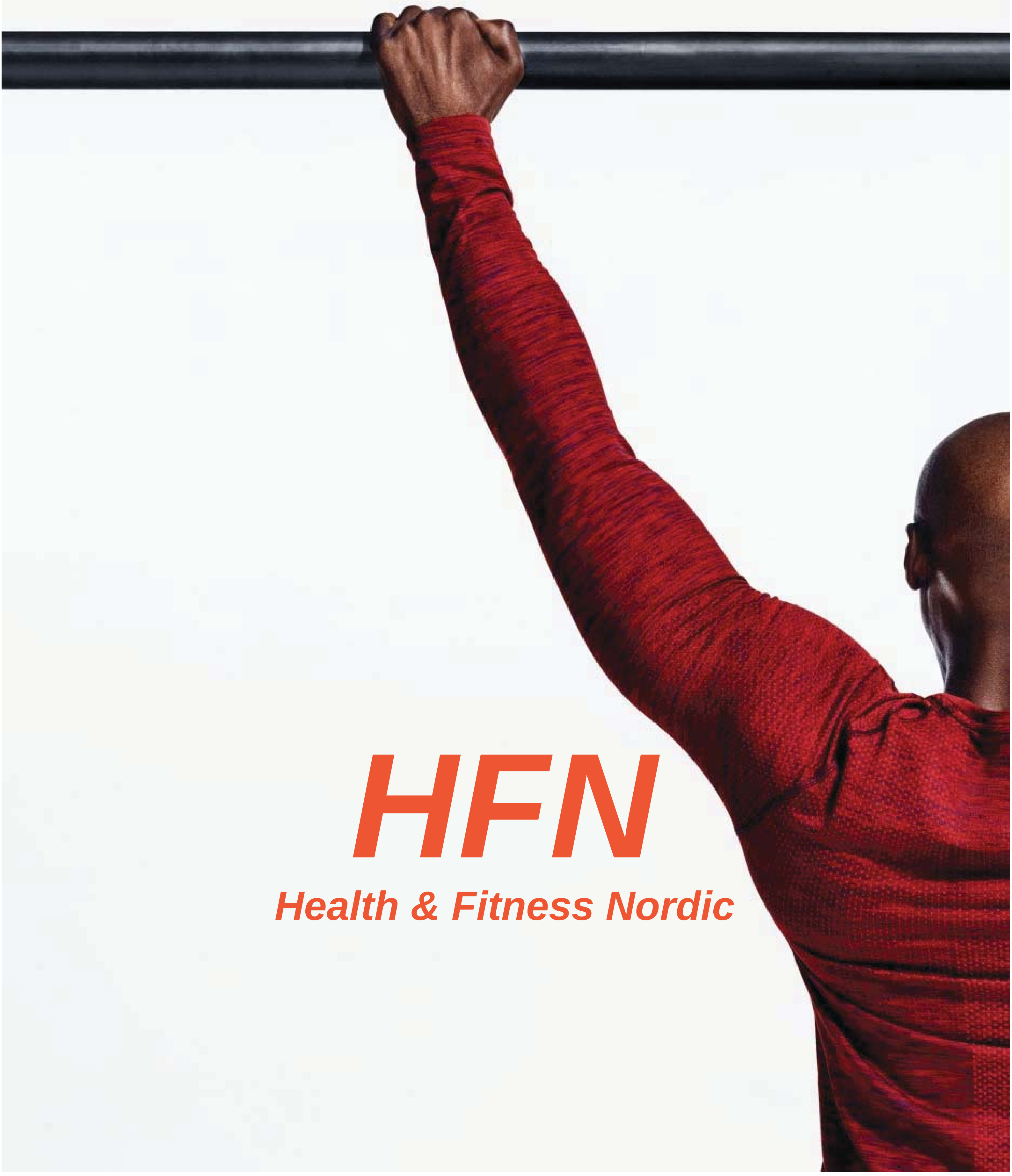
Annual report 2017 HFN Holding AS

SATSELIXIA



HFN

Health & Fitness Nordic

Board of Directors' report 2017

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

SATS ELIXIA is the leading full-service fitness chain in the Nordics with 150+ training clubs in more than 20 major cities in Norway, Sweden and Finland.

Fresh Fitness offers a range of price competitive fitness centers in Norway, Sweden and Finland, established in 2010 as a fighter brand in the low-cost segment of the market.

In addition, premium brand Metropolis operates one fitness center in Stockholm, targeting the premium segment with an all-inclusive offering.

HiYoga is a premium yoga chain with a stand-alone flagship studio in Oslo and in-club concepts inside SATS ELIXIA centers.

Analysis of the 2017 Financial statements

The Board believes that the annual accounts give a true and fair view of the group's assets and liabilities, financial position and profit and loss. The financial statement show the results for the period 1 January 2017 to 31 December 2017 by comparison with the period from 1 January 2016 to 31 December 2016.

The Board confirms that the group's liquid basis, together with revenue from operations in 2018, will be sufficient to fulfill all short-term liabilities, including installments on bank loans.

The Group's economic and financial position is good, and the Board has positive outlook on future earnings. Based on the Group's long-term strategy and forecasts, the Board confirms that the use of the going concern assumption is appropriate. The 2017 financial statements have been prepared on this assumption.

Revenue for the period was NOK 3 250 million, compared to NOK 3 110 million in 2016. Total operating expenses for the period amounted to NOK 2 927 million and NOK 2 954 million in 2016. Operating profit was NOK 323 million in 2017 against NOK 156 million in 2016. At year-end, the Group has total assets of NOK 3 785 million, of which intangible assets amount to NOK 2 617 million.

As of the balance sheet date, the group's net equity amounts to NOK 1 035 million.

Net cash flows from the Group's operations was NOK 443 million compared with NOK 265 million in 2016. The difference between cash flow from operations and net profit before tax of NOK 183 million is mainly due to depreciation and interest expenses and net changes in working capital. Net cash flow from investing activities amount to NOK 154 million.

The parent company has no operating income in 2017, with 6 million in operating expenses.

The parent company's net equity is positive with NOK 1 700 million as of the balance sheet date.

Operating segment analysis

In the Swedish segment, revenue in 2017 was NOK 1 234 million, EBITDA amounted to NOK 223 million.

Revenues in the Norwegian segment amounted to NOK 1 694 million. EBITDA was NOK 242 million.

Revenues in the Finnish segment was NOK 323 million, and EBITDA was NOK -0,6 million.

During 2017, major renovation and upgrade projects has been undertaken to provide better and more attractive training facilities to our members, as well as sustained investments in digital infrastructure and innovations to our product portfolio.

Business and industry outlook

The group's business has continued to grow throughout 2017. With a clear number one position in all markets and a unique cluster position in the biggest cities, HFN is positioned to continue building on its scale advantages. The Nordic fitness markets have among the highest penetration rates in the world from 15 % and upward, but over the last years, the supply side has outgrown a healthy demand-side growth, leading to a margin squeeze for many fitness chains. Through this period, HFN developed Fresh Fitness to become one of the biggest low-price fitness chains in the Nordics. Despite this supply-side growth, HFN has outgrown the market significantly and continued to improve its EBITDA.

Furthermore, in a market starting to be segmented with low price, premium and niches, HFN has with the SATS ELIXIA brand redefined the market by launching new concepts in combination with a modularized membership price structure, allowing all members to tailor their membership individually. This has driven topline by allowing us to compete head to head with low price, reduce churn through retaining advanced members with new concepts, and in general increasing price value perception through tailored memberships, meeting each member's need with competitive price points.

The group will continue to expand in the coming years, both through acquisitions and opening more fitness centers. The Group's solid balance sheet and cash flows provide a stable basis for continued growth.

Work environment and equal opportunities

The Group strives for a balanced gender distribution, and as of 2017 the groups employs 6 839 female and 2 550 male employees, totaling 2 125 full year equivalents. The group's fitness center managers consist of 67 % female and 33 % male executives. The board is composed of one man and one woman.

During 2017, a sick leave of 5,1% were registered for the group in total. No serious occupational accidents or incidents have been experienced over the year, whether in the parent company or in the subsidiaries.

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

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 with regard thereto. No feedback has been received to the effect that the personnel policy of the group is considered to discriminate on the basis of gender.

We believe that no differential treatment of employees, or upon recruitment, takes place on the basis of ethnicity, national origin, colour, language, religion or faith. The group should be a good and safe workplace where discrimination of any kind is not acceptable.

External environment

The group does not operate in a matter 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.

Financial risk

Financial risk in the group is primarily related to exchange rate fluctuations, price risk and liquidity risks. The Group is exposed to currency and interest rate risk, but significant balance sheet items in foreign currency and borrowing are hedged to reduce interest level risk.

Market risk

Income and expenses for the Swedish entities are recognized in functional currency SEK, and then converted to the presentation currency NOK in the group’s consolidated financial statements. The Swedish business constitutes a significant part of the group's business, and management has chosen to hedge the currency risk by converting loans from NOK to SEK. The Group's revenue in Finland is recognized in EUR, and for the same reason loans related to Finland have been converted to EUR.

