SATS ANNUAL REPORT 2020

OUR CORE BUSINESS IS TO CONTRIBUTE TO IMPROVING PUBLIC HEALTH

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LETTER FROM THE CEO

Dear Reader,

2020 turned out to be a very different year for both SATS and society in general compared to how it started. On 12 March, we made the socially responsible decision to close all our clubs in the Nordics and limit the spread of COVID-19. After the first round of club closures, we started the summer by opening all our clubs on 15 June. We had a very strong third quarter, with record-high member growth, before having to close our clubs again at the end of the year. We exited 2020 with closed clubs in Denmark and parts of Norway and heavy restrictions on our operations in Sweden and Finland.

We are truly sorry for the impact these club closures have had on our members, employees, and shareholders. At the same time, we are impressed by and proud of the extra commitment and spark that emerged in the SATS organization during the crisis. We accelerated our pace of innovation and have significantly strengthened our digital product offering this year. For example, we have run live digital GX classes and launched digital training programs, online personal training, physiotherapy, and nutrition services, with all digital products delivering strong usage numbers.

SATS' vision is to make people healthier and happier, and we have been committed to delivering this vision even when our clubs were closed. SATS' contribution to public health is significant; in a normal year, we have around 40 million visits to our fitness clubs. Oslo Economics has calculated that the yearly effect of all the workouts at SATS translates into around 8 000 quality-adjusted life-years (QALYs), which corresponds to around NOK 11 billion in socio-economic welfare gains. We truly make a difference!

Now, in the middle of a pandemic, a focus on living a healthy lifestyle and staying active is more important than ever. Our members are doing a fantastic job, finding new ways to work out at home or outside while our clubs are closed. Despite this, the activity level in the population is dropping. Only a small share of club visits has been replaced by outdoor or at-home workouts, and more than half of our members say that they work out less now than before the pandemic. This represents a significant challenge for the physical and mental health of the population.

After re-opening our clubs before summer, we have proven that it is safe to visit SATS clubs. We have implemented new operational routines to ensure a safe club environment. In Norway, after re-opening our clubs on 15 June, we have had over five million visits, and of these visits there were more than 200 instances of a member testing positive for COVID-19 after the SATS visit. However, according to comprehensive infection tracking routines, we have not had any confirmed transmission of COVID-19 in our clubs in 2020. This is truly impressive; it is the result of the fantastic efforts of all SATS colleagues every day in our clubs and the behavior of our responsible members to keep our clubs clean and safe. We are looking forward to once again being able to open all our clubs, knowing that we can deliver great training experiences combined with a safe club environment.

The significant scope of the club closures put pressure on the 2020 financials. Total revenue amounted to NOK 3 534 million, a decrease of 11% since 2019. Adjusted EBITDA before impact of IFRS 16 fell by 74% to NOK 146 million. We ended the year with 628 000 members after a 9% decline, mostly driven by lower sales in periods with closed clubs rather than increased drop-off.

We truly believe that SATS will be an even stronger company after the pandemic than before. Working out and staying healthy is a megatrend that has been accelerated during the pandemic, and we expect to deliver strong member growth coming out of the COVID-19 pandemic. We are convinced that we will deliver more great training experiences than ever before in our physical clubs and with our digital products. We will continue to expand our club network through new openings and acquisitions, launch new training concepts and digital products, and make training enjoyable and accessible for everyone. Let's make people healthier and happier!

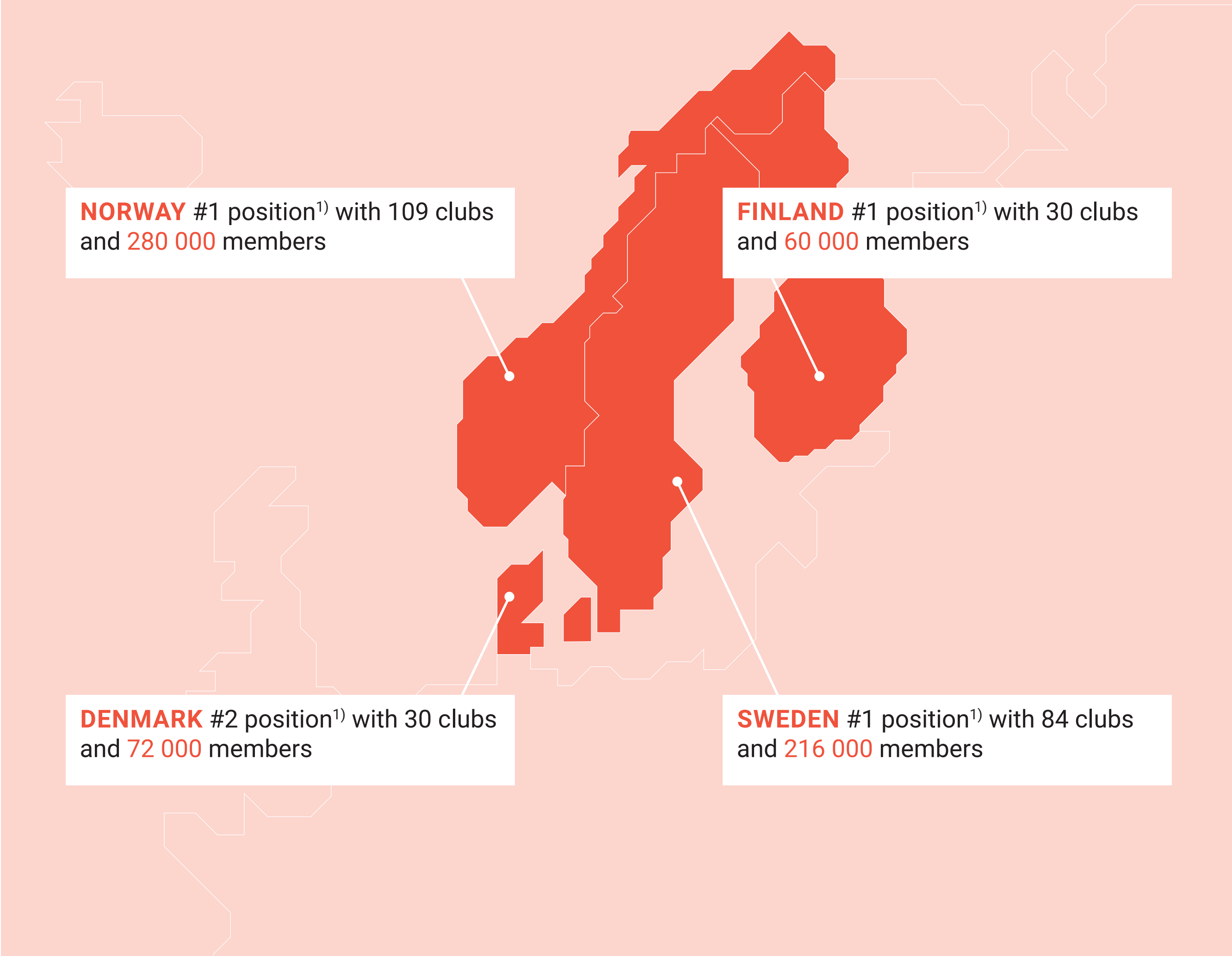
Sondre Gravir

Sondre Gravir
CEO

AT A GLANCE

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 over 250 clubs, close to 9 000 employees and nearly 630 000 members.

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



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

In 2020, SATS experienced a temporary set-back due to the outbreak of COVID-19 and the subsequent club closures. However, the company proved its ability to regain its member base once all its clubs were open again, and the scalable business model is still attractive going forward.

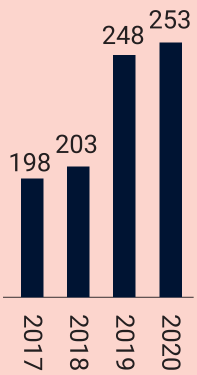
Number of club visits: 27.1 million (-27%)

Number of online workouts: 3.6 million (+404%)

Yearly health effect: ~ 8 000 quality adjusted life-years

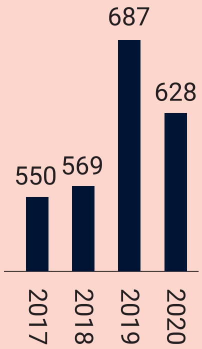
Clubs

+2%



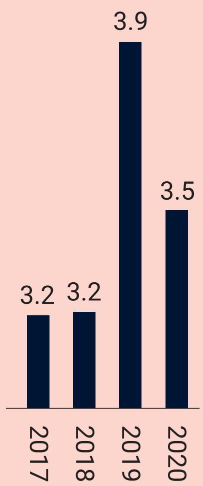
Members
Thousand

-9%



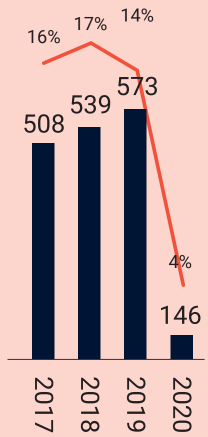
Revenues
NOK billion

-10%



Adjusted EBITDA[1)]
NOK million

-75%



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

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

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

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

SATS launches a new member app with social networking functionality.

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

SATS ASA is listed at the Oslo Stock Exchange.

2020
SATS opens 15 clubs, closes one club and divests nine clubs in Denmark outside the Greater Copenhagen cluster.

SATS temporarily closes down clubs during two waves of the COVID-19 pandemic.

OUR VISION

We make people healthier and happier!

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

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

OUR VALUES

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

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

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

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

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

COVID-19 BUSINESS IMPACT

The outbreak of COVID-19 has had a significant impact on the fitness industry. The first wave hit in the first quarter of 2020. In the morning on 12 March 2020, SATS made the socially responsible decision to temporarily close down all of its clubs in the Nordics and help limit the spread of COVID-19. The Norwegian government imposed a lockdown on all gyms later the same day, and the Danish government did the same the following week.

After the closures, the company maintained a close dialogue with government authorities, following their advices on how to act, balancing the considerations of limiting the spread of the virus while keeping the Nordic population healthy and happy through physical activity. National differences in the spread of the virus and governmental recommendations resulted in different development in the four Nordic countries. The Swedish clubs were reopened after the initial two-week closure, and the Finnish clubs reopened in late April once the restrictions in Greater Helsinki were lifted. The governmental imposed lockdowns in Denmark and Norway lasted longer, and the Danish and Norwegian clubs remained closed until mid-June.

Even though the company was not able to offer its physical club experience, its main priority was to provide alternatives that were as good as possible by developing its digital offering and launching outdoor training when allowed. The rapid pace of innovation not only benefited our members during the club closures but also strengthened our product after we reopened our physical clubs. Members now have access to first-class training indoors, outdoors and digitally.

The company took a series of measures to make sure the openings were handled responsibly, including measures to ensure the required distance between members when training, reduced capacity in group training classes, outdoor group training and personal training sessions, higher cleaning frequency and closed childcare. The lessons learned from best practice during the periods with infection control measures will be carried forward after the risk of infection has been reduced.

The members clearly value the measures the company took after reopening, as proven by improved net promoter scores compared to pre-COVID-19.

During the third quarter, all SATS clubs were open and the company adapted to a new normal in which infection control and a commercial mindset went hand in hand. No infection cases have been traced to SATS despite millions of visits since reopening after the first wave. On the commercial side, the company proved its ability to regain lost member sales after the closures and recover the healthy financial model proven prior to the pandemic.

The second wave hit in the fourth quarter and was different than the first wave. This time, the lockdowns were more local in nature, with some Norwegian municipalities and the Danish government imposing social lockdowns that included fitness clubs. A total of 101 out of 254 of SATS clubs were closed at times during the fourth quarter.

The club closures put significant pressure on revenues in 2020, with the effect estimated at around NOK 800 million before taking government compensations and growth into account. The revenue loss has been partly compensated for by cost-reducing initiatives, both temporary and permanent. Employees in Norway and Denmark were temporarily laid off during both waves of closures, which reduced personnel costs. Some fixed costs were also compensated for by the Norwegian, Danish and Finnish governments. Governmental compensations for fixed costs totaled NOK 195 million for the full year. The direct gross EBITDA effect of the club closures is estimated at approximately NOK 600 million, not taking government compensations or growth into account.

Due to the temporary pressure on EBITDA and the resulting increased leverage, SATS signed a restated agreement with the bank in June for the NOK 2 500 million facility, increasing the flexibility.

SATS has proven its ability to combine strong infection control measures with the delivery of positive member experiences, growth and product development – and we are ready to operate under this “new normal” for as long as necessary. Once the member base is back at pre-COVID-19 levels, the company expects to return to the healthy financials proven prior to the pandemic. The experiences from the reopening after the first wave of closures, during which the company proved its ability to regain its member base, make us confident that we will also regain our member base after the second wave of closures.

THIS IS SATS

VISION

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

During 2020, our vision has never been more important. The COVID-19 pandemic has massively transformed the daily lives of many people. Social distancing, home offices and strained finances are all factors that can lead to less physical activity and a more sedentary lifestyle, an unhealthy diet, increased nicotine and alcohol use, and more stress. This does not bode well for public health. We also know that closing fitness clubs has significant negative effects on health: the results from a SATS member survey conducted in December 2020 showed that 40–50% of respondents across the Nordic countries work out less now than before the pandemic.

Still, we are proud of the efforts we have taken to help the Nordic people be active during 2020. In total, our 628 000 members completed over 27 million workouts in 2020, which is a 27% decrease per member compared to 2019. However, looking at January and February alone, our members actually worked out 10% more per member compared to the same months in 2019. Our members completed more than 191 000 outdoor group training workouts in 2020 compared to 7 000 in 2019. They also completed almost 3.6 million SATS Online Training workouts, which is an increase of 404% from 2019.

VALUES

Our values are Members First, Accountable, Professional, and Extraordinary. They represent the heart of our culture and the "how" when we make decisions. When we interact with members and colleagues, our values should automatically guide us. We believe in the importance of building a strong value-based culture. Our overall goal is for everyone in the company to know the SATS vision and values, reflect on them, and use them in their daily work.

STRATEGY

In order to achieve our vision, SATS has developed a strategy that aims to help its members succeed with their training while the company experiences profitable growth that is faster than the market. This strategy is built on four pillars, People, Products, Presence, and Promise, and forms a strong foundation for our Position and One Company model.

PEOPLE

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

We strive to continuously improve the whole employee journey. This starts with recruiting the best people. We strive to be the preferred employer, aiming to attract the very best and most interesting talent to our company. Our mantra is "hire for attitude and train for skill" as we employ a robust framework for developing our employees. We are constantly developing the way we recruit and attract new employees, contributing to our growth in coming years. We strongly believe in fitness as a career and always strive to create processes that unlock the full potential of all our employees.

We aim to offer our employees a clear career progression regardless of their role and reward strong effort and performance. We invest heavily in training to make sure all our staff have the relevant qualifications to appropriately support our members and can develop professionally throughout their career at SATS. Our SATS Academy provides about 500 classroom (both in-person and live-stream) courses yearly, covering areas such as service, sales, safety, leadership and products. During 2020, more than 6 000 SATS People participated in courses through SATS Academy and our Nordic Master Trainer team. In 2020, we also continued with the SATS Future Leaders Program, a program we started in 2019 to provide young aspiring leaders at SATS with the opportunity to learn, develop and take the next step in their careers.

PRODUCT

Our ambition is to be a one-stop-shop for training, delivering world-class training experiences that exceed our members' expectations. Our offering includes studio training for individual strength and cardio, more than 100 different group training classes, specialized niche class concepts, personal training, boot camps for smaller groups, out-of-club training including both digital and outdoor training, and retail shops providing members with the right equipment, apparel and nutrition. Our product development strategy centers around continuous innovation and making sure we take part in the latest training trends. Based on customer insights and analysis, we adapt and bring a carefully selected number of these trends to our markets.

We have increasingly worked on optimizing our studio training area based on big-data analysis of actual equipment usage and member feedback. Through this project, we have upgraded 60+ clubs with new high-demand equipment and made functional changes to their layouts to improve the availability of equipment and increase capacity. The findings from this project have now been institutionalized and are part of our standard recommendations for not only new clubs but also upgrades at existing clubs. We will continue to increase the analytical and data-driven approach in our strategy to further improve the studio training experience at our clubs.

Group training is at the heart of the SATS product offering. SATS has the broadest group training offering in the Nordic market, which features highly attractive programming. In 2020, more than 3 700 certified instructors delivered more than 440 000 classes, resulting in our members completing a total of more than nine million group training sessions.

"Making people healthier is the reason why I chose to educate myself as personal trainer, instructor and within nutrition. My focus is on elderly and people with chronical diseases. I changed my career from HR to health when I caught a chronical disease myself."

– Henriette, Personal trainer and Group training instructor in SATS Denmark

While this is a significant decrease from 2019 driven by closed clubs and capacity restrictions for group training classes due to COVID-19, we are still seeing a huge demand for SATS group training concepts such as Cycling, Crosstraining, Indoor Running, and Pure Strength. In 2020, we also launched our first omni-channel group training concept, SATS Workout of the Week (SATS WOW). This is a short, high-intensity interval training class with new programming each week, and each Monday the new program is launched at our clubs, via our Online Training, and in our social media channels, making it easy for our members to participate when and where they want. We will to continue to improve our group training offering during 2021, with several planned key initiatives, such as optimizing the scheduling process where we will implement a data-driven approach to class scheduling based on the predicted performance of a given class.

To ensure that we fulfil our members' high expectations, we carefully monitor the performance of and feedback on our training concepts. In 2020, our group training classes and instructors had a weighted Net Promoter Score (NPS) of 38, up from 32 last year, 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, where scores below 0 are considered low and scores above 30 are considered high.

At-home training and digital fitness are growing rapidly, and this trend has been boosted by COVID-19. Today, SATS offers its members a selection of more than 200 online classes through the Online Training channel and enables members to work out remotely with SATS group training classes. During 2020, we have seen a massive increase in the usage of the Online Training platform, with almost 3.6 million online training sessions being completed online or via the mobile and app. Just like we are the leading physical fitness provider, we also have the ambition for SATS to become the leading digital fitness provider in the Nordics. This will be a key focus for SATS in coming years.

In addition to fitness services, SATS has an extended offering that includes the sale of fitness apparel, fitness accessories, food and drink. This is offered as part of the company's goal to encourage members to get the most out of their training by providing them with easy access to fitness apparel, equipment, nutrition and hydration products when they need it. During the second half of 2020, we launched our own comprehensive sports nutrition range, including sports drinks, protein shakes, bars, protein powders and oatmeal. Many of the products have entered the top sales list in their category. We also launched our own clothing collection with basic training clothes and high-quality materials at an affordable price point.

PRESENCE

We know our members and understand their need for a healthier lifestyle. In order to help them maintain good training habits, our clubs must be in the most convenient locations. We have a growth strategy of establishing clubs strategically located in attractive and densely populated areas with convenient proximity to top public transport stops. 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. 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. Since more than 55% of our members use more than one club, we know that our members value the opportunity to use multiple clubs.

In 2020, we continued to expand our club portfolio through both acquisitions and greenfields and opened in total fourteen new SATS clubs, of which six were in Norway, five were in Sweden, two were in Finland, and one was in Denmark. A core element in our strategy moving forward is to further accelerate the club rollout. We believe we have significant room to grow within existing markets—by filling white spots to strengthen existing clusters and expanding into new clusters in existing markets. This will be a core growth driver for SATS in the future.

