SATS ANNUAL REPORT 2019

OUR CORE BUSINESS IS TO CONTRIBUTE TO IMPROVING PUBLIC HEALTH

CONTENTS

LETTER FROM THE CEO

Dear Reader,

I am pleased to say that 2019 was a successful year in many ways. Our member base grew by 21%, and our members completed more than 36 million workouts at our clubs. We delivered a strong financial result with a revenue growth of 22% and an increase in EBITDA of 6% compared to 2018. We also entered a new exciting chapter in SATS history by being listed at the Oslo Stock Exchange, enabling more people to invest in our vision and in public health.

Our 10 000 employees are dedicated to inspiring our members to become more active and continue with their training. This will help us achieve our vision of making people healthier and happier and contribute to the public health in society at large. At year-end, we had 687 000 members in four countries, and they are more active than ever before. The number of workouts per member increased by 7% compared to 2018 due to an improved member experience, both in terms of product offering and member activation, which proves that we succeed to motivate our members to stay active with us.

We continue to grow and are on track in terms of club expansion. In addition to the 39 clubs acquired in Denmark, we opened nine clubs in the Nordics during 2019. Our growth strategy is clear. We will grow through both acquisitions and greenfields and continue to establish clubs where people live and work since we know this will help our members succeed with their training.

Based on member insights and analysis, we continue to invest and improve our offering within the wider health and wellness space both inside and outside our clubs. In 2019, we improved and launched new online training products and experienced strong growth of 12% in the usage of our online training products. We also started the expansion of our successful Swedish physiotherapy offer into Norway. When it comes to group training, we continued to develop new classes, such as Strong & Flexible, in all our countries and implement the SATS group training products in SATS Denmark.

Since we are the largest fitness chain in the Nordics, it is natural for us to take a clear responsibility for contributing to public health and well-being beyond our members. Social and environmental responsibility means taking action for a better future, one step at a time but in the right direction. We established an Internal Sustainability Committee to lead our cross-functional sustainability work going forward.

Everyone is welcome at SATS. We have something for everyone, regardless of previous training experience. Our 10 000 employees make a difference in our members' lives every day, with passion and energy, inspiring them to succeed with their training. I would like to thank everyone in the SATS family for another great year together.

Moving into 2020, the coronavirus disease 2019 (COVID-19) has had a detrimental impact on both SATS and the society as a whole. We decided on the morning of 12 March 2020 to temporarily close down all clubs in the Nordics to take social responsibility and contribute to limit the contagion of COVID-19. As at the date of this report, all our clubs in Norway, Finland and Denmark are still closed, and we are doing everything we can to reduce the negative effects on our employees, members and shareholders. We have put significant effort into strengthening our digital offering, as it in challenging times like these is even more important to fulfill our vision of making people and happier.

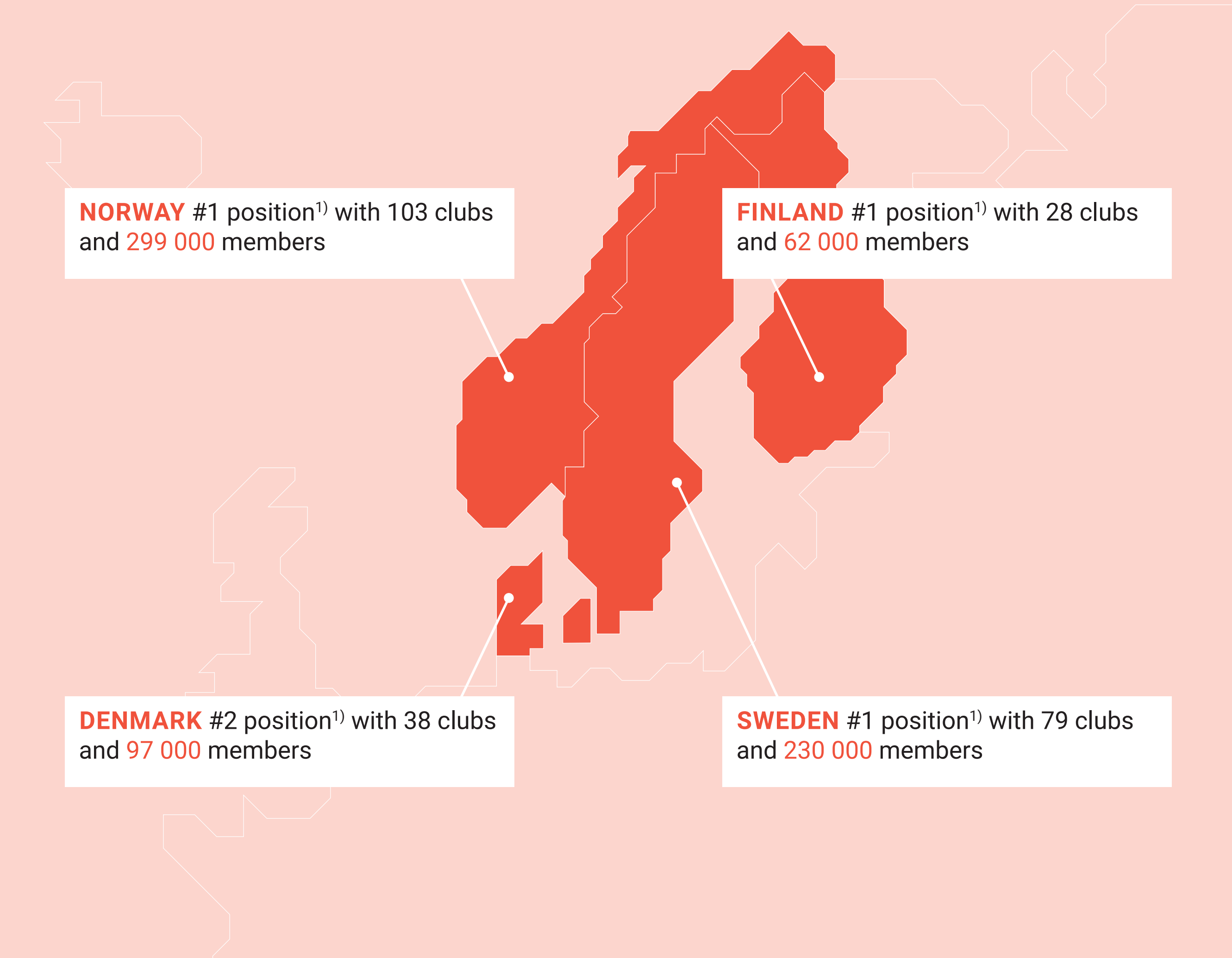
Sondre Gravir
CEO

AT A GLANCE

THIS IS SATS

The Group, through our brands and concepts SATS, ELIXIA, Fresh Fitness and HiYoga, is the leading provider of fitness and training services in the Nordics, with nearly 250 clubs, 10 000 employees and 700 000 members.

Everyone is welcome at SATS, and our members have full flexibility to tailor packages that 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.*

By successfully attracting members over a period of several years, especially in Norway and Sweden, SATS has generated continued revenue growth. This growth, combined with a scalable business model, yields solid EBITDA improvement.

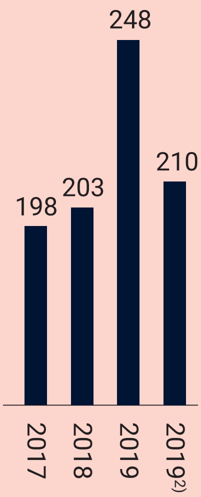
36 million workouts

Visits per member +7%[2)]

500 000 group training sessions

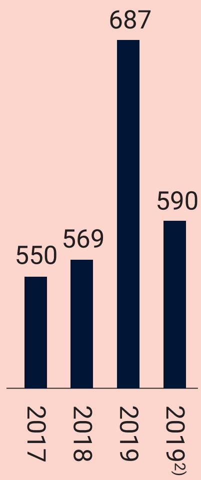
Clubs

+3%[2)]



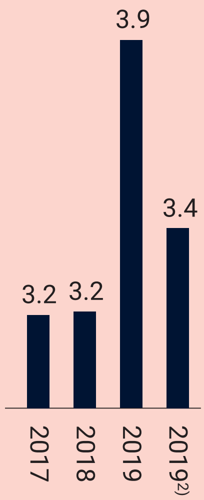
Members
Thousand

+4%[2)]



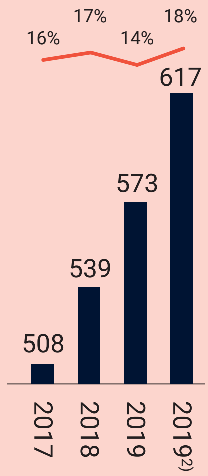
Revenues
NOK billion

+7%[2)]



Adjusted EBITDA[1)]
NOK million

+15%[2)]



[1)] *Adjusted EBITDA before impact of IFRS 16.*
[2)] *Excluding Denmark.*

OUR HISTORY

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

1998
By this year, SATS operated 49 fitness clubs, and was acquired by the American fitness club group named 24 Hour Fitness Worldwide.

1999
SATS acquired the Swedish Sports Club group and established its operations in Sweden.

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

The expansion continued and after entering Denmark, SATS operates 100 clubs in the Nordics.

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

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

2003
SATS establish its first clubs in Finland.

2006
TryghedsGruppen smba acquired SATS.

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

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

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

2016
Launched Online Training and multiple niche training concepts, including HiYoga, Build'n Burn, and Martial Arts.

2017
Introduced 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, were rebranded to the SATS/ELIXIA concept.

New member app with social network functionality launched.

2019
Acquired fitness dk, consisting of 39 fitness clubs, to re-enter the Danish market, where operations were sold in 2013.

Three FitnessXpress clubs acquired.

Three Gym & Motion clubs acquired.

SATS ASA was listed at the Oslo Stock Exchange.

OUR VISION

We make people healthier and happier!

SATS is founded on our vision of making people healthier and happier. To achieve this, we dedicate ourselves to helping our members succeed with their training – as we know from decades of industry experience that regular training is the best way to stay committed and become healthier and happier.

To deliver on our vision and help our members succeed with 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 our members and non-members that we will take an extended responsibility towards 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.

THIS IS SATS

VISION

We feel passionate about our vision to help people become 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. But the fact is clear – people spend more than 60% of their waking hours sitting or resting. We aim to change this trend by motivating people to become more active. We can see that our work to inspire people to be more active has generated great results in 2019. Our 687 000 members were more active in 2019 than ever before. Together, they completed more than 36 million workouts, which is a 7% increase per member compared to 2018. We also improved and launched new online training products in 2019, and we have seen strong growth of 12% in the usage of our online training products.

Helping people become healthier and happier is also at our core when it comes to building a profitable business. Based on decades of experience in the industry, we believe that members who stay committed over time are the ones who regularly visit our clubs and use our products. In order to succeed with our vision, SATS has developed four building blocks, People, Products, Presence, and Promise, and a common foundation, One Company.

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. Over the next few years, we will continue to focus on building one company with a value-based culture. Our overall goal is for everyone in the company to know SATS' vision and values, reflect on them, and use them as a basis when we give and receive feedback.

PEOPLE

To maintain a healthy lifestyle, people need extraordinary and professional support. This is what our 10 000 employees do every day. We are committed to making training accessible by motivating our members at their own level, regardless of previous training experience.

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 efforts and performance. We invest heavily in training to make sure that all our staff has the relevant qualifications to support our members in the right way and that all employees can develop professionally throughout their career at SATS.

We hire for attitude and train for skill – we ensure that our members will always meet inspiring and qualified staff.

PRODUCT

Cutting-edge or tried and tested; we have something for all members. Our ambition is to be a one-stop-shop for training, delivering world class quality and expertize that exceeds our members' expectations. Our training options include studio training for individual strength and cardio, more than 100 different group classes, personal trainers specialising in a wide range of areas, boot camps for smaller groups, out-of-club training for members' convenience, and retail shops providing members with the right equipment, apparel, and nutrition. Our product development strategy is centred around continuous innovation and making sure we take part in the latest training trends. Based on customer insights and analysis, we adapt and take a carefully selected number of these trends to our markets. We also appreciate that all our members are different. Therefore, we believe in offering flexible memberships where members only pay for access to the clubs, concepts and products they are using. In 2019, 5 300 certified instructors delivered more than 500 000 classes, resulting in a total of more than 9 400 000 group training sessions completed by our members, comprised of both proven concepts, such as Cycling, Crosstraining, Indoor Running, and Pure Strength, and a wide range of brand-new concepts, such as:

- **Groovy Yoga:** a fun and edgy yoga class where the movements and yoga postures are strung together to the beat of the music and fused with creative flow.
- **20 Minute HIIT:** an intense 20-minute blow-out interval class to cool summer party music.
- **Power Pilates:** a fun and fresh, but at the same time tough, strength class, based on the principle of Pilates. We guarantee a burning sensation!
- **Hot Power Pilates:** a fun and fresh, but at the same time tough, strength class based on the principle of Pilates. Performed in the hot studio.
- **Strong & Flexible:** the ultimate total body workout! To the tunes of the latest music trends, Strong & Flexible improves strength, balance and flexibility.
- **Hot Strong & Flexible:** the ultimate total body workout! To the tunes of the latest music trends, Strong & Flexible improves strength, balance and flexibility. Performed in the hot studio.

With regard to our studio offering, in 2019 we continued the perfect club project, the objective of which is to optimise our studio training product through a new method for selecting and placing equipment based on detailed analysis of equipment usage and member feedback. In total, 60+ clubs have been upgraded with new high-demand equipment and undergone functional changes in layout. Going forward, we will continue to rely on a data-driven approach to further improve the studio training experience at our clubs. To ensure that we fulfil our members' high expectations, we carefully monitor the performance of and feedback on our training concepts. In 2019 (July-Dec[1)]), our group training classes and instructors had a weighted Net Promoter Score (NPS) of 57, which indicates not only excellent product quality but also that our members would clearly recommend us to their friends or colleagues. The NPS scale ranges from -100 to 100.

Training is becoming increasingly digital – and so are we. We want to provide our members with tools that can help simplify and improve their training. Therefore, SATS puts serious effort into developing digital features for our websites and the

[1)] *Because the NPS methodology changed starting in July 2019, only the results for July to December are included. Furthermore, given the change of methodology, the results are not comparable with the results from 2018.*

"SATS has really professionalized the fitness industry, which is highly valued for me as an instructor. The focus on training and development makes me confident that I am updated and relevant."

– Stine, Group Training Instructor

SATS app. The 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. SATS also offers Online Training, a subscription to a selection of more than 120 online classes, enabling members to access the fitness studio remotely. During 2019, approximately 440 000 of our members visited the online training service and completed more than 700 000 online training sessions. The SATS app is important in creating strong member relationships. More than 61% of our members used the app by the end of 2019, an increase of 39% since December 2018. The SATS app connects members with extraordinary fitness opportunities by simplifying booking of classes and personal trainers, and by inspiring members with relevant class recommendations and training challenges. It motivates members by showing training statistics and by making it easy to invite friends to join trainings. In 2019 we continued to improve our social features, as friends are a huge motivational factor for working out. 37% of app users had used our social features by December 2019, compared to 14% in December 2018. The app now also makes check-ins to our clubs easier, by including a digital membership card to all members. Approximately 30% of check-ins were done by the digital membership card at the end of 2019.

PRESENCE

We know our members and understand their need for a healthier lifestyle. In order to help them maintain good training habits, it is very important for our clubs to be in the most convenient locations. In 2019, we continued to expand our club portfolio through both acquisitions and greenfields, for example in Bergen and Stockholm. Our growth strategy is to establish new clubs where people live, work and spend time with their friends. 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 Stockholm and Oslo, we offer more than 2 800 group training classes weekly in peak season, which is unmatched by any competitor. This totals approximately 11 500 group training classes per week in peak season for all clubs.

Today, 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. Since more than 55% of our members use more than one club, we know that our members value the opportunity to use multiple clubs.

PROMISE

Training is just one part of establishing a healthy lifestyle. We are generally committed to helping improve public health beyond the products and services we offer. We aim to take a larger responsibility in the ecosystem of good nutrition, lifestyle, health care, rehabilitation, treatments, and training. In 2019, we launched nutrition services and treatment, such as sports massage and physiotherapy, and going forward we will launch insurance and a SATS branded nutrition products to become a more holistic health and wellness provider.

As a part of our promise, we also want to take our responsibility beyond membership and members. We believe that our members and non-members succeed because we promise to take an extended responsibility toward training and physical activity in society. Therefore, in 2019, we established an Internal Sustainability Committee to lead our cross-functional sustainability work going forward. This work, which is elaborated on further in our sustainability report, will help us reach our vision of making people healthier and happier and contribute to public health in our society at large.

FOUNDATION – ONE COMPANY

We want to make sure that, whenever and wherever our members visit a SATS club, they will have the same joyful experience with an inspiring atmosphere and personal service. We are working 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 model and culture across club formats and country borders. This means that our staff follows the same operating procedures in terms of cleaning, health and safety, and maintenance to make sure that every club offers the SATS experience. To ensure our high standards are upheld, we continuously audit our clubs and use "mystery shoppers" to ensure that all of our guidelines are followed. All of our staff, whatever their role, are expected to live and breathe our common values of putting members first and being extraordinary, professional, and accountable in their everyday work in order to be perceived as a true inspirator in our industry.

WHERE WE OPERATE

NORWAY

Norway is the largest operating segment in the Group and constitutes 46% of the total revenues and 299 000 of our members at year-end. In 2019, total revenues increased by 7%, improving Country EBITDA by 22% to NOK 322 million.

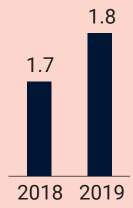
Total revenues increased by NOK 112 million in Norway in 2019, an increase of 7% compared to last year, partly as a result of strong member development, which increased by 14 300 compared to 2018. The increase in total revenues was also supported by increased membership yield as a result of the ongoing yield management initiatives. Adj. Country EBITDA increased by NOK 80 million to NOK 452 million, up 22% compared to 2018, continuing the positive trend and improving the Country EBITDA margin for 2019 by 3 p.p. to 25%.

SATS is a well-known brand in Norway and the largest operator of fitness clubs with its market share of 34% in 2019[3]. At year-end, we had 77 SATS clubs, 25 Fresh Fitness clubs, and one HiYoga club. Our clubs stretch from Kristiansand in the south to Tromsø in the north, and 58 are located in the greater Oslo area. We opened two greenfields in 2019 in the Bergen area and acquired FitnessXpress, which had three clubs in Oslo.

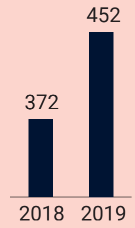
Our member base grew by 5%, and our members completed almost 15 million workouts at our clubs. We delivered 196 000 group exercise classes in 2019 – an increase from 185 000 in 2018, with Indoor Running as the most popular class overall. In terms of more specialized concepts, we also offer a stand-alone HiYoga club in Oslo, which, since it opened in 2016, has successfully provided high quality yoga classes in a relaxed atmosphere from the best educated yoga teachers.

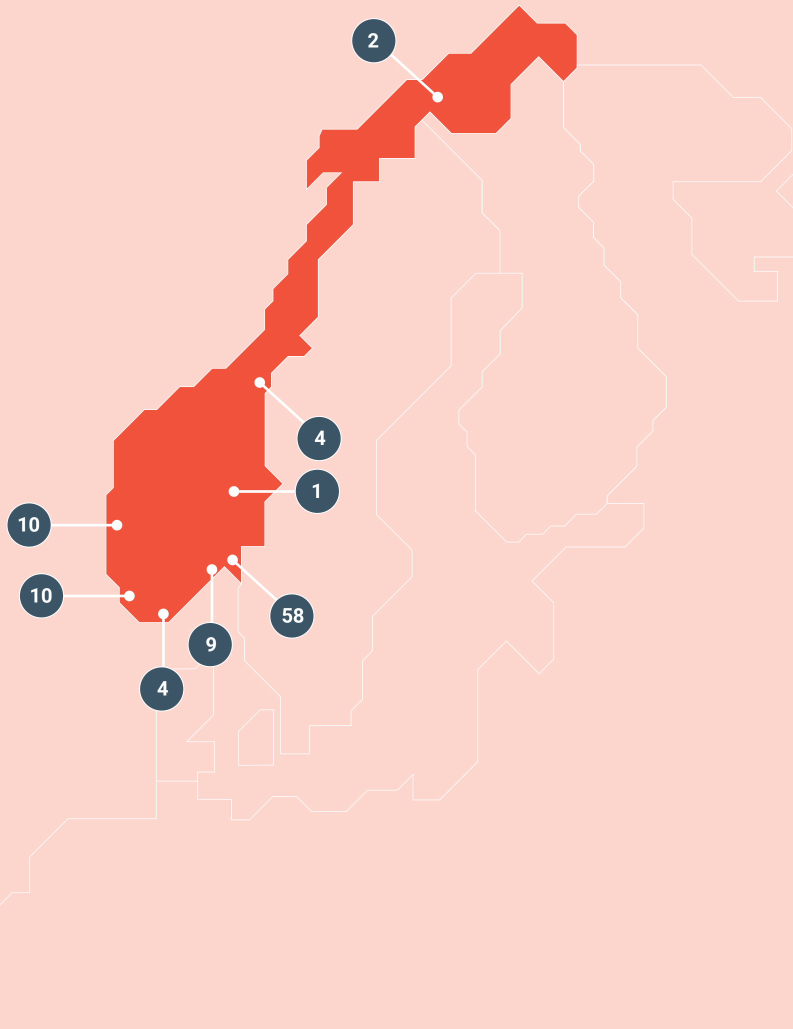
The most customized part of our offering is the personal training, which is provided by our highly competent team of over 500 personal trainers. We are continuously working on this offering, and in 2019 we further professionalized the education model for our personal trainers, which is key for helping our members succeed with their training going forward.