The Group is also exposed to interest rate fluctuations, as the group's loans have floating interest rates. The loans are largely hedged against interest rate fluctuations.

Credit risk

Credit risk in relation to regular customers is deemed to be acceptable as the group has no dominant customers. The relatively few members who can default on their payments are routinely transferred to debt collecting agencies.

Liquidity risk

The Board considers the Group's liquidity to be adequate, and thus subject to limited liquidity risk.

Events after the balance sheet date

The Board is pleased with the development of the Group so far in 2018. The Board of Directors is not aware of any events occurred after the balance sheet date, or any new information regarding existing matters, that can have material affect to the 2017 group financial statements.

Oslo, March 15th 2018

Olav Johan Thorstad	Cecilie Elde
Chairman of the Board	Board member

HFN Holding AS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in NOK thousand for the period ended 31 December	*Notes*	2017	2016
Revenue	*2,5*	3 250 061	3 110 410
Total revenue		**3 250 061**	**3 110 410**
Cost of goods sold		69 716	60 194
Personnel expenses	*3*	1 242 817	1 236 697
Property lease expenses	*17*	1 050 960	1 046 866
Depreciation, amortisation and impairment	*8,9*	160 066	194 348
Other operating expenses	*4*	403 208	416 318
Total operating expenses		**2 926 767**	**2 954 423**
Operating profit		**323 294**	**155 986**
Interest income	*6*	273	1 062
Finance income	*6*	15 047	21 078
Interest expense	*6*	-83 352	-105 529
Finance expense	*6*	-72 757	-143 303
Net financial items		**-140 790**	**-226 692**
Profit/(loss) before tax		**182 504**	**-70 706**
Income tax expense	*7*	37 938	4 340
Profit/(loss) for the year		**144 566**	**-75 046**
Profit/(loss) for the year is attributable to:			
Equity holders of the parent company		145 534	-72 316
Non-controlling interests		-969	-2 730
Total allocation		**144 566**	**-75 046**

Earnings per share in NOK

Basic earnings per share attributable to the ordinary equity	*15*	5,18	-2,61
Diluted earnings per share attributable to the ordinary equity	*15*	5,18	-2,61

HFN Holding AS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK thousand for the period ended 31 December	*Notes*	2017	2016
Profit/(loss) for the year		**144 566**	**-75 046**
Other comprehensive income			
Capital injection		22 276	0
Acquisitions		-7 001	0
Change in minority interests		-34 917	0
Foreign exchange rate changes- may be reclassified to profit or loss		11 026	46 829
Other comprehensive income, net of tax		**-8 616**	**46 829**
Total comprehensive income		**135 949**	**-28 217**
Total comprehensive income is attributable to:			
Equity holders of the parent company		135 562	-25 147
Non-controlling interests		388	-3 070
Total comprehensive income		**135 949**	**-28 217**

HFN Holding AS

CONSOLIDATED BALANCE SHEET

Amounts in NOK thousand	*Notes*	**31.12.2017**	**31.12.2016**
Non- current assets			
Intangible assets			
Goodwill	*8*	2 293 123	2 240 552
Trademark	*8*	264 811	264 811
Internally developed software	*8*	58 301	36 795
Customer relations	*8*	0	425
Rights under lease arrangements	*8*	336	475
Total non current intangible assets		**2 616 571**	**2 543 058**
Property, plant and equipment			
Leasehold improvements	*9*	338 077	335 110
Fitness equipment	*9*	162 780	163 976
Other equipment, fixture and fittings	*9*	57 745	67 929
Total non-current property, plant and equpment		**558 603**	**567 015**
Finacial assets			
Other non-current receivables	*21*	1 104	976
Total non-current financial assets		**1 104**	**976**
Total non- current assets		**3 176 277**	**3 111 049**
Current assets			
Inventories	*11*	30 021	13 450
Accounts receivable	*12*	98 840	116 017
Other current receivables		18 390	22 868
Prepaid expenses and accrued income	*12*	212 814	194 502
Cash and cash equivalents	*13*	249 115	124 049
Total current assets		**609 179**	**470 885**
Total assets		**3 785 457**	**3 581 934**

HFN Holding AS

CONSOLIDATED BALANCE SHEET

Amounts in NOK thousand	*Notes*	31.12.2017	31.12.2016
Equity			
Share capital	*14*	224 575	221 929
Share premium		2 270 353	2 250 724
Other reserves		-1 308 167	-1 317 837
Retained earnings		-148 771	-252 387
Non controlling interests		-3 246	-3 634
Total equity		**1 034 744**	**898 795**
Liabilities			
Non- current liabilities			
Deferred tax liability	*7*	34 041	31 381
Borrowings	*16*	1 713 940	1 541 301
Finance lease liability	*17*	4 635	4 777
Derivative financial instruments	*19*	1 683	6 911
Total non-current liabilities		**1 754 299**	**1 584 369**
Current liabilities			
Borrowings	*16*	60 000	174 112
Finance lease liability	*17*	4 630	3 912
Deferred revenue	*20*	400 504	373 926
Trade and other payables		103 689	122 842
Current tax liabilities	*7*	16 274	2 400
Public fees and charges payable		62 616	64 646
Other current liabilities	*20*	348 701	356 932
Total current liabilities		**996 414**	**1 098 770**
Total liabilities		**2 750 713**	**2 683 139**
Total equity and liabilities		**3 785 457**	**3 581 934**

Oslo, March 15th 2018

OLAV JOHAN THORSTAD
Chair of the Board

CECILIE ELDE
Boardmember

HFN Holding AS

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 2016	**221 929**	**2 250 724**	**(1 365 006)**	**(180 071)**	**927 576**	**(564)**	927 011
Profit/(loss) for the year				(72 316)	(72 316)	(2 730)	(75 046)
OCI for the year			47 169		47 169	(340)	46 829
Total comprehensive income for the year	**-**	**-**	**47 169**	**(72 316)**	**(25 147)**	**(3 070)**	**(28 217)**
Equity 31 December 2016	**221 929**	**2 250 724**	**(1 317 837)**	**(252 387)**	**902 429**	**(3 634)**	**898 795**
Equity 1 January 2017	**221 929**	**2 250 724**	**(1 317 837)**	**(252 387)**	**902 429**	**(3 634)**	898 795
Capital injection	2 646	19 629			22 276		22 276
Acquisitions				(7 001)	(7 001)		(7 001)
Change in minority interests				(34 917)	(34 917)		(34 917)
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	**2 646**	**19 629**	**9 670**	**103 616**	**135 562**	**388**	**135 949**
Equity 31 December 2017	**224 575**	**2 270 353**	**(1 308 167)**	**(148 771)**	**1 037 991**	**(3 246)**	**1 034 744**

HFN Holding AS

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK thousand for the period ended 31 December	*Notes*	2017	2016
Cash flow from operating activities			
Profit before tax		182 504	-70 706
Adjustment for:			
Taxes paid in the period	*7*	-25 776	-16 997
(Gain)/loss from disposal or sale of gym equipment	*9*	1 083	1 027
Depreciation, amortisation and impairment	*8,9*	160 066	194 348
Net financial items	*6*	140 790	226 691
Change in inventory	*11*	-16 571	8 601
Change in accounts receivable	*12*	17 177	15 402
Change in trade payables		-19 154	-78 990
Change in other receivables and accruals	*20*	2 483	-14 148
Net cash flow from operations		**442 603**	**265 228**
Cash flow from investments			
Purchase of property, pland and equipment	*9*	-153 721	-152 892
Net cash flow from investments		**-153 721**	**-152 892**
Cash flow from financing			
Repayments of borrowings	*16*	-19 994	-55 253
Interests borrowings	*16*	-144 951	-125 197
Net cash flow from financing		**-164 945**	**-180 450**
Net increase/(decrease) in cash and cash equivalents		**123 937**	**-68 114**
Effect of foreign exchange changes on cash and cash		1 129	-11 951
Cash and cash equivalents at the beginning of the period		124 048	204 113
Cash and cash equivalents at the end of period	*13*	**249 115**	**124 048**

Contents

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Til generalforsamlingen i HFN Holding AS

UAVHENGIG REVISORS BERETNING

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert HFN Holding AS' årsregnskap, som består av:

- selskapsregnskapet, som består av balanse per 31. desember 2017, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper, og
- konsernregnskapet, som består av konsolidert balanse per 31. desember 2017, konsolidert totalregnskap, oppstilling over endringer i konsernets egenkapital og kontantstrømoppstilling for konsernet for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

- er årsregnskapet avgitt i samsvar med lov og forskrifter
- gir selskapsregnskapet et rettvisende bilde av den finansielle stillingen til HFN Holding AS per 31. desember 2017 og av selskapets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.
- gir konsernregnskapet et rettvisende bilde av den finansielle stillingen til konsernet HFN Holding AS per 31. desember 2017 og av konsernets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet og konsernet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet er ledelsen ansvarlig for å ta standpunkt til selskapets og konsernets evne til fortsatt drift, og på tilbørlig måte å opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle konsernet eller å legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.
- innhenter vi tilstrekkelig og hensiktsmessig revisjonsbevis vedrørende den finansielle informasjonen til enhetene eller forretningsområdene i konsernet for å kunne gi uttrykk for en mening om det konsoliderte regnskapet. Vi er ansvarlige for å lede, følge opp og gjennomføre konsernrevisjonen. Vi alene er ansvarlige for vår revisjonskonklusjon.