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

First, we will improve and become more efficient in our club operations by digitizing processes and providing members with efficient self-service solutions. We have put effort into developing the SATS website, which 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. Second, we will use technology and digital solutions to provide an inspiring and seamless experience at our clubs.

Third, we will use our digital services to be a true training partner for our members. We launched a new version of our SATS app in 2020 that has new features and a completely new design. More than 291 000 members used the app on a weekly basis in October 2020, up from 215 000 weekly users in October 2019. This corresponds to a 35% increase in weekly usage between 2019 and 2020. Between October 2018 and October 2020, weekly usage grew 140%. In December 2020, SATS was again impacted by the COVID-19 pandemic, and this affected the app as well since group exercise booking is one of the app's core features. In December 2020, the SATS app had 143 000 weekly users, 30% fewer than in December 2019 but at the same level as in 2018. The app connects members with extraordinary fitness opportunities by simplifying the booking of classes and personal trainers and inspiring members through relevant class recommendations, training challenges, and, now, digital training. It motivates members by showing them training statistics and making it easy to invite friends to join them during a workout. One of the reasons members use our app even when clubs are closed is that we now also offer SATS Online Training in the app. In December 2020 alone, over 140 000 Online Training sessions were played in the app. This type of feature makes the app relevant for more members, and it also helps us convert monthly users into weekly users. We will continue to improve in-app digital training and other features that aim to inspire and trigger members to work out, making it easier for them to work out more consistently.

Fourth, we are taking significant steps within data and analytics. In 2020, we launched a completely new data platform to enhance data quality and scalability. The new data platform will be the foundation of the new analytics strategy and provide significant opportunities to drive member value.

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

PROMISE

As a part of our promise, we also want to take our responsibility beyond membership and members. We believe that 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 in more detail in our sustainability report, will help us achieve our vision of making people healthier and happier and contribute to public health in society at large. Ultimately, we want to make people healthier and happier in an environmentally friendly way.

With its market leading position in the fitness and training industry in the Nordics, SATS is in a unique position and bears an important responsibility to contribute to the UN's sustainable development goals (SDGs). The company aims to play an important part in the lives of our 630 000 members, making it increasingly important to put sustainability on the agenda.

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

FOUNDATION – OUR POSITION AS AN INSPIRATOR

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

This position is well established among our staff. In the 2020 employee survey, around 90% of respondents answered that they integrate SATS' role as an inspirator into their daily work.

FOUNDATION – ONE COMPANY

We work with one operating model, one culture, and one passion for training to make sure that we exceed our members' expectations. We strongly believe it is very important that we work together as a chain with a common model and culture across club formats and country borders. This means that our staff follow the same operating procedures in terms of cleaning, health and safety, and maintenance to make sure that every club offers the SATS experience. This has been particularly important in 2020 as safety and infection control became our number one priority. While we have constantly needed to change and adapt to new regulations in each country, having a single set of operating routines for how our employees handle hygiene, social distancing and infection control has been critical for SATS. The results of this work have been impressive; we have had more than 14 million visits between the re-opening of all clubs in June 2020 and year-end, and not a single confirmed COVID-19 infection case has been traced back to a SATS club during this period.

WHERE WE OPERATE

NORWAY

Norway is the largest operating segment in the Group with 41% of the consolidated total revenues in 2020 and 280 000 members at year-end 2020. SATS is a well-known brand in Norway and the largest operator of fitness clubs.

Total revenue dropped by NOK 386 million in Norway in 2020, a decrease of 21% compared to last year. This decrease was caused by the outbreak of COVID-19 since all clubs were initially closed March–June and then, in some Norwegian regions, including the largest region, Oslo, again in November–December. Adjusted for the government support package, revenue fell by 28%. Adjusted Country EBITDA decreased by NOK 235 million to NOK 217 million, down 52% compared to 2019. Country EBITDA margin for 2020 was down 10 p.p. to 15%.

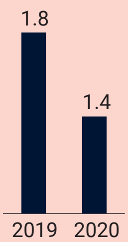
SATS is a well-known brand in Norway and the largest operator of fitness clubs with a market share of 34% in 2019[3]. At year-end, we had 77 SATS clubs, 31 Fresh Fitness clubs and one HiYoga club. Our clubs are spread out between Kristiansand in the south and Tromsø in the north, and 64 are located in the greater Oslo area. Fresh Fitness acquired six clubs from Bare Trening in November, all located in the greater Oslo area.

Our member base fell 6%, driven by lost sales during the club closures. Despite multiple temporary closures, our members visited our clubs almost 10 million times. We delivered more than 140 000 group training classes in 2020, with Indoor Running being the most popular class overall. 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 highly educated yoga teachers.

A highly competent team of almost 440 personal trainers offers customized personal training experiences to our members, and we are constantly working to improve this offering.

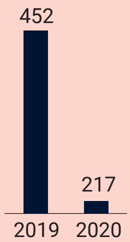
Revenues
NOK billion

-21%



Country EBITDA[1)]
NOK million

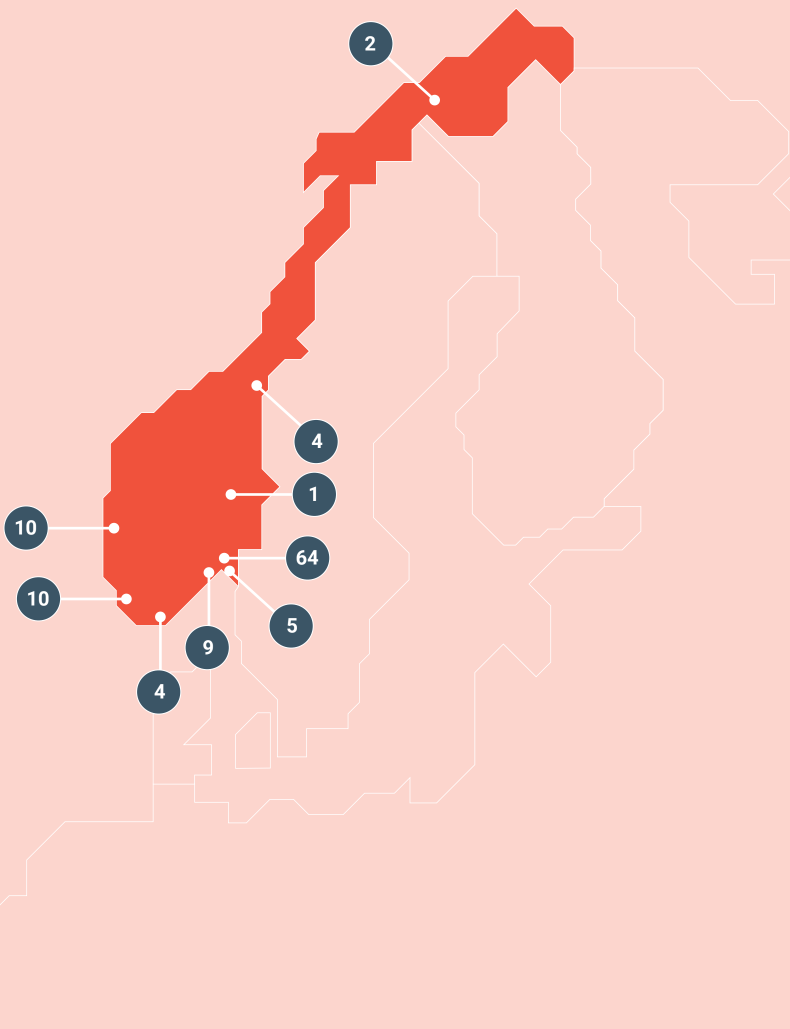
-52%



Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2020**	2019
Membership revenue	1 032	1 439
Other revenues	414	392
Total revenues	1 445	1 831
Country EBITDA[1)]	217	452
Margin (%)	*15%*	*25%*
EBITDA[2)]	82	322
Margin (%)	*6%*	*18%*
Clubs	109	103
Members ('000)	280	299
ARPM (NOK/month)	416	523

[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, with 38% of consolidated total revenues in 2020 and 216 000 members at year-end 2020. 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 revenue.

Total revenue increased by NOK 46 million in Sweden in 2020, an increase of 3% compared to last year, driven by a positive currency effect. The COVID-19 pandemic negatively affected revenues in Sweden, with all clubs temporarily closed for two weeks in March and government recommendations reducing social mobility, especially at the end of the year. Adjusted Country EBITDA decreased by NOK 68 million to NOK 295 million, a 19% reduction compared to 2019. The Country EBITDA margin for 2020 decreased by 6 p.p. to 22%.

SATS had a market share of 16% in Sweden in 2019[3]. The club portfolio consisted of 84 clubs across the country at year-end, including a strong cluster of 67 clubs in the greater Stockholm area. During 2020, we opened four greenfields and acquired two clubs from BodyJoy, which further strengthened the Stockholm cluster.

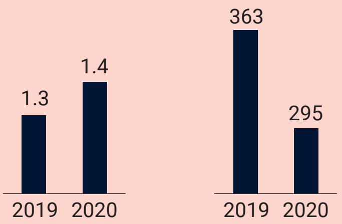
As a consequence of the COVID-19 pandemic, our member base fell by 6%. Our members completed almost 11 million workouts at our clubs, and we delivered almost 160 000 group exercise classes in 2020, which is in line with the offering in 2019. Cycling classes remained among the most popular classes, together with BodyPump and Crosstraining.

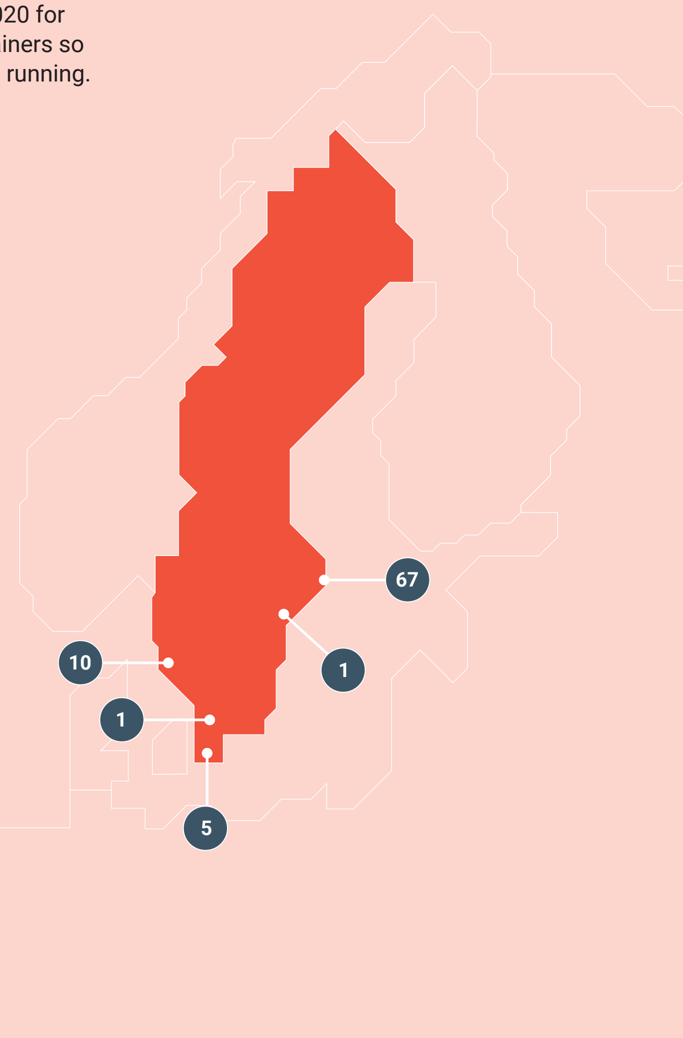
When it comes to concepts and offerings, the Swedish clubs have something for every need. We also offer a specialized Martial Arts club-in-club experience at both Odenplan and SoFo in Stockholm, with genuine martial arts training for members with an interest in martial arts and an ambition to improve their strength, agility and mental focus.

In Sweden, we have a team of 530 certified personal trainers featuring a wide range of profiles and competences. To be able to grow this team and deliver an even better service, we have further developed the onboarding process in 2020 for newly graduated personal trainers so everybody can hit the ground running.

Revenues
NOK billion
+3%

Country EBITDA[1)]
NOK million
-19%





Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2020**	2019
Membership revenue	1 074	1 026
Other revenues	280	282
Total revenues	1 354	1 308
Country EBITDA[1)]	295	363
Margin (%)	*22%*	*28%*
EBITDA[2)]	183	256
Margin (%)	*14%*	*20%*
Clubs	84	79
Members ('000)	216	230
ARPM (NOK/month)	506	482

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

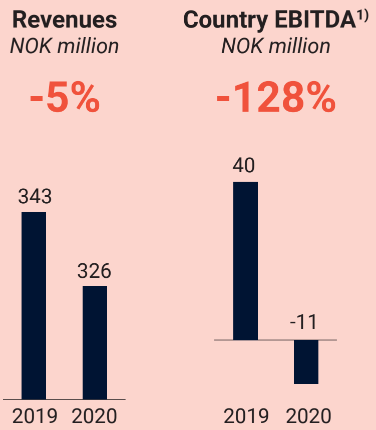
FINLAND

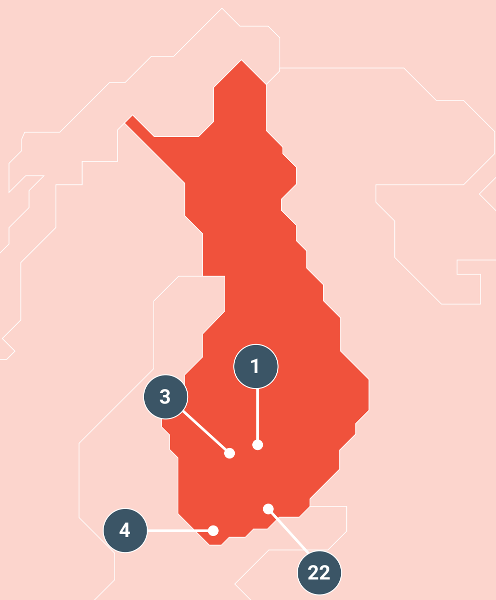
In Finland, the business is operated under the brand ELIXIA, and the Finnish operations, with 60 000 members at year-end 2020, constituted 9% of consolidated total revenues in 2020. The Finnish fitness market is highly fragmented, and ELIXIA is the market leader.

Total revenue dropped by NOK 18 million in Finland in 2020, a decrease of 5% compared to last year, primarily due to the outbreak of COVID-19. All clubs in Finland were closed for six weeks in March and April, and government recommendations to reduce social mobility have put pressure on membership sales after reopening. Adjusted Country EBITDA fell NOK 50 million to NOK -11 million, down 128% compared to 2019. The Country EBITDA margin for 2020 decreased by 15 p.p. to -3%.

The Finnish fitness market is highly fragmented. ELIXIA is the market leader and had a market share of 7% in 2019[3]. By the end of 2020, we had 30 clubs in Finland, 22 of which are in the Helsinki cluster. Three new greenfields were opened in 2020, and one club was closed.

Our member base fell by 3% due to COVID-19. Our members completed almost 3 million workouts at our clubs, and in 2020, we arranged almost 53 000 group exercise classes at our Finnish clubs, which is somewhat lower than 2019. Cycling classes were the most popular, followed by strength training classes and Crosstraining. ELIXIA Finland has a strong, professional team of almost 150 personal trainers.





Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless stated otherwise)	**2020**	2019
Membership revenue	248	282
Other revenues	78	61
Total revenues	326	343
Country EBITDA[1]	-11	40
Margin (%)	*-3%*	*12%*
EBITDA[2]	-29	22
Margin (%)	*-9%*	*6%*
Clubs	30	28
Members ('000)	60	62
ARPM (NOK/month)	445	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.*

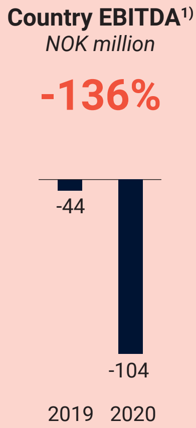
DENMARK

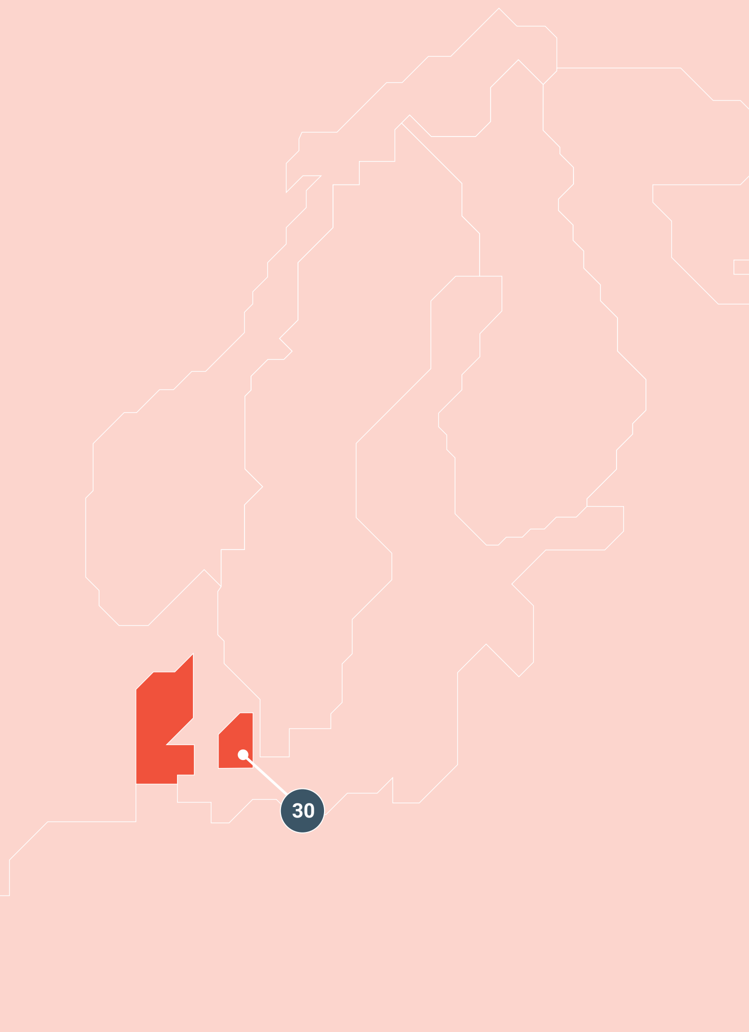
The Danish operations contributed with 12% of consolidated total revenues in 2020. SATS Denmark, with 72 000 members at the end of 2020, is the second-largest fitness operator in Denmark, with a concentration around Greater Copenhagen.

Total revenue dropped by NOK 96 million in Denmark in 2020, a decrease of 19% compared to previous year. This decrease was partly caused by the outbreak of COVID-19 since all clubs were closed initially in March–June and then closed again as of 9 December. The divestment of nine clubs in Jylland and Fyn on 1 July 2020 also explains some of the decrease in revenue. Adjusted Country EBITDA decreased by NOK 60 million to NOK -104 million, down 136% compared to 2019. The Country EBITDA margin for 2020 decreased by 16 p.p. to -25%.

