ANNUAL REPORT 2018

SATS

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LETTER FROM THE CEO

Dear reader,

2018 was a great training year, our members did more than 27 million training sessions in our clubs! We continued to grow our member base, so we managed to help even more people achieving their training goals. We also delivered strong financial results with an EBITDA of NOK 531 million (10% YoY growth) resulting in an EBITDA margin of 16%.

As an active SATS member since 1998, it was great joining the passionate SATS family as the CEO of the group in October 2018. The SATS family now has approximately 700,000 members in four countries. We are the clear market leader in the Nordics, with strategic strongholds in the capital cities. A key focus for us is to build strong clusters where our members can train at their convenience; where they live, where they work and where their friends live. As an example, we have close to 60 clubs both in Oslo and Stockholm, and cover nearly all the major public transport connections in these cities. Combined with a flexible membership model and a leading digital user experience, our offering to members is unmatched across the Nordics.

We also have a unique position in the ever-growing health and wellness ecosystem. We will going forward have a strong focus on product innovation to give our members even better training experiences. But in order to deliver on our vision – "make people healthier and happier", we also need to help our members outside the gym. We will develop better digital and outdoor products, and also develop our product offering within the wider health and wellness industry.

In 2018 we continued to invest in our clubs and improve our offering to our members. We have started a new project called the "perfect club" to increase the capacity of our clubs to be able to serve more members at the busiest hours. So far we have improved the floor plan at more than 40 of our most popular clubs. We have already seen significant positive effects and are currently preparing phase two of this project. 2018 also became the year we unified under the SATS brand in Norway to reduce the brand complexity in our portfolio. So the ELIXIA brand is now only used in Finland. Further on our offering, we have continued to develop and roll-out our special concepts like Prformance, HiYoga and Build'n Burn and launched several new group exercise classes.

In September we launched our new member app, featuring social functions, extended activation functionalities and many other interesting new elements. The feedback from members have been positive and we are now above 50% penetration, with over one million "good job fist bumps" given. During the year we have also improved our website and solution for online training, and there are several other exciting projects coming up on the digital side; all of which are designed to help our members succeed with their training.

Another key element for us as a company to be able to support our members in the best possible way, is our nearly 11,000 employees. Without the passion and energy of everyone from group training instructors, via service employees, to personal trainers and club mangers, we would not be able to succeed with our members – and I would like to thank the entire SATS team for all their hard work and dedication.

As the largest fitness chain in the Nordics we also believe that we have an extended responsibility to improve public health and wellbeing beyond our members. Initiatives range from campaigns to raise awareness about cancer, to providing training to people it is not easily accessible for. Regarding the latter we have teamed up with the NGO "Mentor" in Sweden. The program supports young people in finding a path towards a promising future and, as we know physical activity is one key element for unlocking people's full potential. We are proud to support the program with an arena where the mentor pairs can exercise and experience the benefits of being active.

2019 has already kicked-off and the pace has been exceptionally high! Our members are training more than ever, and we have welcomed more than 1,400 new Danish colleagues and 100,000 Danish members in the SATS family. Together we are all making people healthier and happier and are all fully dedicated to make a positive difference in our members' life.

Sondre Gravir
CEO

“As an active SATS member since 1998, it was great joining the passionate SATS family as the CEO of the group in October 2018.”

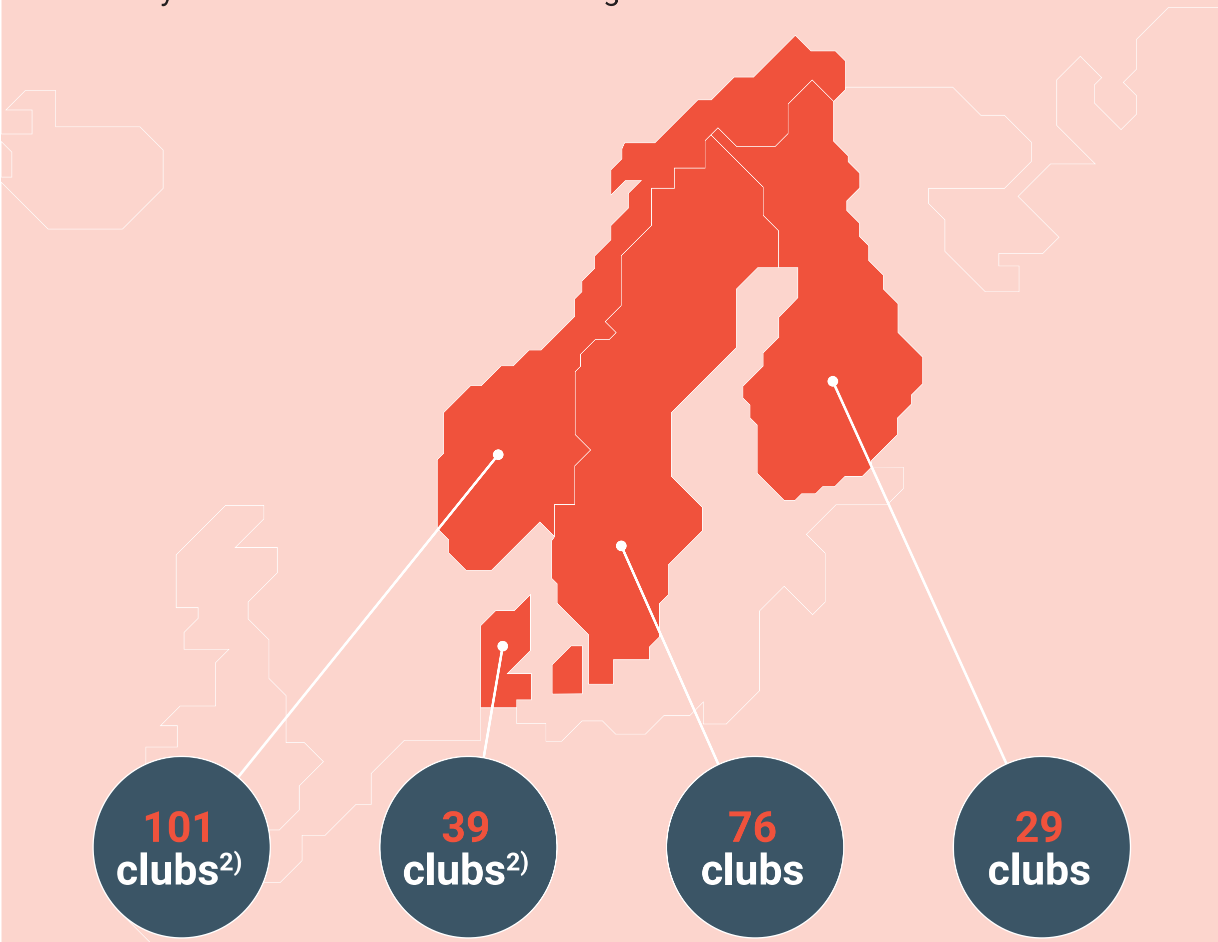
– Sondre Gravir

AT A GLANCE

THIS IS SATS

The group, through our brands and concepts SATS, ELIXIA, Fresh Fitness and HiYoga represents the leading provider of fitness and training services in the Nordics. After the acquisition of fitness dk we are also the third largest fitness chain in Europe[1], with nearly 250 clubs, 11,000 employees and 700,000 members.

Everyone is welcome to SATS and our members have full flexibility to tailor a package addressing their individual needs. We offer cutting edge studio facilities for individual training, the broadest group training offering with superior programming and highly qualified personal trainers for specialized training and individual coaching. We also have a strong focus on supporting members outside our physical clubs, using online training and digital tools. Additionally, we are constantly working with trend research and innovation to be the industry's best and most forward-looking fitness chain.



1) Measured by revenues.

2) Includes acquisitions of 39 fitness dk clubs 1st of January 2019 and 3 FitnessXpress clubs 4th of January 2019.

OUR VISION

We make people healthier and happier!

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

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

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.

OUR VALUES

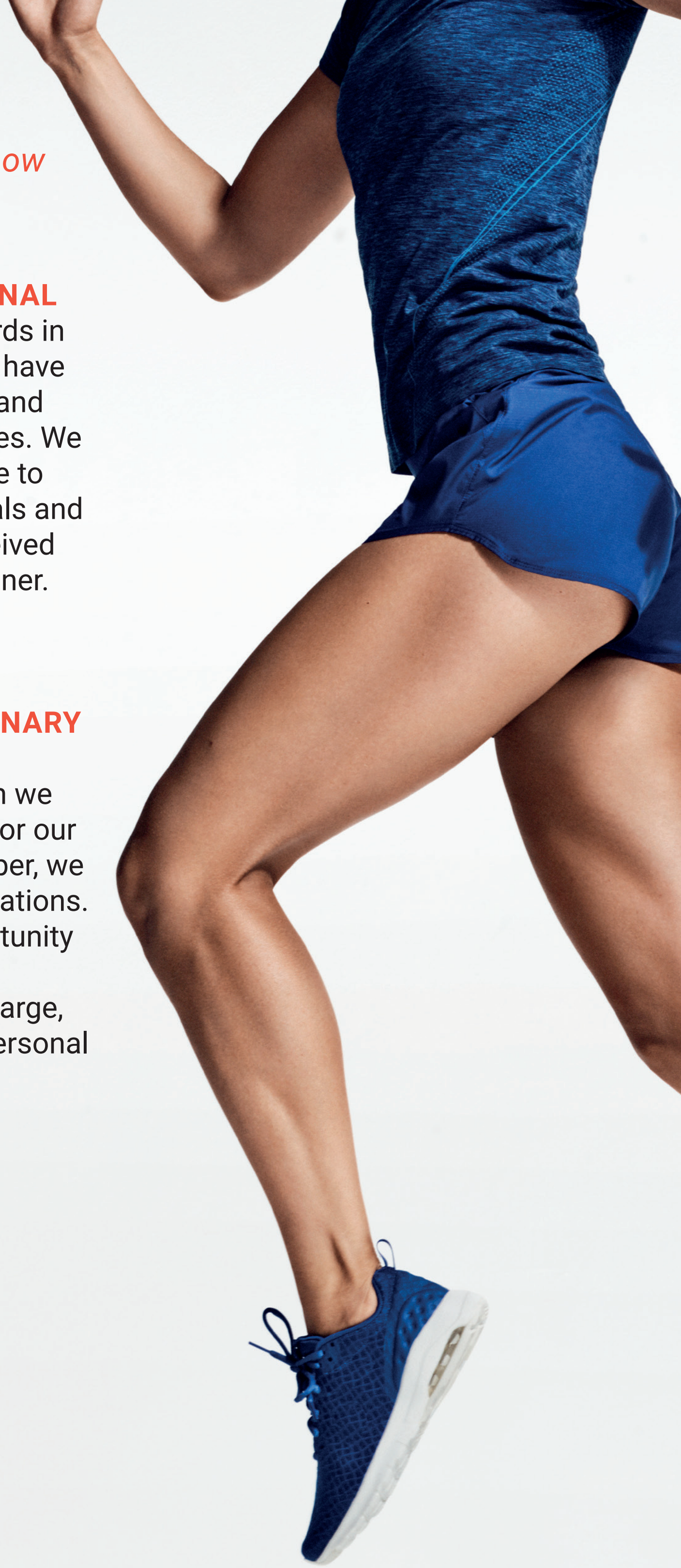
Our values are the compass that leads us in how we act and behave in our daily work.

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

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

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

We are **EXTRAORDINARY** in everything we do – together as a team we create experiences for our members to remember, we surpass their expectations. We take every opportunity to glow, we use the advantage of being large, without losing the personal touch.



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

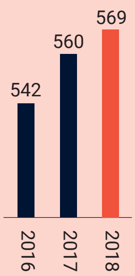
Fresh Fitness was launched as a low-cost alternative in Norway and Denmark.

2011

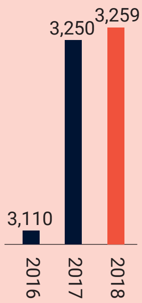
ELIXIA was acquired by Altor, a private equity investor (Altor Fund III).

Successfully attracting members over several years, especially in Norway and Sweden, has resulted in continued revenue growth, which, combined with a scalable business model, yields a solid EBITDA development.

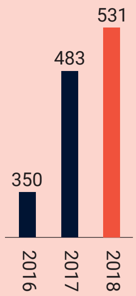
Members
Thousands



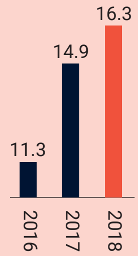
Revenues
NOK million



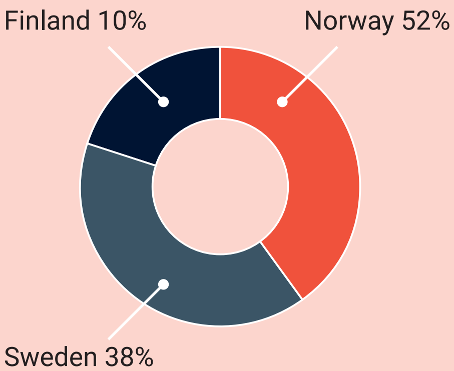
EBITDA
NOK million



EBITDA margin
Per cent



Revenues 2018
Per segment



Market share 2018[1)]

#1 in Norway with **35%** market share

#1 in Sweden with **16%** market share

#1 in Finland with **7%** market share

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

2014

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

2016

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

2017

Introduced a modular membership structure, where members can tailor their own package.

Acquired Aquarama Trening and Bromma Träningscenter.

2018

All ELIXIA clubs in Norway, and 22 Fresh Fitness clubs across the Nordics, were rebranded to the SATS concept.

New member app with social network functionality launched.

Three Balance clubs acquired.

2019

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

Three FitnessXpress clubs acquired.

Three Gym & Motion clubs acquired.

THIS IS SATS

VISION

We are passionate about helping people becoming healthier and happier. Nordic populations are among the most physically active in the world, and approximately 20% of the population are members of a fitness club. However, we still have a long way to go, as 90% of the Norwegians fail to meet the recommendations for physical activity, 76% of the Finns spend most of their waking hours sitting, standing still, or lying down, 51% of the Danish population is overweight, and 46% of Swedes are so out of shape that it is considered a risk to their health.

If all Norwegians were following recommended activity levels, this would add more than 400,000 quality-adjusted life years annually (corresponding to an economic value of NOK 239 billion), according to the Norwegian Directorate of eHealth. We, and our fellow fitness clubs, are a big part of the solution; 68% of respondents with a fitness club membership in Virke Trening's Norwegian population survey 2017 stated that they exercised little, or not at all, prior to joining the fitness club.

Helping people get healthier and happier is at our core also when it comes to building a profitable business. We believe, based on decades of experience in the industry, that the only members who stay committed over a longer time are the ones who experience real results, and to achieve real results members need to regularly visit our clubs and use our products. To help more members succeed with their training, and by extension making them healthier and happier, we are following a strategy framework covering four pillars – People, Products, Presence and Promise, built on a common foundation – One Company.

PEOPLE

Nearly 11,000 extraordinary individuals dedicated to making people healthier and happier

Keeping up a healthy training habit is difficult, but our members luckily have the help of our friendly and inspiring staff, made up of 4,700 instructors, 1,700 personal trainers, 4,000 club employees, and 500 supporting employees. We aim to make sure that they are all committed to making training easily accessible, and can motivate and support our members on their journey to becoming healthier and happier.

To achieve this, we need to attract the best and most motivated talents, and provide them with opportunities for development. We hire for attitude and train for skill – ensuring that our members are always met by motivated and qualified personnel. In 2018, we brought the people theme to the top of our strategic agenda by adding a strategic HR role in the group management, reporting directly to the CEO.

Fitness as a career

In SATS, we believe in fitness as a career – meaning that we strive to create processes that unlocks the full potential of all our employees. We aim to always offer a clear career progression regardless of role and reward strong efforts and performance.

We invest heavily in training to make sure that all our coaching staff have the relevant qualifications to help our members train the right way, and that all employees can develop professionally throughout their career in SATS.

PRODUCT

Cutting edge or tried and tested, we have something for all members

Our ambition is to be a one-stop-shop for training, delivering world class quality and expertise that exceeds our members' expectations. Our training options include studio training for individual strength and cardio training, more than 150 different group training classes, personal trainers specializing in a wide range of areas, boot camps for smaller groups, out-of-club training for members' convenience and retail shops providing members with the right equipment, apparel, and nutrition.

With regards to product development our strategy is to be innovative and part of the latest training trends. Based on customer insights and analysis, we adapt and take a carefully selected portfolio of these trends to the mass market.

We also appreciate that all our members are different. Therefore, we believe in offering flexible memberships where members only pay for access to the clubs, concepts and products they are using.

In 2018, 4,700 certified instructors delivered more than 400,000 classes, resulting in a total of more than 7,500,000 training sessions, comprised of both proven concepts such as Cycling, Crosstraining, Indoor running, and Cardio, as well as a wide range of brand new concepts such as:

- Body for Life; a low-intensity class focused on training the whole body in a fun, efficient and gentle way.
- Rock the Bike; a cycling class looking like a night club with strobe lights, lasers and smoke – where members dance and gets loose on the bikes.
- Cardio Energy; the ultimate cardio class – based on intense, simple and athletic exercises
- HIIT the Ground; short and intensive strength intervals, using own body weight and cat slides to challenge core, strength, balance and stability.
- HIIT the Bike; a high-intensity cycling class, made up of short and though intervals over 30 minutes.
- Pure Strength; builds strength and muscles with supersets, heavy weights and few repetitions.

In 2018 we also initiated the perfect club project, with the objective of optimizing our studio training product through a new method of selecting- and placing equipment, based on detailed analysis of usage and member feedback. 40+ clubs have already been topped up with new

Alexander

Personal Trainer

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

high-demand equipment and seen functional changes in lay-out. Going forward this is a continuous effort, and we will further improve the studio training experience at our clubs.

To ensure that we fullfil our members' high expectations, we carefully monitor the performance and feedback on our training concepts. In 2018, our group training classes had a Net Promoter Score (NPS) of 61, with 69% of surveyed class participants stating that they would be highly likely to recommend our classes to their friends or colleagues.

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

The website functions as a self-service hub for members who want to change their memberships, see payment history/receipts, purchase PT clips, etc. SATS also offers Online Training, a subscription to a selection of more than 80 online classes, enabling members to access the fitness studio remotely. During 2018, approximately 430,000 of our members visited the online training service, and completed more than 700,000 online training sessions.

