SATS Q2 2020

THIS IS SATS

The Group, through our brands and concepts SATS, ELIXIA, Fresh Fitness and HiYoga is the leading provider of fitness and training services in the Nordics, with around 250 clubs, more than 10 000 employees and over 650 000 members.

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

CONTENTS

WORDS FROM THE CEO

"We now see a positive momentum, and believe SATS will come strengthened out of this crisis."

SATS is leaving behind a challenging quarter characterized by the COVID-19 related club closures. The financial effects are significant, with an estimated negative corona effect of NOK 520 million on revenues and NOK 270 million on EBITDA, and a negative net profit delivery.

During the crisis we were not able to give our members what they want and what we love to give them; great experiences in our clubs. The main priority for us was hence to provide as good alternatives as possible with the improved digital offering and when allowed, a significant outdoor offering. We also wanted to communicate openly with our members and give them full flexibility on how to handle their membership during the closure period. Our members appreciated this flexibility, and the usage of our digital training offering exploded.

In Q2, we had a 5% lower member base than in Q2 2019, compared to a positive growth trajectory pre-COVID-19. The reduction was not mainly a result of increased drop-offs, but rather lacking new sales when the clubs were closed. Drop-offs remained stable, which is an important sign of the loyalty in our member base.

I truly believe that we will be even stronger down the road as a result of this crisis. The importance and positive benefits from staying healthy are even clearer for people now than before COVID-19. Furthermore, SATS is very well positioned. We have strong club clusters with large clubs and educated employees. Hence, we are able to deliver a professional, positive and safe experience with infection control measures in place. We already see that members are coming back at a higher pace than we expected and our NPS survey shows positive results, proving that our members appreciate us taking the infection control measures seriously.

Our main focus going forward is to recover our member base as soon as possible. We will also be actively searching for attractive M&A opportunities and greenfield locations. And of course – as our vision is to make people healthier and happier – continue to give our members a positive and safe experience every time they visit our clubs. Thank you to all our members who have stayed with us during the crisis. It has been a pleasure to welcome you back!

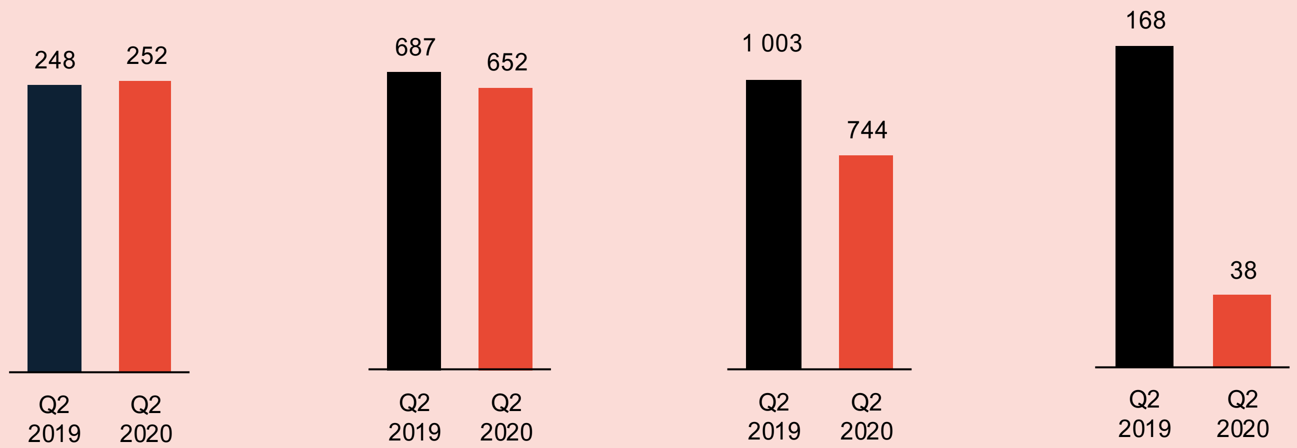
Sondre Gravir
CEO

Clubs **+2%**

Members '000 **-5%**

Revenues NOK million **-26%**

Adjusted EBITDA[1)] NOK million **-78%**



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

HIGHLIGHTS

- *The majority of SATS' clubs were temporary closed during the second quarter due to the outbreak of COVID-19, resulting in significant temporary negative financial effects*
- *Reduction in member base of 5% versus last year mainly due to lack of sales during the club closure*
- *Total revenues of NOK 774 million, compared to NOK 1 003 million last year (-26%). Total revenue effect from COVID-19 estimated to NOK 520 million*
- *Adjusted EBITDA of NOK 38 million, down 77% from NOK 168 million last year. Total EBITDA effect from COVID-19 estimated to NOK 270 million*
- *Focus on developing good alternatives for the members during the club closure, resulting in a high pace of innovation of the digital offering*
- *Well positioned to recover lost sales with strong clusters, an attractive digital offering, a trusted brand and ability to implement a strong infection control*

Key Financial Figures and Alternative Performance Measures (APM)

	Q2 2020	Q2 2019	**YTD 2020**	YTD 2019
Amounts in NOK million (unless otherwise stated)				
Membership revenue	485	784	1 272	1 581
Other revenues	258	219	461	432
Total revenues	744	1 003	1 733	2 013
EBITDA	289	401	575	755
Margin (%)	*39%*	*40%*	*33%*	*48%*
Operating profit excluding impairment	26	155	49	273
Operating profit	-36	155	-13	273
Profit/loss for the period	-114	74	-212	137
Earnings per share (NOK)	-0.67	0.66	-1.24	1.22
Adjusted Country EBITDA before impact of IFRS 16	79	227	185	411
Margin (%)	*11%*	*23%*	*11%*	*20%*
Adjusted EBITDA before impact of IFRS 16	38	168	78	290
Margin (%)	*5%*	*17%*	*4%*	*14%*
Maintenance Capex	43	47	113	89
Total Capex	44	63	139	151
Net debt	1 336	1 562	1 336	1 562
Operating cash flow	-5	121	-35	200
Clubs	252	248	252	248
Members ('000)	652	687	652	687
ARPM (NOK/month)	368	481	431	495

[1)] As defined in Appendix under Alternative Performance Measures.

COVID-19 BUSINESS IMPACT

OPERATIONAL IMPACT

The outbreak of the coronavirus disease 2019 (COVID-19) significantly impacted the fitness industry also in the second quarter of 2020. SATS decided on 12 March 2020 to temporarily close down all clubs in the Nordics to take social responsibility and contribute to limit the contagion of COVID-19. Following the closure, SATS followed restrictions and advices from local authorities, resulting in different development in the four Nordic countries. The Swedish clubs were reopened after the initial two weeks of closure and have been open during the full second quarter. The next country to reopen was Finland, as the restrictions in the main Helsinki area were lifted late-April. Denmark and Norway remained closed until mid-June. Hence all 252 clubs in the group were reopened and back in operation by the end of the second quarter.

While being prevented from offering the physical club experience, the main priority of the company was to provide as good alternatives as possible through developing the digital offering and launch outdoor training when allowed. The high pace of innovation has highly benefited the members during the club closure but will also strengthen the product after reopening of the physical clubs. Members now have access to first class training both indoor, outdoor and digitally. Further on, the operational routines, especially within cleaning, are significantly improved. Learnings from best practice during the period with infection control measures will be carried forward, also after the risk of infection is reduced. The members clearly value the measures taken by the company after reopening, which is proven through improved net promoter scores compared to pre-COVID-19.

Members also express that they feel safe visiting the clubs through actually returning to the gyms. The number of visits at recently reopened clubs in Denmark and Norway outperformed the opening weeks in Sweden and Finland when comparing to last year, despite sunny summer weather. Visits in Sweden and Finland are now also stabilized at high levels.

On average, the visits are now comparable to last year, despite SATS' lowered capacity at group training classes to maintain social distancing, and some workouts being moved from club to the digital platform.

FINANCIAL IMPACT

The member base was reduced by 5% compared to Q2 2019 versus a growth trajectory pre-COVID-19. The reduction was not mainly a result of increased drop-off, but rather loss of sales of new memberships during the closure period. The number of drop-offs was in line with last year, proving the loyalty of the member base.

Revenues during the quarter were to some extent retained through the clubs that were open, in addition to alternative offerings during the closure period. The revenues also include partial compensation for fixed costs from the Danish and Norwegian governments, in addition to salary compensation in Denmark. The compensations summed up to NOK 126 million in the second quarter. Total revenues decreased by NOK 259 million from the second quarter last year. Assuming that the year on year revenue increase in Q2 would have been the same as in Q1 in a scenario without COVID-19, and adjusting for currency, the estimated COVID-19 revenue effect in Q2 is NOK 520 million. As NOK 126 million is covered through governmental packages, the net effect is almost NOK 400 million.

The company took swift action to reduce the cost base during the club closure. Operational costs, total operating expenses less depreciation and amortization, were reduced by 24% in Q2 compared to last year.

In total, adjusted EBITDA before impact of IFRS 16 was NOK 131 million lower in the second quarter compared to the same period last year. With the assumption that the year on year increase in adjusted EBITDA would have been the same in Q2 as in Q1 without COVID-19, and adjusting for currency, the Q2 EBITDA effect of COVID-19 is estimated to NOK 270 million. The net effect after adjusting for the governmental packages of NOK 126 million is thus just below NOK 150 million. The governmental supporting packages covered 44% of the EBITDA loss in the quarter.

OUTLOOK

SATS strongly believes that the company will emerge stronger from the crisis. The benefits from regular training and good health are even higher on the agenda now than before the outbreak of COVID-19. Furthermore, SATS is well positioned with strong club clusters, large clubs and educated employees. Additionally, the closure period is well spent, improving the digital offering and the operational routines.

The key focus going forward will be to win members back, securing the run-rate into 2021. The company will aim to systematically recover the lost sales from the closure period during the autumn.