By the end of 2020, we had 30 clubs in Denmark, all of which create a strong cluster in Greater Copenhagen. The market share was at 13% in 2019[3].

Our member base fell 26%, driven by lost sales during the club closures and the divestment of nine clubs in Jylland/Fyn. The member base reduction adjusted for the club sale was 11%. During the periods where the clubs were allowed to be open, our members completed more than 3 million workouts at our clubs, and we arranged 50 000 group exercise classes. Cycling classes and BodyPump were some of the member favorites. Our personal trainer team consists of 110 personal trainers.





Key Financial Figures and Alternative Performance Measures (APM)

Amounts in NOK million (unless otherwise stated)	**2020**	2019
Membership revenue	295	423
Other revenues	113	81
Total revenues	408	504
Country EBITDA[1]	-104	-44
Margin (%)	*-25%*	*-9%*
EBITDA[2]	-130	-75
Margin (%)	*-32%*	*-15%*
Clubs	30	38
Members ('000)	72	97
ARPM (NOK/month)	401	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 2020

ABOUT THE SUSTAINABILITY REPORT

SATS' sustainability and social responsibility work in 2020 is presented in the Sustainability Report for 2020. The report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. The full report is available at www.satsgroup.com.

SUSTAINABILITY AT SATS

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

With its market leading position in the fitness and training industry in the Nordics, SATS is in a unique position and bears an important responsibility to help achieve the SDGs. The company aims to play an important part in the lives of its 630 000 members, making it increasingly important to put sustainability on the agenda.

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

STRATEGIC FOCUS AREAS

Based on materiality assessments that are described in more detail in its Sustainability Report, the company decided to focus its contribution to UN Sustainable Development Goals #3 Good Health and Well-being and #12 Responsible Consumption and Production. These are the goals that overall are deemed most important to the company's stakeholders and most likely to benefit from the SATS contribution. They go hand in hand with the company's strategy and values and are closely linked to the core competences of the organization.

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

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

Using as its basis the materiality analysis and its aim of contributing to the above-mentioned goals, the company has defined two strategic focus areas: public health and environmentally sustainable operations. Helping to improve public health is a main priority of SATS, and the ambition is to do this with a low carbon footprint. In every aspect of its operations, SATS intends to follow the precautionary principle approach in order to prevent the company's activities from potentially harming human health and the environment.

The company has set a target of reaching 50 million club visits by 2023, which can be compared to 37 million in 2019 and 27 million in 2020 (negatively impacted by temporary club closures due to COVID-19). Reaching this target would contribute significantly to public health. The company is also targeting a yearly increase in SATS-initiated workouts for youth, both members and non-members.

For the second strategic focus area, environmentally sustainable operations, the company has set a target of reducing its CO_2 emissions every year. SATS is working to further specify the targets, with key input from the 2020 climate accounts.

SHAREHOLDER INFORMATION

SATS ASA was listed on the Oslo Stock Exchange in 2019 and had a market capitalization of NOK 3 968 million at year-end 2020. SATS' objective is to provide positive value creation and a long-term return to shareholders that reflects the inherent risk in the company. The company plans to achieve this by delivering in accordance with its business plan and through precise communication to ensure that the share price accurately reflects the value and growth prospects of the company.

INVESTOR RELATIONS POLICY

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

SATS will publish quarterly financial results in accordance with its financial calendar, which is published annually on its website and on the stock exchange. No investor and analyst meetings will be held during the three weeks prior to the presentation of the company's financial results.

SATS ASA complies with the Oslo Børs Code of Practice for IR of 1 March 2021.

GOVERNANCE PRINCIPLES

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

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

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

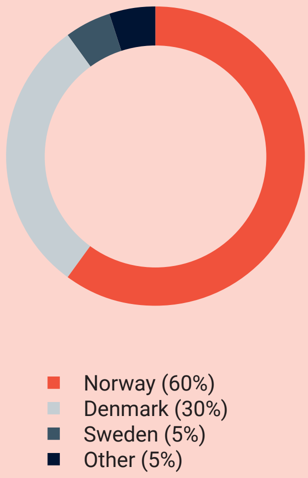
Shareholder

		Number of ordinary shares	Ownership percentage
1	TG Nordic Invest	51 493 132	30.0%
2	AF III HOLDCO AS	41 556 415	24.2%
3	Canica AS	16 960 424	9.9%
4	Sats Mangement Invest AS	8 671 194	5.0%
5	Maaseide Promotion AS	7 990 976	4.7%
6	Skandinaviska Enskilda Banken AB: Lannebo Sverige Hallbar	2 422 360	1.4%
7	SEB Prime Solutions Sissener Canop	2 000 000	1.2%
8	SEB CMU/SECFIN Pooled Account	1 867 275	1.1%
9	Salt Value AS	1 801 139	1.0%
10	Ingvarda AS	1 706 857	1.0%
11	Folketrygdfondet	1 516 875	0.9%
12	Nordnet Bank AB	1 103 019	0.6%
13	AAT Invest AS	1 100 000	0.6%
14	Avanza Bank AB	1 097 578	0.6%
15	Skandinaviska Enskilda Banken AB: Fondita 2000+ Investment fund	1 066 060	0.6%
16	SATS ASA	1 002 670	0.6%
17	Skandinaviska Enskilda Banken AB: Fondita Nordic Small Cap INVT FD	1 000 000	0.6%
18	Skandinaviska Enskilda Banken AB: Lannebo Europa Småbolag	882 544	0.5%
19	VJ Invest AS	862 498	0.5%
20	Norron Sicav - Target	800 000	0.5%
	Other	24 862 370	14.5%
	Total	**171 763 386**	**100%**

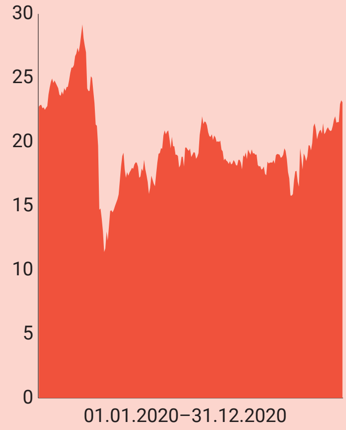
SHARE CAPITAL

SATS ASA's share capital was NOK 365 million as at 31 December 2020, divided into 171 763 386 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS owned 1 002 670 treasury shares as at the balance sheet date. The number of shareholders as at 31 December 2020 was 4 193.

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%	4 184	36 984 263	22%
1-3%	4	8 090 774	5%
3-5%	1	7 990 976	5%
5-10%	2	25 631 618	15%
>10%	2	93 065 755	54%

Financial calendar

SATS ASA will publish its quarterly interim financial statements on the following dates for 2021:

9 February 2021	Q4 2020 Results
13 April 2021	Annual Report
30 April 2021	Q1 2021 Results
11 May 2021	Annual General Meeting
14 July 2021	Q2 2021 Results
28 October 2021	Q3 2021 Results

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Carnegie	Eirik Rafdal	+47 22 00 93 78
Citi	Charles Mortimer	+44 20 7986 4074
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

Anna Raftheim
HR Director

Gaute Sandal
Director of Consumer, Insight & Technology

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

Bård Nordhagen
Acting Director of Marketing, Communication and Member Care

Linda-Li Cederroth
Country Manager Sweden and Denmark

Silje Garberg Ree
Director of Product and Retail

Jussi Raita
Country Manager Finland

Wenche Evertsen
Country Manager Norway

"I get filled with energy once I enter a SATS club. I always try to spread this energy and joy to the members in my classes."

– Christin, Group training instructor in SATS Sweden

BOARD OF DIRECTORS' REPORT

In 2020, the number of members decreased by 9%, and total revenues decreased by 11%, driven by the outbreak of the coronavirus. Going into 2021, the focus is to safely reopen all clubs, regain the member base and further expand 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, Sweden and Denmark and ELIXIA in Finland. The Group also operates the price-competitive, low-cost fitness club brand Fresh Fitness in Norway, in addition to 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, and the only chain that offers clubs in all four Nordic capital cities making SATS the clear leader in the Nordic fitness market. As of the 2020 balance sheet date, the Group had a leading network of 253 clubs, with strongholds in key metropolitan cities throughout the Nordic region, and 628 000 members, comprising approximately 51% women and 49% men. Since October 2019, SATS ASA has been listed at the Oslo Stock Exchange.

ANALYSIS OF THE 2020 FINANCIAL STATEMENTS

The Board of Directors believes that the 2020 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 2020 to 31 December 2020 by comparison with the period from 1 January 2019 to 31 December 2019. The Board confirms that the Group's liquidity position, together with the expected cash flow from operations in 2021, will be adequate to fulfil short-term liabilities, including instalments on bank borrowings as they fall due.

The fitness industry and SATS has experienced a significant setback caused by the COVID-19 outbreak, and the reopening dates for the closed clubs and timing for return to normal operations are highly uncertain. However, based on the Group's long-term strategy, including budgets and scenario 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 Board confirms that the use of the going concern assumption is appropriate. The 2020 financial statements have been prepared in accordance with this assumption. Please see the section COVID-19 business impact for more information on the effect of the coronavirus.

Statement of comprehensive income

Total revenues decreased by 11% to NOK 3 534 million, compared to NOK 3 987 million in 2019. A weakened NOK caused positive currency translation effects on revenues, and currency adjusted revenues fell by 16%. The revenues for the segments Norway, Denmark and Finland decreased, while Sweden increased compared to 2019. The decrease in revenues was primarily due to the outbreak of COVID-19 and subsequent closure of clubs, but also the strategic divestment of nine clubs in Denmark on 1 July 2020. The total member base decreased by 9% compared to last year, partly due to the divestment of nine clubs in Denmark, but also as a consequence of lost sale during the closure periods. Adjusted for the divestment, the member base decreased by 6%. Reported ARPM increased by 1%, mainly driven by currency translation effects. Currency adjusted ARPM fell by 4%, driven by the club closures.

The company received governmental assistance to compensate for the imposed club closures. The compensations were reported as revenues. The Norwegian government compensated a part of the fixed costs for all companies above a threshold for revenue loss, totaling NOK 130 million for SATS and Fresh Fitness in Norway. The Danish government implemented a similar scheme, compensating NOK 60 million to SATS Denmark. Lastly, the Finnish government compensated ELIXIA Finland with NOK 5 million.

The Group's operating expenses excluding impairment decreased by 1% from NOK 3 475 million in 2019 to NOK 3 445 million in 2020. A weakened NOK caused negative currency translation effects on costs, and currency adjusted operating expenses excluding depreciation and amortization decreased by 11%. The main driver of the decreased operating expenses was reduced personnel expenses explained by temporary lay-offs of employees at closed clubs.

In 2020, SATS divested nine clubs in Jylland and Fyn, Denmark to Fitness 1. The divestment was a planned strategic move initiated by SATS, in order to make Denmark more efficient and profitable. After the divestment, SATS retains 30 clubs in Denmark, all located in the Copenhagen and the Northeren Sealand area. The transaction took place on 1 July 2020 and resulted in an impairment of NOK 78 million reflecting that the nine disposed clubs were operating with a significant loss, representing 75% of the negative EBITDA in Denmark in 2019.

As a result of the corona pandemic, operating profit decreased by NOK 501 million, or 98%, from NOK 512 million in 2019 to NOK 11 million in 2020.

Net financial items increased by NOK 2 million, or 1%, from an expense of NOK 265 million in 2019 to an expense of NOK 267 million in 2020. This is mainly a result of currency adjustments on intercompany loans, partly offset by fair value adjustments for interest rate swaps.

The income tax expense increased by NOK 9 million, from NOK 60 million in 2019 to NOK 69 million in 2020, driven by write down of deferred tax assets in Denmark and Finland of NOK 61 million and NOK 10 million respectively, partly offset by recognition of historic losses carried forward of NOK 20 million in the Swedish segment. As of the balance sheet date, the Group's total tax loss carried forward is NOK 812 million, out of which the NOK 697 million generated in Denmark and Finland is not recognized in the balance sheet.
The loss before tax was NOK 255 million in 2020 compared to a profit of NOK 247 million in 2019, and the loss for the year was NOK 325 million against a profit of NOK 187 million in 2019. Total comprehensive loss was NOK 345 million compared to a profit of NOK 197 million in 2019.

Segment development

Norway

Total revenues decreased by NOK 386 million in Norway in 2020, a decrease of 21% compared to 2019. The revenue decrease was caused by the outbreak of COVID-19, as all clubs were first closed for three months from March to June and then a second round of closures in some of the Norwegian regions during November and December, including the largest region, Oslo. Adjusted for the governmental supporting package, revenues were reduced by 28%. Operating expenses decreased by 11%, and Adjusted Country EBITDA before impact of IFRS 16 decreased from 452 million last year to 217 million in 2020, resulting in a Country EBITDA margin of 15%.

Sweden

Total revenues increased by NOK 46 million in 2020, an increase of 3% compared to last year, driven by a positive currency effect. The COVID-19 pandemic affected revenues in Sweden negatively, with all clubs temporarily closed for two weeks in March and strong governmental recommendations reducing social mobility, especially towards the end of the year. The increase in operating expenses was higher, at 12%, bringing the Adjusted Country EBITDA before impact of IFRS 16 down from 363 million last year to 295 million in 2020. Country EBITDA margin was 22%.

Finland

Total revenues decreased by NOK 18 million in Finland in 2020, a decrease of 5% compared to last year, primarily due to the outbreak of COVID-19. All clubs in Finland were closed for six weeks in March and April and strong governmental recommendations to reduce social mobility put a pressure on membership sales after reopening. The increase in operating expenses of 11%, and the Adjusted Country EBITDA before impact of IFRS 16 fell from NOK 40 million last year to NOK -11 million in 2020, resulting in a Country EBITDA margin of -3%.

Denmark

Total revenues decreased by NOK 96 million in Denmark in 2020, a decrease of 19% compared to last year. The revenue decrease was partly caused by the outbreak of COVID-19, as all clubs were first closed for three months from March to June and then from 9 December and into the new year. The divestment of nine clubs in Jylland and Fyn on 1 July 2020 also explains some of the decrease in revenues. The operating expenses decreased by 7%. Adjusted Country EBITDA was NOK -104 million, down from NOK -44 million in 2019, resulting in a Country EBITDA margin of -25%.

Statement of financial position

Consolidated assets increased by NOK 1 103 million to NOK 9 091 million from the balance sheet date of 2019 to 2020. A major driver of the increased consolidated assets was currency translation effects from a weakened NOK compared to last year. Right-of-use assets and intangible assets were the largest components of consolidated assets, amounting to NOK 4 568 million and NOK 2 578 million, respectively, on 31 December 2020. Both non-current assets and current assets increased. The increase in non-current assets was driven by increased right-of-use assets, as a result of an ongoing assessments of lease durations and acquisitions. The increase in current assets was primarily driven by an increase in cash and cash equivalents.

Total liabilities increased from NOK 6 765 million as at 31 December 2019

Statement of Comprehensive Income

Amounts in NOK million	**2020**	2019
Total revenues	3 534	3 987
Operating expenses excluding impairment	-3 445	-3 475
Operating profit excluding impairment	90	512
Impairment of assets held for sale	-78	0
Net financial items	-267	-265
Profit before tax	-255	247
Income tax expense	69	60
Profit/loss for the year	-325	187
Total comprehensive income	-345	197

Statement of financial position

Amounts in NOK million	**2020**	2019
Total assets	9 091	7 988
Total liabilities	8 206	6 765
Total equity	885	1 223

Statement of cash flows

Amounts in NOK million	**2020**	2019
Net cash flow from operations	1 113	1 345
Net cash flow from investments	-331	-321
Net cash flow from financing	-499	-1 225
Net increase/decrease in cash and cash equivalents	283	-200
Cash and cash equivalents at the end of the period	456	165

to NOK 8 206 million as at 31 December 2020, primarily due to currency translation effects and increased lease liability and borrowings.

As at 31 December 2020, consolidated equity amounted to NOK 885 million, representing an equity ratio of 10%, compared to NOK 1 223 million and 15% as of the balance sheet date of 2019. The decrease is the result of loss for the year.

Statement of cash flows

Net cash flow from the Group's operations was NOK 1 113 million in 2020, compared to NOK 1 345 million in 2019. The decreased cash flow from operations of NOK 233 million was mainly due a reduction in profit for the year, partly offset by a positive change in accounts receivables and other receivables and accruals.

Net cash outflow from investing activities amounted to NOK 331 million in 2020, compared to an outflow of NOK 321 million in 2019. The main reason for the increased outflow was the divestment of the nine clubs in Denmark, which is reported as a sale of subsidiary and affects the cashflow negatively with NOK 42 million. Maintenance activities were lower in 2020 than 2019, but still amounting to 5% of the total revenues.

Net cash outflow from financing activities was NOK 499 million in 2020, compared to an outflow of NOK 1 225 million in 2019. A precautionary draw-down of NOK 575 million on the credit facility was made in Q1 2020 to ensure liquidity during the COVID-19 crisis, which primarily explains the positive change in net cash flow from financing. The cash flow from financing in 2019 was highly affected by both the issuance of new shares related to the initial public offering, a dividend payment and the initial public offering and related change and a refinancing of the bank borrowings.

In 2020, consolidated cash and cash equivalents increased net by NOK 283 million, compared to a decrease of NOK 200 million in 2019. As at the balance sheet date, the Group had cash and cash equivalents of NOK 456 million, compared to NOK 165 million at the balance sheet date in 2019.

Parent company

The parent company had no operating income in 2020 and NOK 15 million in operating expenses.

The parent company's equity is NOK 2 096 million as of the balance sheet date.

BUSINESS AND INDUSTRY OUTLOOK

The outbreak of COVID-19 has significantly impacted the fitness industry, as reduced sales during closure periods lowered the membership base. However, after the first wave of closures, SATS proved its ability to regain lost member sales and recover the healthy financial model proven prior to the pandemic. The company believes the megatrend around health and well-being has been strengthened during the pandemic, if anything, and expects to return to the healthy financials proven prior to the pandemic once the member base is back to pre-COVID-19 levels.
Further on, the pandemic has accelerated the digitalization of the fitness industry, resulting in a permanent shift, where digital fitness has gained a stable foothold. SATS will take part in this trend shift and sees opportunities to expand the product offering, rather than maintaining the digital offering as a substitute. The digital expansion provides an opportunity to grow at a higher pace than only through physical clubs.

The health and wellness sector overall is growing due to an increased focus on health and well-being in society, and robust global trends such as digitalization and a political push for health is fueling health and fitness awareness. Fitness clubs, in particular full-service chains, are at the center 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 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 relative to both overall leisure spending and other comparable products/services, and the Nordic market is rebalancing as a result of reduced supply side growth, which is driving industry consolidation and profitability. Low-cost concepts have been present in the Nordics for several years, but market share gains for low-cost providers have slowed in recent years as the club roll-out pace has declined and is expected to continue to remain at low levels.

SATS has a broad product offering, outperforming 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. Flexible membership increases the perceived value of a SATS membership and makes SATS relevant for all people and budgets — from price-sensitive one-club users to active members utilizing the full width of SATS' offering.