The SATS mobile app enables our members to manage their membership, follow training statistics, schedule group training and book appointments with personal trainers. More than 50% of our members use the app. In 2018, we launched SATS Social, a feature in the app where members can connect with their friends, challenge each other, and follow and encourage each other's training activity. Shortly after the launch of SATS Social, nearly 30% of members had one or more social connection, and 1 million motivational "good job fist bumps" had been given between friends.

PRESENCE

Clubs where people want them
In order to maintain a training habit, members need to be able to access a club when they want to exercise, and therefore we do our best to make sure that our clubs are located in the most convenient locations possible. For example, in Stockholm 21 of the 25 top public transport hubs are within 500 meters of a SATS club. In 2018 we continued to expand our club portfolio, through acquisitions in both Oslo and Stockholm, as well as greenfields in e.g. Bergen and Helsinki. Additionally, we rebranded 22 Fresh Fitness clubs across the Nordics to improve cluster strenght and simplify our offering.

In January 2019 we also completed the acquisition of 39 clubs in Denmark from fitness dk, which have been integrated into SATS during the first quarter of 2019. This acquisition made SATS the third largest fitness chain in Europe and we are the only chain that offers clubs in all four Nordic capital cities.

1 city, 50+ clubs, 2,800+ classes, 1 membership
We also know that our members value the opportunity to use multiple clubs. In the large cities, people are very mobile, and want to train near their home, near work, and with their friends. The more clubs we have in the same city, the greater the

Marianne
Group Training Instructor

I truly believe I have the best job in the world! The feeling I get from inspiring and motivating our members to move, be active and live a healthy life, just gives me so much joy and energy.

chance is that we can offer the right combination of locations for each individual member. For example, more than 55% of our members use more than one club. In our two largest city clusters, Stockholm and Oslo, we have more clubs than any competing chain, especially in central areas. Additionally, with many clubs in the same city, SATS can offer a much broader and deeper 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, which is unmatched compared to any competitor. That members value this extensive offering and variety is clear, as members who participate in group training are even more likely than others to use multiple of our clubs.

PROMISE

Training is just one part of a healthier lifestyle

We know that becoming healthier and happier is not only about training. Fitness clubs are part of a much broader health and wellness ecosystem that covers nutrition, lifestyle, health care, rehabilitation, treatment insurance, travel, and much more. We believe that SATS can play a role in helping our members also beyond their training, and we therefore have an ambition to add new products and services and become a more holistic health and wellness provider.

Taking responsibility beyond paying members

Our commitment to contributing to public health is elaborated on further in our sustainability report, a summary of which is provided below. A concrete example of our engagement in 2018 was our contribution to the Pink Ribbon campaign in October. To help raise awareness about breast cancer and contribute to further research on the area we donated proceeds from specialty products and gave both members, and non-members, the opportunity to "squat against cancer" and be rewarded with a contribution to the cancer societies.

FOUNDATION – ONE COMPANY

One operating model, one culture, one passion for training

Whenever our members visit a new club, we want to make sure that they are welcomed with the same SATS club experience, inspiring atmosphere and personal treatment that they are used to from their home club. We therefore believe that it is very important that we work together as a chain with a common operating model and culture across both club formats and country borders. This means that all of 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 that our members love. To make sure that our high standards are upheld, we continuously audit our clubs with "mystery shoppers" visiting to ensure that all of our guidelines are followed.

All of our staff, whether they are instructors, personal trainers, club managers and staff, or service office staff, are also expected to adhere to our common values of putting members first, and being extraordinary, professional, and accountable in their everyday work. To make sure that we maintain our strong culture as we expand to more clubs and more countries, we spend a lot of energy on training, both formal and informal, as well as on large culture-building events such as the SATS Awards and SATS Conventions.

WHERE WE OPERATE

NORWAY

Norway is the largest operating segment in the group and constitutes 52% of the total revenue and 284,000 of our members at year-end. In 2018, total revenues increased by NOK 25 million to NOK 1,719 million, improving EBITDA with 9.4% to NOK 265 million.

SATS is a well-known brand in Norway, and the largest operator of fitness clubs with a market share of 35% in 2018[1)]. At year-end we had 73 SATS clubs and 24 Fresh Fitness clubs across the country from Kristiansand in south to Tromsø in the north, with of which 57 are located in the greater Oslo area.

During 2018 we opened two greenfields in the Bergen area and converted several Fresh Fitness clubs across Norway to SATS. In December we also signed a deal to acquire three FitnessXpress clubs in the Oslo area, which have been integrated during the first quarter of 2019. In addition to our continuous focus on development of the club portfolio offered to our members, 13 of our most popular clubs in Norway were part of the perfect club initiative, where the aim is to increase the clubs' capacity during peak hours through optimalisation of the fitness floor.

Our members in Norway consist of 59% women and 41% men, with all activity levels and age groups represented. As we know, one size does not fit all, we offer our members the flexibility to tailor their own membership plan. We delivered 193,000 group exercise classes in 2018 – an increase from 180,000 in 2017.

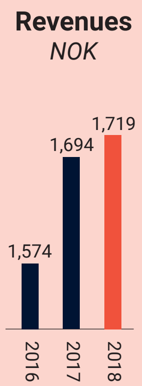
In terms of more specialized concepts we also offer a stand-alone HiYoga club in Oslo, which since the opening in 2016 successfully has provided high quality yoga classes in a relaxed atmosphere from top educated yoga teachers.

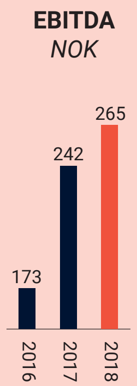
The most customized part of our offering is personal training, which is provided by our highly competent team of 750 personal trainers. In 2018 they delivered 378,000 training sessions, up from 368,000 in 2017. We are continuously working on this offering and in 2018 we have further professionalized the education model for the PTs, which is a key to helping our members succeed with their training going forward.

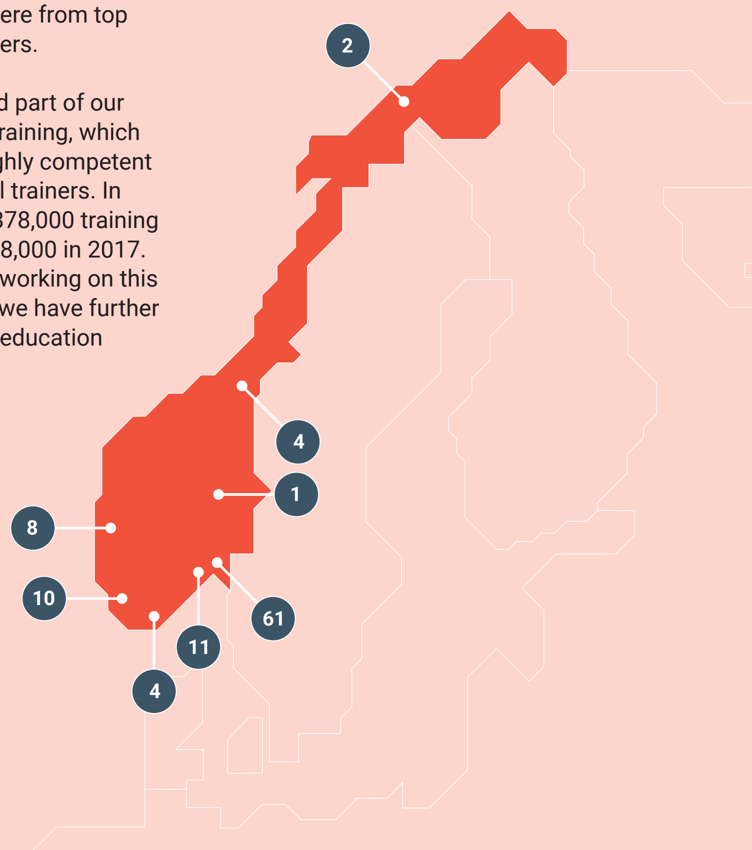
"How to succeed with your training? It is easy! Set a goal, make a plan and make an appointment! How can SATS help you with that? Tell us your goal, choose your favourite SATS or Fresh Fitness club and book a group exercise class or book your favourite PT, and you are one step closer to being healthier and happier – we are there to help you!"

–Jon Kristian Stubben
Country Manager

1) Based on figures provided by EuropeActive







SWEDEN

Sweden is the second largest operating segment in the group and constitutes 38% of the total revenue, with 223,000 members at year-end. Revenues increased by SEK 34 million to SEK 1,308 million, improving EBITDA with 2.7% to SEK 236 million.

SATS has over the course of many years maintained a very strong position in Sweden, and is the largest operator of fitness clubs with a market share of 16% in 2018[1]. We had 76 clubs across the country at year-end, with a strong cluster of 59 clubs in the greater Stockholm area.

During 2018 we acquired and integrated three clubs from Balance, which has strengthened our Stockholm cluster offering further. Additionally, we rebranded all Fresh Fitness clubs in Sweden to SATS, further developing our total portfolio and improving our offering. In Sweden 27 clubs were part of the perfect club initiative, increasing the capacity at these highly popular and busy clubs.

In Sweden, our member consists of 54% women and 46% men, representing all age groups and activity levels.

The number of group exercise classes held in Sweden in 2018 was 150,000, in line with 2017. While all concepts are popular, we experience a significant increase in demand for yoga classes. We will therefore increase our offering of yoga classes in 2019.

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

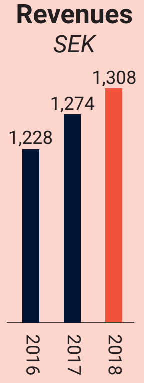
In Sweden we have a team of 620 certified personal trainers, with a wide range of profiles and competences. In 2018 they delivered 313,000 PT sessions, compared to 321,000 in 2017. To be able to grow this team and deliver an even better service, we started a new onboarding process for newly graduated personal trainers in 2018, so that everybody can hit the ground running.

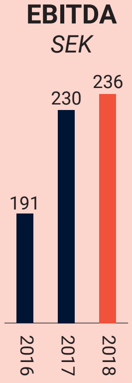
When writing this report, we have just announced the acquisition of Gym & Motion in Åkersberga, adding three clubs to our Stockholm cluster.

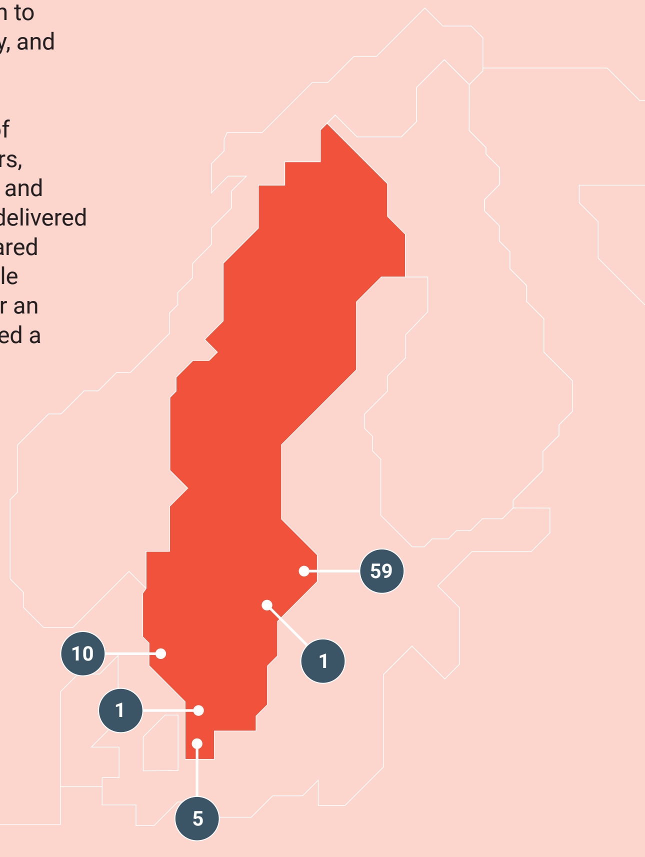
"SATS has a strong growth in Sweden, both organically and through strategic acquisitions. By opening more SATS clubs, where people live and work, we make training more accessible for our members and potential members. We know that closeness to a club increases the probability to make training a regular routine. Our wide range of training products are attractive to a broad audience. Our skilled staff help members set goals and succeed. Everyone is welcome to SATS."

– Linda-Li Cederroth
Country Manager

[1] *Based on figures provided by EuropeActive*







FINLAND

In Finland our business is operated under the brand ELIXIA, and the Finnish operations constitutes 10% of the total revenue, with 61,000 members at year-end. Revenues decreased by EUR 1.8 million to EUR 32.8 million, but due to reduced operating expenses EBITDA was improved to EUR 1.6 million.

The Finnish fitness market is highly fragmented, with many small operators. We are the market leader with a market share of 7% in 2018[1]. By the end of 2018 we had 29 clubs in Finland, with Helsinki as the main cluster with 21 of these clubs.

In October we opened a new flagship club of 2,200 sqm at the REDI shopping mall in Helsinki. This club offers state-of-the-art equipment, large group training schedules and in-club concepts such as Build'n Burn, HiYoga and Prformance. At the end of the year the club had already reached nearly 1,500 members, well ahead of plan. In April, all our Fresh Fitness clubs were rebranded to ELIXIA, to serve all members under the same brand. The perfect club initiative covered several clubs in Finland, with more coming in 2019.

Our Finnish member base consists of 62% women and 38% men, with age and activity levels spread according to the rest of the group.

In 2018 we arranged 61,000 group exercise classes at our Finnish clubs, approximately the same as in 2017. As for the other countries all types of classes are popular, with no clear favourite among our members.

We have a good and professional team of personal trainers, counting 135. In 2018 they delivered 75,000 sessions, compared to 79,000 in 2017.

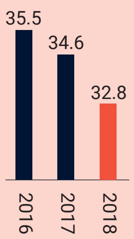
In 2019 we have signed a contract for a new important greenfield club at the AINOA mall in Helsinki. Construction of the 2,000 square meter club will commence in 2019, with expected opening in January 2020.

"In 2018 we have made our chain management operations more efficient, professionalized our HR-processes and further developed our club facilities and equipment park. Our members can be sure that we operate our clubs properly and that we treat everyone who works here fairly and with respect. Going forward we expect this develop into better results with regards to both retention and new member sales."

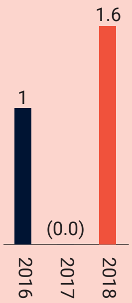
–Jussi Raita
Country Manager

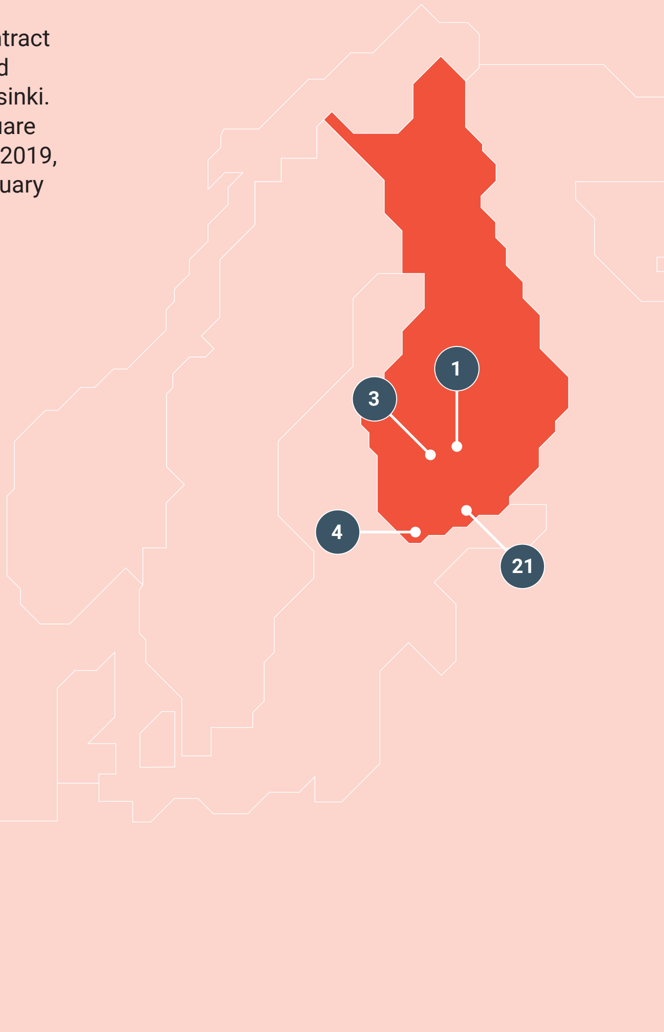
[1] *Based on figures provided by EuropeActive*

Revenues
EUR



EBITDA
EUR





DENMARK

In 2019 we welcomed 39 fitness dk clubs, 100,000 members, and 1,400 Danish employees to the SATS family!

SATS first entered in the Danish market in 2000 and were present until 2013, before we re-entered through the acquisition of fitness dk effective from 2019. Thus, we have vast experience from the market both form the highly competent team at fitness dk and from the existing management team.