In addition to recovering the organic growth, the company's financial strength allows for active participation in industry consolidation should attractive opportunities arise in the wake of the COVID-19 crisis.

BOARD OF DIRECTORS' REPORT

ANALYSIS OF THE Q2 2020 FINANCIAL STATEMENTS

All financial statements show the period 1 April 2020 to 30 June 2020, compared to the accounts for the period 1 April 2019 to 30 June 2019.

Statement of comprehensive income
Total revenues decreased by 26% to NOK 744 million in Q2 2020, compared to NOK 1 003 million in Q2 2019. The revenues for the segment Sweden increased somewhat, while Norway, Finland and Denmark decreased in Q2 2020 compared to Q2 2019. The member base decreased by 5%, mainly due to loss of sales of new memberships during the closure period. Reported ARPM fell by 24% as the members in Norway, Finland and Denmark were offered during the closure to either freeze their membership or access the digital offering at a reduced membership price. The reduction in ARPM was partly offset by the compensation packages from the Norwegian and Danish governments, covering parts of the fixed costs, recognized as income.

Total operating expenses were reduced by 15% to NOK 717 million in Q2 2020, compared to NOK 848 million in Q2 2019. In terms of categories, relative reduction was largest for cost of goods sold and personnel expenses. The impairment of assets held for sale of NOK 62 million is a result of the divestment of nine clubs in Denmark. The operating profit decreased by NOK 191 million to NOK -36 million. As a consequence of the closure of the clubs, profit decreased in all segments excluding Sweden compared to Q2 2019.

Net financial expense in Q2 2020 was NOK 72 million, an increase of NOK 11 million compared to Q2 2019, mainly due to fair value adjustments for interest rate swaps. There were only marginal effects from currency fluctuations.

Income tax expense in Q2 2020 was NOK -6 million.

Loss before tax was NOK 108 million in Q2 2020, compared to a profit of NOK 94 million in Q2 2019. Loss for the period was NOK 114 million in Q2 2020, compared to a profit of NOK 74 million in Q2 2019, while total comprehensive loss was NOK 142 million, compared to a profit of NOK 79 million in Q2 2019.

Statement of financial position
Consolidated assets increased by NOK 1 476 million to NOK 9 089 million in Q2 2020. A major driver of the increased consolidated assets was currency translation effects from a weakened NOK compared to last year. Right-of-use assets and goodwill were the largest components of consolidated assets, amounting to NOK 4 268 million and NOK 2 442 million, respectively, on 30 June 2020. Both non-current assets and current assets increased. The increase in non-current assets was driven by increased right-of-use assets, as a result of ongoing assessment of lease durations. The increase in current assets was primarily driven by an increase in cash and cash equivalents. The agreement for sale of nine clubs in Denmark was signed in June, but the transaction did not take place before 1 July, and the related assets are thus classified as assets held for sale in the consolidated balance sheet as of 30 June.

Total liabilities decreased from NOK 8 273 million as at 30 June 2019 to NOK 8 066 million as at 30 June 2020, primarily due to the change in other liabilities.

As at 30 June 2020, consolidated equity amounted to NOK 1 024 million, representing an equity ratio of 11%, compared to NOK -659 million and -9% in Q2 2019. The negative equity in Q2 2019 was caused by a provision for dividend, as part of the IPO. The increase is the result of a profit and a capital injection related to the initial public offering in Q4 2019, partly offset by a dividend payment.

Statement of cash flows
Net cash flow from the Group's operations was NOK 121 million in Q2 2020, compared to NOK 294 million in Q2 2019. The reduced cash flow from operations of NOK 227 million was mainly due to a profit reduction and a negative change in other receivables and accruals, driven by reduced deferred revenue related to reopening the clubs and accrual for governmental compensation.

Net cash outflow from investing activities amounted to NOK 45 million in Q2 2020, compared to an outflow of NOK 53 million in Q2 2019.

Net cash outflow from financing was NOK 261 million in Q2 2020, compared to an outflow of NOK 214 million in Q2 2019.

In Q2 2020, consolidated cash and cash equivalents decreased net by NOK 184 million, compared to an increase of NOK 28 million in Q2 2019. As at the balance sheet date, the Group had cash and cash equivalents of NOK 609 million, compared to NOK 252 million at the balance sheet date in Q2 2019.

Segment development
The following sections of this report review each operating segment. Unless otherwise stated, comments regarding development reflect a comparison between Q2 2020 and Q2 2019.

NORWAY

Norway is the largest operating segment in the Group with 46% of the consolidated total revenues in 2019 and 280 000 members at the end of Q2 2020. SATS is a well-known brand in Norway and the largest operator of fitness clubs.

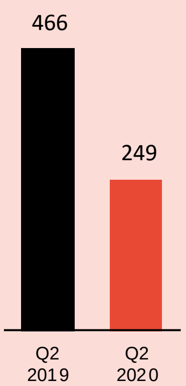
The clubs in Norway reopened on 15 June after a three-months long COVID-19 related closure, which has affected the Q2 financials significantly. Total revenues decreased by NOK 217 million in Norway in Q2, a decrease of 47% compared to the corresponding quarter last year, or 65% adjusted for the governmental supporting package. The revenue decrease was firstly driven by a volume decrease of 18 000 members, due to lost sales during the closure period. Secondly, ARPM decreased by 45%, as members were offered either to freeze their membership during the closure period or transfer to a digital membership at a reduced price. Parts of the fixed costs during the COVID-19 crisis is compensated by the Norwegian government, based on a linear compensation factor of 0.9 of the total revenue loss. The compensation for March-June is booked in Q2, summing up to NOK 84 million, booked as revenue.

Country EBITDA decreased by NOK 97 million to NOK 42 million, resulting in a quarterly Country EBITDA margin of 17%, 13 p.p. down from Q2 2019.

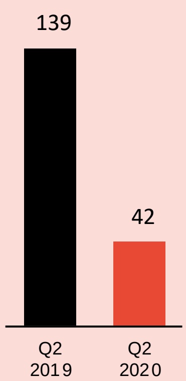
Key Financial figures and Alternative Performance Measures (APM)

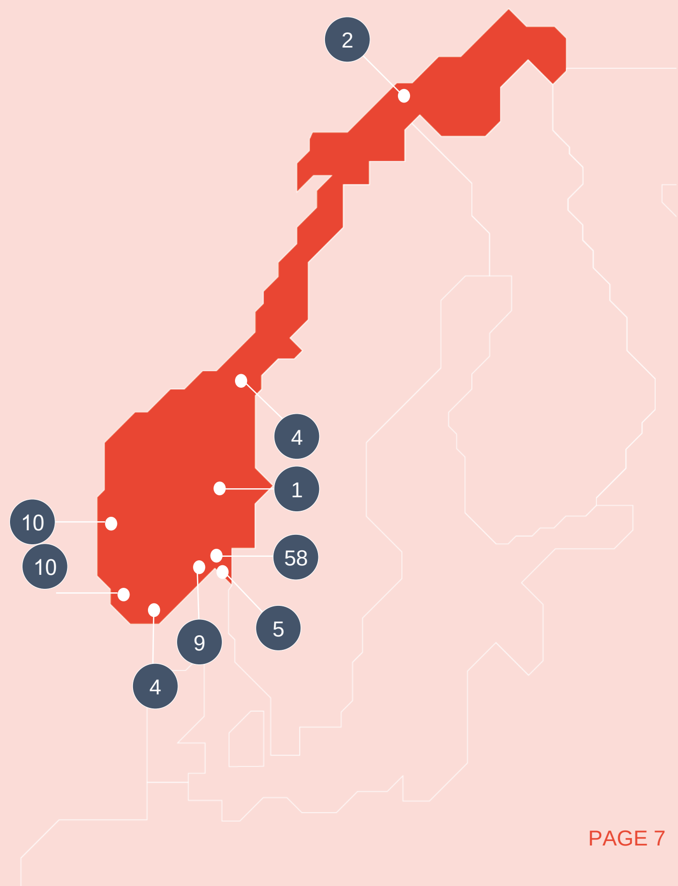
	Q2 2020	Q2 2019	**YTD 2020**	YTD 2019
Amounts in NOK million (unless otherwise stated)				
Membership revenue	128	358	473	720
Other revenues	121	108	209	209
Total revenues	249	466	682	929
EBITDA	117	208	251	372
Margin (%)	*47%*	*45%*	*37%*	*40%*
Operating profit	20	113	59	182
Profit/loss for the period	-2	71	7	107
Adjusted Country EBITDA before impact of IFRS 16	42	139	111	236
Margin (%)	*17%*	*30%*	*16%*	*25%*
Adjusted EBITDA before impact of IFRS 16	19	108	52	173
Margin (%)	*8%*	*23%*	*8%*	*19%*
Clubs	103	101	103	101
Members ('000)	280	298	280	298
ARPM (NOK/month)	286	515	393	532

Revenues
NOK million
-47%



Country EBITDA[1)]
NOK million
-70%





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

SWEDEN

Sweden is the second-largest operating segment in the Group, with 33% of consolidated total revenues in 2019 and 221 000 members at the end of Q2 2020. SATS has maintained a very strong position in Sweden over the course of many years and is the largest operator of fitness clubs in terms of revenue.

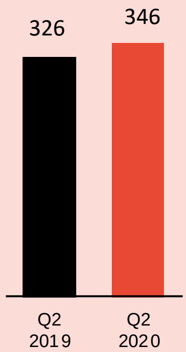
The Swedish clubs reopened after the COVID-19 related club closure already on 26 March and have thus been open during the full Q2. Total revenues increased by NOK 20 million to NOK 346 million in Sweden in Q2, an increase of 6% compared to the corresponding quarter last year. The increase was driven by a 7% increase in ARPM, a result of the price initiatives made over the past year. This was partly offset by a reduction of 7 000 members, which was negatively affected by the COVID-19 outbreak and corresponding club closure in March. Despite reductions in underlying operating cost, the net increase of three clubs compared to last year increased the total operating expenses by 6%.

