents	**2021**	2020
Norway	842	795
Sweden	819	607
Finland	264	223
Denmark	206	192
Total	**2 132**	**1 817**

Temporary layoffs of personnel at closed clubs following the COVID-19 restrictions explains the relatively small increase in personnel expenses in 2021 compared to the increase in full-time equivalents.

Pensions
Short-term obligations
Norway
Norwegian companies are required to have occupational pension schemes according to the law on compulsory occupational pension. The Norwegian companies' pension schemes meet the requirements of this act. The pension plans cover all employees and are reported as defined contribution under IFRS.

Sweden
Swedish companies are not required to provide occupational pension plans by Swedish law. However, employers covered by a Swedish collective bargaining agreement (CBA) are required to provide an occupational pension plan in accordance with the CBA. The Swedish legal entities' pension plans satisfy the requirements stipulated in the Swedish CBA. The pension plans cover all employees and are reported as defined contribution under IFRS.

Finland
Finnish companies are required to have occupational pension arrangements according to the laws and rules that apply to Finland. The Finnish companies' pension plans meet the requirements according to Finnish laws and regulations. The pension plans cover all employees and are reported as defined contribution under IFRS.

Denmark
Danish companies are not required to provide occupational pension plans by Danish law. Employees are thus not entitled to occupational pension schemes unless (a) the employment is covered by a collective agreement containing stipulations regarding pension or (b) it is explicitly agreed in the employment contract. The Danish companies' pension plans meet the requirements according to these regulations. The pension plans are reported as defined contribution under IFRS.

As at 31 December 2021, the Group had obligations of NOK 15 million (NOK 9 million as of 31 December 2020). As at 31 December 2021 and 31 December 2020, the scheme covered 3 847 (3 970) employees.

The Group recognized an expense of NOK 59 million in 2021 (NOK 58 million in 2020) related to defined contribution plans.

Renumeration to Management and Board of Directors
Compensation to Management is detailed below. For further information see "Salaries and other remuneration to Senior Executives" published at satsgroup.com.

(Amounts in NOK million)		Salary[1]	Other benefits	Pension benefits	Performance based bonus - earned[2]	**Total**	Share Based Renumeration[3]	**Total**	Proportion Fixed
Sondre Gravir	2021	5.5	0.2	0.8	-	**6.5**	-	**6.5**	100%
	2020	5.9	0.2	0.8	-	**6.9**	2.3	**9.2**	75%
Cecilie Elde	2021	3.0	0.1	0.4	-	**3.5**	-	**3.5**	100%
	2020	2.2	0.2	0.3	1.0	**3.7**	1.5	**5.2**	51%
Wenche Evertsen	2021	1.5	0.1	0.2	-	**1.9**	0.2	**2.1**	91%
	2020	1.2	0.1	0.2	-	**1.5**	1.0	**2.5**	59%
Linda-Li Cederroth[4]	2021	2.1	0.1	0.6	-	**2.8**	-	**2.8**	100%
	2020	2.0	0.1	0.6	-	**2.7**	-	**2.7**	100%
Jussi Raita[5]	2021	1.3	0.1	0.2	-	**1.6**	0.1	**1.7**	96%
	2020	1.1	0.0	0.3	-	**1.4**	0.2	**1.6**	87%

[1] *Excluding social security taxes paid for Executive Management.*
[2] *Accrued performance based bonus (excluding holiday allowance) earned to be paid the year after.*
[3] *The shares are locked up for three years before they are transferred to the participants employed at the end of the three-year period. The value is the cash amount of the long-term incentive (matching shares granted) in the year using the end of year market value of SATS ASA shares.*
[4] *Salary in SEK translation rate to NOK: 1,002.*
[5] *Salary in EUR translation rate to NOK: 10,163.*

Employee share investment program (ESIP)
A share-based investment programme was approved at the Company's annual general meeting held on 26 May 2020. All the employees of the Group, including senior executives, and the members of the Company's board of directors, except for the chairman of the board Hugo Maurstad, were offered to purchase shares in the Company for certain maximum amounts with a 15/20% discount on the share price. Senior executives have a lock-up of three years on shares purchased under the programme.

There are two employee share purchase programs, the first offer was given in June 2020 (ESIP 2020) and a second offer in November 2021 (ESIP 2021). For ESIP 2021, a total of 215 employees applied for a total of 482 756 new shares in the company. The offer price (before discount) for the new shares was NOK 23.46, which equals the volume-weighted average share price for the company's shares on the Oslo Stock Exchange during the ten trading days prior to the expiry of the offer. The subscribers received a discount of 15/20% of the offer price on investments exceeding NOK 15 thousand and were able to invest at a minimum amount of NOK 5 thousand and a maximum of NOK 1 million.

Shares held by Senior Executives as of 31.12.2021:

	Share investment program subject to lock-up	Shares outside share investment program	**Total shareholding at year end**
Sondre Gravir	299 096	127 659	426 755
Cecilie Elde	201 766	-	201 766
Wenche Evertsen	162 543	-	162 543
Linda-Li Cederroth	-	28 682	28 682
Jussi Raita	36 199	-	36 199

Compensation to the members of the Board is detailed below. For further information see "Salaries and other remuneration to Senior Executives" published at satsgroup.com.

(Amounts in NOK thousands)		Board	Audit Committee	Renumeration Comittee	Nomination Committee	**Total**
Hugo Lund Maurstad	2021	500	-	35	-	535
Rebekka Glasser Herlofsen	2021	300	75	-	-	375
Søren Rene Kristiansen	2021	300	50	-	40	390
Siren Sundby	2021	300	29	45	-	374
Martin Folke Tivéus (new as of May 2021)	2021	200	-	-	-	200
Eivind Roald (until May 2021)	2021	125	-	25	-	150

Shares held by Board Members as of 31.12.2021:

		Share investment program subject to lock-up	Shares outside share investment program	**Total shareholding at year end**
Hugo Lund Maurstad	2021	-	1 100 000	1 100 000
Rebekka Glasser Herlofsen	2021	16 077	-	16 077
Siren Sundby	2021	6 698	-	6 698

NOTE 7 Other operating expenses

Other operating expenses	**2021**	2020
(Amounts in NOK million)		
Property expenses[1)]	-480	-464
Marketing expenses	-166	-152
IT expenses	-129	-128
Other operating expenses	-150	-181
Total other operating expenses	**-925**	**-925**

[1)] Property expenses consist of electricity, water, janitorial expenses, maintenance and short-term lease expenses for which the underlying asset is of low value and hence IFRS 16 is not applied. The Group does not have variable lease payments.

Please see Note 16 Accounts receivable and other current receivables.

Auditor's remuneration	**2021**	2020
(Amounts in NOK thousand)		
Expensed auditor fees:		
Statutory audit (including technical assistance - annual accounts)	-4 560	-5 025
Other attestation and assurance services	-808	-312
Total auditor's remuneration	**-5 368**	**-5 337**

NOTE 8 Realised net gain/loss

Net gain/loss	**2021**	2020
(Amounts in NOK million)		
Net gain/loss on disposal of property, plant and equipment	-3	0
Net foreign exchange gains/losses	-2	3
Total Net gain/loss	**-6**	**3**

NOTE 9 Financial income and financial expenses

Financial income	**2021**	2020
(Amounts in NOK million)		
Foreign exchange gains unrealized	0	58
Foreign exchange gains realized	0	5
Net gain derivatives unrealized	52	34
Other financial income	2	2
Total financial income	**54**	**100**

Financial expenses	**2021**	2020
(Amounts in NOK million)		
Foreign exchange losses unrealized	-33	0
Net loss derivatives unrealized	-17	-76
Other financial expenses	-18	-22
Total financial expenses	**-68**	**-98**

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NOTE 10 Tax

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

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

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

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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

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

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

Tax expense/income	**2021**	2020
(Amounts in NOK million)		
Tax payable	-4	-21
Adjustment deferred tax prior year	2	-1
Change in deferred tax	72	-47
Total tax income/expense	**70**	**-69**

Below is a specification of the tax effects of temporary differences and losses carried forward:

Deferred tax	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Intangible assets	26	29
Gain and loss account	10	9
Untaxed reserves	31	45
Revenues	3	5
Other items	2	3
Total deferred tax relating to temporary differences	**72**	**90**
Carrying amount deferred tax liabilities	**72**	**90**

Deferred tax assets	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Fixed assets	45	42
Leasing	74	76
Receivables	17	15
Losses carried forward	76	24
Financial instruments	0	8
Other items	0	1
Total deferred tax assets relating to temporary differences and losses carried forward	**213**	**166**
Carrying amount deferred tax assets	**213**	**166**

Explanation of the change in the deferred tax:	**2021**	2020
(Amounts in NOK million)		
Carrying amount deferred tax at 1 January	90	77
Change in deferred tax liabilities	-18	13
Carrying amount deferred tax at 31 December	**72**	**90**

Explanation of the change in the deferred tax assets:	**2021**	2020
(Amounts in NOK million)		
Carrying amount deferred tax assets at 1 January	166	192
Change in deferred tax assets	47	-25
Carrying amount deferred tax assets at 31 December	**213**	**166**

Losses carried forward as of 31 December	**2021**	2020
(Amounts in NOK million)		
Tax jurisdiction:		
Norway (unlimited expiration)	229	19
Finland	203	154
Denmark (unlimited expiration)	621	544
Sweden (unlimited expiration)	89	95
Total losses carried forward	**1 141**	**812**

Losses carried forward as of 31 December 2021 – Finland

Unused tax losses incurred	Expiration year	Unused tax losses
(Amounts in NOK million)		
2012	2022	19
2013	2023	16
2014	2024	26
2016	2026	13
2017	2027	20
2018	2028	0
2020	2030	32
2021	2031	78
Total losses carried forward as at 31 December 2021		**203**

Significant estimates and assumptions
The Finnish entity showed good prospects with underlying growth in all clusters in 2019 and is expected to utilize unused tax losses when the revenues are back to pre-COVID-19 levels. The tax losses must be utilized according to the table above. However, the unused tax losses are not recognized in the Group's balance sheet as at the balance sheet date due to uncertainty around the timeframe around when the losses carried forward will be utilized. The recognized deferred tax asset of NOK 21 million in Finland as at the balance sheet date of 31 December 2021 is related to depreciation differences on fixed assets.The tax losses must be utilized according to the table above.

The recognized deferred tax asset of NOK 21 million in Finland as at the balance sheet date of 31 December 2021 is related to depreciation differences on fixed assets.

At the balance sheet date of 31 December 2021, no deferred tax assets were recognized in Denmark due to uncertainty whether future taxable profits will be available to offset the unused tax losses within a reasonable time frame.

SATS Sports Club Sweden AB and SATS Holding AB have losses carried forward of NOK 89 million that are recognized in the balance sheet as at 31 December 2021. As a consequence of acquisitions of subsidiaries within the Swedish segment followed by mergers with SATS Sports Club Sweden AB, the losses are frozen and cannot be utilized until 2025/2026. Additional acquisitions followed by mergers will result in a prolonged frozen period.

The Group has in total a net deferred tax asset of NOK 188 million not recognized in the balance sheet as at 31 December 2021, consisting of losses carried forward and deferred tax assets on leasehold improvement, equipment, re-establishment obligation, provision for bad debts and deferred tax on goodwill and customer relations. This explains the relatively low tax rate in 2021.

Reconciliation of tax expense	**2021**	2020
(Amounts in NOK million)		
Profit before tax		
Norway	-202	-73
Sweden	-108	119
Finland	-89	-53
Denmark	-124	-248
Corporate tax rates		
Norway, 22%	44	16
Sweden, 20.6% (21.4% in 2020)	22	-25
Finland, 20%	18	11
Denmark, 22%	27	55
Reconciling items:		
Non-deductible expenses	-2	-6
Unused tax losses not recognized as deferred tax assets	-41	-63
Deferred tax assets not recognized previous years (Sweden)	0	20
Foreign currency effects	0	1
Corrections of prior year tax assessments	2	-1
Write down of deferred tax assets (Finland and Denmark)	0	-75
Others	0	-1
Calculated tax expense/income	**70**	**-69**
Weighted average tax rate	13.4%	-27.1%

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NOTE 11 Intangible assets

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

The Group tests goodwill annually at year-end for impairment. The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis (DCF). Based on the value-in-use calculation, the estimated recoverable amount exceeds the carrying amount with significant headroom for most CGUs.