Vi kommuniserer med dem som har overordnet ansvar for styring og kontroll blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 15. mars 2018
Deloitte AS

Eivind Ungersness

Eivind Ungersness
statsautorisert revisor

Note 1 General information and basis for preparation

1 General information

Health & Fitness Nordic is the Nordic region's leading and largest provider in the health and fitness sector, and operates through the brands SATSELIXIA, Fresh Fitness, HiYoga, Metropolis and SAFE. HFN Holding AS is a subgroup of HFN Group, 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 HFN Group, 9% owned by HFN Management Invest AS and 1% owned by Hansemgruppen Holding AS.

HFN Holding (parent) and subsidiaries represent the leading training enterprise in the Nordic region with 201 wholly-owned training centres. 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 March 15 th, 2018.

2 Basis of preparation and summary of significant accounting policies

2.1 Financial reporting framework and basis of preparation

HFN Holding 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.

2.2 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.

3 Principles of consolidation and equity accounting

3.1 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 HFN Holding AS.

3.2 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 HFN Holding AS’ functional and presentation currency.

3.3 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. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

3.4 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, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, 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.

3.5 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 are 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.

3.6 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.

3.7 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.

3.8 Investments and other financial assets

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

3.9 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Note 2 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 CFO, country managers, product and concept director, commercial director, HR- director, CDO and the retail director. 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 Metropolis and SAFE, 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 (EBITDA, please see below and note 24 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

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.

Revenue is recognised for the major business activities using the methods outlined below:

Revenue from services – Membership subscription fees
Timing of recognition: Revenue from membership subscription fees are recognized on a straight-line basis over the contractual period of the membership.

Revenue from services – Personal training sessions and other services
Timing of recognition: Revenue from rendering personal training sessions and other fitness related services are recognised in the accounting period in which the services are rendered.

Sale of goods – wholesale
Timing of recognition: Various fitness and training products, like sportswear and energy drinks, are provided to customers at the Group's fitness centers. Revenue from the sale of goods is recognised when a Group entity sells a product to the customer.

Amounts in NOK thousand

Operating segment information

HFN GROUP	NORWAY	SWEDEN	FINLAND	GROUP FUNCTIONS AND OTHER	TOTAL
Financial year 2017					
Revenue					
Revenue from services	1 632 662	1 185 835	312 390	0	3 130 887
Revenue from products	61 220	47 696	10 258	0	119 174
Total revenue	**1 693 882**	**1 233 531**	**322 648**	**0**	**3 250 061**
EBITDA[1] reconciles to profit before tax as follows:					
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**
Financial year 2016					
Revenue					
Revenue from services	1 524 793	1 166 166	321 409	0	3 012 367
Revenue from products	49 572	39 994	8 477	0	98 042
Total revenue	**1 574 365**	**1 206 160**	**329 885**	**0**	**3 110 410**
EBITDA[1] reconciles to profit before tax as follows:					
EBITDA[1]	**173 249**	**188 690**	**8 986**	**-20 591**	**350 334**
Depreciation and amortization	-96 276	-59 657	-22 837	-15 578	-194 348
Net financial items[2]	-100 466	2 240	-7 958	-120 508	-226 692
Tax	-6 830	-97 116	-496	100 102	-4 340
Profit/(loss) for the year	**-30 323**	**34 157**	**-22 304**	**-56 576**	**-75 046**

1) For further information about EBITDA, please see note 24 Non- GAAP measurements.

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.

Amounts in NOK thousand

Finacial 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.

HFN GROUP	NORWAY	SWEDEN	FINLAND	GROUP FUNCTIONS AND OTHER	TOTAL
Financial year 2017					
Non- current tangible assets[3]	267 661	211 178	79 763	0	558 603
Current assets	490 424	626 937	81 013	-589 195	609 179
Total assets	2 587 474	995 229	733 130	-530 377	3 785 457
Total liabilities	641 946	566 405	154 270	1 388 092	2 750 713
Investments	57 122	40 247	13 622	42 730	153 721
Financial year 2016					
Non- current tangible assets[3]	285 006	201 794	78 295	1 920	567 015
Current assets	320 956	569 618	86 211	-505 900	470 885
Total assets	2 579 901	889 653	693 039	-580 660	3 581 933
Total liabilities	629 643	580 413	146 349	1 326 733	2 683 139
Investments	59 085	43 119	21 518	29 170	152 892

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

Note 3 Personell 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.

Amounts in NOK thousand

Personell expenses

	2017	2016
Salary expenses including bonuses, vacation pay and other costs	1 072 561	1 067 847
Social security cost	126 721	128 495
Pension costs	43 536	40 355
Total personnel expenses	1 242 817	1 236 697

Full time eqivalent

	2017	2016
Norway	1 182	1 165
Sweden	698	712
Finland	245	247
Total	**2 125**	**2 124**

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 2017, the Group had obligations of NOK 5 567 thousand (NOK 4 960 thousand as of 31 December 2016). As of 31.12.2017 and 31.12.2016, the scheme covered 4 029 (3 896) employees.

The group recognised an expense of NOK 43 536 thousand in 2017 (NOK 40 355 thousand in 2016) related to defined contribution plans.

Remuneration to executive personnel

Amounts in NOK thousand	**Salary**	**Bonus**	**Pension**	**Other benefits**	**Total**
Financial year 2017					
Group CEO, Country Manager and Chair of the Board	3 121	2 964	32	228	6 345
Corportate management, including the group CEO	5 941	4 166	95	309	10 511
Financial year 2016					
Group CEO, Country Manager and Chair of the Board	3 260	1 603	33	203	5 099
Corportate management, inlcuding the group CEO	6 495	2 201	194	331	9 221

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 100 % 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. The group CEO owns 175 000 A- shares and 75 000 C- shares in HFN Management Invest. Corporate management including the group CEO, owns 175 000 A-shares and 325 000 C-shares in HFN Management Invest.

Board of Directors' compensation

There was no compenasation to the board members besides the remunerations described above.

Note 4 Other operating expenses

Amounts in NOK thousand

Other operating expenses by nature

	2017	2016
Repair and maintenance expenses	77 225	71 900
Sales and advertising	112 263	100 174
Administrative expenses	24 264	27 825
IT expenses	26 166	23 644
Loss on receivables	42 397	48 304
Consultant services	25 127	49 679
Other operating expenses	95 765	94 791
Total other operating expenses	**403 208**	**416 318**

Please see note 12 Accounts receivable and other receivables for further information about receivables, and note 19 Financial market risk for further information about the group's risk management procedures.

Amounts in NOK thousand

Auditor's remuneration

	2017	2016
Expensed auditor fees:		
Statutory audit (including technical assistance - annual accounts)	3 147	2 985
Other attestation and assurance services	429	1 225
Tax advice (including technical assistance corporate tax papers)	268	583
Total auditor's remuneration	**3 845**	**4 793**

Note 5 Net gain / (loss)

Amounts in NOK thousand

Net (gain)/loss

	2017	2016
Net gain/(loss) on disposal of property, plant and equipment	(5 723)	(617)
Net foreign exchange gains/(losses)	(2 905)	(1 527)
Total Net (gain)/loss	**(8 628)**	**(2 144)**

Note 6 Finance income and finance expenses

Amounts in NOK thousand

Financial income

	2017	2016
Interest income	273	1 062
Foreign exchange gains unrealised	99 478	56 673
Foreign exchange gains realised	2 215	2 293
Net gain/(loss) derivatives unrealised	7 011	18 139
Other finance income	1 659	647
Total financial income	**110 636**	**78 813**

Financial expenses

	2017	2016
Interest expenses	83 352	105 529
Foreign exchange losses unrealised	95 316	72 500
Foreign exchange losses realised	5 120	3 819
Net gain/(loss) derivatives unrealised	1 784	996
Other finance expenses	65 853	122 661
Total financial expenses	**251 426**	**305 505**
Net financial items	**(140 790)**	**(226 692)**

Note 7 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.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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.