Country EBITDA decreased by NOK 1 million to NOK 88 million, resulting in quarterly Country EBITDA margin of 25%, 2 p.p. down from Q2 2019.

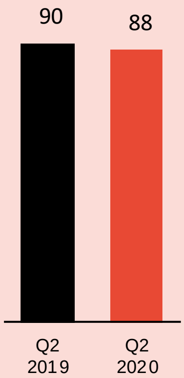
Key Financial Figures and Alternative Performance Measures (APM)

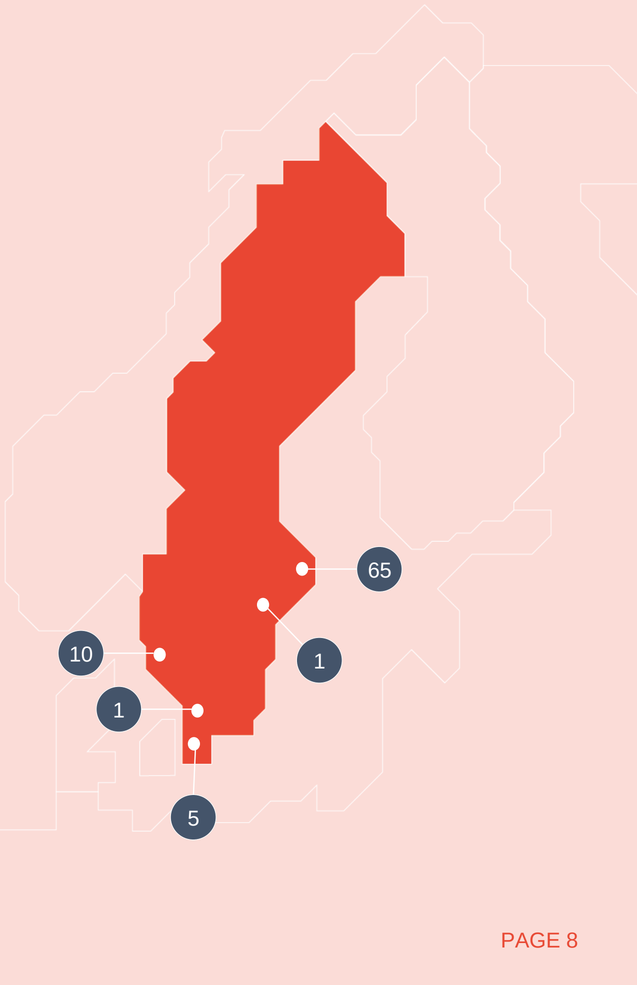
	Q2 2020	Q2 2019	**YTD 2020**	YTD 2019
Amounts in NOK million (unless otherwise stated)				
Membership revenue	273	251	539	503
Other revenues	73	76	144	153
Total revenues	346	326	683	657
EBITDA	151	134	259	261
Margin (%)	*44%*	*41%*	*38%*	*40%*
Operating profit	69	66	98	124
Profit/loss for the period	45	43	39	80
Adjusted Country EBITDA before impact of IFRS 16	88	90	147	173
Margin (%)	*25%*	*27%*	*22%*	*26%*
Adjusted EBITDA before impact of IFRS 16	70	65	99	122
Margin (%)	*20%*	*20%*	*14%*	*19%*
Clubs	82	79	82	79
Members ('000)	221	227	221	227
ARPM (NOK/month)	510	478	506	486

Revenues
NOK million
+6%



Country EBITDA[1)]
NOK million
-2%





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

FINLAND

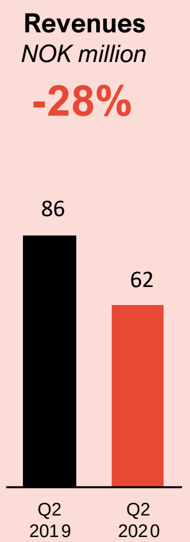
In Finland, the business is operated under the brand ELIXIA, and the Finnish operations, with 60 000 members at the end of Q2 2020, constituted 9% of consolidated total revenues in 2019. The Finnish fitness market is highly fragmented, and ELIXIA is the market leader.

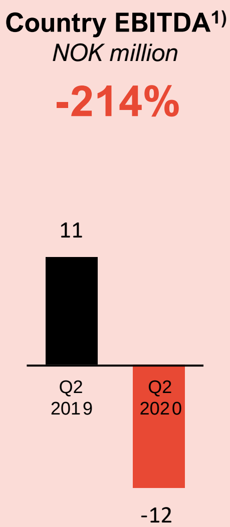
The Finnish operation reopened on 24 April, after the restrictions in the main Helsinki area were lifted, but the 6-weeks closure affected the Q2 financials negatively. Total revenues decreased by NOK 24 million to NOK 62 million in Finland in Q2, a decrease of 28% compared to the corresponding quarter last year. The total member base decreased by 2 000 compared to Q2 2019, caused by club closure. ARPM decreased by 27%, as the members were offered to either freeze their membership or access the digital offering at a reduced membership price.

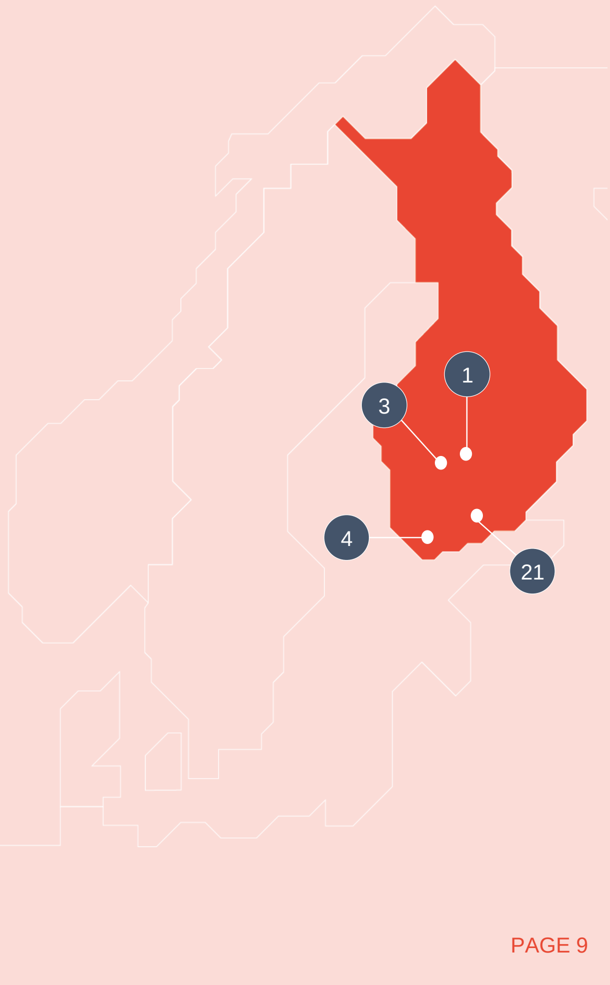
Country EBITDA decreased by NOK 23 million to a negative NOK 12 million and quarterly Country EBITDA margin was -20%, down 32 p.p. compared to Q2 2019.

Key Financial Figures and Alternative Performance Measures (APM)

	Q2 2020	Q2 2019	**YTD 2020**	YTD 2019
Amounts in NOK million (unless otherwise stated)				
Membership revenue	46	69	115	140
Other revenues	16	16	32	32
Total revenues	62	86	147	172
EBITDA	13	30	32	56
Margin (%)	*21%*	*34%*	*22%*	*33%*
Operating profit	(16)	7	-23	11
Profit/loss for the period	-28	1	-43	0
Adjusted Country EBITDA before impact of IFRS 16	-12	11	-15	18
Margin (%)	*-20%*	*12%*	*-10%*	*11%*
Adjusted EBITDA before impact of IFRS 16	-15	6	-23	10
Margin (%)	*-25%*	*8%*	*-16%*	*6%*
Clubs	29	29	29	29
Members ('000)	60	62	60	62
ARPM (NOK/month)	333	457	400	467







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

DENMARK

The Danish operation constituted 13% of consolidated total revenues in 2019. SATS Denmark, with 91 000 members at the end of Q2 2020, is the number two operator in Denmark, focused around the Greater Copenhagen area.

The Danish clubs were temporarily closed from 12 March to 11 June, which has affected the Q2 financials significantly. Total revenues decreased by NOK 39 million to NOK 86 million, a decrease of 31% compared to Q2 2019. The total member base decreased by 8 000 members compared to Q2 2019, mainly as a result of lost sales during the club closure period. ARPM decreased by 26% compared to Q2 2019, partly offset by the compensation package of NOK 42 million from the Danish government, covering parts of the fixed costs, recognized as income.

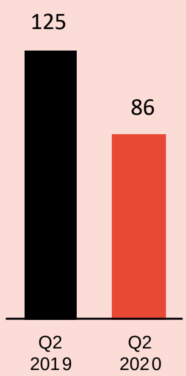
Country EBITDA decreased to a negative NOK 39 million and quarterly Country EBITDA margin was -45%, down 35 p.p. compared to last year.

In June, SATS Denmark signed an agreement to divest nine clubs in Jylland and Fyn, with the transaction completed on 1 July. The clubs and members are included in the Q2 figures. The divested clubs contributed with 14% of the revenue and 75% of the adj. EBITDA loss in 2019, and had 18% of the member base as of end-Q2 2020. After the divestment, SATS retains 29 clubs in Denmark, all located in the Northern Sealand area.