The company aims to continue to expand in the next few years through acquisitions, greenfields and expansion of complementary product offerings. A key building block will be to grow and expand in the digital health and fitness space.

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

The Group strives for a balanced gender distribution, and as of 2020 it employed 6 000 female and 2 500 male employees. The Group's leaders consist of 70% female and 30% male executives. The Board of Directors is composed of three men and two women.

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

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

The Group does not practice differential treatment or recruitment of employees 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 2020, the Group as a whole registered sick leave of 7%. No significant workplace accidents or incidents occurred in 2020 in either the parent company or its subsidiaries.

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

The Board of Directors expresses its appreciation of the work done by all the employees during 2020. Specifically, the Board of Directors wants to thank all the employees for the extraordinary efforts and sacrifices made due to the COVID-19 pandemic, especially employees who have been negatively affected by club closures.

EXTERNAL ENVIRONMENT

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

EVENTS AFTER THE BALANCE SHEET DATE

The restrictions and imposed club closures across the club network from the fourth quarter of 2020 has to a large extent continued into 2021. In Norway, most of the municipalities with restrictions regarding the operations and the municipalities with imposed club closures continued these into the new year. Some new municipalities imposed temporary club closures during the first quarter, and some clubs were allowed to reopen. As of 13 April, there are 78 clubs closed in Norway, including both SATS and Fresh clubs. The imposed lock-down was also continued in Denmark, with all 30 clubs still closed. In Finland, new restrictions were introduced in selected regions in the first quarter, including a limit of maximum ten visitors at gym floor at

Employee statistics

Employment	Norway	Sweden	Finland	Denmark	Total
Number of employees	3 966	2 735	857	946	8 504
Number of full-time equivalents	795	607	223	192	1 817
of which are on permanent contracts	90%	73%	98%	100%	87%
of which are on temporary contracts	10%	27%	2%	0%	13%
of which are on fixed paid contracts	10%	15%	12%	6%	11%
of which are on hourly paid contract	90%	85%	88%	94%	89%
Number of GX instructors	1 878	1 015	384	448	3 725
Number of personal trainers	436	526	146	111	1 219
Number of other club employees	1 469	1 053	297	366	3 185
Number of employees at the service office	183	141	30	21	375
Sick leave	4.9%	6.6%	10.9%	5.9%	7.1%
Diversity					
Percentage of women, total	72%	68%	84%	60%	70%
Percentage of women among leaders[1)]	75%	68%	79%	55%	70%
Percentage of women, Nordic Group Management					55%
Percentage of women, Board of Directors					40%
Percentage of employees below age 30	46%	40%	48%	46%	44%
Percentage of employees between age 30–50	45%	51%	48%	40%	47%
Percentage of employees above age 50	9%	9%	4%	14%	9%
Equal salary					
Ratio of average salary for woman to men, fixed paid contracts	0.89	0.98	0.82	0.96	0.89
Ratio of average salary for woman to men, hourly paid contracts	1.03	1.06	0.98	1.02	1.03

1) *Defined as persons having personnel responsibility.*

a time. From 1 April, regional authorities in Southern Finland decided to bring into force a new section from the infection disease law, including an imposed lock-down of all fitness clubs. ELIXIA Finland thus temporarily closed 27 clubs in Helsinki and Turku. On 8 January, the Swedish government passed a new pandemic law, giving Sweden's government extra powers to enact measures to curb the spread of COVID-19. The law included restrictions on the operation of fitness clubs, but as these were fairly in line with the way SATS already operated, the changes for SATS Sweden were marginal.

In January, the company made a precautionary draw-down of the revolving credit facility (RCF) of NOK 200 million to secure available liquidity. After the draw-down, the undrawn amount sums up to approximately NOK 250 million.

As the closures have continued to be prolonged into 2021, the company signed an addendum to the RCF agreement with the bank in early April 2021. The addendum includes adjusted covenants which will be applicable to and including 30 September 2022, subject to voluntary cancellation by SATS at any time. The financial covenants set out quarterly minimum levels for liquidity and Adjusted EBITDA. SATS will not distribute any dividend to the shareholders during the amendment period and shall be compliant with the original covenants once the amendment period expires.

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. The fitness industry and SATS has experienced a significant setback caused by the COVID-19 outbreak. However, with the efforts initiated to reduce the financial impact of the COVID-19 related club closures, as well as the addendum to the revolving credit facility agreement signed with the bank in early April 2021, the Board considers the company to be in a healthy financial position with adequate liquidity reserves. The most significant risk going forward is club reopening dates and potential new club closures. The Board of Directors is thus monitoring several scenarios with different reopening dates. Reopening and returning to normal operations will be tightly linked to roll-out pace of the vaccine, and the latest communication from governments in Norway and Denmark is a gradual re-opening in May. The company has documented thorough infection control measures and almost no infection cases at the clubs. Additionally, the contribution to public health, reducing the inactivity challenges in the population, is significant. The Board thus hopes and expects the restrictions for fitness clubs to be eased as soon as possible. The company's business model is built on a base of fixed costs, resulting in an EBITDA result/margin sensitive to changes in member revenues. The clear benefit of the subscription-based business model is that revenues can be turned back on once allowed to return to close to normal operations. Member development is by far the most important driver of the company's financial development, and the estimates for 2021 are sensitive for member loss in the period with governmental restrictions, closed clubs and ability to rapidly regain the member base in the months after opening. SATS recovered quickly during the club opening in the third quarter of 2020, and the Board of Directors is confident that the company will again be able to recover quickly once the full club portfolio is back in operation.

DISCLAIMER

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

SHAREHOLDER INFORMATION

SATS ASA's share capital was NOK 365 million as at 31 December 2020, divided into 171 763 386 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS owned 1 002 670 treasury shares as at the balance sheet date. The number of shareholders as at 31 December 2020 was 4 193.

CORPORATE GOVERNANCE

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

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

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

RISK CATEGORIZATION

SATS operates in a broad range of geographical markets in the highly competitive health and fitness industry. By striving to achieve its long-term strategic objectives, SATS is inherently involved in taking risks. Hence, risk management is an essential element of SATS' culture, corporate governance, strategy and operational and financial management. SATS has defined risk as anything that could have a material adverse effect on the achievement of SATS' goals. Risks can be threats, uncertainties or lost opportunities relating to SATS' current or future operations or activities.

SATS has an established risk management framework in place to regularly identify, analyze, assess and report business, financial, ethical and sustainability risks and uncertainties and to mitigate such risks when appropriate. A risk management process consisting of four categories and 19 risk areas is used to aggregate and categorize risks identified across the organization with the risk management framework.

RISK CATEGORIZATION

STRATEGIC RISKS	OPERATIONAL RISKS	COMPLIANCE RISKS	FINANCIAL RISKS

STRATEGIC RISKS

RISK	RISK DESCRIPTION	HOW DOES SATS MITIGATE THIS RISK
Attracting and retaining members	SATS' success depends upon its ability to attract new members and reduce its churn rate by retaining existing members within its existing markets in Norway, Sweden, Finland and Denmark. Becoming less attractive to existing and new members, due to increased competition, changes in member preferences, communication, marketing, pricing and/or harm to SATS' reputation, could have a negative impact on SATS' growth and operations.	To successfully maintain and increase its membership levels, SATS depends on its ability to identify and originate trends and 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 digital training and purchase personal training sessions have historically continued as members for longer periods than members who do not purchase such products and services. In addition to improving and expanding the digital training offering and launching outdoor training, SATS is continuously analyzing new membership forms and add-on opportunities to keep up with new market developments. SATS experienced a 5% reduction in its member base during the COVID-19 lockdowns in the first and second quarter of 2020, mostly due to the lack of new sales when the clubs were closed, but was able to regain a majority of the lost members in the subsequent two quarters. The number of drop-offs was in line with last year, proving the loyalty of the member base. As an additional mitigating action to retain members, SATS moved its customer service operations from each individual country to the Nordic operations in order to ensure utilization of overflow capacity between countries and improve response time to members.
Expansion into existing markets	SATS' business model relies on being accessible for everyone, everywhere at any time. Its main method to achieve this is by being present with fitness clubs and expanding its portfolio in existing markets. This expansion potential may be influenced by changing market conditions, laws, regulations and consumer preferences, including discretionary spending habits, which could have an impact on SATS' operations.	SATS aims to continue to expand in coming years 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 has a strong focus on the Group's geographical footprint with regard to club portfolio presence. In 2020, the company further improved the portfolio significantly within strategically important locations compared to in previous years. During the year, SATS acquired nine clubs, invested in six greenfields, and divested ten clubs.
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 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 behavior to create and execute mitigation plans, developing 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 revenue through new products and services. This includes physiotherapy, nutrition counseling, and a new nutrition retail range launched in 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 of 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 group training classes or niche concepts and to purchase sessions with personal trainers. SATS' intellectual property rights including the SATS Brand, the Fresh Fitness Brand, and specialized and proprietary training concepts such as Build'n Burn™, Prformance™, NORTH BY SATS™ and Hi-Yoga are important to the company's continued success and ability to attract and retain members. If required, SATS will 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.
COVID-19	The outbreak of COVID-19 has significantly impacted the fitness industry. Being unable to contain the virus outbreak properly could harm SATS' reputation severely and have a negative impact on SATS' growth and operations.	On 12 March 2020, SATS made a decision to temporarily close down all clubs in the Nordics and help limit the spread of COVID-19. The clubs reopened in late March (SE), April (FI) and June (DK/NO), and the full club portfolio was back in operation by the end of the second quarter. The second wave of lockdowns that hit in the fourth quarter was more local, affecting clubs in certain Norwegian municipalities in addition to all clubs in Denmark. In order to responsibly re-open clubs, the company imposed measures such as distancing between members when training, reduced capacity in group training classes, outdoor group training and personal training sessions, higher cleaning frequency and closed childcare. Even though the company was not able to offer its physical club experience, SATS' main priority has been to retain its existing members by providing alternatives that were as good as possible by developing its digital offering and launching outdoor training when allowed. SATS' main focus going forward is to recover its member base as soon as possible. SATS has implemented various measures to reduce financial losses, focusing on tight cost and liquidity control. SATS also applied for and received payouts related to governmental compensation schemes in relevant countries where such compensation has been made available.

OPERATIONAL RISKS

RISK	RISK DESCRIPTION	HOW DOES SATS MITIGATE THIS RISK
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, hacking or hijacking, interruption or weakness in SATS' information technology systems may prevent it from effectively enrolling members, providing member services and utilizing its financial and administrative systems.	To remain competitive, SATS strives to ensure that it has access to the required expertise at all times in order to develop, maintain, enhance and improve the functionality, capacity, accessibility, reliability and features of its technological offerings and services on a cost-effective and timely basis. 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' digitalization program is an optimization project as part of which sensors are placed in clubs to gather data on equipment usage. This data is then used to redesign clubs by optimizing the amount of equipment and the layout to free up space. It also helps accommodate more members per club and increases customer satisfaction with the availability of the right equipment. Data security is an area of major importance, and SATS is committed to always taking appropriate data protection measures. The company further developed such measures in 2020, including the performance of frequent penetration tests to uncover vulnerabilities in SATS' networks, applications and systems, monitoring to identify when certain thresholds are reached, the addition of multifactor authentication to reduce the risk of phishing from employees, and the review of access rights of employees.
Suitable sites	SATS' growth strategy relies in part on 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 select 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.
People	SATS is highly dependent on the services of its personal trainers, group training instructors and other service-minded staff at its fitness clubs. Failure to retain, recruit and motivate the staff could impact SATS' future growth and profitability.	SATS has recruitment and training programs for club staff, including customer service training, etc. All club roles have a clear education path, starting with the automated onboarding journey, that aims to support their career at SATS. This is supported by the blended learning platform 'Learnster', where several mandatory courses are offered. It's a seamless journey with automatic notifications, actions and tag rules that aims to motivate and engage the learner throughout the learning process. The popularity of SATS as an attractive employer is based, for example, on the brand value and size of the Group, and SATS continuously develops its HR strategy to retain and recruit employees based on in part employee surveys for existing employees. SATS has a performance assessment process in place to constantly identify and steer performance development. This process also enables SATS to identify its talent pool to create promotion opportunities, increase employee engagement and maintain this talent in the company. To mitigate the negative impacts of the COVID-19 situation on the personal trainers, SATS introduced various market initiatives in 2020, including online personal trainer sessions, outdoor personal trainer sessions, and an onboarding journey pilot program for personal trainers. SATS has also performed a legal review and updated all its personal trainer contracts in 2020 to secure the personal trainers' conditions and mitigate risks.
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. The project to reduce the scope of the major software system provider, including a strategy to insource the development of certain digital services, was implemented in 2020 and will be further developed in 2021. In line with SATS' strategy to insource the development of the company's digital services, new inhouse developers were recruited in 2020. SATS aims to recruit more developers in 2021 and has the ambition to cover all digital development inhouse. Overall, SATS works with different suppliers to avoid dependency and spread the workload, and the suppliers are evaluated and re-assessed on an ongoing basis. SATS also updated its Purchasing Policy in 2020 to ensure good and consistent practices toward all Group suppliers.
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 optimizing the security of members and staff. The company has established incident reporting routines, and security cameras are installed in order to facilitate this policy. Personnel trained in first aid are generally present at the fitness clubs, and the clubs typically have defibrillators and first aid kits. SATS actively focuses on general health and safety issues and is prepared to effectuate required measures to resolve critical situations. In 2020, the main focus in this regard was unquestionably on social responsibility and helping limit the spread of the COVID-19 virus. As previously mentioned, the outbreak of the virus triggered SATS' decision on 12 March 2020, to temporarily close down all clubs in the Nordics, and SATS later complied with lockdown decisions in parts of its markets by closing clubs during the second wave in the fourth quarter of 2020. When the clubs were re-opened, the company introduced a series of measures to make sure the openings were handled responsibly, including measures to ensure the required distance between members when training, reduced capacity at the clubs and in group training classes, outdoor group training and personal training sessions, higher cleaning frequency, and closed childcare.

COMPLIANCE RISKS

RISK	RISK DESCRIPTION	HOW DOES SATS MITIGATE THIS RISK
Legal, compliance and regulatory risks	SATS operates in Norway, Sweden, Finland and Denmark and is subject to the business laws and regulations in these jurisdictions, including general consumer protection law, marketing law, competition law, and labor and tax laws. 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 complying with the laws and regulations of the countries in which the Group operates. SATS' centralized Head of Legal & Compliance function 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. SATS is continuously working to implement new policies and update and improve existing internal policies in order to ensure good and consistent practices across the organization. For example, in 2020, SATS updated its Purchasing and Finance policies.
GDPR	SATS receives, stores and processes highly sensitive personal information and other data about its employees and members and is subject to strict legal and regulatory requirements, including the General Data Privacy Act Regulation ("GDPR"). Non-compliance with the GDPR's requirements can result in significant penalties, which may impact SATS' business and impair its reputation.	SATS has implemented GDPR in its organization and offers mandatory training on data security and privacy awareness for all employees. The Group's Head of Legal & Compliance has been appointed the Group's Data Protection Officer (DPO). Based on the important GDPR ruling by the Court of Justice of the European Union in July 2020 on data transfers ("Privacy Shield"), SATS has reviewed all of the Group's Data Processor Agreements (DPAs). In the agreements where Privacy Shield was identified as a basis for such a transfer, SATS approached the relevant supplier and updated the DPA in question with a new and valid basis for further data transfer. In 2020, SATS invested in and implemented compliance software to further ensure that all regulatory obligations within GDPR are fulfilled. The tool simplifies and optimizes GDPR management across the Group for greater transparency and efficiency. In 2020, SATS also updated its Privacy and Cookies policies and more.
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' Head of Communication and PR function is responsible for handling important media matters relevant for the Group. The function has been working proactively and reactively toward the media throughout 2020 in addition to overseeing internal practices. 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. The implementation of a news service in 2019 keeps SATS informed about all publications and communication in public markets related to the SATS brand, enabling the company to have a quick response system in place. In 2020, SATS was involved in discussions with the Norwegian Consumer Authority (Forbrukertilsynet) in connection with a claim from the authority that certain aspects of SATS' handling of the closure of fitness clubs due to COVID-19 were in breach of certain provisions of the Norwegian Marketing Control Act (Markedsføringsloven), including allegedly unlawfully charging members for online memberships and allegedly misleading members with respect to their consumer rights. Even though SATS disputes the authority's claims, it decided to initiate a dialogue with the authority in order to reach a common understanding and mitigate the risk of any financial sanctions against the Group. The dialogue resulted in an understanding between SATS and the authority, which included a compensation arrangement for certain of SATS' members who had been charged for unused digital memberships. As a result of this arrangement, the authority waived the fine that was previously given notice of in connection with the alleged breach. 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 COVID-19 guidance but also more customary and informal recommendation relating to exercise and diet. SATS' planning and initiatives relating to reputational risk ensured that the Group was first in the fitness industry to publicly close all of its clubs temporarily in March 2020 due to COVID-19, thereby avoiding a potential negative reputation.
Environmental, social and corporate governance	The risks of infringing against generally accepted corporate and social responsibilities and 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 compliance 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 conducting its business activities in an open and transparent manner to promote transparency in the fitness industry and consequently support efforts to combat corruption worldwide. SATS has implemented a program to train its employees in the Group's core values, including avoiding conflicts of interest, money laundering, unfair competition and breaching rules related to gifts and hospitality, all of which are 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 strong focus on energy efficiency in all of its markets and has implemented several measures in this respect, such as the installation of power meters to report on consumption and censors in the showers at all clubs that automatically turns off the water after 1–2 minutes. The company conducted a review of climate-related risks and opportunities in 2020 based on the general framework developed by the Task Force on Climate-related Financial Disclosures (TCFD). Climate-related risk for SATS is considered to be low.