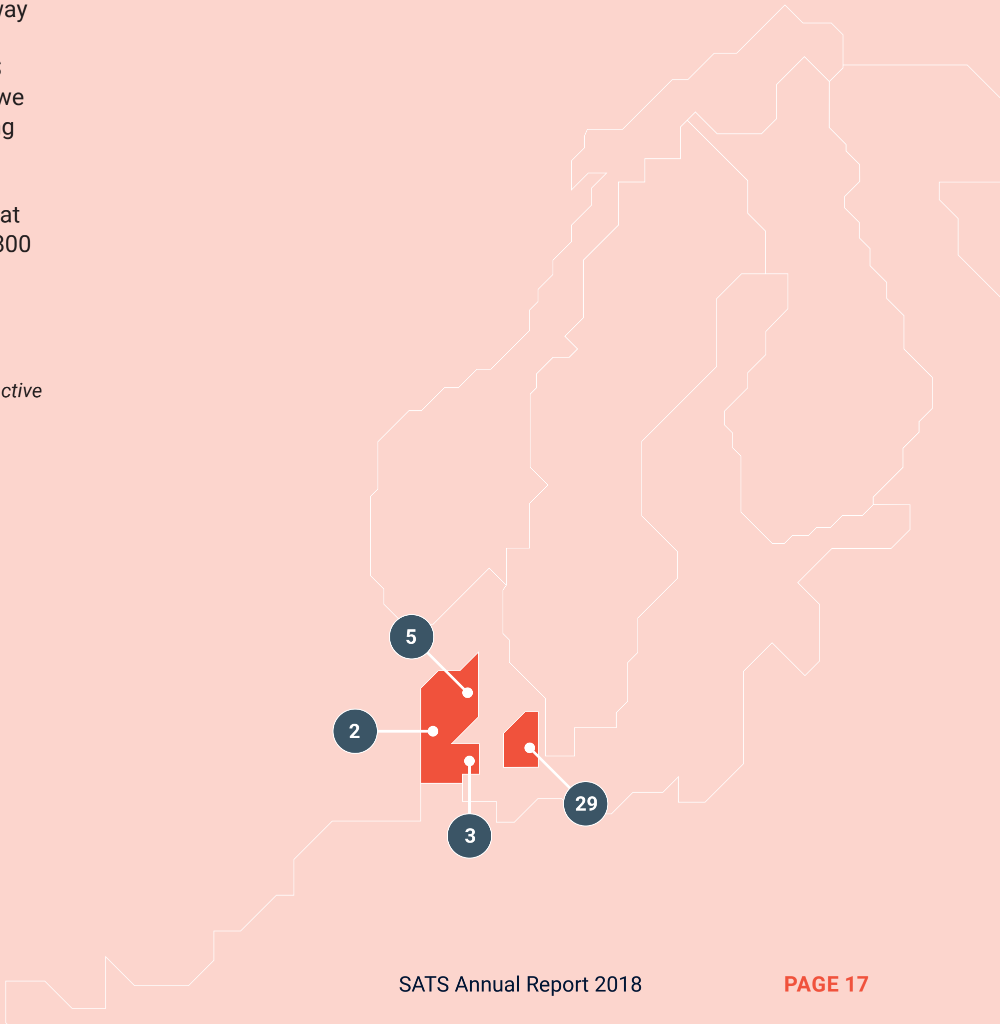
At the time of the acquisition fitness dk consisted of 39 clubs, of which 29 are located in the greater Copenhagen area, and had a market share of 15%[1].

At the time of this report the integration process is well underway and we have welcomed 100,000 new Danish members to the SATS family. As part of this integration we have introduced new group training concepts and classes, launched the retail concept and celebrated together with our new employees at a convention with approximataly 800 attendees in Copenhagen.

[1] *Based on figures provided by EuropeActive*

"Four months after the acquisition of fitness dk all 39 clubs had gone through a complete rebranding to SATS, both externally and internally. Furthermore, a full implementation of the SATS IT platform, including new apps and website, has been achieved. The work on education of the dedicated staff in Denmark is ongoing and the introduction of the SATS group exercise schedule and personal training structure is progressing as planned. The work is expected to be completed by the end of 2019 and the Danish organization looks very positively on the future of SATS Denmark."

–Jacob Hansen
Country Manager



SUSTAINABILITY HIGHLIGHTS 2018

ABOUT THE SUSTAINABILITY REPORT

Our sustainability and social responsibility work in 2018 is presented in our Sustainability Report. The report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. The content of the report is primarily oriented around SATS' material topics as defined in a materiality assessment in 2017, and updated in relation to the work on the sustainability report. Our main focus areas for sustainability and social responsibility work are:

- Public health and wellbeing
- Health, safety and security
- Business ethics and anti-corruption

The report also considers our activities and approach to our employees and environmental footprint. In 2019, we will continue the work on our sustainability strategy to find ways to strengthen the contribution of our core business to public health, and to improve the sustainability performance in our own operations.

OUR CORE MISSION: PUBLIC HEALTH AND WELLBEING

SATS' business is guided by our vision; making people healthier and happier. We believe that our core business of helping people live more active lives also benefits society as a whole. We know that physical activity and a healthy living have several benefits, for example it can contribute to preventing lifestyle diseases. Therefore, we have identified the UN Sustainable Development Goal 3, "Good health and wellbeing", as the most relevant to our business.

We work every day to get people off the coach to participate in some form of physical activity. We are continuously working on new products and concepts to reach all types of people, not only our regular visitors. For example, during 2018 SATS Corporate successfully launched a Corporate Online Training platform that targets inactive employees in the Nordic business market. 40 companies have already signed up.

We also contribute to improve public health beyond our members. This work is generally grouped into health awareness campaigns, research and development, and leveraging our influence for political engagement. In 2018, our work on health awareness focused on cancer awareness campaigns and anti-doping initiatives. We teamed up with the Norwegian and Swedish Cancer Societies and contributed to their breast cancer awareness campaign, Pink Ribbon.

Through the 2019 sustainability strategy process, we will consider ways to increase our positive impact on public health, both through helping members and reaching new groups that might not consider, or have the opportunity, to join a fitness club or organized physical activity. In Sweden we are already involved in such an outreach project through the cooperation with the NGO Mentor, which works to provide at-risk youth some extra support from an adult mentor. SATS Sweden provides Mentor with an arena where the mentor pairs can exercise for free.

A SAFE WORK ENVIRONMENT

Our employees are our main representatives, and they are the ones that meet and engage with our members every day. In order to retain the best employees and provide a good work environment, SATS above all has to be a fair and professional employer. Therefore, we have worked to professionalise HR-processes over the last couple of years. In 2018, Finland in particular focused on improving internal processes related to recruitment, on-boarding, and guidelines for our employees. We also focus on developing our people and all our business units have an established process for performance evaluation, including dialogues regarding employee development.

Our health and safety (H&S) vision is zero harm. We are committed to providing a safe and secure environment for all our employees throughout our facilities and job sites. The H&S ambition also extend to our members. There were no fatalities reported for members visiting our fitness clubs in 2018, but six serious incidents were registered along with 45 staff injuries across Norway, Sweden and Finland.

RESPONSIBLE OPERATIONS AND GOVERNANCE

We have to ensure that our own operations are managed in a responsible manner. In 2018, SATS underwent a comprehensive process to rationalize and professionalize group policies, guidelines and routines. This will make it easier to follow up on the operations of each fitness club, detect and report on deviations and, in turn, ensure the safety and wellbeing of our members and employees. We also revised our Code of Conduct, covering business ethics and anti-corruption, human and labour rights, HSE, privacy and data protection. In addition, several policies and handbooks have or are being developed.

No instances of corruption, or other breaches of ethical conduct, related to SATS were reported in 2018, which also include our third-party whistleblowing channel. There have been no substantiated complaints received concerning breaches of customer privacy nor any identified leak, loss or theft of customer data in 2018.

We are committed to preventing harm to the environment and aim for outstanding natural resource efficiency in our business activities. Our main environmental footprint relates to energy consumption and waste management. All our business units focus on energy efficiency and, as we still have unrealized potential, this is a prioritized area.

To read the full sustainability report from 2018, go to the publication on our web page.

"I spend a lot of time on training and physical activity because I have a desire to be the best version of myself. I want to be a good girlfriend, mother and colleague, and training is fundamental for me to thrive and succeed in all areas."

– Marita, member for 8 years

MANAGEMENT

Sondre Gravir
Chief Executive Officer

John Kristian Stubban
Country Manager Norway

Cecilie Elde
Chief Financial Officer

Linda-Li Cederroth
Country Manager Sweden

Christian Øvregaard
Chief Digital Officer

Jussi Raita
Country Manager Finland

Anna Raftheim
HR Director

Jakob Hansen
Country Manager Denmark

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

– Vendela, member for 6 years

BOARD OF DIRECTORS' REPORT

In 2018 the group improved its margin significantly, resulting in an underlying EBITDA growth of 9.9% to NOK 531 million, up from NOK 483 million in 2017. The key focus in 2019 is to strengthen revenue growth through attracting new members, expanding the club network, develop new service offerings and further improve the sale of additional products and services.

SATS is the leading operator of fitness clubs in the Nordic region, with nearly 25 years of experience within the fitness industry. The group operates the SATS brand in Norway and Sweden, ELIXIA in Finland, and from January 2019 SATS has established its presence in Denmark. The group also operates the price competitive low-cost fitness club brand Fresh Fitness in Norway, in addition to niche stand-alone clubs marketed under the brands HiYoga and Metropolis Gym. The group offers members access to studio training, group training sessions, yoga, online training and other specialised concepts. In addition, highly qualified personal trainers offer individual coaching, and you can purchase food, drinks, apparel and training accessories through the retail shops in the clubs' reception areas.

SATS is the third largest fitness chain in Europe based on revenue, and the clear leader in the Nordic fitness market. As of the 2018 balance sheet date the group had a leading network of 203 clubs with particular strongholds in key metropolitan cities throughout the Nordic region, and 569,000 members, comprising approximately 55% women and 45% men.

SATS AS and its subsidiaries is a subgroup of SATS Group AS, which was established on 5 June 2014 through a merger of Health & Fitness Nordic and Elixia Holding IV. The group is 90% owned by SATS Group AS, 9% owned by SATS Management Invest AS and 1% owned by Hansemgruppen Holding AS.

ANALYSIS OF THE 2018 FINANCIAL STATEMENTS

The Board of Directors believes that the 2018 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 1st of January 2018 to 31st of December 2018 by comparison with the period from 1st of January 2017 to 31st of December 2017.

The Board confirms that the group's liquidity basis, together with cash flow from operations in 2019, will be sufficient to fullfil all short-term liabilities, including instalments on bank borrowings as they fall due.

The group's economic and financial position is solid, and the Board of Directors has a positive outlook on future earnings and growth. Based on the group's long-term strategy, including budgets and forecasts, the Board confirms that the use of the going concern assumption is appropriate. The 2018 financial statements have been prepared in accordance with this assumption.

Statement of comprehensive income
Total revenues increased by 0.3% to NOK 3,259 million in 2018, compared to NOK 3,250 million in 2017. In local currency, revenues in both key markets, Norway and Sweden, increased, but this was partly offset by decreased revenues in Finland and the NOK appreciating relative to the SEK. From 2017 to 2018 the total membership base increased by 1.5% and ARPM[1)] decreased by 1.3%. The decrease in ARMP is due to the flexible "pay for what you need" membership structure introduced in 2017, which enables the group to compete with the low-cost providers via a lower entry point price and over time attract more new members, that outweigh the lower ARPM.

The group's operating expenses excluding impairment decreased by 1.2% from NOK 2,927 million in 2017 to 2,891 in 2018. In local currency operating expenses increased marginally in Norway, with 2.7% in Sweden and were decreased by 10% in Finland. Analysed in terms of categories the primary driver of the decreased operating expenses is reduced personnel expenses, which is caused by more efficient operations and cost saving initiatives.

As a result, operating profit excluding impairment increased by NOK 45 million, or 13.9%, from NOK 323 million

[1)] *Average revenue per member. Calculated based on total revenues, including both membership fees and additional products and services, and outgoing member base.*

in 2017 to NOK 368 million in 2018.

In 2018 the group recognised a NOK 265 million non-recurring impairment of the ELIXIA brand name. Management decided to implement a new branding strategy to harmonise the marketing profile across markets and regions of operations under the SATS brand. As a result of this all the ELIXIA fitness clubs in Sweden and Norway have all been rebranded to SATS and future cash flows expected to be generated from the ELIXIA brand are not existing. The ELIXIA brand was capitalised as part of the merger between SATS and ELIXIA in 2014. As at the balance sheet date the fair value of the ELIXIA brand is zero. The SATS brand is not capitalised in the group's balance sheet as it has been developed internally.

Net finance items decreased by NOK 72 million, or 50.8%, from an expense of NOK 141 million in 2017 to an expense of NOK 69 million in 2018. This is mainly a result of a decrease in finance expenses of NOK 47 million and a reduction in interest expense of NOK 18 million compared to the previous year.

The income tax expense decreased by NOK 8 million, or 21.2% from NOK 38 million in 2017 to NOK 30 million in 2018. The tax payable increased by NOK 30 million to NOK 46 million in 2018, compared to NOK 16 million in 2017.The increase in tax payable is mainly caused by the exhaust of tax losses carried forward in the Norwegian segment. The weighted average tax rate for 2018 was 87.6% compared to 20.8 % in 2017. The impairment of intangible assets of NOK 275 million is treated as a permanent difference for tax reporting purposes, resulting in a significant increase in the group's weighted average tax rate. As of the balance sheet date the group's total tax loss carried forward is NOK 178 million.

The profit before tax was NOK 34 million in 2018 compared to NOK 183 million in 2017, and the profit for the year was NOK 4 million against NOK 145 million in 2017. Total comprehensive income was NOK 36 million compared to NOK 156 million in 2017.

Segment development

Norway

Total revenues increased by NOK 25 million in Norway in 2018, an increase of 1.5% compared to 2017. The development in total members was marginally positive, hence the primary driver of the increased revenues was the 1.3% growth in ARPM. Membership fees were stable and the main drivers for the increased ARPM were increased sale of personal training and retail products. With relatively stable operating expenses, the growth in revenues is the main explanation for the improvement in underlying EBITDA of NOK 23 million, to NOK 265 million in 2018.

Sweden

In local currency total revenues increased by SEK 34 million in 2018, an increase of 2.7% compared to 2017. The number of members increased by 3.9%, but the revenue growth was partially offset by a decline in ARPM of 1.2%, due to the new membership model and less sales of add-on products and services. Operating expenses in SEK also increased by 2.7%, hence the EBITDA margin of 18.1% was maintained and EBITDA increased with SEK 6 million. In the group's reporting currency, the operational development is concealed by an unfavourable development in the SEK/NOK exchange rate, and total revenues decreased 0.7% to NOK 1,225 million from 2017 to 2018 and EBITDA with 1% NOK 221 million.

Finland

In local currency total revenues decreased by EUR 1.8 million in 2018, a decrease of 5.2% compared to 2017. The number of members decreased by 0.8%, hence the primary driver for the decreased revenues was a decline in ARPM of 4.4%. The decline in ARPM was caused by both membership fees, as well as add-on products and services. Operating expenses in EUR was reduced by 10% due to cost cutting initiatives in the segment, hence the EBITDA increased from marginally negative in 2017 to EUR 1.6 million in 2018. In the group's reporting currency, the operational development for both revenues and operating expenses are mitigated by the development in the EUR/NOK exchange rate. Total revenues decreased 2.4% to NOK 315 million from 2017 to 2018 and operating expenses decreased with 7.4% to NOK 299 million, giving and EBITDA of NOK 15 million.

Statement of financial position

The group's assets increased by NOK 153 million, or 3.9%, to NOK 4,029 million as of 31st of December 2018, compared to NOK 3,877 million as of 31st of December 2017. Of these, intangible assets amounted to NOK 2,372 million at the 2018 balance sheet date, compared to NOK 2,617 million in 2017. The increase in assets in 2018 is mainly a result of loans issued to related parties, investments in leasehold improvements and fitness

Statement of comprehensive income

Amounts in NOK million	**2018**	2017
Total revenue	3,259	3,250
Operating expenses excluding impairment	2,891	2,927
Operating profit excluding impairment	368	323
Impairment of intangible assets	265	0
Net finance items	-69	-141
Profit before tax	**34**	**183**
Income tax expense	30	38
Profit for the year	4	145
Total comprehensive income	**36**	**156**

equipment, whilst the write down of the ELIXIA brand decreased intangible assets.

Total liabilities increased from 2,842 as of 31st of December 2017 to NOK 2,967 million as of 31st of December 2018. The increase was mainly a result of an increase in contract liabilities, public fees and charges payable and current tax liabilities, all presented within current liabilities.

As at the balance sheet date, the group's equity amounts to NOK 1,063 million. An increase in 2018 of NOK 28 million, primarily as a result of the total comprehensive income for the year of NOK 36 million.

From 1st of January 2019 the group will adopt the new lease accounting standard, IFRS 16 Leases. As the group leases all its fitness club's premises, this standard will have a material effect on both the statement of profit or loss and the statement of financial position. The adoption of IFRS 16 Leases will not have any effect on the group's cash flow. Please see note 31 New IFRS standards in the consolidated financial statement for further information on the effects from implementing IFRS 16 Leases.

Statement of cash flows

Net cash flow from the group's operations in 2018 was NOK 437 million compared to NOK 443 million in 2017. The difference between cash flow from operations and net operating profit of NOK 368 million is mainly due to depreciation, impairment, amortisation, interest expenses and changes in net working capital.

The net cash outflow from investing activities amount to NOK 216 million for 2018, compared to an outflow of NOK 154 million in 2017. The main reason for the increased outflow is increased investment in capitalised leasehold improvements, rebranding all ELIXIA clubs to SATS in Norway, fitness equipment and other fixtures and equipment.

The net cash outflow from financing was NOK 114 million in 2018, compared to an outflow of NOK 165 million in 2017. The reduction is mainly a result of lower interest payments on borrowings and proceeds from borrowings of NOK 150 million in 2018. Both effects were partly offset by an increase in repayment of borrowings and an increase in borrowings to related parties.

The net increase in cash and cash equivalents was NOK 107 million in 2018, compared to NOK 124 million in 2017. As of the balance sheet date the group had cash and cash equivalents of NOK 357 million, compared to NOK 249 million at the same date in 2017. Additionally, the group has an available borrowing facilities of NOK 235 million, which have not been utilised as at 31st of December 2018.

Parent company

The parent company has no operating income in 2018, with NOK 3 million in operating expenses.

The parent company's equity is NOK 1,755 million as of the balance sheet date.

BUSINESS AND INDUSTRY OUTLOOK

The health and wellness sector is growing due to increased focus on health and well-being in the society, and robust global trends such as political push for health and digitalization is fuelling health and fitness awareness. Fitness clubs, in particular full-service chains, are at the centre of the HW economy and positioned to expand their catchment into adjacencies. The addressable market in the Nordics is the most advanced in Europe in terms of penetration, and given highly fragmented markets both in terms of market value, clubs and members, the consolidation potential is significant. The Nordic markets have sustained their "penetration premium" relative to Europe, and are expected to continue to do so. Nordic fitness memberships are Europe's most affordable both relative to leisure overall spend and other "comparable" products/services, and the Nordic market is rebalancing as result of reduced supply side growth, driving industry consolidation and profitability. Low-cost concepts have been present in the Nordics for

Statement of financial position

Amounts in NOK million	**2018**	2017
Total assets	4,029	3,877
Total liabilities	2,967	2,842
Total equity	1,063	1,035

Statement of cash flows

Amounts in NOK million	**2018**	2017
Net cash flow from operations	437	443
Net cash flow from investments	-216	-154
Net cash flow from financing	-114	-165
Net increase/(decrease) in cash and cash equivalents	107	124
Cash and cash equivalents at the end of the period	357	249

several years, but market share gain for low-cost providers has slowed in recent years as club roll-out pace has declined, and is expected to continue at low levels.