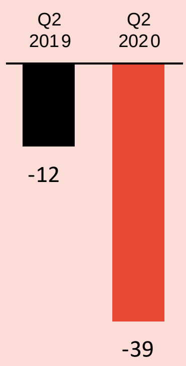
Key Financial Figures and Alternative Performance Measures (APM)

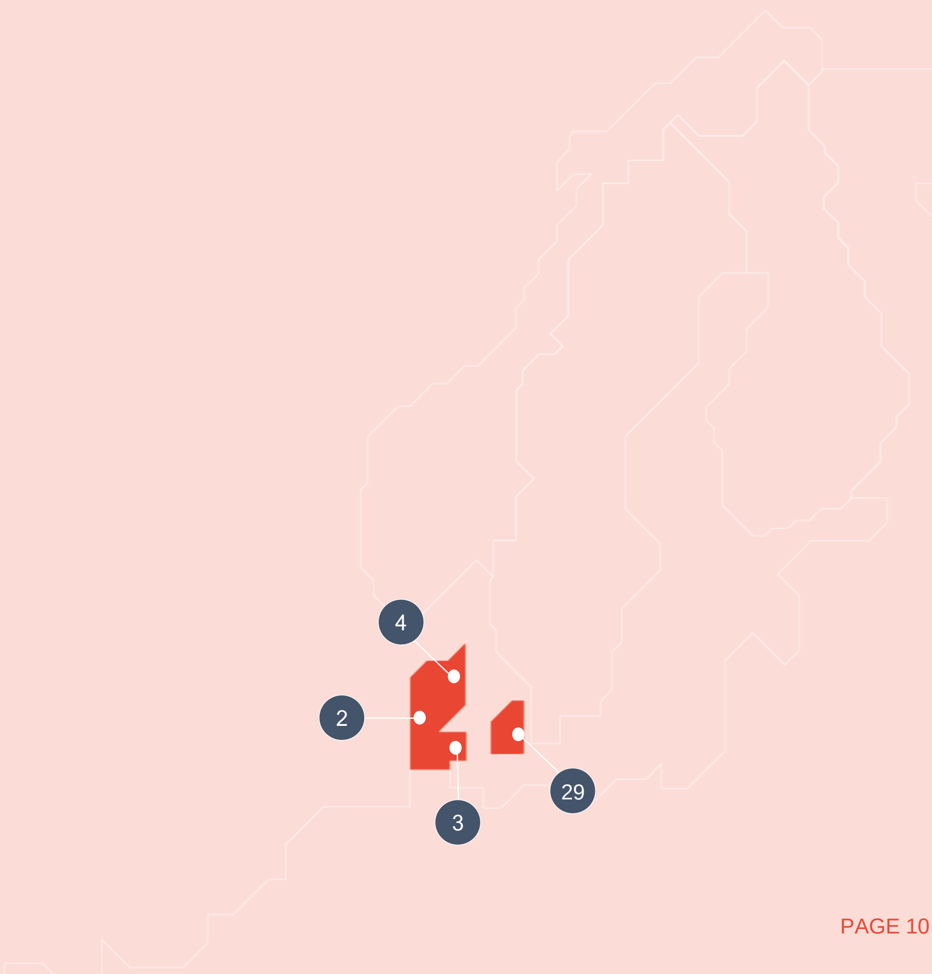
	Q2 2020	Q2 2019	**YTD 2020**	YTD 2019
Amounts in NOK million (unless otherwise stated)				
Membership revenue	39	106	145	219
Other revenues	48	19	76	37
Total revenues	86	125	220	255
EBITDA	0	22	15	51
Margin (%)	*0%*	*17%*	*7%*	*20%*
Operating profit excluding impairment	(44)	(29)	-77	-40
Operating profit	(106)	(29)	-139	-40
Profit/loss for the period	-114	-30	-217	-46
Adjusted Country EBITDA before impact of IFRS 16	-39	-12	-59	-16
Margin (%)	*-45%*	*-10%*	*-27%*	*-6%*
Adjusted EBITDA before impact of IFRS 16	-43	-20	-71	-32
Margin (%)	*-50%*	*-16%*	*-32%*	*-12%*
Clubs	38	39	38	39
Members ('000)	91	100	91	100
ARPM (NOK/month)	302	406	390	424

Revenues
NOK million
-31%



Country EBITDA[1)]
NOK million
-214%





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

BUSINESS AND INDUSTRY OUTLOOK

The fitness industry has experienced a significant setback caused by the COVID-19 outbreak. SATS expects the negative effects will prevail some time after reopening of all clubs but is confident that the long-term outlook is still dominated by society's increased focus on health and well-being and robust global trends, such as political initiatives for health and digitalization. Fitness clubs, and full-service chains in particular, are at the center of the health and wellness economy and are positioned to expand their catchment into adjacencies. Over the longer-term, the economic impact of the pandemic is expected to drive further consolidation in the fitness industry. SATS believes the market dynamics post COVID-19 will be suited to the company's business model. The company has plans for further expansion in the Nordics and continued investment in the product offering to remain the leading provider of fitness and training services in the Nordics.

SHAREHOLDER INFORMATION

SATS ASA's share capital was NOK 361 million as at 30 June 2020, divided into 170 000 000 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS did not own any treasury shares as at the balance sheet date. The number of shareholders as at 30 June 2020 was 4 906.

FINANCIAL POLICY AND DIVIDEND

SATS will revert to the market with an updated financial policy once the situation related to COVID-19 has stabilized. The company is experiencing a temporary increased leverage ratio due to reduced EBITDA during the COVID-19 related club closure in Q1 and Q2 2020. The company has been in close dialogue with the banks to find solutions for the revolving credit facility with a leverage covenant of 4.25x Adjusted LTM EBITDA until 6 September 2021 and 4.00x thereafter, and has signed an agreement to amend the NOK 2 500 million facility. The new financial covenants applicable in the amendment period are minimum levels for LTM EBITDA and maximum levels for CAPEX per quarter. SATS will not distribute any dividend to the shareholders during the amendment period, ending on 30 June 2021 or when terminated by the company. The company shall be compliant with the original covenants after the end of the amendment period, and has flexibility to step back to the original agreement at any time.

RISK AND UNCERTAINTY FACTORS

SATS operates in a broad range of geographical markets in the highly competitive health and fitness industry. In achieving its long-term strategic objectives, SATS is inherently involved in taking risks. Please see the Group's 2019 Annual Report (Board of Directors' Report and Note 23) for a detailed description of the Group's risk factors and risk management policies and procedures.

EVENTS AFTER THE BALANCE SHEET DATE

SATS has signed an agreement with Fitness 1 to divest nine clubs in Jylland and Fyn, Denmark. The transaction was completed on 1 July. After the divestment, SATS retains 29 clubs in Denmark, all located in the Copenhagen and the Northern Sealand area.

On 2 July, SATS announced an amendment in the NOK 2 500 million revolving credit facility. The original leverage covenant of 4.25x Adjusted LTM EBITDA until 6 September 2021 and 4.00x thereafter was temporarily waived, replaced by minimum levels for LTM EBITDA and maximum levels for CAPEX per quarter. The amendment period ends on 30 June 2021 or when terminated by the company, and the company shall be compliant with the original covenants after this.

On the basis of the resolution by the general meeting of SATS ASA on 26 May 2020, all employees of the company and its subsidiaries and the members of the board of directors of the company were invited to participate in a share investment program for the purpose of seeking to align the interests of the employees with those of the shareholders of the company. The share capital increase pertaining to the issuance of shares was registered with the Norwegian Register of Business Enterprises (Nw. Foretaksregisteret) on 10 July. The company's new share capital is NOK 364 997 195, comprising in total 171 763 386 shares, each with a nominal value of NOK 2.125.

There have been no other material events subsequent to the reporting period that might have a significant effect on the consolidated interim financial statements for the second quarter of 2020.

Disclaimer

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

Oslo, 15 July 2020
The Board of Directors

CONSOLIDATED INCOME STATEMENT

(Amounts in NOK million)	Notes	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
Revenue	2	**744**	**1 003**	**1 733**	**2 013**	**3 987**
Operating expenses						
Cost of goods sold		-19	-28	-62	-54	-115
Personnel expenses		-262	-346	-655	-724	-1 463
Other operating expenses		-175	-228	-441	-479	-925
Depreciation and amortisation	7, 8	-262	-247	-526	-482	-972
Total operating expenses		**-717**	**-848**	**-1 684**	**-1 740**	**-3 475**
Operating profit excluding impairment		**26**	**155**	**49**	**273**	**512**
Impairment of assets held for sale	3	-62	0	-62	0	0
Operating profit		**-36**	**155**	**-13**	**273**	**512**
Interest income		0	0	0	0	1
Finance income		9	4	70	35	11
Interest expense		-64	-63	-127	-128	-253
Finance expense		-17	-2	-73	-7	-24
Net financial items		**-72**	**-61**	**-129**	**-99**	**-265**
Profit/loss before tax		**-108**	**94**	**-142**	**174**	**247**
Income tax expense		-6	-20	-69	-37	-60
Profit/loss for the period		**-114**	**74**	**-212**	**137**	**187**
Profit/loss for the year is attributable to:						
Equity holders of the Group		-114	74	-212	137	187
Non-controlling interests		0	0	0	0	0
Total allocation		**-114**	**74**	**-212**	**137**	**187**
Earnings per share in NOK						
Basic earnings per share attributable to equity holders of the company	4	-0.67	0.66	-1.24	1.22	1.52
Diluted earnings per share attributable to equity holders of the company	4	-0.67	0.66	-1.24	1.22	1.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK million)	**Q2 2020**	Q2 2019	**YTD 2020**	YTD 2019	2019
Profit/loss for the year	**-114**	**74**	**-212**	**137**	**187**
Other comprehensive income					
Currency translation adjustment - may be reclassified to profit or loss	-28	4	-3	-34	10
Other comprehensive income, net of tax	**-28**	**4**	**-3**	**-34**	**10**
Total comprehensive income for the period	**-142**	**79**	**-215**	**102**	**197**
Total comprehensive income is attributable to:					
Equity holders of the Group	-142	79	-215	103	198
Non-controlling interests	0	0	0	0	0
Total comprehensive income for the period	**-142**	**79**	**-215**	**102**	**197**