Software
Costs associated with maintaining software programs are recognized as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. Capitalized costs for internally developed software are amortized over the estimated period of usage, three years. Amortization is presented in the line Depreciation and amortization.

Goodwill	Norway	Sweden	Finland	Denmark	**Total goodwill**
(Amounts in NOK million)					
At 1 January 2020					
Cost	1 798	188	574	0	2 560
Accumulated impairment	-199	0	-10	0	-209
Net book value	**1 599**	**188**	**564**	**0**	**2 351**
Year ended 31 December 2020					
Opening net book value	1 599	188	564	0	2 351
Effect of changes in foreign exchange cost	0	21	35	0	55
Additions	41	11	0	0	52
Closing net book value	**1 640**	**220**	**598**	**0**	**2 458**
At 31 December 2020					
Cost	1 838	220	608	0	2 667
Accumulated impairment	-199	0	-10	0	-209
Net book value	**1 640**	**220**	**598**	**0**	**2 458**
Year ended 31 December 2021					
Opening net book value	1 640	220	598	0	2 458
Effect of changes in foreign exchange cost	0	-15	-28	0	-42
Additions	0	10	0	0	10
Closing net book value	**1 640**	**215**	**571**	**0**	**2 425**
At 31 December 2021					
Cost	1 838	215	581	0	2 634
Accumulated impairment	-199	0	-10	0	-209
Net book value	**1 640**	**215**	**571**	**0**	**2 425**
Useful life	Indefinite	Indefinite	Indefinite	Indefinite	
Amortization method	Not amortized	Not amortized	Not amortized	Not amortized	

Other intangible assets	Customer relations	Trademark	Internally developed software[1]	Other	**Total other intangible assets**
(Amounts in NOK million)					
At 1 January 2020					
Cost	50	267	271	4	591
Accumulated amortization and impairment	-8	-265	-201	-4	-478
Net book value	**42**	**2**	**70**	**0**	**113**
Year ended 31 December 2020					
Opening net book value	42	2	70	0	113
Effect of changes in foreign exchange cost	0	0	30	0	30
Effect of changes in foreign exchange accumulated depreciation	0	0	-22	0	-22
Acquisitions	8	0	0	0	8
Additions	0	0	51	0	51
Amortization charge	-10	0	-50	0	-61
Closing net book value	**40**	**2**	**78**	**0**	**120**
At 31 December 2020					
Cost	58	267	352	4	680
Accumulated amortization and impairment	-18	-265	-273	-4	-560
Net book value	**40**	**2**	**78**	**0**	**120**
Year ended 31 December 2021					
Opening net book value	40	2	78	0	120
Effect of changes in foreign exchange cost	-2	0	-26	0	-28
Effect of changes in foreign exchange accumulated depreciation	0	0	19	0	20
Acquisitions	1	0	0	0	1
Additions	2	1	99	0	102
Disposals	0	0	-3	0	-3
Amortization charge	-13	0	-55	0	-68
Closing net book value	**29**	**2**	**113**	**0**	**143**
At 31 December 2021					
Cost	59	268	420	4	751
Accumulated amortization and impairment	-31	-266	-308	-4	-608
Net book value	**29**	**2**	**113**	**0**	**143**
Useful life	3–7 years	10 years	3 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.*

Impairment test: Key assumptions used for value-in-use calculation
The fitness clubs in Norway, Sweden, Finland and Denmark (the segments) are considered to be the four cash generating units (CGU) against which goodwill and trademark are tested. The members can move freely between the fitness clubs within each country. Allowing the members to exercise where they live, work etc. is an important part of the Group's customer offering. The Nordic Management Group also monitors the Group's performance at segment level. Norway, Sweden, Finland and Denmark are therefore deemed the smallest groups of assets that independently generate cash flow and whose cash flow is largely independent of the cash flows generated by other assets. The recoverable amount from the CGU is calculated by taking the historical cash flows for CGUs, taking into account expectations for moderate growth in the Norwegian, Swedish, Finnish and Danish markets.

In connection with the impairment testing of goodwill, a sensitivity analysis has been carried out. The sensitivity analysis has tested changes in WACC and growth rates. SATS is highly affected by the ongoing COVID-19 pandemic. Due to the uncertainties pertaining to how the COVID-19 pandemic can adversely affect future revenues, the sensitivity analysis also includes a scenario analysis reflecting the current short-term uncertainty in primarily revenue growth caused by the ongoing COVID-19 pandemic. There is relatively large headroom on all CGUs except Finland. The estimates used to determine future cash flows and WACC when calculating value in use are subject to uncertainty. The assumptions are described below:

Budget and forecast period
Estimated future cash flow is based on budgets and business plans approved by the Board, based on management's best estimate, reflecting the Group's business planning process and includes an assessment of the long-term market trends and the respective CGU's projected market share for each year within the planning horizon. The calculation takes into account expected future changes in market prices, purchase prices and salary increases. Impairment tests assume continuing operation of the CGUs and are calculated based on a value-in-use method. The calculations use cash flow projections covering a five-year period.

WACC
Future cash flows are discounted to present value using a discount rate based on a calculation of a weighted average cost of capital (WACC). The after-tax discount rates are assumed to reflect specific risks relating to the relevant segments in which they operate. The rates have been adjusted for different interest levels relevant for the segments, but no other country specific risk adjustment has been done as the Nordic region is assumed to be subject to a similar macroeconomic risk profile. This is based on a risk-free rate, plus a risk premium. The market risk premium is assumed to be 4.7% in Norway, Sweden and Denmark and 5.1% in Finland. The beta is based on observations of similar listed companies. The risk-free interest rate is the 10-year government bond interest rate, 1.5% in Norway, 0.1% in Sweden, -0.1% in Finland and in Denmark. Management has not included any premium for project risk, currency risk or country risk for the Group's operations. The allocation between debt and equity corresponds to the observed debt ratio among listed peers.

Growth rate
Growth rates are based on budgets and five-year business plans approved by the Board of Directors, management estimates, and expected market growth in every country. Cash flows beyond these five years are based on an expected growth rate of 2% for an indefinite period.

Sensitivity
At 31 December 2021, the Group's value in use for each CGU was higher than the carrying amount of tested goodwill. For Norway and Sweden, the value in use is significantly higher than the carrying amount. Sensitivity analyses show that no reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying amount. For Finland specifically, an increase in WACC of approximately 1.0% point, all else being equal, would make the estimated recoverable amount equal to the carrying amount. A reduction in terminal value growth of approximately 1.0% point would, all else being equal, make the estimated recoverable amount equal to the carrying amount.

WACC	**2021**	2020
Norway	6.1%	6.2%
Sweden	6.1%	6.2%
Finland	6.5%	6.6%
Denmark	6.1%	6.2%

NOTE 12 Leases

The Group's leasing activities
The Group leases fitness center premises, office buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of six months to 15 years but may have extension options as described below. The Group's lease contracts may contain both lease and non-lease components, and SATS allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. However, for leases of certain premises, the Group grants the lessors guarantee contracts on behalf of its subsidiaries. These financial guarantee contracts amounted to NOK 270 million as at 31 December 2021 (NOK 271 million as at 31 December 2020). The guarantees are provided by SATS Holding AB. In addition, there are six clubs as at 31 December 2021 where the lease contracts do not specify the guarantee amount.

Several of the lease agreements for the fitness centers include leasehold improvement provided by the lessor as a lease incentive. The assets obtained by the Group are recognized as furniture and fittings at fair value and depreciated over the shorter of their useful life or the lease term. The lease incentive is presented as part of the lease liabilities and reversed on a straight-line basis over the lease term.

Rent is annually adjusted for virtually all premises' lease contracts in accordance with the relevant CPI index.

Key accounting principles
Leases are recognized as a lease liability with a corresponding right-of-use asset at the date at which the leased asset is available for use by the Group. Lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value are not capitalized since the payments are recognized in the income statement on a straight-line basis over the lease contract period.

SATS presents the right-of-use assets and lease liabilities as separate line-items on the statement of financial position. Lease liabilities are split into current, due within one year, and non-current, due after more than one year. In the statement of profit or loss, the depreciation and impairment expenses related to the right-of-use asset are presented as part of the total depreciation and impairment expenses. The interest expenses related to the lease liabilities are presented as part of the interest expense.

Lease liabilities
Lease liabilities are recognized at the lease commencement date and are measured at the present value of future lease payments from contractual agreements as at the reporting date.

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Upon modification of a lease, the remeasurement of the lease liability is performed using the applicable discount rate at the date of the remeasurement.

Extension and termination options
Most Norwegian and Finnish lease contracts contain renewal options. In Sweden, the fitness center leasing contracts are automatically renewed if not explicitly agreed otherwise. Danish legislation will under normal circumstances grant the lessor a unilateral right to extend the lease term.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of center premises the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations, center profitability and the costs and business disruption required to replace the leased asset.

Most extension options in premises leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

Incremental borrowing rate
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, which is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group's long-term borrowing interest rate is the applicable IBOR plus a margin dependent on the leverage ratio of the Group. If SATS Group were to acquire the right-of-use assets on similar terms and in a similar economic environment, management expects that the borrowing terms would be comparable to the terms from the current financing agreement with the Group's lenders, adjusted for certain items specific to the lease, such as term, country, currency, security, etc.

Commitments in relation to leases are payable as follows:	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Less than 1 year	984	987
1–2 years	905	933
2–3 years	798	860
3–4 years	672	754
4–5 years	539	645
More than 5 years	1 138	1 532
Minimum lease payments	**5 037**	**5 711**
Future finance charges	-585	-749
Recognized as a liability	**4 452**	**4 962**

The present value of lease liabilities are as follows:	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Less than 1 year	820	795
1–2 years	792	766
2–3 years	724	731
3–4 years	628	660
4–5 years	519	581
More than 5 years	969	1 429
Present value of lease payments	**4 452**	**4 962**

Cash flows from lease agreements	**2021**	**2020**
Property lease agreements	995	971
Short-term lease agreements and leases of assets of low value	23	32
Total cash flows from lease agreements	**1 017**	**1 002**

Lease liability	
(Amounts in NOK million)	
At 31 December 2020	**4 962**
Year ended 31 December 2021	
Effect of changes in foreign exchange	-148
Additions new lease	313
Effects from exercise of extension options	59
Modification of contractual lease terms	5
Amortizations	-807
Disposals sold clubs	-14
Other adjustments	83
Closing net book value 31 December 2021	**4 452**

Lease liability	
(Amounts in NOK million)	
At 31 December 2019	**4 289**
Year ended 31 December 2020	
Effect of changes in foreign exchange	195
Additions new lease	263
Effects from exercise of extension options	757
Modification of contractual lease terms	353
Amortizations	-803
Disposals sold clubs	-184
Other adjustments	91
Closing net book value 31 December 2020	**4 962**

Options to extend but not yet started, amounts to NOK 394 million as at the balance sheet date (NOK 489 as at 31 December 2020) and are included in the total lease liability of NOK 4 452 million (NOK 4 962 million as at 31 December 2020).

Lease terms
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options, or periods after termination options, are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of center premises, the following factors are normally the most relevant:
- If there are significant penalties to terminate or not extend, the Group is typically reasonably certain to extend.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased premises.

Most extension options have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

Lease terms - sensitivity analysis	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Options to extend, not yet committed to	838	477
Leases not yet commenced, to which the lessee is committed	314	178

Options to extend, not yet committed to, is the present value of extension options that the Group has not chosen to include in Lease liabilites as at the balance sheet date. Leases not yet commenced, to which the lessee is commited, is the present value of lease liabilities for clubs not yet opened as at the balance sheet date. NOK 314 million includes four clubs in both Norway and Sweden.