Amounts in NOK thousand

Tax expense/(income)

	2017	2016
Tax payable	(16 274)	(2 400)
Change in deferred tax/tax asset as a result of the changed tax rate	1 970	2 405
Tax group contribution	0	1 306
Adjustment deferred tax prior year	(2 075)	0
Other adjusting items	0	(6 044)
Change in deferred tax	(21 559)	393
Total tax (income)/expense	**(37 938)**	**(4 340)**

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

Deferred tax

	2017	2016
Amortized borrowing cost	756	1 649
Intangible assets	92 550	103 779
Untaxed reserves	29 698	30 060
Total deferred tax relating to temporary differences	123 004	135 488
Carrying value deferred tax liabilities	**123 004**	**135 488**

Deferred tax assets

	2017	2016
Financial leasing		
Fixed assets	(22 819)	(22 527)
Inventory	0	(80)
Receivables	(16 867)	(14 430)
Gain and loss account	(206)	(881)
Finacial instruments	(387)	(1 659)
Losses carried forward	(48 914)	(65 741)
Other items	229	1 209
Total deferred tax assets relating to temporary	(88 964)	(104 108)
Non-recognised deferred tax assets relating to losses and precluded interest		
Carrying value deferred tax assets	**(88 964)**	**(104 108)**

Explanation of the change in the deferred tax :

	2017	2016
Carrying value deferred tax at 1 January	135 488	133 230
Change in deferred tax liability	(12 484)	2 258
Carrying value deferred tax at 31 December	**123 004**	**135 488**

Explanation of the change in the deferred tax assets:

	2017	2016
Carrying value deferred tax assets at 1 January	(104 108)	(99 052)
Change in deferred tax assets	15 144	(5 056)
Carrying value deferred tax assets at 31 December	**(88 964)**	**(104 108)**

Losses carried forward as of 31 December 2017

	2017	2016
Tax jurisdiction:		
Norway (unlimited expiration)	169 734	56 622
Finland	149 942	150 518
Total losses carried forward	**319 675**	**207 140**

Losses carried forward as of 31 December 2017 - Finland

Unused tax losses incurred	Expiration year	Unused tax losses
2016	2026	381
2014	2024	25 623
2013	2023	15 521
2012	2022	18 409
2011	2021	22 184
2010	2020	15 107
2009	2019	19 589
2008	2018	18 342
2007	2017	14 786
Total losses carried forward as of 31 December 2017		**149 942**

Reconciliation of tax expense

	2017	2016
Profit before tax		
Norway	97 986	(73 546)
Sweden	108 536	24 648
Finland	(24 018)	(21 808)
Corporate Tax rates		
Norway, 24 % (2016: 25 %)	(23 517)	18 386
Sweden, 22 % (2016: 22 %)	(23 878)	(5 423)
Finland, 20 % (2016: 20 %)	4 804	4 362
Reconciling items:		
Non-deductible expenses	(5 334)	(10 286)
Tax exempt income	1 425	985
Unused tax losses not recognised as deferred tax assets	(2 684)	(7 994)
Effect of diff between 25% and actual tax rates for Finish and Swedish subsidaries	0	(9 898)
Effect of tax depreciation and tax funds in Swedish subsidiaries[1]	1 965	11 796
Foreign currency effects	(353)	1 556
Limited interest deduction Norwegian subsidiaries	1 476	0
Group adjustments without tax effects	1 022	0
Corrections of prior year tax assessments	(2 076)	(13 149)
Changes in Norwegian nominal tax rate	9 207	(2 876)
Others	3	8 200
Calculated tax expense/(income)	**(37 938)**	**(4 340)**
Weighted average tax rate	-20,8 %	6,1 %

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 HFN Holding AS (NOK 136 063 thousand), Elixia Grenland AS (NOK 20 260 thousand) and Aquarama Trening AS (NOK 13 411 thousand).

Unused tax losses in HFN Holding AS are entirely related to the Norwegian SATS business. SATS Norway and Elixia Norway merged into HFN Norway AS in early 2016. 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 HFN Holding AS, Elixia Grenland AS and Aquarama Trening AS do not expire.

SATS Finland was acquired by HFN Sweden AB in 2003. Deferred tax assets are related to unused tax losses of NOK 149 942 thousand in SATS Finland. The tax losses must be utlised 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. SATS Finland will merge with Fresh Fitness Oy 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 8 Intangible assets

Goodwill

The fitness centers in Norway, Sweden and Finland are considered to be the different cash generating unites (CGU) against which goodwill and trademark are tested. Goodwill and trademark are tested at the level monitored by group managements, suggesting that it is the group of CGUs. The recoverable amount from the CGU is calculated by taking the historical cash flows for CGU, 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.

Trademarks and customer contracts

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Licenses and customer contracts have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Trademarks is considered to have indefinate useful life and is therefore not amortised, but tested for impairment annully or if an impairment indicator is identified.

The customer contracts were acquired as part of acquisition of Världsklass Värmdö AB in 2013. Acquired customer relations are recognised separate from goodwill if the definition of an intangible asset is met and the asset can be separately identified. Cost of customer relations is determined as the fair value at acquisition. Acquired customer relations are subsequently measured at cost less accumulated amortisation and accumulated impairment, if any. Customer relations are amortised straight line over a period of 2.5 to 5 years, which reflects the average membership period. Amortisation is presented in the line 'Depreciation, amortisation and Impairment.

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 are 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, 5 - 10 years. Amortisation is presented in the line 'Depreciation, amortisation and impairment'.

Amounts in NOK thousand

	Goodwill			
Goodwill	***NORWAY***	***SWEDEN***	***FINLAND***	***Total goodwill***
At 1 January 2016				
Cost	1 762 029	164 021	559 481	2 485 531
Accumulated impairment	-198 916	0	0	-198 916
Net book amount	**1 563 113**	**164 021**	**559 481**	**2 286 615**
Year ended 31 December 2016				
Opening net book amount	1 563 113	164 021	559 481	2 286 615
Effect of changes in foreign exchange Cost	0	-15 079	-30 984	-46 063
Closing net book amount	**1 563 113**	**148 942**	**528 497**	**2 240 552**
At 31 December 2016				
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**
Useful life	Indefinate	Indefinate	Indefinate	
Amortisation method	Not amortised	Not amortised	Not amortised	

Amounts in NOK thousand

	Other intangible assets			
Other intangible assets	***Trademark***	***Internally developed software [1]***	***Other***	***Total other intangible assets***
At 1 January 2016				
Cost	264 806	115 460	4 193	384 459
Accumulated amortisation and impairment	0	-96 326	-2 680	-99 006
Net book amount	**264 806**	**19 133**	**1 513**	**285 453**
Year ended 31 December 2016				
Opening net book amount	264 806	19 133	1 513	285 453
Effect of changes in foreign exchange Cost	5	-10 745	-150	-10 890
Effect of changes in foreign exchange accumulated depreciation	0	9 232	80	9 312
Additions	0	34 233		34 233
Amortisation charge	0	-15 058	-544	-15 602
Closing net book amount	**264 811**	**36 795**	**899**	**302 505**
At 31 December 2016				
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**
Useful life	Indefinate	5 - 10 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 managements 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 6,7 % for Finland (2016: 7,9 %) and 7,6 % for Norway (2016: 7,9 %) and 7,0 % for Sweden (2016: 7,9 %).

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

Mangement 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 alloction between debt and equity corresponds to the observed debt- ratio among listed peers.

WACC	*NORWAY*	*SWEDEN*	*FINLAND*
Risk- free interest rate	1,6 %	0,8 %	0,5 %
Credit spread	4,0 %	4,0 %	4,0 %
Market premium	5,0 %	5,0 %	5,0 %
Unlevered beta	0,6	0,6	0,6
Entity specific risk element	3,0 %	3,0 %	3,0 %
WACC after tax	**7,6 %**	**7,0 %**	**6,7 %**

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	*SATSELIXIA Norway*	*SATSELIXIA Sweden*	*SATSELIXIA Finalnd*
EBITDA	-45 %	-78 %	-10 %
WACC	6 p.p.	65 p.p.	0.9 p.p.
Terminal growth rate	-39 p.p.	-10 000 p.p.	-1.5 p.p.

Propery, 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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

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. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

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 18 Assets pledged as security for further information on assets pledged as security for the group's obligations and note 17 Leasing for leased assets.

Amounts in NOK thousand

Property, plant and equipment	Capitalised leasehold improvements	Fitness equipment	Other fixtures and equipement	Total fixed assets
At 1 January 2016				
Cost	801 503	701 921	396 724	1 900 147
Accumulated depreciation	-444 154	-488 242	-309 809	-1 242 205
Net book amount	**357 349**	**213 679**	**86 915**	**657 943**
Year ended 31 December 2016				
Opening net book amount	357 349	213 679	86 915	657 943
Effect of changes in foreign exchange Cost	-45 484	-38 410	-15 166	-99 061
Effect of changes in foreign exchange accumulated depreciation	28 802	30 290	12 585	71 678
Additions[1)]	56 819	32 090	29 750	118 658
Disposals cost	-20 663	-69 221	-28 509	-118 394
Disposals accumulated depreciation	20 253	67 344	27 343	114 940
Depreciation charges	-61 964	-71 796	-44 990	-178 750
Closing net book amount	**335 110**	**163 975**	**67 929**	**567 015**
At 31 December 2016				
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**
Pledged as security for liabilities				**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 deprecation 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**
Useful life	10 years	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 17 Leasing.

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.