Revenues
NOK billion
+7%



Country EBITDA[1]
NOK million
+22%





Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2019**	2018
Membership revenue	1 439	1 340
Other revenues	392	379
Total revenues	1 831	1 719
Country EBITDA[1]	452	372
Margin (%)	*25%*	*22%*
EBITDA[2]	322	264
Margin (%)	*18%*	*15%*
Clubs	103	98
Members ('000)	299	284
ARPM (NOK/month)	523	504

[1] *Adjusted Country EBITDA before impact of IFRS 16.*
[2] *Adjusted EBITDA before impact of IFRS 16.*
[3] *Based on figures provided by EuropeActive.*

SWEDEN

Sweden is the second-largest operating segment in the Group and constitutes 33% of the total revenues and 230 000 members at year-end. In 2019, total revenues increased by 7%, improving Country EBITDA by 14% to NOK 256 million.

Total revenues increased by NOK 83 million in Sweden in 2019, an increase of 7% compared to last year, partly as a result of strong member development, which increased by 6 400 compared to 2018. The increase in total revenues was also supported by increased membership yield as a result of the ongoing yield management initiatives. Adj. Country EBITDA increased by NOK 45 million to NOK 363 million, +14% compared to 2018, continuing the positive trend and improving the Country EBITDA margin for 2019 by 2 p.p. to 28%.

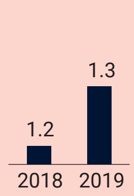
SATS has maintained a very strong position in Sweden over the course of many years and is the largest operator of fitness clubs in terms of revenues with its market share of 16% in 2019[3]. We had 79 clubs across the country at year-end, including a strong cluster of 62 clubs in the greater Stockholm area. During 2019 we opened one greenfield and acquired and integrated three clubs from Gym & Motion, which has further strengthened our Stockholm cluster offering.

Our member base grew by 3%, and our members completed more than 12 million workouts at our clubs. We delivered 160 000 group exercise classes in 2019 – an increase from 136 000 in 2018. Various Cycling classes remained among the most popular together with Crosstraining.

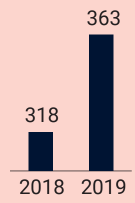
Regarding concepts and offerings, Sweden provides something to accommodate every need, including a specialized Martial Arts club-in-club experience at both Odenplan and SoFo in Stockholm, with tough and genuine martial arts training for members with an interest in martial arts or an ambition to improve their strength, agility, and mental focus.

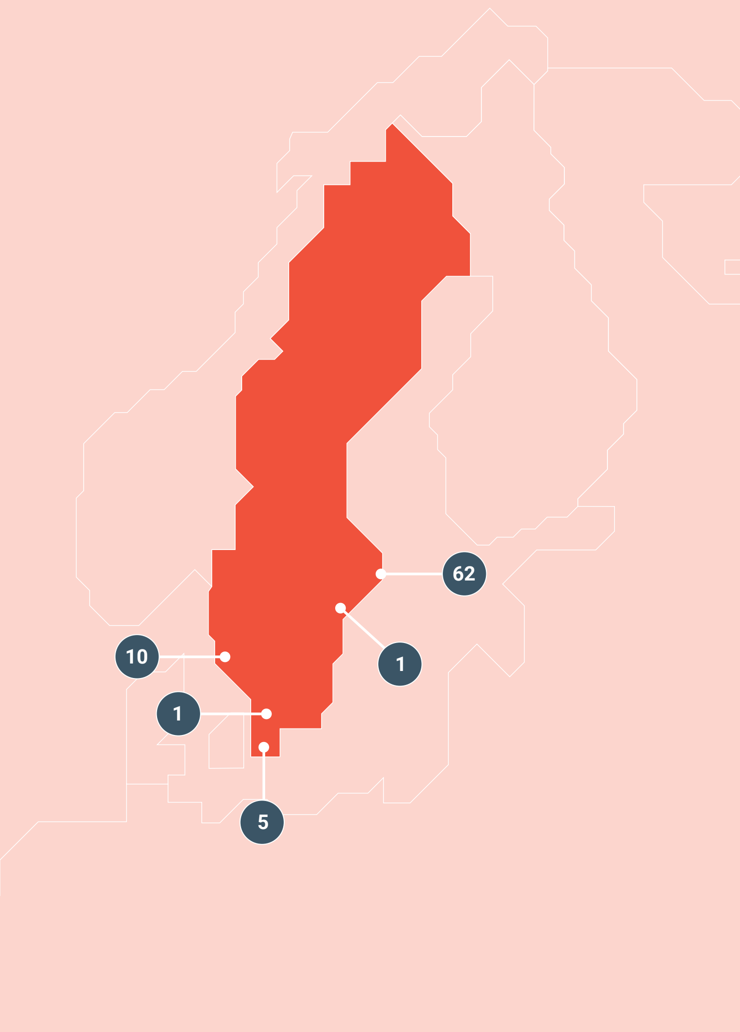
In Sweden, we have a team of 580 certified personal trainers with a wide range of profiles and competences. To be able to grow this team and deliver an even better service, we started a new onboarding process in 2019 for newly graduated personal trainers so everybody can hit the ground running.

Revenues
NOK billion
+7%



Country EBITDA[1)]
NOK million
+14%





Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2019**	2018
Membership revenue	1 026	962
Other revenues	282	264
Total revenues	1 308	1 225
Country EBITDA[1)]	363	318
Margin (%)	*28%*	*26%*
EBITDA[2)]	256	222
Margin (%)	*20%*	*18%*
Clubs	79	76
Members ('000)	230	223
ARPM (NOK/month)	482	466

1) *Adjusted Country EBITDA before impact of IFRS 16.*
2) *Adjusted EBITDA before impact of IFRS 16.*
3) *Based on figures provided by EuropeActive.*

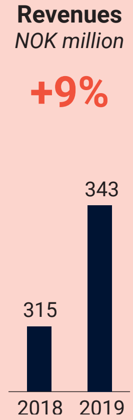
FINLAND

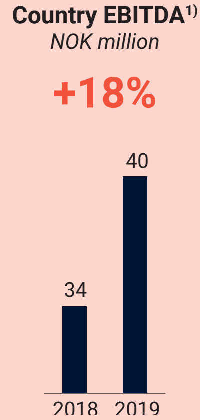
In Finland, our business is operated under the brand ELIXIA, and the Finnish operations constitute 9% of total revenue and 62 000 members at year-end. In 2019, total revenues increased by 9%, improving Country EBITDA by 18% to NOK 22 million.

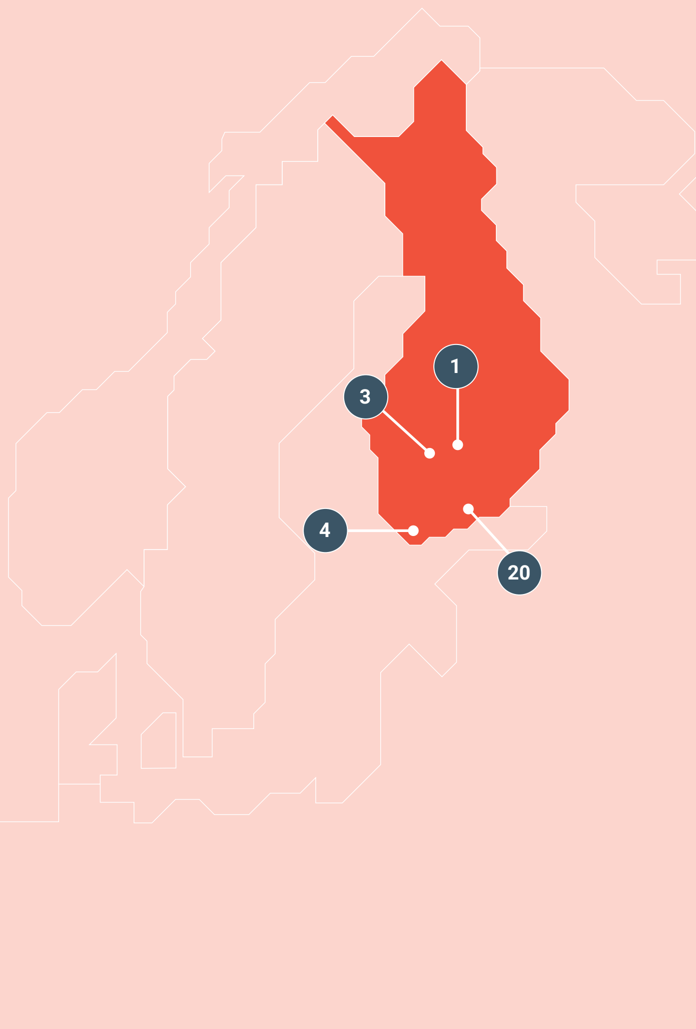
Total revenues increased by NOK 28 million in Finland in 2019, an increase of 9% compared to last year, partly as a result of strong member development, which increased by 1 000 compared to 2018. The increase in total revenues was also supported by increased membership yield as a result of the ongoing yield management initiatives. Adj. Country EBITDA increased by NOK 6 million to NOK 40 million, up 18% compared to 2018, continuing the positive trend and improving the Country EBITDA margin for 2019 by 1 p.p. to 12%.

The Finnish fitness market is highly fragmented. We are the market leader with our market share of 7% in 2019[3]. By the end of 2019, we had 28 clubs in Finland, and Helsinki is the main cluster with 20 of these clubs.

Our member base grew by 2%, and our members completed more than 3 million workouts at our clubs. In 2019, we arranged 49 000 group exercise classes at our Finnish clubs, up from 46 000 in 2018. Yin Yoga was the most popular class, closely followed by various Cycling and strength training classes. We have a good and professional team of 140 personal trainers.







Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2019**	2018
Membership revenue	282	264
Other revenues	61	51
Total revenues	343	315
Country EBITDA[1]	40	34
Margin (%)	*12%*	*11%*
EBITDA[2]	22	17
Margin (%)	*6%*	*5%*
Clubs	28	29
Members ('000)	62	61
ARPM (NOK/month)	466	429

[1] *Adjusted Country EBITDA before impact of IFRS 16.*
[2] *Adjusted EBITDA before impact of IFRS 16.*
[3] *Based on figures provided by EuropeActive.*

DENMARK

Through the acquisition of fitness dk in January 2019, SATS Denmark became the newest segment in the Group. The Danish operations, with 97 000 members at the end of 2019, constitute 13% of total revenues.

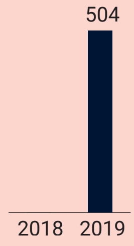
We have started the operational turnaround and are seeing early signs of positive development in important operational KPIs. Throughout the year, we took several steps to establish the full SATS concept in the Danish operations: full rebranding to SATS and the launch of product and retail offerings, back-end cost reductions, digital front face-lift, the introduction of the SATS app, selective club upgrades, and training of employees, both in terms of product offering and SATS' way of working. In November, Linda-Li Cederroth took over as Country Manager in Denmark, which, given her solid track record as Country Manager in Sweden, will further strengthen the ongoing turnaround in Denmark. However, due to the negative trend in fitness dk prior to the acquisition, it will take some time to bring the Danish business to profitability.

The Group acquired and consolidated SATS Denmark as at 1 January 2019. Hence, there are no comparable figures for 2018. Total revenues in Denmark amounted to NOK 504 million in 2019. Country EBITDA was NOK -44 million for 2019.

SATS has a number two position in Denmark with a market share of 13% in 2019[3]. By the end of 2019, we had 38 clubs in Denmark, and 29 clubs in the greater Copenhagen area create the main cluster.

Our members completed almost 6 million workouts at our clubs and we arranged 102 000 group exercise classes. Various yoga and pilates classes were among the most popular. Our personal trainer team consists of 180 personal trainers.

Revenues
NOK million

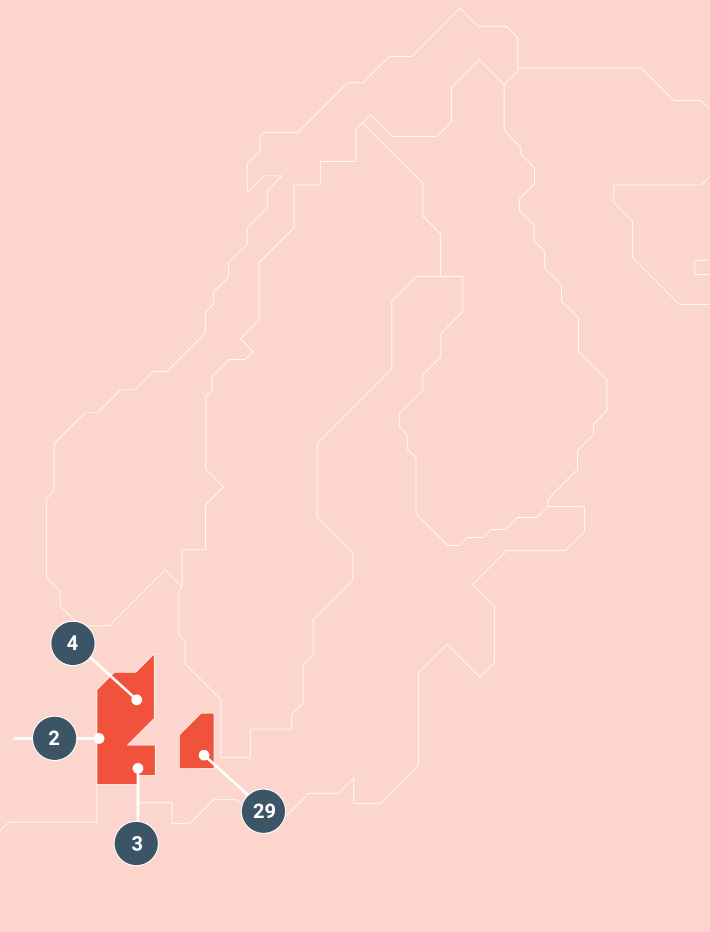


Country EBITDA[1]
NOK million

Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2019**	2018
Membership revenue	423	-
Other revenues	81	-
Total revenues	504	-
Country EBITDA[1]	-44	-
Margin (%)	*-9%*	-
EBITDA[2]	-75	-
Margin (%)	*-15%*	-
Clubs	38	-
Members ('000)	97	-
ARPM (NOK/month)	423	-

[1] *Adjusted Country EBITDA before impact of IFRS 16.*
[2] *Adjusted EBITDA before impact of IFRS 16.*
[3] *Based on figures provided by EuropeActive.*



SUSTAINABILITY HIGHLIGHTS 2019

ABOUT THE SUSTAINABILITY REPORT

Our sustainability and social responsibility work in 2019 is presented in our Sustainability Report. The report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. The content of the report is primarily oriented around SATS' material topics: public health, environmentally sustainable operations, and supply chain management. To read the full report from 2019, go to the publication on www.satsgroup.com.

WHAT IS SUSTAINABILITY FOR SATS?

With SATS' market leading position in the fitness and training industry in the Nordics, we have a unique position and an important responsibility to contribute to achieving the UN Sustainable Development Goals. We aim to play an important part in the lives of our almost 700 000 members and have a voice in the public debate, making it increasingly important to put sustainability on the agenda. Sustainability is closely linked to the company's vision of making people healthier and happier.

It is important for SATS to reflect on what kind of company we want to be in the long term and how we can contribute to the UN Sustainable Development Goals. We need to make sure that we continue to be a profitable investment for our owners, an attractive workplace for our employees, a preferred health and wellness provider for our members, a stable customer for our suppliers, a good taxpayer to relevant governments, and so on. We have decided to focus our contribution to UN Sustainable Development Goals #3 Good health and well-being and #12 Responsible consumption and production. These are the goals we have deemed to be most important to our stakeholders and where SATS can contribute the most and really create a difference. They go hand in hand with the company's strategy and values and are closely linked to the core competencies of the organisation. To be able to contribute to reaching the above-mentioned goals, we have defined three strategic focus areas: public health, environmentally sustainable operations, and supply chain management.

The sustainability work will be strengthened going forward through the development of KPIs within each strategic area. The KPIs will be monitored regularly and thus help keeping focus and enable deviation analyses.

PUBLIC HEALTH

Inactivity is a big and growing problem in society, especially among youths and seniors. We need to focus on reversing the trend. Public health issues are often context specific. For example, economic affluence does not mean there are no serious public health challenges in the Nordic region. Our business is guided by our vision, "making people healthier and happier".

The facts are clear. We are not active enough. Over 60% of the time we are awake is spent resting or sitting. The evidence about the health benefits of regular physical activity is well established and includes lowering the risk for developing heart disease, stroke, dementia, depression, type 2 diabetes, and many kinds of cancer; lowering the risk of early death from any cause; and improving sleep, weight control, bone health, balance, and physical function.

Our core business is closely connected to the megatrends mentioned above. We need to take responsibility for delivering products that meet the diversity in the society. We also need to do our share to engage with governments and organisations on issues to achieve better public health, and most of all to ensure that we motivate society to become more physically active.

In 2019, we strengthened our sustainability strategy to include even more initiatives with the goal of improving public health. Specifically, we aim to reach out more broadly with physical activities for inactive youth in the Nordics.

ENVIRONMENTALLY SUSTAINABLE OPERATIONS

We make a promise to manage our own operations and consumption in a responsible and sustainable manner. This is where we can reduce SATS' negative impact the most. We are committed to preventing harm to the environment and aim for outstanding natural resource efficiency in our business activities. We actively work to limit greenhouse gas emissions from our activities and will comply with all applicable environmental laws and regulations.

We are continuously working on reducing out environmental footprint and believe that an awareness in the organization is crucial. We are therefore pleased to have employees dedicated to reducing the negative footprint. This is managed by each of our companies in the Nordic countries and at each individual fitness club, aligned with national legislation and local practices normally established by our landlords. We do realize that we still have a significant potential for improvement and will work on developing KPIs and start measuring more systematically in 2020. With a standardized operating model, we have a stable basis for rolling out best practice initiatives.

SUPPLY CHAIN MANAGEMENT

To ensure that SATS Group's purchasing power is being optimized, SATS has adopted a Purchasing Policy. The aim at SATS has always been to perform purchasing and sourcing (supplier selections) with cost consciousness and a good balance between total cost, business requirements and risk mitigation. As we increase our focus on sustainability, we have also lately increased the scope for sustainability and social responsibility in our purchasing processes.

"We aim to play an important part in the lives of our almost 700 000 members and have a voice in the public debate, making it increasingly important to put sustainability on the agenda."

“To exercise gives me energy, and long runs often kick-off my creative processes. Additionally, physical activity has a psychological impact on me – it just makes me happy.”

– Vendela, member for 6 years

SHAREHOLDER INFORMATION

SATS ASA was listed at the Oslo Stock Exchange in 2019 and had a market capitalization of NOK 3 855 million at year-end. 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 on its business plan and through precise communication ensuring that the share price accurately reflects the value and growth prospects of the company.

IR 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 and other investor relations information, such as presentations regarding SATS' quarterly results and 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 1 July 2019.

Shareholder

		Number of ordinary shares	Ownership percentage
1	Sats Group AS	105 088 024	61.8%
2	Canica AS	16 983 000	10.0%
3	Sats Management Invest AS	9 376 376	5.5%
4	Catella Hedgefond	3 222 461	1.9%
5	SEB Prime Solutions Sissener Canop	3 128 992	1.8%
6	Verdipapirfondet Delphi Norge	1 350 000	0.8%
7	BNP Paribas Securities Services	1 350 000	0.8%
8	Norron Sicav - Target	1 334 500	0.8%
9	Hansemgruppen Holding AS	1 323 168	0.8%
10	Svenska Handelsbanken AB	1 312 840	0.8%
11	Verdipapirfondet First Generator	1 105 584	0.7%
12	Nordnet Bank AB	1 040 848	0.6%
13	The Bank of New York Mellon SA/NV	1 040 833	0.6%
14	Verdipapirfondet Eika Spar	1 040 000	0.6%
15	Fondita 2000+ Investment Fund	977 557	0.6%
16	Danske Invest Norge Vekst	935 000	0.6%
17	MP Pensjon PK	915 000	0.5%
18	Verdipapirfondet Eika Norge	860 000	0.5%
19	Fondita Nordic Small Cap INVT FD	800 000	0.5%
20	Wenaasgruppen AS	800 000	0.5%
	Other	16 015 817	9.4%
	Total	**170 000 000**	**100%**

GOVERNANCE PRINCIPLES

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

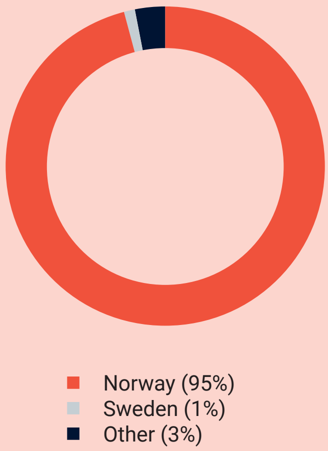
In order to secure strong and sustainable corporate governance, it is important that SATS ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the Group.

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.