FINANCIAL RISKS

RISK	RISK DESCRIPTION	HOW DOES SATS MITIGATE THIS RISK
Capital expenditure and cash flow risk	SATS' growth strategy involves a large number of capital-intensive projects with the goal of expanding the total club base. Failure to obtain additional capital to finance the operations could affect SATS' plans for growth as well as the results of its operations.	Management and control of financial risk, including capital expenditure and cash flow risk, are carried out centrally in the finance division by the treasury management at the Group's headquarters. The Group's central finance functions identify, measure, mitigate and report on financial risks in close cooperation with the various operating units, together with banking relations for the whole Group. In order to mitigate the negative cash flow effects of COVID-19, SATS has maintained a close dialogue with the bank and signed a restated agreement in mid-2020 for the NOK 2 500 million revolving credit facility with a temporary adjustment of the stipulated covenants. The temporary financial covenants are minimum levels for LTM EBITDA and maximum levels for CAPEX per quarter. The company must be compliant with the original covenants from June 2021. As the COVID-19 situation has made payments to suppliers more complex, additional controls relating to payment to suppliers were temporarily put in place, where, for example, all supplier payments have been subject to extended controls in accordance with adjusted protocol. To be able to maintain sufficient flexibility in the source of its funding, SATS has unutilized borrowing facilities of almost NOK 600 million and cash and cash equivalents of NOK 456 million as of year-end 2020.
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 Group's central finance functions and are regularly monitored by the CFO.
Credit risk	SATS' members have historically demonstrated a high payment capacity. However, the payment behavior of its existing and future members could change, which may have an impact on its profitability and cash flows.	SATS' credit risk relates to the Group's account receivables, contract assets and investment in liquid financial instruments. Since the daily business is based to a large extent on customer prepayments and direct debit arrangements, SATS' credit risk is considered low. SATS has a credit management policy to only cooperate with financial institutions with a high credit rating. Its credit risk in relation to regular customers is deemed to be acceptable since SATS has no individually significant customers. The relatively few members who 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 flow 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 conditions.	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 that provide the Group with fixed interest rates on parts of its bank borrowings.
Tax and accounting risk	SATS conducts its operations in Norway, Sweden, Finland and Denmark and is therefore subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in all such jurisdictions. If applicable laws, treaties or regulations change, or if taxing authorities do not agree with SATS' assessment of the effects of applicable laws, this could impact SATS' financial condition.	The centralized finance division monitors and reviews local practices to provide reasonable assurance that SATS remains aware of, and is in line with, relevant laws and policies related to reporting and tax.
COVID-19	The company has had to close down clubs during two waves in 2020. During the first wave, in the first and second quarter of 2020, all the clubs in the portfolio were closed, with the closure periods varying between the countries. During the second wave, starting in the fourth quarter of 2020, all Danish clubs and clubs in several Norwegian multiplicities were imposed to temporarily close down. The lock-downs 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, 200+ 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 1 939 million was drawn by end-2020. 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.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2020, 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 2020, have been prepared in accordance with the Norwegian Accounting Act and simplified IFRS in Norway, that they give a true and fair view of the company's and Group's assets, liabilities, financial position and results of operations, and that the Board of Directors' Report gives a true and fair view of the development, performance and financial position of the company and the Group and includes a description of the principal risks and uncertainties that they face.

Oslo, 13 April 2021

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

IMPLEMENTING AND REPORTING ON CORPORATE GOVERNANCE

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

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

Applicable rules and regulations

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

The company endorses the Norwegian Code of Practice for Corporate Governance (Norsk anbefaling for eierstyring og selskapsledelse) issued by the Norwegian Corporate Governance Board and most recently revised on 17 October 2018 ("the Code"). If SATS does not fully comply with the Code, the company will provide an explanation for the deviation and the relevant basis for the chosen solution.

Deviations from the Code, Section 1: None

MAIN OBJECTIVES FOR CORPORATE GOVERNANCE IN SATS

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

The SATS governance structure consists of (governing bodies):

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

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

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

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

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

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

SHAREHOLDERS

TG Nordic Invest is the largest shareholder, owning 30.0% of total shares at year-end 2020.

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

SUSTAINABILITY

SATS' sustainability and social responsibility work is presented in the company's annual sustainability report. The report is prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. SATS' main focus areas for sustainability and social responsibility work are public health and environmentally sustainable operations. The report also considers activities and the approach to employees and business ethics. SATS has made significant efforts in 2020 in terms of measuring and understanding the carbon footprint and climate risk. The company will continue to work on its sustainability strategy to find ways to strengthen the contribution of the core business to public health and improve the sustainability performance in the operations.

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

THE NOMINATION COMMITTEE

The articles of association stipulate a Nomination Committee composed of between two and three members. The company's Nomination Committee comprises Erik Thorsen (chairperson), Andreas Hall (committee member) and Søren Rene Kristiansen (committee member). The members of the Nomination

Committee are appointed until the company's 2021 Annual General Meeting. The Nomination Committee shall recommend shareholder-elected members of the Board of Directors and remuneration for the Board members.

Deviations from the Code, Section 7: The Code recommends that 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 articles 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: COMPOSITION AND INDEPENDENCE

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

- Hugo Lund Maurstad (Chair)
- Søren Rene Kristiansen (Board member)
- Siren Sundby (Board member)
- 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 Siren Sundby is independent of the company's main shareholders TG Nordic Invest and AF III HOLDCO AS. Rebekka Herlofsen, who is a member of the board of directors of SATS ASA, took in September 2020 up a position as Industrial Advisor with Altor Equity Partners.
Due to such position, Herlofsen will no longer be deemed independent of SATS ASA's main shareholders. The board of directors of SATS ASA will therefore only have one board member who is deemed independent of such shareholders (Siren Sundby). Although it is a requirement for listing on the Oslo Stock Exchange that at least two board members are independent of the company's main shareholders, such requirement is not a continuing obligation for listed companies. Consequently, SATS ASA does not have an obligation to propose any changes to its board of directors due to Herlofsen's new position. It is however a recommendation pursuant to the Norwegian Corporate Governance Code to have at least two board members who are independent of the company's main shareholders. The nomination committee will assess the composition of the board of directors in connection with the annual general meeting of SATS ASA to be held in 2021 and intends to propose candidates to the board of directors which will bring the board of directors in compliance with the recommendations in the Norwegian Corporate Governance Code.

Deviations from the Code, Section 8: There is only one shareholder-elected member of the Board of Directors who is independent of the company's main shareholders. The Nomination Committee will propose two independent members of the Board of Directors to the Annual General Meeting in 2021.

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the governance and administration of the company and must ensure an appropriate organization of the company's business. While the Board of Directors has the formal and overall responsibility for the administration of the company, the day-to-day administration and activities must be delegated to the CEO. However, it is the Board of Directors' responsibility to ensure that the company's activities are properly organized, and the Board of Directors must keep itself informed on the company's financial position and ensure that its activities, accounts and asset management are subject to adequate control.

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

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

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

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

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

CEO

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

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

Deviations from the Code, Section 9: None

RISK MANAGEMENT AND INTERNAL CONTROL

SATS operates in a broad range of geographical markets in the highly competitive health and fitness industry. In striving to achieve its long-term strategic objectives, SATS is inherently involved in taking risks. Hence, risk management is an essential element of SATS' culture, corporate governance, strategy and operational and financial management, as further outlined in SATS' Risk Management Policy and in the risk chapter of the Annual Report.

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

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

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

COMPLIANCE FUNCTION

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

Deviations from the Code, Section 10: None

THE REMUNERATION COMMITTEE

The Remuneration Committee is a sub-committee of the Board of Directors and consists of two Board members. The members of the Remuneration Committee are appointed for a two-year term, expiring in September 2021. 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, review succession policies, career planning and management development plans, and prepare matters relating to other material employment issues in respect of executive management. The Remuneration Committee must report and make recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

Deviations from the Code, Section 12: None

THE AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board of Directors that consists of two Board members. The members of the Audit Committee are appointed for a two-year term, expiring in September 2021. 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 retains responsibility for implementation such recommendations.

Deviations from the Code, Section 15: None

APPENDIX

ACCOUNT ON EQUALITY AND DISCRIMINATION IN THE NORWEGIAN OPERATION

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

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

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

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

Equality statistics

Employment	Women	Men
Average fixed pay: Managers at clubs (ratio women to men)	0.99	
Average fixed pay: Employees at clubs (ratio women to men)	0.93	
Average fixed pay: Administrative employees (ratio women to men)	0.87	
Average hourly pay: Employees at clubs (ratio women to men)	1.03	
Average hourly pay: Administrative employees (ratio women to men)	0.97	
Part time	94%	89%
Total weeks parental leave	4 207	190
Parental leave as share of employees	2.8%	0.3%

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	2020	2019
(Amounts in NOK million for the period ended 31 December)			
Revenue	4, 5, 8	**3 534**	**3 987**
Operating expenses			
Cost of goods		-122	-115
Personnel expenses	6	-1 352	-1 463
Other operating expenses	7, 8, 12	-925	-925
Depreciation and amortization	11, 12, 13	-1 045	-972
Total operating expenses excluding impairment		**-3 445**	**-3 475**
Operating profit excluding impairment[1]		**90**	**512**
Impairment of assets held for sale	4	-78	0
Operating profit		**11**	**512**
Interest income		0	1
Finance income	9	100	11
Interest expense	20	-269	-253
Finance expense	9	-98	-24
Net financial items		**-267**	**-265**
Profit/loss before tax		**-255**	**247**
Income tax expense	10	-69	-60
Profit/loss for the year		**-325**	**187**
Profit/loss for the year is attributable to:			
Equity holders of the parent company		-325	187
Total allocation		**-325**	**187**
Earnings per share in NOK			
Basic earnings per share attributable to the ordinary equity	19	-1.90	1.52
Diluted earnings per share attributable to the ordinary equity	19	-1.90	1.52

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
(Amounts in NOK million for the period ended 31 December)		
Profit/loss for the year	**-325**	**187**
Other comprehensive income		
Foreign exchange rate changes - may be reclassified to profit or loss	-20	10
Other comprehensive income, net of tax	**-20**	**10**
Total comprehensive income	**-345**	**197**
Total comprehensive income is attributable to:		
Equity holders of the parent company	-345	198
Non-controlling interests	0	0
Total comprehensive income	**-345**	**197**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	Notes	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	11	2 458	2 351
Customer relations	11	40	42
Trademark	11	2	2
Internally developed software	11	78	70
Total non-current intangible assets		**2 578**	**2 464**
Property, plant and equipment			
Right-of-use assets	12	4 568	3 912
Leasehold improvements	13	486	480
Fitness equipment	13	208	197
Other equipment, fixtures and fittings	13	64	62
Total non-current property, plant and equipment		**5 325**	**4 651**
Financial assets			
Derivative financial instruments	22, 23	0	5
Other non-current receivables	25	38	41
Total non-current financial assets		**38**	**47**
Deferred tax asset	10	166	192
Total non-current assets		**8 107**	**7 354**
CURRENT ASSETS			
Inventories	15	48	41
Other current receivables	16	85	70
Accounts receivables	16	120	136
Prepaid expenses and accrued income	16	274	222
Cash and cash equivalents	15, 17, 21	456	165
Total current assets		**983**	**634**
Total assets		**9 091**	**7 988**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	Notes	31.12.2020	31.12.2019
EQUITY			
Share capital	18	365	361
Share premium		4 013	3 990
Treasury shares		-19	0
Other reserves		-4	15
Retained earnings		-3 469	-3 143
Total equity		**885**	**1 223**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	90	77
Borrowings	20, 21	1 938	1 293
Derivative financial instruments	22, 23	36	0
Lease liability	12, 20, 21	4 167	3 521
Total non-current liabilities		**6 231**	**4 891**
Current liabilities			
Borrowings	20, 21	11	8
Lease liability	12, 20, 21	795	767
Contract liability	24	441	491
Trade and other payables		119	122
Current tax liabilities	10	40	39
Public fees and charges payable		145	127
Other current liabilities	24	424	322
Total current liabilities		**1 975**	**1 875**
Total liabilities		**8 206**	**6 766**
Total equity and liabilities		**9 091**	**7 988**

Oslo, 13 April 2021

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 CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Other reserves[1]	Retained earnings	**Total attributable to owners of the Group**	Non-controlling interests	**Total equity**
(Amounts in NOK million)								
Equity 1 January 2019	**225**	**2 270**	**0**	**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**	**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**	**0**	**15**	**-3 143**	**1 223**	**0**	**1 223**
Equity 1 January 2020	**361**	**3 990**	**0**	**15**	**-3 143**	**1 223**	**0**	**1 223**
Profit/loss for the year					-325	-325		-325
OCI for the year				-20		-20		-20
Total comprehensive income for the year	**0**	**0**	**0**	**-20**	**-325**	**-345**	**0**	**-345**
Investment program				1		1		1
Capital increase	4	23				26		26
Repurchase of shares			-20			-20		-20
Proceeds from sale of own shares			1			1		1
Capital increase expenses from IPO					-2	-2		-2
Equity 31 December 2020	**365**	**4 013**	**-19**	**-4**	**-3 469**	**885**	**0**	**885**

[1] *Other reserves consist of currency translation adjustments and investment program according to IFRS 2.*

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020	2019
(Amounts in NOK million for the period ended 31 December)			
Cash flow from operating activities			
Profit before tax		-255	247
Adjustment for:			
Taxes paid in the period	10	-22	-60
Gain/loss from sale of gym equipment	13	-1	0
Depreciation, amortization and impairment	11, 12, 13	1 123	972
Net financial items	9	267	265
Change in inventory	15	-7	-10
Change in accounts receivable	16	16	-11
Change in trade payables		-3	-20
Change in other receivables and accruals	24	-5	-38
Net cash flow from operations		**1 113**	**1 345**
Cash flow from investing			
Sale of subsidiary, net of cash		-42	2
Purchase of property, plant and equipment	13	-230	-265
Proceeds from property, plant and equipment		1	2
Acquisition of subsidiary, net of cash acquired	27	-60	-60
Net cash flow from investing		**-331**	**-321**
Cash flow from financing			
Repayments of borrowings	20	-2	-1 894
Proceeds from borrowings	20	575	1 492
Instalments on lease liabilities	12	-803	-750
Paid interest on borrowings	20	-78	-67
Interest on lease liabilities	12	-196	-187
Disbursement of dividend		0	-1 032
Proceeds from issues of shares IPO	19	26	1 356
Purchase of own shares	18	-20	0
Proceeds from sale of own shares	18	1	0
Transactions with non-controlling interests		0	-34
Transaction costs from issues of new shares IPO		-2	-43
Other financial items	9	-1	-66
Net cash flow from financing		**-499**	**-1 225**
Net increase/decrease in cash and cash equivalents		**283**	**-200**
Effect of foreign exchange changes on cash and cash equivalents		7	8
Cash and cash equivalents at the beginning of the period		165	357
Cash and cash equivalents at the end of the period	17	**456**	**165**

NOTES

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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 253 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 "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 2020 are available at www.satsgroup.com.

The Group ownership is as follows: 30.0% by TG Nordic Invest, 24.2% by AF III Holdco AS, 9.9% by Canica AS, 5.0% by SATS Management Invest AS and 30.9% by other shareholders.

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

The consolidated financial statements were approved by the Board of Directors on 13 April 2021.

NOTE 2 Basis of preparation

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

Historical cost convention
The financial statements have been prepared on a historical cost basis, except for the following:
- Certain financial assets and liabilities (including derivative instruments) – measured at fair value
- Right-of-use assets – initially measured based on the corresponding lease liability
- Lease liabilities – initially measured at net present value of future lease payments

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

Significant accounting estimates
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 30 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 recognized 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 recognized 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 recognized in other comprehensive income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest paid on trade payables and interest received on 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, Director of Consumer, Insights & Technology, Director of Marketing, Communication and Member Care, Director of Product and Retail and HR Director), and the country managers. The Nordic Management Group is responsible for allocating resources and assessing the performance of the segments.

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

The Nordic Management Group primarily uses EBITDA[1)], EBITDA before impact of IFRS 16[1)], Adjusted EBITDA before impact of IFRS 16[1)] and Adjusted Country EBITDA before impact of IFRS 16[1)] to assess the performance of the operating segments. However, the Nordic Management Group also receives information about the segments' revenue and the consolidated balance sheet of the Group on a monthly basis.

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

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

Operating segment information

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

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

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

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

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**

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

Underlying EBITDA before impact of IFRS 16[2]	**319**	**256**	**22**	**-81**	**35**	**551**
Impact of IFRS 16	397	274	95	167	0	933
EBITDA[1]	**717**	**530**	**117**	**86**	**35**	**1 484**
Depreciation and amortization	-379	-273	-92	-184	-44	-972
Operating profit	**337**	**257**	**25**	**-98**	**-9**	**512**
Net financial items[2]	-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**

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

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

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	Total
(Amounts in NOK million)						
FINANCIAL YEAR 2020						
Total non-current intangible assets	1 646	229	599	24	80	2 578
Non-current tangible assets[1]	2 381	1 730	573	641	0	5 325
Total non-current financial assets	0	3	2	33	0	38
Deferred tax asset	68	62	20	1	15	166
Current assets	430	674	109	-293	64	983
Total assets	**4 524**	**2 698**	**1 303**	**406**	**159**	**9 091**
Total liabilities	**2 497**	**2 228**	**712**	**669**	**2 100**	**8 206**
Investments	48	79	21	30	51	230
FINANCIAL YEAR 2019						
Total non-current intangible assets	1 605	194	564	30	72	2 464
Non-current tangible assets[1]	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**	**6 766**
Investments	67	65	17	59	56	265

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] *Non-current tangible assets consist mainly of right-of-use assets, capitalized 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 personal training (PT) and product sales

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

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

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

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

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

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

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

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

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

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

Disaggregation of revenue from contracts with customers

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

(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**
Point-of-time revenue recognition			
Other revenue			816
Membership revenue[1)]			57
Total point-of-time revenue recognition			**874**
Period-of-time revenue recognition			
Membership revenue			3 113
Total period-of-time revenue recognition			**3 113**

[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 recognized as revenue during the next financial year. The remaining 10% is expected to be recognized in the financial year thereafter. The amount disclosed above does not include variable consideration.

Contract assets
Contract assets are recognized whenever a performance obligation is satisfied before consideration is received and relates mainly to PT subscription arrangements where the customer can pay the consideration over an extended credit period. Access to 25 PT sessions is normally paid over six months, whereas access to 50 PT sessions is normally paid over twelve months. Contract assets are assessed for impairment in accordance with IFRS 9. As of 31 December 2020, 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 2020 that relates to advance payments from customers.

Contract liabilities	**2020**
(Amounts in NOK million)	
Contract liabilities as of the balance sheet date	
Membership subscriptions	277
Gift cards	4
PT sessions	202

Revenue recognized from contract liabilities	**2020**
(Amounts in NOK million)	
Revenue recognized in this period that was included in the contract liability balance at the beginning of the period	
Membership subscriptions	309
Gift cards	1
PT sessions	182

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

NOTE 6 Personnel expenses

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

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

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

Personnel expenses	**2020**	2019
(Amounts in NOK million)		
Salary expenses including bonuses, holiday pay and other costs	-1 158	-1 267
Social security contributions	-136	-143
Pension costs	-58	-53
Total personnel expenses	**-1 352**	**-1 463**

Full-time equivalents	**2020**	2019
Norway	795	1 059
Sweden	607	670
Finland	223	251
Denmark	192	223
Total	**1 817**	**2 203**

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 2020, the Group had obligations of NOK 9 million (NOK 11 million as of 31 December 2019). As of 31 December 2020 and 31 December 2019, the scheme covered 3 970 (4 213) employees.

The Group recognized an expense of NOK 58 million in 2020 (NOK 53 million in 2019) related to defined contribution plans.

Share Investment Program
On the basis of the resolution by the general meeting of SATS ASA on 26 May 2020, all employees of the company and its subsidiaries and the members of the Board of Directors of the company, except from Hugo Maurstad, were invited to participate in a share investment program for the purpose of seeking to align the interests of the employees with those of the shareholders of the company.

A total of 204 employees applied for a total of 1 763 386 new shares in the company by the end of the application period expiring on 29 June 2020.

The offer price (before discount) for the new shares was NOK 18.66, which equals the volume-weighted average share price for the company's shares on the Oslo Stock Exchange during the 10 trading days prior to the expiry of the application period. The subscribers received a discount of 20% or 15% of the offer price, depending on the length of the lock-up period. The subscription prices for the new shares were hence NOK 14.96 and NOK 15.86 respectively.