Note 10 Interests in other entities

The consolidated financial statements include the following companies

Subsidiaries	Organizasion number	Business office	Country	Voting percentage	Ownership percentage
HFN Sweden 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 %
Fresh Fitness Finland Oy	2536956-8	Helsinki	Finland	100 %	100 %
Metropolis Health Club AB	556648-9497	Stockholm	Sweden	85 %	85 %
HFN Norway AS	892-625-522	Oslo	Norway	100 %	100 %
Elixia Vest AS	948-942-003	Oslo	Norway	100 %	100 %
Elixia Grenland AS	998-050-154	Porsgrunn	Norway	59 %	59 %
Aquarama Trening AS	996-281-837	Kristiansand	Norway	100 %	100 %
B G Bromma Träningscenter AB	556564-9943	Stockholm	Sweden	100 %	100 %
Scandinavian Academy of Fitness Education S.A.F.E. AB	556457-7053	Stockholm	Sweden	100 %	100 %

Please see note 8 Intangible assets for further information on impairment testing.

Transactions with minority interests

In 2017 SATS Sports Club Sweden AB invoiced Metropolis Health Club AB NOK 145 thousand for accounting services. Elixia Grenland AS was from March to December 2017 invoiced NOK 3 478 thousands for IT services, technical support, accounting services and other service charge.

Note 11 Inventories

Inventories

Inventory consist mainly of clothing, energy bars and softdrinks. Inventory is measured at the lower of cost and net realisable value, using the first-in first-out (FIFO) method. Borrowing costs are not capitalised. The group's inventory only consists of finshed goods for sale to customers. The cost of inventory consists of direct costs related to the acquisiton 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

	2017	2016
Inventories at cost	28 225	13 688
Impairment	0	-2 170
Impairment reversal	1 796	1 932
Total inventories	**30 021**	**13 450**

The book value of pledged inventories is NOK 30 021 thousand as of 31 December 2017 (NOK 13 450 thousand as of 31 December 2016). Please see note 18 Assets pledged as security for further information on the pledged inventories.

Note 12 Accounts receivable and other current receivables

Accounts receivable

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Please see note 19 Financial risk factors for a description of the group’s risk assessment and impairment and policies.

Amounts in NOK thousand

Aging of accounts receivable

	2017	2016
Up to 3 months	145 068	153 095
More than 3 months	111 696	92 587
Provisions for bad debt	-157 924	-129 665
Total accounts receivable	**98 840**	**116 017**

The maximum exposure to credit risk at the balance sheet date is the carrying value of accounts receivables as disclosed in note 19 Financial risk factors.

Other current receivables

	2017	2016
Prepaid rent	81 063	79 327
Prepaid property expenses	14 618	13 075
Prepaid leasing	3 244	2 579
Electronic fund transfer personal trainer contracts	59 704	57 482
Other current receivables	54 185	42 038
Total other current receivables	**212 814**	**194 502**

Note 13 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.

Amounts in NOK thousand

	2017	2016
Cash and cash equivalents	249 115	124 049
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	18 082	107 122
Deposit account	8 661	7 785

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 19 Financial market risk for further information about the group's managing of credit risk.

Note 14 Share capital

As of 31.12.2017, 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 2017

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
HFN Group AS	25 288 586	90,1 %	90,1 %
HFN Management Invest AS	2 452 514	8,7 %	8,7 %
Hansemgruppen Holding AS	330 792	1,2 %	1,2 %
Total	**28 071 892**	**100 %**	**100 %**

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

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

Name	Title	Ownership percentage
Olav Johan Thorstad	Chair of the Board and CEO	9,67 %
Excecutive management including Olav Johan Thorstad		19,35 %

The ownership is in HFN Management Invest AS.

Note 15 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 (note 15).

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.

Amounts in NOK

Basic earnings per share

	2017	2016
From continuing operations attributable to the ordinary equity	5,18	-2,61
From discontinued operation		
Total basic earnings per share attributable to the ordinary equity	**5,18**	**-2,61**
Total number of outstanding shares, including share options	28 071 892	27 741 100

Diluted earnings per share

	2017	2016
From continuing operations attributable to the ordinary equity	5,18	-2,61
From discontinued operation		
Total diluted earnings per share attributable to the ordinary equity	**5,18**	**-2,61**
Total number of outstanding shares, including share options	28 071 892	27 741 100

Amounts in NOK thousand

Reconciliation of earnings used in calculating earnings per share

	2017	2016
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity		
Profit from continuing operations	145 534	-72
Profit attributable to the ordinary equity used in calculating basic earnings per share	**145 534**	**-72**
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity		
Used in calculating basic earnings per share	145 534	-72
Used in calculating diluted earnings per share	145 534	-72
Profit attributable to the ordinary equity used in calculating diluted earnings per share	**145 534**	**-72**

Note 16 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.

Borrowing costs are expensed in the period in which they are incurred.

Amounts in NOK thousand

Overview of interest bearing liabilities

	2017	2016
Current		
Bank borrowings	60 000	173 233
Related party loan	0	879
Finance lease	4 630	3 912
Total current interest- bearing liabilities	64 630	178 025
Non- current		
Bank borrowings	1 713 940	915 779
Related party loan	0	625 521
Finance lease	4 635	4 777
Total non-current interest- bearing liabilities	1 718 575	1 546 078
Total interest- bearing liabilities	**1 783 205**	**1 724 102**

The fair value of the liability is consider to be equal to its book value according to the amortised expense as shown above.

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 18 Assets pledged as security for further information.

Covenants

For covenants, please see note 25 Financial covenants.

Payment profile

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

Financial liability	Less than 1 year	1-2 years	2-3 years	3-5 years	Total
Total installment	**60 000**	**140 000**	**150 000**	**1 421 111**	**1 771 111**

Note 17 Leases

General

The group leases all of its fitness centers premises and some of the fitness eqipment 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 9). 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 is 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.

Amounts in NOK thousand

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
At 31 December 2017				
Cost 1 January	592	38 605	11 524	50 722
Cost 31 December	592	38 605	11 524	50 722
Accumulated depreciation	-533	-34 710	-11 524	-46 767
Net book amount 31 December	**59**	**3 896**	**0**	**3 954**

Commitments in relation to finance leases are payable as follows:

	2017	2016
Within one year	5 070	4 223
One to five years	4 195	4 467
Minimum lease payments	**9 265**	**8 689**
Future finance charges	-1 542	1 373
Recognised as a liability	**7 723**	**10 063**

None of the components of expenses related to finance leases were variable for 2017. 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 2017.

The present value of finance lease liabilities are as follows:

	2017	2016
Within one year	4 630	3 912
One to five years	3 093	3 105
Later than five years	0	299
Present value of lease payments	**7 723**	**7 316**

Operational leasing

The group's operational leasing contracts relate mainly to fitness centers and offices premises, expiering 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 finacial guarantee contracts on behalf of it's subsidiaries. These finacial guarantees contracts amounted to NOK 173 million as of 31 December 2017 (NOK 163 as of 31 December 2016). The guarantees are provided by HFN Sweden AB. In addition there are 10 clubs as of 31 December

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 streight 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.

Amounts in NOK thousand

Commitments in relation to operational leases are payable as follows:

	2017	2016
Within one year	826 087	846 794
1-5 years	2 985 909	3 284 422
Later than five years	876 716	1 392 174
Total commitments relating to operational leases	**4 688 713**	**5 523 389**
Net lease payments recognised in profit and loss	756 522	738 096

Rental expense relating to operating leases

	2017	2016
Minimum lease payments	747 520	724 392
Total rental expenses realting to operating leases	**747 520**	**724 392**

Note 18 Assets pledged as security

Amounts in NOK thousand

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

	2017	2016
Current		
Bank borrowings		
Accounts receivables and other receivables	117 230	138 884
Inventories	30 021	13 450
Cash and cash equivalents	249 115	124 049
Other current receivables	18 390	22 868
Total current assets pledged as security	**414 756**	**299 251**
Non-current		
Finance lease		
Property, plant and equipment	3 954	0
Bank borrowings		
Property, plant and equipment	558 603	567 015
Other non-current receivables	1 104	976
Total non-current assets pledged as security	**563 661**	**567 990**
Total assets pledged as security	**563 661**	**867 241**

Shares in subsidiaries are pledged as security for borrowings.

Please see note 16 Borrowings and note 17 Leasing for further information about the interest bearing liabilities.

Note 19 Financial risk factors

Amounts in NOK thousand

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.

Derivatives

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.

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 economc 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 dislosed below.