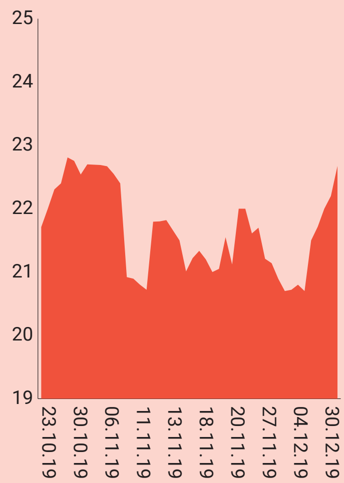
SHARE CAPITAL

SATS ASA's share capital was NOK 361 million as at 31 December 2019, divided into 170 000 000 ordinary shares, each with a par value of NOK 2 125. All the shares have been fully paid and have equal rights. SATS did not own any treasury shares as at the balance sheet date. The number of shareholders as at 31 December 2019 was 1 214.

Shareholders
by country of residence



Share price development
(NOK)



Ownership structure

Percentage holding	Number of shareholders	Number of shares	Proportion of the share capital
<1%	1 209	32 195 684	19%
1-3%	2	6 356 916	4%
3-5%	-	-	0%
5-10%	2	26 359 376	16%
>10%	1	105 088 024	62%

Financial calendar

SATS ASA will publish its quarterly interim financial statements on the following dates for 2020:

13 February 2020	Q4 2019 Results
3 April 2020	Annual Report
12 May 2020	Q1 2020 Results
26 May 2020	Annual General Meeting
16 July 2020	Q2 2020 Results
4 November 2020	Q3 2020 Results

Analyst coverage

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Carnegie	Eirik Rafdal	+47 22 00 93 78
DNB	Ole Martin Westgaard	+47 24 16 92 98
Kepler Cheuvreux	Knut-Erik Løvstad	+47 23 13 90 67
Morgan Stanley	Jamie Rollo	+44 20 7425 3281
Sparebank 1 Markets	Øyvind Mossige	+47 24 13 37 02

MANAGEMENT

Sondre Gravir
Chief Executive Officer

Cecilie Elde
Chief Financial Officer

Christian Øvregaard
Chief Digital Officer

Anna Raftheim
HR Director

Wenche Martinussen
Chief Commercial Officer

Linda-Li Cederroth
Country Manager Sweden and Denmark

Wenche Evertsen
Country Manager Norway

Jussi Raita
Country Manager Finland

"I feel so blessed to have the possibility to work and spend my time working as a personal trainer. To help people realize what physical activity and exercise can do, not only with the body and mindset, but with the quality of life, gives me a wonderful feeling – every day."

– Alexander, Personal Trainer

BOARD OF DIRECTORS' REPORT

In 2019, the number of members increased by 21%, and total revenues increased by 22%, mainly driven by the entrance in the Danish segment. The number of visits per member increased by 7%, excluding Denmark, as a result of increased focus on member activation. Going into 2020, the intention is to continue increasing the member base, both through organic growth at existing clubs and selected acquisitions and greenfields.

SATS is the leading operator of fitness clubs in the Nordic region, with 25 years of experience within the fitness industry. The Group operates the SATS brand in Norway and Sweden and ELIXIA in Finland, and from January 2019 SATS established its presence in Denmark. The Group also operates the price-competitive, low-cost fitness club brand Fresh Fitness in Norway, in addition to a niche stand-alone club marketed under the brand HiYoga. The Group offers members access to studio training, group training sessions, yoga, online training and other specialized concepts. 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 based on revenue, and the clear leader in the Nordic fitness market. As of the 2019 balance sheet date, the Group had a leading network of 248 clubs, with particular strongholds in key metropolitan cities throughout the Nordic region, and 687 000 members, comprising approximately 52% women and 48% men.

SATS ASA was listed at the Oslo Stock Exchange in October 2019.

ANALYSIS OF THE 2019 FINANCIAL STATEMENTS

The Board of Directors believes that the 2019 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 2019 to 31 December 2019 by comparison with the period from 1 January 2018 to 31 December 2018. The comparative information has been restated as a result of the initial application of IFRS 16. The Board confirms that the Group's liquidity basis, together with cash flow from operations in 2020, will be sufficient to fulfil all short-term liabilities, including instalments on bank borrowings as they fall due.

The Group's economic and financial position is solid, and the Board of Directors has a positive outlook on future earnings and growth. However, SATS is at present experiencing increasingly adverse effects of the coronavirus outbreak. Based on the Group's long-term strategy, including budgets and forecasts, and with the efforts initiated to retain revenue and reduce cost during the extraordinary situation related to the outbreak of the coronavirus and the closure of clubs, the the Board confirms that the use of the going concern assumption is appropriate. The 2019 financial statements have been prepared in accordance with this assumption. Please see Events after the reporting date for more information on the effect of the coronavirus.

Statement of comprehensive income

Total revenues increased by 22% to NOK 3 987, compared to NOK 3 259 in 2018. The increase was 6% excl. Denmark. The increase was evenly distributed between the comparable markets, with 7% increase in Norway and Sweden and 9% in Finland. The increase in revenues was due to both a significant member increase and yield improvement. The 21% increase in the member base during the year was primarily driven by the acquisition of fitness dk in Denmark in January 2019, but the member base in the other markets increased by 4%. ARPM increased by 2% in total and 4% excl. Denmark. The increase in ARPM was a result of yield initiatives during the year, where memberships with large deviations from list prices were adjusted.

The Group's operating expenses excluding impairment increased by 27% from NOK 2 731 million in 2018 to NOK 3 475 million in 2019, or 5% excl. Denmark. The main driver of the increased operating expenses was a step-up in Nordic overhead costs to facilitate a stronger platform going forward, especially in the commercial and digital areas.

In 2018, the Group recognized a NOK 265 million non-recurring impairment of the ELIXIA brand name. Management decided to implement a new branding strategy to harmonize the marketing profile across markets and regions of operations under the SATS brand. As a result of this, all the ELIXIA fitness clubs in Sweden and Norway have been rebranded to SATS and future cash flows expected to be generated from the ELIXIA brand are not existing in these segments. The ELIXIA brand was capitalized as part of the merger between SATS and ELIXIA in 2014.

As a result, operating profit increased by NOK 249 million, or 95%, from NOK 263 million in 2018 to NOK 512 million in 2019.

Net financial items increased by NOK 25 million, or 10%, from an expense of NOK 240 million in 2018 to an expense of NOK 265 million in 2019. This is mainly a result of an increase in interest expense of NOK 17 million compared to the previous year.

The income tax expense increased by NOK 32 million, from NOK 28 million in 2018 to NOK 60 million in 2019, driven by higher profits before tax, especially in Norway. The tax payable increased by NOK 2 million to NOK 48 million in 2019, compared to NOK 46 million in 2018. The weighted average tax rate for 2019 was 24.3% compared to 117.2% in 2018. The impairment of intangible assets of NOK 265 million in 2018 was treated as a permanent difference for tax reporting purposes, resulting in a significant increase in the Group's weighted average tax rate for 2018. As of the balance sheet date, the Group's total tax loss carried forward is NOK 432 million.

The profit before tax was NOK 247 million in 2019 compared to NOK 24 million in 2018, and the profit for the year was NOK 187 million against a loss of NOK 4 million in 2018. Total comprehensive income was NOK 197 million compared to NOK 33 million in 2018.

Segment development

Norway

Total revenues increased by NOK 112 million in Norway in 2019, an increase of 7% compared to 2018. The increase was driven both by the number of members, which increased by 5% at the end of the period, and ARPM, which increased by 4%. Other revenue per member increased marginally, but the main driver behind the increased ARPM was increased membership fees. With a more modest increase in operating expenses of only 4%, Adj. Country EBITDA before impact of IFRS 16 increased from NOK 372 million last year to NOK 452 million in 2019, resulting in a Country EBIDTA margin of 25%.

Sweden

Total revenues increased by NOK 83 million in 2019, an increase of 7% compared to 2018. Both the number of members and ARPM increased by 3%, with membership fees per member and other revenue per member up 3% and 4%, respectively. Operating expenses increased slower at a pace of 4%, and Adj. Country EBITDA before impact of IFRS 16 thus improved from NOK 318 million last year to NOK 363 million in 2019, resulting in a Country EBITDA margin of 28%.

Finland

Total revenues increased by NOK 29 million in 2019, an increase of 9% compared to 2018. The number of members increased by 2%; hence, the primary driver behind the increased revenues was an improvement in ARPM of 9%. The ARPM surge was mainly driven by other revenues but also membership fees, up 20% and 7%, respectively. The increase in operating expenses was slightly lower at 8%, bringing the Adj. Country EBITDA before impact of IFRS 16 up from NOK 34 million last year to NOK 40 million in 2019, resulting in a Country EBITDA margin of 12%.

Denmark

The clubs in Denmark were acquired in January 2019, and there are thus no comparable figures for the Danish segment. Total revenues were NOK 504 million in 2019, with 97 000 members year-end and an ARPM of NOK 433. The operating expenses amounted to NOK 548 million, resulting in an Adj. Country EBITDA before impact of IFRS 16 of NOK -44 million.

Statement of financial position

Consolidated assets increased by NOK 709 million to NOK 7 988 million in 2019. Right-of-use assets and goodwill were the largest components, amounting to NOK 3 912 million and NOK 2 351 million, respectively, as at 31 December 2019. The increase in assets is due to the increase in non-current assets, with right-of-use assets acquired in Denmark and investments in leasehold improvements and fitness equipment as the largest factors. Current assets decreased, primarily driven by a reduction in cash and cash equivalents.

Total liabilities increased from NOK 6 519 million as at 31 December 2018 to NOK 6 765 million as at 31 December 2019, primarily due to the increase in the lease liability related to the acquisition of the Denmark segment.

As at 31 December 2019, consolidated equity amounted to NOK 1 223 million, representing an equity ratio of 15%, compared to NOK 761 million and 10% in 2018. The increase is the result of both profits for the year and share issues related to the initial public offering, partly offset by a dividend payment.

As of 1 January 2019, the Group adopted the new lease accounting standard, IFRS 16 Leases, and restated the reported figures for 2018. As the Group leases all of the premises for its fitness clubs, this standard had a material effect on both the statement of profit or loss and the statement of financial position. The adoption of IFRS 16 Leases does not have any effect on consolidated cash flow.

Statement of cash flows

Net cash flow from the Group's operations was NOK 1 345 million in 2019, compared to NOK 1 173 million in 2018. The difference of NOK 247 million between

Statement of Comprehensive Income

Amounts in NOK million	**2019**	2018
Total revenues	3 987	3 259
Operating expenses excluding impairment	3 475	2 731
Operating profit excluding impairment	512	528
Impairment of intangible assets	0	265
Net financial items	-265	-240
Profit before tax	247	24
Income tax expense	60	28
Profit for the year	187	-4
Total comprehensive income	197	33

Statement of financial position

Amounts in NOK million	**2019**	2018
Total assets	7 988	7 279
Total liabilities	6 765	6 519
Total equity	1 223	761

Statement of cash flows

Amounts in NOK million	**2019**	2018
Net cash flow from operations	1 345	1 173
Net cash flow from investments	-321	-216
Net cash flow from financing	-1 225	-847
Net increase/decrease in cash and cash equivalents	-200	107
Cash and cash equivalents at the end of the period	165	357

cash flow from operations and profit before tax is mainly due to depreciation, amortization, and net financial items.

Net cash outflow from investing activities amounted to NOK 321 million in 2019, compared to an outflow of NOK 216 million in 2018. The main reason for the increased outflow is increased investments in existing clubs, mainly in Denmark, as well as increased acquisition activity.

Net cash outflow from financing activities was NOK 1 225 million in 2019, compared to an outflow of NOK 849 million in 2018. In October 2019, outstanding bank borrowings were refinanced under a new revolving credit facility, reducing the overall leverage. The net impact of repayments of borrowings and proceeds from borrowings was an outflow of NOK 402 million. Furthermore, cash flow from financing activities increased through the issuance of new shares related to the initial public offering in October, partly offset by a dividend payment.

In 2019, consolidated cash and cash equivalents decreased net by NOK 200 million, compared to an increase of NOK 107 million in 2018. As at the balance sheet date, the Group had cash and cash equivalents of NOK 165 million, compared to NOK 357 million at the balance sheet date in 2018.

Parent company
The parent company had no operating income in 2019 and NOK 9 million in operating expenses.

The parent company's equity is NOK 2 125 million as of the balance sheet date.

BUSINESS AND INDUSTRY OUTLOOK

This section does not include implications of the COVID-19 pandemic or the following temporary closure of clubs. Please see Events after the reporting date for more information.

The health and wellness sector is growing due to increased focus on health and well-being in society, and robust global trends such as digitalisation and political push for health is fuelling health and fitness awareness. Fitness clubs, in particular full-service chains, are at the centre of the health and wellness economy and positioned to expand their catchment into adjacencies. The addressable market in the Nordics is the most advanced in Europe in terms of penetration, and, given highly fragmented markets both in terms of market value, clubs and members, the consolidation potential is significant. 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 both relative to overall leisure spending and other comparable products/services, and the Nordic market is rebalancing as a result of reduced supply side growth, driving industry consolidation and profitability. Low-cost concepts have been present in the Nordics for several years, but market share gain for low-cost providers has slowed in recent years as the club roll-out pace has declined and is expected to continue at low levels.

The Group's business has continued to grow throughout 2019. With the top position in three out of four markets and a unique cluster position in the largest cities, SATS is positioned to continue building on its scale advantages. SATS is committed to making people healthier and happier, and its engaging and professional staff of 10 000 is SATS' most important asset for increasing member satisfaction and value. SATS has a broad and extensive product offering, and with more than 2 800 weekly sessions in both Oslo and Stockholm in peak season, it outperforms all competitors in practically 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. The membership flexibility 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 utilising the full width of its offering.

The Group aims to continue to expand in the next few years, both through acquisitions, opening of new fitness clubs and expansion of complementary product offerings. The Group is in the early stages of developing new products and services to offer its members to help them become healthier and happier. A key building block of this strategy is to grow and expand in the wider health and fitness space. The first steps in this direction have already been taken, with the expansion within e.g. nutrition and lifestyle and physical therapy.

The Group's solid balance sheet and cash flows provide a stable platform for continued growth.

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

The Group strives for a balanced gender distribution, and as of 2019 the Group employed 6 700 female and 2 900 male employees. The Group's leaders consist of 68% female and 32% 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. We are 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.
We believe that no differential treatment of employees, or during recruitment, takes place on the basis of sex, ethnicity, national origin, sexual orientation, language, religion or faith. The Group should be a good and safe workplace where discrimination of any kind is unacceptable.

During 2019, a sick leave of 5% was registered for the Group in total. No significant workplace accidents or incidents have occurred during 2019, in either the parent company or its subsidiaries.

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

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 and approach towards sustainability and social responsibility.

EVENTS AFTER THE BALANCE SHEET DATE

On 6 March 2020, SATS signed a conditional agreement to divest nine clubs in Denmark and the company will update the market with more details as soon as a potential final agreement is signed.

The outbreak of the coronavirus disease 2019 (COVID-19) has significantly impacted the fitness industry. SATS decided on the morning of 12 March 2020 to temporarily close down all clubs in the Nordics to take social responsibility and contribute to limit the contagion of COVID-19. The Norwegian government imposed a lock-down of all gyms later the same day, with the Danish government following the subsequent week.

The Company is in close dialogue with the health authorities, following their advices on how to act after these two weeks of closure. SATS is at the date of this report advised to stay closed by the governments in Norway, Denmark and Finland. These recommendations are valid until 13 April 2020. The Swedish authorities, on the other hand, do not at the date of this report advise fitness operators to close down, and SATS was the only major player in the industry with all clubs closed during the second half of March 2020. SATS therefore decided, with the support from the Public Health Authority in Sweden, to open according to plan on 26 March. A series of measures was taken to make sure the opening was handled in a responsible way, including reduced capacity in group training classes, outdoor training for group training and personal training sessions, higher cleaning frequency and closed child care.

The company is continuously working on finding ways to reduce costs and minimize the revenue loss during the closure period. The cost reduction initiatives include dialogues with landlords to find constructive solutions for lease payments and temporary layoffs according to regulations in the countries SATS operates in. A significant effort is also put into keeping the members active and introducing SATS to non-members through the Online Training offering. SATS has developed digital training programs, 100+ pre-recorded classes and many live classes every day, available for the Nordic population to continue to fulfil the vision of making people healthy and happy even though the clubs are closed. The response has been overwhelming, with 50-60 000 users daily.

SATS has estimated a negative revenue effect of NOK 140 million the first two weeks of the closure. Actual effects on the profit and loss statement in Q1 is dependent on the supporting initiatives from the Nordic governments. The company has assessed different scenarios for the temporary closure and are confident to have sufficient liquidity and financial strength into the foreseeable future. The company has flexibility through a revolving credit facility with a maximum principal amount of NOK 2 500 million, of which NOK 1 304 million was drawn by end-2019. In order to secure liquidity, the draw-down as of March 2020 increased to NOK 1 879 million. This is, in combination with a negative EBITDA effect, expected to result in a temporary significant deviation from the leverage target of 2.0x Adjusted EBITDA. The leverage covenant of the credit facility is 4.25x Adjusted EBITDA, and the company is not in breach with the covenant as of end-Q1 2020. The company has a close dialogue with the bank and expects flexibility should the temporary closure persist.

Due to the extraordinary situation, the Board of Directors will not propose to distribute the guided dividend of NOK 250 million to the shareholders in 2020. The Board will reassess the capacity for a dividend once the situation has stabilized.

SATS' Board of Directors resolved, in consultation with the company's nomination committee, to cancel the extraordinary general meeting scheduled to be held on 18 March 2020 due to the coronavirus COVID-19 pandemic. The SATS' Board of Directors will consider to reintroduce the investment program at a later stage when the market conditions have stabilized.

The Board of Directors is not aware of any other events that occurred after the balance sheet date, or any new information regarding existing matters, that can have a material effect on the 2019 consolidated financial statements.

GOING CONCERN

The financial statements have been prepared based on the going concern assumption, and the Board of Directors confirms that this assumption is valid. With the efforts initiated to retain revenue and reduce cost during the extraordinary situation related to the outbreak of the coronavirus and the closure of clubs, the Board considers the company to be in a healthy financial position with adequate liquidity reserves.

SHAREHOLDERS INFORMATION

SATS ASA's share capital was NOK 361 million as at 31 December 2019, divided into 170 000 000 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS did not own any treasury shares as at the balance sheet date. The number of shareholders as at 31 December 2019 was 1 214.

CORPORATE GOVERNANCE

Good corporate governance is a priority for the Board of Directors. SATS' objective for corporate governance is based on openness, independence, equal treatment and 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 is subject to Norwegian law. SATS' shares are listed on the Oslo Stock Exchange (Nw. 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 (Nw. "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, 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 how SATS complies 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, which is available on the Group's website www.satsgroup.com.

RISK FACTORS

SATS operates in a broad range of geographical markets in the highly competitive health and fitness industry. In achieving its long-term strategic objectives, SATS is inherently involved in taking risks. 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, analyse, 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 consisting of four categories and 18 risk areas is used to aggregate and categorize risks identified across the organization with the risk management framework.

The risks that potentially have the greatest adverse effect on the achievement of SATS' objectives are described below. The list is not exhaustive. 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 process 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 CATEGORIZATION

STRATEGIC RISKS	OPERATIONAL RISKS	COMPLIANCE RISKS	FINANCIAL RISKS

STRATEGIC RISKS

MAIN AREAS	DETAILED OVERVIEW	MITIGATING ACTIONS
Attracting and retaining members	SATS' success depends upon its ability to attract new members and reduce its churn rate through retaining existing members within its existing markets in Norway, Sweden, Finland and Denmark. Becoming less attractive to existing and new members, due to i.e. increased competition, changes in member preferences, communication, marketing, pricing and/or harm to SATS' reputation, could have a negative impact on SATS' growth and operations.	To successfully maintain and increase its membership levels, SATS depends on its ability to identify and originate trends, as well as to adapt and react to changing member preferences in a timely manner. 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. Members who use group training, including specialized group training, and purchase personal training sessions, have historically continued as members for longer periods than members who do not purchase such products and services. SATS is analysing new membership forms and add-on opportunities continuously to keep up with new market developments.
Expansion into existing markets	SATS business model relies on being accessible for everybody, everywhere at any time. Its main method to achieve this is by being present with fitness clubs expanding its portfolio in existing markets. This expansion potential may be influenced by changing market conditions, laws and regulations and consumer preferences, including discretionary spending habits, which could have an impact on SATS' operations.	SATS aims to continue to expand in the coming years, both through acquisitions, the opening of new fitness clubs and the expansion of complementary product offerings. A key building block of this strategy is to grow and expand in the wider health and fitness space. SATS' solid balance sheet and cash flows provide a stable platform for continued growth.
Competition	SATS operates within the health and fitness industry, which is generally highly competitive. Because SATS operates in the premium segment as a full-service provider, the group is more exposed to price pressure than a low-cost operator, due to its higher costs. Losing existing and new members to competitors could have a negative impact on SATS' operations.	SATS is actively monitoring changes in customer and market behaviour to create and execute mitigation plans, and develops business transformation programs and new business initiatives in line with its existing business strategy. SATS has implemented a flexible membership model and pricing strategy, and continuously explores opportunities close to its core services to create new revenues through new products and services. This includes physiotherapy, nutrition counselling and the launch of a new nutrition product range during 2020.
Market	If the Company fails to successfully implement its marketing strategy, it may be unable to attract and retain members. Furthermore, general market developments, such as economic and political risks, could have an impact on SATS' operations.	SATS employs several marketing tools to attract and retain members. SATS primarily utilizes television, digital and physical platforms for marketing its products and services. Additionally, SATS also benefits from positive feedback and referrals from its current and former members to people within their social network to try its products and services, including upscaling their memberships to try its group training classes or niche concepts and to purchase sessions with its personal trainers. SATS' intellectual property rights including the SATS Brand, the Fresh Fitness Brand and its specialized and proprietary training concepts such as Build'n Burn™, Prformance™ and Hi-Yoga are important to its continued success and ability to attract and retain members. SATS will from time to time, if required, initiate action (including litigation) against third parties to enforce its intellectual property rights and has successfully challenged the replication of its niche concept Build'n Burn™ in the past.