Right-of-use assets
Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, adjusted for lease payments made at or before the commencement date, any lease incentives received, initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In 2021, there were no indications of impairment, hence no impairment test has been undertaken for right-of-use assets, and no impairment charge to right-of-use assets was recognized as at the reporting date.

RoU assets	Premise rental	Other leases	**Total RoU assets**
(Amounts in NOK million)			
At 1 January 2020			
Cost	8 152	87	8 238
Accumulated depreciation	-4 290	-36	-4 326
Net book value	**3 862**	**51**	**3 912**
Year ended 31 December 2020			
At 1 January 2020	3 862	51	3 912
Additions/disposals	1 286	-13	1 272
Effect of changes in foreign exchange cost	221	5	227
Depreciation charge	-786	-20	-806
Effect of changes in foreign exchange accumulated depreciation	-37	-1	-38
Closing net book value	**4 546**	**22**	**4 568**
At 31 December 2020			
Cost	9 659	79	9 737
Accumulated depreciation	-5 113	-57	-5 170
Net book value	**4 546**	**22**	**4 568**
Year ended 31 December 2021			
At 1 January 2021	4 546	22	4 568
Additions/disposals	445	7	452
Effect of changes in foreign exchange cost	-200	-3	-203
Depreciation charge	-792	-13	-805
Effect of changes in foreign exchange accumulated depreciation	64	2	66
Closing net book value	**4 063**	**15**	**4 077**
At 31 December 2021			
Cost	9 904	82	9 986
Accumulated depreciation	-5 841	-68	-5 909
Net book value	**4 063**	**15**	**4 077**
Useful life	1–15 years	1–5 years	
Depreciation method	Straight-line	Straight-line	

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NOTE 13 Property, plant and equipment

Property, plant and equipment
All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Property, plant and equipment	Capitalized leasehold improvements[1]	Fitness equipment	Other fixtures and equipment	**Total tangible assets**
(Amounts in NOK million)				
At 1 January 2020				
Cost	1 323	768	438	2 529
Accumulated depreciation and impairment	-843	-572	-376	-1 791
Net book value	**480**	**197**	**62**	**739**
Year ended 31 December 2020				
Opening net book value	480	197	62	739
Effect of changes in foreign exchange cost	76	35	18	129
Effect of changes in foreign exchange accumulated depreciation	-48	-24	-16	-87
Acquisition of subsidiary	2	15	1	18
Additions	98	54	27	179
Disposals cost	-77	-28	-26	-131
Disposals accumulated depreciation	53	26	25	105
Accumulated depreciation acquisition of subsidiary	-2	-12	-1	-14
Depreciation charge	-96	-55	-28	-179
Closing net book value	**486**	**208**	**64**	**758**
At 31 December 2020				
Cost	1 421	845	459	2 724
Accumulated depreciation and impairment	-935	-637	-395	-1 966
Net book value	**486**	**208**	**64**	**758**
Year ended 31 December 2021				
Opening net book value	486	208	64	758
Effect of changes in foreign exchange cost	-54	-27	-10	-91
Effect of changes in foreign exchange accumulated depreciation	36	19	8	64
Reclassification additions	7	-8	1	0
Acquisition of subsidiary	2	0	1	2
Additions	50	52	28	130
Disposals cost	-5	-11	-1	-17
Disposals accumulated depreciation	4	10	1	16
Reclassification depreciations	-8	7	-1	-2
Depreciation charge	-89	-51	-29	-169
Closing net book value	**431**	**200**	**61**	**691**
At 31 December 2021				
Cost	1 421	851	477	2 749
Accumulated depreciation and impairment	-991	-651	-416	-2 058
Net book value	**431**	**200**	**61**	**691**
Useful life	10 years[1]	5 - 9 years	3 - 7 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

[1] *Leasehold improvements relate to refurbishments of leased premises. These lease contracts have a contract period of ten years or beyond. The depreciation period is estimated to correspond with the expected economic useful life of the improvement. Expected useful life is adjusted if the contract period is altered before initial expiration date.*

NOTE 14 Interest in other entities in the Group

The consolidated financial statements include the following companies:

Subsidiaries	Organization number	Business office	Country	Voting percentage	Ownership percentage
SATS Holding AB	556628-6562	Stockholm	Sweden	100%	100%
SATS Sports Club Sweden AB	556563-2527	Stockholm	Sweden	100%	100%
SATS Finland Oy	0459885-5	Helsinki	Finland	100%	100%
Fresh Fitness AS	995-415-569	Oslo	Norway	100%	100%
SATS Norway AS	892-625-522	Oslo	Norway	100%	100%
SATS Vest AS	948-942-003	Oslo	Norway	100%	100%
SATS Danmark A/S	20-37-05-99	Copenhagen	Denmark	100%	100%

The subsidiaries SATS Grenland AS and Bare Trening AS were merged into SATS Norway AS and Fresh Fitness AS respectively on 1 January 2021.

Please see Note 11 Intangible assets for further information on impairment testing.

NOTE 15 Inventories

Inventories
Inventories consist mainly of clothing, sports equipment, energy bars, soft drinks and mirrors related to the Mentra business area which is new in 2021. Inventories are measured at the lower of cost and net realizable value, using the first-in first-out (FIFO) method. The Group's inventories only consist of finished goods for sale to customers. The cost of inventories consist of direct costs related to the acquisition of the goods. Net realizable value is the estimated sales price less relevant variable costs to sell. Costs of purchased inventory are determined after deducting rebates and discounts.

(Amounts in NOK thousand)	**31.12.2021**	31.12.2020
Inventories at cost	57 854	47 715
Impairment	-869	-19
Impairment reversal	-33	205
Total inventories	**56 953**	**47 901**

NOTE 16 Accounts receivable and other current receivables

Accounts receivable
Accounts receivables are measured at amortized cost using the effective interest method, less provision for impairment. Please see Note 22 Financial risk factors for a description of the Group's credit risk assessment.

Impairment of accounts receivable and contract assets (financial asset at amortized cost)
From1 January 2018 accounts receivables, contract assets and other current receivables are measured at amortized cost. Impairment losses are measured at lifetime expected credit losses in accordance with IFRS 9. There was no material effect upon adoption of IFRS 9 related to the impairment of accounts receivable. The impairment model has been updated to be in compliance with IFRS 9.

SATS' impairment model regarding accounts receivable, contract assets and other current assets is a simplified approach based on lifetime expected credit losses (ECL). Impairment is based on an estimate of the probability of default for the financial assets reflecting an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes; the time value of money and reasonable available information related to past events, current conditions and forecasts of future economic conditions.

SATS uses an impairment model with the following characteristics:
- The receivables are aggregated into portfolios based on the credit risk of the customers and type of receivable. One portfolio is the receivables where invoicing occurs automatically. This portfolio has a comparatively low risk of default, and therefore an impairment loss is recognized based on the expectation of a few of the accounts not being paid. Another portfolio is the receivables for customers in the first year of membership that have a non-cancellable agreement. The credit risk for these receivables is higher than the automatic payment portfolio, and an impairment loss is recognized on these receivables.
- For the receivables with a high/higher probability of default, a provision matrix is developed based on known sales and the historic default rates for these sales. The provision matrix is based on the probability of expected losses, so even receivables not yet in default have an impairment loss recognized.
- On top of the provision matrix, an individual assessment is performed on specific customer receivables, typically if a customer has declared bankruptcy. Receivables are also assessed for credit risk on a country-by-country basis.

Loss allowance and ageing of accounts receivables	**2021**	2020
(Amounts in NOK million)		
Accounts receivables	339	325
Loss allowance	-221	-205
Total	**117**	**120**

Age of trade receivables	**2021**
Not due	61
30–60 days	37
60–90 days	9
90–120 days	9
120–365 days	41
>365 days	181
Total trade receivables, gross	**339**
Total trade receivables, net	**117**
Loss allowance at 31 December 2020	-205
Reversals during the year	1
Provisions during the year	-17
Loss allowance at 31 December 2021	**-221**

Other current receivables - prepaid expenses and accrued income	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Credit cards	8	33
VAT receivables	13	39
Prepaid taxes	15	2
Other current receivables	22	11
Total other current receivables	**59**	**85**

Prepaid expenses and accrued income	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Prepaid rent	44	51
Prepaid property expenses	26	22
Prepaid marketing expenses	37	11
Contract asset	71	50
Governmental compensations	0	56
Other prepaid expenses	60	83
Total prepaid expenses and accrued income	**237**	**274**

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NOTE 17 Cash and cash equivalents

Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits and restricted deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(Amounts in NOK million)	**31.12.2021**	31.12.2020
Cash and cash equivalents	281	456
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	22	20

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalent as disclosed above.

Please see Note 22 Financial risk factors for further information about the Group's credit risk management.

NOTE 18 Share capital

As at 31 December 2021, share capital amounted to NOK 366 million consisting of 172 246 142 ordinary shares at a face value of NOK 2.1250 per share.

Overview of the shareholders as at 31 December 2021

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
TG Nordic Invest	51 500 971	29.9%	29.9%
AF III Holdco AS	41 556 415	24.1%	24.1%
Canica AS	12 558 497	7.3%	7.3%
SATS Management Invest AS	8 651 488	5.0%	5.0%
Maaseide Promotion AS	7 990 976	4.6%	4.6%
J.P. Morgan Bank Luxeembourg S.A.	2 631 952	1.5%	1.5%
Salt Value AS	2 186 865	1.3%	1.3%
Verdipapirfondet Eika Spar	2 177 272	1.3%	1.3%
Ingvarda AS	1 904 943	1.1%	1.1%
Verdipapirfondet Eika Norge	1 651 057	1.0%	1.0%
Folketrygdefondet	1 398 378	0.8%	0.8%
State Street Bank and Trust Comp	1 353 956	0.8%	0.8%
Funkybiz AS	1 100 000	0.6%	0.6%
Skandinaviska Enskilda Banken AB	1 038 541	0.6%	0.6%
SATS ASA	910 769	0.5%	0.5%
Skandinaviska Enskilda Banken AB: Fondita 2000+ Investment Fund	875 289	0.5%	0.5%
Avanza Bank AB	838 061	0.5%	0.5%
Skandinaviska Enskilda Banken AB: Fondita Nordic Small Cap Invt FD	832 500	0.5%	0.5%
C Worldwide Norge III	796 387	0.5%	0.5%
Skandinaviska Enskilda Banken AB: Norron Sicav - Target	769 392	0.4%	0.4%
Other shareholders	29 522 433	17.1%	17.1%
Total	**172 246 142**	**100.0%**	**100.0%**

All shares have been fully paid and have the same rights.

Repurchase program
On 1 October 2020, SATS announced a share repurchase program under which the company repurchased 1 100 000 own shares, representing 0.64% of the total number of shares in the company at the time. The repurchased shares will be used for the following three 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, in total approximately 550 000 shares.
2. Delivery of shares to new employees who will be offered to participate in the share investment program, in total approximately 450 000 shares.
3. Delivery of 97 330 shares to the Company's CEO, Sondre Gravir with respect to the additional investment made by him under the share investment program. The additional 97 330 shares were acquired by Sondre Gravir on 22 December 2020.

As at the balance sheet date of 31 December 2021, the company holds 910 769 treasury shares.

Shares in SATS Management Invest held by the Board of Directors and Executive Management:

	Ownership percentage
Executive management including CEO	32.90%

The ownership is in SATS Management Invest AS.

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NOTE 19 Earnings per share

General
Basic earnings per share are calculated by dividing:
- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:
- the post-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

On 1 October 2020, SATS announced a share repurchase program under which the company repurchased 1 100 000 own shares in 2020. Of these shares, 97 330 were acquired by Sondre Gravir in December 2020, and a total of 91 901 shares were acquired by the Head of Mentra by SATS and the Country Managers in Norway and Finland in April 2021. As at the balance sheet date of 31 December 2021, the company holds 910 769 treasury shares. The number of outstanding shares are hence adjusted as a weighted average for 2021 and 2020.