CONSOLIDATED BALANCE SHEET

	Notes	30.06.2020	30.06.2019	31.12.2019
(Amounts in NOK million)				
ASSETS				
Non-current assets				
Intangible assets	6	2 564	2 442	2 464
Right-of-use assets	8	4 268	3 644	3 912
Property, plant and equipment	7	785	671	739
Derivative financial instruments	9	0	4	5
Other non-current receivables		39	39	41
Deferred tax assets		149	204	192
Total non-current assets		**7 805**	**7 005**	**7 354**
Current assets				
Inventories		43	32	41
Accounts receivables		132	92	136
Other current receivables		24	40	70
Prepaid expenses and accrued income		322	192	222
Assets held for sale	3	154	0	0
Cash and cash equivalents		609	252	165
Total current assets		**1 284**	**609**	**634**
Total assets		**9 089**	**7 614**	**7 988**
EQUITY				
Share capital		361	225	361
Share premium		3 990	2 270	3 990
Other reserves		12	-29	15
Paid in capital not yet registered		16	0	0
Retained earnings		-3 355	-3 120	-3 143
Non-controlling interests		0	-4	0
Total equity		**1 024**	**-659**	**1 223**
LIABILITIES				
Non-current liabilities				
Deferred tax liability	3	78	119	77
Borrowings	5	1 938	1 744	1 293
Lease liability	5	3 862	3 221	3 521
Derivative financial instruments	9	53	0	0
Total non-current liabilities		**5 931**	**5 085**	**4 891**
Current liabilities				
Borrowings	5	7	70	8
Lease liability	5	799	744	767
Lease liabilities directly associated with assets held for sale	3	197	0	0
Contract liability		510	443	491
Trade and other payables		104	60	122
Current tax liabilities		23	19	39
Public fees and charges payable		173	102	127
Other current liabilities		323	1 750	322
Total current liabilities		**2 135**	**3 188**	**1 875**
Total liabilities		**8 066**	**8 273**	**6 765**
Total equity and liabilities		**9 089**	**7 614**	**7 988**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK million)	Share capital	Share premium	Other reserves[1)]	Paid in capital not yet registered	Retained earnings	**Total attributable to owners of the Group**	Non-controlling interests	**Total equity**
Equity 1 January 2019	**225**	**2 270**	**5**		**-1 735**	**765**	**-4**	**761**
Profit/loss for the period					137	137	0	137
OCI for the period			-34			-34	0	-34
Total comprehensive income for the period	**0**	**0**	**-34**		**137**	**103**	**0**	**102**
Dividends					-1 525	-1 525		-1 525
Other items					2	2		2
Equity 30 June 2019	**225**	**2 270**	**-29**		**-3 120**	**-655**	**-4**	**-659**
Equity 1 January 2020	**361**	**3 990**	**15**		**-3 143**	**1 223**	**0**	**1 223**
Profit/loss for the period					-212	-212	0	-212
OCI for the period			-3			-3	0	-3
Total comprehensive income for the period	**0**	**0**	**-3**		**-212**	**-215**	**0**	**-215**
Paid in capital not yet registered				16		16		16
Equity 30 June 2020	**361**	**3 990**	**12**	**16**	**-3 355**	**1 024**	**0**	**1 024**

[1)] *Other reserves consist of currency translation adjustments.*

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK million)	Notes	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
Cash flow from operating activities						
Profit before tax		-108	94	-142	174	247
Adjustment for:						
Taxes paid in the period		0	-8	-17	-27	-60
Gain/loss from disposal or sale of equipment	7	0	0	0	0	0
Depreciation, amortisation and impairment	6, 7, 8	325	247	588	482	972
Net financial items		72	61	129	99	265
Change in inventory		4	1	-2	-1	-10
Change in accounts receivable		34	26	4	33	-11
Change in trade payables		-64	-50	-17	-82	-20
Change in other receivables and accruals		-141	-76	-6	-79	-38
Net cash flow from operations		**121**	**294**	**537**	**599**	**1 345**
Cash flow from investing						
Proceeds from sale of subsidiary		0	0	0	0	2
Purchase of property, plant and equipment	6, 7	-45	-35	-126	-85	-265
Proceeds from property, plant and equipment		0	0	1	0	2
Acquisition of subsidiary, net of cash acquired		0	-17	-13	-60	-60
Net cash flow from investing		**-45**	**-53**	**-139**	**-145**	**-321**
Cash flow from financing						
Repayments of borrowings	5	-1	1	-1	-60	-1 894
Proceeds from borrowings	5	0	59	575	59	1 492
Instalments on lease liabilities	5	-208	-189	-408	-375	-750
Paid interests on borrowings	5	-16	-19	-29	-37	-67
Interests on lease liabilities	12	-49	-44	-99	-92	-187
Disbursement of dividend		0	-32	0	-32	-1 032
Proceeds from issues of shares IPO	4	0	0	0	0	1 356
Paid in capital not yet registered		16	0	16	0	0
Transactions with non-controlling interests		0	0	0	0	-34
Transaction costs from issues of new shares IPO		0	0	0	0	-43
Other financial items		-2	11	-2	-20	-66
Net cash flow from financing		**-261**	**-214**	**51**	**-557**	**-1 225**
Net increase/decrease in cash and cash equivalents		**-184**	**28**	**449**	**-104**	**-200**
Effect of foreign exchange changes on cash and cash equivalents		19	3	-5	-1	8
Cash and cash equivalents at the beginning of the period		775	221	165	357	357
Cash and cash equivalents at the end of period		**609**	**252**	**609**	**252**	**165**

NOTES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 General information and basis for preparation

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

Basis for preparation
These consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union (the "EU") and additional requirements in the Norwegian Securities Trading Act. This interim financial report does not include all information and disclosures required by International Financial Accounting Standards ("IFRS") for a complete set of annual financial statements. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2019.

These consolidated interim financial statements are unaudited.

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2019. Because of rounding differences, numbers or percentages may not add up to the sum totals. For the reporting period IFRIC 23 has been implemented in the Group accounting policies with no material impact on the Group`s financial statements.

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.

Significant changes in the current reporting period
In April 2020, SATS signed an agreement with Fitness 1 to divest nine clubs in Jylland and Fyn, Denmark. The divestment is a planned strategic move initiated by SATS, in order to make Denmark more efficient and profitable. It will further enable SATS to continue on the journey of focusing on its strong capital clusters by strengthening our position in the Copenhagen and Northern Sealand area.

Please see Note 3 Profit and loss information for financial effects from the outbreak of the coronavirus disease 2019 (COVID-19).

The financial position and performance of the Group was not, other than mentioned above, particularly affected by any events or transactions during the first six months of 2020.

NOTE 2 Segment information

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

The Group's chief operating decision maker is the Nordic Management Group, consisting of the CEO, Group functions and the country managers. The Nordic Management Group is responsible for allocating resources and assessing the performance of the segments.

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

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

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

Operating segment information
The segment information provided to the Nordic Management Group for the reportable segments for Q2 2020, Q2 2019, YTD 2020, YTD 2019 and year ended 31 December 2019 is as follows:

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	**Total**
(Amounts in NOK million)						
Q2 2020						
Revenue						
Membership revenue	128	273	46	39	0	485
Other revenues	121	73	16	48	1	258
Total revenues	**249**	**346**	**62**	**86**	**1**	**744**
EBITDA[1)] and EBITDA before impact of IFRS 16[1)] reconcile to profit/loss for the period as follows:						
EBITDA before impact of IFRS 16[1)]	**15**	**69**	**-15**	**-46**	**8**	**31**
Impact of IFRS 16	102	82	28	46	0	257
EBITDA[1)]	**117**	**151**	**13**	**0**	**8**	**289**
Depreciation and amortisation	-96	-83	-28	-44	-11	-262
Operating profit excluding impairment	**20**	**69**	**-16**	**-44**	**-4**	**26**
Impairment of assets held for sale	0	0	0	-62	0	-62
Operating profit	**20**	**69**	**-16**	**-106**	**-4**	**-36**
Net financial items[2)]	-23	-12	-13	-9	-16	-72
Income tax expense	1	-12	0	0	5	-6
Profit/loss for the period	**-2**	**45**	**-28**	**-114**	**-15**	**-114**
Q2 2019						
Revenue						
Membership revenue	358	251	69	106	0	784
Other revenues	108	76	16	19	0	219
Total revenues	**466**	**326**	**86**	**125**	**0**	**1 003**
EBITDA[1)] and EBITDA before impact of IFRS 16[1)] reconcile to profit/loss for the period as follows:						
EBITDA before impact of IFRS 16[1)]	**108**	**65**	**6**	**-20**	**8**	**168**
Impact of IFRS 16	99	69	23	41	0	233
EBITDA[1)]	**208**	**134**	**30**	**22**	**8**	**401**
Depreciation and amortisation	-95	-68	-23	-50	-10	-247
Operating profit	**113**	**66**	**7**	**-29**	**-2**	**155**
Net financial items[2)]	-22	-11	-6	-9	-13	-61
Income tax expense	-20	-12	0	8	4	-20
Profit/loss for the period	**71**	**43**	**1**	**-30**	**-11**	**74**

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

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	**Total**
(Amounts in NOK million)						
YTD 2020						
Revenue						
Membership revenue	473	539	115	145	0	1 272
Other revenues	209	144	32	76	1	461
Total revenues	**682**	**683**	**147**	**220**	**1**	**1 733**