OPERATIONAL RISKS

MAIN AREAS	DETAILED OVERVIEW	MITIGATING ACTIONS
Technology	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, interruption or weakness of 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 required expertise at all times in order to develop, maintain, enhance and improve the functionality, capacity, accessibility, reliability and features of its technology offerings and services on a cost-effective and timely basis. In connection therewith, SATS intends to further develop and expand its internal information technology capabilities to support its technology offerings and digital platform. One result of SATS' digitalisation program is the concept "Perfect club", an optimisation exercise which uses sensors across clubs to gather data on equipment usage, which are then used to redesign clubs. This helps optimize the amount of equipment as well as its layout, to free up space. It also helps accommodate more members per club as well as increase customer satisfaction with the availability of the right equipment. Data security is an area of major importance and SATS is committed to always take appropriate data protection measures.
Suitable sites	SATS' growth strategy relies, in part, upon its ability to identify and secure sites for new fitness clubs that meet its established criteria. A failure to identify and secure suitable sites for new fitness clubs or achieve expected membership levels from these new fitness clubs could have an impact on SATS' operations.	SATS cooperates with internal real estate specialists and selected external real estate agents in all countries to help identify and secure the best available sites and negotiate acceptable leases that only become effective once all required permits and consents for a site have been granted and are irrevocable. SATS employs an extensive site selection strategy that incorporates a number of selection criteria, such as site size, location, configuration, local population density, demographic characteristics of the local catchment, proximity of transportation networks, availability of car parks, the local competitive dynamic and proximity to SATS' existing fitness clubs and clusters. Construction of a new site can only take place after approval by competent body and after a rigorous investment analysis including return on invested capital.
People	SATS is highly dependent on the services of its personal trainers and 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 programmes for club staff, including customer service training etc. Furthermore, customer care employees are constantly being developed further and e-learning programmes are obligatory for all new employees. The popularity of SATS as an attractive employer is based on e.g. the brand value and size of the Group, and SATS constantly develops its HR strategy to retain and recruit employees, based on inter alia employee surveys for existing employees. SATS has a performance assessment process in place to constantly identify and steer on performance development. With this SATS also identifies its talent pool to grow promotion opportunities, increase employee engagement and maintain this talent in the company.
Dependency on suppliers	SATS relies on a limited number of third-party suppliers for equipment and certain products and services. The loss of any one of its suppliers could negatively affect SATS' operations.	SATS has multi-year agreements in place with its key suppliers related to the procurement of fitness equipment, IT services and other key services. A project has been initiated to reduce the scope of the major software system provider, including a strategy to insource the development of certain digital services. Overall, SATS works with different suppliers to spread the dependency and workload, and the suppliers are evaluated and re-assessed on an ongoing basis.
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, 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 with a view to optimising the security of our members and staff. Incident reporting routines are established and security cameras are installed in order to facilitate this policy. First aid-trained personnel are generally present at our fitness clubs, and the clubs are typically supplied with defibrillators and first aid kits. SATS has an active focus on general health and safety issues and is prepared to effectuate required measures to resolve critical situations; as demonstrated by the actions taken by the Group to close its fitness centres temporarily in all markets during the COVID-19 virus ("Corona") outbreak early 2020.

COMPLIANCE RISKS

MAIN AREAS	DETAILED OVERVIEW	MITIGATING ACTIONS
Legal, compliance and regulatory risks	SATS operates in Norway, Sweden, Finland and Denmark, subjecting the business to laws and regulations in those jurisdictions, including general consumer protection law, marketing law, labour and tax laws. A failure to comply with applicable laws and regulations could have a negative impact on SATS' business, including in respect of reputation and future growth and profitability.	SATS is committed to comply with the laws and regulations of the countries in which the Group operates. SATS has established a centralized Head of Legal & Compliance function, which is responsible for the Group's compliance with legislation and regulations, including the monitoring of new applicable legislation. When required, external advisors are engaged within the different jurisdictions on a case-by-case basis.
GDPR	SATS receives, stores and processes highly sensitive personal information and other data of 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. The Group's Head of Legal & Compliance is appointed as the Group's Data Protection Officer (DPO). The GDPR policy was implemented during 2017 and aims to secure GDPR compliance based on a three-prolonged approach, including 1) mapping of member and employment data, 2) definition of new routines for handling personal data (including a new Privacy Policy, adjustment of the Terms and Conditions and collection of Data Processing Agreements from all relevant partners), and 3) the establishment of new routines for customer service and operations.
Reputation	SATS' brands are generally well-received and recognized in the markets where SATS operates. The risk of any negative publicity, ineffective marketing strategies, or negative incidents such as members suffering injuries, could adversely affect the brands.	SATS has implemented marketing, corporate communications and investor relations departments to manage its commercial and corporate communication and PR, in order to protect its reputation and brand value. SATS has employed a Head of Communication and PR to handle important media matters relevant for the Group. Other employees are prohibited from issuing written notices and participating in debates or other communication in media or social media without prior written acceptance from SATS' Head of Communication and PR or the Group's CEO. SATS has implemented a news service to gain insight in all publications and communication on the SATS brand in public markets, in order to have a quick response system in place. SATS closely monitors regulatory requirements and official guidelines and recommendations from public health authorities in the Nordics relevant for the Group and aims to be the first to adhere to such guidelines and recommendations. This includes guidance and recommendations relating to world health and pandemics such as the current Corona guidance, but also more customary and informal recommendation relating to exercise and diet. SATS' planning and initiative relating to reputational risk secured that the Group was first in the fitness industry to publicly close all of its centres due to Corona, thereby avoiding potential negative reputation.
Environmental, social and corporate governance	The risks of infringements on general accepted corporate and social responsibilities and of those reflected in SATS' values and Code of Conduct, could adversely affect the profitability and reputation of the SATS brands.	SATS has zero tolerance for corruption in any form, including bribery, facilitation payments and trading in influence. The Group has a constant focus on complying with all applicable anti-corruption laws and regulations and is taking active steps to ensure that corruption does not occur in relation to its business activities. Furthermore, SATS is committed to conduct its business activities in an open and transparent manner, to promote transparency in the fitness industry and to consequently support efforts to combat corruption worldwide. SATS has implemented a program for the education of the employees in the Group's core values, including the avoiding of conflicts of interest, money laundering, unfair competition and breaching rules related to gifts and hospitality; all covered by the Group's Code of Conduct. SATS actively works to limit greenhouse gas emissions from its activities and will comply with all applicable environmental laws and regulations. The Group has a high focus on energy efficiency in all of its markets, and has implemented several measures in this respect; such as the installation of power meters that report on consumption and censors in the showers at all centres that automatically turns off the water after 1-2 minutes.

FINANCIAL RISKS

MAIN AREAS	DETAILED OVERVIEW	MITIGATING ACTIONS
Capital expenditure and cash flow risk	SATS' growth strategy involves a large number of capital-intensive projects with the target of expanding its total club base. Failure to obtain additional capital to finance its operations could affect SATS' plans for growth as well as its results of operations.	Management and control of financial risk, including capital expenditure and cash flow risk, are carried out centrally in the finance division, by the treasury management function at the Group's headquarter. The Treasury Manager identifies, measures, mitigates and reports on financial risks in close cooperation with the various operating units, together with banking relations for the whole Group. To be able to maintain a sufficient flexibility in the source of funding, SATS has unutilized borrowing facilities of NOK 1.2 billion and cash and cash equivalents of NOK 165 million as of year-end 2019.
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.	SATS' ability to service debt, and ultimately continue as a going concern, depends on the Group's cash flow from operating activities. SATS regularly monitors its cash flow situation by setting up prognoses and forecasts of the liquidity reserves, including cash equivalents and borrowing facilities. The forecasts are set by the Treasury Manager and is regularly monitored by the CFO.
Credit risk	SATS' members have historically demonstrated high payment ability. However, the payment behaviour of its existing and future members could change, which may have an impact on SATS' profitability and cash flows.	SATS' credit risk relates to the Group's account receivables, contract assets and investment in liquid financial instruments. As the daily business to a large part is based 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 high credit rating. Credit risk in relation to regular customers is deemed to be acceptable as SATS has no individually significant customers. The relatively few members who can 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. The net of those cash flows is meant to be able to cover the local currency borrowings, reducing SATS' exposure to changes in the foreign exchange rates. SATS hedges part of its interest rate risk by entering into interest rate swap agreements providing 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. Deferred tax assets are recognized if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Valuation of deferred tax assets is dependent on management's assessment of future financial performance and recoverability of the deferred benefit, and may result in impairment if the unit's profitability deviates from expectations.	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. Furthermore, an assessment to the eligibility of the tax assets are performed regularly.
COVID-19	On 12 March 2020, SATS decided to temporarily close down all clubs in the Nordics due to COVID-19. The Norwegian government imposed a lock-down of all gyms later the same day, with the Danish government following the subsequent week. As of date, SATS is advised to stay closed by the governments in Norway, Denmark and Finland valid until 13 April 2020. Currently, Swedish authorities has not advised fitness operators to close down. However, SATS also closed down the clubs in Sweden during the second half of March. On 26 March 2020, the Swedish clubs re-opened in line with recommendations issued by the Public Health Authority in Sweden. The lock-down has significantly impacted SATS' financial situation and the fitness industry in general. The company needs to comply with certain financial covenants under the terms of its existing loan facility, and if the situation sustains over several months, SATS may risk temporarily breaching financial covenants.	SATS is continuously working on finding ways to reduce costs and minimize the revenue loss during the closure period. The cost reduction initiatives include dialogues with landlords to find constructive solutions for lease payments and temporary layoffs according to regulations in the countries SATS operates in. A significant effort is also put into keeping the members active and introducing SATS to non-members through the Online Training offering. SATS has developed digital training programs, 100+ pre-recorded classes and many live classes every day, available for the Nordic population. The company has flexibility through a revolving credit facility with a maximum principal amount of NOK 2 500 million, of which NOK 1 304 million was drawn by end-2019. In order to secure liquidity, the draw-down as of March 2020 increased to NOK 1 879 million. The company has a close dialogue with the bank and expects flexibility should the temporary closure persist. Due to the extraordinary situation, the Board of Directors will not propose to distribute the guided dividend of NOK 250 million to the shareholders in 2020.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2019 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 2019 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 Report of the Board of Directors gives a true and fair review of the development, performance and financial position of the Company and the Group and includes a description of the principle risks and uncertainties that they face.

Oslo, 3 April 2020

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

CORPORATE GOVERNANCE

GOVERNANCE PRINCIPLES

SATS considers good corporate governance to be a prerequisite for value creation and trustworthiness and 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 is subject to Norwegian law. SATS' shares are listed on the Oslo Stock Exchange (Nw. 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 (Nw. *"Norsk anbefaling for eierstyring og selskapsledelse"*), issued by the Norwegian Corporate Governance Board, most recently revised on 17 October 2018 (the "Code"). If SATS does not fully comply with the Code, the company will provide an explanationfor the deviation, and also provide relevant basis for the chosen solution.

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, the means of attaining those objectives and monitoring performance are determined.

The SATS governance structure consists of (governing bodies):

- The shareholders annual general meeting (AGM) elects the Board of Directors after input from the Nomination Committee
- The Board of Directors that 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 who support the CEO in maintaining group-wide policies and oversight and follow up on group-wide initiatives
- The business units that 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 to 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, customers, suppliers, public authorities and the society in general. By pursuing the principles of corporate governance, approved by SATS' Board of Directors, the Board of Directors and management shall contribute to achieving the following objectives:

Openness. Communication with the interest groups of SATS 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, the management and the 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

SATS Group AS is the largest shareholder, owning 61.8% of total shares at year-end 2019.

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

THE NOMINATION COMMITTEE

The articles of association provide for a Nomination Committee composed of between two and three members. The composition of the company's Nomination Committee comprises Erik Thorsen (chairperson), Andreas Hall (committee member) and Søren Rene Kristiansen (committee member). The members of the Nomination Committee are appointed until the annual general meeting of the company in 2021. The Nomination Committee shall give recommendations for the shareholder-elected members of the Board of Directors, as well as make recommendations for remuneration of the Board members. The Code (article 7) states that; "No more than one member of the nomination committee should be a member of the Board of Directors, and any such member should not offer himself for re-election to the Board" (which is also reflected in the company's article of association). In this regard, committee member Mr. Kristiansen is also a company Board member. As it has not yet been decided whether Mr. Kristiansen will offer himself for re-election to the Board at the next vote in 2021, his committee membership may be classified as a soft deviation from the Code. However, the Code also takes into account that elected officers of the company with experience from the Board of Directors contribute positively with a general understanding of the company's situation. On this basis, and in the general interest of the shareholders, the company has decided that Mr. Kristiansen's value to the committee outweighs a potential soft deviation.

BOARD OF DIRECTORS

The articles of association provide that the Board of Directors shall consist of a minimum of three and a maximum of nine Board 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)
- Eivind Roald (Board member)
- Rebekka Glasser Herlofsen (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 both Siren Sundby and Rebekka Glasser Herlofsen are independent of the company's main shareholder SATS Group AS. The Board of Directors is composed in compliance with the independence recommendations under the Code.

The Board of Directors is responsible for the governance and administration of the company and shall 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 shall 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 shall keep itself informed of 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 Director's 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

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.

THE AUDIT COMMITTEE

The Board of Directors has established an Audit Committee composed of two Board members. The members of the Audit Committee are appointed for a two-year term. The appointed members of the Audit Committee are Rebekka Glasser Herlofsen (chairperson) and Søren Kristiansen (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; and
- provide support to the Board of Directors on the risk profile and risk management of the Group. The Audit Committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

THE REMUNERATION COMMITTEE

The Board of Directors has established a Remuneration Committee composed of two Board members. The members of the Remuneration Committee are appointed for a two-year term. The appointed members of the Remuneration Committee are Eivind Roald (chairperson) 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, reviewing succession policies, career planning and management development plans and prepare matters relating to other material employment issues in respect of the executive management. The Remuneration Committee shall report and make recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

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.

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 assessment of risks of significant errors in the group financial statement. The controls are designed from the top (Entity Level Controls), 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 in SATS is an integral part of our governance system, and an annual process is designed to ensure compliance with policies and procedures and the effectiveness of process level controls, as well as maintaining the system effectiveness. An ICFR plan for ensuring ongoing effective and efficient ICFR shall each year be prepared and presented to the SATS Board of Directors for approval prior to the start of the fiscal year. The ICFR plan shall be prepared by the ICFR Officer, taking into account the control owners learning and results from this year's ICFR process and any changes expected to impact ICFR.

COMPLIANCE FUNCTION

SATS has established a compliance function 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 a CEO approved annual plan. 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.
Corporate Social Responsibility

SATS' sustainability and social responsibility work is presented in the 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
- Environmentally sustainable operations
- Supply chain management

The report also considers the activities and approach to employees and business ethics. SATS will continue the work on the sustainability strategy to find ways to strengthen the contribution of the core business to public health and to improve the sustainability performance in the operations.

THE BOARD OF DIRECTORS

Hugo Lund Maurstad
Chair of the Board

Søren Rene Kristiansen
Board Member

Rebekka Glasser Herlofsen
Board Member

Siren Sundby
Board Member

Eivind Roald
Board Member

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2019	2018[1]
(Amounts in NOK million for the period ended 31 December)			
Revenue	*4, 5, 8*	**3 987**	**3 259**
Operating expenses			
Cost of goods		-115	-80
Personnel expenses	*6*	-1 463	-1 224
Other operating expenses	*7, 8, 12*	-925	-688
Depreciation and amortisation	*11, 12, 13*	-972	-739
Total operating expenses excluding impairment		**-3 475**	**-2 731**
Operating profit excluding impairment[2]		**512**	**528**
Impairment of intangible assets	*11*	0	-265
Operating profit		**512**	**263**
Interest income		1	0
Finance income	*9*	11	22
Interest expense	*20*	-253	-236
Finance expense	*9*	-24	-26
Net financial items		**-265**	**-240**
Profit/loss before tax		**247**	**24**
Income tax expense	*10*	-60	-28
Profit/loss for the year		**187**	**-4**
Profit/loss for the year is attributable to:			
Equity holders of the parent company		187	-6
Non-controlling interests		0	2
Total allocation		**187**	**-4**
Earnings per share in NOK			
Basic earnings per share attributable to the ordinary equity	*19*	1.52	-0.05
Diluted earnings per share attributable to the ordinary equity	*19*	1.52	-0.05

[1] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*
[2] *For further information regarding Operating profit excluding impairment, please see the appendix, Alternative Performance Measures.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019	2018[1)]
(Amounts in NOK million for the period ended 31 December)		
Profit/loss for the year	**187**	**-4**
Other comprehensive income		
Foreign exchange rate changes - may be reclassified to profit or loss	10	37
Other comprehensive income, net of tax	**10**	**37**
Total comprehensive income	**197**	**33**
Total comprehensive income is attributable to:		
Equity holders of the parent company	198	31
Non-controlling interests	0	2
Total comprehensive income	**197**	**33**

[1)] The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	Notes	31.12.2019	31.12.2018[1)]	01.01.2018[1)]
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	11	2 351	2 313	2 293
Customer relations	11	42	0	0
Trademark	11	2	0	265
Internally developed software	11	70	58	58
Total non-current intangible assets		**2 464**	**2 372**	**2 617**
Property, plant and equipment				
Right-of-use assets	12	3 912	3 229	3 346
Leasehold improvements	13	480	366	338
Fitness equipment	13	197	184	163
Other equipment, fixture and fittings	13	62	49	58
Total non-current property, plant and equipment		**4 651**	**3 827**	**3 905**
Financial assets				
Derivative financial instruments	23, 24	5	3	0
Other non-current receivables	26	41	131	1
Total non-current financial assets		**47**	**134**	**1**
Deferred tax asset	10	192	149	162
Total non-current assets		**7 354**	**6 482**	**6 685**
CURRENT ASSETS				
Inventories	15	41	28	30
Other current receivables	26	70	119	18
Accounts receivables	16	136	119	99
Prepaid expenses and accrued income	16	222	174	160
Cash and cash equivalents	15, 17, 21, 22	165	357	249
Total current assets		**634**	**797**	**557**
Total assets		**7 988**	**7 279**	**7 241**

[1)] The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.