On the basis of the resolution by the general meeting of SATS ASA on 11 May 2021, all employees of SATS ASA and its subsidiaries, except executive management, 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 13 December. The company's new share capital is NOK 366 023 051.75, comprising in total 172 246 142 shares, each with a nominal value of NOK 2.125. The denominator for 2021 is calculated as a weighted average.

The Share Investment Program implies that the company on the balance sheet date of 31 December 2021 will deliver 525 463 matching shares to employees in 2023 and 107 425 shares in 2024. The denominator for diluted earnings per share is therefore adjusted as a weighted average for 2021. Allocation of matching shares is further contingent upon the company's performance over time.

Basic earnings per share	**2021**	2020
(Amounts in NOK)		
From continuing operations attributable to the ordinary equity	-2.65	-1.90
Total basic earnings per share attributable to the ordinary equity	**-2.65**	**-1.90**
Total number of outstanding shares, including share options	170 851 309	170 663 904

Diluted earnings per share	**2021**	2020
(Amounts in NOK)		
From continuing operations attributable to the ordinary equity	-2.65	-1.90
Total diluted earnings per share attributable to the ordinary equity	**-2.65**	**-1.90**
Total number of outstanding shares, including share options	170 851 309	170 918 475

Reconciliation of earnings used in calculating earnings per share	**2021**	2020
(Amounts in NOK million)		
Basic earnings per share		
Profit/loss attributable to equity holders of the Group	-452	-325
Profit attributable to the ordinary equity used in calculating basic earnings per share	**-452**	**-325**
Diluted earnings per share		
Profit/loss used in calculating diluted earnings er share	-452	-325
Profit attributable to the ordinary equity used in calculating diluted earnings per share	**-452**	**-325**

NOTE 20 Borrowings

Borrowings
Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

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

Overview of interest bearing liabilities	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Current		
Bank borrowings	12	11
Leases	820	795
Total current interest-bearing liabilities	**833**	**806**
Non-current		
Bank borrowings	2 090	1 938
Leases	3 632	4 167
Total non-current interest-bearing liabilities	**5 722**	**6 105**
Total interest-bearing liabilities	**6 555**	**6 910**

The fair value of the interest-bearing liabilities is considered to be equal to the book value according to the amortized cost as shown above. All the bank facilities have floating interest rates.

New 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. Updated addendums were signed in July 2020 and in April 2021. In February 2022 the company signed an addendum to the agreement, extending the RCF with one year until September 2025. As at the balance sheet date of 31 December 2021, the remaining undrawn amount summed up to approximately NOK 289 million.

Interests on borrowings under the new 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 mature in full in October 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 a draw down of NOK 2 091 million as at the balance sheet date of 31 December 2021, the annual interest payment is expected to be in the range of NOK 51 to 72 million.

Covenants
For covenants, please see Note 27 Financial covenants.

Payment profile for the Group's borrowings
The following table shows the undiscounted payment profile of the Group's borrowings, based on the remaining loan period at the balance sheet date:

Borrowing facilities	**Total**
(Amounts in NOK million)	
Less than 1 year	72
1–2 years	60
2–3 years	51
3–5 years	2 099
More than 5 years	0
Payment profile for borrowings	**2 282**

NOTE 21 Reconciliation of net debt

Liabilities arising from financing activities	Cash and cash equivalents	Borrowings	Leases	**Total**
(Amounts in NOK million)				
Net debt 1 January 2020	**-165**	**1 301**	**4 289**	**5 424**
Cash flows				
Net cash flow from operations	-1 113	0	0	-1 113
Net cash flow from investing	331	0	0	331
Net cash flow from financing	499	0	0	499
Repayments of borrowings	0	-2	0	-2
Proceeds from borrowings	0	575	0	575
Installment on lease liabilities	0	0	-803	-803
Interest on lease liabilities	0	0	-196	-196
Non-cash changes				
Net additions – finance leases	0	0	1 470	1 470
Depreciation bank costs	0	3	0	3
Foreign exchange movement	-7	68	201	263
Other changes	0	3	0	3
Net debt 31 December 2020	**-456**	**1 949**	**4 962**	**6 455**
Cash flows				
Net cash flow from operations	-920	0	0	-920
Net cash flow from investing	240	0	0	240
Net cash flow from financing	877	0	0	877
Repayments of borrowings	0	-2	0	-2
Proceeds from borrowings	0	200	0	200
Installment on lease liabilities	0	0	-800	-800
Interest on lease liabilities	0	0	-187	-187
Non-cash changes				
Net additions – finance leases	0	0	637	637
Depreciation bank costs	0	3	0	3
Foreign exchange movement	-22	-48	-160	-230
Net debt 31 December 2021	**-281**	**2 103**	**4 452**	**6 274**

NOTE 22 Financial risk factors

Overview
Through its activities, the Group will be exposed to different types of 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. Additional quantitative information is included in this note. The Group does not apply hedge accounting.

Risk management
The Group's overall risk management plan is to ensure the ongoing liquidity in the Group, defined as being able to meet its obligations at any time. This also includes being able to meet the financial covenants related to the Group's borrowings.

Risk management of the Group is maintained by a central finance function in accordance with the guidelines approved by the Board. The Group's finance function identifies, measures, mitigates and reports on financial risks in close cooperation with the various operating units.

Risk management policies and procedures are reviewed regularly to take into account changes in the market and the Group's activities.

Market risk
Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will vary as a result of changes in market prices. The market price includes three types of risks: exchange risks, interest risks and price risks.

Market risk is monitored and managed continuously by the Group through a combination of natural hedging techniques and financial derivatives.

Foreign exchange risk
The Group operates internationally and is exposed to changes in foreign exchange rates. For risk management purposes, the Group has identified three types of exchange exposures:

- Net investment;
- Profit after tax in foreign currency; and
- Borrowings in foreign currency.

As an international group, SATS is exposed to the risk associated with converting the currency related to legal entities with a functional currency different from the Group's presentation currency. Such translation exposure does not yield an immediate result on the cash flow. It can still affect the Group's financial covenant and is therefore closely monitored. Exposure of foreign subsidiaries' equity is partly naturally hedged through borrowings in corresponding currency.

The Group's business model is such that the subsidiaries' sales and operating expenses are incurred in local currency, reducing the exposure to foreign exchange rate fluctuations in the profit or loss. The net of those cash flows is meant to be able to cover the borrowings in local currency, reducing the exposure related to borrowings in local currency due to changes in the foreign exchange rates. Please see Note 20 Borrowings for payment profile of the Group's borrowings in the different currencies.

Sensitivity analysis
As shown below, 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 other exchange rates than where the legal entity is located. EUR, SEK and DKK are strengthened by 10% against NOK in the sensitivity analysis below.

Exchange rate - sensitivity analysis	**2021**	2020
(Amounts in NOK million)		
SEK/NOK exchange rate - increase 10%[1)]	23	48
EUR/NOK exchange rate - increase 10%[1)]	-8	3
DKK/NOK exchange rate - increase 10%[1)]	-20	-31
Impact on Profit/loss after tax	**-5**	**19**

[1)] *Holding all other variables constant.*

Profit after tax is less sensitive to changes in SEK/NOK and DKK/NOK in 2021 than in 2020 and more sensitive to changes in EUR/NOK. Net income in the Swedish segment was positive in 2020, however, a negative net income in 2021 results in a negative exchange rate effect in the statement of profit and loss when re-consolidating 2021. Intercompany loans in SEK neturalizes the effect and and result in a net positive exchange rate effect in the statement of profit and loss. A more negative net income in Finland in 2021 than in 2020 results in a negative effect when re-consolidating, an effect partly neutralized by internal loans in EUR. Loss after tax is less sensitive to changes in DKK/NOK in 2021 when reconsolidating the Danish segment with a 10% weaker NOK since loss after tax was substantially more negative in 2020 than 2021.

The Group's exposure to other foreign exchange movements is not material.

NOTE 23 Financial instruments

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

Derivatives are classified as FVPL and initially recognized at fair value on the date a derivative contract is entered into and 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 12 months from the balance sheet date and there is no intention to close the position within 12 months from the balance sheet date.

Changes in the fair value of any derivative instrument are recognized immediately in profit or loss and are included in financial income or financial expense if they are economic hedges for financing related risks. Derivatives that are economic hedges for operational cash flows are included in operating gain and loss. The fair values of the outstanding derivatives as at the balance sheet date are disclosed below.

The Group has the following derivative financial instruments:	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Non-current liabilities		
Interest rate swap contracts	1	36
Total non-current derivative financial instrument liabilities	**1**	**36**

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading of available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

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 calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments determined using discounted cash flow analysis

All of the resulting fair value estimates are included in Level 2 except for unlisted equity securities, a contingent consideration receivable and 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.

Other financial instruments
Financial assets (excluding derivative financial instruments)
All financial assets, excluding derivatives, meet the SPPI criteria and are managed in a business model of Hold to Collect. Therefore all financial assets, excluding derivatives, are allocated to the category amortized cost.

The Group measures its accounts receivables and other receivables and cash and cash equivalents at amortized cost. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognized in the income statement.

Investments in unquoted equity securities are designated as fair value through other comprehensive income if they are held as long-term strategic investments that are not expected to be sold in the short to medium term. All fair value movements in respect of those assets are recognized in other comprehensive income and are not recycled to profit or loss. The financial assets are classified as current assets, except for those with maturities later than 12 months after the balance sheet date. These assets are classified as non-current assets.

Financial liabilities (excluding derivative financial instruments)
The Group's financial liabilities consist of trade and other payables, other financial liabilities (including contingent considerations and lease liabilities) and borrowings. The Group initially recognizes its financial liabilities at fair value net of transaction costs and they are subsequently measured at amortized cost using the effective interest method. Transaction costs are amortized using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value.

Interest rate risk
The Group's interest rate risk is mainly related to loans where an element of the interest rate is not fixed. See Note 20 Borrowings for an overview of such loans. An increase in floating rates would lead to an increase in interest costs and reduce net income and cash flow. Effects from derivatives used for hedging of interest rate risk are not included in the following analysis.

	Impact on profit after tax[2]	
Interest rate - sensitivity analysis	**2021**	2020
(Amounts in NOK million)		
Interest rates - increase 100 basis points[1]	-16	-14
Interest rates - decrease 100 basis points[1]	16	14

[1] *Holding all other variables constant.*
[2] *Estimated impact given a tax rate of 22.0%.*

Profit after tax was more sensitive to changes in the interest rate in 2021 than 2020 because of increased borrowings in 2021 due to COVID-19 effects.

Overview of non-overdue interest swaps per 31 December 2021

Interest rate swaps	Notional in currency million	Maturity	Fixed rate	**Unrealized gain/loss 31 December**
(Amounts in NOK million)				
IRS NOK	694	28.10.2026	1.751	-1
IRS EUR	200	28.10.2024	0.430	0
Fair value of the Group's interest rate swaps as at 31 December 2021 in NOK million				**-1**

Overview of non-overdue interest rate swaps per 31 December 2020

Interest rate swaps	Notional in currency million	Maturity	Fixed rate	**Unrealized gain/loss 31 December**
(Amounts in NOK million)				
IRS NOK	694	28.10.2026	1.751	-33
IRS EUR	200	28.10.2024	0.430	-3
Fair value of the Group's interest rate swaps as at 31 December 2020 in NOK million				**-36**

Changes in fair value are presented within financial income and financial expense in the income statement. Please see Note 9 Financial income and financial expenses.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. SATS ASA's credit risk refers to the risk of the Group's trade receivables and investment in liquid assets. As the daily business is to a large part based on customer prepayments and direct debit arrangements, the Group's credit risk is considered low.

The Group has a credit management policy to only cooperate with financial institutions with high credit rating.

At the end of the reporting period, the Group's maximum credit risk exposure was NOK 177 million. The Group does usually not demand collateral for receivables. The bad debt provision for trade receivables is NOK 221 million as at the balance sheet date.