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

EBITDA before impact of IFRS 16[1]	**48**	**99**	**-23**	**-74**	**19**	**69**
Impact of IFRS 16	204	160	55	89	0	507
EBITDA[1]	**251**	**259**	**32**	**15**	**19**	**575**
Depreciation and amortisation	-193	-160	-55	-92	-26	-526
Operating profit excluding impairment	**59**	**98**	**-23**	**-77**	**-7**	**49**
Impairment of assets held for sale	0	0	0	-62	0	-62
Operating profit	**59**	**98**	**-23**	**-139**	**-7**	**-13**
Net financial items[2]	-50	-49	-23	-16	9	-129
Income tax expense	-2	-11	4	-61	1	-69
Profit/loss for the period	**7**	**39**	**-43**	**-217**	**2**	**-212**

YTD 2019						
Revenue						
Membership revenue	720	503	140	219	0	1 581
Other revenues	209	153	32	37	0	432
Total revenues	**929**	**657**	**172**	**255**	**0**	**2 013**

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

EBITDA before impact of IFRS 16[1]	**173**	**122**	**10**	**-32**	**17**	**290**
Impact of IFRS 16	199	139	46	82	0	466
EBITDA[1]	**372**	**261**	**56**	**51**	**17**	**755**
Depreciation and amortisation	-190	-137	-45	-90	-20	-482
Operating profit	**182**	**124**	**11**	**-40**	**-3**	**273**
Net financial items[2]	-45	-22	-11	-19	-2	-99
Income tax expense	-30	-22	0	12	2	-37
Profit/loss for the period	**107**	**80**	**0**	**-46**	**-4**	**137**

2019						
Revenue						
Membership revenue	1 439	1 026	282	423	0	3 171
Other revenues	392	282	61	81	0	816
Total revenues	**1 831**	**1 308**	**343**	**504**	**0**	**3 987**

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

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

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

NOTE 3 Profit and loss information

COVID-19
Revenues during the quarter were to some extent retained through the clubs that were open, in addition to alternative offerings during the closure period. The revenues also include partial compensation for fixed costs from the Danish and Norwegian governments, in addition to salary compensation in Denmark. The compensations summed up to NOK 126 million in the second quarter. Total revenues decreased by NOK 259 million from the second quarter last year. Assuming that the year on year revenue increase in Q2 would have been the same as in Q1 in a scenario without COVID-19, and adjusting for currency, the estimated COVID-19 revenue effect in Q2 is NOK 520 million. As NOK 126 million is covered through governmental packages, the net effect is almost NOK 400 million.

The company took swift action to reduce the cost base during the club closure. Operational costs, total operating expenses less depreciation and amortization, were reduced by 24% in Q2 compared to last year.

In total, adjusted EBITDA before impact of IFRS 16 was NOK 131 million lower in the second quarter compared to the same period last year. With the assumption that the year on year increase in adjusted EBITDA would have been the same in Q2 as in Q1 without COVID-19, and adjusting for currency, the Q2 EBITDA effect of COVID-19 is estimated to NOK 270 million. The net effect after adjusting for the governmental packages of NOK 126 million is thus just below NOK 150 million. The governmental supporting packages covered 44% of the EBITDA loss in the quarter.

Divestment of clubs in Denmark
In June 2020, SATS signed an agreement with Fitness 1 to divest nine clubs in Jylland and Fyn, Denmark. The divestment was a planned strategic move initiated by SATS, in order to make Denmark more efficient and profitable. It will further enable SATS to continue on the journey of focusing on its strong capital clusters by strengthening our position in the Copenhagen and Northern Sealand area. The transaction took place on 1 July 2020, ad resulted in an impairment of NOK 62 million reflecting that the nine disposed clubs were operating with a significant loss, representing 75% of the negative EBITDA in 2019. The profit and loss effect from the transaction is recognized in Q2, related to an impairment of NOK 62 million and corresponding assets and liabilities are classified as Assets held for sale and Lease liabilities directly associated with assets held for sale in the consolidated balance sheet.

Income tax expense
Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year and is classified as deferred tax liability. The estimated average annual tax rate used for the 2020 interim reporting period is 22% for Norwegian entities, 21.4% for the Swedish entities, and 0% for the Danish and Finnish entities.

On 1 January 2019, SATS acquired 100% of the shares in the Danish fitness center chain fitness dk A/S. In connection with the acquisition, management made an assessment as to the eligibility of a deferred tax asset in the amount of NOK 54 million (NOK 61 million as per 31 March 2020 due to a strengthening of NOK against DKK), based on the loss carryforward position along with other tax reducing temporary differences. It was management`s judgement that it is not probable that future taxable profits will be available against the unused tax losses within a reasonable time frame and tax reducing temporary differences after the severe effects from COVID-19. Hence, the deferred tax asset in Denmark was written down in Q1, resulting in an income tax expense of NOK 61 million in the Danish segment.

Definitions
In the interim financial statements, Q2 is defined as the reporting period from 1 April to 30 June.

NOTE 4 Earnings per share

In September 2019, the shares of the company were split in the ratio 1:4 so that the number of shares was increased from 28 071 892 to 112 287 568. The updated number of shares has been applied as the denominator for Q2 2019.

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

Basic earnings per share attributable to equity holders of the company

	Q2 2020	Q2 2019	**YTD 2020**	YTD 2019	2019
Basic earnings	-0.67	0.66	-1.24	1.22	1.52
Total basic earnings per share	**-0.67**	**0.66**	**-1.24**	**1.22**	**1.52**
Total number of outstanding shares	170 000 000	112 287 568	170 000 000	112 287 568	123 197 589

Diluted earnings per share attributable to equity holders of the company

	Q2 2020	Q1 2019	**YTD 2020**	YTD 2019	2019
Diluted earnings	-0.67	0.66	-1.24	1.22	1.52
Total diluted earnings per share	**-0.67**	**0.66**	**-1.24**	**1.22**	**1.52**
Total number of outstanding shares	170 000 000	112 287 568	170 000 000	112 287 568	123 197 589

Reconciliation of earnings used in calculating earnings per share

	Q2 2020	Q1 2019	**YTD 2020**	YTD 2019	2019
Basic earnings per share					
Profit/loss attributable to equity holders of the Group	-114	74	-212	137	187
Profit used in calculating basic earnings per share	**-114**	**74**	**-212**	**137**	**187**
Diluted earnings per share					
Profit/loss used in calculating diluted earnings per share	-114	74	-212	137	187
Profit used in calculating diluted earnings per share	**-114**	**74**	**-212**	**137**	**187**

NOTE 5 Interest-bearing liabilities

Overview of interest-bearing liabilities	**30.06.2020**	30.06.2019	31.12.2019
(Amounts in NOK million)			
Current			
Bank borrowings	7	70	8
Lease liabilities	799	744	767
Total current interest-bearing liabilities	**805**	**814**	**775**
Non-current			
Bank borrowings	1 938	1 744	1 293
Lease liabilities	3 862	3 221	3 521
Total non-current interest-bearing liabilities	**5 800**	**4 966**	**4 814**
Total interest-bearing liabilities	**6 605**	**5 780**	**5 589**
Total bank borrowings	1 945	1 814	1 301
Cash and cash equivalents	609	252	165
Net debt[1)]	**1 336**	**1 562**	**1 136**

Long-term loan facility agreement
The company has an unsecured revolving credit facility agreement, consisting of a multicurrency revolving credit facility with a maximum principal amount of NOK 2 500 million. An amendment to the facility agreement was signed 2 July 2020.

Interests on borrowings under the facility will be paid at an annual interest rate equal to the applicable IBOR plus a margin reliant on the leverage ratio of the Group.

The facility will mature in full in October 2024, and no installment payments are due before this time. Interests payable will depend on the principal amount of the facility at any given time. However, based on a draw-down of NOK 1 940 million as of the balance sheet date of 30 June 2020, the annual interest payment is expected to be in the range of NOK 40 to 67 million.

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

The company is experiencing a temporary increased leverage due to reduced EBITDA during the COVID-19 related club closure in Q1 and Q2 2020. As a consequence, the company has signed an agreement to amend the NOK 2 500 million facility, waiving the original financial covenants during the amendment period. The new financial covenants applicable in the amendment period are minimum levels for LTM EBITDA and maximum levels for CAPEX per quarter. The company will not distribute any dividend to the shareholders during the amendment period, ending on 30 June 2021 or when terminated by the company. The company shall be compliant with the original covenants after the end of the amendment period.

Compliance with financial borrowing covenants
SATS ASA executes the financing functions within the Group, holds the long-term financing agreement with the Group's long-term lenders, and provides long-term financing to other Group entities. SATS ASA has complied with the financial covenants related to its borrowing facility during Q2 2020, and considers the financial covenants in the amended loan facility to give sufficient headroom throughout the amendment period.

Payment profile
The following table shows the undiscounted payment profile of the Group's interest bearing liabilities, based on the remaining period as of 30 June 2020:

Bank borrowings	**Total**
(Amounts in NOK million)	
Less than 1 year	67
1-2 years	54
2-3 years	47
3-5 years	2 013
More than 5 years	3
Total payments	**2 184**

Lease liabilities	**Total**
(Amounts in NOK million)	
Less than 1 year	978
1-2 years	921
2-3 years	820
3-5 years	1 238
More than 5 years	1 390
Total payments	**5 347**

1) For further information regarding Net debt, please see the appendix Alternative Performance Measures.