Oslo, 3 April 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2019	31.12.2018[1]	01.01.2018[1]
(Amounts in NOK million)				
EQUITY				
Share capital	18	361	225	225
Share premium		3 990	2 270	2 270
Other reserves[2]		15	5	-32
Retained earnings[2]		-3 143	-1 735	-1 721
Non-controlling interests		0	-4	-6
Total equity		**1 223**	**761**	**736**
LIABILITIES				
Non-current liabilities				
Deferred tax liability	10	77	83	125
Borrowings	20	1 293	1 787	1 714
Derivative financial instruments	23, 24	0	0	2
Lease liability	12, 20, 21	3 521	2 949	3 117
Total non-current liabilities		**4 891**	**4 820**	**4 958**
Current liabilities				
Borrowings	20, 21	8	60	60
Lease liability	12, 20, 21	767	611	555
Contract liability	25	491	431	401
Trade and other payables		122	107	104
Current tax liabilities	10	39	46	16
Public fees and charges payable		127	98	63
Other current liabilities	25	322	346	349
Total current liabilities		**1 875**	**1 699**	**1 547**
Total liabilities		**6 765**	**6 519**	**6 505**
Total equity and liabilities		**7 988**	**7 279**	**7 241**

[1] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*
[2] *Other reserves for 2018 has been included in Retained earnings for comparative periods.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK million)	Share capital	Share premium	Other reserves[2]	Retained earnings[3]	**Total attributable to owners of the Group**	Non-controlling interests	**Total equity**
Equity 31 December 2017 reported	225	2 270	-32	-1 425	1 038	-3	1 035
IFRS 16 implementation effect				-296	-296	-3	-299
Equity 1 January 2018[1]	**225**	**2 270**	**-32**	**-1 721**	**742**	**-6**	**736**
Profit/loss for the year				-6	-6	2	-4
OCI for the year			37		37		37
Total comprehensive income for the year	**0**	**0**	**37**	**-6**	**31**	**2**	**33**
Other items				-8	-8		-8
Equity 31 December 2018[1]	**225**	**2 270**	**5**	**-1 735**	**765**	**-4**	**761**
Equity 1 January 2019[1]	**225**	**2 270**	**5**	**-1 735**	**765**	**-4**	**761**
Profit/loss for the year				187	187	0	187
OCI for the year			10		10	0	10
Total comprehensive income for the year	**0**	**0**	**10**	**187**	**197**	**0**	**197**
Dividends				-1 525	-1 525		-1 525
Proceeds from issues of shares IPO and capital increase expenses from IPO	123	1 234		-33	1 323		1 323
Transactions with non-controlling interests				-38	-38	4	-34
Share issues	14	486			500		500
Equity 31 December 2019	**361**	**3 990**	**15**	**-3 143**	**1 223**	**0**	**1 223**

1) The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.
2) Other reserves consist of currency translation adjustments.
3) Other reserves for 2018 has been included in Retained earnings for comparative periods.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK million for the period ended 31 December)	Notes	2019	2018 [1]
Cash flow from operating activities			
Profit before tax		247	24
Adjustment for:			
Taxes paid in the period	10	-60	-21
Gain/loss from sale of gym equipment	13	0	-1
Depreciation, amortisation and impairment	11, 12, 13	972	1 004
Net financial items	9	265	240
Change in inventory	15	-10	2
Change in accounts receivable	16	-11	-20
Change in trade payables		-20	3
Change in other receivables and accruals	25	-38	-58
Net cash flow from operations		**1 345**	**1 173**
Cash flow from investing			
Proceeds from sale of subsidiary		2	5
Purchase of property, plant and equipment	13	-265	-198
Proceeds from property, plant and equipment		2	0
Acquisition of subsidiary, net of cash acquired	28	-60	-23
Net cash flow from investing		**-321**	**-216**
Cash flow from financing			
Repayments of borrowings	20	-1 894	-60
Proceeds from borrowings	20	1 492	150
Instalments on lease liabilities	12	-750	-565
Paid interests on borrowings	20	-67	-77
Interests on lease liabilities	12	-187	-170
Disbursement of dividend		-1 032	0
Proceeds from issues of shares IPO	19	1 356	0
Transactions with non-controlling interests		-34	0
Transaction costs from issues of new shares IPO		-43	0
Other financial items	9	-66	-127
Net cash flow from financing		**-1 225**	**-849**
Net increase/decrease in cash and cash equivalents		**-200**	**107**
Effect of foreign exchange changes on cash and cash equivalents		8	1
Cash and cash equivalents at the beginning of the period		357	249
Cash and cash equivalents at the end of the period	17	**165**	**357**

1) The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.

NOTES		PAGE

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 248 wholly-owned 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 and HiYoga.

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 to "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 2019 are available at www.sats.no.

SATS ASA is a subgroup of SATS Group AS, which was established on 5 June 2014 through a merger of the two groups Health & Fitness Nordic and Elixia Holding IV. The Group ownership is as follows: 61.8% by SATS Group AS, 10.0% by Canica AS, 5.5% by SATS Management Invest AS, and 22.7% by other shareholders. SATS Group AS is owned by Elixia Holding IV AS (51%) and Tryghedsgruppen s.m.b.a. (49%).

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

The consolidated financial statements were approved by the Board of Directors on 3 April 2020.

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 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 31 Critical estimates.

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of SATS ASA.

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 recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance 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 recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised 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 recognises 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 recognised 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 is subsequently remeasured to fair value with changes in fair value recognised 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 recognised 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 recognises 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 recognised 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 are 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 amortisation 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and 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 assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised 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 trade 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, CCO, CDO 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[2)], EBITDA excluding IFRS 16[2)], Adjusted EBITDA before impact of IFRS 16[2)] and Adjusted Country EBITDA before impact of IFRS 16[2)] 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 2019						
Revenue						
Membership revenue	1 439	1 026	282	423	0	3 171
Other revenues	392	282	61	81	0	816
Total revenues	**1 831**	**1 308**	**343**	**504**	**0**	**3 987**

EBITDA[2)] and EBITDA before impact of IFRS 16[2)] reconcile to profit/loss as follows:

	Norway	Sweden	Finland	Denmark	Group functions and other	Total
EBITDA before impact of IFRS 16[2)]	**319**	**256**	**22**	**-81**	**35**	**551**
Impact of IFRS 16	397	274	95	167	0	933
EBITDA[2)]	**717**	**530**	**117**	**86**	**35**	**1 484**
Depreciation and amortisation	-379	-273	-92	-184	-44	-972
Operating profit	**337**	**257**	**25**	**-98**	**-9**	**512**
Net financial items[3)]	-89	-51	-22	-35	-67	-265
Income tax expense	-37	-4	19	1	-38	-60
Profit/loss for the year	**212**	**201**	**21**	**-133**	**-114**	**187**

[1)] *For further information about definitions, please see 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.*

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	**Total**
(Amounts in NOK million)						
FINANCIAL YEAR 2018[1)]						
Revenue						
Membership revenue	1 340	962	264	0	0	2 565
Other revenues	379	264	51	0	0	694
Total revenues	**1 719**	**1 225**	**315**	**0**	**0**	**3 259**

Underlying EBITDA[2)] and EBITDA before impact of IFRS 16[2)] reconcile to profit/loss as follows:

Underlying EBITDA before impact of IFRS 16[2)]	**265**	**221**	**15**	**0**	**30**	**531**
Impact of IFRS 16	380	270	86	0	0	736
Underlying EBITDA[2)]	**645**	**491**	**101**	**0**	**30**	**1 267**
Depreciation and amortisation	-363	-261	-83	0	-32	-739
Operating profit excluding impairment	**282**	**230**	**18**	**0**	**-2**	**528**
Impairment of intangible assets	-265	0	0	0	0	-265
Operating profit	**17**	**230**	**18**	**0**	**-2**	**263**
Net financial items[3)]	-98	-52	-24	0	-66	-240
Income tax expense	38	-32	0	0	-34	-28
Profit/loss for the year	**-43**	**146**	**-5**	**0**	**-103**	**-4**

On 1 January 2019 SATS acquired 100% of the shares in the Danish fitness center chain fitness dk. The operating results and assets and liabilities of the acquired segment are consolidated from 1 January 2019.

1) *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*
2) *For further information about definitions, please see appendix Alternative Performance Measures.*
3) *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 2019						
Total non-current intangible assets	1 605	194	564	30	72	2 464
Non-current tangible assets[2]	2 086	1 346	487	732	0	4 651
Total non-current financial assets	0	1	2	39	5	47
Deferred tax asset	65	45	28	54	0	192
Current assets	604	702	102	-85	-690	634
Total assets	**4 360**	**2 288**	**1 183**	**770**	**-613**	**7 988**
Total liabilities	**2 462**	**1 727**	**614**	**727**	**1 236**	**6 765**
Investments	67	65	17	59	56	265
FINANCIAL YEAR 2018[1)]						
Total non-current intangible assets	1 569	176	569	0	58	2 372
Non-current tangible assets[2)]	1 927	1 409	492	0	0	3 827
Total non-current financial assets	0	0	0	0	134	134
Deferred tax asset	93	46	10	0	1	149
Current assets	569	629	95	0	-496	797
Total assets	**4 158**	**2 260**	**1 165**	**0**	**-303**	**7 279**
Total liabilities	**2 378**	**1 747**	**540**	**0**	**1 855**	**6 519**
Investments	70	67	21	0	40	198

On 1 January 2019 SATS acquired 100% of the shares in the Danish fitness center chain fitness dk. The operating results and assets and liabilities of the acquired segment are consolidated from 1 January 2019.

1) *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*
2) *Non-current tangible assets consist mainly of right-of-use assets, capitalised improvements on the leased fitness center facilities and fitness equipment, and excludes 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 analyses 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 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. A SATS membership entails 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, either through the website registration page, at a fitness center, 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 personal training (PT) introduction session. This introduction session has commercial value to the customer, and normally the customer utilizes the PT instruction 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
Personal training sessions
Personal training (PT) sessions, where customers gets advice, motivations 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 numbers of participant at each session and the number of prepaid sessions included on the access cards. The customer simultaneously receives and consumes the benefits provided by the Personal Trainers as the sessions unfolds, 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 centers` stores.

Sales are recognised 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	**2019**
Norway	1 439	392	1 831
Sweden	1 026	282	1 308
Finland	282	61	343
Denmark	423	81	504
Revenue from contracts with customers	**3 171**	**816**	**3 987**
At a point in time revenue recognition			
Other revenue			816
Membership revenue[1)]			57
Total at a point in time revenue recognition			**874**
Over time revenue recognition			
Membership revenue			3 113
Total over time revenue recognition			**3 113**

(Amounts in NOK million)	Membership revenue	Other revenue	**2018**
Norway	1 340	379	1 719
Sweden	962	264	1 225
Finland	264	51	315
Group functions and other	0	0	0
Revenue from contracts with customers	**2 565**	**694**	**3 259**
Point-of-time revenue recognition			
Other revenue			694
Membership revenue[1)]			62
Total point-of-time revenue recognition			**756**
Period-of-time revenue recognition			
Membership revenue			2 503
Total period-of-time revenue recognition			**2 503**

[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 of 31 December will be recognised as revenue during the next financial year. The remaining 10% is expected to be recognised 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 of 31 December 2019, 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 2019, that relates to advance payments from customers.

Contract liabilities	**2019**
(Amounts in NOK million)	
Contract liabilities as of the balance sheet date	
Membership subscriptions	309
Gift Cards	1
PT-sessions	182

Revenue recognised from contract liabilities	**2019**
(Amounts in NOK million)	
Revenue recognised in this period that was included in the contract liability balance at the beginning of the period	
Membership subscriptions	266
Gift Cards	2
PT-sessions	165

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 recognised 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. The 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 recognised 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	**2019**	2018
(Amounts in NOK million)		
Salary expenses including bonuses, holiday pay and other costs	1 267	1 052
Social security contributions	143	129
Pension costs	53	43
Total personnel expenses	**1 463**	**1 224**

Full-time equivalents	**2019**	2018
Norway	1 059	1 018
Sweden	670	663
Finland	251	217
Denmark	223	0
Total	**2 203**	**1 898**

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 of 31 December 2019, the Group had obligations of NOK 11 million (NOK 11 million as of 31 December 2018). As of 31 December 2019 and 31 December 2018, the scheme covered 4 213 (3 998) employees.

The Group recognized an expense of NOK 53 million in 2019 (NOK 43 million in 2018) related to defined contribution plans.

Remuneration to executive personnel	Salary	Bonus	Pension	Other benefits	Total
(Amounts in NOK thousand)					
Financial year 2019					
Group CEO	4 410	8 180[1)]	1 006	202	13 798
Other members of Group Executive Management	8 910	2 493	966	524	12 892
Total	**13 319**	**2 493**	**1 972**	**726**	**26 690**
Financial year 2018					
Group CEO[2)]	4 372	6 360[3)]	56	288	11 076
Other members of Group Executive Management	7 973	3 445	795	551	12 764
Total	**12 346**	**7 625**	**851**	**839**	**23 840**

The Board of Directors has established a remuneration committee consisting of two board members, being Eivind Roald (chairperson) and Siren Sundby. The remuneration committee is a sub-committee of the Board of Directors and its objective is to act as a preparatory and advisory body in relation to the Company's remuneration of the Executive Management and to ensure thorough and independent preparation of matters in relation to compensation of executive personnel.

The Board of Directors has established guidelines for the remuneration to the members of the Executive Management. It is the Company's policy to offer the Executive Management competitive remuneration based on current market standards, company performance and individual performance. The remuneration consists of a basic salary element combined with a performance-based bonus program. Members of the Executive Management (excl. CEO) may be awarded an annual bonus of up to 50% of his/her annual gross base salary. The Group's CEO may be granted a bonus of up to 75% of his annual gross base salary. The annual bonus for Executive Management will be determined by the Board of Directors each year.

The Executive Management participates in the Group’s insurance schemes and in the Group's defined contribution pension schemes in accordance with mandatory law in the relevant countries. The CEO and certain of the Norwegian individuals part of the Executive Management are entitled to an additional annual pension contribution. The CEO is entitled to severance pay equal to twelve months' base salary, if the employment agreement is terminated by the employer.

Other Group Executive Management includes Country Managers, CFO, CDO, CCO and HR-Director.

Group Executive Management owns 44 835 A-shares, 258 283 C-shares and 292 759 D-shares in SATS Management Invest AS.

1) *CEO had a performance based bonus related to the initial public offering of SATS ASA in October 2019. Consequently, the bonus presented is not representative for the bonus level of the CEO the following financial year.*
2) *The total remuneration includes the past CEO, who left the Group in 2018 and the new CEO who was employed from October 2018.*
3) *This amount includes a sign-on bonus for the new CEO in the amount of NOK 3 500 thousand.*

Board of Directors’ compensation
There was no compensation to the Board members besides the remuneration described above.

NOTE 7 Other operating expenses

Other operating expenses	2019	2018[1)]
(Amounts in NOK million)		
Property expenses[2)]	-517	-338
Marketing expenses	-129	-111
IT expenses	-103	-90
Other operating expenses	-176	-149
Total other operating expenses	**-925**	**-688**

1) *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*
2) *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 for further information about receivables, and Note 23 Financial risk factors for further information about the Group's risk management procedures.

Auditor's remuneration	2019	2018[1)]
(Amounts in NOK thousand)		
Expensed auditor fees:		
Statutory audit (including technical assistance - annual accounts)	-2 646	-2 958
Other attestation and assurance services	-408	-657
Tax advice (including technical assistance corporate tax papers)	-62	-64
Total auditor's remuneration	**-3 116**	**-3 679**

NOTE 8 Net gain/loss

Net gain/loss	**2019**	2018[1)]
(Amounts in NOK million)		
Net gain/loss on disposal of property, plant and equipment	-1	-1
Net foreign exchange gains/losses	-11	-3
Total Net gain/loss	**-12**	**-4**

NOTE 9 Financial income and financial expenses

Financial income	**2019**	2018[1)]
(Amounts in NOK million)		
Foreign exchange gains unrealized	0	0
Foreign exchange gains realized	0	0
Net gain derivatives unrealized	7	14
Other finance income	3	7
Total financial income	**11**	**22**

Financial expenses	**2019**	2018[1)]
(Amounts in NOK million)		
Foreign exchange losses unrealized	6	2
Foreign exchange losses realized	9	2
Net loss derivatives unrealized	4	10
Other finance expenses	5	12
Total financial expenses	**24**	**26**

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 utilise 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	**2019**	2018[1)]
(Amounts in NOK million)		
Tax payable	-48	-46
Change in deferred tax as result of changed tax rates	2	0
Tax Group contribution	-4	-7
Adjustment deferred tax prior year	0	-13
Change in deferred tax	-10	36
Total tax income/expense	**-60**	**-28**

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

Deferred tax	**2019**	2018[1)]
(Amounts in NOK million)		
Fixed assets	0	0
Intangible assets	26	34
Gain and loss account	11	13
Financial instruments	1	1
Untaxed reserves	35	33
Other items	3	1
Total deferred tax relating to temporary differences	**77**	**83**
Carrying amount deferred tax liabilities	**77**	**83**

[1)] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*

Deferred tax assets	2019	2018[1]
(Amounts in NOK million)		
Fixed assets	-36	-21
Leasing	-82	-73
Receivables	-20	-21
Intangible assets	0	-18
Gain and loss account	0	0
Losses carried forward	-52	-14
Other items	-3	-1
Total deferred tax assets relating to temporary differences and losses carried forward	**-192**	**-149**
Carrying value deferred tax assets	**-192**	**-149**

Explanation of the change in the deferred tax	2019	2018[1]
(Amounts in NOK million)		
Carrying value deferred tax at 1 January	83	125
Change in deferred tax liabilities	-7	-42
Carrying value deferred tax at 31 December	**77**	**83**

Explanation of the change in the deferred tax assets:	2019	2018[1]
(Amounts in NOK million)		
Carrying value deferred tax assets at 1 January	-149	-164
Change in deferred tax assets	-43	15
Carrying value deferred tax assets at 31 December	**-192**	**-149**

Losses carried forward as of 31 December	2019	2018[1]
(Amounts in NOK million)		
Tax jurisdiction:		
Norway (unlimited expiration)	0	31
Finland	129	147
Denmark (unlimited expiration)	213	0
Sweden (unlimited expiration)	89	61
Total losses carried forward	**432**	**239**

Losses carried forward as of 31 December 2019 – Finland

Unused tax losses incurred	Expiration year	Unused tax losses
(Amounts in NOK million)		
2010	2020	15
2011	2021	22
2012	2022	18
2013	2023	16
2014	2024	26
2016	2026	12
2017	2027	19
Total		**129**

[1] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in note 30.*

Significant estimates and assumptions
SATS Finland was acquired by SATS Holding AB in 2003. NOK 19 million of the deferred tax asset recognised in the Group`s balance sheet is related to unused tax losses in SATS Finland. The tax losses must be utilised according to the table above. SATS Finland Oy merged with Elixia Finland Oy in 2016 and with Fresh Fitness Oy in 2018. The new Finnish entity shows good prospects with underlying growth in all clusters in 2019, and is expected to utilise the remaining unused tax losses over the next three to five years.

On 1 January 2019 SATS acquired 100% of the shares in the Danish fitness center chain fitness dk A/S. The acquisition has been performed with the aim of expanding the SATS concept to the Danish fitness market and is expected to ensure profitability for the acquired entities by rebranding the center profiles and reducing costs through economies of scale as well as other synergistic benefits anticipated to arise through becoming part of the larger SATS Group. In connection with the acquisition, management made an assessment as to the eligibility of a deferred tax asset in the amount of NOK 54 million, based on the loss carryforward position along with other tax reducing temporary differences. It is management`s judgement that it is probable that future taxable profits will be available against the unused tax losses and tax reducing temporary differences.

SATS Sports Club Sweden AB and SATS Holding AB have losses carried forward of NOK 89 million that are not recognized in the balance sheet. 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 2026. Additional acquisitions followed by mergers will result in a prolonged frozen period.

The Group has in total a deferred tax asset of NOK 61 million not recognised in the balance sheet as of 31 December 2019.

Reconciliation of tax expense	**2019**	2018[1)]
(Amounts in NOK million)		
Profit before tax		
Norway	223	-82
Sweden	145	110
Finland	3	-5
Denmark	-124	0
Corporate tax rates		
Norway, 22% (2018: 23%)	-49	19
Sweden, 21.4% (2018: 22%)	-31	-24
Finland, 20% (2018: 20%)	-1	1
Denmark, 22%	27	0
Reconciling items:		
Non-deductible expenses	-4	-4
Unused tax losses not recognised as deferred tax assets	-27	-6
Deferred tax assets not recognised previous years	19	0
Changes in Swedish nominal tax rate	2	0
Foreign currency effects	1	1
Corrections of prior year tax assessments	0	-13
Others	1	0
Calculated tax expense/income	**-60**	**-28**
Weighted average tax rate	-24.3%	-117.2%

[1)] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*

NOTE 11 Intangible assets

Goodwill
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. Calculation of the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

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

Trademark
The ELIXIA brand name was acquired through a business combination in 2014, where the brand name asset was recognized at fair value at the acquisition date. As of 2018, management decided to implement a new branding strategy where the main goal is to harmonize the marketing profile across markets and regions of operations. The new market strategy aimed to re-brand all the Group's fitness centers, except Fresh Fitness-centers, under the logo SATS, and consequently the name ELIXIA will no longer be used other than in Finland. All existing fitness centers in Norway and Sweden have been branded under the SATS logo, and management has thus estimated that few future expected cash flows from the brand name ELIXIA are expected. The value of the brand name has per the 2018 balance sheet date been determined to be nill, resulting in an impairment of intangible assets of NOK 265 million in 2018.

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

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

- it is technically feasible to complete the software 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 is available; and
- the expenditure attributable to the software during its development can be reliably measured

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Capitalised costs for internally developed software are amortised over the estimated period of usage, 3 years. Amortisation is presented in the line 'Depreciation and amortisation'.