Remuneration to executive personnel
The Board of Directors has established a remuneration committee consisting of two board members, 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 Management.

Guidelines for salary and other remuneration
General
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 as described under “Bonus scheme” below.

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. Further, the Executive Management is entitled to certain fringe benefits such as free newspaper, car and phone.

The CEO and other Norwegian individuals who are part of the Executive Management are entitled to an additional annual pension contribution of up to 15% of their annual base salary, payable either as an insurance/pension scheme contribution or in cash, at their discretion pursuant to separate agreements.

The CEO and the Country Manager for Finland are entitled to severance pay equal to twelve and six months' base salary, respectively, if their employment agreement is terminated by the employer, being SATS ASA and SATS Finland Oy, respectively. Other than this, the Group has not entered into any agreements with members of the Executive Management regarding severance pay upon termination of employment.

Bonus scheme
The Group has established a bonus scheme for its employees, including the Executive Management, which is 80% based on the Group's results before interests and taxes (EBIT) exceeding the budget and 20% based on certain individual KPIs agreed for each role. Under the bonus scheme, each member of the Executive Management may be awarded an annual bonus of up to 50% of his/her annual gross base salary, however such that the Group will honor existing bonus agreements with members of the Executive Management to the extent such agreements deviate from the aforementioned bonus threshold. This is currently only the case for the Group's CEO, who 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.

It is the Group's general policy that the Group shall not enter into individual bonus agreements with members of the Executive Management, but certain exemptions can be made, cf. the one-time transactions bonus for the CEO in connection with the Company's IPO in 2019 and the individual bonus agreement with the CEO.

Share investment program
On the basis of the resolution by the general meeting of SATS ASA on 26 May 2020, all employees of the company and its subsidiaries and the members of the Board of Directors of the company, except the Chair of the Board, were invited to participate in a share investment program for the purpose of seeking to align the interests of the employees with those of the shareholders of the company.

As part of the investment program for the Executive Management and other management personnel, management employees, after the expiration of their respective lock-up period, may be awarded additional shares in the company without consideration ("matching shares") in the ratio of 0.33:1 based on the number of shares originally acquired under the share investment program, subject to fulfilment of certain conditions.

The share investment program is expected to deliver 353 980 matching shares to Group Executive Management including the CEO in 2023. The Group of Executive Management including CEO holds 1 395 804 shares in SATS ASA through the share investment program.

Remuneration to executive personnel in 2020

Other Group Executive Management includes Country Managers, CFO, HR Director, Director of Consumer, Insights & Technology, Director of Marketing, Communication and Member Care and Director of Product and Retail. A higher remuneration in 2020 than in 2019 is explained by expansion of the Group Executive Management and severance pay. The reported bonus in 2020 reflects bonus earned in 2019 and paid in 2020, prior to the COVID-19 outbreak. The management group accepted a temporary salary cut of 20% during the period of COVID-19 related club closures in Q1 and Q2 2020. No bonus under the established bonus scheme is earned during 2020.

Remuneration to executive personnel	Salary	Bonus	Pension	Other benefits	**Total**
(Amounts in NOK thousand)					
Financial year 2020					
Group CEO	5 946	2 719	936	208	9 809
Other members of Group Executive Management (9 members)[1)]	16 149	3 351	2 065	766	22 331
Total	**22 094**	**6 069**	**3 001**	**974**	**32 139**
Financial year 2019					
Group CEO	4 410	8 180[2)]	1 006	202	13 798
Other members of Group Executive Management (6 members)	8 910	2 493	966	524	12 892
Total	**13 319**	**10 673**	**1 972**	**726**	**26 690**

1) Includes severence pay of NOK 2.6 million.
2) The 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.

The Group Executive Management owns 36 858 A-shares, 458 283 C-shares and 292 759 D-shares in SATS Management Invest AS.

Board of Directors' compensation

The Board of Directors received NOK 1.5 million in remuneration in 2020 (NOK 0.5 in 2019). Other than this, there was no compensation to the Board members besides the remuneration described under "Share investment program" above.

NOTE 7 Other operating expenses

Other operating expenses	2020	2019
(Amounts in NOK million)		
Property expenses[1)]	-464	-517
Marketing expenses	-152	-129
IT expenses	-128	-103
Other operating expenses	-181	-176
Total other operating expenses	**-925**	**-925**

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

Please see Note 16 Accounts receivable and other current receivables for further information about receivables and Note 22 Financial risk factors for further information about the Group's risk management procedures.

Auditor's remuneration	2020	2019
(Amounts in NOK thousand)		
Expensed auditor fees:		
Statutory audit (including technical assistance - annual accounts)	-5 025	-2 646
Other attestation and assurance services	-312	-408
Tax advice (including technical assistance corporate tax papers)	0	-62
Total auditor's remuneration	**-5 337**	**-3 116**

NOTE 8 Realised net gain/loss

Net gain/loss	2020	2019
(Amounts in NOK million)		
Net gain/loss on disposal of property, plant and equipment	0	-1
Net foreign exchange gains/losses	3	-11
Total Net gain/loss	**3**	**-12**

NOTE 9 Financial income and financial expenses

Financial income	2020	2019
(Amounts in NOK million)		
Foreign exchange gains unrealized	58	0
Foreign exchange gains realized	5	0
Net gain derivatives unrealized	34	7
Other finance income	2	3
Total financial income	**100**	**11**

Financial expenses	2020	2019
(Amounts in NOK million)		
Foreign exchange losses unrealized	0	-6
Foreign exchange losses realized	0	-9
Net loss derivatives unrealized	-76	-4
Other finance expenses	-22	-5
Total financial expenses	**-98**	**-24**

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 realised or the deferred income tax liability is settled.

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

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

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

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

Tax expense/income	**2020**	2019
(Amounts in NOK million)		
Tax payable	-21	-48
Change in deferred tax as result of changed tax rates	0	2
Tax Group contribution	0	-4
Adjustment deferred tax prior year	-1	0
Change in deferred tax	-47	-10
Total tax income/expense	**-69**	**-60**

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

Deferred tax	**2020**	2019
(Amounts in NOK million)		
Fixed assets	0	0
Intangible assets	29	26
Gain and loss account	9	11
Financial instruments	0	1
Untaxed reserves	45	35
Revenues	5	0
Other items	3	3
Total deferred tax relating to temporary differences	**90**	**77**
Carrying amount deferred tax liabilities	**90**	**77**

Deferred tax assets	**2020**	2019
(Amounts in NOK million)		
Fixed assets	-42	-36
Leasing	-76	-82
Receivables	-15	-20
Losses carried forward	-24	-52
Financial instruments	-8	0
Other items	-1	-3
Total deferred tax assets relating to temporary differences and losses carried forward	**-166**	**-192**
Carrying amount deferred tax assets	**-166**	**-192**

Explanation of the change in the deferred tax:	**2020**	2019
(Amounts in NOK million)		
Carrying amount deferred tax at 1 January	77	83
Change in deferred tax liabilities	13	-6
Carrying amount deferred tax at 31 December	**90**	**77**

Explanation of the change in the deferred tax assets:	**2020**	2019
(Amounts in NOK million)		
Carrying amount deferred tax assets at 1 January	-192	-149
Change in deferred tax assets	25	-43
Carrying amount deferred tax assets at 31 December	**-166**	**-192**

Losses carried forward as of 31 December	**2020**	2019
(Amounts in NOK million)		
Tax jurisdiction:		
Norway (unlimited expiration)	19	0
Finland	154	129
Denmark (unlimited expiration)	544	213
Sweden (unlimited expiration)	95	89
Total losses carried forward	**812**	**432**

Losses carried forward as of 31 December 2020 – Finland

Unused tax losses incurred	Expiration year	Unused tax losses
(Amounts in NOK million)		
2011	2021	24
2012	2022	20
2013	2023	17
2014	2024	27
2016	2026	13
2017	2027	21
2020	2030	33
Total losses carried forward as at 31 December 2020		**154**

Significant estimates and assumptions

SATS Finland was acquired by SATS Holding AB in 2003. The unused tax losses in SATS Finland are not recognized in the Group's balance sheet as at the balance sheet date due to the uncertainty caused by COVID-19. The Finnish entity showed good prospects with underlying growth in all clusters in 2019 and is expected to utilize unused tax losses when the revenues are back to pre-COVID-19 levels. Due to uncertainty, the tax losses were written down by NOK 10 million in 2020. The tax losses must be utilized according to the table above.

On 1 January 2019 SATS acquired 100% of the shares in the Danish fitness center chain Fitness DK A/S. As part of the acquisition process, Group management performed an assessment as to the eligibility of previous tax losses and other tax reducing temporary differences being recognized as a deferred tax asset, NOK 54 million as at 31 December 2019. However, after the severe effects from COVID-19, it was management's judgement that it is no longer probable that future taxable profits will be available against the unused tax losses within a reasonable time frame. Hence, to be prudent, the deferred tax asset in Denmark was written down in 2020, resulting in an income tax expense of NOK 61 million in the Danish segment. Due to a strengthening of DKK against NOK, the deferred tax asset increased from NOK 54 million as at 31 December 2019, resulting in the higher income tax expense of NOK 61 million.

SATS Sports Club Sweden AB and SATS Holding AB have losses carried forward of NOK 95 million that are recognized in the balance sheet as at the balance sheet date of 31 December 2020. 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 net deferred tax asset of NOK 292 million not recognized in the balance sheet as at 31 December 2020, consisting of losses carried forward and deferred tax assets on leasehold improvement, equipment, re-establishment obligation, provision for bad debts and deferred tax on goodwill and customer relations.

Reconciliation of tax expense	**2020**	2019
(Amounts in NOK million)		
Profit before tax		
Norway	-73	223
Sweden	119	145
Finland	-53	3
Denmark	-248	-124
Corporate tax rates		
Norway, 22%	16	-49
Sweden, 21.4%	-25	-31
Finland, 20%	11	-1
Denmark, 22%	55	27
Reconciling items:		
Non-deductible expenses	-6	-4
Unused tax losses not recognised as deferred tax assets	-63	-27
Deferred tax assets not recognised previous years (Sweden)	20	19
Changes in Swedish nominal tax rate	0	2
Foreign currency effects	1	1
Corrections of prior year tax assessments	-1	0
Write down of deferred tax assets (Finland and Denmark)	-75	0
Others	-1	1
Calculated tax expense/income	**-69**	**-60**
Weighted average tax rate	-27.1%	24.3%

NOTE 11 Intangible assets

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

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

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

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:
- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software is available; and
- the expenditure attributable to the software during its development can be reliably measured

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

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

Goodwill	Norway	Sweden	Finland	Denmark	**Total goodwill**
(Amounts in NOK million)					
At 1 January 2019					
Cost	1 762	181	579	0	2 522
Accumulated impairment	-199	0	-10	0	-209
Net book value	**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**
Year ended 31 December 2020					
Opening net book value	1 599	188	564	0	2 351
Effect of changes in foreign exchange cost	0	21	35	0	55
Additions	41	11	0	0	52
Closing net book value	**1 640**	**220**	**598**	**0**	**2 458**
At 31 December 2020					
Cost	1 838	220	608	0	2 667
Accumulated impairment	-199	0	-10	0	-209
Net book value	**1 640**	**220**	**598**	**0**	**2 458**
Useful life	Indefinite	Indefinite	Indefinite	Indefinite	
Amortization method	Not amortized	Not amortized	Not amortized	Not amortized	

Other intangible assets	Customer list	Trademark	Internally developed software[1]	Other	**Total other intangible assets**
(Amounts in NOK million)					
At 1 January 2019					
Cost	0	265	220	4	488
Accumulated amortization 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
Amortization charge	-8	0	-43	0	-52
Closing net book value	**42**	**2**	**70**	**0**	**113**
At 31 December 2019					
Cost	50	267	271	4	591
Accumulated amortization and impairment	-8	-265	-201	-4	-478
Net book value	**42**	**2**	**70**	**0**	**113**
Year ended 31 December 2020					
Opening net book value	42	2	70	0	113
Effect of changes in foreign exchange cost	0	0	30	0	30
Effect of changes in foreign exchange accumulated depreciation	0	0	-22	0	-22
Acquisitions	8	0	0	0	8
Additions	0	0	51	0	51
Amortization charge	-10	0	-50	0	-61
Closing net book value	**40**	**2**	**78**	**0**	**120**
At 31 December 2020					
Cost	58	267	352	4	680
Accumulated amortization and impairment	-18	-265	-273	-4	-560
Net book value	**40**	**2**	**78**	**0**	**120**
Useful life	3 - 7 years	10 years	3 years	1 - 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	

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

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

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

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

WACC
Future cash flows are discounted to present value using a discount rate based on a calculation of a weighted average cost of capital (WACC). The after-tax discount rates are assumed to reflect specific risks relating to the relevant segments in which they operate. The rates have been adjusted for different interest levels relevant for the segments, but no other country specific risk adjustment has been done as the Nordic region is assumed to be subject to a similar macroeconomic risk profile. This is based on a risk-free rate, plus a risk premium. The market risk premium is assumed to be 6.0% in Norway, Sweden and Denmark and 6.6% 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, 0.8% in Norway, 0% in Sweden, -0.4% in Finland and -0.5% in Denmark. Management has not included any premium for project risk, currency risk or country risk for the Group's operations. The allocation between debt and equity corresponds to the observed debt ratio among listed peers.

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

Sensitivity
At 31 December 2020, the Group's value in use for each CGU was higher than the carrying amount of tested goodwill. For Norway and Sweden, the value in use is significantly higher than the carrying amount. Sensitivity analyses show that no reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying amount. For Finland specifically, an increase in WACC of approximately 1.5% point, all else being equal, would make the estimated recoverable amount equal to the carrying amount. 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 amount.

WACC	**2020**	2019
Norway	6.2%	6.5%
Sweden	6.2%	5.1%
Finland	6.6%	5.3%
Denmark	6.2%	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 15 years but may have extension options as described below. The Group's lease contracts may contain both lease and non-lease components, and SATS allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. However, for leases of certain premises, the Group grants the lessors guarantee contracts on behalf of its subsidiaries. These financial guarantee contracts amounted to NOK 271 million as of 31 December 2020 (NOK 218 million as of 31 December 2019). The guarantees are provided by SATS Holding AB. In addition, there are ten clubs as of 31 December 2020 where the lease contracts do not specify the guarantee amount.

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

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

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

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

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

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

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

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

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

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

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of center premises the following factors are normally the most relevant:
- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations, center profitability and the costs and business disruption required to replace the leased asset.

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

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

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

Commitments in relation to leases are payable as follows:	**2020**
(Amounts in NOK million)	
Less than 1 year	987
1-2 years	933
2-3 years	860
3-4 years	754
4-5 years	645
More than 5 years	1 532
Minimum lease payments	**5 711**
Future finance charges	-749
Recognized as a liability	**4 962**

The present value of lease liabilities are as follows:	**2020**
(Amounts in NOK million)	
Less than 1 year	795
1-2 years	766
2-3 years	731
3-4 years	660
4-5 years	581
More than 5 years	1 429
Present value of lease payments	**4 962**

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

Lease liability	**2020**
(Amounts in NOK million)	
At 31 December 2019	**4 289**
Year ended 31 December 2020	
Effect of changes in foreign exchange	195
Additions new clubs	263
Effects from excercise of extension options	757
Modification of contractual lease terms	353
Amortizations	-999
Interest on lease liability	196
Disposals sold clubs	-184
Other adjustments	91
Closing net book value	**4 962**

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

COVID-19 related rent concessions are recognized in the profit or loss statements in 2020, but the effect is not material for the Group.

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	**31.12.2020**
Options to extend, not yet committed to	477
Leases not yet commenced, to which the lessee is committed	178

Options to extend, not yet committed to, is the present value of extension options that the Group has not chosen to include in Lease liabilites as at the balance sheet date. Leases not yet commenced, to which the lessee is commited, is the present value of lease liabilities for clubs not yet opened as at the balance sheet date. NOK 178 million includes two clubs in Sweden and one club in each of Norway, Finland and Denmark.

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

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

In 2020, there were no indications of impairment, hence no impairment test has been undertaken for right-of-use assets, and no impairment charge to right-of-use assets was recognized as at the reporting date.

RoU assets	Premise rental	Other leases	**Total RoU assets**
(Amounts in NOK million)			
At 1 January 2019			
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**
Year ended 31 December 2020			
At 1 January 2020	3 862	51	3 912
Additions/disposals	1 286	-13	1 272
Effect of changes in foreign exchange cost	221	5	227
Depreciation charge	-786	-20	-806
Effect of changes in foreign exchange accumulated depreciation	-37	-1	-38
Closing net book value	**4 546**	**22**	**4 568**
At 31 December 2020			
Cost	9 659	79	9 737
Accumulated depreciation	-5 113	-57	-5 170
Net book value	**4 546**	**22**	**4 568**
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 are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Property, plant and equipment	Capitalized leasehold improvements[1]	Fitness equipment	Other fixtures and equipement	**Total fixed assets**
(Amounts in NOK million)				
At 1 January 2019				
Cost	942	693	390	2 025
Accumulated depreciation and impairment	-576	-510	-341	-1 427
Net book value	**366**	**184**	**49**	**598**
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	768	438	2 529
Accumulated depreciation and impairment	-843	-572	-376	-1 791
Net book value	**480**	**197**	**62**	**739**
Year ended 31 December 2020				
Opening net book value	480	197	62	739
Effect of changes in foreign exchange cost	76	35	18	129
Effect of changes in foreign exchange accumulated depreciation	-48	-24	-16	-87
Acquisition of subsidiary	2	15	1	18
Additions	98	54	27	179
Disposals cost	-77	-28	-26	-131
Disposals accumulated depreciation	53	26	25	105
Accumulated depreciation acquisition of subsidiary	-2	-12	-1	-14
Depreciation charge	-96	-55	-28	-179
Closing net book value	**486**	**208**	**64**	**758**
At 31 December 2020				
Cost	1 421	845	459	2 724
Accumulated depreciation and impairment	-935	-637	-395	-1 966
Net book value	**486**	**208**	**64**	**758**
Useful life	10 years[1]	5 - 9 years	3 - 7 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

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

NOTE 14 Interest in other entities

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%
Bare Trening AS	995-594-064	Oslo	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.

On 2 November 2020, Fresh Fitness AS acquired a portfolio of six fitness clubs in the Greater Oslo area by acquiring Bare Trening AS. The operating results and assets and liabilities of the acquired company were consolidated from 2 November 2020.

100% of the shares in Body Joy Monica & Monica AB were acquired by SATS Sports Club Sweden AB in 2020 and the subsidiary was merged into SATS Sports Club Sweden the same year.

Run Holding AS was liquidated on 22 December 2020 to simplify the organizational structure.

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 realizable value, using the first-in first-out (FIFO) method. The Group's inventories only consist of finished goods for sale to customers. The cost of inventories consist of direct costs related to the acquisition of the goods. Net realizable value is the estimated sales price less relevant variable costs to sell. Costs of purchased inventory are determined after deducting rebates and discounts.