Liquidity risk
The Group's liquidity risk is characterized by a potential risk of not being able to meet obligations to vendors and loan creditors. The ability to service the debt, and ultimately continue as a going concern, depends on the Group's cash flow from operating activities. The Group regularly monitors the cash flow situation by setting up cash flow forecasts based on the forecasts of the liquidity reserves, including cash equivalents and borrowing facilities. The forecasts are set by the individual subsidiaries and is regularly monitored by the Group. Please see Note 20 Borrowings for information on funding sources and payment profile.

To be able to maintain a sufficient flexibility in the source of funding, the Group has total available borrowing facilities of NOK 2 500 million as at 31 December 2021 (NOK 2 500 million as at 31 December 2020) of which 289 million has not been drawn down as at the balance sheet date. In addition the Group has cash and cash equivalents of NOK 281 million as at 31 December 2021 (NOK 456 million as at 31 December 2020).

Net presentation of financial assets and liabilities as at 31 December 2021

Maturity profile *(Amounts in NOK million)*	1–3 months	3–12 months	1–5 years	More than 5 years	**Total**
Accounts receivables	107	50	181	0	339
Other current receivables	59	0	0	0	59
Cash and cash equivalents	281	0	0	0	281
Financial assets	**448**	**50**	**181**	**0**	**679**
Borrowings	0	2	2 099	0	2 101
Lease liabilities	253	731	2 915	1 138	5 037
Trade payables	138	0	0	0	138
Other current liabilities	369	0	0	0	369
Payment of interest	18	51	115	0	184
Financial liabilities	**779**	**783**	**5 129**	**1 138**	**7 828**
Net financial liabilities	**-331**	**-733**	**-4 948**	**-1 138**	**-7 149**

Financial liabilities are measured at nominal amounts if this is a reasonably approximate fair value.

Net presentation of financial assets and liabilities as at 31 December 2020

Maturity profile *(Amounts in NOK million)*	1–3 months	3–12 months	1–5 years	More than 5 years	**Total**
Accounts receivables	98	67	160	0	325
Other current receivables	85	0	0	0	85
Cash and cash equivalents	456	0	0	0	456
Financial assets	**639**	**67**	**160**	**0**	**866**
Borrowings	0	2	1 941	0	1 943
Lease liabilities	249	738	3 192	1 532	5 711
Trade payables	119	0	0	0	119
Other current liabilities	424	0	0	0	424
Payment of interest	15	38	112	0	165
Financial liabilities	**809**	**776**	**5 244**	**1 532**	**8 362**
Net financial liabilities	**-171**	**-709**	**-5 085**	**-1 532**	**-7 496**

Financial liabilities are measured at nominal amounts if this is a reasonably approximate fair value.

Capital management
The Group's main goal is to maximize shareholder value while ensuring the Group's ability to continue operations, as well as to make sure that covenant criteria are met (please see Note 27 Financial covenants for financial covenant requirements). The Group has an overall target to maintain a capital structure that binds capital in the most optimal way given the current market situation. The Group makes changes to its capital structure as necessary based on an ongoing assessment of the business' financial situation and future prospects in the short and medium term.

Financial instruments as of 31 December 2021

Assets	Assets measured at amortized cost	Fair value through profit and loss	**Total**
(Amounts in NOK million)			
Other non-current receivables	34	0	34
Accounts receivable	117	0	117
Other current receivables	59	0	59
Cash and cash equivalents	281	0	281
Total financial assets	**491**	**0**	**491**

Liabilities	Liabilities measured at amortized cost	Fair value through profit and loss	**Total**
(Amounts in NOK million)			
Borrowings	2 103	0	2 103
Leases	4 452	0	4 452
Derivatives	1	0	1
Trade and other payables	138	0	138
Other current liabilities	369	0	369
Total financial liabilities	**7 061**	**0**	**7 061**

Financial instruments as of 31 December 2020

Assets	Assets measured at amortized cost	Fair value through profit and loss	**Total**
(Amounts in NOK million)			
Other non-current receivables	38	0	38
Accounts receivable	120	0	120
Other current receivables	85	0	85
Cash and cash equivalents	456	0	456
Total financial assets	**699**	**0**	**699**

Liabilities	Liabilities measured at amortized cost	Fair value through profit and loss	**Total**
(Amounts in NOK million)			
Borrowings	1 949	0	1 949
Leases	4 962	0	4 962
Derivatives	36	0	36
Trade and other payables	119	0	119
Other current liabilities	424	0	424
Total financial liabilities	**7 490**	**0**	**7 490**

NOTE 24 Other current liabilities

Contract liabilities
A large portion of the Group's customers pay the monthly membership subscription fee in advance. These prepayments are recognized as non-financial debt and will be settled in the Group's services.

	31.12.2021	31.12.2020
(Amounts in NOK million)		
Contract liabilities	487	441
Total deferred revenue	**487**	**441**

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

Other current liabilities by nature	**31.12.2021**	31.12.2020
(Amounts in NOK million)		
Accrued employee benefit expenses	88	44
Accrued vacation pay	74	72
Non-redeemed gift cards	3	1
Accrued rent	8	7
Accrued rent discounts	44	53
Customer liabilities	49	118
Other current liabilities	103	128
Total other current liabilities	**369**	**424**

NOTE 25 Related parties

The following table presents an overview of transactions with related parties. Remuneration to executive staff and the Board of Directors and share capital information are presented in Note 6 Personnel expenses and Note 18 Share capital, respectively, and are not included in the following overview:

Profit or loss items

Related party	Relationship	Type of services	**2021**	2020
(Amounts in NOK thousand)				
Altor	Shareholder of SATS ASA	Other operating expenses	-15	-72
Total related party profit or loss items			**-15**	**-72**

The amounts in the table above are presented within Other operating expenses. There are no related party balance sheet items as at 31 December 2021 or 31 December 2020.

All transactions with related parties are priced at market conditions 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 26 Provisions, contingent liabilities and contingent assets

Provisions
Provisions for legal claims, service warranties and make-good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

NOTE 27 Financial covenants

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

In February 2022 the company signed an addendum to the NOK 2500 million facility, extending the RCF with one year until September 2025. The addendum also includes adjusted covenants which will be applicable to and including 31 December 2023, subject to voluntary cancellation by SATS at any time. The financial covenants set out quarterly minimum levels for liquidity and Adjusted EBITDA. SATS cannot distribute any dividend to shareholders during the amendment period and shall be compliant with the original covenants once the amendment period expires.

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 2020 and 2021.

NOTE 28 New IFRS standards

New standards and amendments – applicable 1 January 2021
The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2021. SATS has not identified any significant impact to the Group's consolidated financial statements as a result of the mentioned amendments:

IFRS 16 and COVID-19 - Extension of practical expedient
The extension permits a lessee to apply the practical expedient regarding COVID-19-related concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due before 30 June 2021). The extension requires a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021 and requires a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment (no restatement of comparatives).

Insurance contracts – Amendments to IFRS 4
IFRS 9 addresses the accounting for financial instruments and is effective for annual reporting periods beginning on or after 1 January 2018. However, for insurers meeting the eligbility criteria, IFRS 4 provides a temporary exemption which permits them to continue to apply IAS 39 Financial Instruments: Recognition and Measurement rather than implement IFRS 9.

Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9, IFRS 16, IFRS 4 and IAS 39 - Phase 2
Phase 2 amendments relate to issues that could affect financial reporting when an IBOR is replaced with an alternative benchmark interest rate. The amendments are relevant for entities with financial assets, financial liabilities or lrease liabilites that are subject to the interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform.

No changes have been made to any of the current accounting standards.

Standards not yet effective
The below amendments to IFRS applicable to SATS have been issued but were not yet effective on the balance sheet date. Except for IAS 1, management, at the date of the Board approval of these financial statements, has not identified any significant potential impacts to the Group's consolidated financial statements as a result of these amendments. None of the following standards have been subject to early adaptation.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1
The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities from non-current to current if any noncompliance with loan covenants is expected for further reporting periods.

The standard will be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting

Estimates and Errors.

Business Combinations - Amendments to IFRS 3
The amendments include an update in IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.A requirement was also added that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of Conceptual Framework) to identify the liabilities it has assumed in a business combination; and an explicit statement is added to IFRS 3 that an acquirer does not recognize contingent assets acquired in a business combination.

Income Taxes - Amendments to IAS 12
The International Accounting Standards Boards issued Deferred Tax related to Assets and Liabilites arising from a Single Transaction in May 2021 that aims to clarify how companies account for deferred tax on leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Accounting Policies, Changes in Accounting Estimates and Errors - Amendments to IAS 8
The changes to IAS focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new development is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current periods's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

NOTE 29 Critical estimates

Critical estimates
Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Critical accounting estimates and assumptions
Management makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates, assumptions and management judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment of intangible assets
The acquisition method was used to account for the historic business combinations results in the goodwill amount. Internally developed software has been recognized at historic cost, has a finite useful life and is subsequently carried at cost less accumulated amortization and impairment losses.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Recognized goodwill and internally developed software are material to the 2021 financial statements as a whole, and users of the Group's financial statements should note the inherent uncertainty pertaining to the valuation of intangible assets.

The sensitivity analysis and valuation methodology for assessing goodwill are further described in Note 11 Intangible assets.

Goodwill
Goodwill is recognized at NOK 2 425 million as at the balance sheet date. The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations, which require the use of several assumptions. The calculations use cash flow projections based on financial budgets and prognoses approved by management covering a five-year period for Norway, Sweden, Finland and Denmark. Cash flows beyond these periods are extrapolated using the estimated growth rates stated in Note 11 Intangible assets. These growth rates are consistent with forecasts included in economic outlook reports specific to the area in which each CGU operates.

Internally developed software
Internally developed software is recognized at NOK 113 million as at the balance sheet date. The Group estimates the useful life of internally developed software to be at least three years based on the expected useful economic life of the assets. However, the actual useful life may be shorter or longer than three years, depending on software innovations, technical obsolescence of existing solutions and competitor actions.

Depreciation of property, plant and equipment
The Group's assessment of the useful life of property, plant and equipment is determined by the expected useful economic life of the assets, and is based on management's judgement and previous experience. Due to the significant historic investments in leasehold improvements and other fitness equipment, any deviation between actual and estimated useful lives could have a material effect on the consolidated financial statement.

Recognition of income tax
The Group is subject to income tax in four jurisdictions, and significant estimates are required when determining the provision for income taxes and related tax balances. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

Deferred tax assets recognized as at 31 December 2021 have been estimated based on future profitability assumptions over a five-year horizon, and the deferred tax assets are recognized only to the extent that it is probable that the tax assets will be realized.

NOTE 30 Judgements in applying the Group's accounting policies

Critical judgements in applying the Group's accounting policies
Accounting estimates made by the Group's management are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The significant judgements that management has made in applying its accounting policies, and the estimates and assumptions for which there is a significant risk of a material adjustment to the Financial Statements within the next financial year, are set out below.

Critical judgements in determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not to exercise). The assessment of reasonable certainty is only revised if a significant event or a significant change in the circumstances occurs, which affects this assessment, and is within the control of the lessee.

Extension options are at the latest reassessed the quarter before the date of the termination option, which in practical terms means that the lease option is added to the lease liability when a quarter of the agreement remains if the agreement is not to be terminated. The Danish lease agreements do not have extension options; instead, the agreements are continuously prolonged until terminated. six or twelve months (according to the agreement) are continuously added to the lease liability if the agreement is not to be terminated.

Critical judgements in recognizing revenue – joining fees
When a customer signs up for a fitness center membership, a joining fee will be charged to the overall subscription amount. For this fee, the new members receive an automatic payment arrangement and a free personal training introduction session. Management has defined the personal training introduction session as the key performance obligation related to the introduction offering, and consequently the joining fee is recognized as revenue at the subscription contract inception date. If no performance obligation was satisfied at the contract inception, the joining fees would be recognized over the expected duration of the membership.