Goodwill	Norway	Sweden	Finland	Denmark	Total goodwill
(Amounts in NOK million)					
At 1 January 2018					
Cost	1 762	157	572	0	2 492
Accumulated impairment	-199	0	0	0	-199
Net book value	**1 563**	**157**	**572**	**0**	**2 293**
Year ended 31 December 2018					
Opening net book value	1 563	157	572	0	2 293
Effect of changes in foreign exchange cost	0	-6	6	0	1
Additions	0	29	0	0	29
Historic adjustment	0	0	-10	0	-10
Closing net book value	**1 563**	**181**	**569**	**0**	**2 313**
At 31 December 2018					
Cost	1 762	181	579	0	2 522
Accumulated impairment	-199	0	-10	0	-209
Net book amount	**1 563**	**181**	**569**	**0**	**2 313**
Year ended 31 December 2019					
Opening net book value	1 563	181	569	0	2 313
Effect of changes in foreign exchange cost	0	-4	-5	0	-9
Additions	35	12	0	0	47
Closing net book value	**1 599**	**188**	**564**	**0**	**2 351**
At 31 December 2019					
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**
Useful life	Indefinite	Indefinite	Indefinite	Indefinite	
Amortisation method	Not amortised	Not amortised	Not amortised	Not amortised	

Other intangible assets	Customer list	Trademark	Internally developed software[1)]	Other	**Total other intangible assets**
(Amounts in NOK million)					
At 1 January 2018					
Cost	0	265	190	4	459
Accumulated amortisation and impairment	0	0	-132	-3	-135
Net book value	**0**	**265**	**58**	**0**	**323**
Year ended 31 December 2018					
Opening net book value	0	265	58	0	323
Effect of changes in foreign exchange cost	0	0	-4	0	-4
Effect of changes in foreign exchange accumulated depreciation	0	0	3	0	3
Additions	0	0	34	0	34
Amortisation charge	0	0	-32	0	-32
Impairment loss	0	-265	0	0	-265
Closing net book value	**0**	**0**	**58**	**0**	**59**
At 31 December 2018					
Cost	0	265	220	4	488
Accumulated amortisation and impairment	0	-265	-161	-3	-429
Net book value	**0**	**0**	**58**	**0**	**59**
Year ended 31 December 2019					
Opening net book value	0	0	58	0	59
Effect of changes in foreign exchange cost	0	0	-5	0	-5
Effect of changes in foreign exchange accumulated depreciation	0	0	4	0	4
Acquisitions	50	0	0	0	50
Additions	0	2	56	0	58
Amortisation charge	-8	0	-43	0	-52
Impairment loss	0	0	0	0	0
Closing net book value	**42**	**2**	**70**	**0**	**113**
At 31 December 2019					
Cost	49	267	271	4	591
Accumulated amortisation and impairment	-8	-265	-201	-4	-478
Net book value	**42**	**2**	**70**	**0**	**113**
Useful life	3 - 7 years	Indefinite	3 years	1 - 10 years	
Amortisation method	Straight-line	Not amortised	Straight-line	Straight-line	

[1)] *Software consists of capitalised development expenditure being an internally generated intangible asset.*

Significant estimate: key assumptions used for value-in-use calculation
When impairment testing goodwill and trademarks, management used a five-year discounted cash flow to assess the value in use.

Estimated future EBITDA is based on business plans approved by the Board. The business plans are 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 is calculated based on a value-in-use method.

Present value of estimated future cash flows for each CGU is calculated using a weighted cost of capital (WACC) after tax of 5.3% for Finland (2018: 7.2%) and 6.5% for Norway (2018: 8.3%) and 5.1% for Sweden (2018: 7.1%) and 4.8% for Denmark. WACC applied for lease liabilities is identical to WACC used otherwise for the Group`s debt. No adjustment is made for WACC related to IFRS 16. 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 as stipulated below, plus a risk premium. The market risk premium is assumed to be 5.2% in Norway, Sweden and Denmark and 5.6% 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, 0.2% in Sweden, 0.1% in Finland and -0.2% in Denmark.

Management used a growth rate of 2% for the terminal value for Norway, Sweden, Finland and 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.

For Norway, Sweden and Denmark the value in use is significantly higher than the carrying value. Sensitivity analysis show that no reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying value. For Finland specifically, an increase in WACC of approximately 1.5% point would, all else being equal, make the estimated recoverable amount equal to the carrying value. A reduction in terminal value growth of approximately 0.85% point would, all else being equal, make the estimated recoverable amount equal to the carrying value.

WACC	Norway	Sweden	Finland	Denmark
Risk-free interest rate	1.5%	0.2%	0.1%	-0.2%
Credit spread	1.5%	1.5%	1.5%	1.5%
Market premium	5.2%	5.2%	5.6%	5.2%
Unlevered beta	0.75	0.75	0.75	0.75
Entity specific risk element	1.0%	1.0%	1.0%	1.0%
WACC after tax	**6.5%**	**5.1%**	**5.3%**	**4.8%**

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 fifteen 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 218 million as of 31 December 2019 (NOK 170 million as of 31 December 2018). The guarantees are provided by SATS Holding AB. In addition, there are ten clubs as of 31 December 2019 where the lease contracts do not specify the guarantee amount.

Most leases contain a renewal option and in Sweden the fitness center leasing contracts are automatically renewed if not explicitly agreed otherwise. Rent is adjusted according to the CPI in each country every year.

A number 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 recognised as furniture and fittings at fair value and are depreciated over the shorter of their useful life or the lease term. The lease incentive is presented as part of the lease liabilities below and is reversed on a straight line basis over the lease term.

Key accounting decisions
Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases in accordance with IAS 17 Leases. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group, in accordance with the new leasing standard. Please see Note 30 for IFRS 16 Leases implementation effects.

The two capitalisation exemptions proposed by the standard, lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value, have been applied. The payments for such leases 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.

Key assumptions applied in determining the estimated values of the lease liability and right-of-use asset include the assessment of the lease term, including purchase, extension or termination option, and the appropriate discount rate. Leases for certain premises include an option to extend the lease period, and management is assessing the probability of utilizing such options within a year before the termination option. The lease term is impacted by the assessment of the reasonably certain criterion in respect of renewal or termination options.

Lease liabilities
Lease liabilities are measured at the present value of future lease payments from contractual agreements at the reporting date. A lease liability is recognized at the lease commencement date, discounted using the interest rate implicit in the lease or, if this rate can not be readily determined, the incremental borrowing rate being the rate that the individual SATS entities 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. 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 amortised 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.

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

Incremental borrowing rate
Historic rates
The first step when finding the incremental borrowing rate was to determining the applicable reference rate, representing a risk free interest rate. SATS determined to use the relevant government bonds in Norway, Sweden, Denmark and EU to reflect the applicable risk free rates for the economic areas the various lease agreements are entered into. All identified lease agreements have cash flows denominated in the currency to the functional currency of the contract owning entity (the lessee).

Risk free rates are quoted for various durations, from one to ten year. For lease agreements with duration of more than 10 years, the 10-year government bond interest rates have been used as an appropriate approximation. While risk free rates determined from government bonds assumes repayment of the capital at maturity, the normal terms for the SATS lease agreements are repayments spread with equal periodic terms over the lease period. Consequently, an average interest rate over the lease period has been calculated. The interest rate has been extracted per year end dating back to 1999, and all historic IBRs have been based on the annual year end rates. Historic commencement dates IBRs up until June has been based on the preceding year end interest rates, whereas contracts entered into from July to December has been calculated based on the interest rates per the year end rates for the relevant contract year.

All interest rates applied when calculating historic interest rates has been used based on historic quoted interest rates (yield curves).

Determining basis for incremental borrowing rate
The lessee's incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow over similar terms, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in similar economic environment.

The Group's long term borrowing interest rates is the applicable IBOR plus a margin reliant on the leverage ratio of the Group. If SATS Group was to acquire the right of use assets on similar terms and in a similar economic environment, we would expect that the borrowing terms would be comparable to the terms from the current financing agreement with Swedbank and the analysis of the historic credit margins.

We assume, for the task of determining the appropriate borrowing rate for 'right of use investments' that the various effects are approximately opposite and equal, and consequently an appropriate starting point when assessing the borrowing rates for the right-of-use investment would be in line with the long-term borrowing rate as quoted in the loan agreement.

Commitments in relation to leases are payable as follows:	**2019**
(Amounts in NOK million)	
Less than 1 year	942
1-2 years	884
2-3 years	794
3-5 years	1 167
More than 5 years	1 147
Minimum lease payments	**4 935**
Future finance charges	-646
Recognised as a liability	**4 289**

The present value of lease liabilities are as follows:	**2019**
(Amounts in NOK million)	
Less than 1 year	900
1-2 years	808
2-3 years	693
3-4 years	523
4-5 years	391
More than 5 years	973
Present value of lease payments	**4 289**

Cash flows from lease agreements	**2019**
Property lease agreements	930
Short-term lease agreements and leases of assets of low value	34
Total cash flows from lease agreements	**964**

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	**31.12.2019**
Options to extend not yet committed to	895
Leases not yet commenced to which the lessee is committed	182

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 of 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 of the balance sheet date. NOK 182 million includes three clubs in Sweden, two clubs in Norway and one club in Finland.

Right-of-use assets
The Group recognizes right-of-use assets at the lease commencement date, and the right-of-use assets are 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 assets are subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying assets. In addition, the right-of-use assets are reduced by any impairment charges and adjusted for certain remeasurements of the lease liability.

In 2019, there were no indications of impairment, hence no impairment test is undertaken for right-of-use assets, and no impairment charge to right-of-use assets was recognized as at the reporting date.

RoU assetst	Premise rental	Other leases	Total RoU assets
(Amounts in NOK million)			
At 1 January 2018			
Cost	6 295	21	6 315
Accumulated depreciation	-2 969	0	-2 969
Net book value	**3 325**	**21**	**3 346**
Year ended 31 December 2018			
At 1 January 2018	3 325	21	3 346
Additions/disposals	487	2	489
Effect of changes in foreign exchange cost	-23	0	-23
Depreciation charge	-566	-10	-576
Effect of changes in foreign exchange accumulated depreciation	-7	0	-7
Closing net book value	**3 216**	**13**	**3 229**
At 31 December 2018			
Cost	6 759	23	6 782
Accumulated depreciation	-3 543	-10	-3 553
Net book value	**3 216**	**13**	**3 229**
Year ended 31 December 2019			
At 1 January 2019	3 216	13	3 229
Additions/disposals	1 425	63	1 488
Effect of changes in foreign exchange cost	-33	0	-33
Depreciation charge	-736	-25	-761
Effect of changes in foreign exchange accumulated depreciation	-11	0	-11
Closing net book value	**3 862**	**51**	**3 912**
At 31 December 2019			
Cost	8 152	87	8 238
Accumulated depreciation	-4 290	-36	-4 326
Net book value	**3 862**	**51**	**3 912**
Useful life	1 - 15 years	1 - 5 years	
Depreciation method	Straight-line	Straight-line	

NOTE 13 Property, plant and equipment

Property, plant and equipment
All property, plant and equipment is 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 value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing proceeds with carrying value. These are included in profit or loss. Please see Note 22 Assets pledged as security for further information on assets pledged as security for the Group's liabilities.

Property, plant and equipment	Capitalised leasehold improvements[1]	Fitness equipment	Other fixtures and equipement	**Total fixed assets**
(Amounts in NOK million)				
At 1 January 2018				
Cost	861	646	397	1 904
Accumulated depreciation and impairment	-523	-483	-339	-1 346
Net book value	**338**	**163**	**58**	**559**
Year ended 31 December 2018				
Opening net book value	338	163	58	559
Effect of changes in foreign exchange cost	-6	-5	-3	-14
Effect of changes in foreign exchange accumulated depreciation	3	4	3	10
Acquisition of subsidiary	9	9	2	20
Additions	90	59	15	164
Disposals cost	-12	-16	-21	-48
Disposals accumulated depreciation	12	15	21	47
Accumulated depreciation acquisition of subsidiary	-2	-4	-1	-7
Depreciation charge	-66	-41	-24	-131
Closing net book value	**366**	**184**	**49**	**598**
At 31 December 2018				
Cost	942	693	390	2 025
Accumulated depreciation and impairment	-576	-510	-341	-1 427
Net book value	**366**	**184**	**49**	**598**
Pledged as security for liabilities				**598**

[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.*

Year ended 31 December 2019				
Opening net book value	366	184	49	598
Effect of changes in foreign exchange cost	-8	-7	-3	-18
Effect of changes in foreign exchange accumulated depreciation	4	4	3	11
Acquisition of subsidiary	293	53	19	365
Additions	111	63	35	209
Disposals cost	-16	-34	-3	-52
Disposals accumulated depreciation	9	32	3	44
Accumulated depreciation acquisition of subsidiary	-195	-49	-15	-260
Depreciation charge	-85	-49	-25	-159
Closing net book value	**480**	**197**	**62**	**739**
At 31 December 2019				
Cost	1 323	769	438	2 529
Accumulated depreciation and impairment	-843	-572	-376	-1 790
Net book value	**480**	**197**	**62**	**739**
Pledged as security for liabilities				**739**
Useful life	10 years[1]	5 - 9 years	5 - 7 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

NOTE 14 Interest in other entities

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 Grenland AS	998-050-154	Porsgrunn	Norway	100%	100%
Run Holding AS	920-340-210	Oslo	Norway	100%	100%
SATS Danmark A/S	20-37-05-99	Copenhagen	Denmark	100%	100%

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

In 2019 the subsidiary Metropolis Health Club AB was sold.

SATS Grenland AS had minority interests of 41% until 19 December 2019 when the Group acquired 100% of the shares in the company.

SATS Danmark A/S, Run Holding AS, Run BidCo ApS and SATS Danmark Holding A/S were consolidated in the SATS ASA Group from 1 January 2019. Run BidCo Aps and SATS Danmark Holding A/S were in 2019 merged into SATS Danmark A/S.

100% of the shares in Viscus AB and Gym & Motion i Åkersberga AB were aquired by SATS Sports Club Sweden AB in 2019 and both subsidiaries were merged into SATS Sports Club Sweden the same year.

NOTE 15 Inventories

Inventories
Inventories consist mainly of clothing, sports equipment, energy bars and soft drinks. Inventories are measured at the lower of cost and net realisable value, using the first-in first-out (FIFO) method. The Group's inventories only consists of finished goods for sale to customers. The cost of inventories consist of direct costs related to the acquisition of the goods. Net realisable value is the estimated sales price less relevant variable costs to sell.

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sales.

(Amounts in NOK million)	**2019**	2018
Inventories at cost	41	29
Impairment	0	-1
Impairment reversal	0	0
Total inventories	**41**	**28**

The book value of pledged inventories is NOK 41 million as of 31 December 2019 (NOK 28 million as of 31 December 2018). Please see note 22 Assets pledged as security for further information on the pledged inventories.

NOTE 16 Accounts receivable and other current receivables

Accounts receivable
Accounts receivables are measured at amortised cost using the effective interest method, less provision for impairment. Please see Note 23 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)
As of 1 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 are 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	**2019**	2018
(Amounts in NOK million)		
Accounts receivable	341	305
Loss allowance	-205	-186
Total	**136**	**119**

Age of trade receivables	**2019**
Not due	106
30-60 days	71
60-90 days	24
90-120 days	7
120-365 days	48
>365 days	85
Total trade receivables, gross	**341**
Total trade receivables, net	**136**
Loss allowance at 31 December 2018	-186
Reversals during the year	3
Provisions during the year	-22
Loss allowance at 31 December 2019	**-205**

Other current receivables - prepaid expenses and accrued income	**2019**	2018[1)]
(Amounts in NOK million)		
Prepaid rent	36	35
Prepaid property expenses	21	13
Prepaid marketing expenses	19	4
Contract asset	74	64
Other current receivables	71	58
Total prepaid expenses and accrued income	**222**	**174**

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 includes 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.

	2019	2018
(Amounts in NOK million)		
Cash and cash equivalents	165	357
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	25	19

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 23 Financial risk factors for further information about the Group's managing of credit risk.

NOTE 18 Share capital

As of 31.12.2019, share capital amounts to NOK 361 million consisting of 170 000 000 ordinary shares at a face value of NOK 2.1250 per share.

Overview of the shareholders as of 31 December 2019

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
SATS Group AS	105 088 024	61.8%	61.8%
Canica AS	16 983 000	10.0%	10.0%
SATS Management Invest AS	9 376 376	5.5%	5.5%
Catella Hedgefond	3 222 461	1.9%	1.9%
SEB Prime Solutions Sissener Canop	3 128 992	1.8%	1.8%
Verdipapirfondet Delphi Norge	1 350 000	0.8%	0.8%
BNP Paribas Securities Services	1 350 000	0.8%	0.8%
Norron Sicav - Target	1 334 500	0.8%	0.8%
Hansemgruppen Holding AS	1 323 168	0.8%	0.8%
Svenska Handelsbanken AB	1 312 840	0.8%	0.8%
Verdipapirfondet First Generator	1 105 584	0.7%	0.7%
Nordnet Bank AB	1 040 848	0.6%	0.6%
The Bank of New York Mellon SA/NV	1 040 833	0.6%	0.6%
Verdipapirfondet Eika Spar	1 040 000	0.6%	0.6%
Fondita 2000+ Investment Fund	977 557	0.6%	0.6%
Danske Invest Norge Vekst	935 000	0.6%	0.6%
MP Pensjon PK	915 000	0.5%	0.5%
Verdipapirfondet Eika Norge	860 000	0.5%	0.5%
Fondita Nordic Small Cap INVT FD	800 000	0.5%	0.5%
Wenaasgruppen AS	800 000	0.5%	0.5%
Other shareholders	16 015 817	9.4%	9.4%
Total	**170 000 000**	**100.0%**	**100.0%**

All shares have been fully paid and have the same rights.
SATS Group AS has control over SATS Management Invest AS.

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

Name	Ownership percentage
Executive management including CEO	23.06%

[1] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*

NOTE 19 Earnings per share

In September 2019 the shares of the company were split in the ratio 1:4 so that the number of shares was increased from 28 071 892 to 112 287 568. The updated number of shares has been applied as the denominator for 2018.

On 23 October 2019 SATS ASA was accepted for listing on the Oslo Stock Exchange (Oslo Børs). The initial public offering (IPO) was achieved by issuing 57 712 432 shares with a par value of NOK 2.125 at the price of NOK 23.5 per share, resulting in a net capital increase of NOK 1 323 million. Prior to the IPO, the company's shares have not been publicly traded. The number of shares outstanding following the IPO is 170 000 000. The denominator for 2019 is calculated as a weighted average.

General
Basic earnings per share is 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 adjusts the figures used in the determination of basic earnings per share to take into account:
- the after 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

Basic earnings per share	**2019**	2018[1)]
(Amounts in NOK)		
From continuing operations attributable to the ordinary equity	1.52	-0.05
Total basic earnings per share attributable to the ordinary equity	**1.52**	**-0.05**
Total number of outstanding shares, including share options	123 197 589	112 287 568

Diluted earnings per share	**2019**	2018[1)]
(Amounts in NOK)		
From continuing operations attributable to the ordinary equity	1.52	-0.05
Total diluted earnings per share attributable to the ordinary equity	**1.52**	**-0.05**
Total number of outstanding shares, including share options	123 197 589	112 287 568

Reconciliation of earnings used in calculating earnings per share	**2019**	2018[1)]
(Amounts in NOK million)		
Basic earnings per share		
Profit/loss attributable to equity holders of the Group	187	-6
Profit attributable to the ordinary equity used in calculating basic earnings per share	**187**	**-6**
Diluted earnings per share		
Profit/loss used in calculating diluted earnings er share	187	-6
Profit attributable to the ordinary equity used in calculating diluted earnings per share	**187**	**-6**

[1)] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*

NOTE 20 Borrowings

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised 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 finance costs.

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

Overview of interest bearing liabilities	**31.12.2019**	31.12.2018[1)]
(Amounts in NOK million)		
Current		
Bank borrowings	8	60
Leases	767	611
Total current interest-bearing liabilities	**775**	**671**
Non-current		
Bank borrowings	1 293	1 787
Leases	3 521	2 949
Total non-current interest-bearing liabilities	**4 814**	**4 737**
Total interest-bearing liabilities	**5 589**	**5 408**

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

New long-term loan facility agreement
In 2019 the company entered into a new unsecured revolving credit facility agreement with Swedbank, as part of its transition towards the IPO.

The new facility consists of a multicurrency revolving credit facility with a maximum principal amount of NOK 2 500 million. In October 2019 SATS refinanced all outstanding bank borrowings under the existing agreement. Further, to finance the general corporate purpose, the Group made an initial draw down of NOK 1 304 million from the new facility.

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 2024, and no instalment payments are due before this time. Interests payable will depend on the principal amount of the facility at any given time. However, based on an expected initial draw down of NOK 1 304 million, the annual interest rate is expected be in the range of NOK 36 to 50 million.

Covenants
For covenants, please see Note 29 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	36
1-2 years	36
2-3 years	36
3-5 years	1 382
More than 5 years	4
Payment profile for borrowings	**1 495**

[1)] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*

NOTE 21 Reconciliation of net debt

Liabilities arising from financing activities	Cash and cash equivalents	Borrowings	Leases	Total
Net debt 1 January 2018[1)]	**-249**	**1 774**	**3 672**	**5 197**
Cash flows				
Net cash flow from operations	-1 173	0	0	-1 173
Net cash flow from investing	216	0	0	216
Net cash flow from financing	849	0	0	849
Repayments of borrowings	0	-60	0	-60
Proceeds from borrowings	0	150	0	150
Instalments on lease liabilities	0	0	-565	-565
Interests on lease liabilities	0	0	-170	-170
Non-cash changes				
Net additions – finance leases	0	0	656	656
Foreign exchange movement	-1	-23	-32	-56
Other changes	0	6	0	6
Net debt 31 December 2018[1)]	**-357**	**1 847**	**3 560**	**5 050**
Cash flows				
Net cash flow from operations	-1 345	0	0	-1 345
Net cash flow from investing	321	0	0	321
Net cash flow from financing	1 225	0	0	1 225
Repayments of borrowings	0	-1 894	0	-1 894
Proceeds from borrowings	0	1 492	0	1 492
Proceeds from borrowings from related parties	0	-130	0	-130
Paid borrowing expenses	0	-15	0	-15
Instalments on lease liabilities	0	0	-750	-750
Interests on lease liabilities	0	0	-187	-187
Non-cash changes				
Acquisitions – borrowings	0	15	0	15
Net additions – finance leases	0	0	1 709	1 709
Foreign exchange movement	-8	-15	-44	-67
Other changes	0	0	0	0
Net debt 31 December 2019	**-165**	**1 301**	**4 289**	**5 424**

[1)] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*

NOTE 22 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

(Amounts in NOK million)	**2019**	2018[1)]
Current		
Bank borrowings		
Accounts receivables and other receivables	136	119
Inventories	41	28
Cash and cash equivalents	165	357
Other current receivables	70	119
Total current assets pledged as security	**412**	**623**
Non-current		
Finance lease		
Property, plant and equipment	51	13
Bank borrowings		
Property, plant and equipment	4 651	3 827
Financial assets	47	134
Total non-current assets pledged as security	**4 748**	**3 975**
Total assets pledged as security	**5 160**	**4 597**

Shares in subsidiaries are pledged as security for borrowings.