(Amounts in NOK million)	**2020**	2019
Inventories at cost	47 715	40 947
Impairment	-19	-155
Impairment reversal	205	154
Total inventories	**47 901**	**40 946**

NOTE 16 Accounts receivable and other current receivables

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

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

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

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

Loss allowance and ageing of accounts receivables	**2020**	2019
(Amounts in NOK million)		
Accounts receivable	325	341
Loss allowance	-205	-205
Total	**120**	**136**

Age of trade receivables	**2020**
Not due	55
30-60 days	27
60-90 days	16
90-120 days	18
120-365 days	49
>365 days	160
Total trade receivables, gross	**325**
Total trade receivables, net	**120**
Loss allowance at 31 December 2019	-205
Reversals during the year	2
Provisions during the year	-2
Loss allowance at 31 December 2020	**-205**

Other current receivables - prepaid expenses and accrued income	2020	2019
(Amounts in NOK million)		
Credit cards	33	5
VAT receivables	39	11
Prepaid taxes	2	43
Other current receivables	11	11
Total other current receivables	**85**	**70**

Prepaid expenses and accrued income	2020	2019
(Amounts in NOK million)		
Prepaid rent	51	36
Prepaid property expenses	22	21
Prepaid marketing expenses	11	19
Contract asset	50	74
Governmental compensations	56	0
Other prepaid expenses	83	71
Total prepaid expenses and accrued income	**274**	**222**

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.

	2020	2019
(Amounts in NOK million)		
Cash and cash equivalents	456	165
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	20	25

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

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

NOTE 18 Share capital

As at 31 December 2020, share capital amounts to NOK 365 million consisting of 171 763 386 ordinary shares at a face value of NOK 2.1250 per share.

Overview of the shareholders as at 31 December 2020

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
TG Nordic Invest	51 493 132	30.0%	30.0%
AF III Holdco AS	41 556 415	24.2%	24.2%
Canica AS	16 960 424	9.9%	9.9%
SATS Management Invest AS	8 671 194	5.0%	5.0%
Maaseide Promotion AS	7 990 976	4.7%	4.7%
Skandinaviska Enskilda Banken AB: Lannebo Sverige Hallbar	2 422 360	1.4%	1.4%
SEB Prime Solutions Sissener Canop	2 000 000	1.2%	1.2%
SEB CMU/SECFIN Pooled Account	1 867 275	1.1%	1.1%
Salt Value AS	1 801 139	1.0%	1.0%
Ingvarda AS	1 706 857	1.0%	1.0%
Folketrygdfondet	1 516 875	0.9%	0.9%
Nordnet Bank AB	1 103 019	0.6%	0.6%
AAT Invest AS	1 100 000	0.6%	0.6%
Avanza Bank AB	1 097 578	0.6%	0.6%
Skandinaviska Enskilda Banken AB: Fondita 2000+ Investment Fund	1 066 060	0.6%	0.6%
SATS ASA	1 002 670	0.6%	0.6%
Skandinaviska Enskilda Banken AB: Fondita Nordic Small Cap INVT FD	1 000 000	0.6%	0.6%
Skandinaviska Enskilda Banken AB: Lannebp Europa Småbolag	882 544	0.5%	0.5%
VJ Invest AS	862 498	0.5%	0.5%
Norron Sicav - Target	800 000	0.5%	0.5%
Other shareholders	24 862 370	14.5%	14.5%
Total	**171 763 386**	**100.0%**	**100.0%**

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

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

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

	Ownership percentage
Executive management including CEO	32.90%

NOTE 19 Earnings per share

On 1 October 2020, SATS announced a share repurchase program under which the company repurchased 1 100 000 own shares in 2020. 97 330 of these shares were acquired by Sondre Gravir on 22 December 2020. Please see Note 18 Share capital for more information. The number of outstanding shares are hence adjusted as a weighted average for 2020.

On the basis of the resolution by the general meeting of SATS ASA on 26 May 2020, all employees of the company and its subsidiaries and the members of the Board of Directors of the company, except from Hugo Maurstad, were invited to participate in a share investment program for the purpose of seeking to align the interests of the employees with those of the shareholders of the company. The share capital increase pertaining to the issuance of shares was registered with the Norwegian Register of Business Enterprises (Nw. Foretaksregisteret) on 8 July. The company's new share capital is NOK 364 997 195, comprising in total 171 763 386 shares, each with a nominal value of NOK 2.125. The denominator for 2020 is calculated as a weighted average. The share investment program implies that the company on the balance sheet date at 31 December 2020 will deliver 525 463 matching shares to employees in 2023. The denominator for diluted earnings per share is therefore adjusted as a weighted average for 2020. Allocation of matching shares is further contingent upon the company's performance over time.

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 were not publicly traded. The number of shares outstanding following the IPO was 170 000 000. The denominator for 2019 is calculated as a weighted average.

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

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

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

Basic earnings per share	**2020**	2019
(Amounts in NOK)		
From continuing operations attributable to the ordinary equity	-1.90	1.52
Total basic earnings per share attributable to the ordinary equity	**-1.90**	**1.52**
Total number of outstanding shares, including share options	170 663 904	123 197 589

Diluted earnings per share	**2020**	2019
(Amounts in NOK)		
From continuing operations attributable to the ordinary equity	-1.90	1.52
Total diluted earnings per share attributable to the ordinary equity	**-1.90**	**1.52**
Total number of outstanding shares, including share options	170 918 475	123 197 589

Reconciliation of earnings used in calculating earnings per share	**2020**	2019
(Amounts in NOK million)		
Basic earnings per share		
Profit/loss attributable to equity holders of the Group	-325	187
Profit attributable to the ordinary equity used in calculating basic earnings per share	**-325**	**187**
Diluted earnings per share		
Profit/loss used in calculating diluted earnings er share	-325	187
Profit attributable to the ordinary equity used in calculating diluted earnings per share	**-325**	**187**

NOTE 20 Borrowings

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or 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	**31.12.2020**	31.12.2019
(Amounts in NOK million)		
Current		
Bank borrowings	11	8
Leases	795	767
Total current interest-bearing liabilities	**806**	**775**
Non-current		
Bank borrowings	1 938	1 293
Leases	4 167	3 521
Total non-current interest-bearing liabilities	**6 105**	**4 814**
Total interest-bearing liabilities	**6 910**	**5 589**

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

New long-term loan facility agreement
The company has an unsecured revolving credit facility agreement, consisting of a multicurrency revolving credit facility with a maximum principal amount of NOK 2 500 million. An updated agreement was signed on 2 July 2020.

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. Interest payable will depend on the principal amount of the facility at any given time. However, based on a draw down of NOK 1 939 million as at the balance sheet date of 31 December 2020, the annual interest rate is expected to be in the range of NOK 36 to 60 million.

Covenants
For covenants, please see Note 28 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	55
1-2 years	51
2-3 years	36
3-5 years	1 993
More than 5 years	1
Payment profile for borrowings	**2 136**

NOTE 21 Reconciliation of net debt

Liabilities arising from financing activities	Cash and cash equivalents	Borrowings	Leases	Total
Net debt 1 January 2019	**-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
Interest 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
Net debt 31 December 2019	**-165**	**1 301**	**4 289**	**5 424**
Cash flows				
Net cash flow from operations	-1 113	0	0	-1 113
Net cash flow from investing	331	0	0	331
Net cash flow from financing	499	0	0	499
Repayments of borrowings	0	-2	0	-2
Proceeds from borrowings	0	575	0	575
Instalments on lease liabilities	0	0	-803	-803
Interest on lease liabilities	0	0	-196	-196
Non-cash changes				
Net additions – finance leases	0	0	1 470	1 470
Depreciation bank costs	0	3	0	3
Foreign exchange movement	-7	68	201	263
Other changes	0	3	0	3
Net debt 31 December 2020	**-456**	**1 949**	**4 962**	**6 455**

NOTE 22 Financial risk factors

Overview
Through its activities, the Group will be exposed to different types of financial risks: market risk, credit risk and liquidity risk. This note presents information related to the Group's exposure to such risks, the Group's objectives, policies and procedures for risk management and handling, as well as the Group's management of capital. Additional quantitative information is included in this note. The Group does not apply hedge accounting.

Risk management
The Group's overall risk management plan is to ensure the ongoing liquidity in the Group, defined as 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 is meant to be able to cover the borrowings in local currency, reducing the exposure related to borrowings in local currency due to changes in the foreign exchange rates. Please see Note 20 Borrowings for payment profile of the Group's borrowings in the different currencies.

Sensitivity analysis
As shown below, the Group is primarily exposed to changes in the SEK/NOK, EUR/NOK and DKK/NOK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the profit or loss in the Group's foreign subsidiaries, borrowings, intercompany loans and bank accounts in other exchange rates than where the legal entity is located. EUR, SEK and DKK are strengthened by 10% against NOK in the sensitivity analysis below.

	Impact on profit after tax	
Exchange rate - sensitivity analysis	**2020**	2019
(Amounts in NOK million)		
SEK/NOK exchange rate - increase 10%[1)]	48	32
EUR/NOK exchange rate - increase 10%[1)]	3	34
DKK/NOK exchange rate - increase 10%[1)]	-31	-12
Impact on Profit/loss after tax	19	54

Profit after tax is more sensitive to changes in SEK/NOK and less sensitive to changes in EUR/NOK in 2020 than in 2019 due to a conversion of an internal loan from EUR to SEK in 2020 with the aim a more balanced internal and external exchange rate exposure. Loss after tax is more sensitive to changes in DKK/NOK than last year when reconsolidating the Danish segment with a 10% weaker NOK since loss after tax is substantially more negative in 2020 than 2019 due to the COVID-19 effects.The Group's exposure to other foreign exchange movements is not material.

1) *Holding all other variables constant.*

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	**2020**	2019
(Amounts in NOK million)		
Interest rates - increase 100 basis points[1]	-14	-13
Interest rates - decrease 100 basis points[1]	14	13

[1] *Holding all other variables constant.*
[2] *Estimated impact given a tax rate of 22.0% (2019: 24.3%)*

Profit after tax was more sensitive to changes in the interest rate in 2020 than 2019 because of higher borrowings in 2020.

In January 2020, SATS ASA entered into two new interest rate swap agreements while at the same time the previous agreements were terminated. The new interest rate swaps better match the underlying conditions in the market and the long-term loan facility agreement which SATS ASA entered into in October 2019. Please see Note 20 Borrowings for more information.

Overview of non-overdue interest swaps per 31 December 2020

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

Overview of non-overdue interest rate swaps per 31 December 2019

Interest rate swaps	Notional in currency million	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 at 31 December 2019 in NOK million				**5**

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 205 million. The Group does usually not demand collateral for receivables. The bad debt provision for trade receivables is NOK 204 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 the cash flow situation by setting up cash flow forecasts based on the forecasts of the liquidity reserves, including cash equivalents and borrowing facilities. The forecasts are set by the individual subsidiaries and is regularly monitored by the Group. Please see Note 20 Borrowings for information on funding sources and payment profile.

To be able to maintain a sufficient flexibility in the source of funding, the Group has total available borrowing facilities of NOK 2 500 million as at 31 December 2020 (NOK 2 500 million as at 31 December 2019) of which 431 million has not been drawn down as of the balance sheet date. In addition the Group has cash and cash equivalents of NOK 456 million as at 31 December 2020 (NOK 165 million as at 31 December 2019).

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

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

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

Net presentation of financial assets and liabilities as at 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 current 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.

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 28 Financial covenants for financial covenant requirements). The Group has an overall target to maintain a capital structure that 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 23 Financial instruments

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

Derivatives are classified as FVPL and initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value through profit and loss at the end of each reporting period. The fair values are based on observable market prices obtained from external parties and are based on mid-range marked interest rates and prices, excluding margins, at the reporting date. The derivatives are defined as Level 2 in the fair value hierarchy. The derivatives are classified as non-current asset or liability if the maturity date is later than 12 months from the balance sheet date and there is no intention to close the position within 12 months from the balance sheet date.

Changes in the fair value of any derivative instrument are recognized immediately in profit or loss and are included in 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 at the balance sheet date are disclosed below.

The Group has the following derivative financial instruments:	**31.12.2020**	31.12.2019
(Amounts in NOK million)		
Non-current assets		
Interest rate swap contracts	**0**	**5**
Total non-current derivative financial instrument assets	**0**	**5**
Non-current liabilities		
Interest rate swap contracts	36	0
Total non-current derivative financial instrument liabilities	**36**	**0**

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

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

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which 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 assets, excluding derivatives, are allocated to the category amortized cost.

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

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

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

Financial instruments as of 31 December 2020

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

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

Financial instruments as of 31 December 2019

Assets	Assets measured at amortized 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 amortized 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**

NOTE 24 Other current liabilities

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

	2020	2019
(Amounts in NOK million)		
Contract liabilities	441	491
Total deferred revenue	**441**	**491**

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

Other current liabilities by nature	**2020**	2019
(Amounts in NOK million)		
Accrued employee benefit expenses	44	62
Accrued vacation pay	72	79
Non-redeemed gift cards	1	1
Accrued rent	7	7
Accrued rent discounts	53	51
Customer liabilities	118	27
Other current liabilities	128	95
Total other current liabilities	**424**	**322**

NOTE 25 Related parties

The following table presents an overview of transaction with related parties. Remuneration to 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	**2020**	2019
(Amounts in NOK thousand)				
Elixia Holding IV AS	Shareholder of HFN Group AS	Interest rate on loan	0	-41
Altor	Shareholder of HFN Group AS	Restructuring costs	0	144
Altor	Shareholder of HFN Group AS	Other expenses	72	0
HFN Group AS	Shareholder	Interest rate on loan	0	-3 810
Metropolis Health Club AB	Minority interest	Accounting services	0	75
SATS Grenland AS	Minority interest	IT, accounting and other services	0	3 948
Total related party profit or loss items			**72**	**315**

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

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 a related party in 2019. Metropolis Health Club AB was sold on 1 July 2019.

Elixia Holding IV was liquidated on 23 March 2020.

Balance sheet items

Related party	Relationship	Type of services	**31.12.2020**	31.12.2019
(Amounts in NOK thousand)				
HFN Group AS	Shareholder	Borrowings	0	284
Total related party balance sheet items			**0**	**284**

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

NOTE 26 Provisions, contingent liabilities and contingent assets

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

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

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

NOTE 27 Business combinations

Acquisition of Bare Trening and BodyJoy
On 2 November 2020, SATS acquired a portfolio of six fitness clubs in the Greater Oslo area by acquiring 100% of the shares in Bare Trening AS. The acquisition is in line with the company's strategy of focusing on the capital clusters. The six clubs are relatively small compared to the average SATS club and fit perfectly into the Fresh Fitness footprint. The acquisition contributed revenues of NOK 2 million in 2020 and an EBITDA of NOK 1 million for the two months of consolidation.

On 1 February 2020, SATS acquired two fitness clubs in the Värmdö Municipalty in Sweden by acquiring 100% of the shares in Body Joy Monica & Monica AB. The acquisition contributed revenues of NOK 16 million in 2020 and an EBITDA of NOK 0 million. The operating results and assets and liabilities of the acquired company were consolidated from 1 February 2020.

Details of the purchase consideration

(Amounts in NOK million)

Purchase consideration:	
Cash paid	69
Total purchase consideration	**69**

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

	Fair value at acquisition[1)]
Cash and cash equivalents	9
Right-of-use asset	63
Property, plant and equipment	5
Customer base	8
Payables	4
Lease liabilities	63
Deferred tax on customer base	2
Fair value of net identifiable assets acquired	**17**

Recognized goodwill	
Total purchase consideration	69
Less: fair value of net identifiable assets acquired	17
Recognized goodwill	**52**

The amounts of revenue recognized from the acquiree since the acquisition date are disclosed in the segment reporting for Norway and Sweden, Note 4. 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 28 Financial covenants

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

The company experienced a temporary increased leverage due to reduced EBITDA during the COVID-19-related club closures in the first half of 2020. As a consequence, the company signed a restated agreement for the NOK 2 500 million facility. The new financial covenants applicable until 30 June 2021 are minimum levels for LTM EBITDA and maximum levels for CAPEX per quarter.

As the closures have continued to be prolonged into 2021, the company signed an addendum to the RCF agreement with the bank in March 2021. The addendum includes adjusted covenants which will be applicable to and including 30 September 2022, subject to voluntary cancellation by SATS at any time. The financial covenants set out quarterly minimum levels for liquidity and Adjusted EBITDA. SATS will not distribute any dividend to the shareholders during the amendment period and shall be compliant with the original covenants once the amendment period expires.

Compliance with financial borrowing covenants
SATS ASA executes the financing functions within the Group, holds the long-term financing agreement with the Group's long-term lenders, and provides long-term financing to other Group entities. SATS ASA has complied with the financial covenants related to its borrowing facility throughout 2019 and 2020.

NOTE 29 New IFRS standards

New standards and amendments – applicable 1 January 2020
The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020. SATS has not identified any significant impact to the Group's consolidated financial statements as a result of the mentioned amendments:

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, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

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.

Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39
The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.
The reliefs relate to hedge accounting, which is not currently applied by the Group.

Revised Conceptual Framework for Financial Reporting
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

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

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

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

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

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

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

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

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

NOTE 30 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 amortization and impairment losses.

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

Recognized goodwill and internally developed software are material to the 2020 financial statements as a whole, and users of the Group's financial statements should note the inherent uncertainty pertaining to the valuation of intangible assets.

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

Goodwill
Goodwill is recognized at NOK 2 458 million per the balance sheet date. The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting periods, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of several assumptions. The calculations use cash flow projections based on financial budgets and prognoses approved by management covering a five-year period for Norway and Sweden and a seven-year period for Finland and Denmark. Cash flows beyond these periods 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 78 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 four jurisdictions, and significant estimates are required when determining the provision for income taxes and related tax balances. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

Deferred tax assets recognized as at 31 December 2020 have been estimated based on future profitability assumptions over a seven-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 per the balance sheet date has 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 31 Judgements in applying the Group's accounting policies

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

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

The lease term is reassessed if an option is actually exercised (or not exercises) or the Group becomes obliged to exercise (or not to exercise). The assessment of reasonable certainty is only revised if a significant event or a significant change in the circumstances occurs, which affects this assessment, and 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 practical terms means that the lease option is added to the lease liability when a quarter of the agreement remains if the agreement is not to be terminated. The Danish lease agreements do not have extension options; instead the agreements are continuously prolonged until terminated. 6 or 12 months (according to the agreement) are continuously 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 an automatic payment arrangement and a free personal training introduction session. Management has defined the personal training introduction session as the key performance obligation related to the introduction offering, and consequently the joining fee is recognized as revenue at the subscription contract inception date. If no performance obligation was satisfied at the contract inception, the joining fees would be recognized over the expected duration of the membership.

Critical judgements in 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 32 Events after the balance sheet date

The restrictions and imposed club closures across the club network from the fourth quarter of 2020 has to a large extent continued into 2021. In Norway, most of the municipalities with restrictions regarding the operations and the municipalities with imposed club closures continued these into the new year. Some new municipalities imposed temporary club closures during the first quarter, and some clubs were allowed to reopen. As of 13 April, there are 78 clubs closed in Norway, including both SATS and Fresh clubs. The imposed lock-down was also continued in Denmark, with all 30 clubs still closed. In Finland, new restrictions were introduced in selected regions in the first quarter, including a limit of maximum ten visitors at gym floor at a time. From 1 April, regional authorities in Southern Finland decided to bring into force a new section from the infection disease law, including an imposed lock-down of all fitness clubs. ELIXIA Finland thus temporarily closed 27 clubs in Helsinki and Turku. On 8 January, the Swedish government passed a new pandemic law, giving Sweden's government extra powers to enact measures to curb the spread of COVID-19. The law included restrictions on the operation of fitness clubs, but as these were fairly in line with the way SATS already operated, the changes for SATS Sweden were marginal.