The group has the following derivative financial instruments:

Amounts in NOK thousand	2017	2016
Non- current liabilities		
Interest rate swap contracts	1 683	6 911
Total non- current derivative financial instrument liabilities	**1 683**	**6 911**

Financial instruments by category

Amounts in NOK thousand

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial instruments as of 31 December 2017

Assets	Loans and receivables	Held for trading	Total
Other non-current receivables	1 104		1 104
Accounts receivable	98 840		98 840
Other current receivables	18 390		18 390
Cash and cash equivalents	249 115		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		1 773 940
Finance leases	9 265		9 265
Trade and other payables	103 689		103 689
Other current liabilities	348 701		348 701
Derivatives		1 683	1 683
Total financial liabilities	**2 235 595**	**1 683**	**2 237 278**

Financial instruments as of 31 December 2016

Assets	Loans and receivables	Held for trading	Total
Other non-current receivables	976		976
Accounts receivable	116 017		116 017
Other current receivables	22 868		22 868
Cash and cash equivalents	124 049		124 049
Total financial assets	**263 909**	**0**	**263 909**

Liabilities	Liabilities measured at amortised cost	Fair value through profit and loss	Total
Borrowings	1 715 413		1 715 413
Finance leases	8 689		8 689
Trade and other payables	122 842		122 842
Other current liabilities	356 932		356 932
Derivatives		6 911	6 911
Total financial liabilities	**2 203 876**	**6 911**	**2 210 787**

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, HFN Holding 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 foireign 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 16 Borrowings for payment profile of the groups borrowings in the different currencies.

Sensitivity analysis

As shown below the, the group is primarely 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.

Amounts in NOK thousand

Exhange rate	**Impact on profit after tax[2)]**	
	2017	**2016**
SEK/NOK exchange rate - increase 1 %[1]	784	111
EUR/NOK exchange rate - increase 1 %[1]	-276	-286

1) Holding all other variables constant.
2) Estimated impact given a tax rate of 20,79 % (2016: 6,14 %)

Profit after tax is more sensitive to changes in the SEK/NOK exchange rate in 2017 than 2016 because of a higher net income in Sweden in 2017. Profit after tax is about as sensitive to changes in the EUR/NOK exchange rate in 2017 than 2016 since 2017 only has a slightly lower net income in 2016 than 2017. The group's exposure to other foreign exhange movements is not material.

Amounts in NOK thousand

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 16 Interest-bearing liabilities 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.

Sensitivity analysis

Interest rate	**Impact on profit after tax[2)]**	
	2017	**2016**
Interest rates - increase 100 basis points[1]	-13 997	-19 182
Interest rates - decrease 100 basis points[1]	13 997	19 182

1) Holding all other variables constant.
2) Estimated impact given a tax rate of 20,79 % (2016: 6,14 %)

Profit after tax is less sensitive to changes in the interest rate in 2017 than 2016 because big variation in group average tax rates from 2016 to 2017.

Amounts in NOK thousand

Overview of non-overdue interest swaps per 31 December 2017

Interest rate swaps	Notional in currency thousand	Maturity	Fixed rate	Unrealised gain/loss 31 December
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)**

Overview of non-overdue interest rate swaps per 31 December 2016

Forward contract (Buy/From)	Notional in currency thousand	Maturity	Fixed rate	Unrealised gain/loss 31 December
IRS NOK 1	82 333	08.06.2017	3,18	(783)
IRS NOK 2	300 000	08.06.2017	3,09	(2 726)
IRS SEK	200 000	22.06.2017	0,95	(1 436)
IRS EUR	25 517	08.06.2017	1,50	(1 966)
Fair value of the groups interest rate swaps as of 31 December 2016 in NOK thousand				**(6 911)**

Changes in fair value is presented within finance income and finance expense in the income statement. Please see note 6 Finance income and expense.

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. HFN Holdings credit risk refers the risk to 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 expousre was NOK 117 230 thousand. The group does usually not demand collateral for receivables. The bad debt provision for trade receivables is NOK 157 924 thousand as of the balance sheet date.

Age of trade receivables

	2017
Not due	72 710
30-60 days	54 617
60-90 days	17 741
90-120 days	7 164
120-365 days	43 151
>365 days	61 381
Total trade receivables, gross	**256 764**
Total trade receivables, net	**98 840**

Bad debt provision at 31 December 2016	-129 665
Reversals during the year	3 109
Bad debt provisions during the year	-31 367
Bad debt provision at 31 December 2017	**-157 924**

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 16 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 2017 (NOK 1 815 million as of 31 December 2016) of which 488 409 million has not been drawn down. In addition the group has cash and cash equivalents of NOK 249 million as of 31 December 2017 (NOK 124 million as of 31 December 2016).

Net presentation of financial assets and liabilities as of 31 December 2017

Maturity	Carrying amount	1-3 months	3-12 months	1-5 years	Total
Other non- current receivables					
Accounts receivable	98 840	145 068	-46 228	0	98 840
Other receivables	18 390	18 390	0	0	18 390
Cash and cash equivalents	249 115	249 115	0	0	249 115
Financial assets	**366 345**	**412 573**	**-46 228**	**0**	**366 345**
Borrowings	1 773 940	20 000	40 000	1 713 940	1 773 940
Derivatives	1 683	0	0	1 683	1 683
Finance lease liabilities	9 265	0	4 630	4 635	9 265
Trade payables	103 689	103 689	0	0	103 689
Other current liabilities	348 701	348 701	0	0	348 701
Financial liabilitites	**2 237 278**	**472 390**	**44 630**	**1 720 258**	**2 237 278**
Net financial liabilities	**-1 870 933**	**-59 817**	**-90 858**	**-1 720 258**	**-1 870 933**

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 25 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

Note 20 Deferred revenue and other current liabilities

Amounts in NOK thousands

Deferred revenue

A large portion of the groups customers pay the monthly membership subscription fee in advance. These prepaiments are recognised as non- financial debt and will be settled in the groups services.

	2017	2016
Deferred revenue	400 504	373 926
Total deferred revenue	**400 504**	**373 926**

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

	2017	2016
Accrued employee benefit expenses	58 809	52 133
Accrued vacation pay	71 797	66 783
Non-redeemed gift cards	1 043	814
Accrued rent	32 605	49 306
Accrued rent discounts	61 865	56 285
Other current liabilities	122 583	131 611
Total other current liabilities	**348 701**	**356 932**

Note 21 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 note 14 respectively and are not included in the following overview:

Profit or loss items

Amounts in NOK thousand

Related party	Relationship	Type of services	2017	2016
Altor		Interest rate on invoices	15 694	0
Altor		Restructuring costs	0	17 296
Total related party profit or loss items			**15 694**	**17 296**

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

Balance sheet items

Amounts in NOK thousand

Related party	Relationship	Type of services	2017	2016
Tryghedsgruppen s.m.b.a	Shareholder	Borrowings	0	-618 662
HFN Group AS	Shareholder	Borrowings	-5 449	-7 738
Elixia Holding IV AS	Shareholder of HFN Group AS	Loan	518	0
Total related party balance sheet items			**-4 931**	**-626 400**

All transactions with related parties are priced at market conditions and there are no special conditions attached to these. Transactions with subsidiaries have been eliminated in consolidated statements and do not represent transactions with related parties. Please see note 16 Borrowings for further information about

Note 22 Provisions, contingent liabilities and contingent assets

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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 23 Events after the balance sheet date

The Board of Directors are not aware of any material events that have occured 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 occured after the balance sheet date that require further disclosures.

Note 24 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 and depreciation charges. Please see reconciliation to profit or loss before tax in note 2 Segment information.

Leverage ratio

A leverage ratio is a financial measurements 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 EBITDA in respect of that same financial reporting period.

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 ration is defined as the ratio of consolidated 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.

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.

Note 25 Financial covenants

Financial loan covenants

Compliance with financial borrowing covenants

HFN Holding 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 longt term financing to other group entities. HFN Holding AS has complied with the financial covenants related to its borrowing facility throughout 2016 and 2017.

Financial borrowing facility covenants

The group reports the following covenants quarterly to Swedbank:

• The Gearing ratio (defined as net interest bearing debt / EBITDA)
• The interest Cover Ratio (defined as EBITDA / Net Cash Interest Expenses)
• The Debt Service Cover Ratio (defined as Cashflow / Debt Service)
• Capital Expenditures (only in Q4 for the year)

* Please see Non-gaap measures defined in note 24

Note 26 New IFRS standards

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Instruments

Nature of change
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact
The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:
The financial assets held by the group include:

- equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under IFRS 9; and

- debt instruments currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9.

Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. No such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets for 2017.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9

Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in future be deferred in a new costs of hedging reserve within equity. The deferred amounts will be recognised against the related hedged transaction when it occurs.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

Based on the preliminary assessments undertaken to date, the group expects a potential increase in the loss allowance for accounts receivables. This increase is however not expected to constitute a material amount. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by group
IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will consequently not be restated.

IFRS 15 Revenue from Contracts with Customers

Nature of change
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact
Management has assessed the effects of applying the new standard on the group's financial statements and has not identified any areas that will be materially affected. The application of IFRS 15 may however result in the identification of separate performance obligations in relation to introduction programs for new customer which could affect the timing of the recognition of revenue related to going forward. This will potentially result in higher amounts being allocated to the fitness center membership subscriptions sold and result in an earlier recognition of a portion of the revenue.

Date of adoption by group
The standard is mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that any potential cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. No material impact of the adoption is expected.