NOTE 6 Intangible assets

Goodwill	Norway	Sweden	Finland	Denmark	Total goodwill
(Amounts in NOK million)					
At 31 December 2019					
Cost	1 798	188	574	0	2 560
Accumulated impairment	-199	0	-10	0	-209
Net book value	**1 599**	**188**	**564**	**0**	**2 351**
Period ended 30 June 2020					
Opening net book amount	1 599	188	564	0	2 351
Net effect of changes in foreign exchange	0	20	60	0	80
Net additions/disposals	0	11	0	0	11
Closing net book value	**1 599**	**219**	**624**	**0**	**2 442**
At 30 June 2020					
Cost	1 798	219	634	0	2 651
Accumulated impairment	-199	0	-10	0	-209
Net book value	**1 599**	**219**	**624**	**0**	**2 442**
Useful life	Indefinite	Indefinite	Indefinite		
Amortisation method	Not amortised	Not amortised	Not amortised		

Other intangible assets	Trademark	Internally developed software[1]	Customer list	Other	Total other intangible assets
(Amounts in NOK million)					
At 31 December 2019					
Cost	267	271	49	4	591
Accumulated amortisation and impairment	-265	-201	-8	-4	-478
Net book value	**2**	**70**	**42**	**0**	**113**
Period ended 30 June 2020					
Opening net book amount	2	70	42	0	113
Effect of changes in foreign exchange cost	0	28	-1	0	28
Effect of changes in foreign exchange accumulated depreciation	0	-21	0	0	-22
Acquisition	0	0	5	0	5
Additions/disposals	0	28	0	0	28
Amortisation charge	0	-26	-5	0	-31
Closing net book value	**2**	**79**	**41**	**0**	**122**
At 30 June 2020					
Cost	267	327	54	4	652
Accumulated amortisation and impairment	-265	-249	-13	-4	-530
Net book value	**2**	**79**	**41**	**0**	**122**
Useful life	10 years	3 years	3 - 7 years	1 - 10 years	
Amortisation method	Straight-line	Straight-line	Straight-line	Straight-line	

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

NOTE 7 Property, plant and equipment

Property, plant and equipment	Capitalised leasehold improvements	Fitness equipment	Other fixtures and equipment	**Total tangible fixed assets**
(Amounts in NOK million)				
At 31 December 2019				
Cost	1 323	768	439	2 530
Accumulated depreciation	-843	-572	-377	-1 791
Net book value	**480**	**197**	**62**	**739**
Pledged as security for liabilities				**739**
Period ended 30 June 2020				
Opening net book amount	480	197	62	739
Effect of changes in foreign exchange cost	94	41	22	158
Net additions/disposals	42	30	13	85
Depreciation charge	-47	-28	-13	-88
Effect of changes in foreign exchange accumulated depreciation	-61	-29	-18	-108
Closing net book value	**509**	**211**	**65**	**785**
At 30 June 2020				
Cost	1 459	839	474	2 773
Accumulated depreciation and impairment	-951	-629	-408	-1 988
Net book value	**509**	**211**	**65**	**785**
Pledged as security for liabilities				**785**
Useful life	10 years	5 - 9 years	3 - 7 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

NOTE 8 Right of use ("RoU") assets

RoU assets	Premise rental	Other leases	Total RoU assets
(Amounts in NOK million)			
At 1 January 2019			
Cost	6 759	23	6 782
Accumulated depreciation	-3 543	-10	-3 553
Net book value	**3 216**	**13**	**3 229**
Year ended 31 December 2019			
At 1 January 2019	3 216	13	3 229
Additions/disposals	1 425	63	1 488
Effect of changes in foreign exchange cost	-33	0	-33
Depreciation charge	-736	-25	-761
Effect of changes in foreign exchange accumulated depreciation	-11	0	-11
Closing net book value	**3 862**	**51**	**3 912**
At 31 December 2019			
Cost	8 152	86	8 238
Accumulated depreciation	-4 290	-36	-4 326
Net book value	**3 862**	**50**	**3 912**
Period ended 30 June 2020			
At 1 January 2020	3 862	50	3 912
Effect of changes in foreign exchange cost	272	7	279
Additions/disposals	549	-13	536
Depreciation charge	-395	-11	-406
Effect of changes in foreign exchange accumulated depreciation	-51	-2	-54
Closing net book value	**4 237**	**31**	**4 268**
At 30 June 2020			
Cost	8 973	80	9 053
Accumulated depreciation	-4 736	-49	-4 786
Net book value	**4 237**	**31**	**4 268**
Useful life	1 - 15 years	1 - 5 years	
Depreciation method	Straight-line	Straight-line	

NOTE 9 Financial instruments

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. The interim financial statements do not include all financial risk information and should be read in conjunction with the annual report. There have not been any changes in the Group`s risk management policies since year end. The Group does not apply hedge accounting.

Exchange rate - sensitivity analysis
As shown below, the Group is primarily exposed to changes in the SEK/NOK, EUR/NOK and DKK/NOK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the profit or loss in the Group's foreign subsidiaries, borrowings, intercompany loans and bank accounts in currencies other than where the legal entity is located. EUR, SEK and DKK are strengthened by 10% against NOK in the sensitivity analysis below. A 10% weaker NOK against SEK/EUR/DKK results in a negative effect of NOK 10 million on Profit/loss before tax when re-consolidating the last 12 months. Re-consolidating the balance sheet as of 30 June 2020 with a weaker NOK results in a positive effect of NOK 68 million.

	Profit in foreign currency	Borrowings, intercompany loans and bank accounts in foreign currency	**Total**
(Amounts in NOK million)			
SEK/NOK exchange rate - increase 10%[1)]	16	16	32
EUR/NOK exchange rate - increase 10%[1)]	-4	47	43
DKK/NOK exchange rate - increase 10%[1)]	-21	4	-17
Effect on Profit/loss before tax	**-10**	**68**	**58**

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

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

Derivatives are classified as held for trading and initially 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.

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments from last balance sheet date.

	30.06.2020		30.06.2019		31.12.2019	
Financial instruments - Assets	**Assets measured at amortised cost**	**Fair value through profit and loss**	Assets measured at amortised cost	Fair value through profit and loss	Assets measured at amortised cost	Fair value through profit and loss
(Amounts in NOK million)						
Other non-current receivables	39	0	39	0	41	0
Accounts receivables	132	0	92	0	136	0
Other current receivables	24	0	40	0	70	0
Derivatives	0	0	0	4	0	5
Cash and cash equivalents	609	0	252	0	165	0
Total financial assets	**805**	**0**	**424**	**4**	**412**	**5**

	30.06.2020		30.06.2019		31.12.2019	
Financial instruments - Liabilities	**Liabilities measured at amortised cost**	**Fair value through profit and loss**	Liabilities measured at amortised cost	Fair value through profit and loss	Liabilities measured at amortised cost	Fair value through profit and loss
(Amounts in NOK million)						
Borrowings	1 945	0	1 814	0	1 301	0
Lease liabilities	4 660	0	3 965	0	4 289	0
Trade and other payables	104	0	60	0	122	0
Derivatives	0	53	0	0	0	0
Other current liabilities	323	0	1 750	0	322	0
Total financial liabilities	**7 032**	**53**	**7 590**	**0**	**6 032**	**0**

The Group has the following derivative financial instruments:

	30.06.2020	30.06.2019	31.12.2019
(Amounts in NOK million)			
Non-current asset			
Interest rate swap contracts	0	4	5
Total non-current derivative financial instrument assets	**0**	**4**	**5**
Non-current liabilities			
Interest rate swap contracts	53	0	0
Total non-current derivative financial instrument liabilities	**53**	**0**	**0**

In January 2020, SATS ASA entered into two new interest rate swap agreements while at the same time the previous agreements were terminated. The new interest rate swaps better match the underlying conditions in the market and the long-term loan facility agreement which SATS ASA entered into in October 2019. Please see Note 5 Interest-bearing liabilities for more information.

Overview of interest swaps per 30 June 2020

Interest rate swaps	Notional in currency million	Maturity	Fixed rate	**Unrealised gain/loss 30.06.2020**
IRS NOK	694	28.10.2026	1.751	-49
IRS SEK	200	28.10.2024	0.430	-4
Fair value of the Group`s interest rate swaps as of 30 June 2020 in NOK million				**-53**

Changes in fair value are presented within finance income and finance expense in the income statement.

NOTE 10 Related parties

General
The following table presents an overview of transactions with related parties. Remuneration of executive staff and Board of Directors and share capital information is not included in the following overview:

Profit or loss items

Related party	Relationship	Type of services	YTD 2020	YTD 2019	2019
(Amounts in NOK thousand)					
Elixia Holding IV AS	Shareholder of SATS Group AS	Interest rate on loan	0	-25	-41
Altor	Shareholder of SATS Group AS	Restructuring costs	0	128	144
Altor	Shareholder of SATS Group AS	Other expenses	51	0	0
SATS Group AS	Shareholder	Interest rate on loan	0	0	-3 810
Metropolis Health Club AB	Minority interest	Accounting services	0	75	75
SATS Grenland AS	Minority interest	IT, accounting and other services	0	2 013	3 948
Total related party profit or loss items			**51**	**2 192**	**315**

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

100% of the shares in SATS Grenland AS were acquired by the Group on 19 December 2019. In the table above, SATS Grenland AS is treated as related party in YTD Q2 2019 and 2019. Metropolis Health Club AB was sold in Q3 2019.

Balance sheet items

Related party	Relationship	Type of services	30.06.2020	30.06.2019	31.12.2019
(Amounts in NOK thousand)					
SATS Group AS	Shareholder	Borrowings	0	78 740	284
SATS Group AS	Shareholder	Dividend	0	-1 357 050	0
SATS Management Invest AS	Shareholder	Dividend	0	-125 250	0
Hansemgruppen Holding AS	Shareholder	Dividend	0	-17 700	0
Elixia Holding IV AS	Shareholder of SATS Group AS	Loan	0	1 184	0
Total related party balance sheet items			**0**	**-1 420 076**	**284**

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.