The group's business has continued to grow throughout 2018. With a number one position in all its markets, and a unique cluster position in the largest cities, SATS is positioned to continue building on its scale advantages. SATS is committed to make people healthier and happier, and and its engaging and professional staff, consisting of almost 11,000 people, is SATS' most important asset to increase member satisfaction and value.

SATS has a broad and extensive product offering, and with more than 2,800 weekly sessions in key capital clusters, outperforms all competitors in practically all training categories. With an exhaustive and high-quality equipment park, a position as the number one PT destination in the Nordics and a range of highly regarded niche concepts, SATS has proven the ability to innovate attractive concepts and to stay on top of relevant trends. The membership flexibility increases the perceived value of a SATS membership and makes SATS relevant for all people and budgets – from price sensitive "one-club" users to active members utilising the full width of its offering.

The group aims to continue to expand in the coming years, both through acquisitions, the opening of new fitness clubs and the expansion of complementary product offerings. The group is in the early stages of developing new products and services to offer its members to help them become healthier and happier. A key building block of this strategy is to grow and expand in the wider health and fitness space. The first steps in this direction have been taken in 2018, and the group is considering an expansion within e.g. nutrition and lifestyle, physical therapy and health checks and insurance.

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

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

The group strives for a balanced gender distribution, and as of 2018 the group employed 6,800 female and 2,600 male employees, totalling 1,900 full time equivalents. The group's fitness club managers consist of 62% female and 38% male executives. The board is composed of four men and one woman.

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

We believe that no differential treatment of employees, or upon recruitment, takes place on the basis of sex, ethnicity, national origin, sexual orientation, language, religion or faith. The group should be a good and safe workplace where discrimination of any kind is unacceptable.

During 2018, a sick leave of 6% were registered for the group in total. No significant work place accidents or incidents have occurred during 2018, whether in the parent company or in its subsidiaries.

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

EXTERNAL ENVIRONMENT

The group does not operate in a manner that is causing pollution or other negative effects to the external environment, and consequently no special measures has been initiated in this area. However, the group's goal is to contribute to an environmentally sustainable society. Please refer to the sustainability highlights included in this report, or the full sustainability report, for more information about the group's activities and approach towards sustainability and social responsibility.

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 company is in a healthy financial position and has adequate liquidity reserves.

SHAREHOLDERS INFORMATION

SATS AS' share capital was NOK 225 million as at 31st of December 2018 divided into 28,071,892 ordinary shares, each with a par value of NOK 8. All the shares have been fully paid and have equal rights. SATS did not own any treasury shares as of the 2018 balance sheet date. The number of shareholders as at 31st of December 2018 was three.

FINANCIAL RISK FACTORS

Risk management

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

The financial risk in the group is primarily related to exchange rate fluctuations, price risk and liquidity risks. The group has limited its foreign exchange rate fluctuation risk by ensuring revenue, expenses and bank borrowings in the corresponding foreign currencies. The group hedges part of its interest rate risk by entering into interest rate swap agreements providing the group with fixed interest rates on parts of its bank borrowings.

Risk management of the group is maintained by a central finance function in accordance with the guidelines approved by the Board of Directors. The group's central 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

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 flows. It can still affect the group's financial covenant and is therefore closely monitored. Exposure of foreign subsidiaries' equity is partly naturally hedged through revenue and borrowings in the corresponding currencies.

The group's 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 the group's exposure to changes in the foreign exchange rates.

The group is also exposed to interest rate fluctuations related to loans where an element of the interest rate is not fixed nor hedged with interest rate swaps agreements.

Credit risk
Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the group. SATS AS' credit risk refers the risk to the group's account receivables, contract assets and investment in liquid financial instruments. As the daily business to a large part is based on customer prepayments and direct debit arrangements, 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. Credit risk in relation to regular customers is deemed to be acceptable as the group has no individually significant customer. The relatively few members who can default on their payments are routinely transferred to debt collecting agencies.

Credit risk in the parent company is related to long-term loans to its subsidiaries, and management monitors the credit risk associated with intercompany loans to consider if there has been a significant increase in credit risk since initial recognition.

All group companies have positive EBITDA, and have sufficient cash flows to meet its financial obligations to the parent company.

Liquidity risk
The group's liquidity risk is characterised by a potential risk of not being able to meet its obligations to vendors, lenders and other creditors. The ability to service debt, and ultimately continue as a going concern, depends on the group's cash flow from operating activities. The group regularly monitors cash flow situation by setting up prognoses and 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.

To be able to maintain a sufficient flexibility in the source of funding, the group has unutilised borrowing facilities of NOK 235 million as at 31st of December 2018. In addition, the group has cash and cash equivalents of NOK 357 million as at 31st of December 2018 (NOK 249 million as at 31st of December 2017).

EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors is pleased with the development of the group so far in 2019. Number of members have increased from 569,000 as at 31st of December 2018 to 703,000 as at 31st of March 2019.

On 1st of January 2019 SATS Holding AB, a wholly owned subsidiary of SATS AS, acquired 100% of the shares in Run Holding AS, the ultimate parent company of the Danish fitness chain fitness dk group. The acquisition was done with the aim of expanding the SATS concept to the Danish fitness market, and is expected to ensure profitability for the acquired entities by rebranding the club profiles and reduce expenses through economies of scale.

On 3rd of January 2019 SATS Norway AS, a wholly owned subsidiary of SATS AS, acquired 100% of the shares in Fitness.Xpress AS. Fitness.Xpress AS owned three fitness clubs in Oslo, of which two have now been rebranded to SATS and one has been demerged into Fresh Fitness AS and rebranded to a Fresh Fitness. On 2nd of May 2019, SATS Sports Club Sweden AB, a wholly owned subsidiary of SATS AS, acquired 100% of the shares in Gym & Motion i Åkersberga AB Gym & Motion i Åkersberga owned three fitness clubs located in Åkersberga municipality north of Stockholm, which are currently being integrated and rebranded to the SATS concept. Both acquisitions are part of the group's effort to further strengthen its clusters.

The Board of Directors is not aware of any other events that occurred after the balance sheet date, or any new information regarding existing matters, that can have a material effect on the 2018 group financial statements. Please see note 28 Events after the balance sheet date for further information.

Oslo, 4th of June 2019

Hugo Lund Maurstad
Chair of the Board

Bjørn Maaseide
Board Member

Eivind Roald
Board Member

Siren Sundby
Board Member

Søren Rene Kristiansen
Board Member

Sondre Gravir
CEO

THE BOARD

Hugo Lund Maurstad
Chair of the Board

Søren Rene Kristiansen
Board Member

Bjørn Maaseide
Board Member

Siren Sundby
Board Member

Eivind Roald
Board Member

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts in NOK thousand for the period ended 31 December)	Notes	**2018**	2017
Revenue	4,8	3,259,139	3,250,061
Total revenue		**3,259,139**	**3,250,061**
Cost of goods sold	7	80,389	69,716
Personnel expenses	6	1,223,995	1,242,817
Property lease expenses	20	1,014,650	1,050,960
Depreciation and amortisation	11,12	163,115	160,066
Other operating expenses	7	408,781	403,208
Operating expenses excluding impairment[1)]		**2,890,930**	**2,926,767**
Operating profit excluding impairment		**368,209**	**323,294**
Impairment of intangible assets	11	264,811	0
Operating profit		**103,397**	**323,294**
Interest income		75	273
Finance income	9	21,713	15,047
Interest expense		-65,304	-83,352
Finance expense	9	-25,762	-72,757
Net financial items		**-69,278**	**-140,790**
Profit/(loss) before tax		**34,119**	**182,504**
Income tax expense	10	29,905	37,938
Profit/(loss) for the year		**4,214**	**144,566**
Profit/(loss) for the year is attributable to:			
Equity holders of the parent company		2,347	145,534
Non-controlling interests		1,867	-969
Total allocation		**4,214**	**144,566**
Earnings per share in NOK			
Basic earnings per share attributable to the ordinary equity	18	0.08	5.18
Diluted earnings per share attributable to the ordinary equity	18	0.08	5.18

1) For further information regarding Operating profit excluding impairment, please see appendix non-GAAP measures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
(Amounts in NOK thousand for the period ended 31 December)		
Profit/(loss) for the year	**4,214**	**144,566**
Other comprehensive income		
Foreign exchange rate changes- may be reclassified to profit or loss	31,832	11,026
Other comprehensive income, net of tax	**31,832**	**11,026**
Total comprehensive income	**36,046**	**155,592**
Total comprehensive income is attributable to:		
Equity holders of the parent company	34,135	155,204
Non-controlling interests	1,911	388
Total comprehensive income	**36,046**	**155,592**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2018	31.12.2017
(Amounts in NOK thousand)			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	11	2,313,021	2,293,123
Trademark	11	0	264,811
Internally developed software	11	58,481	58,301
Rights under lease arrangements	11	197	336
Total non-current intangible assets		**2,371,699**	**2,616,571**
Property, plant and equipment			
Leasehold improvements	12	365,705	338,077
Fitness equipment	12	183,676	162,780
Other equipment, fixture and fittings	12	48,699	57,745
Total non-current property, plant and equipment		**598,080**	**558,603**
Financial assets			
Derivative financial instruments	24	2,763	0
Other non-current receivables	26	131,071	1,104
Total non-current financial assets		**133,834**	**1,104**
Deferred tax assets	10	**76,091**	**91,425**
Total non- current assets		3,179,704	3,267,703
CURRENT ASSETS			
Inventories	14	28,385	30,021
Other current receivables	26	118,651	18,390
Accounts receivable	15	118,670	98,840
Prepaid expenses and accrued income	15	226,783	212,814
Cash and cash equivalents	16	357,219	249,115
Total current assets		**849,708**	**609,179**
Total assets		**4,029,412**	**3,876,882**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK thousand)	Notes	31.12.2018	31.12.2017
EQUITY			
Share capital	17	224,575	224,575
Share premium		2,270,353	2,270,353
Other reserves		-1,276,379	-1,308,167
Retained earnings		-154,720	-148,771
Non controlling interests		-1,206	-3,246
Total equity		**1,062,623**	**1,034,744**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	83,094	125,466
Borrowings	19	1,787,125	1,713,940
Finance lease liability	20	3,826	4,635
Derivative financial instruments	24	0	1,683
Total non-current liabilities		**1,874,045**	**1,845,724**
Current liabilities			
Borrowings	19	60,000	60,000
Finance lease liability	20	4,740	4,630
Contract liability	25	431,019	400,504
Trade and other payables		107,120	103,689
Current tax liabilities	10	45,733	16,274
Public fees and charges payable		98,161	62,616
Other current liabilities	25	345,971	348,701
Total current liabilities		**1,092,744**	**996,414**
Total liabilities		**2,966,789**	**2,842,138**
Total equity and liabilities		**4,029,412**	**3,876,882**

Oslo, 4th of June 2019

Hugo Lund Maurstad
Chair of the Board

Bjørn Maaseide
Board Member

Eivind Roald
Board Member

Siren Sundby
Board Member

Søren Rene Kristiansen
Board Member

Sondre Gravir
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK thousand)	Share capital	Share premium	Other reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Equity 1 January 2017	221,929	2,250,724	-1,317,837	-252,387	902,429	-3,634	898,795
Profit/(loss) for the year				145,534	145,534	-969	144,566
OCI for the year			9,670		9,670	1,356	11,026
Total comprehensive income for the year	**0**	**0**	**9,670**	**145,534**	**155,204**	**388**	**155,592**
Capital injection	2,646	19,629			22,276		22,276
Other items				-7,001	-7,001		-7,001
Change in minority interests				-34,917	-34,917		-34,917
Equity 31 December 2017	**224,575**	**2,270,353**	**-1,308,167**	**-148,771**	**1,037,991**	**-3,246**	**1,034,744**
Equity 1 January 2018	**224,575**	**2,270,353**	**-1,308,167**	**-148,771**	**1,037,991**	**-3,246**	**1,034,744**
Profit/(loss) for the year				2,347	2,347	1,867	4,214
OCI for the year			31,788		31,788	44	31,832
Total comprehensive income for the year	**0**	**0**	**31,788**	**2,347**	**34,135**	**1,911**	**36,046**
Other items				-8,167	-8,167		-8,167
Change in minority interests				-129	-129	129	0
	224,575	**2,270,353**	**-1,276,379**	**-154,720**	**1,063,830**	**-1,206**	**1,062,623**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018	2017
(Amounts in NOK thousand for the period ended 31 December)			
Cash flow from operating activities			
Profit before tax		34,119	182,504
Adjustment for:			
Taxes paid in the period	10	-20,843	-25,776
(Gain)/loss from disposal or sale of gym equipment	12	-608	1,083
Depreciation, amortisation and impairment	11,12	427,927	160,066
Net financial items	9	69,278	140,790
Change in inventory	14	1,635	-16,571
Change in accounts receivable	15	-19,831	17,177
Change in trade payables		3,432	-19,154
Change in other receivables and accruals	25	-58,174	2,483
Net cash flow from operations		**436,935**	**442,603**
Cash flow from investments			
Proceeds from sale of subsidiary		4,777	0
Purchase of property, plant and equipment	12	-197,510	-153,721
Acquisition of subsidiary		-22,958	0
Net cash flow from investments		**-215,691**	**-153,721**
Cash flow from financing			
Repayments of borrowings	19	-60,000	-19,994
Proceeds from borrowings	19	150,000	0
Interests borrowings	19	-76,684	-144,951
Other financial items	9	-127,184	0
Net cash flow from financing		**-113,868**	**-164,945**
Net increase/(decrease) in cash and cash equivalents		**107,377**	**123,937**
Effect of foreign exchange changes on cash and cash equivalents		727	1,129
Cash and cash equivalents at the beginning of the period		249,115	124,048
Cash and cash equivalents at the end of period	16	**357,219**	**249,115**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 General information

SATS is the Nordic region's leading and largest provider in the health and fitness sector, and operates through the brands SATS, ELIXIA, Fresh Fitness and HiYoga. SATS AS is a subgroup of SATS Group AS, which was established on 5 June 2014 through a merger of the two groups Health & Fitness Nordic and Elixia Holding IV. The group is 90% owned by SATS Group AS, 9% owned by SATS Management Invest AS and 1% owned by Hansemgruppen Holding AS.

SATS AS (parent) and subsidiaries represent the leading training enterprise in the Nordic region with 203 wholly-owned fitness clubs. The business is run through wholly-owned subsidiaries in Norway, Sweden and Finland, and through subsidiaries with non-controlling interests in Norway and Sweden. The group is present in approximately 20 larger cities in these three countries.

The parent is a private limited liability company (Norwegian: aksjeselskap). The parent is registered and domiciled in Norway and has its head office in Nydalsveien 28, Oslo. The parent was established on 11 March 2011.

The consolidated financial statements were approved by the Board of Directors on June 4th, 2019.

NOTE 2 Basis of preparation

Financial reporting framework and basis of preparation
SATS AS' 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 consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value. The functional currency of the parent company is Norwegian Kroner (NOK), and this is also the presentation currency of both the parent and the group. All amounts are rounded to the nearest NOK thousand, unless stated otherwise.

Significant accounting estimates
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 31.

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 unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

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

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 AS' functional and presentation currency.

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

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

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

Revenue recognition
Please find a description of the nature of external revenues in the SATS in note 5 Revenue.

SATS adopted IFRS 15 Revenue from Contracts with Customers for the reporting period beginning on 1 January 2018. No comparative information has been restated. Hence, comparative information is prepared according to the principles of the previous revenue standard, IAS 18. Under IAS 18, the timing of revenue recognition from the sale of goods and services was based primarily on the transfer of risks and rewards. IFRS 15, instead, focuses on when control of those goods and services has transferred to the customer. This different approach may result in a change of timing for revenue recognition for some entities, but for SATS, the primary delivery of fitness center membership services is a benefit made available to the customers continuously over the membership subscription period, hence the revenue recognition criteria are equal under the new and the previous revenue standard. Equivalently, for the revenue recognition pertaining to the sale of goods from the fitness center stores and the delivery of PT-sessions, the transfer of the risk and reward related to the sold products under the old standard is equivalent to the timing of the control transfer under the new standard, not giving cause to differences in the timing of revenue recognitions from adopting IFRS 15. SATS has therefore not identified significant impact to the group's statement of financial position and equity as a result of implementing IFRS 15, and consequently no adjust the opening balance was recognized. As a result, accounting policies for comparative information according to IAS 18, and disclosures of the amounts by which line items are affected compared to revenue standards no longer in effect, is not provided in these financial statements.

Under IFRS 15 SATS recognizes as revenue the agreed transaction price in the contract with the customer at the time when the group transfers the control of a distinct product or service to a customer. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised net of VAT, discounts and foreign exchange effects if the transaction is in a foreign currency. Intra-group sales are eliminated on consolidation.

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

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

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

Investments and other financial assets
IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, Financial Instruments, from 1 January 2018 resulted in changes in accounting policies, but no adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 30. No comparative figures have been restated. On the date of initial application, 1 January 2018, the measurement category of the financial instruments of the group were as follows:

	Original IAS 39	**New IFRS 9**
Assets		
Trade and other receivables	Amortised cost	Amortised cost
Derivatives	FVPL	FVPL
Cash & cash equivalents	Amortised cost	Amortised cost
Liabilities		
Borrowings	Amortised cost	Amortised cost
Derivatives	FVPL	FVPL
Trade and other payables	Amortised cost	Amortised cost

Impairment of financial assets
The Group has trade receivables, contract assets and other short term receivables subject to IFRS 9's new expected credit loss model.

From 1 January 2018 the group has to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group was required to revise its impairment methodology under IFRS 9. The change in impairment methodology did not result in any restatement to the group's impairment provision or retained earnings.

While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial. For trade receivables and contract assets, the group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables and contract assets. This has not resulted in any change to the impairment provision for trade receivables per 1 January 2018.

NOTE 4 Segment information

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

The group's chief operating decision makers is the Nordic Management Group, consisting of the CEO, the group functions (CFO, CCO, CDO and HR-director), and the country managers. The Nordic Management Group is responsible for allocating resources and assessing the performance of the segments.

The group's performance is reviewed by the Nordic Management Group by the geographical area of operations which are identified as Norway, Sweden and Finland. The "group function and other" column relates to other business activities such as HQ-functions and other unallocated items (mainly derivatives, amortisation and impairment of intangible assets) as well as intercompany transactions.