Critical judgements in recognizing revenue – financing components
The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTE 31 Events after the balance sheet date

SATS announced a successful private placement on 16 February 2022, through an allocation of 30.8 million new shares at a subscription price of NOK 19.5 per share, with gross proceeds of NOK 600.6 million. The net proceeds from the private placement will predominately be used to ensure sufficient strategic flexibility for the company to act on potential organic and in-organic growth opportunities in the short to medium term and to ensure a more robust liquidity position in order to exploit opportunities in the longer run. In February 2022 the company signed an addendum to the NOK 2 500 million facility, extending the RCF with one year until September 2025.

The Board of Directors is not aware of any other events, besides the private placement, that occurred after the balance sheet date, or any new information regarding existing matters, that could have a material effect on the 2021 consolidated financial statements.

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"I'm so proud to be a SATS Instructor. I'm personally motivated by our vision of making people healthier and happier. The pandemic have made this vision even more important, and I know I'm actually contributing to the infrastructure of good public health. It is so rewarding to see the happy faces of our members!"

– Malene

CONTENTS

ALTERNATIVE PERFORMANCE MEASURES

The Group reports its financial results in accordance with accounting principles IFRS as issued by the IASB and as endorsed by the EU. However, management believes that certain 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 viewed as 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 to be an important supplemental measure to understand the overall picture of profit generation in the Group's operating activities. Please see reconciliation to profit or loss before tax in the table on the next page.

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 reconciliation to profit or loss before tax in the table on the next page.

EBITDA before impact of IFRS 16 Margin
EBITDA before impact of IFRS 16 divided by total revenue.

Adjusted EBITDA before impact of IFRS 16
Adjusted EBITDA before impact of IFRS 16 is a measure of EBITDA adjusted for (i) lease expenses applying IAS 17 Leases, (ii) impairment charges, (iii) revenue and costs from closed clubs, and (iiii) certain extraordinary items affecting comparability. 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 reconciliation to profit or loss before tax in the table on the next page.

Adjusted EBITDA before impact of IFRS 16 Margin
Adjusted EBITDA before impact of IFRS 16 divided by total revenue.

Adjusted Country EBITDA before impact of IFRS 16
Adjusted Country EBITDA before impact of IFRS 16 is a measure of Adjusted EBITDA before the impact of IFRS 16 per segment, which is the Group's segment measure, before allocation of Group overhead and cost allocations. 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 geographic segments without the impact of Group overhead and cost allocations. Please see reconciliation to profit or loss before tax in the table on the next page.

Adjusted Country EBITDA before impact of IFRS 16 Margin
Adjusted Country EBITDA before impact of IFRS 16 divided by total revenue.

Net debt
Current and non-current borrowings for the period (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 it is useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of 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 20 Borrowings for reconciliation to Total interest-bearing liabilities.

Leverage ratio
Net debt divided by last twelve months Adjusted 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 maintenance capex and expansion capex and the source of capex is the Statement of cash flows.

Maintenance capex
Maintenance capital expenditures is a measure of investments made in the operations and consists 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. 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 is a measure of business combinations (acquisitions) and investments in greenfields and new business areas. The measure is defined as the sum of Acquisition of subsidiary from the Statement of cash flows including investments in greenfields.

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 Adjusted EBITDA excluding IFRS 16 less Maintenance capex.

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

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

TOTAL	**2021**	2020
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**-170**	**136**
(ii) Revenue and costs from closed clubs	0	1
(iii) Comparability adjustments on Country level	0	6
(iiii) Comparability adjustments on Group level	0	2
Adjusted EBITDA before impact of IFRS 16	**-170**	**146**
Group overhead and cost allocation	301	251
Adjusted Country EBITDA before impact of IFRS 16	**132**	**397**

NORWAY	**2021**	2020
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	-68	78
(iii) Comparability adjustments	0	4
Adjusted EBITDA before impact of IFRS 16	**-68**	**82**
Group overhead and cost allocation	-165	-135
Adjusted Country EBITDA before impact of IFRS 16	**97**	**217**

SWEDEN	**2021**	2020
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**-2**	**183**
Adjusted EBITDA before impact of IFRS 16	**-2**	**183**
Group overhead and cost allocation	-135	-112
Adjusted Country EBITDA before impact of IFRS 16	**133**	**295**

FINLAND	**2021**	2020
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**-67**	**-29**
Adjusted EBITDA before impact of IFRS 16	**-67**	**-29**
Group overhead and cost allocation	-19	-18
Adjusted Country EBITDA before impact of IFRS 16	**-48**	**-11**

DENMARK	**2021**	2020
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**-75**	**-133**
(ii) Revenue and costs from closed clubs	0	1
(iii) Comparability adjustments	0	2
Adjusted EBITDA before impact of IFRS 16	**-75**	**-130**
Group overhead and cost allocation	-24	-26
Adjusted Country EBITDA before impact of IFRS 16	**-51**	**-104**

AUDITOR'S REPORT

Deloitte.

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To the General Meeting of SATS ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SATS ASA, which comprise:

- The financial statements of the parent company SATS ASA (the Company), which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of SATS ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.
The company was listed in 2019. We have been the company's elected auditor since before the company was listed. We have been the company's elected auditor continuously for 3 years since the company was listed, including the listing year.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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The key audit matter identified in our audit are:

- Carrying amount of goodwill

Carrying amount of goodwill

Key audit matter	How the matter was addressed in the audit
Refer to note 11 in the group financial statements for descriptions of management's impairment testing process and key assumptions. Refer also to note 29 for a description of related estimates and assumptions. As disclosed in note 11 the Group has recognized goodwill of NOK 2.425 million at 31 December 2021. Management performed impairment testing of goodwill allocated to the CGUs to determine recoverable amount in accordance with the requirements of IAS 36 'Impairment of Assets' ('IAS 36'). Management assessed the recoverable amount of goodwill by determining the value in use. No impairment was identified at 31 December 2021. Estimating value in use requires management to make significant judgements and estimations. Management judgements is based on the Group's strategic five-year plan, including estimation of future outcomes and assumptions of cash flows (for example customer acquisition and retention, changes in subscription rates, operating costs etc.), along with the discount rate to be applied to those cash flows. Management's impairment evaluation is a key audit matter due to the significance of the carrying amount of goodwill, and level of management judgement involved in determining assumptions used in the evaluation of impairment.	We challenged management's assumptions used in its impairment model for assessing the recoverability of the carrying amount of goodwill. We focused on the appropriateness of CGU identification, methodology applied to estimate recoverable amount, discount rates and forecasted cash flows. Specifically: • We obtained a detailed understanding of management's process for performing the CGU impairment assessment. As part of this we assessed the design and implementation of the key controls. • We tested the methodology applied to estimate recoverable amount as compared to the requirements of IAS 36, impairment of assets; • We tested the mathematical accuracy of management's impairment models; • We obtained an understanding of and assessed the basis for the key assumptions for the Group's five-year strategic plan; • We evaluated and challenged management's cash flow forecasting included in the five-year plan and the growth rate beyond with reference to the recent and historical performance of the CGU's; • We evaluated management's sensitivity analysis; • We assessed the discount rates applied by benchmarking against independent data. We used Deloitte valuations specialists in our audit of the carrying value of goodwill. We considered the appropriateness of the related disclosures provided in note 11.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.
Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
Report on compliance with Regulation on European Single Electronic Format (ESEF)
Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name satsasa-2021-12-31-en have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).
In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

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As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 8 March 2022
Deloitte AS

Eivind Ungersness
State Authorised Public Accountant

APPENDIX

ACCOUNT ON EQUALITY AND DISCRIMINATION IN THE NORWEGIAN OPERATION

Gender, ethnicity and functional ability
There is currently a preponderance of women in the company, both in total and among leaders, corresponding to more women applying for employment in the company. We always hire the most qualified applicant for the position, regardless of gender, ethnicity and functional ability, in accordance with our employment policy.

Part-time work
SATS operates with long opening hours every day, including weekends. This makes our business attractive to students and others who do not have the opportunity to work full time. In addition, we have group training instructor positions that are not suitable for full-time employment, and these positions are largely occupied by employees whose main income come from other employment. Almost all employees in administrative positions work full-time.

Equal pay
SATS uses a wages matrix with fixed criteria for both hourly paid positions and employees working at clubs with fixed salaries, thus providing the same opportunities for everyone. The main criterion is seniority. For club managers, salaries are mainly based on the size of the club in terms of the number of employees and members. We still see that the average salary for men is somewhat higher than the average salary for women. This pay gap is a result of a higher share of men in leadership roles at the largest clubs and with longer seniority.

For administrative employees, we see that there is a somewhat bigger salary gap between men and women in the men's favor. This can partly be explained by the fact that we have built up an internal IT development team where we previously outsourced this service. The senior positions in this team are primarily held by men. The challenge of an overweight of men in senior positions also exists in other departments (excluding management team). Nevertheless, we see that we need to take action to assure that the gap is reasonable and not in the favor of the best negotiator. We will therefore introduce a salary matrix for positions at the service office to make sure that all SATS employees receive a fair salary based on their role, experience and level of education.

The Norwegian Equality and Anti-Discrimination Act §26 states that all public undertakings, regardless of size, and private companies with more than 50 persons shall investigate whether there is

Ratio of average salary for women to men

	Women	Men	%
Management level 1			
quantity	3	5	**115%**
share	38%	63%	
Management level 2			
quantity	21	29	**99%**
share	42%	58%	
Support			
quantity	49	59	**99%**
share	45%	55%	
Management Operation			
quantity	84	32	**98%**
share	72%	28%	
Employees Operation			
quantity	3 786	1 170	**108%**
share	76%	24%	
PT og Treatments employees			
quantity	693	812	**95%**
share	46%	54%	
Total			
quantity	4 636	2 107	**101%**
share	69%	31%	

Equality statistics

Employment	Women	Men
Average fixed pay: Managers at clubs (ratio women to men)	0.89	
Average fixed pay: Employees at clubs (ratio women to men)	0.89	
Average fixed pay: Administrative employees (ratio women to men)	0.85	
Average hourly pay: Employees at clubs (ratio women to men)	0.99	
Average hourly pay: Administrative employees (ratio women to men)	0.63	
Part time	88%	88%
Total weeks parental leave	38.890	6.495
Parental leave as share of employees	6.9%	2.2%

a risk of discrimination or other barriers to equality including reviewing pay conditions by reference to gender and the use of involuntary part-time work every two years.

The table includes all employees working within SATS Group in Norway who are registered in the Norwegian payroll system at SATS and Fresh Fitness. The subcategories are based on equal work and work of equal value. The subcategories have been presented to AMU (Arbeidsmiljøutvalg) in SATS for input. At SATS, it is usual to have several different positions that have different work of value and salaries. Thus, the figures presented in the table count the number of positions and not the actual number of employees.

We see that there is a somewhat larger salary gap between men and women in Management Level 1, with women having a higher salary level than men. This can be explained by seniority. The other subcategories have a smaller gap between the genders.

SATS operates with long opening hours every day, including weekends. Hence, the company attracts students and others who do not have the opportunity to work full-time. It is possible to work at multiple clubs, and we have not received any indications that there are involuntary part-time employees in our organization. SATS publishes all new job postings on its intranet to ensure that all employees already working in SATS and who want to work more can apply for the positions. We prioritize existing part-time employees when recruiting.