Please see Note 20 Borrowings and Note 12 Leases for further information about the interest bearing liabilities.

NOTE 23 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 to 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 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 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 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.

	Impact on profit after tax	
Exchange rate - sensitivity analysis	**2019**	2018[1]
(Amounts in NOK million)		
SEK/NOK exchange rate - increase 10%[2]	32	9
EUR/NOK exchange rate - increase 10%[2]	34	23
DKK/NOK exchange rate - increase 10%[2]	-12	0

[1] *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*
[2] *Holding all other variables constant.*

Profit after tax is more sensitive to changes in the SEK/NOK and EUR/NOK exchange rate in 2019 than in 2018 due to a new borrowing facility and internal loans. Increase in negative cash on a NOK bank account within the Group`s cashpool, in the Swedish holding company, contributes to the same effect. The Danish segment was acquired on 1 January 2019 and is sensitive to changes in DKK/NOK caused by a negative net income after tax of NOK -133 million in 2019. The Group's exposure to other foreign exchange movements is not material.

Interest rate risk
The Group's interest rate risk is mainly related to loans where an element of 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	**2019**	2018
(Amounts in NOK million)		
Interest rates - increase 100 basis points[1]	-13	-2
Interest rates - decrease 100 basis points[1]	13	2

[1] Holding all other variables constant.
[2] Estimated impact given a tax rate of 24.3% (2018: 87.65%)

Profit after tax was less sensitive to changes in the interest rate in 2018 than 2019 because of high Group average tax rates in 2018.

Overview of non-overdue interest swaps per 31 December 2019

Interest rate swaps	Notional in currency thousand	Maturity	Fixed rate	**Unrealized gain/loss 31 December**
(Amounts in NOK million)				
IRS NOK	713	29.09.2021	1.28	6
IRS EUR	13	29.09.2021	0.09	-1
Fair value of the Group`s interest rate swaps as of 31 December 2019 in NOK million				**5**

Overview of non-overdue interest rate swaps per 31 December 2018

Interest rate swaps	Notional in currency thousand	Maturity	Fixed rate	**Unrealized gain/loss 31 December**
(Amounts in NOK million)				
IRS NOK	773	29.09.2021	1.28	4
IRS EUR	13	29.09.2021	0.09	-1
Fair value of the Group's interest rate swaps as of 31 December 2018 in NOK million				**3**

Changes in fair value are presented within finance income and finance 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 206 million. The Group does usually not demand collateral for receivables. The bad debt provision for trade receivables is NOK 205 million as of the balance sheet date.

Liquidity risk
The Group's liquidity risk is characterised 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 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 of 31 December 2019 (NOK 2 260 million as of 31 December 2018) of which 1 199 million has not been drawn down. In addition the Group has cash and cash equivalents of NOK 165 million as of 31 December 2019 (NOK 357 million as of 31 December 2018).

Net presentation of financial assets and liabilities as of 31 December 2019

Maturity profile	1-3 months	3-12 months	1-5 years	More than 5 years	**Total**
Derivatives	0	0	5	0	5
Accounts receivable	202	54	85	0	341
Other receivables	70	0	0	0	70
Cash and cash equivalents	165	0	0	0	165
Financial assets	**437**	**54**	**91**	**0**	**582**
Borrowings	9	27	1 455	4	1 495
Lease liabilities	241	701	2 846	1 147	4 935
Trade payables	122	0	0	0	122
Other current liabilities	322	0	0	0	322
Payment of interest	9	26	132	0	167
Financial liabilities	**702**	**753**	**4 434**	**1 150**	**7 040**
Net financial liabilities	**-266**	**-699**	**-4 343**	**-1 150**	**-6 458**

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

Net presentation of financial assets and liabilities as of 31 December 2018[1)]

Maturity profile	1-3 months	3-12 months	1-5 years	More than 5 years	**Total**
Derivatives	0	0	3	0	3
Accounts receivable	172	49	83	0	305
Other current receivables	119	0	0	0	119
Cash and cash equivalents	357	0	0	0	357
Financial assets	**648**	**49**	**86**	**0**	**783**
Borrowings	46	78	1 936	0	2 061
Lease liabilities	202	441	847	2 102	3 592
Trade payables	107	0	0	0	107
Other current liabilities	346	0	0	0	346
Payment of interest	15	49	156	0	221
Financial liabilities	**716**	**567**	**2 940**	**2 102**	**6 326**
Net financial liabilities	**-68**	**-518**	**-2 854**	**-2 102**	**-5 543**

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 29 Financial covenants for financial covenant requirements). The Group has an overall target to maintain a capital structure that gives the Group an optimal capital binding given the current market situation. The Group makes the necessary changes to its capital structure based on an ongoing assessment of the business' financial situation and future prospects in the short and medium term.

NOTE 24 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 recognised 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 recognised immediately in profit or loss and are included in finance income or finance 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 of the balance sheet date are disclosed below.

The Group has the following derivative financial instruments:	**2019**	2018
(Amounts in NOK million)		
Non-current assets		
Interest rate swap contracts	5	3
Total non-current derivative financial instrument assets	**5**	**3**

Fair value estimates
The Group's policy is to recognise 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 maximise 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 asset, excluding derivatives, are allocated to the category amortized cost.

The Group measures its trade and other receivables and cash and cash equivalents at amortised cost. Subsequent to initial recognition these assets are measured at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised 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 recognised 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 recognises its financial liabilities at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value.

Financial instruments as of 31 December 2019

Assets	Assets measured at amortised cost	Fair value through profit and loss	Total
Other non-current receivables	41	0	41
Accounts receivable	136	0	136
Other current receivables	70	0	70
Derivatives	0	5	5
Cash and cash equivalents	165	0	165
Total financial assets	**412**	**5**	**418**

Liabilities	Liabilities measured at amortised cost	Fair value through profit and loss	Total
Borrowings	1 301	0	1 301
Leases	4 289	0	4 289
Trade and other payables	122	0	122
Other current liabilities	322	0	322
Total financial liabilities	**6 032**	**0**	**6 032**

Financial instruments as of 31 December 2018[1)]

Assets	Assets measured at amortised cost	Fair value through profit and loss	Total
Other non-current receivables	131	0	131
Accounts receivable	119	0	119
Other current receivables	119	0	119
Derivatives	0	3	3
Cash and cash equivalents	357	0	357
Total financial assets	**726**	**3**	**728**

Liabilities	Liabilities measured at amortised cost	Fair value through profit and loss	Total
Borrowings	1 847	0	1 847
Leases	3 560	0	3 560
Trade and other payables	107	0	107
Other current liabilities	346	0	346
Total financial liabilities	**5 861**	**0**	**5 861**

1) *The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.*

NOTE 25 Other current liabilities

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

	2019	2018
(Amounts in NOK million)		
Contract liabilities	491	431
Total deferred revenue	**491**	**431**

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

Other current liabilities by nature	**2019**	2018
(Amounts in NOK million)		
Accrued employee benefit expenses	62	59
Accrued vacation pay	79	71
Non-redeemed gift cards	1	1
Accrued rent	7	15
Accrued rent discounts	51	55
Other current liabilities	122	145
Total other current liabilities	**322**	**346**

NOTE 26 Related parties

The following table presents an overview of transaction with related parties. Remuneration of executive staff and Board of Directors and share capital information are presented in note 6 and note 18 respectively and are not included in the following overview:

Profit or loss items

Related party	Relationship	Type of services	**2019**	2018
(Amounts in NOK thousand)				
Run Holding AS	Sister company	Foreign exchange gains unrealized	0	-1 332
Run BidCo ApS	Sister company	Foreign exchange gains unrealized	0	-1 206
Run Holding AS	Sister company	Interest rate on loan	0	-1 518
Run BidCo ApS	Sister company	Interest rate on loan	0	-1 615
Elixia Holding IV AS	Shareholder of SATS Group AS	Interest rate on loan	-41	-38
Altor	Shareholder of SATS Group AS	Restructuring costs	144	309
SATS Group AS	Shareholder	Interest rate on loan	-3 810	0
Metropolis Health Club AB	Minority interest	Accounting services	75	133
SATS Grenland AS	Minority interest	IT, accounting and other services	3 948	3 614
Total related party profit or loss items			**315**	**-1 653**

The amounts in the table above are presented within interest expense and other operating costs.

Run Holding AS and Run BidCo ApS are consolidated in the SATS ASA Group from 1 January 2019. In Annual Report 2018 the entities are treated as related parties.

100% of the shares in SATS Grenland AS were acquired by the Group on 19 December 2019. In the table above, SATS Grenland AS is treated as related party.

Balance sheet items

Related party	Relationship	Type of services	**2019**	2018
(Amounts in NOK thousand)				
SATS Group AS	Shareholder	Borrowings	284	66 526
Run Holding AS	Sister company	Loan	0	41 855
Run BidCo ApS	Sister company	Loan	0	87 936
Elixia Holding IV AS	Shareholder of SATS Group AS	Loan	0	1 083
Total related party balance sheet items			**284**	**197 400**

All transactions with related parties are priced at market conditions and there are no special conditions attached to these. Transactions with subsidiaries have been eliminated in consolidated statements and do not represent transactions with related parties. Please see note 20 Borrowings for further information about related party borrowings.

NOTE 27 Provisions, contingent liabilities and contingent assets

Provisions
Provisions for legal claims, service warranties and make good obligations are recognised 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 recognised 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of 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 recognised as interest expense.

NOTE 28 Business combinations

Acquisition of fitness dk A/S
On 1 January 2019 SATS acquired 100% of the shares in the Danish fitness centre chain fitness dk Group. The acquisition was done with the aim of expanding the SATS concept to the Danish fitness market, and is expected to ensure profitability for the acquired entities by rebranding the centre profiles and reducing cost through economies of scale.

The operating results and assets and liabilities of the acquired company were consolidated from 1 January 2019.

Details of the purchase consideration

(Amounts in NOK million)

Purchase consideration:	
Cash paid	36
Total purchase consideration	**36**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value at acquisition
Cash and cash equivalents	34
Right-of-use asset	663
Property, plant and equipment	106
Customer base	43
Receivables	72
Net deferred tax assets	47
Payables	129
Borrowings	130
Lease liabilities	663
Deferred tax on customer base	8
Fair value of net identifiable assets acquired	**36**

Recognised goodwill	
Total purchase consideration	36
Less: fair value of net identifiable assets acquired	36
Recognised goodwill	**-**

The amounts of revenue recognised from the acquiree since the acquisition date is disclosed in the segment reporting for Denmark, Note 4. Deferred tax assets in Denmark are primarily based on historic tax losses carried forward and other tax reducing temporary differences. The deferred tax asset is recognised based on an expectation of future taxable profits.

Acquisition of FitnessXpress AS, Gym & Motion i Åkersberga AB and Viscus AB
On 3 January 2019, SATS acquired the Norwegian fitness club FitnessXpress AS, located in Oslo and on 2 May 2019 SATS acquired 100% of the issued shares in Gym & Motion i Åkersberga AB, a fitness club located in Österåker Municipality in Sweden. The operating results, assets and liabilities of the acquired companies have been consolidated from 3 January and 2 May 2019 respectively.

On 1 July 2019, SATS acquired 100% of the shares in Viscus AB, a business located in Gotenburg and Södertälje, offering personal training services and group exercise aimed at the corporate market. The operating results, assets and liabilities of Viscus AB has been consolidated from 1 July 2019.

Details of the purchase consideration

(Amounts in NOK million)

Purchase consideration:	
Cash paid	63
Total purchase consideration	**63**

The assets and liabilities recognised as a result of the acquisition are as follows:

(Amounts in NOK million)	Fair value at acquisition[1]
Cash and cash equivalents	3
Right-of-use asset	80
Property, plant and equipment	4
Customer base	15
Receivables	8
Payables	7
Lease liabilities	80
Deferred tax	3
Fair value of net identifiable assets acquired	**19**

Recognised goodwill	
Total purchase consideration	63
Less: fair value of net identifiable assets acquired	19
Recognised goodwill	**43**

The goodwill is attributable to the workforce and the expected profitability of the acquired business.

[1] *The assets and liabilities recognized are based on preliminary purchase price allocation analysis, and may be subject to future adjustments.*

NOTE 29 Financial covenants

Financial borrowing facility covenants
The new loan facility agreement includes a financial covenant requiring the leverage ratio, Net Debt to EBITDA, not to exceed 4.25x until the date falling two years after the date of the agreement, and not to exceed 4.00x thereafter. The new facility agreement does not contain any restrictions on dividend payments.

Compliance with financial borrowing covenants
SATS ASA is executing the financing functions within the Group and holds the long-term financing agreement with the Group's long-term lenders, and is providing long term financing to other group entities. SATS ASA has complied with the financial covenants related to its borrowing facility throughout 2018 and 2019. The Group`s leverage ratio is 1.95 as of 31 December 2019. The company is not in breach with the covenant as of end-Q1 2020, but is in close dialogue with the bank and expects flexibility should the temporary closure of clubs related to COVID-19 persist.

NOTE 30 New IFRS standards

New and amended IFRS Standards adopted by the Group
The following standards and amendments have been adopted by SATS Group for the first time for the financial year beginning on 1 January 2019:

IFRS 16 Leases
For the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that was effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new and amended requirements with respect to lease accounting by removing the distinction between operating and finance lease for lessees and requiring the recognition of a right-of-use asset and a lease liability at commencement for all lease-contracts, except for short-term leases and leases of low value assets. The Group has applied IFRS 16 using the full retrospective approach, with restatement of the comparative information.

A property/center lease agreement contains a lease in accordance with IFRS 16. IFRS 16 should be applied to all leasing contracts exempt for the areas explicitly listed as exceptions in paragraph 16.3. These exemptions are not applying to SATS. The low-value lease expemption and the short-term lease exemption are applied by the Group. Regarding tax deductions based on rental payments, the Group applies Approach 2 where the IAS 12 requirements to the leasing transaction as a whole is applied.

For key accounting decisions, please see Note 12 Leases.

The impact of the adoption of IFRS 16 Leases in the Group`s consolidated financial statements is described below:

Impact on profit/loss before tax	2019	2018
(Amounts in NOK million)		
Decrease in other expenses	936	736
Increase in depreciation of right-of-use asset	-761	-576
Increase in interest expenses	-187	-170
Increase/decrease in profit for the year	**-12**	**-11**

Impact on assets, liabilities and equity as at 1 January 2018	**As previously reported**	**IFRS 16 adjustments**	**As restated**
(Amounts in NOK million)			
Right-of-use assets	0	3 346	3 346
Deferred tax asstes	91	71	162
Prepaid expenses and accrued income	212	-53	160
Impact on total assets	**304**	**3 364**	**3 668**
Non-current lease liability	5	3 112	3 117
Current lease liability	5	551	555
Impact on total liabilities	**9**	**3 663**	**3 672**
Retained earnings	**1 035**	**-299**	**736**

Impact on assets, liabilities and equity as at 31 December 2018	**As previously reported**	**IFRS 16 adjustments**	**As restated**
(Amounts in NOK million)			
Right-of-use assets	0	3 229	3 229
Deferred tax asstes	76	73	149
Prepaid expenses and accrued income	227	-52	174
Impact on total assets	**303**	**3 250**	**3 553**

Non-current lease liability	4	2 946	2 949
Current lease liability	5	606	611
Impact on total liabilities	**9**	**3 552**	**3 560**
Retained earnings	**1 063**	**-302**	**761**

Impact on assets, liabilities and equity as at 31 December 2019	**Before impact of IFRS 16**	**IFRS 16 adjustments**	**2019**
(Amounts in NOK million)			
Property, plant and equipment	744	-5	739
Right-of-use assets	0	3 912	3 912
Deferred tax asstes	110	82	192
Prepaid expenses and accrued income	283	-62	222
Net impact on total assets	**1 138**	**3 927**	**5 065**
Non-current lease liability	3	3 518	3 521
Current lease liability	2	765	767
Other current liabilities	371	-50	322
Net impact on total liabilities	**376**	**4 234**	**4 610**
Retained earnings	**1 529**	**-307**	**1 223**

Other standards and interpretations
The Group has also adopted the Annual Improvements to IFRS Standards 2015-2017 Cycle with effective date 1 January 2019, of which relevant for the Group in the periods presented:

IFRS 3 Business Combinations – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

IFRS 11 Joint Arrangements – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IAS 12 Disclosure of Interests in Other Entities – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized.

IAS 23 Borrowing Costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The following standards and interpretations have been issued but are not mandatory for annual reporting periods ending on 31 December 2019. Standards and interpretations not affecting the Group have not been disclosed.

IFRIC 23, Uncertainty over Income Tax Treatments
The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, the updated standard discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Definition of a Business – Amendments to IFRS 3
The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Definition of Material – Amendments to IAS 1 and IAS 8
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, to clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

NOTE 31 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 will, by definition, 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 amortisation 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 is material to the 2018 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.

Sensitivity analysis and valuation methodology for assessing goodwill is further described in Note 11.

Goodwill
Goodwill is recognized at NOK 2 351 million per the balance sheet date. The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2019 and 2018 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. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 11. 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 70 million per 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 three 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 2019 have been estimated based on future profitability assumptions over a ten-year horizon, and the deferred tax assets are recognized only to the extent that it is probable that the tax assets will be realized. The Group has per the balance sheet date included all tax losses carried forward as a basis for the recognized deferred tax asset, as management has concluded that it is probable that future taxable profits will be generated to the extent that the unused tax losses will be fully utilized.

NOTE 32 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 excercised (or not exercises) or the Group becomes obliged to excercise (or not to exercise). The assessment of reasonable certainty is only revised if a significant event or asignificant change in the circumstances occurs, which affects this assessment, and that 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 pracical 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 contionusly prolonged until terminated. 6 or 12 months (according to the agreement) are continously added to the lease liability if the agreement is not to be terminated.

Critical judgements in recognising 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 a membership card, an automatic payment arrangement and a free PT introduction session. Management has defined the PT 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 recognising 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 33 Events after the balance sheet date

On 6 March 2020, SATS signed a conditional agreement to divest nine clubs in Denmark and the company will update the market with more details as soon as a potential final agreement is signed.

The outbreak of the coronavirus disease 2019 (COVID-19) has significantly impacted the fitness industry. SATS decided on the morning of 12 March 2020 to temporarily close down all clubs in the Nordics to take social responsibility and contribute to limit the contagion of COVID-19. The Norwegian government imposed a lock-down of all gyms later the same day, with the Danish government following the subsequent week.

The Company is in close dialogue with the health authorities, following their advices on how to act after these two weeks of closure. SATS is at the date of this report advised to stay closed by the governments in Norway, Denmark and Finland. These recommendations are valid until 13 April 2020. The Swedish authorities, on the other hand, do not at the date of this report advise fitness operators to close down, and SATS was the only major player in the industry with all clubs closed during the second half of March 2020. SATS therefore decided, with the support from the Public Health Authority in Sweden, to open according to plan on 26 March. A series of measures was taken to make sure the opening was handled in a responsible way, including reduced capacity in group training classes, outdoor training for group training and personal training sessions, higher cleaning frequency and closed child care.

The company is continuously working on finding ways to reduce costs and minimize the revenue loss during the closure period. The cost reduction initiatives include dialogues with landlords to find constructive solutions for lease payments and temporary layoffs according to regulations in the countries SATS operates in. A significant effort is also put into keeping the members active and introducing SATS to non-members through the Online Training offering. SATS has developed digital training programs, 100+ pre-recorded classes and many live classes every day, available for the Nordic population to continue to fulfil the vision of making people healthy and happy even though the clubs are closed. The response has been overwhelming, with 50-60 000 users daily.

SATS has estimated a negative revenue effect of NOK 140 million the first two weeks of the closure. Actual effects on the profit and loss statement in Q1 is dependent on the supporting initiatives from the Nordic governments. The company has assessed different scenarios for the temporary closure and are confident to have sufficient liquidity and financial strength into the foreseeable future. The company has flexibility through a revolving credit facility with a maximum principal amount of NOK 2 500 million, of which NOK 1 304 million was drawn by end-2019. In order to secure liquidity, the draw-down as of March 2020 increased to NOK 1 879 million. This is, in combination with a negative EBITDA effect, expected to result in a temporary significant deviation from the leverage target of 2.0x Adjusted EBITDA. The leverage covenant of the credit facility is 4.25x Adjusted EBITDA, and the company is not in breach with the covenant as of end-Q1 2020. The company has a close dialogue with the bank and expects flexibility should the temporary closure persist.

Due to the extraordinary situation, the Board of Directors will not propose to distribute the guided dividend of NOK 250 million to the shareholders in 2020. The Board will reassess the capacity for a dividend once the situation has stabilized.

SATS' Board of Directors resolved, in consultation with the company's nomination committee, to cancel the extraordinary general meeting scheduled to be held on 18 March 2020 due to the coronavirus COVID-19 pandemic. The SATS' Board of Directors will consider to reintroduce the investment program at a later stage when the market conditions have stabilized.