The Nordic Management Group primarily uses a measure of earnings before interest, tax, depreciation and amortisation (Underlying EBITDA, please see below and appendix non-GAAP measures) 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 per cent or more of total revenues.

Revenue recognition
The revenue recognition criterias in the segment information note are based on the groups 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	Group functions and other	**Total**
(Amounts in NOK thousand)					
Financial year 2018					
Revenue					
Membership fees	1,339,713	961,583	263,787	0	2,565,083
Other	379,238	263,713	50,997	108	694,056
Total revenue	**1,718,951**	**1,225,296**	**314,784**	**108**	**3,259,139**

EBITDA[1] and Underlying EBITDA[1] reconciles to profit before tax as follows:

	Norway	Sweden	Finland	Group functions and other	Total
EBITDA[1]	391	221,071	15,392	29,659	266,513
Underlying EBITDA[1]	265,202	221,071	15,392	29,659	531,324
Depreciation and amortisation	-68,073	-45,774	-17,160	-32,109	-163,115
Impairment of intangible assets	-264,811	0	0	0	-264,811
Net financial items	-2,746	2,193	-2,599	-66,126	-69,278
Tax	35,830	-31,631	0	-34,104	-29,905
Profit/(loss) for the year	**-34,598**	**145,859**	**-4,367**	**-102,680**	**4,214**

	Norway	Sweden	Finland	Group functions and other	Total
Financial year 2017					
Revenue					
Membership fees	1,346,264	961,560	267,226	0	2,575,050
Other	347,618	271,971	55,422	0	675,011
Total revenue	**1,693,882**	**1,233,531**	**322,648**	**0**	**3,250,061**

EBITDA[1] reconciles to profit before tax as follows:

	Norway	Sweden	Finland	Group functions and other	Total
EBITDA[1]	242,359	223,220	-569	18,349	483,360
Depreciation and amortization	-75,610	-43,457	-17,389	-23,610	-160,066
Net financial items[2]	-25,701	-11,867	-6,061	-97,161	-140,790
Tax	-11,724	-26,215	0	0	-37,938
Profit/(loss) for the year	**129,324**	**141,682**	**-24,018**	**-102,422**	**144,566**

[1] *For further information regarding EBITDA and Underlying EBITDA, please see appendix non-GAAP measures.*

Financial statement positions 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	Group functions and other	**Total**
(Amounts in NOK thousand)					
Financial year 2018					
Non- current tangible assets[2)]	283,615	231,827	82,638	0	598,080
Current assets	569,236	681,675	95,049	-496,251	849,710
Total assets	2,477,974	1,142,461	733,713	-324,735	4,029,412
Total liabilities	538,509	488,199	85,546	1,854,534	2,966,789
Investments	69,765	67,211	20,823	39,711	197,510
Financial year 2017					
Non- current tangible assets[2)]	267,661	211,178	79,763	0	558,603
Current assets	490,424	626,937	81,013	-589,195	609,179
Total assets	2,654,195	1,010,058	743,006	-530,377	3,876,882
Total liabilities	708,667	581,234	164,146	1,388,092	2,842,138
Investments	57,122	40,247	13,622	42,730	153,721

[2)] *Total non-current assets consist mainly of capitalised improvements on the leased fitness center facilities and fitness equipment, and excludes financial instruments, deferred tax assets, post employment benefit assets, and rights arising under insurance contracts.*

NOTE 5 Revenue, contract assets and advanced payments from customers

Disaggregation of revenue
In accordance with IFRS 15 management analyses the revenue contracts with customers and disaggregates the revenue into the following product categories, which depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:
- Membership fees, consisting of subscription and joining fees.
- Other revenue, mainly consisting of PT and product sales.

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

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

The customers enters into a contract with SATS when signing up for a subscriptions, either through the website registration page, at a fitness center, through customer service center or sales representatives. The customer chooses the preferred subscription arrangement, where the terms, adjusted for any given rebates, are the same for all customers. The normal subscription-binding 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, a customer can receive free months if agreeing to a corresponding addition to the binding subscription period. The transaction price will be calculated based on the monthly subscription fee multiplied with the commitment period, i.e. twelve month 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, a membership card, an automatic payment arrangement and a free PT introduction session. This introduction session has commercial value to the customer, and normally the customer utilize the PT-instruction the first month after the contract inception date.

As the customer has accepted the subscription arrangement when entering into a membership agreement, whether or not the new member choses to utilize the free PT introduction session, management has assessed that the performance obligation related to the joining arrangement has been satisfied at the membership inception date, and the joining fee is consequently recognized as revenue at the subscription contract date. All other revenue related to membership subscriptions is recognized over the membership period.

Revenue recognition – Other
Personal training sessions
Personal training (PT) sessions, where customers gets advice, motivations and guidance from a certified fitness instructor, are offered as an additional service to SATS membership subscribers. PT sessions can be purchased individually or as prepaid access cards containing a given number of sessions. The price of a PT-session is determined by the experience level of the instructor, the numbers of participant at each session and the number of prepaid sessions included on the access cards. The customer simultaneously receives and consumes the benefits provided by the Personal Trainers as the sessions unfolds, the performance obligations is satisfied when the session is delivered. Revenue related to PT-sessions is thus recognized at the point in time when the session is carry out.

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

Sales are recognised when control of the products has transferred, being 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, not materially affecting the revenue recognition from sale of goods.

Disaggregation of revenue from contracts with customers

(Amounts in NOK thousand)	Membership fees	Other	**2018**
Norway	1,339,713	379,238	1,718,951
Sweden	961,583	263,713	1,225,296
Finland	263,787	50,997	314,784
Group functions and other	0	108	108
Revenue from contracts with customers	**2,565,083**	**694,056**	**3,259,139**
At a point in time revenue recognition			
Other			694,056
Membership fees			62,073
Total at a point in time revenue recognition			**756,129**
Over time revenue recognition			
Membership fees			2,503,010
Total over time revenue recognition			**2,503,010**

(Amounts in NOK thousand)	Membership fees	Other	**2017**
Norway	1,346,264	347,618	1,693,882
Sweden	961,560	271,971	1,233,531
Finland	267,226	55,422	322,648
Revenue from contracts with customers	**2,575,050**	**675,011**	**3,250,061**
At a point in time revenue recognition			
Other			675,011
Membership fees			57,320
Total at a point in time revenue recognition			**732,331**
Over time revenue recognition			
Membership fees			2,517,730
Total over time revenue recognition			**2,517,730**

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

Practical expedient
Upon implementation of IFRS 15, management has decided to use the practical expedient under IFRS 15.C5 and not disclose 2017 comparative figures for the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

Management expects that minimum 90% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the next financial year. The remaining 10% is expected to be recognised in the 2020 financial year. The amount disclosed above does not include variable consideration.

Contract assets
Upon adoption of IFRS 15, 'Work in progress' in its entirety is now recognized as an IFRS 15 contract asset, as per the opening balance sheet of 1 January 2018 in the amount of TNOK 59 704.

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 are normally payed over 6 months, whereas access to 50 PT-sessions are normally payed over 12 months.

Contract assets are assessed for impairment in accordance with IFRS 9. As of 31 December 2018, contract assets have been reviewed for impairment, with no material impaired charge recognized.

Contract liabilites (Advance payments from customers)
Advance payments from customers is 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 groups services. Non-redeemed gift cards relates to pre-payments from customers related to the use of PT training sessions. Unused gift cards are recognized as revenue at the card's expiry date, normally after one year.

The following table shows the revenue recognized in 2018, that relates to advance payments from customers.

Contract liabilities	**2018**
(Amounts in NOK thousand)	
Contract liabilities as of the balance sheet date	
Membership subscriptions	265,785
Gift Cards	2,492
PT-sessions	165,233

Revenue recognised from contract liabilities	**2018**
(Amounts in NOK thousand)	
Revenue recognised in this period that was included in the contract liability balance at the beginning of the period	
Membership subscriptions	246,335
Gift Cards	2,155
PT-sessions	154,169

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 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period. The liabilities are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

Personnel expenses	**2018**	2017
(Amounts in NOK thousand)		
Salary expenses including bonuses, vacation pay and other costs	1,052,224	1,072,561
Social security cost	128,617	126,721
Pension costs	43,154	43,536
Total personnel expenses	**1,223,995**	**1,242,817**

Full time equivalent	**2018**	2017
Norway	1,018	1,182
Sweden	663	698
Finland	217	245
Total	**1,898**	**2,125**

Pensions

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 meets the requirements according to Finnish laws and regulations. The pension plans cover all employees and are reported as defined contribution under IFRS.

As of 31 December 2018, the group had obligations of NOK 10 794 thousand (NOK 5 567 thousand as of 31 December 2017). As of 31.12.2018 and 31.12.2017, the scheme covered 3 998 (4 029) employees.

The group recognised an expense of NOK 43 154 thousand in 2018 (NOK 43 536 thousand in 2017) related to defined contribution plans.

Remuneration to executive personnel	Salary	Bonus	Pension	Other benefits	**Total**
(Amounts in NOK thousand)					
Financial year 2018					
Group CEO, Country Manager and Chair of the Board	4,372	6,360	56	288	11,076
Corporate management, including the group CEO	7,597	7,908	253	459	16,217
Financial year 2017					
Group CEO, Country Manager and Chair of the Board	3,121	2,964	32	228	6,345
Corporate management, including the group CEO	5,941	4,166	95	309	10,511

The salary of the group CEO is determined by the Board. Bonus is based on performance targets for the actual year. The maximum size of bonus payment to the group CEO is determined by the Board and has an upper limit of 75% of annual base salary. The group CEO has up to 6 months of paid termination notice after notice period if the company terminates the employment relationship. No loans or pledges have been given to the group CEO, Chair of the Board or other related parties. Corporate management owns 250 000 C-shares in SATS Management Invest AS.

Board of Directors' compensation
There was no compensation to the board members besides the remunerations described above.

NOTE 7 Other operating expenses and Cost of goods sold

Other operating expenses by nature	**2018**	2017
(Amounts in NOK thousand)		
Repair and maintenance expenses	59,040	77,225
Sales and advertising	111,300	112,263
Administrative expenses	12,055	24,264
IT expenses	89,672	26,166
Loss on receivables	33,606	42,397
Consultant services	7,239	25,127
Other operating expenses	95,869	95,765
Total other operating expenses	**408,781**	**403,208**

Please see note 15 Accounts receivable and other current receivables for further information about receivables, and note 23 Financial risk factors for further information about the group's risk management procedures.

Auditor's remuneration	**2018**	2017
(Amounts in NOK thousand)		
Expensed auditor fees:		
Statutory audit (including technical assistance – annual accounts)	2,958	3,147
Other attestation and assurance services	657	429
Tax advice (including technical assistance corporate tax papers)	64	268
Total auditor's remuneration	**3,679**	**3,845**

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

NOTE 8 Net gain/(loss)

Net gain/(loss)	**2018**	2017
(Amounts in NOK thousand)		
Net gain/(loss) on disposal of property, plant and equipment	-608	-5,723
Net foreign exchange gains/(losses)	-3,222	-2,905
Total Net (gain)/loss	**-3,830**	**-8,628**

NOTE 9 Financial income and financial expenses

Financial income	**2018**	2017
(Amounts in NOK thousand)		
Foreign exchange gains unrealised	0	4,161
Foreign exchange gains realised	130	2,215
Net gain derivatives unrealised	14,409	7,011
Other finance income	7,174	1,659
Total financial income	**21,713**	**15,047**

Financial expenses	**2018**	2017
(Amounts in NOK thousand)		
Foreign exchange losses unrealised	2,363	0
Foreign exchange losses realised	1,726	5,120
Net loss derivatives unrealised	9,962	1,784
Other finance expenses	11,711	65,853
Total financial expenses	**25,762**	**72,757**

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 to 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 recognised 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 recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised 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 realise the asset and settle the liability simultaneously.

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

Tax expense/(income)	**2018**	2017
(Amounts in NOK thousand)		
Tax payable	-45,733	-16,274
Change in deferred tax/tax asset as a result of the changed tax rate	-21	1,970
Tax group contribution	-7,343	0
Adjustment deferred tax prior year	-12,797	-2,075
Change in deferred tax	35,989	-21,559
Total tax (income)/expense	**-29,905**	**-37,938**

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

Deferred tax	**2018**	2017
(Amounts in NOK thousand)		
Fixed assets	396	1,180
Amortized borrowing cost	0	756
Intangible assets	34,277	92,550
Gain and loss account	13,392	123
Financial instruments	608	0
Untaxed reserves	33,313	29,698
Other items	1,108	1,159
Total deferred tax relating to temporary differences	**83,094**	**125,466**
Carrying value deferred tax liabilities	**83,094**	**125,466**

Deferred tax assets	2018	2017
(Amounts in NOK thousand)		
Fixed assets	-21,500	-23,998
Receivables	-21,134	-16,867
Intangible assets	-18,434	0
Gain and loss account	-252	-329
Financial instruments	0	-387
Losses carried forward	-13,920	-48,914
Other items	-851	-930
Total deferred tax assets relating to temporary differences and losses carried forward	**-76,091**	**-91,425**
Non-recognised deferred tax assets relating to losses and precluded interest deductions carried forward		
Carrying value deferred tax assets	**-76,091**	**-91,425**

Explanation of the change in the deferred tax	2018	2017
(Amounts in NOK thousand)		
Carrying value deferred tax at 1 January	125,466	135,488
Change in deferred tax liability	-42,372	-10,022
Carrying value deferred tax at 31 December	**83,094**	**125,466**

Explanation of the change in the deferred tax assets	2018	2017
(Amounts in NOK thousand)		
Carrying value deferred tax assets at 1 January	-91,425	-104,108
Change in deferred tax assets	15,334	12,683
Carrying value deferred tax assets at 31 December	**-76,091**	**-91,425**

Losses carried forward as of 31 December 2018	2018	2017
Tax jurisdiction		
Norway (unlimited expiration)	31,301	169,734
Finland	147,025	149,942
Total losses carried forward	**178,326**	**319,675**

Losses carried forward as of 31 December 2018 – Finland

Unused tax losses incurred	Expiration year	Unused tax losses
2017	2027	10,385
2016	2026	385
2014	2024	25,904
2013	2023	15,691
2012	2022	18,611
2011	2021	22,428
2010	2020	15,273
2009	2019	19,804
2008	2018	18,544
Total losses carried forward as of 31 December 2018		**147,025**

Reconciliation of tax expense	**2018**	2017
(Amounts in NOK thousand)		
Profit before tax		
Norway	-71,302	97,986
Sweden	109,788	108,536
Finland	-4,367	-24,018
Corporate Tax rates		
Norway, 23% (2017: 24%)	16,400	-23,517
Sweden, 22% (2017: 22%)	-24,153	-23,878
Finland, 20% (2017: 20%)	873	4,804
Reconciling items:		
Non-deductible expenses	-4,465	-5,334
Tax exempt income	0	1,425
Unused tax losses not recognised as deferred tax assets	-6,152	-2,684
Effect of tax depreciation and tax funds in Swedish subsidiaries[1)]	0	1,965
Foreign currency effects	739	-353
Limited interest deduction Norwegian subsidiaries	0	1,476
Group adjustments without tax effects	-23	1,022
Corrections of prior year tax assessments	-12,936	-2,076
Changes in Norwegian nominal tax rate	301	9,207
Others	-489	3
Calculated tax expense/(income)	**-29,905**	**-37,938**
Weighted average tax rate	-87.6%	-20.8%

[1)] *Swedish 'överavskrivning' and 'p-fond'*

Significant estimates and assumptions
Unused tax losses in Norway that are recognised as a deferred tax asset are related to the entities SATS Vest AS (NOK 13 409 thousand) and SATS Grenland AS (NOK 17 892 thousand).

Unused tax losses in SATS Vest AS are entirely related to Aquarama Trening AS. Aquarama Trening AS merged into SATS Vest AS in 2018. The merged entity has a positive operating profit and is expected to be in a position to utilise the unused tax losses through group contributions.

The remaining unused tax losses in SATS Vest AS and Elixia Grenland AS do not expire.

SATS Finland was acquired by SATS Holding AB in 2003. Deferred tax assets are related to unused tax losses of NOK 147 025 thousand in SATS Finland. The tax losses must be utilised according to the table above. SATS Finland Oy merged with Elixia Finland Oy on 1 January 2016 and expects to be in a position to utilise the remaining unused tax losses over the next 3 to 5 years, because the merged entity is expected to deliver positive results. Fresh Fitness Oy merged into SATS Finland in March 2018, and the new Finnish entity with a new Country Manager in place, is expected to give positive financial results in upcoming years.

NOTE 11 Intangible assets

Goodwill
The fitness clubs in Norway, Sweden and Finland (the segments) are considered to be the three 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 and Finland are therefore deemed the smallest group of assets that independently generates 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, taken into account expectations for moderate growth in the Norwegian, Swedish and Finnish markets. Calculation of the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

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

Trademark
Per 2017, the group had recognized NOK 265 million as intangible assets related to the brand name ELIXIA. The brand name was acquired through a business combination in 2014, where the brand name asset was recognized at fair value at the acquisition date.

As of 2018, management has decided to implement a new branding strategy where the main goal is to harmonize the marketing profile across markets and regions of operations.

The new market strategy aimed to re-brand all the group's fitness centers, except Fresh Fitness-centers, under the logo SATS and SATS Base, and consequently the name ELIXIA will no longer be used. All existing fitness centers in Norway and Sweden have been branded under the SATS logo, hence management has estimated that little future expected cash flows from the brand name ELIXIA is expected to be generated. The value of the brand name has per the 2018 balance sheet date been determined to be nill.