DEFINITIONS

Term	Definition
Adjusted Country EBITDA before impact of IFRS 16	Adjusted EBITDA before impact of IFRS 16 less allocation of Group overhead and cost allocations
Adjusted Country EBITDA before impact of IFRS 16 margin	Adjusted Country EBITDA before impact of IFRS 16 divided by total revenue
Adjusted EBITDA before impact of IFRS 16	EBITDA adjusted for (i) closed clubs; (ii) certain items affecting comparability; and (iii) the impact of implementation of the new IFRS 16 lease standard
Adjusted EBITDA before impact of IFRS 16 margin	Adjusted EBITDA before impact of IFRS 16 divided by total revenue
Average number of members per club	Number of clubs by the end of the period divided by the average member base
Average revenue per member (ARPM)	Average revenue per member per month, calculated as total revenue divided by the average member base
Capex: Club portfolio capital expenditures	Maintenance capital expenditures less IT capital expenditures
Capex: Expansion capital expenditures	The sum of investments related to acquisitions and greenfields
Capex: IT capital expenditures	Capital expenditures associated with developing software programs
Capex: Maintenance capital expenditures	Total capital expenditures less expansions capital expenditures
Capex: Total capital expenditures	The sum of all capital expenditures
Cash conversion	Operating cash flow divided by adjusted EBITDA before impact of IFRS 16
Club	Number of clubs open and trading under the brands 'SATS', 'ELIXIA', 'Fresh Fitness' and 'HiYoga' as of the end of the period
EBITDA	Profit/loss before net financial items, income tax expense, depreciation and amortization
EBITDA before impact of IFRS 16	EBITDA adjusted for lease expenses applying IAS 17 Leases
EBITDA before impact of IFRS 16 Margin	EBITDA before impact of IFRS 16 divided by total revenue
Group overhead	Consists of group services such as commercial functions, IT, finance and administration
Leverage ratio	Net debt divided by last twelve months adjusted EBITDA before impact of IFRS 16
LTM EBITDA	Last twelve months EBITDA adjusted for lease expenses applying IAS 17 Leases
Member base, average	Average number of members at the beginning and end of the period, including frozen memberships, excluding free memberships
Member base, outgoing	Number of members at the end of the period, including frozen memberships, excluding free memberships
Net debt	Current and non-current borrowings less cash and cash equivalents
Operating cash flow	Adjusted EBITDA excluding IFRS 16 less maintenance capital expenditures
Other yield	Calculated as other revenue in the period, divided by the average member base
Underlying operating cash flow	Operating cash flow less expansion capital expenditures
Yield	Calculated as member revenue in the period, divided by the average member base

FINANCIAL STATEMENTS PARENT COMPANY

STATEMENT OF PROFIT OR LOSS

	Notes	**2021**	2020
(Amounts in NOK million for the period ended 31 December)			
Other operating expenses	*3*	-14	-15
Total operating expenses		**-14**	**-15**
Operating profit		**-14**	**-15**
Dividends from subsidiaries and Group contributions	*4, 5, 6*	0	19
Interest income from Group companies	*4, 5, 6*	65	65
Other finance income	*4*	193	322
Net gain/loss derivatives unrealized	*13*	35	-41
Interest expense to Group companies	*6*	-3	-10
Other interest expense	*4, 9*	-97	-73
Other finance expenses	*4*	-236	-313
Net financial items	*4*	**-42**	**-30**
Profit/loss before tax		**-56**	**-45**
Income tax expense	*10*	12	10
Profit/loss for the year		**-44**	**-35**
Allocation of profit/loss for the year			
Retained earnings/accumulated losses	*8*	-44	-35
Total allocation		**-44**	**-35**

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STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2021	31.12.2020
(Amounts in NOK million for the period ended 31 December)			
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax asset	10	20	9
Total non-current intangible assets		**20**	**9**
Financial assets			
Investments in subsidiaries	5	2 606	2 606
Loans to Group companies	6	1 087	1 155
Total non-current financial assets		**3 693**	**3 761**
Total non-current assets		**3 713**	**3 770**
CURRENT ASSETS			
Receivables from Group companies	6	0	19
Other receivables		0	2
Cash and cash equivalents	7	459	345
Total current assets		**459**	**365**
Total assets		**4 172**	**4 135**

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2021	31.12.2020
(Amounts in NOK million for the period ended 31 December)			
EQUITY			
Share capital	8	366	365
Share premium[1)]	8	2 521	2 513
Treasury shares	8	-17	-19
Retained earnings/accumulated losses[1)]	8	-807	-763
Total equity		**2 063**	**2 096**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	2	3
Derivative financial instruments	13	1	36
Borrowings	9	2 083	1 928
Total non-current liabilities		**2 085**	**1 966**
Current liabilities			
Borrowings	9	10	9
Borrowings from Group companies	9, 6	10	37
Trade and other payables		1	0
Other current liabilities		3	28
Total current liabilities		**24**	**73**
Total liabilities		**2 109**	**2 040**
Total equity and liabilities		**4 172**	**4 135**

[1)] *A reclassification between Share premium and Retained earnings of NOK 1 500 million is recognized as at 31 December 2020.*

Oslo, 8 March 2022

Hugo Lund Maurstad
Chair of the Board

Rebekka Glasser Herlofsen
Board Member

Martin Folke Tiveus
Board Member

Siren Sundby
Board Member

Søren Rene Kristiansen
Board Member

Sondre Gravir
CEO

STATEMENT OF CASH FLOWS

(Amounts in NOK million for the period ended 31 December)	*Notes*	**2021**	2020
Cash flow from operating activities			
Profit before tax		-56	-45
Adjustment for:			
Net gain/loss of fair value on derivatives		-35	41
Proceeds from other financial income		26	-26
Payments of interest income		97	73
Payments of other financial cost		17	17
Change in intercompany receivables and payables		-89	-634
Change in trade payables and other accruals		-22	19
Net cash flow from operations		**-63**	**-556**
Cash flow from investing			
Proceeds from Group contribution		19	75
Interest on Group loans		29	133
Net cash flow from investing		**48**	**208**
Cash flow from financing			
Proceeds from borrowings	9	200	575
Interest on borrowings		-82	-54
Transaction costs from issues of new shares IPO		0	-2
Proceeds from issues of shares		9	26
Proceeds from issues of shares IPO		0	1
Proceeds from sale of own shares		2	0
Repurchase of shares		0	-20
Net cash flow from financing		**129**	**527**
Net increase/decrease in cash and cash equivalents	7	**114**	**178**
Effect of foreign exchange changes on cash and cash equivalents		0	-11
Cash and cash equivalents at the beginning of the period		345	178
Cash and cash equivalents at the end of period	7	**459**	**345**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 General information

General information
SATS ASA is registered and domiciled in Norway with its head office at Nydalsveien 28, Oslo, Norway. The Group's ownership structure is as follows: 29.9% by TG Nordic Invest, 24.1% by AF III Holdco AS, 7.3% by Canica AS, 5.0% by SATS Management Invest AS and 33.7% by other shareholders. The company was incorporated on 11 March 2011.

The Board of Directors approved the financial statements on 8 March 2022.

Financial reporting framework
The financial statements are prepared in accordance with the simplified application of International Financial Reporting Standards (Norwegian Forenklet IFRS) in accordance with § 3-9 of the Norwegian Accounting Act and the related directive. The directive refers to the general recognition and measurement requirements in IFRS as endorsed by the European Union, but with certain exemptions.

The relevant exemption applicable to SATS ASA relates to the recognition of group contributions (Norwegian konsernbidrag). Group contributions and dividends under simplified IFRS may be recognized in accordance with Norwegian generally accepted accounting principles for the distributing and receiving entity. This means that the distributing entity may recognize a liability when the contribution or dividend is proposed, but before it has been approved. The receiving entity may also recognize the dividend or contribution receivable before it has been approved.

Disclosure requirements are in accordance with the directive, which refers to disclosure requirements in accordance with Chapter 7 of the Norwegian Accounting Act and Norwegian generally accepted accounting principles, with certain differences.

The financial statements are prepared in accordance with the historical cost principle, with the exemption of derivatives which are measured at fair value.

Preparation of financial statements in accordance with simplified IFRS requires the use of estimates. The application of company's accounting principles further requires management to apply judgement.

Certain new or revised standards, amendments or interpretations of existing standards have been published. Management has assessed these changes and concluded that they are not relevant for the business of the company or for the 2021 financial statements. For new standards, please see Note 28 New IFRS standards in the consolidated financial statement.

The company's significant accounting policies are disclosed in Note 3 Principles of consolidation and significant accounting policies in the consolidated financial statement. These principles have been applied consistently in all periods presented in the financial statements, unless stated otherwise.

NOTE 2 Accounting principles

Foreign currency
Functional currency and presentation currency
The financial statements of the company are prepared in NOK, which is the currency of the primary economic environment in which the company operates.

Transactions, monetary and non-monetary items
In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rate of exchange prevailing at the dates of the transactions. Gains or losses on transactions in foreign currencies and exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Subsidiaries
Subsidiaries are entities controlled by the company. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investment in subsidiaries is measured at historic cost less any impairment. Acquisition-related costs are generally recognized in profit or loss as incurred.

Intercompany loans
The terms for intercompany loans to subsidiaries are formally regulated by contractual lending agreements. Intercompany loans are accounted for as financial assets within the scope of IFRS 9 in the parents' financial statements.

Intercompany loans are classified as financial assets at amortized cost since they are held within a business model with the objective of collecting the contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

At initial recognition, loans are measured at their fair value, adjusted for directly attributable transaction costs. Loans are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment under the general expected credit loss model.

Loans denominated in foreign currencies are translated at the functional currency spot rates at the reporting date. Currency differences arising on settlement or translation are recognized in profit or loss.

Derivatives
Derivatives are recognized at fair value when the company becomes party to the contract and are subsequently measured at fair value through profit or loss. Fair value gains or losses are presented as fair value changes of derivatives in the income statements.

The company does not apply hedge accounting.

Cash and cash equivalents
Cash and cash equivalents consist of cash, bank deposits, other short-term cash-convertible investments with a maturity not exceeding three months and drawn overdraft facilities. Drawn overdraft facilities are included in current borrowings in the statement of financial position.

Share capital and share premium
Ordinary shares are classified as equity. Costs that are directly related the issue of new shares or warrants are recognized after tax as a reduction of the consideration received directly in equity.

Borrowings
Borrowings are initially recognized at fair value when cash is received. Transaction costs are deducted from the carrying amount. Borrowings are classified as current, unless the company has the unconditional right to defer repayment for 12 months or more after the reporting date.

Income tax
Income tax presented in the income statement comprises both income tax payable and movements in deferred taxes. Deferred taxes are calculated using the enacted tax rate applied to the temporary differences that exist between the carrying amount and the tax base of an asset or liability and unused tax losses, if any, at the reporting date. Deferred tax assets from unused tax losses are recognized to the extent that it is probable that the Group can utilize the tax losses against taxable profit in the future. Deferred tax assets and liabilities are presented net in the statement of financial position.

Tax deductions through contributed group contributions (Norwegian konsernbidrag) and taxes on received group contributions are recognized as a reduction of the cost of the investment in the subsidiary or recognized directly in equity and against income tax payable or deferred taxes in the contributing and receiving entity, as applicable.

Deferred tax assets and liabilities are not discounted but recognized at nominal value.

Statement of cash flows
The statement of cash flows is presented according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term cash convertible investments.

NOTE 3 Other operating expenses

	2021	2020
(Amounts in NOK million)		
Consultant services	-11	-12
Other operating expenses	-3	-3
Total operating expenses	**-14**	**-15**

The company has no employees.

The Board of Directors received NOK 1 970 thousand in remuneration in 2021 (NOK 1 500 thousand in 2020). The remuneration to the Board members is included in Other operating expenses.

The CEO, Chair of the Board of Directors, or any other related parties have not received any loans or guarantees.

Auditor's remuneration	**2021**	2020
(Amounts in NOK thousand)		
Expensed auditor incl. VAT:		
Statutory audit (including technical assistance - annual accounts)	-2 026	-2 021
Other attestation and assurance services	-56	-94
Total auditor's remuneration	**-2 082**	**-2 115**

NOTE 4 Financial income and financial expenses

Financial income	**2021**	2020
(Amounts in NOK million)		
Dividends from subsidiaries and Group contributions	0	19
Interest income from Group companies	65	65
Foreign exchange gain	193	322
Total financial income	**259**	**407**

Financial expenses	**2021**	2020
(Amounts in NOK million)		
Interest expense to Group companies	-3	-10
Interest expense financial institutions	-97	-73
Foreign exchange loss	-220	-296
Net gain derivatives unrealized	35	-41
Other financial expenses	-17	-17
Total financial expenses	**-301**	**-437**
Net financial items	**-42**	**-30**

NOTE 5 Subsidiaries

The table below sets forth SATS ASA's ownership interest in subsidiaries. The subsidiary is a holding company and owns shares in other subsidiaries as described in its annual financial statement.