NOTE 11 Events after the balance sheet date

SATS has signed an agreement with Fitness 1 to divest nine clubs in Jylland and Fyn, Denmark. The transaction was completed on 1 July. After the divestment, SATS retains 29 clubs in Denmark, all located in the Copenhagen and the Northern Sealand area.

On 2 July, SATS announced an amendment in the NOK 2 500 million revolving credit facility. The original leverage covenant of 4.25x Adjusted LTM EBITDA until 6 September 2021 and 4.00x thereafter was temporarily waived, replaced by minimum levels for LTM EBITDA and maximum levels for CAPEX per quarter. The amendment period ends on 30 June 2021 or when terminated by the company, and the company shall be compliant with the original covenants after this. SATS will not distribute any dividend to the shareholders during the amendment period.

On the basis of the resolution by the general meeting of SATS ASA on 26 May 2020, all employees of the company and its subsidiaries and the members of the board of directors of the company were invited to participate in a share investment program for the purpose of seeking to align the interests of the employees with those of the shareholders of the company. The share capital increase pertaining to the issuance of shares was registered with the Norwegian Register of Business Enterprises (Nw. Foretaksregisteret) on 10 July. The company's new share capital is NOK 364 997 195, comprising in total 171 763 386 shares, each with a nominal value of NOK 2.125.

There have been no other material events subsequent to the reporting period that might have a significant effect on the consolidated interim financial statements for the second quarter of 2020.

NOTE 12 New IFRS standards

New standards adopted by the Group
No standards or amendments have been adopted by SATS Group for the first time for the financial year beginning on 1 January 2020.

NOTE 13 Critical estimates and judgements

Critical estimates
The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

The areas involving significant estimates or judgements are typical estimation of current tax payable and current tax expense, potential goodwill impairment, estimated useful life of intangible assets, recognition of deferred tax assets for carried forward tax losses etc.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Goodwill
Goodwill is recognized at NOK 2 442 million per the balance sheet date. 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. The recoverable amount of the cash generating units (CGUs) is 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 Intangible assets in the Annual Report for 2019. These growth rates are consistent with forecasts included in economic outlook reports specific to the area in which each CGU operates.

Sensitivity analyses show that no reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying value. For Finland, sensitivity analyses show that the headroom is limited, and the development will be monitored closely in the months to come.

Deferred tax assets
Part of the historic tax losses carried forward in the Finnish segment has been recognized at the balance sheet date as 2019 showed improved revenues and EBITDA, and growth in all clusters in the Finnish market. However, the COVID-19 crisis has significantly impacted the business, and as for goodwill, several scenarios are tested. Given that sensitivity analyses show limited headroom, the development will be monitored closely in the months to come.

Lease
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option related to premise lease contracts. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial period, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

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. 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 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.

NOTE 14 Business combination

Acquisition of Body Joy
On 1 February 2020, SATS acquired two fitness clubs in the Värmdö Municipalty in Sweden by acquiring 100% of the shares in Body Joy Monica & Monica AB. The acquisition is expected to contribute revenues of NOK 21 million and an EBITDA of NOK 2 million in 2020. The operating results and assets and liabilities of the acquired company were consolidated from 1 February 2020.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the first half of 2020, which have been prepared in accordance with IFRS as adopted by EU and IAS 34 Interim Financial Reporting, give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge, the interim report for the first half of 2020 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements, the principal risks and uncertainties for the remaining half of 2020, and major related party transactions.

Oslo, 15 July 2020

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

APPENDIX

ALTERNATIVE PERFORMANCE MEASURES

The Group reports its financial results in accordance with accounting principles IFRS as issued by the IASB and as endorsed by the EU. However, management believes that certain Alternative Performance Measures (APMs) provide management and other users with additional meaningful financial information that should be considered when assessing the Group's ongoing performance. These APMs are non-IFRS financial measures, and should not be viewed as a substitute for any IFRS financial measure. Management, the board of directors and the long term lenders regularly uses supplemental APMs to understand, manage and evaluate the business and its operations. These APMs are among the factors used in planning for and forecasting future periods, including assessment of financial covenants compliance.

Alternative Performance Measures reflect adjustments based on the following items:

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

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

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

Adjusted EBITDA before impact of IFRS 16
Adjusted EBITDA before impact of IFRS 16 is a measure of EBITDA adjusted for (i) lease expenses applying IAS 17 Leases, (ii) impairment charges, (iii) revenue and costs from closed clubs, and (iiii) certain extraordinary items affecting comparability. The Group has presented this APM because it considers it to be an important supplemental measure to understand the underlying profit generation in the Group's operating activities. Please see reconciliation to profit or loss before tax in table below.

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

Adjusted Country EBITDA before impact of IFRS 16
Adjusted Country EBITDA before impact of IFRS 16 is a measure of Adjusted EBITDA before impact of IFRS 16 per segment, which is the Group's segment measure, before allocation of Group overhead and cost allocations. The Group has presented this APM because it considers it to be an important supplemental measure to understand the underlying profit generation in the Group's geographic segments without the impact of Group overhead and cost allocations. Please see reconciliation to profit or loss before tax in table below.

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

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

TOTAL	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
(Amounts in NOK million)					
EBITDA before impact of IFRS 16	**31**	**168**	**69**	**290**	**551**
(ii) Revenue and costs from closed clubs	0	0	1	0	1
(iii) Comparability adjustments on Country level	6	0	6	0	8
(iiii) Comparability adjustments on Group level	0	0	2	0	13
Adjusted EBITDA before impact of IFRS 16	**38**	**168**	**78**	**290**	**573**
Group overhead and cost allocation	41	59	107	122	237
Adjusted Country EBITDA before impact of IFRS 16	**79**	**227**	**185**	**411**	**811**

NORWAY	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
(Amounts in NOK million)					
EBITDA before impact of IFRS 16	**15**	**108**	**48**	**173**	**319**
(ii) Revenue and costs from closed clubs	0	0	0	0	1
(iii) Comparability adjustments	4	0	4	0	2
Adjusted EBITDA before impact of IFRS 16	**19**	**108**	**52**	**173**	**322**
Group overhead and cost allocation	-23	-31	-60	-63	-130
Adjusted Country EBITDA before impact of IFRS 16	**42**	**139**	**111**	**236**	**452**

SWEDEN	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
(Amounts in NOK million)					
EBITDA before impact of IFRS 16	**69**	**65**	**99**	**122**	**256**
(ii) Revenue and costs from closed clubs	0	0	0	0	0
(iii) Comparability adjustments	0	0	0	0	0
Adjusted EBITDA before impact of IFRS 16	**70**	**65**	**99**	**122**	**256**
Group overhead and cost allocation	-18	-25	-48	-51	-107
Adjusted Country EBITDA before impact of IFRS 16	**88**	**90**	**147**	**173**	**363**

FINLAND	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
(Amounts in NOK million)					
EBITDA before impact of IFRS 16	**-15**	**6**	**-23**	**10**	**22**
(ii) Revenue and costs from closed clubs	0	0	0	0	0
(iii) Comparability adjustments	0	0	0	0	0
Adjusted EBITDA before impact of IFRS 16	**-15**	**6**	**-23**	**10**	**22**
Group overhead and cost allocation	-3	-4	-8	-9	-17
Adjusted Country EBITDA before impact of IFRS 16	**-12**	**11**	**-15**	**18**	**40**

DENMARK	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
(Amounts in NOK million)					
EBITDA before impact of IFRS 16	**-46**	**-20**	**-74**	**-32**	**-81**
(ii) Revenue and costs from closed clubs	0	0	1	0	0
(iii) Comparability adjustments	2	0	2	0	7
Adjusted EBITDA before impact of IFRS 16	**-43**	**-20**	**-71**	**-32**	**-75**
Group overhead and cost allocation	-4	-7	-12	-15	-31
Adjusted Country EBITDA before impact of IFRS 16	**-39**	**-12**	**-59**	**-16**	**-44**

Net debt
Current and non-current borrowings for the period (excluding property lease liabilities recognised under IFRS 16) less cash and cash equivalents for the period. Net debt is a non-IFRS financial measure, which the Group considers to be an APM, and this measure should not be viewed as a substitute for any IFRS financial measure. The Group has presented this APM as it is useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of cash and cash equivalents within the Group's business that could be utilized to pay down the outstanding borrowings. Net Debt is also used as part of the assessment for financial covenants compliance. Please see note 5 Interest-bearing liabilities for reconciliation to Total interest-bearing liabilities.

Leverage ratio
Net debt divided by last twelve months Adjusted EBITDA before impact of IFRS 16.

Capital expenditure
Capital expenses (capex) is a measure of total investments in the period both in the operations and in new business either through business combinations (acquisitions) or through new club openings (greenfields). Capital expenditures consist of both maintenance capex and expansion capex and the source of capex is the Statement of cashflows.

Maintenance capex
Maintenance capital expenditures is a measure of investments made in the operations and consists of investments in tangible and intangible assets excluding business combinations (acquisitions) and greenfields. The measure is defined as the sum of purchase of property, plant and equipment from the Statement of cashflows less investments in greenfields. Maintenance capex can be divided into IT capex and Club portfolio capex where IT capex is investments and development of common software programs used by the whole Group and Club portfolio capex is physical investments at the clubs.

Expansion capex
Expansion capital expenditures is a measure of business combinations (acquisitions) and investments in greenfield. The measure is defined as the sum of Acquisition of subsidiary from the Statement of cashflows including investments in greenfields.

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

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

DEFINITIONS

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

Financial Calendar

13 FEB 2020	Q4 2019 Results
03 APR 2020	Annual Report
12 MAY 2020	Q1 2020 Results
26 MAY 2020	Annual General Meeting
16 JUL 2020	Q2 2020 Results
04 NOV 2020	Q3 2020 Results

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