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

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

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

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

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

Goodwill	Norway	Sweden	Finland	**Total goodwill**
(Amounts in NOK thousand)				
At 1 January 2017				
Cost	1,762,029	148,942	528,497	2,439,468
Accumulated impairment	-198,916	0	0	-198,916
Net book amount	**1,563,113**	**148,942**	**528,497**	**2,240,552**
Year ended 31 December 2017				
Opening net book amount	1,563,113	148,942	528,497	2,240,552
Effect of changes in foreign exchange Cost	0	7,955	43,856	51,811
Additions	272	488	0	760
Closing net book amount	**1,563,385**	**157,385**	**572,353**	**2,293,123**
At 31 December 2017				
Cost	1,762,301	157,385	572,353	2,492,039
Accumulated impairment	-198,916	0	0	-198,916
Net book amount	**1,563,385**	**157,385**	**572,353**	**2,293,123**
Year ended 31 December 2018				
Opening net book amount	1,563,385	157,385	572,353	2,293,123
Effect of changes in foreign exchange Cost	0	-5,505	6,173	667
Additions	0	29,162	0	29,162
Historic adjustment	0	0	-9,931	-9,931
Closing net book amount	**1,563,385**	**181,041**	**568,595**	**2,313,021**
At 31 December 2018				
Cost	1,762,301	181,041	578,526	2,521,868
Accumulated impairment	-198,916	0	-9,931	-208,847
Net book amount	**1,563,385**	**181,041**	**568,595**	**2,313,021**
Useful life	Indefinite	Indefinite	Indefinite	
Amortisation method	Not amortised	Not amortised	Not amortised	

Other intangible assets	Trademark	Internally developed software[1]	Other	**Total other intangible assets**
(Amounts in NOK thousand)				
At 1 January 2017				
Cost	264,811	138,947	4,043	407,802
Accumulated amortisation and impairment	0	-102,153	-3,143	-105,295
Net book amount	**264,811**	**36,795**	**900**	**302,506**
Year ended 31 December 2017				
Opening net book amount	264,811	36,795	900	302,506
Effect of changes in foreign exchange Cost	0	8,374	8	8,382
Effect of changes in foreign exchange accumulated depreciation	0	-5,958	0	-5,958
Additions	0	42,751	0	42,751
Disposals cost	0	0	-433	-433
Amortisation charge	0	-23,660	-139	-23,799
Closing net book amount	**264,811**	**58,301**	**336**	**323,448**
At 31 December 2017				
Cost	264,811	190,072	3,618	458,501
Accumulated amortisation and impairment	0	-131,771	-3,282	-135,052
Net book amount	**264,811**	**58,301**	**336**	**323,448**
Year ended 31 December 2018				
Opening net book amount	264,811	58,301	336	323,448
Effect of changes in foreign exchange Cost	0	-4,243	0	-4,243
Effect of changes in foreign exchange accumulated depreciation	0	2,650	0	2,650
Additions	0	33,887	0	33,887
Amortisation charge	0	-32,114	-139	-32,253
Impairment loss	-264,811	0	0	-264,811
Closing net book amount	**0**	**58,481**	**197**	**58,678**
At 31 December 2018				
Cost	264,811	219,716	3,618	488,145
Accumulated amortisation and impairment	-264,811	-161,235	-3,421	-429,467
Net book amount	**0**	**58,481**	**197**	**58,678**
Useful life	Indefinite	3 years	1–10 years	
Amortisation method	Not amortised	Straight-line	Straight-line	

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

Significant estimate: key assumptions used for value-in-use calculation
When impairment testing goodwill and trademark, management has used a 5 year discounted cash flow to assess the value in use.

Estimated future EBITDA (operating profit before depreciation, amortisation and impairment) is based on business plans approved by the board. The business plans are based on management's best estimate, reflecting the groups 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 assumes continuing operation of the CGUs and is calculated based on a "value in use" method.

Present value of estimated future cash flows for each CGU is calculated using a weighted cost of capital (WACC) after tax of 7,2% for Finland (2017: 6,7%) and 8,3% for Norway (2017: 7,6%) and 7,1% for Sweden (2017: 7,0%). 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 noother country specific risk adjustment has been done as the Nordic region is assumed to be subject to a similar macroeconomic risk profile.

This is based on a risk-free rate as stipulated below, plus a risk premium. The market risk premium is assumed to be 6% and the beta is based on observations of similar listed companies. The risk-free interest rate is the 10 year government bond interest rate, 1,8% in Norway, 0,5% in Sweden, and 0,6% in Finland.

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

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.

WACC	Norway	Sweden	Finland
Risk- free interest rate	1.8%	0.5%	0.6%
Credit spread	4.0%	4.0%	4.0%
Market premium	6.0%	6.0%	6.0%
Unlevered beta	0.6	0.6	0.6
Entity specific risk element	3.0%	3.0%	3.0%
WACC after tax	**8.3%**	**7.1%**	**7.2%**

The following table sets out the change in the key assumptions that all else equal would make the estimated recoverable amount equal to the carrying amount:

Percent change in key assumption	Norway	Sweden	Finland
EBITDA	-50%	-82%	-10%
WACC	6 p.p.	60 p.p.	0.5 p.p.
Terminal growth rate	-7 p.p.	-10 000 p.p.	-0.5 p.p.

NOTE 12 Property, plant and equipment

Property, plant and equipment
All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised 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 amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Management has performed a review of the economic useful life for fixed assets, resulting in adjustments to the depreciation periods for certain groups of assets. With effect from 1 January 2017, the depreciations period for exercise equipment and other fixtures and equipment has been prolonged with two years compared to prior year.

Please see note 22 Assets pledged as security for further information on assets pledged as security for the group's liabilities

Property, plant and equipment	Capitalised leasehold improvements	Fitness equipment	Other fixtures and equipement	Total fixed assets
(Amounts in NOK thousand)				
At 1 January 2017				
Cost	792,174	626,379	382,799	1,801,352
Accumulated depreciation	-457,064	-462,404	-314,870	-1,234,337
Net book amount	**335,110**	**163,975**	**67,929**	**567,015**
Year ended 31 December 2017				
Opening net book amount	335,110	163,975	67,929	567,015
Effect of changes in foreign exchange cost	27,471	16,998	10,382	54,851
Effect of changes in foreign exchange accumulated depreciation	-17,319	-13,766	-8,987	-40,072
Acquisition of subsidiary	9,949	28,316	4,707	42,972
Additions[1)]	62,207	29,570	19,193	110,970
Disposals cost	-30,359	-55,109	-20,200	-105,668
Disposals accumulated depreciation	24,087	48,027	19,525	91,639
Accumulated depreciation acquisition of subsidiary	-5,401	-18,353	-3,518	-27,271
Depreciation charge[2)]	-67,668	-36,878	-31,287	-135,833
Closing net book amount	**338,077**	**162,780**	**57,745**	**558,602**
At 31 December 2017				
Cost	861,442	646,153	396,882	1,904,477
Accumulated depreciation and impairment	-523,365	-483,374	-339,136	-1,345,875
Net book amount	**338,077**	**162,780**	**57,745**	**558,602**
Pledged as security for liabilities				**558,602**
Year ended 31 December 2018				
Opening net book amount	338,077	162,780	57,745	558,602
Effect of changes in foreign exchange cost	-6,239	-4,575	-3,233	-14,047
Effect of changes in foreign exchange accumulated depreciation	3,208	3,539	2,804	9,551
Acquisition of subsidiary	8,722	9,049	1,760	19,531
Additions[1)]	90,057	58,549	15,017	163,623
Disposals cost	-11,808	-15,848	-20,603	-48,259
Disposals accumulated depreciation	11,728	14,953	20,591	47,272
Accumulated depreciation acquisition of subsidiary	-2,164	-3,711	-1,455	-7,330
Depreciation charge[2)]	-65,876	-41,060	-23,927	-130,863
Closing net book amount	**365,705**	**183,676**	**48,699**	**598,080**
At 31 December 2018				
Cost	942,173	693,329	389,822	2,025,324
Accumulated depreciation and impairment	-576,468	-509,653	-341,123	-1,427,244
Net book amount	**365,705**	**183,676**	**48,699**	**598,080**
Pledged as security for liabilities				**598,080**
Useful life	10 years[3)]	5–9 years	5–7 years	
Depreciation method	Straight line	Straight line	Straight-line	

1) *Finance leased assets are included in additions. Please see note 20 Leases.*
2) *With effect from 1 January 2017 the group has changed the estimated useful life of fitness equipment from 3-7 years to 5-9 years and other fixtures and equipment from 3-5 years for 5-7 years.*
3) *Leasehold improvements relates to refurbishments of leased premises. These lease contracts have a contract period of 10 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 13 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%
Metropolis Health Club AB	556648-9497	Stockholm	Sweden	85%	85%
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	59%	59%

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

In 2018 the subsidiary Scandinavian Academy of Fitness Education S.A.F.E AB was sold.

NOTE 14 Inventories

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

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

(Amounts in NOK thousand)	**2018**	2017
Inventories at cost	29,093	28,225
Impairment	-862	0
Impairment reversal	154	1,796
Total inventories	**28,385**	**30,021**

The book value of pledged inventories is NOK 28 385 thousand as of 31 December 2018 (NOK 30 021 thousand as of 31 December 2017). Please see note 22 Assets pledged as security for further information on the pledged inventories.

NOTE 15 Accounts receivable and other current receivables

Accounts receivable
Accounts receivables are measured at amortised cost using the effective interest method, less provision for impairment. Please see note 23 Financial risk factors for a description of the group's credit risk assessment.

Impairment of accounts receivable and contract assets (financial asset at amortized cost)
As of 1 January 2018 accounts receivables, contract assets and other current receivables are measured at amortized cost. Impairment losses are measured at lifetime expected credit losses in accordance with IFRS 9. There was no material effect upon adoption of IFRS 9 related to the impairment of accounts receivable. The impairment model has been updated to be in compliance with IFRS 9.

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

SATS uses an impairment model with the following characteristics:

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

Loss allowance and ageing of accounts receivables	**2018**	2017
(Amounts in NOK thousand)		
Accounts receivable	304,837	256,764
Loss allowance	-186,167	-157,924
Total	**118,670**	**98,840**

Age of trade receivables	**2018**
Not due	95,994
30-60 days	57,168
60-90 days	19,220
90-120 days	6,395
120-365 days	42,889
>365 days	83,171
Total trade receivables, gross	**304,837**
Total trade receivables, net	**118,670**
Loss allowance at 31 December 2017	-157,924
Reversals during the year	3,682
Provisions during the year	-31,925
Loss allowance at 31 December 2018	**-186,167**

Other current receivables	**2018**	2017
Prepaid rent	87,084	81,063
Prepaid property expenses	13,371	14,618
Prepaid leasing	3,323	3,244
Contract asset	64,134	59,704
Other current receivables	58,871	54,185
Total other current receivables	**226,783**	**212,814**

NOTE 16 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 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.

	2018	2017
(Amounts in NOK thousand)		
Cash and cash equivalents	357,219	249,115
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	19,361	18,082

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

Please see note 23 Financial risk factors for further information about the group's managing of credit risk.

NOTE 17 Share capital

As of 31.12.2018, share capital amounts to NOK 224 575 thousand consisting of 28 071 892 ordinary shares at a face value of NOK 8 per share.

Overview of the shareholders as of 31 December 2018

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
SATS Group AS	25,288,586	90.1%	90.1%
SATS Management Invest AS	2,452,514	8.7%	8.7%
Hansemgruppen Holding AS	330,792	1.2%	1.2%
Total	**28,071,892**	**100.0%**	**100.0%**

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

Shares in SATS Management Invest held by the board of directors and executive management:

Name	Ownership percentage
Executive management	9.67%

The ownership is in SATS Management Invest AS.

NOTE 18 Earnings per share

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

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

Basic earnings per share	**2018**	2017
(Amounts in NOK thousand)		
From continuing operations attributable to the ordinary equity	0.08	5.18
Total basic earnings per share attributable to the ordinary equity	**0.08**	**5.18**
Total number of outstanding shares, including share options	28,071,892	28,071,892

Diluted earnings per share	**2018**	2017
(Amounts in NOK thousand)		
From continuing operations attributable to the ordinary equity	0.08	5.18
Total diluted earnings per share attributable to the ordinary equity	**0.08**	**5.18**
Total number of outstanding shares, including share options	28,071,892	28,071,892

Reconciliation of earnings used in calculating earnings per share	**2018**	2017
(Amounts in NOK thousand)		
Basic earnings per share		
Profit from continuing and discontinued operations attributable to the ordinary equity		
Profit from discontinued operation	2,347	145,534
Profit attributable to the ordinary equity used in calculating basic earnings per share	**2,347**	**145,534**
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity		
Used in calculating basic earnings per share	2,347	145,534
Used in calculating diluted earnings per share	2,347	145,534
Profit attributable to the ordinary equity used in calculating diluted earnings per share	**2,347**	**145,534**

NOTE 19 Borrowings

Borrowings

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised 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	**2018**	2017
(Amounts in NOK thousand)		
Current		
Bank borrowings	60,000	60,000
Finance lease	4,740	4,630
Total current interest-bearing liabilities	**64,740**	**64,630**
Non- current		
Bank borrowings	1,787,125	1,713,940
Finance lease	3,826	4,635
Total non-current interest- bearing liabilities	1,790,951	1,718,575
Total interest-bearing liabilities	**1,855,691**	**1,783,205**

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

The group entered into a new financing agreement with Swedbank on 29 September 2017. As a result of this all the groups borrowing facilities were refinanced in 2017. The new facilities are denominated in NOK, SEK and EUR where the applicable interest rate is the 3 month interbank rate in the respective country in addition to a margin ranging between 2.75 and 3.00 percentage points. The group has provided security for the bank borrowings, please see note 22 Assets pledged as security for further information.

Covenants

For covenants, please see note 29 Financial covenants.

Payment profile for the group's borrowings

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

Borrowing facilities	Less than 1 year	1–2 years	3–5 years	**Total**
Facility A (NOK)	60,000	180,000	250,000	490,000
Facility B (NOK)	0	0	433,000	433,000
Facility B (SEK)	0	0	746,384	746,384
Facility B (EUR)	0	0	170,885	170,885
Payment of interest	64,418	119,416	36,465	220,299
Payment profile for borrowings	**124,418**	**299,416**	**1,636,734**	**2,060,568**

NOTE 20 Leases

General
The group leases all of its fitness centers premises and some of the fitness equipment at the fitness centers. The group reviews all lease contracts and when the significant risks and benefits associated with the underlying leasing object is transferred to the entity the contracts are considered to be financial in character.

Finance lease
The group has mainly finance leases related to fitness equipment, including furniture, fittings and other equipment. Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 12). Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

None of the fitness center property lease contracts have been classified as financial leases.
None of the finance lease contracts have contingent rent.

The net carrying amount of each class of finance leased assets are as follows:

	Leasehold improvement	Fitness equipment	Furniture, fittings and other equipment	**Total net carrying amount**
(Amounts in NOK thousand)				
At 31 December 2018				
Cost 1 January	592	38,605	11,524	50,721
Effect of changes in foreign exchange		-30		-30
Additions		5,516		5,516
Disposals	-572	-3,957		-4,529
Cost 31 December	**20**	**40,134**	**11,524**	**51,678**
Accumulated depreciation	-20	-33,270	-11,524	-44,814
Net book amount 31 December	**0**	**6,864**	**0**	**6,864**

Commitments in relation to finance leases are payable as follows:

	2018	2017
(Amounts in NOK thousand)		
Within one year	5,117	5,070
One to five years	3,449	4,195
Minimum lease payments	**8,566**	**9,265**
Future finance charges	-1,075	-1,542
Recognised as a liability	**7,492**	**7,723**

None of the components of expenses related to finance leases were variable for 2018. The lease contracts relating to group company Fresh Fitness AS contain variable elements based on the interest rate, but this did not affect the expenses recognized in 2018.

The present value of finance lease liabilities are as follows:

(Amounts in NOK thousand)	**2018**	2017
Within one year	4,740	4,630
One to five years	2,752	3,093
Present value of lease payments	**7,492**	**7,723**

Operational leasing
The group's operational leasing contracts relate mainly to fitness centers and offices premises, expiring within one to 20 years. There are also some lease contracts related to fitness equipment and other equipment. The leases have varying terms, escalation clauses and renewal rights.

Leases are considered operational following an assessment of the individual agreement and in accordance with the content of the agreement. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Most leases contain a renewal option and in Sweden the fitness center leasing contracts are automatically renewed if not explicitly agreed otherwise. Rent is adjusted according to the CPI in each country every year. The group grant property lessors financial guarantee contracts on behalf of its subsidiaries. These financial guarantees contracts amounted to NOK 170 million as of 31 December 2018 (NOK 173 as of 31 December 2017). The guarantees are provided by SATS Holding AB. In addition there are 10 clubs as of 31 December 2018 where the lease contracts does not specify the guarantee amount.

A number of the lease agreements for the fitness centers include free fit-outs provided by the lessor as a lease incentive. The assets obtained by the group have been recognised as furniture and fittings at fair value and are depreciated over the shorter of their useful life or the lease term. The lease incentive is presented as part of the lease liabilities below and is reversed on a straight line basis over the lease term.

Lease income from operating leases where the group is a lessor is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Commitments in relation to operational leases are payable as follows:

(Amounts in NOK thousand)	**2018**	2017
Within one year	839,764	826,087
1-5 years	2,969,536	2,985,909
Later than five years	821,565	876,716
Total commitments relating to operational leases	**4,630,865**	**4,688,713**
Net lease payments recognised in profit and loss	**750,791**	**756,522**

Rental expense relating to operating leases	**2018**	2017
(Amounts in NOK thousand)		
Minimum lease payments	742,710	747,520
Total rental expenses relating to operating leases	**742,710**	**747,520**

NOTE 21 Reconciliation of net debt

Liabilities arising from financing activities	Cash and cash equivalents	Borrowings	Financial leasing	Total
Net debt 1 January 2017	**-124,049**	**1,715,413**	**8,689**	**1,600,053**
Cash flow	-123,937	-19,994	576	-143,355
Acquisitions – finance leases	0	0	0	0
Foreign exchange adjustments	-1,129	80,137	0	79,008
Other changes	0	-1,616	0	-1,616
Net debt 31 December 2017	**-249,115**	**1,773,940**	**9,265**	**1,534,090**
Cash flow	-107,377	90,000	-6,214	-23,591
Acquisitions – finance leases	0	0	5,516	5,516
Foreign exchange adjustments	-727	-22,642	0	-23,369
Other changes	0	5,827	0	5,827
Net debt 31 December 2018	**-357,219**	**1,847,125**	**8,567**	**1,498,473**

NOTE 22 Assets pledged as security

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

	2018	2017
(Amounts in NOK thousand)		
Current		
Bank borrowings		
Accounts receivables and other receivables	118,670	117,230
Inventories	28,385	30,021
Cash and cash equivalents	357,219	249,115
Other current receivables	118,651	18,390
Total current assets pledged as security	**622,925**	**414,756**
Non-current		
Finance lease		
Property, plant and equipment	6,864	3,954
Bank borrowings		
Property, plant and equipment	598,080	558,603
Other non-current receivables	133,834	1,104
Total non-current assets pledged as security	**738,778**	**563,661**
Total assets pledged as security	**1,361,704**	**563,661**

Shares in subsidiaries are pledged as security for borrowings.