The Board of Directors is not aware of any other events that occurred after the balance sheet date, or any new information regarding existing matters, that can have a material effect on the 2019 consolidated financial statements.


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COMPETITION

STATEMENT OF PROFIT OR LOSS

	Notes	2019	2018
(Amounts in NOK million for the period ended 31 December)			
Other operating expenses	3	-9	-3
Total operating expenses		**-9**	**-3**
Operating profit		**-9**	**-3**
Dividends from subsidiaries and Group contributions	5,6	75	90
Interest income from Group companies	5,6	84	70
Other interest income	4	1	3
Other finance income	4	145	193
Net gain/loss derivatives unrealized	13	3	4
Interest expense to Group companies	6	-20	-16
Other interest expense	4, 9	-69	-68
Other finance expenses	4	-149	-184
Net financial items	4	**69**	**92**
Profit/loss before tax		**60**	**89**
Income tax expense	10	-13	-34
Profit/loss for the year		**47**	**55**
Allocation of profit/loss for the year			
Retained earnings/accumulated losses	8	47	55
Total allocation		**47**	**55**

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million for the period ended 31 December)	Notes	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Financial assets			
Investments in subsidiaries	5	2 606	2 466
Loans to Group companies	6	1 154	1 132
Derivative financial instruments	13	5	3
Other non-current receivables	6	0	131
Total non-current financial assets		**3 766**	**3 732**
Total non-current assets		**3 766**	**3 732**
CURRENT ASSETS			
Receivables from Group companies	6	75	164
Cash and cash equivalents	7	178	126
Total current assets		**253**	**290**
Total assets		**4 018**	**4 022**

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2019	31.12.2018
(Amounts in NOK million for the period ended 31 December)			
EQUITY			
Share capital	*8*	361	225
Share premium	*8*	3 990	2 270
Retained earnings/accumulated losses	*8*	-2 226	-740
Total equity		**2 125**	**1 755**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	*10*	4	1
Borrowings	*9*	1 281	1 780
Total non-current liabilities		**1 286**	**1 781**
Current liabilities			
Borrowings	*9*	6	60
Borrowings from Group companies	*9,6*	596	418
Other current liabilities		5	8
Total current liabilities		**608**	**486**
Total liabilities		**1 894**	**2 267**
Total equity and liabilities		**4 018**	**4 022**

STATEMENT OF CASH FLOWS

	Notes	2019	2018
(Amounts in NOK million for the period ended 31 December)			
Cash flow from operating activities			
Profit before tax		60	89
Adjustment for:			
Taxes paid in the period	10	0	-2
Net gain/loss of fair value on derivatives		-3	-4
Proceeds from interest income		-1	-3
Proceeds from other financial income		-1	-14
Payments of interest income		69	65
Payments of other financial cost		5	0
Change in intercompany receivables and payables		74	32
Change in trade payables and other accruals		4	-11
Net cash flow from operations		**208**	**152**
Cash flow from financing			
Repayments of borrowings	9	-1 890	-60
Proceeds from borrowings	9	1 492	150
Interests on borrowings		-60	-65
Disbursement of dividend		-1 000	0
Transaction costs from issues of new shares IPO		-43	0
Proceeds from issues of shares IPO		1 356	0
Other financial items		-11	-127
Net cash flow from financing		**-156**	**-103**
Net increase/decrease in cash and cash equivalents	7	**52**	**49**
Effect of foreign exchange changes on cash and cash equivalents		-1	-7
Cash and cash equivalents at the beginning of the period		126	84
Cash and cash equivalents at the end of period	7	**178**	**126**

NOTES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 General information

General information
SATS ASA is registered and domiciled in Norway with its head office in Nydalsveien 28, Oslo, Norway. SATS ASA is a subgroup of SATS Group AS, which was established on 5 June 2014 through a merger of the two groups Health & Fitness Nordic and Elixia Holding IV. The Group's ownership structure is as follows: 61.8% by SATS Group AS, 10.0% by Canica AS, 5.5% by SATS Management Invest AS, and 22.7% by other shareholders. The company was incorporated on 11 March 2011.

The Board of Directors approved the financial statements on 3 April 2020.

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 recognised in accordance with Norwegian generally accepted accounting principles for the distributing and receiving entity. This means that the distributing entity may recognise a liability when the contribution or dividend is proposed, but before it has been approved. The receiving entity may also recognise 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 2019 financial statements. For new standard, please see Note 30 in the consolidated financial statement.

The company's significant accounting policies are disclosed in Note 3 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 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 recognised 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 are measured at historic cost less any impairment. Acquisition-related costs are generally recognised 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 amortised 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 its fair value, adjusted for directly attributable transaction costs. Loans are subsequently measured at amortised 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 recognised in profit or loss.

Derivatives

Derivatives are recognised 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 recognised after tax as a reduction of the consideration received directly in equity.

Borrowings

Borrowings are initially recognised 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 recognised to the extent that it is probable that the Group can utilise 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 recognised as a reduction of the cost of the investment in the subsidiary or recognised 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 recognised at nominal value.

Statement of cash flows

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

NOTE 3 Other operating expenses

	2019	2018
(Amounts in NOK thousand)		
Consultant services	9	3
Total operating expenses	**9**	**3**

The company has no employees.

The Board of Directors did not receive any remuneration in 2019 nor in 2018.

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

Auditor's remuneration	2019	2018
(Amounts in NOK thousand)		
Expensed auditor incl. VAT:		
Statutory audit (including technical assistance - annual accounts)	624	578
Other attestation and assurance services	40	149
Total auditor's remuneration	**664**	**727**

NOTE 4 Financial income and financial expenses

Financial income	2019	2018
(Amounts in NOK million)		
Dividends from subsidiaries and Group contributions	75	90
Interest income from Group companies	84	70
Interest income from financial institutions	1	0
Other interest income	0	3
Foreign exchange gain	145	193
Net gain derivatives unrealized	3	4
Total financial income	**308**	**360**

Financial expenses	2019	2018
(Amounts in NOK million)		
Interest expense to Group companies	20	16
Interest expense financial institutions	69	65
Foreign exchange loss	146	181
Other finance expenses	3	6
Total financial expenses	**238**	**268**
Net financial items	**69**	**92**

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 value 2019**
(Amounts in NOK million)					
SATS Holding AB	Stockholm	100%	1 298	72	2 606

Investment in subsidiary is carried at cost.

NOTE 6 Related parties

General
The following table presents an overview of transaction with related parties. Remuneration of executive staff and Board of Directors and share capital information are presented in Note 3 and are not included in the following overview:

Profit or loss items

Related party	Relationship	Type of services	**2019**	2018
(Amounts in NOK thousand)				
Run Holding AS	Sister company	Foreign exchange gains unrealized	0	-1 332
Run BidCo ApS	Sister company	Foreign exchange gains unrealized	0	-1 206
Run Holding AS	Sister company	Interest rate on loan	0	-1 518
Run BidCo ApS	Sister company	Interest rate on loan	0	-1 615
Elixia Holding IV AS	Shareholder of SATS Group AS	Interest rate on loan	-41	-38
SATS Group AS	Shareholder	Interest rate on loan	-3 810	0
Altor	Shareholder of SATS Group AS	Restructuring costs	144	309
Total related party profit / loss items			**-3 708**	**-5 401**

The amounts in the table above are presented within Interest expense to Group companies and Other operating expenses.

Run Holding AS and Run Bidco ApS are consolidated in the SATS ASA Group from 1 January 2019. In 2018 the entities are treated as related parties.

Balance sheet items

Related party / type	Relationship	Financial statement line item	**2019**	2018
(Amounts in NOK thousand)				
Financing through SATS AS	Subsidiaries	Loans to Group companies	1 154 418	1 132 348
Group contribution	Subsidiaries	Receivables from Group companies	74 860	164 176
Cash pool	Subsidiaries	Borrowings from Group companies	-596 482	-417 922
Run Holding AS	Subsidiaries	Loans to Group companies	50	41 855
Run Bidco ApS	Sister company	Loans	0	87 936
Elixia Holding IV AS	Shareholder of SATS Group AS	Loans	0	1 083
SATS Group AS	Shareholder	Borrowings	284	73 869
Total related party balance sheet items			**633 130**	**1 083 345**

All transactions with related parties are priced at market conditions and there are no special conditions attached to these. 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 recognises an allowance for expected credit losses for all intercompany loans.

Credit losses is 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 recognised 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 recognised 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 occuring 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 recognised. 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 per 31 December 2019.

NOTE 7 Cash and cash equivalents

(Amounts in NOK million)	**2019**	2018
Cash and cash equivalents	**178**	**126**

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 23 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

In September 2019, the shares of the company were split in the ratio 1:4 so that the number of shares was increased from 28 071 892 to 112 287 568.

On 23 October 2019 SATS ASA was accepted for listing on the Oslo Stock Exchange (Oslo Børs). The initial public offering (IPO) was achieved by issuing 57 712 432 shares with a par value of NOK 2.125 at the price of NOK 23.5 per share, resulting in a net capital increase of NOK 1 323 million. Prior to the IPO, the company's shares have not been publicly traded. As of 31.12.2019, share capital amounts to NOK 361 250 000 consisting of 170 000 000 ordinary shares at a face value of NOK 22.68 per share.

Overview of the shareholders as of 31 December 2019

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
SATS Group AS	105 088 024	61.8%	61.8%
Canica AS	16 983 000	10.0%	10.0%
SATS Management Invest AS	9 376 376	5.5%	5.5%
Catella Hedgefond	3 222 461	1.9%	1.9%
SEB Prime Solutions Sissener Canop	3 128 992	1.8%	1.8%
Verdipapirfondet Delphi Norge	1 350 000	0.8%	0.8%
BNP Paribas Securities Services	1 350 000	0.8%	0.8%
Norron Sicav - Target	1 334 500	0.8%	0.8%
Hansemgruppen Holding AS	1 323 168	0.8%	0.8%
Svenska Handelsbanken AB	1 312 840	0.8%	0.8%
Verdipapirfondet First Generator	1 105 584	0.7%	0.7%
Nordnet Bank AB	1 040 848	0.6%	0.6%
The Bank of New York Mellon SA/NV	1 040 833	0.6%	0.6%
Verdipapirfondet Eika Spar	1 040 000	0.6%	0.6%
Fondita 2000+ Investment Fund	977 557	0.6%	0.6%
Danske Invest Norge Vekst	935 000	0.6%	0.6%
MP Pensjon PK	915 000	0.5%	0.5%
Verdipapirfondet Eika Norge	860 000	0.5%	0.5%
Fondita Nordic Small Cap INVT FD	800 000	0.5%	0.5%
Wenaasgruppen AS	800 000	0.5%	0.5%
Other shareholders	16 015 817	9.4%	9.4%
Total	**170 000 000**	**100.0%**	**100.0%**

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

SATS Group AS has control over SATS Management Invest AS.

The ultimate parent company, SATS Group AS, prepares consolidated financial statements that includes SATS ASA.

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

Name	Ownership
Executive management including CEO	23.06%

Equity	Share capital	Share premium	Retained earnings (acc. losses)	**Total equity**
(Amounts in NOK million)				
Equity 1 January 2019	225	2 270	-740	1 755
Dividends			-1 500	-1 500
Share issues	14	486		500
Share issues and capital increase expenses from IPO	123	1 234	-33	1 323
Profit/loss for det year			47	47
Equity 31 December 2019	**361**	**3 990**	**-2 226**	**2 125**

NOTE 9 Borrowings

	2019		2018	
Overview of interest-bearing liabilities	Current	Non-current	Current	Non-current
(Amounts in NOK million)				
Bank borrowings	6	1 281	60	1 780
Total interest-bearing liabilities	**6**	**1 281**	**60**	**1 780**
Assets pledged as security for borrowings:				
Shares in SATS Holding AB		2 606		2 466

Assets pledged as security
The company has pledged all its financial assets as security for current and non-current borrowings. This includes shares in Group companies, intercompany- and external receivables. Furthermore, all of the Group's assets are pledged as collateral for borrowings and the values of these collaterals are disclosed in the consolidated financial statement, Note 22 Assets pledged as security.

In 2019 the Company entered into a new unsecured revolving credit facility agreement with Swedbank. Please see the consolidated financial statement, Note 20 Borrowings, for further disclosures.

Covenants, payment profile and effective interest rates
As of 31 December 2019 and 31 December 2018 covenant requirements are met. Information about existing financial covenant is disclosed in the consolidated financial statement Note 29 Financial covenants.

The payment profile of the parent company is equal to the Group's payment profile disclosed in note 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	**2019**	2018
(Amounts in NOK million)		
Tax payable	-9	0
Change in deferred tax/tax asset as a result of the changed tax rate	0	0
Adjustment deferred tax prior year	0	-13
Change in deferred tax assets	-4	-21
Tax on received group contributions	0	0
Changes in unused tax losses	0	0
Total tax expense/income	**-13**	**-34**

Reconciliation of the nominal statutory tax rate to the effective tax rate:	**2019**	2018
Profit before tax	60	89
Expected taxes at nominal tax rate of 22% (2018: 23%):	-13	-21
Reconciling items:		
Non-deductible expenses	0	-1
Error in prior years	0	-13
Changes in Norwegian nominal tax rate	0	0
Income tax expense/income	**-13**	**-34**
Effective tax rate	**22%**	**38%**

Movement in deferred tax assets and deferred tax liabilities	**2019**	2018
Fair value financial instruments	5	3
Amortized borrowing cost	15	0
Losses carried forward	0	0
Basis deferred tax liabilities	**20**	**3**
Deferred tax assets, not recognized	0	0
Carrying value deferred tax asset/tax liabilities	**4**	**1**

Significant estimates
Deferred tax assets from unused tax losses are recognised to the extent that it is probable that Group can utilise the tax losses against taxable profit in the future. Refer also to the consolidated financial statement Note 10 Tax, and the Board of Directors' report for further info.

NOTE 11 New IFRS standards

For information on effects from coming IFRS standards and interpretations, please see Note 30 in the consolidated financial statements for details.

NOTE 12 Events after the balance sheet date

On 6 March 2020, SATS signed a conditional agreement to divest nine clubs in Denmark and the company will update the market with more details as soon as a potential final agreement is signed.

The outbreak of the coronavirus disease 2019 (COVID-19) has significantly impacted the fitness industry. SATS decided on the morning of 12 March 2020 to temporarily close down all clubs in the Nordics to take social responsibility and contribute to limit the contagion of COVID-19. The Norwegian government imposed a lock-down of all gyms later the same day, with the Danish government following the subsequent week.

The Company is in close dialogue with the health authorities, following their advices on how to act after these two weeks of closure. SATS is at the date of this report advised to stay closed by the governments in Norway, Denmark and Finland. These recommendations are valid until 13 April 2020. The Swedish authorities, on the other hand, do not at the date of this report advise fitness operators to close down, and SATS was the only major player in the industry with all clubs closed during the second half of March 2020. SATS therefore decided, with the support from the Public Health Authority in Sweden, to open according to plan on 26 March. A series of measures was taken to make sure the opening was handled in a responsible way, including reduced capacity in group training classes, outdoor training for group training and personal training sessions, higher cleaning frequency and closed child care.

The company is continuously working on finding ways to reduce costs and minimize the revenue loss during the closure period. The cost reduction initiatives include dialogues with landlords to find constructive solutions for lease payments and temporary layoffs according to regulations in the countries SATS operates in. A significant effort is also put into keeping the members active and introducing SATS to non-members through the Online Training offering. SATS has developed digital training programs, 100+ pre-recorded classes and many live classes every day, available for the Nordic population to continue to fulfil the vision of making people healthy and happy even though the clubs are closed. The response has been overwhelming, with 50-60 000 users daily.

SATS has estimated a negative revenue effect of NOK 140 million the first two weeks of the closure. Actual effects on the profit and loss statement in Q1 is dependent on the supporting initiatives from the Nordic governments. The company has assessed different scenarios for the temporary closure and are confident to have sufficient liquidity and financial strength into the foreseeable future. The company has flexibility through a revolving credit facility with a maximum principal amount of NOK 2 500 million, of which NOK 1 304 million was drawn by end-2019. In order to secure liquidity, the draw-down as of March 2020 increased to NOK 1 879 million. This is, in combination with a negative EBITDA effect, expected to result in a temporary significant deviation from the leverage target of 2.0x Adjusted EBITDA. The leverage covenant of the credit facility is 4.25x Adjusted EBITDA, and the company is not in breach with the covenant as of end-Q1 2020. The company has a close dialogue with the bank and expects flexibility should the temporary closure persist.

Due to the extraordinary situation, the Board of Directors will not propose to distribute the guided dividend of NOK 250 million to the shareholders in 2020. The Board will reassess the capacity for a dividend once the situation has stabilized.

SATS' Board of Directors resolved, in consultation with the company's nomination committee, to cancel the extraordinary general meeting scheduled to be held on 18 March 2020 due to the coronavirus COVID-19 pandemic. The SATS' Board of Directors will consider to reintroduce the investment program at a later stage when the market conditions have stabilized.

The Board of Directors is not aware of any other events that occurred after the balance sheet date, or any new information regarding existing matters, that can have a material effect on the 2019 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 over all 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 unit 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 as 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 consolidate 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 the consolidated financial statement Note 23.

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)	**2019**	2018
Non-current assets		
Interest rate swap contracts	5	3
Total non-current derivative financial instrument assets	**5**	**3**

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.

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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 2019, 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 2019, 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 are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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.

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.

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 31 for a description of related estimates and assumptions. As disclosed in note 11 the Group has recognized goodwill of NOK 2.351 million at 31 December 2019. 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 2019. 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

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism 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 fair presentation.

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- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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

Opinion on the Board of Directors’ report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors’ report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company’s accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 3 April 2020
Deloitte AS

Eivind Ungersness

Eivind Ungersness
State Authorised Public Accountant (Norway)

APPENDIX

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 uses 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:

Operating profit excluding impairment
Operating profit excluding impairment is defined as operating profit adjusted for any recognised impairment for the period. This APM is presented as management believe this presentation will more adequately represent the Group's underlying operating performance for the year, without the impact of the impairment charge related to the discontinuation of the ELIXIA brand.

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

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

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 for understanding the underlying profit generation in the Group's operating activities. Please see Reconciliation to profit or loss before tax in the table below.

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 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 for understanding 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 table below.

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

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

TOTAL	2019	2018[1)]
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**551**	**267**
(ii) Impairment of intangible assets	0	265
(iii) Revenue and costs from closed clubs	1	2
(iiii) Comparability adjustments on Country level	8	5
(iiii) Comparability adjustments on Group level	13	0
Adjusted EBITDA before impact of IFRS 16	**573**	**539**
Group overhead and cost allocation	237	185
Adjusted Country EBITDA before impact of IFRS 16	**811**	**724**

NORWAY	2019	2018[1]
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**319**	**0**
(ii) Impairment of intangible assets	0	265
(iii) Revenue and costs from closed clubs	1	4
(iiii) Comparability adjustments	2	-5
Adjusted EBITDA before impact of IFRS 16	**322**	**264**
Group overhead and cost allocation	-130	-108
Adjusted Country EBITDA before impact of IFRS 16	**452**	**372**

SWEDEN	2019	2018[1]
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**256**	**221**
(ii) Impairment of intangible assets	0	0
(iii) Revenue and costs from closed clubs	0	1
(iiii) Comparability adjustments	0	0
Adjusted EBITDA before impact of IFRS 16	**256**	**222**
Group overhead and cost allocation	-107	-96
Adjusted Country EBITDA before impact of IFRS 16	**363**	**318**

FINLAND	2019	2018[1]
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**22**	**15**
(ii) Impairment of intangible assets	0	0
(iii) Revenue and costs from closed clubs	0	-2
(iiii) Comparability adjustments	0	3
Adjusted EBITDA before impact of IFRS 16	**22**	**17**
Group overhead and cost allocation	-17	-17
Adjusted Country EBITDA before impact of IFRS 16	**40**	**34**

DENMARK	2019	2018[1]
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**-81**	**0**
(ii) Impairment of intangible assets	0	0
(iii) Revenue and costs from closed clubs	0	0
(iiii) Comparability adjustments	7	0
Adjusted EBITDA before impact of IFRS 16	**-75**	**0**
Group overhead and cost allocation	-31	0
Adjusted Country EBITDA before impact of IFRS 16	**-44**	**0**

[1] The comparative information has been restated as a result of the initial application of IFRS 16 as discussed in Note 30.

Net debt
Current and non-current borrowings for the period (excluding property lease liabilities recognised 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 of financial covenants` compliance. Please see Note 5 Interest-bearing liabilities for reconciliation to Total interest-bearing liabilities.

Leverage ratio
Net debt divided by last twelve months 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 cashflows.

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 cashflows 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), investments in greenfield and capex related to the perfect club initiative.

Operating cash flow
Operating cash flow is a measure of how much cash 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.

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 expansion 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 e.g. commercial functions, IT, finance and administration
Leverage ratio	Net debt divided by last twelve months adjusted EBITDA before impact of IFRS 16
Member base, average	Average number of members at the beginning and in the end of the period, including frozen memberships, excluding free memberships
Member base, outgoing	Number of members as of 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
Operating profit excluding impairment	Operating profit adjusted for any recognised impairment
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
Underlying EBITDA	Earnings before deducting interest expense, taxes, depreciation, amortisation and impairment charges
Yield	Calculated as member revenue in the period, divided by the average member base

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