Ownership interests correspond to voting interest if not otherwise stated.

Subsidiaries	Business office	Ownership percentage	Equity	Profit after tax	**Carrying amount 2021**
(Amounts in NOK million)					
SATS Holding AB	Stockholm	100%	1 578	229	2 606

Investment in a subsidiary is carried at cost.

NOTE 6 Related parties

General
The following table presents an overview of transactions with related parties. Remuneration to executive staff and Board of Directors and share capital information are presented in Note 3 Principles of consolidation and significant accounting policies and are not included in the following overview:

Profit or loss items

Related party	Relationship	Type of services	**2021**	2020
(Amounts in NOK thousand)				
Altor	Shareholder of HFN Group AS	Other expenses	-15	-72
Total related party profit/loss items			**-15**	**-72**

The amounts in the table above are presented within Other operating expenses.

Balance sheet items

Related party/type	Relationship	Financial statement line item	**31.12.2021**	31.12.2020
(Amounts in NOK thousand)				
Financing through SATS ASA	Subsidiaries	Loans to Group companies	1 087 015	1 155 409
Group contribution	Subsidiaries	Receivables from Group companies	0	18 992
Cash pool	Subsidiaries	Borrowings from Group companies	-9 915	-36 504
SATS Sportsclub Sweden AB	Subsidiaries	Investment program	233	76
SATS Finland OY	Subsidiaries	Investment program	84	25
Total related party balance sheet items			**1 077 418**	**1 137 997**

All transactions with related parties are priced at market conditions 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.

Impairment of intercompany loans
Under the general impairment model the parent company recognizes an allowance for expected credit losses for all intercompany loans.

Credit losses are measured based on the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate.

At initial recognition intercompany loans are assessed to be performing (stage 1), i.e., the subsidiary has low risk of default and a strong capacity to meet contractual cash flows. The loss allowance recognized is based on expected credit losses that result from default events that are possible within the next 12 months (12-month expected credit loss).

The parent company monitors the credit risk associated with intercompany loans to consider if there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk (underperforming loan), the loss allowance recognized is based on expected credit losses resulting from all possible default events over the remaining life of the loan (lifetime expected credit loss). The definition of default used in the model is when the counterparty fails to make contractual payments within 60 days of when they fall due.

To assess whether there is a significant increase in credit risk, management compares the risk of default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. The parent company uses the following indicators in the assessment:
- An actual or expected significant change in the operating results of the subsidiaries since the loan was first recognized. This includes assessments of whether there are any actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality or increased balance sheet leverage that would result in a significant change in the subsidiaries ability to meet its debt obligations.
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the subsidiaries.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the assessment. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment. Loans are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan.

No loss allowance on intercompany loans was recognized as at 31 December 2021.

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NOTE 7 Cash and cash equivalents

	31.12.2021	31.12.2020
(Amounts in NOK million)		
Cash and cash equivalents	**459**	**345**

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalent as disclosed above.

Please see Note 22 Financial risk factors for further information about the Group's managing of credit risk. The company owns the Group's cash pool and the bank accounts of the Group entities that are part of the cash pool arrangement.

NOTE 8 Share capital

As at 31 December 2021, share capital amounts to NOK 366 million consisting of 172 246 142 ordinary shares at a face value of NOK 2.1250 per share. Please see the consolidated financial statement, Note 19 Earnings per share, for further disclosures.

Overview of the shareholders as at 31 December 2021

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
TG Nordic Invest	51 500 971	29.9%	29.9%
AF III Holdco AS	41 556 415	24.1%	24.1%
Canica AS	12 558 497	7.3%	7.3%
SATS Management Invest AS	8 651 488	5.0%	5.0%
Maaseide Promotion AS	7 990 976	4.6%	4.6%
J.P. Morgan Bank Luxeembourg S.A.	2 631 952	1.5%	1.5%
Salt Value AS	2 186 865	1.3%	1.3%
Verdipapirfondet Eika Spar	2 177 272	1.3%	1.3%
Ingvarda AS	1 904 943	1.1%	1.1%
Verdipapirfondet Eika Norge	1 651 057	1.0%	1.0%
Folketrygdefondet	1 398 378	0.8%	0.8%
State Street Bank and Trust Comp	1 353 956	0.8%	0.8%
Funkybiz AS	1 100 000	0.6%	0.6%
Skandinaviska Enskilda Banken AB	1 038 541	0.6%	0.6%
SATS ASA	910 769	0.5%	0.5%
Skandinaviska Enskilda Banken AB: Fondita 2000+ Investment Fund	875 289	0.5%	0.5%
Avanza Bank AB	838 061	0.5%	0.5%
Skandinaviska Enskilda Banken AB: Fondita Nordic Small Cap Invt FD	832 500	0.5%	0.5%
C Worldwide Norge III	796 387	0.5%	0.5%
Skandinaviska Enskilda Banken AB: Norron Sicav - Target	769 392	0.4%	0.4%
Other shareholders	29 522 433	17.1%	17.1%
Total	**172 246 142**	**100.0%**	**100.0%**

All shares have been fully paid and have the same rights.

Shares in SATS Management Invest held by the Board of Directors and executive management:

	Ownership
Executive management including CEO	32.90%

Equity	Share capital	Share premium	Other paid in capital	Treasury shares	Retained earnings (acc. losses)	Total equity
(Amounts in NOK thousand)						
Equity 1 January 2021	364 997	2 512 601	79	-18 623	-763 213	2 095 841
Capital increase	1 026	8 185				9 211
Proceeds from sale of treasury shares				1 655		1 655
Investment program			169			169
Profit/loss for det year					-43 975	-43 975
Equity 31 December 2021	**366 023**	**2 520 786**	**248**	**-16 968**	**-807 188**	**2 062 901**

A reclassification between Share premium and Retained earnings of NOK 1 500 000 thousand is recognized as at 31 December 2020.

NOTE 9 Borrowings

	31.12.2021		31.12.2020	
Overview of interest-bearing liabilities	Current	Non-current	Current	Non-current
(Amounts in NOK thousand)				
Bank borrowings	10	2 083	9	1 928
Total interest-bearing liabilities	**10**	**2 083**	**9**	**1 928**

Please see the consolidated financial statement, Note 20 Borrowings, for further disclosures on borrowings.

Covenants, payment profile and effective interest rates
As at 31 December 2021 and 31 December 2020, covenant requirements were met. Information about existing financial covenant is disclosed in the consolidated financial statement Note 27 Financial covenants.

The payment profile of the parent company is equal to the Group's payment profile disclosed in notes the consolidated financial statement, Note 20 Borrowings.

Effective interest rates are disclosed in the consolidated financial statement, Note 20 Borrowings.

NOTE 10 Tax

Tax expense/income	**2021**	2020
(Amounts in NOK million)		
Change in deferred tax assets	12	10
Total tax expense/income	**12**	**10**

Reconciliation of the nominal statutory tax rate to the effective tax rate:	**2021**	2020
Profit before tax	-56	-45
Expected taxes at nominal tax rate of 22%	12	10
Income tax expense/income	**12**	**10**
Effective tax rate	**22%**	**22%**

Movement in deferred tax assets and deferred tax liabilities	**31.12.2021**	31.12.2020
Fair value financial instruments	-1	-36
Amortized borrowing cost	9	12
Losses carried forward	-91	-3
Basis deferred tax liabilities	**-83**	**-27**
Carrying value deferred tax asset/tax liabilities	**-18**	**-6**

Significant estimates
Deferred tax assets from unused tax losses are recognized to the extent that it is probable that Group can utilize the tax losses against taxable profit in the future. Refer also to Note 10 Tax of the consolidated financial statements and the Board of Directors' Report for further information.

NOTE 11 New IFRS standards

For information on effects from coming IFRS standards and interpretations, please see Note 28 New IFRS standards in the consolidated financial statements.

NOTE 12 Events after the balance sheet date

SATS announced a successful private placement on 16 February 2022, through an allocation of 30.8 million new shares at a subscription price of NOK 19.5 per share, with gross proceeds of NOK 600.6 million. The net proceeds from the private placement will predominately be used to ensure sufficient strategic flexibility for the company to act on potential organic and in-organic growth opportunities in the short to medium term and to ensure a more robust liquidity position in order to exploit opportunities in the longer run. In February 2022 the company signed an addendum to the NOK 2500 million facility, extending the RCF with one year until September 2025.

The Board of Directors is not aware of any other events, besides the private placement, that occurred after the balance sheet date, or any new information regarding existing matters, that could have a material effect on the 2021 consolidated financial statements.

NOTE 13 Financial risk factors

Overview
Through its activities, the Group will be exposed to different types of financial risks: market risk, credit risk and liquidity risk.

The company's overall risk management plan is to ensure the ongoing liquidity in the Group, defined as to be able to meet its obligations at any time. The risk management strategy focuses on the uncertainty inherent in capital markets and intends to minimize potential negative effects on the financial results of the company by use of both natural hedges and derivatives to economically hedge certain risks. The overall focus also includes being able to meet the financial covenants related to the Group's borrowings.

Risk management of the company is maintained by a central finance function in accordance with the guidelines approved by the Board. The Group's finance function identifies, measures, mitigates and reports on financial risks in close cooperation with the various operating units exposed to different types of financial risks:

Liquidity risk
The company focuses on maintaining a prudent and sufficient liquidity position through an appropriate financing structure. Management considers the company's liquidity position to be strong.

Credit Risk
The exposure to credit risk is represented by the carrying amount of each class of financial assets, primarily intercompany loans to subsidiaries. SATS ASA manages the credit risk by continuously monitoring forecasted, cash balances and actual cash flows in all of its subsidiaries. Non-current intercompany receivables are related to funding of subsidiaries and have a maturity profile matching the external debt maturities, see Note 20 Borrowings in the consolidated financial statements for details.

Cash flows and market interest rates
Interest rates on bank deposits and loan assets have a maturity of less than 12 months. The company does not have significant interest-bearing financial assets, and the company's cash inflows and outflows are therefore independent of changes in market interest rates.

Interest rate risk arises on issuing long-term debt. The company has entered into interest rate swaps related to its borrowings in order to minimize interest rate risk.

Fair value measurement
Fair value of financial instruments that are traded in active markets (such as securities that are available for sale or held for trading) are based on the observable market price at the reporting date. For financial assets, the bid price is used. For financial liabilities, the ask price is used. Fair value of interest rate swaps is calculated as the present value of estimated future cash flows. Fair value of foreign exchange forward contracts is calculated based on observable market forward rates at the reporting date.

The company's risk management policies and procedures are reviewed regularly to take into account changes in the market and both the company's and the Group's activities. For a thorough description of management's financial risk management policies, please see Note 24 Financial instruments of the consolidated financial statements.

Derivatives
Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The Group has the following derivative financial instruments:

(Amounts in NOK million)	**31.12.2021**	31.12.2020
Non-current liabilities		
Interest rate swap contracts	1	36
Total non-current derivative financial instrument liabilities	**1**	**36**

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

Foreign exchange risk
For risk management purposes, management has identified three types of exchange exposures:

- Effect on covenant from profit after tax in foreign currency
- Internal loans in foreign currency
- Borrowings in foreign currency

As an international group, SATS is exposed to the risk associated with converting the currency related to legal entities with a functional currency different from the Group's presentation currency. Such translation exposure does not yield an immediate result on the cash flow. It can still affect the Group's financial covenant and is therefore closely monitored. Exposure of foreign subsidiaries' equity is partly naturally hedged through borrowings in corresponding currency.

The Group's business model is such that the subsidiaries' sales and operating expenses are incurred in local currency, reducing the exposure to foreign exchange rate fluctuations in the profit or loss. The net of those cash flows are meant to be able to cover the borrowings in local currency, reducing the exposure related to borrowings in local currency due to changes in the foreign exchange rates.

Please see Note 23 Financial instruments in the consolidated financial statement for further disclosures.

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