Please see note 19 Borrowings and note 20 Leases for further information about the interest bearing liabilities.

NOTE 23 Financial risk factors

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

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

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

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

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

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

Foreign exchange risk
The group operates internationally and is exposed to changes in foreign exchange rates. For risk management purposes, the group has identified three types of exchange exposures:
- Net investment;
- Profit after tax in foreign currency; and
- Borrowings in foreign currency"

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

The group's business model is such that the subsidiaries' sales and operating expenses are incurred in local currency, reducing the exposure to foreign exchange rate fluctuations in the profit or loss. The net of those cash flows are meant to be able to cover the borrowings in local currency, reducing the exposure related to borrowings in local currency due to changes in the foreign exchange rates. Please see note 19 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 and EUR/NOK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the profit or loss for the period in the group's foreign subsidiaries.

	Impact on profit after tax[2]	
Exchange rate	**2018**	2017
(Amounts in NOK thousand)		
SEK/NOK exchange rate – increase 10%[1]	7,922	7,837
EUR/NOK exchange rate – increase 10%[1]	-545	-2,755

[1] *Holding all other variables constant.*
[2] *Estimated impact given a tax rate of 87,65% (2017: 20,79%)*

Profit after tax is about as sensitive to changes in the SEK/NOK exchange rate in 2018 as in 2017 since 2018 only has a slightly higher net income than 2017. Profit after tax is less sensitive to changes in the EUR/NOK exchange rate in 2018 than 2017 because of a lower net income in Finland in 2018. The group's exposure to other foreign exchange movements is not material.

Interest rate risk
The group's interest rate risk is mainly related to loans where an element of interest rate is not fixed. See note 19 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.

Sensitivity analysis

	Impact on profit after tax[2)]	
Interest rate	**2018**	2017
(Amounts in NOK thousand)		
Interest rates – increase 100 basis points[1)]	2,149	-13,997
Interest rates – decrease 100 basis points[1)]	-2,149	13,997

[1)] *Holding all other variables constant.*
[2)] *Estimated impact given a tax rate of 87,65% (2017: 20,79%)*

Profit after tax is less sensitive to changes in the interest rate in 2018 than 2017 because big variation in group average tax rates from 2017 to 2018.

Overview of non-overdue interest swaps per 31 December 2018

Interest rate swaps	Notional in currency thousand	Maturity	Fixed rate	**Unrealised gain/ loss 31 December**
(Amounts in NOK thousand)				
IRS NOK	773,000	29.09.2021	1.28	3,709
IRS EUR	12,786	29.09.2021	0.09	-946
Fair value of the groups interest rate swaps as of 31 December 2018 in NOK thousand				**2,763**

Overview of non-overdue interest rate swaps per 31 December 2017

Forward contract (Buy/From)	Notional in currency thousand	Maturity	Fixed rate	**Unrealised gain/ loss 31 December**
(Amounts in NOK thousand)				
IRS NOK	833,000	29.09.2021	1.28	-1,526
IRS EUR	12,786	29.09.2021	0.09	-157
Fair value of the groups interest rate swaps as of 31 December 2017 in NOK thousand				**-1,683**

Changes in fair value is 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 counter-party will default on its contractual obligations resulting in financial loss to the group. SATS AS 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 244 665 thousand. The group does usually not demand collateral for receivables. The bad debt provision for trade receivables is NOK 186 167 thousand as of the balance sheet date.

Liquidity risk
The group's liquidity risk is characterised by a potential risk of not being able to meet obligations to vendors and loan creditors. The ability to service the debt, and ultimately continue as a going concern, depends on the group's cash flow from operating activities. The group regularly monitors cash flow situation by setting up cash flow forecasts based on the forecasts of the liquidity reserves, including cash equivalents and borrowing facilities. The forecasts are set by the individual subsidiaries and is regularly monitored by the group. Please see note 19 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 a total available borrowing facilities of NOK 2 260 million as of 31 December 2018 (NOK 2 260 million as of 31 December 2017) of which 412 875 million has not been drawn down. In addition the group has cash and cash equivalents of NOK 357 million as of 31 December 2018 (NOK 249 million as of 31 December 2017).

Net presentation of financial assets and liabilities as of 31 December 2018

Maturity	Carrying amount	1-3 months	3-12 months	1-5 years	**Total**
Derivatives	2,763	0	0	2,763	2,763
Accounts receivable	118,670	172,382	49,284	83,171	304,837
Other receivables	118,651	118,651	0	0	118,651
Cash and cash equivalents	357,219	357,219	0	0	357,219
Financial assets	**597,303**	**648,252**	**49,284**	**85,934**	**783,470**
Borrowings	1,847,125	30,000	30,000	1,787,125	1,847,125
Finance lease liabilities	8,566	0	4,740	3,826	8,566
Trade payables	107,120	107,120	0	0	107,120
Other current liabilities	345,971	345,971	0	0	345,971
Payment of interest	221,002	15,476	49,246	156,280	221,002
Financial liabilities	**2,529,784**	**498,567**	**83,986**	**1,947,231**	**2,529,784**
Net financial liabilities	**-1,932,481**	**149,685**	**-34,702**	**-1,861,297**	**-1,746,314**

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

Capital management
The group's main goal is to maximize shareholder value while ensuring the group's ability to continue operations, as well as to make sure that covenant criteria are met (please see note 29 Financial covenants for financial covenant requirements). The group has an overall target to maintain a capital structure that gives the group an optimal capital binding given the current market situation. The group makes the necessary changes to their capital structure based on an ongoing assessment of the business' financial situation and future prospects in the short and medium term.

NOTE 24 Financial instruments

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

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

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

The group has the following derivative financial instruments:	**2018**	2017
(Amounts in NOK thousand)		
Non-current assets		
Interest rate swap contracts	2,763	0
Total non-current derivative financial instrument assets	**2,763**	**0**
Non-current liabilities		
Interest rate swap contracts	0	1,683
Total non-current derivative financial instrument liabilities	**0**	**1,683**

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

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

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

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

Specific valuation techniques used to value financial instruments include:
- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis."

All of the resulting fair value estimates are included in level 2 except for 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 asset, excluding derivatives, meet the SPPI criteria, and are managed in a business model of Hold to collect. Therefore all financial asset, excluding derivatives, are allocated to the category amortized cost.

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

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

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

Financial instruments as of 31 December 2018

Assets	Assets measured at amortised cost	Fair value through profit and loss	**Total**
Other non-current receivables	131,071	0	131,071
Accounts receivable	118,651	0	118,651
Other current receivables	118,670	0	118,670
Derivatives	0	2,763	2,763
Cash and cash equivalents	357,219	0	357,219
Total financial assets	**725,611**	**2,763**	**728,374**

Liabilities	Liabilities measured at amortised cost	Fair value through profit and loss	**Total**
Borrowings	1,847,125	0	1,847,125
Finance leases	8,566	0	8,566
Trade and other payables	107,120	0	107,120
Other current liabilities	345,971	0	345,971
Total financial liabilities	**2,308,782**	**0**	**2,308,782**

Financial instruments as of 31 December 2017

Assets	Loans and receivables	Held for trading	**Total**
Other non-current receivables	1,104	0	1,104
Accounts receivable	98,840	0	98,840
Other current receivables	18,390	0	18,390
Cash and cash equivalents	249,115	0	249,115
Total financial assets	**367,449**	**0**	**367,449**

Liabilities	Liabilities measured at amortised cost	Fair value through profit and loss	**Total**
Borrowings	1,773,940	0	1,773,940
Finance leases	9,265	0	9,265
Trade and other payables	103,689	0	103,689
Other current liabilities	348,701	0	348,701
Derivatives	0	1,683	1,683
Total financial liabilities	**2,235,595**	**1,683**	**2,237,278**

NOTE 25 Other current liabilities

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

	2018	2017
(Amounts in NOK thousand)		
Contract liabilities	431,019	400,504
Total deferred revenue	**431,019**	**400,504**

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

Other current liabilities by nature	**2018**	2017
(Amounts in NOK thousand)		
Accrued employee benefit expenses	58,704	58,809
Accrued vacation pay	71,482	71,797
Non-redeemed gift cards	1,056	1,043
Accrued rent	14,903	32,605
Accrued rent discounts	55,091	61,865
Other current liabilities	144,735	122,583
Total other current liabilities	**345,971**	**348,701**

NOTE 26 Related parties

The following table presents an overview of transaction with related parties. Remuneration of executive staff and Board of Directors and share capital information are presented in note 6 and note 17 respectively and are not included in the following overview:

Profit or loss items

Related party	Relationship	Type of services	**2018**	2017
(Amounts in NOK thousand)				
Run Holding AS	Sister company	Foreign exchange gains unrealised	-1,332	0
Run Bidco ApS	Sister company	Foreign exchange gains unrealised	-1,206	0
Run Holding AS	Sister company	Interest rate on loan	-1,518	0
Run Bidco ApS	Sister company	Interest rate on loan	-1,615	0
Elixia Holding IV AS	Shareholder of SATS Group AS	Interest rate on loan	-38	0
Altor	Shareholder of SATS Group AS	Interest rate on invoices	0	15,694
Altor	Shareholder of SATS Group AS	Restructuring costs	309	0
Metropolis Health Club AB	Minority interest	Accounting services	133	145
SATS Grenland AS	Minority interest	IT, accounting and other services	3,614	3,478
Total related party profit or loss items			**-1,653**	**19,317**

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

Balance sheet items

Related party	Relationship	Type of services	**2018**	2017
(Amounts in NOK thousand)				
SATS Group AS	Shareholder	Borrowings	66,526	-5,449
Run Holding AS	Sister company	Loan	41,855	0
Run Bidco ApS	Sister company	Loan	87,936	0
Elixia Holding IV AS	Shareholder of SATS Group AS	Loan	1,083	518
Total related party balance sheet items			**197,400**	**-4,931**

All transactions with related parties are priced at market conditions and there are no special conditions attached to these. Transactions with subsidiaries have been eliminated in consolidated statements and do not represent transactions with related parties. Please see note 19 Borrowings for further information about related party borrowings.

NOTE 27 Provisions, contingent liabilities and contingent assets

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

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

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

NOTE 28 Events after the balance sheet date

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

The financial effects of these transactions have not been recognised at 31 December 2018. The operating results and assets and liabilities of the acquired company will be consolidated from 1 January 2019.

The assets and liabilities recognised as a result of the acquisition are as follows:	Fitness DK A/S
Cash and cash equivalents	34.2
Right-of-use asset	662.8
Property, plant and equipment	98.3
Customer list	0.0
Receivables	72.0
Net deferred tax assets	54.2
Payables	129.1
Borrowings	129.8
Lease liabilities	662.8
Net deferred tax liabilities	0.0
Fair value of net identifiable assets acquired	**0.0**

The estimated impact of the acquisitions may be subject to change until the publication of SATS' consolidated financial statements for 2019.

Acquisition of Fitness.Xpress AS and Gym & Motion i Åkersberga AB
On 3 January SATS acquired the Norwegian fitness club Fitness.Xpress AS located in Oslo. On 2 May 2019 SATS acquired 100% of the issued shares in Gym & Motion i Åkersberga AB, a fitness club located in Österåker Municipality in Sweden.

The aquisitions of the two companies, excpect to contribute revenues of 45 million NOK and an EBITDA of 5 million NOK in 2019. The operating results, assets and liabilities of the acquired companies will be consolidated from 3 January and 2 May 2019 respectively.

Other subsequent events
Other than the above, there were no material events after the consolidated statement of financial position that have a bearing on the understanding of these consolidated financial statements.

NOTE 29 Financial covenants

Compliance with financial borrowing covenants
SATS AS is executing the financing functions within the group and holds the long-term financing agreement with the group's long-term lenders, and is providing long term financing to other group entities. SATS AS has complied with the financial covenants related to its borrowing facility throughout 2017 and 2018.

Financial borrowing facility covenants
The group reports the covenants listed below quarterly to Swedbank.

- Leverage Ratio
- Interest Cover Ratio
- Capital Expenditures (only in Q4 for the year)

Please see appendix non-GAAP measures for covenant reconciliations.

NOTE 30 New IFRS standards

New and amended standards adopted by the group
The following standards and amendments have been adopted by SATS Group for the first time for the financial year beginning on 1 January 2018:

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers

The Group has changed its accounting policies to comply with the new requirements, but no retrospective adjustments following the adoption of either IFRS 9 or IFRS 15 was required. For further information on accounting principles for revenue recognition and financial instruments, please see the relevant sections in the principle.

New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and not being applied in preparing the 2018 consolidated financial statements. None of these standards are expected to have a significant effect on the future consolidated financial statements of the group, except the following:

IFRS 16, Leases
IFRS 16, Leases was issued in January 2016. For lessees, it will result in almost all leases being recognized in the consolidated statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, a right-of-use asset and a financial liability to pay rentals are recognized, with exceptions for short-term and low-value leases.

Management is currently assessing the overall financial statement effects from implementing the new standard for leases. The process of collecting all lease contracts, organizing key data, adopting lease accounting tools and implementing relevant internal controls have been finalized, and management is currently performing quality review on key assumptions and the final calculations of the transition effects.

Transition method
SATS has decided to implement IFRS 16 using the full retrospective approach. During 2019, SATS will restate the 2018 financial information included in these financial statements. The impact of the new lease standard will be reflected in the opening balance of 1 January 2019.

SATS Group has performed a full assessment as to whether the company's arrangements contain a lease. This means that the practical expedient under IFRS 16.C3 not to reassess whether a contract is, or contains, a lease has not been used.

Key accounting decisions
SATS will present the right-of-use assets and lease liabilities as a separate line-item on the statement of financial position. Lease liabilities will be split in 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 will be presented as part of the total depreciation and impairment expenses. The interest expenses related to the lease liabilities will be presented as part of the finance cost.

Key assumptions applied in determining the estimated values of the lease liability and right-of-use asset include the assessment of the lease term, including purchase, extension or termination option, and the appropriate discount rate. The lease term is impacted by the assessment of the reasonably certain criterion in respect of renewal or termination options.

As the implicit discount rates of SATS' leases were not readily available, SATS applies the incremental borrowing rate applicable at commencement date of a lease to determine the discounted value of the lease liabilities. Upon modification of a lease, the remeasurement of the lease liability is performed using the applicable discount rate at the date of the remeasurement. The two capitalisation exemptions proposed by the standard, lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value, will be applied. The payments for such leases will be recognised in the income statement on a straight-line basis over the lease contract period.

The group will recognize a right-of-use asset and a lease liability 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.

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

SATS Group will recognized a deferred tax position for all jurisdictions of operation as it is determined that the IFRS 16 accounting effects will not be applicable for the group entities' corporate income tax filings. Any future amendment to IAS 12 concerning IFRS 16 implementation effects will be adopted by management.

Lease income from operating leases where the group is a lessor will be recognized as income on a straight-line basis over the lease term. There are no material financial lease arrangements where the group is a lessor.

Financial statement impact
The estimated financial statement effects from implementing IFRS 16 is outlined in the table below.

The cash flows related to the payments on lease liabilities will transfer from 'cash flow from operating activities' to 'cash flow presented as financing activities'. The interest paid on the lease liabilities will remain part of 'cash flow from operating activities'. The total net cash flows for 2019 will not be affected by the new standard.

The estimated impact of the adoption of IFRS 16 may be subject to change until the publication of SATS's consolidated financial statements for 2019.

The effect from IFRS 16 Leases on financial line items per 31.12.2018

31 December	As reported 2018	Implementation effects	2018 IFRS 16 restated
(Amounts in NOK thousand)			
Financial position			
Rights-of-use assets	0	4 059 714	4 059 714
Finance lease liabilities	8 566	4 447 939	4 456 505
Deferred tax liabilities	83 094	-85 001	-1 907
Retained earnings	-154 720	-303 223	-457 943
Profit or loss			
Property lease expenses	1 014 650	-870 806	143 844
Depreciation and amortisation	163 115	680 894	844 009
Interest expense	65 304	208 755	274 059
Income tax expense	29 905	-4 008	25 897

The effect from IFRS 16 Leases on adjusted profit/(loss) for the year 2018 is as follows:

31 December	As reported 2018	Implementation effects	2018 IFRS 16 restated
(Amounts in NOK thousand)			
EBITDA	531 324	870 806	1 402 130
Depreciation and amortization	-163 115	-680 894	-844 009
Net financial items	-69 278	-208 755	-278 033
Impairment of intangible assets	-264 811	0	-264 811
Profit before tax	34 119	-18 842	15 276
Income tax expense	29 905	-4 008	25 897
Profit/(loss) for the year	4 214	-14 834	-10 620

Other standards
IFRIC 23, Uncertainty over Income Tax Treatments
In June 2017, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) Interpretation 23, Uncertainty over Income Tax Treatments, which clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The group is in the process of assessing the impact of this new interpretation.

Amendments to IFRS 3, Business Combinations
The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after 1 January 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

NOTE 31 Critical estimates

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

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

Impairment of intangible assets
The acquisition method was used to account for the historic business combinations result in the goodwill amount. Internally developed software has been recognized at historic costs, have 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 amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Recognized goodwill and internally developed software is material to the 2018 financial statements as a whole, and user of the group's financial statements should note the inherent uncertainty pertaining to the valuation of intangible assets.

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

Goodwill
Goodwill is recognized at MNOK 2 313 per the balance sheet date. The group tests whether goodwill has suffered any impairment on an annual basis. For the 2018 and 2017 reporting periods, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of several assumptions. The calculations use cash flow projections based on financial budgets and prognoses approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 11. These growth rates are consistent with forecasts included in economic outlook reports specific to the area in which each CGU operates.

Internally developed software
Internally developed software is recognized at MNOK 58 per the balance sheet date. The group estimates the useful life of internally developed software to be at least 3 years based on the expected useful economic life of the assets. However, the actual useful life may be shorter or longer than 3 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 taxes in three jurisdictions, and significant estimates are required when determining the provision for income taxes and related tax balances. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

Deferred tax assets recognized as at 31 December 2018 have been estimated based on future profitability assumptions over a five-year horizon, and the deferred tax assets are recognized only to the extent that it is probable that the tax assets will be realized. The group has per the balance sheet date included all tax losses carried forward as basis for the recognized deferred tax asset, as a management has concluded that it is probable that future taxable profits will be generated to the extent that the unused tax losses will be fully utilized.