IFRS 16 Leases

Nature of change
IFRS 16 Leases will result in almost all lease contracts being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact
The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of TNOK 4 688 713, see note 16. The group estimates that approximately 10-20% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

The group has not yet quantified the implementation effects from adopting IFRS 16. However, given the nature of the Group's business model, with a large number of real estate lease contracts currently classified as operational leases, a significant increase in both recognized lease assets and lease liabilities is expected. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years.

The recognition of substantially all leasing contracts will result in a shift in lease expense classification from operating expenses to financial costs and amortisation, thus resulting in an increased net operating profit, with an equal and opposite effect to interest expense and net financial items.

The implementation of IFRS 16 will also affect the cash flow statement, as operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

Date of adoption by group

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Other standards

HFN Holding AS has disclosed amendments that could have affected its accounting policies but does not mention standards that are not relevant to the group. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 27 Critical estimates, judgements and errors

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. Detailed information about each of these estimates and judgements is included in notes 1 to 10 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

The areas involving significant estimates or judgements are:

- Estimation of current tax payable and current tax expense – note 7 Tax
- Estimated goodwill impairment – note 8 Intangible assets
- Estimated useful life of intangible asset – note 8 Intangible assets
- Recognition of deferred tax asset for carried forward tax losses – note 7 Tax

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.

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 and 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 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.

Correction of errors in the financial statements for 2016

In December 2017, management undertook a detailed review of its earlier reported financial statement and discovered that certain elements in the statement had been miscalculated.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Cash flow

As part of the review in December 2017 it was discovered that the cash flow for the year ended 31 December 2016 included NOK 7 657 thousand related to a capital increase in HFN Group AS, these should not have been included and have been corrected. The cash effect of foreign exchange changes on cash and cash equivalents have also been corrected to an outflow of NOK 11 951 thousand.

Amounts in NOK thousand

	2016	2016 restated	Difference
Cash effect sale of shares	7 657	0	(7 657)
Effect of foreign exchange changes on cash and cash equivalents	(29 586)	(11 951)	17 635

Earnings per share calculation

As part of the review in December 2017 it was discovered that the earnings per share (EPS) was calculated incorrectly for the year ended 31 December 2016 and has therefore been restated.

The numerator in the EPS calculation was the total comprehensive income and not profit or loss after tax. The denominator used in the calculation in 2016 was correct. The profit or loss for the year ended 31 December 2016 has not been restated. Please see note 15 Earnings per share for further information about how the Earnings per share is calculated.

Amounts in NOK

The following table presents the EPS stated in the 2016 financial statements, the restated EPS and the difference between the two:

	2016	2016 restated	Difference
Total basic earnings per share	(3,51)	(2,61)	0,90
Total diluted earnings per share	(3,51)	(2,61)	0,90

HFN

Health & Fitness Nordic

Financial statements 2017 HFN Holding AS

HFN Holding AS
STATEMENT OF PROFIT OR LOSS

Amounts in NOK thousand for the period ended 31 December	*Notes*	**2017**	**2016**
Other operating expenses	*3*	5 823	18 454
Total operating expenses		**5 823**	**18 454**
Operating profit		**-5 823**	**-18 454**
Dividend from subsidiaries and group contribution	*5,6*	103 340	0
Interest income from group companies	*5,6*	36 162	25 253
Other interest income	*4*	154	862
Other finance income	*4*	46 638	8 002
Net gain/(loss) derivatives realised	*11*	3 262	13 032
Interest expense to group companies	*6*	-21 652	-6 707
Other interest expense	*9*	-47 705	-52 832
Other finance expenses	*9*	-54 098	-19 207
Net financial items	*4,11*	**66 102**	**-31 598**
Profit/(loss) before tax		**60 279**	**-50 052**
Income tax expense	*10*	15 822	-10 576
Profit/(loss) for the year		**44 458**	**-39 476**
Allocation of profit/(loss) for the year			
Retained earnings/(accumulated losses)	8	44 458	-39 476
Total allocation		**44 458**	-39 476

HFN Holding AS

BALANCE SHEET

Amounts in NOK thousand	*Notes*	31.12.2017	31.12.2016
Non-current assets			
Intangible assets			
Deferred tax assets	*10*	30 926	46 748
Total non current intangible assets		**30 926**	**46 748**
Finacial assets			
Investments in subsidiaries	*5*	2 465 775	2 443 498
Loan to group companies	*6*	1 102 234	0
Total non-current financial assets		**3 568 009**	**2 443 498**
Total non- current assets		**3 598 935**	**2 490 246**
Current assets			
Receivables from group companies	*6*	103 432	5 316
Other receivables		285	445
Cash and cash equivalents	*7*	84 105	55 636
Total current assets		**187 822**	**61 397**
Total assets		**3 786 757**	**2 551 643**

HFN Holding AS
BALANCE SHEET

Amounts in NOK thousand	*Notes*	31.12.2017	31.12.2016
Equity			
Share capital	11,12	224 575	221 929
Share premium	11,12	2 270 353	2 250 724
Retained earinings/(accumulated losses)	12	-795 035	-839 493
Total equity		**1 699 893**	**1 633 160**
Liabilities			
Non- current liabilities			
Borrowings	13	1 711 111	584 309
Borrowings from group companies	9	5 540	13 054
Derivative financial instruments	8	1 683	4 945
Total non-current liabilities		**1 718 334**	**602 308**
Current liabilities			
Borrowings	9	60 000	96 714
Borrowings from group companies	9,6	289 127	158 500
Trade and other payables		290	1 119
Other current liabilities		19 111	59 842
Total current liabilities		**368 529**	**316 175**
Total liabilities		**2 086 864**	**918 482**
Total equity and liabilities		**3 786 757**	**2 551 643**

Oslo, March 15th 2018

OLAV JOHAN THORSTAD
Chair of the Board

CECILIE ELDE
Boardmember

HFN Holding AS

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK thousand for the period ended 31 December	*Notes*	2017	2016
Cash flow from operating activities			
Profit before tax		60 279	-50 052
Adjustment for:			
Net gain/loss of fair value on derivatives	*11*	-3 262	-13 032
Net finacial items, excluding derivatives		-52 800	48 811
Change in intercompany receivables and payables		-972 037	76 932
Change in trade payables and other accruals		-41 399	13 733
Net cash flow from operations		**-1 009 218**	**76 392**
Cash flow from financing			
Repayments of borrowings	*9*	-13 000	-15 000
Proceeds from borrowings	*9*	1 064 848	0
Interests borrowings		-14 161	-41 940
Net cash flow from financing		**1 037 687**	**-56 940**
Net increase/(decrease) in cash and cash equivalents	***7***	**28 469**	**19 453**
Cash and cash equivalents at the beginning of the period		55 636	36 184
Cash and cash equivalents at the end of period	*7*	**84 105**	**55 636**

Contents

Note 1 General information

General information
HFN Holding AS (the Company) is registered and domiciled in Norway with its head office in Nydalsveien 28, Oslo, Norway. The parent of the Company is HFN Group AS. The Company was incorporated on 11 March 2011. The Board of Directors approved the financial statements on March 15th 2018.

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 HFN Holding 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,

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 2017 financial statements. For new standard, please see note 26 in the consolidated financial statement.

The Company's significant accounting policies are disclosed in note 2 in the consolidated finacial statement. These principles have been applied consistently in all periods presented in the financial statements, unless stated otherwise.

Note 2 Accounting Principles

Accounting Principles

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

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 xchange differences on monetary items are recogised in profit or loss in the period in which they arise.

Subsidiaries
Subsidias 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.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair valus of the assets transferred, liabilities incurred and equity interestsissued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilties assumed are recognised at their fair value, with certain exceptions. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identified net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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 isusue 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. Transaction costs and arrangement fees are amortised over the expected term of the instrument in accordance with IAS 39.43.

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 liabilties 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 liabilties are not discounted, but recognised at nominal value.

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

Note 3 Other operating expenses

Amounts in NOK thousand

	2017	2016
Consultant services	6 430	17 632
Other operating expenses	(607)	822
Total inventories	**5 823**	**18 454**

The company has no employees.

The Board of Directors did not receive any remuneration in 2017 (NOK 822 thousand in 2016). The remuneration to the boardmembers are included in Other operating expenses.

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

Amounts in NOK thousand

Auditor's remuneration

	2017	2016
Expensed auditor incl. VAT:		
Statutory audit (including technical assistance - annual accounts)	625	685
Other attestation and assurance services	154	400
Tax advice (including technical assistance corporate tax papers)		
Other assistance		
Total auditor's remuneration	**779**	**1 086**

Note 4 Finance income and finance expenses

Amounts in NOK thousand

Financial income

	2017	2016
Dividend from subsidiaries and group contribution	103 340	0
Interest income from group companies	36 162	25 253
Interest income from financial institutions	154	862
Foreign exchange gain	46 638	8 002
Net gain/(loss) derivatives unrealised	3 262	13 032
Total financial income	**189 557**	**47 148**

Financial expenses

	2017	2016
Interest expense to group companies	21 652	6 707
Interest expense financial institutions	47 705	52 832
Foreign exchange loss	36 597	3 820
Other finance expenses	17 500	15 388
Total financial expenses	**123 454**	**78 746**
Net financial items	**66 102**	**-31 598**

Note 5 Subsidiaries

Amounts in NOK thousand

The table below sets forth HFN Holding 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 2017**
HFN Sweden AB	Stockholm	100 %	1 147 240	(829)	**2 465 775**

Investment in subsidiary is carried at cost.