In January, the company made a precautionary draw-down of the revolving credit facility (RCF) of NOK 200 million to secure available liquidity. After the draw-down, the undrawn amount sums up to approximately NOK 250 million.

As the closures have continued to be prolonged into 2021, the company signed an addendum to the RCF agreement with the bank in early April 2021. The addendum includes adjusted covenants which will be applicable to and including 30 September 2022, subject to voluntary cancellation by SATS at any time. The financial covenants set out quarterly minimum levels for liquidity and Adjusted EBITDA. SATS will not distribute any dividend to the shareholders during the amendment period and shall be compliant with the original covenants once the amendment period is expired.

STATEMENT OF PROFIT OR LOSS

	Notes	2020	2019
(Amounts in NOK million for the period ended 31 December)			
Other operating expenses	3	-15	-9
Total operating expenses		**-15**	**-9**
Operating profit		**-15**	**-9**
Dividends from subsidiaries and Group contributions	4, 5, 6	19	75
Interest income from Group companies	4, 5, 6	65	84
Other interest income	4	0	1
Other finance income	4	322	145
Net gain/loss derivatives unrealized	13	-41	3
Interest expense to Group companies	6	-10	-20
Other interest expense	4, 9	-73	-69
Other finance expenses	4	-313	-149
Net financial items	4	**-30**	**69**
Profit/loss before tax		**-45**	**60**
Income tax expense	10	10	-13
Profit/loss for the year		**-35**	**47**
Allocation of profit/loss for the year			
Retained earnings/accumulated losses	8	-35	47
Total allocation		**-35**	**47**

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million for the period ended 31 December)	Notes	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax asset	10	9	0
Total non-current intangible assets		**9**	**0**
Financial assets			
Investments in subsidiaries	5	2 606	2 606
Loans to Group companies	6	1 155	1 154
Derivative financial instruments	13	0	5
Other non-current receivables	6	0	0
Total non-current financial assets		**3 761**	**3 766**
Total non- current assets		**3 770**	**3 766**
CURRENT ASSETS			
Receivables from Group companies	6	19	75
Other receivables		2	0
Cash and cash equivalents	7	345	178
Total current assets		**365**	**253**
Total assets		**4 135**	**4 018**

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million for the period ended 31 December)	*Notes*	**31.12.2020**	31.12.2019
EQUITY			
Share capital	*8*	365	361
Share premium	*8*	4 013	3 990
Treasury shares	*8*	-19	0
Retained earnings/accumulated losses	*8*	-2 263	-2 226
Total equity		**2 096**	**2 125**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	*10*	3	4
Derivative financial instruments	*13*	36	0
Borrowings	*9*	1 928	1 281
Total non-current liabilities		**1 966**	**1 286**
Current liabilities			
Borrowings	*9*	9	6
Borrowings from Group companies	*9, 6*	37	596
Other current liabilities		28	5
Total current liabilities		**73**	**608**
Total liabilities		**2 040**	**1 893**
Total equity and liabilities		**4 135**	**4 018**

Oslo, 13 April 2021

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

STATEMENT OF CASH FLOWS

	Notes	2020	2019
(Amounts in NOK million for the period ended 31 December)			
Cash flow from operating activities			
Profit before tax		-45	60
Adjustment for:			
Net gain/loss of fair value on derivatives		41	-3
Proceeds from interest income		0	-1
Proceeds from other financial income		-26	-1
Payments of interest income		73	69
Payments of other financial cost		17	5
Change in intercompany receivables and payables		-634	-16
Change in trade payables and other accruals		19	4
Net cash flow from operations		**-556**	**117**
Cash flow from investing			
Proceeds from Group contribution		75	90
Interest on Group loans		133	0
Net cash flow from investing		**208**	**90**
Cash flow from financing			
Repayments of borrowings	9	0	-1 890
Proceeds from borrowings	9	575	1 492
Interest on borrowings		-54	-60
Disbursement of dividend		0	-1 000
Transaction costs from issues of new shares IPO		-2	-43
Proceeds from issues of shares		26	0
Proceeds from issues of shares IPO		1	1 356
Repurchase of shares		-20	0
Other financial items		0	-11
Net cash flow from financing		**527**	**-156**
Net increase/decrease in cash and cash equivalents	7	**178**	**52**
Effect of foreign exchange changes on cash and cash equivalents		-11	-1
Cash and cash equivalents at the beginning of the period		178	126
Cash and cash equivalents at the end of period	7	**345**	**178**

NOTES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 General information

General information
SATS ASA is registered and domiciled in Norway with its head office at Nydalsveien 28, Oslo, Norway. The Group's ownership structure is as follows: 30.0% by TG Nordic Invest, 24.2% by AF III Holdco AS, 9.9% by Canica AS, 5.0% by SATS Management Invest AS and 30.9% by other shareholders. The company was incorporated on 11 March 2011.

The Board of Directors approved the financial statements on 13 April 2021.

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

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

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

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

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

Certain new or revised standards, amendments or interpretations of existing standards have been published. Management has assessed these changes and concluded that they are not relevant for the business of the company or for the 2020 financial statements. For new standards, please see Note 29 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 the currency of the primary economic environment in which the company operates.

Transactions, monetary and non-monetary items

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

Subsidiaries

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

Intercompany loans

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

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

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

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

Derivatives

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

The company does not apply hedge accounting.

Cash and cash equivalents

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

Share capital and share premium

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

Borrowings

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

Income tax

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

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

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

Statement of cash flows

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

NOTE 3 Other operating expenses

	2020	2019
(Amounts in NOK thousand)		
Consultant services	-12	-9
Other operating expenses	-3	0
Total operating expenses	**-15**	**-9**

The company has no employees.

The Board of Directors received NOK 405 thousand in remuneration in 2020 (NOK 0 thousand in 2019). The remuneration to the Board members is included in Other operating expenses.

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

Auditor's remuneration	**2020**	2019
(Amounts in NOK thousand)		
Expensed auditor incl. VAT:		
Statutory audit (including technical assistance - annual accounts)	-2 021	-624
Other attestation and assurance services	-94	-40
Total auditor's remuneration	**-2 115**	**-664**

NOTE 4 Financial income and financial expenses

Financial income	**2020**	2019
(Amounts in NOK million)		
Dividends from subsidiaries and Group contributions	19	75
Interest income from Group companies	65	84
Interest income from financial institutions	0	1
Foreign exchange gain	322	145
Net gain derivatives unrealized	0	3
Total financial income	**407**	**308**

Financial expenses	**2020**	2019
(Amounts in NOK million)		
Interest expense to Group companies	-10	-20
Interest expense financial institutions	-73	-69
Foreign exchange loss	-296	-146
Net gain derivatives unrealized	-41	0
Other finance expenses	-17	-3
Total financial expenses	**-437**	**-238**
Net financial items	**-30**	**69**

NOTE 5 Subsidiaries

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

Ownership interests correspond to voting interest if not otherwise stated.

Subsidiaries	Business office	Ownership percentage	Equity	Profit after tax	**Carrying amount 2020**
(Amounts in NOK million)					
SATS Holding AB	Stockholm	100%	1 494	62	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	2020	2019
(Amounts in NOK thousand)				
Altor	Shareholder of HFN Group AS	Other expenses	72	0
Elixia Holding IV AS	Shareholder of HFN Group AS	Interest rate on loan	0	-41
HFN Group AS	Shareholder	Interest rate on loan	0	-3 810
Altor	Shareholder of HFN Group AS	Restructuring costs	0	144
Total related party profit/loss items			**72**	**-3 708**

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

Elixia Holding IV AS was liquidated on 23 March 2020.

Balance sheet items

Related party / type	Relationship	Financial statement line item	31.12.2020	31.12.2019
(Amounts in NOK thousand)				
Financing through SATS ASA	Subsidiaries	Loans to Group companies	1 155 409	1 154 418
Group contribution	Subsidiaries	Receivables from Group companies	18 992	74 860
Cash pool	Subsidiaries	Borrowings from Group companies	-36 504	-596 482
SATS Sportsclub Sweden AB	Subsidiaries	Investment program	76	0
SATS Finland OY	Subsidiaries	Investment program	25	0
Run Holding AS	Subsidiaries	Loans to Group companies	0	50
HFN Group AS	Shareholder	Borrowings	0	284
Total related party balance sheet items			**1 137 997**	**633 130**

Run Holding AS was liquidated on 22 December 2020.

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 recognizes 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 recognized is based on expected credit losses that result from default events that are possible within the next 12 months (12-month expected credit loss).

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

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

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

No loss allowance on intercompany loans was recognized as per 31 December 2020.

NOTE 7 Cash and cash equivalents

	2020	2019
(Amounts in NOK million)		
Cash and cash equivalents	**345**	**178**

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

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

NOTE 8 Share capital

As of 31 December 2020, share capital amounts to NOK 365 million consisting of 171 763 386 ordinary shares at a face value of NOK 2.1250 per share. Please see the consolidated financial statement, Note 19 EPS, for further disclosures.

Overview of the shareholders as of 31 December 2020

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
TG Nordic Invest	51 493 132	30.0%	30.0%
AF III Holdco AS	41 556 415	24.2%	24.2%
Canica AS	16 960 424	9.9%	9.9%
SATS Management Invest AS	8 671 194	5.0%	5.0%
Maaseide Promotion AS	7 990 976	4.7%	4.7%
Skandinaviska Enskilda Banken AB: Lannebo Sverige Hallbar	2 422 360	1.4%	1.4%
SEB Prime Solutions Sissener Canop	2 000 000	1.2%	1.2%
SEB CMU/SECFIN Pooled Account	1 867 275	1.1%	1.1%
Salt Value AS	1 801 139	1.0%	1.0%
Ingvarda AS	1 706 857	1.0%	1.0%
Folketrygdfondet	1 516 875	0.9%	0.9%
Nordnet Bank AB	1 103 019	0.6%	0.6%
AAT Invest AS	1 100 000	0.6%	0.6%
Avanza Bank AB	1 097 578	0.6%	0.6%
Skandinaviska Enskilda Banken AB: Fondita 2000+ Investment Fund	1 066 060	0.6%	0.6%
SATS ASA	1 002 670	0.6%	0.6%
Skandinaviska Enskilda Banken AB: Fondita Nordic Small Cap INVT FD	1 000 000	0.6%	0.6%
Skandinaviska Enskilda Banken AB: Lannebp Europa Småbolag	882 544	0.5%	0.5%
VJ Invest AS	862 498	0.5%	0.5%
Norron Sicav - Target	800 000	0.5%	0.5%
Other shareholders	24 862 370	14.5%	14.5%
Total	**171 763 386**	**100.0%**	**100.0%**

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

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

	Ownership
Executive management including CEO	32.90%

Equity	Share capital	Share premium	Other paid in capital	Treasury shares	Retained earnings (acc. losses)	**Total equity**
(Amounts in NOK thousand)						
Equity 1 January 2020	361 250	3 989 920			-2 226 315	2 124 855
Capital increase	3 747	22 680				26 427
Repurchase of shares				-20 023		-20 023
Proceeds from sale of own shares				1 400		1 400
Capital increase expenses from IPO					-1 667	-1 667
Investment program			79			79
Profit/loss for det year					-35 230	-35 230
Equity 31 December 2020	**364 997**	**4 012 601**	**79**	**-18 623**	**-2 263 213**	**2 095 841**

NOTE 9 Borrowings

	2020		2019	
Overview of interest-bearing liabilities	Current	Non-current	Current	Non-current
(Amounts in NOK thousand)				
Bank borrowings	9	1 928	6	1 281
Total interest-bearing liabilities	**9**	**1 928**	**6**	**1 281**

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 at 31 December 2020 and 31 December 2019, covenant requirements are met. Information about existing financial covenant is disclosed in the consolidated financial statement Note 28 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	**2020**	2019
(Amounts in NOK million)		
Tax payable	0	-9
Change in deferred tax assets	10	-4
Total tax expense/income	**10**	**-13**

Reconciliation of the nominal statutory tax rate to the effective tax rate:	**2020**	2019
Profit before tax	-45	60
Expected taxes at nominal tax rate of 22%	10	-13
Income tax expense/income	**10**	**-13**
Effective tax rate	**22%**	**22%**

Movement in deferred tax assets and deferred tax liabilities	**31.12.2020**	31.12.2019
Fair value financial instruments	-36	5
Amortized borrowing cost	12	15
Losses carried forward	-3	0
Basis deferred tax liabilities	**-27**	**20**
Deferred tax assets, not recognized	0	0
Carrying value deferred tax asset/tax liabilities	**-6**	**4**

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

NOTE 11 New IFRS standards

For information on effects from coming IFRS standards and interpretations, please see Note 29 in the consolidated financial statements.

NOTE 12 Events after the balance sheet date

The restrictions and imposed club closures across the club network from the fourth quarter of 2020 has to a large extent continued into 2021. In Norway, most of the municipalities with restrictions regarding the operations and the municipalities with imposed club closures continued these into the new year. Some new municipalities imposed temporary club closures during the first quarter, and some clubs were allowed to reopen. As of 13 April, there are 78 clubs closed in Norway, including both SATS and Fresh clubs. The imposed lock-down was also continued in Denmark, with all 30 clubs still closed. In Finland, new restrictions were introduced in selected regions in the first quarter, including a limit of maximum ten visitors at gym floor at a time. From 1 April, regional authorities in Southern Finland decided to bring into force a new section from the infection disease law, including an imposed lock-down of all fitness clubs. ELIXIA Finland thus temporarily closed 27 clubs in Helsinki and Turku. On 8 January, the Swedish government passed a new pandemic law, giving Sweden's government extra powers to enact measures to curb the spread of COVID-19. The law included restrictions on the operation of fitness clubs, but as these were fairly in line with the way SATS already operated, the changes for SATS Sweden were marginal.

In January, the company made a precautionary draw-down of the revolving credit facility (RCF) of NOK 200 million to secure available liquidity. After the draw-down, the undrawn amount sums up to approximately NOK 250 million.

As the closures have continued to be prolonged into 2021, the company signed an addendum to the RCF agreement with the bank in early April 2021. The addendum includes adjusted covenants which will be applicable to and including 30 September 2022, subject to voluntary cancellation by SATS at any time. The financial covenants set out quarterly minimum levels for liquidity and Adjusted EBITDA. SATS will not distribute any dividend to the shareholders during the amendment period and shall be compliant with the original covenants once the amendment period expires.

NOTE 13 Financial risk factors

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

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

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

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

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

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

The company's risk management policies and procedures are reviewed regularly to take into account changes in the market and both the company's and the Group's activities. For a thorough description of management's financial risk management policies, please see Note 22 of the consolidated financial statements.

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

(Amounts in NOK million)	**31.12.2020**	31.12.2019
Non-current assets		
Interest rate swap contracts	0	5
Total non-current derivative financial instrument assets	**0**	**5**
Non-current liabilities		
Interest rate swap contracts	36	0
Total non-current derivative financial instrument liabilities	**36**	**0**

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

Foreign exchange risk
For risk management purposes, management has identified three types of exchange exposures:
- Effect on covenant from profit after tax in foreign currency
- Internal loans in foreign currency
- Borrowings in foreign currency

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

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

Please see Note 22 in the consolidated financial statement for further disclosures.

AUDITOR'S REPORT

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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 2020, 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 2020, 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 2020, 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 2020, 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 2.458 million at 31 December 2020. 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 2020. 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.
- 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, 13 April 2021
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 use supplemental APMs to understand, manage and evaluate the business and its operations. These APMs are among the factors used in planning for and forecasting future periods, including assessment of financial covenants compliance.

Alternative Performance Measures reflect adjustments based on the following items:

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

EBITDA before impact of IFRS 16
EBITDA before impact of IFRS 16 is a measure of EBITDA adjusted for lease expenses applying IAS 17 Leases, and the Group has presented this APM because it considers it to be an important supplemental measure to understand the underlying profit generation in the Group's operating activities. Please see 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 to understand the underlying profit generation in the Group's operating activities. Please see reconciliation to profit or loss before tax in 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 to understand the underlying profit generation in the Group's geographic segments without the impact of Group overhead and cost allocations. Please see reconciliation to profit or loss before tax in 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	**2020**	2019
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**136**	**551**
(ii) Revenue and costs from closed clubs	1	1
(iii) Comparability adjustments on Country level	6	8
(iiii) Comparability adjustments on Group level	2	13
Adjusted EBITDA before impact of IFRS 16	**146**	**573**
Group overhead and cost allocation	251	237
Adjusted Country EBITDA before impact of IFRS 16	**397**	**811**

NORWAY	**2020**	2019
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**78**	**319**
(ii) Revenue and costs from closed clubs	0	1
(iii) Comparability adjustments	4	2
Adjusted EBITDA before impact of IFRS 16	**82**	**322**
Group overhead and cost allocation	-135	-130
Adjusted Country EBITDA before impact of IFRS 16	**217**	**452**

SWEDEN	**2020**	2019
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**183**	**256**
(ii) Revenue and costs from closed clubs	0	0
(iii) Comparability adjustments	0	0
Adjusted EBITDA before impact of IFRS 16	**183**	**256**
Group overhead and cost allocation	-112	-107
Adjusted Country EBITDA before impact of IFRS 16	**295**	**363**

FINLAND	**2020**	2019
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**-29**	**22**
(ii) Revenue and costs from closed clubs	0	0
(iii) Comparability adjustments	0	0
Adjusted EBITDA before impact of IFRS 16	**-29**	**22**
Group overhead and cost allocation	-18	-17
Adjusted Country EBITDA before impact of IFRS 16	**-11**	**40**

DENMARK	**2020**	2019
(Amounts in NOK million)		
EBITDA before impact of IFRS 16	**-133**	**-81**
(ii) Revenue and costs from closed clubs	1	0
(iii) Comparability adjustments	2	7
Adjusted EBITDA before impact of IFRS 16	**-130**	**-75**
Group overhead and cost allocation	-26	-31
Adjusted Country EBITDA before impact of IFRS 16	**-104**	**-44**

Net debt
Current and non-current borrowings for the period (excluding property lease liabilities recognized under IFRS 16) less cash and cash equivalents for the period. Net debt is a non-IFRS financial measure, which the Group considers to be an APM, and this measure should not be viewed as a substitute for any IFRS financial measure. The Group has presented this APM as it is useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of cash and cash equivalents within the Group's business that could be utilized to pay down the outstanding borrowings. Net debt is also used as part of the assessment for financial covenants compliance. Please see Note 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) and investments in greenfield. The measure is defined as the sum of Acquisition of subsidiary from the Statement of cashflows including investments in greenfields.

Operating cash flow
Operating cash flow is a measure of how much cash that is generated by the operations and is used to evaluate SATS's liquidity. The definition is Adjusted EBITDA excluding IFRS 16 less Maintenance capex.

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

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

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