NOTE 32 Judgements in applying the group's accounting policies

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

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

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

Fair value of financial derivatives
The group uses Interest rate swap contracts to manage the interest rate risk. The financial derivatives are valued at fair value in the group's balance sheet. See note 24 for further information on the valuation of the group's financial derivatives.

STATEMENT OF PROFIT OR LOSS

	Notes	2018	2017
(Amounts in NOK thousand for the period ended 31 December)			
Other operating expenses	3	2,932	5,823
Total operating expenses		**2,932**	**5,823**
Operating profit		**-2,932**	**-5,823**
Dividend from subsidiaries and group contribution	5, 6	90,307	103,340
Interest income from group companies	5, 6	70,096	36,162
Other interest income	4	3,189	154
Other finance income	4	192,886	46,638
Net gain/(loss) derivatives unrealised	13	4,447	3,262
Interest expense to group companies	6	-15,917	-21,652
Other interest expense	9	-68,172	-47,705
Other finance expenses	9	-184,454	-54,098
Net financial items	4	**92,382**	**66,102**
Profit/(loss) before tax		**89,450**	**60,279**
Income tax expense	10	33,964	15,822
Profit/(loss) for the year		**55,486**	**44,458**
Allocation of profit/(loss) for the year			
Retained earnings/(accumulated losses)	8	55,486	44,458
Total allocation		**55,486**	**44,458**

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2018	31.12.2017
(Amounts in NOK thousand)			
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax assets	10	0	30,926,
Total non current intangible assets		**0**	**,30,926,**
Financial assets			
Investments in subsidiaries	5	2,465,775,	2,465,775,
Loan to group companies	6	1,132,348,	1,102,234
Derivative financial instruments	13	2,763,	0
Other non-current receivables	6	130,874,	0
Total non-current financial assets		**3,731,760,**	**,3,568,009,**
Total non- current assets		**3,731,760,**	**3,598,935,**
CURRENT ASSETS			
Receivables from group companies	6	164,176,	103,432,
Other receivables		,95,	,285,
Cash and cash equivalents	7	126,042,	84,105,
Total current assets		**290,313,**	**187,822,**
Total assets		**4,022,073,**	**3,786,757**

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2018	31.12.2017
(Amounts in NOK thousand)			
EQUITY			
Share capital	8	224,575,	224,575
Share premium	8	2,270,353,	2,270,353
Retained earnings/(accumulated losses)	8	-739,548	-795,035
Total equity		**1,755,380**	**1,699,893**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	608	0
Borrowings	9	1,780,269,	1,711,111
Borrowings from group companies	9	0	5,540
Derivative financial instruments	13	0	1,683
Total non-current liabilities		**1,780,877**	**1,718,334**
Current liabilities			
Borrowings	9	60,000	60,000
Borrowings from group companies	9, 6	417,922	289,127
Trade and other payables		132	290
Other current liabilities		7,762	19,111
Total current liabilities		**485,816**	**368,529**
Total liabilities		**2,266,693**	**2,086,864**
Total equity and liabilities		**4,022,073**	**3,786,757**

Oslo, 4th of June 2019

Hugo Lund Maurstad
Chair of the Board

Bjørn Maaseide
Board Member

Eivind Roald
Board Member

Siren Sundby
Board Member

Søren Rene Kristiansen
Board Member

Sondre Gravir
CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018	2017
(Amounts in NOK thousand for the period ended 31 December)			
Cash flow from operating activities			
Profit before tax		89,450	60,279
Adjustment for:			
Taxes paid in the period	10	-2,430	0
Net gain/loss of fair value on derivatives		-4,447	-3,262
Proceeds from interest income		-3,172	-36,317
Proceeds from other financial income		-13,716	-103,340
Payments of interest income		65,398	69,357
Payments of other financial cost		0	17,500
Change in intercompany receivables and payables		31,878	-972,037
Change in trade payables and other accruals		-11,318	-41,399
Net cash flow from operations		**151,643**	**-1,009,218**
Cash flow from financing			
Repayments of borrowings	9	-60,000	-13,000
Proceeds from borrowings	9	150,000	1,064,848
Interests borrowings		-65,398	-14,161
Other financial items		-127,184	0
Net cash flow from financing		**-102,582**	**1,037,687**
Net increase/(decrease) in cash and cash equivalents	7	**49,061**	**28,469**
Effect of foreign exchange changes on cash and cash equivalents		-7,124	0
Cash and cash equivalents at the beginning of the period		84,105	55,636
Cash and cash equivalents at the end of period	7	**126,042**	**84,105**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 General information

General information
SATS AS (the Company) is registered and domiciled in Norway with its head office in Nydalsveien 28, Oslo, Norway. The parent of the Company is SATS Group AS. The Company was incorporated on 11 March 2011. The Board of Directors approved the financial statements on June 4th 2019.

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 the Norwegian accounting act § 3-9 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 AS relates to the recognition of group contributions (Norwegian konsernbidrag). Group contributions and dividends under simplified IFRS may be recognised in accordance with Norwegian generally accepted accounting principles for the distributing and receiving entity. This means that the distributing entity may recognise a liability when the contribution or dividend is proposed, but before it has been approved. The receiving entity may also recognise the dividend or contribution receivable before it has been approved.

Disclosure requirements are in accordance with the directive, which refers to disclosure requirements in accordance with the Norwegian accounting act chapter 7 and Norwegian generally accepted accounting principles, with certain differences.

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

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

Certain new or revised standards, amendments or interpretations of existing standards have been published. Management has assessed these changes and concluded that they are not relevant for the business of the Company or for the 2019 financial statements. For new standard, please see note 30 in the consolidated financial statement.

The Company's significant accounting policies are disclosed in note 3 in the consolidated financial statement. These principles have been applied consistently in all periods presented in the financial statements, unless stated otherwise.

NOTE 2 Accounting principles

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

Transactions, monetary and non-monetary items
In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised 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 recogised in profit or loss in the period in which they arise.

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

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

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

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

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

Derivatives
Derivatives are recognised at fair value when the Company becomes party to the contract and are subsequenty measured at fair value through profit or loss. Fair value gains or losses are presented as fair value changes of derivatives in the income statements. The Company does not apply hedge accounting.

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

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

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

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

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

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

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

NOTE 3 Other operating expenses

	2018	2017
(Amounts in NOK thousand)		
Consultant services	2,932	6,430
Other operating expenses	0	-607
Total inventories	**2,932**	**5,823**

The company has no employees.

The Board of Directors did not receive any remuneration in 2018 nor in 2017.

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

Auditor's remuneration	**2018**	2017
(Amounts in NOK thousand)		
Expensed auditor incl. VAT:		
Statutory audit (including technical assistance – annual accounts)	578	625
Other attestation and assurance services	149	154
Total auditor's remuneration	**727**	**779**

NOTE 4 Financial income and financial expenses

Financial income	2018	2017
(Amounts in NOK thousand)		
Dividend from subsidiaries and group contribution	90,307	103,340
Interest income from group companies	70,096	36,162
Interest income from financial institutions	16	154
Other interest income	3,173	0
Foreign exchange gain	192,886	46,638
Net gain derivatives unrealised	4,447	3,262
Total financial income	**360,925**	**189,557**

Financial expenses	2018	2017
(Amounts in NOK thousand)		
Interest expense to group companies	15,917	21,652
Interest expense financial institutions	65,398	47,705
Foreign exchange loss	180,766	36,597
Other finance expenses	6,462	17,500
Total financial expenses	**268,543**	**123,454**
Net financial items	**92,382**	**66,102**

NOTE 5 Subsidiaries

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

Ownership interests correspond to voting interest if not otherwise stated.

Subsidiaries	Business office	Ownership percentage	Equity	Profit after tax	Carrying value 2018
(Amounts in NOK thousand)					
SATS Holding AB	Stockholm	100%	1,113,084	1,129	2,465,775

Investment in subsidiary is carried at cost.

NOTE 6 Related parties

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

Profit or loss items

Related party	Relationship	Type of services	**2018**	2017
(Amounts in NOK thousand)				
Run Holding AS	Sister company	Foreign exchange gains unrealised	-1,332	0
Run Bidco ApS	Sister company	Foreign exchange gains unrealised	-1,206	0
Run Holding AS	Sister company	Interest rate on loan	-1,518	0
Run Bidco ApS	Sister company	Interest rate on loan	-1,615	0
Elixia Holding IV AS	Shareholder of SATS Group AS	Interest rate on loan	-38	0
Altor	Shareholder of SATS Group AS	Interest rate on invoices	0	11,586
Altor	Shareholder of SATS Group AS	Restructuring costs	309	0
Total related party profit / (loss) items			**-5,401**	**11,586**

The amounts in the table above are presented within Interest expense to group companies.

Balance sheet items

Related party / type	Relationship	Financial statement line item	**2018**	2017
(Amounts in NOK thousand)				
Financing through SATS AS	Subsidiaries	Loan to group companies	1,132,348	1,102,234
Group contribution	Subsidiaries	Receivables from group companies	164,176	103,432
Cash pool	Subsidiaries	Borrowings from group companies	-417,922	-289,127
Run Holding AS	Sister company	Loan	41,855	0
Run Bidco ApS	Sister company	Loan	87,936	0
Elixia Holding IV AS	Shareholder of SATS Group AS	Loan	1,083	0
SATS Group AS	Shareholder	Borrowings	73,869	-5,540
Total related party balance sheet items			**1,083,345**	**910,998**

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

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

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

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

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

To assess whether there is a significant increase in credit risk, management compares the risk of default occuring on the asset at the reporting date with the risk of default as at the date of initial recognition. The parent company uses the following indicators in the assessment:

An actual or expected significant change in the operating results of the subsidiaries since the loan was first recognised. This includes assessments of whether there are any actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality or increased balance sheet leverage that would result in a significant change in the subsidiaries ability to meet its debt obligations.
An actual or expected significant adverse change in the regulatory, economic or technological environment of the subsidiaries.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the assessment.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

Loans are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan.

No loss allowance on intercompany loans was recognized as per 31 December 2018.

NOTE 7 Cash and cash equivalents

	2018	2017
(Amounts in NOK thousand)		
Cash and cash equivalents	**126,042**	**84,105**

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

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 31.12.2018, share capital amounts to NOK 224 575 thousand consisting of 28 071 892 ordinary shares at a face value of NOK 8 per share.

Overview of the shareholders as of 31 December 2018

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
SATS Group AS	25,288,586	90.1%	90.1%
SATS Management Invest AS	2,452,514	8.7%	8.7%
Hansemgruppen Holding AS	330,792	1.2%	1.2%
Total	**28,071,892**	**100.0%**	**100.0%**

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

SATS Group AS has control over SATS Management Invest AS.

The ultimate parent company, SATS Group AS, prepares consolidated financial statements that includes SATS AS. The consolidated financial statements of SATS AS and SATS Group AS can be obtained at their head office in Nydalsveien 28, 0483 Oslo.

Shares in SATS Management Invest held by the board of directors and executive management:

Name	Title	Ownership
Executive management		9.67%

Equity	Share capital	Share premium	Retained earnings (acc. losses)	**Total equity**
(Amounts in NOK thousand)				
Equity 1 January 2018	224,575	2,270,353	-795,035	1,699,893
Profit/(loss) for det year			55,486	55,486
Equity 31 December 2018	**224,575**	**2,270,353**	**-739,549**	**1,755,380**

NOTE 9 Borrowings

	2018		2017	
Overview of interest bearing liabilities	Current	Non-current	Current	Non-current
(Amounts in NOK thousand)				
Bank borrowings	60,000	1,780,269	60,000	1,711,111
Related party loan	0	0	5,540	0
Total interest- bearing liabilities	**60,000**	**1,780,269**	**65,540**	**1,711,111**
Assets pledged as security for borrowings:				
Shares in SATS Holding AB		2,465,775		2,465,775

Assets pledged as security
The company has pledged all its financial assets as security for current and non-current borrowings. This includes shares group companies, intercompany- and external receivables. Further, all of the group's assets are pledged as collateral for borrowings and the values of these collaterals are disclosed in the consolidated financial statement, note 19.

The company refinanced the groups bank borrowings in 2017. All external bank borrowings for the group is now in SATS AS with Swedbank as counterparty. The bank borrowings are structured in several facilities and denominated in NOK, SEK and EUR. Please see the consolidated financial statement, note 19 for further disclosures.

Covenants, payment profile and effective interest rates.
As of 31 December 2018 and 31 December 2017 covenant requirements are met.

Information about existing financial covenant is disclosed in the consolidated financial statement note 29 Financial covenants.

The payment profile of the parent company is equal to the group's payment profile disclosed in note the consolidated financial statement note 19 Borrowings.

Effective interest rates are disclosed in the consolidated financial statement note 19 Borrowings.

NOTE 10 Tax

Tax expense/(income)	**2018**	2017
(Amounts in NOK thousand)		
Change in deferred tax/tax asset as a result of the changed tax rate	-28	0
Adjustment deferred tax prior year	12,780	0
Change in deferred tax assets	21,211	15,812
Changes in unused tax losses	0	10
Total tax expense/(income)	**33,964**	**15,822**

Reconciliation of the nominal statutory tax rate to the effective tax rate	**2018**	2017
Profit before tax	89,450	60,279
Expected taxes at nominal tax rate of 23% (2017: 24%):	20,573	14,467
Reconciling items:		
Non-deductible expenses	638	0
Error in prior years	12,780	10
Changes in Norwegian nominal tax rate	-28	1,345
Income tax expense/(income)	33,964	15,822
Effective tax rate	38%	26%

Movement in deferred tax assets and deferred tax liabilities	**2018**	2017
(Amounts in NOK thousand)		
Fair value financial instruments	-2,763	1,683
Amortized borrowing cost	0	-3,286
Losses carried forward	0	136,063
Basis deferred tax liabilities	**-2,763**	**134,460**
Deferred tax assets, not recognized	0	0
Carrying value deferred tax asset/tax liabilities	**-608**	**30,926**

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

NOTE 11 New IFRS standards

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

NOTE 12 Events after the balance sheet date

The Board of Directors are not aware of any material events that have occurred after the balance sheet date and before the date of the approval of the financial statements that provide new information about conditions that existed at the balance sheet date (that are not currently reflected in the financial statements), nor have any significant events occurred after the balance sheet date that require further disclosures.

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 being able to meet its obligations at any time. The risk management strategy focusses on the uncertainty inherent in capital markets and intends to minimize potential negative effects on the financial results of the company by use of both natural hedges and derivatives to economically hedge certain risks. The over all focus also includes being able to meet the financial covenants related to the group's borrowings.

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

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

Credit Risk
The exposure to credit risk is represented by the carrying amount of each class of financial assets, primarily intercompany loans to subsidiaries. SATS AS 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 19 Borrowings in the consolidate financial statements for details.

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

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

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

The company's risk management policies and procedures are reviewed regularly to take into account changes in the market and both the company's and the group's activities. For a thorough description of management's financial risk management policies, please see the consolidated financial statement note 23.

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

	2018	2017
Non-current assets		
Interest rate swap contracts	2,763	0
Total non-current derivative financial instrument assets	**2,763**	**0**
Non-current liabilities		
Interest rate swap contracts	0	1,683
Total non-current derivative financial instrument liabilities	**0**	**1,683**

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.

AUDITOR'S REPORT

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To the General Meeting of SATS AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company SATS AS (the Company), which comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income 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 AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, 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 2018, 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 2018, 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.

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, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 concerning the financial statements and the going concern assumption 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, 4 June 2019
Deloitte AS

Eivind Ungersness

Eivind Ungersness
State Authorised Public Accountant (Norway)

Appendix non- GAAP 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 non-GAAP financial measures provide management and other users with additional meaningful financial information that should be considered when assessing the group's ongoing performance. Management, the board of directors and the long term lenders regularly uses supplemental non-GAAP financial measures to understand, manage and evaluate the business and its operations. These non-GAAP measures are among the factors used in planning for and forecasting future periods, including assessment of financial covenants compliance.

Non-GAAP financial measures reflect adjustments based on the following items:

EBITDA
EBITDA is a measure of earnings before deducting interest expense, taxes, depreciation and amortisation. Please see reconciliation to profit or loss before tax in note 4 Segment information.

Underlying EBITDA
Underlying EBITDA is a measure of earnings before deducting interest expense, taxes, depreciation, amortisation and impairment charges. Please see reconciliation to profit or loss before tax in note 4 Segment information.

Leverage ratio and net debt
A leverage ratio is a financial measurement that assesses the ability of a company to meet its financial obligations. In relation to the financial loan covenants the leverage ratio means, in respect of any financial reporting period, the ratio of total net debt per the balance sheet date of a relevant reporting period to the group's consolidated underlying EBITDA in respect of that same financial reporting period.

Interest bearing liabilities	1,855,692
Cash and cash equivalents	-357,219
Net debt	**1,498,473**
Net debt	1,498,473
Divided by:	
Underlying EBITDA	531,324
Leverage ratio	**2.82**

Interest Cover Ratio
The interest coverage ratio is a debt ratio and profitability ratio used to determine how easily a company can pay interest on its outstanding debt. In relation to the financial loan covenant the interest cover ratio is defined as the ratio of consolidated underlying EBITDA to net finance charges in respect of any relevant financial reporting period. Net finance charges means, for any relevant financial reporting period, the finance charges for that relevant reporting period after deducting any interest receivable in that relevant reporting period by any member of the group on any cash or cash equivalent investment.

Underlying EBITDA	531,324
Divided by:	
Net finance charges / Net interest paid / Net cash interest expense	69,278
Interest coverage ratio	**7.67**

Capital expenditure
Capital expenditure are the total funds used by a company to acquire, upgrade, and maintain physical and financial assets such as property, buildings, equipment and subsidiaries. In relation to the financial loan covenant measures Capital expenditure is defined as the aggregate capital expenditure of the group, other than capital expenditure funded from retained earnings, disposal and insurance proceeds, new shareholders equity contributions, or net proceeds from any other equity transactions.

Purchase of property, plant and equipment	197,510
Acquisition of subsidiary	22,958
Capital expenditure	**220,467**

Operating profit excluding impairment
Operating profit excluding impairment is defined as operating profit adjusted for any recognized impairment for the period. This line item is presented as management believe this presentation will more adequately represent the groups underlying operating performance for the year.

Operating profit	103,397
Impairment of intangible assets	264,811
Operating profit excluding impairment	**368,209**

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