Note 6 Related parties

Amounts in NOK thousand

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 note 14 respectively and are not included in the following overview:

Profit or loss items

Related party	Relationship	Type of services	2017	2016
Altor	Shareholder	Interest on invoice	11 586	0
Total related party profit / (loss) items			**11 586**	**0**

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	2017	2016
Financing through HFN Holding	Subsidiaries	Loan to group companies	1 102 234	0
Group contribution	Subsidiaries	Receivables from group companies	103 432	5 225
Cash pool	Subsidiaries	Borrowings from group companies	(289 127)	(102 864)
Tryghedsgruppen s.m.b.a	Shareholder	Borrowings	0	(618 662)
HFN Group AS	Shareholder	Borrowings	(5 540)	(7 738)
Total related party balance sheet items			**910 998**	**(724 039)**

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 7 Cash and cash equivalents

Amounts in NOK thousand

	2017	2016
Cash and cash equivalents	84 105	55 636

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 31.12.2017, 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 2017

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
HFN Group AS	25 323 781	90,2 %	90,2 %
HFN Management Invest AS	2 417 319	8,6 %	8,6 %
Hansemgruppen Holding AS	330 792	1,2 %	1,2 %
Total	**28 071 892**	**100 %**	**100 %**

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

HFN Group AS has control over HFN Management Invest AS and Hansemgruppen Holding AS.

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

Shares in HFN Management Invest held by the board of directors and executive managem

Name	Title	Ownership
Olav Johan Thorstad	Chair of the Board and CEO	9,67 %
Excecutive management including Olav Johan Thorstad		19,35 %

Amounts in NOK thousand

Equity

	Share capital	Share premium	Retained earnings (acc. losses)	Total equity
Equity 1 January 2017	221 929	2 250 724	(839 493)	**1 633 160**
Capital increase	2 646	19 629	0	**22 276**
Profit/(loss) for det year		0	44 458	44 458
Equity 31 December 2017	**224 575**	**2 270 353**	**(795 035)**	**1 699 893**

Note 9 *Borrowings*

Amounts in NOK thousand

Overview of interest bearing liabilities

	2017		2016	
	Current	Non- current	Current	Non- current
Bank borrowings	60 000	1 711 111	96 714	584 309
Related party loan	5 540	0	0	(13 054)
Total interest- bearing liabilities	**65 540**	**1 711 111**	**96 714**	**571 255**

	2017	2016
Assets pledged as security for borrowings:		
Shares in HFN Sweden AB	**2 465 775**	**2 443 498**

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 18.

The company refinanced the groups bank borrowings in 2017. All external bank borrowings for group is now in HFN Holding AS with Swedbank as counterparty. The bank borrowings is structured in several facilities and denominated in NOK, SEK and EUR. Please see the consolidated financial statement, note 16 for further disclosures.

Covenants, payment profile and effective interest rates.

As of 31 December 2017 and 31 December 2016 covenant requirements are met.

Information about existing finacial covenant is disclosed in the consolidated finacial statement note 25 Financial covenants.

The payment profile of the parent company is equal to the Group's payment profile disclosed in note the consolidated finacial statement note 16 Borrowings.

Effective interest rates are disclosed in the consolidated finacial statement note 16 Borrowings.

Note 10 Tax

Amounts in NOK thousand

Tax expense/(income)

	2017	2016
Change in deferred tax assets	15 812	(9 259)
Tax on received group contributions	0	(1 306)
Changes in unused tax lossess	10	(10)
Total tax expense/(income)	**15 822**	**(10 576)**

Reconciliation of the nominal statutory tax rate to the effective tax rate:

	2017	2016
Profit before tax	60 279	(50 052)
Expected taxes at nominal tax rate of 24%:	14 467	(12 513)
Reconciling items:		
Error in prior years	10	(10)
Changes in Norwegian nominal tax rate	1 345	1 948
Income tax expense/(income)	**15 822**	**(10 576)**
Effective tax rate	**26 %**	**21 %**

Movement in deferre tax assets and deferred tax liabilities

	2017	2016
Fair value finacial instruments	1 683	4 945
Amortized borrowing cost	(3 286)	(6 872)
Losses carried forward	136 063	196 708
Basis deferred tax liabilities	**134 460**	**196 797**
Deferred tax assets, not recognized	0	0
Carrying value deferred tax asset	**30 926**	**46 748**

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 finacial statement note 7 and the the Board of Directors' report for further info.

Note 11 Events after the balance sheet date

The Board of Directors are not aware of any material events that have occured 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 occured after the balance sheet date that require further disclosures.

Note 12 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.

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 finacial risk management policies, please see the consolidated financial statement note 19.

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:

	2017	2016
Non- current liabilities		
Interest rate swap contracts -	1 683	4 945
Total non- current derivative financial instrument liabilities	**1 683**	**4 945**

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

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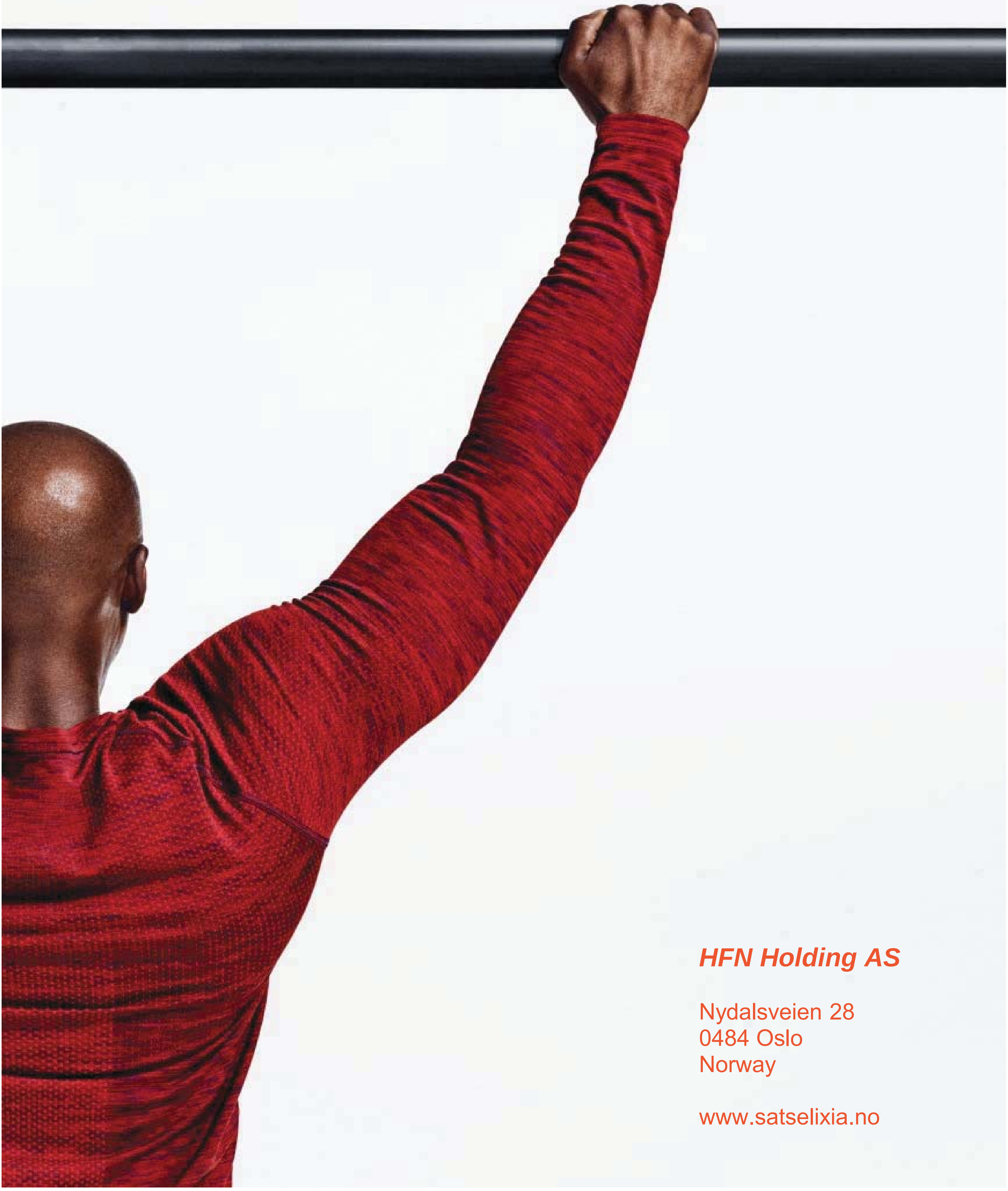

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