
SATS Q1 2020

THIS IS SATS

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

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

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WORDS FROM THE CEO

"Investments in our digital offering made the past years is now really proving its worth."

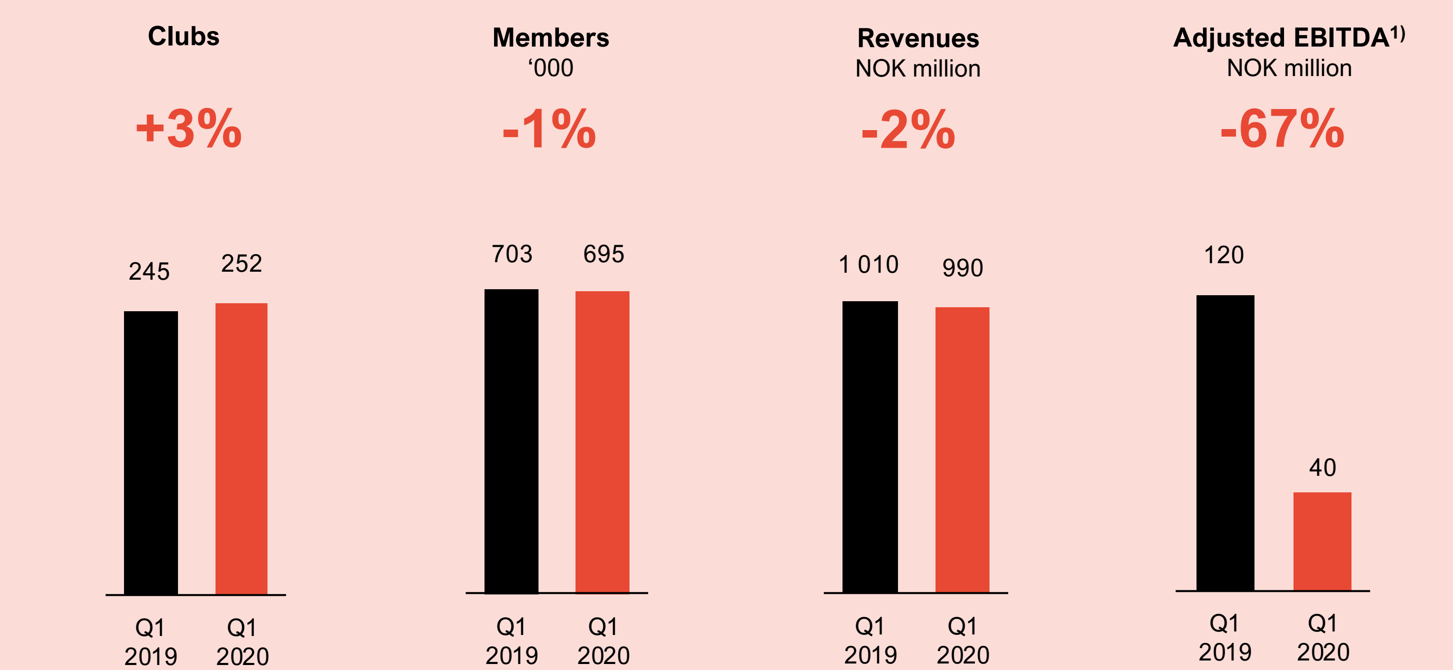
The first quarter of 2020 was unfortunately characterized by the first closure of all clubs in the history of SATS. The outbreak of the coronavirus has been challenging both for the society as a whole and for SATS. We are truly sorry for the impact the closure has had for our members, employees and shareholders. At the same time, we have been blessed by a strong support during this challenging period. I would like to take the opportunity to thank all our dedicated members and fantastic employees for the extraordinary understanding and effort.

SATS decided on 12 March to temporarily close down all clubs in the Nordics to take social responsibility and contribute to limit the contagion of the coronavirus. Since this date, we have tried to balance the need of limiting the contagion of the coronavirus with the need to continue to deliver on our vision of making the Nordic population healthier and happier. We opened our clubs in Sweden after two weeks closure, and in Finland on 24 April, implementing many measures to ensure a healthy and safe environment for our members and staff. We are encouraged to see the positive development after opening in both countries, and also positive feedback from members who feel well taken care of at our clubs.

SATS has invested in digital products for a while, and also established a strong internal technology team. During these weeks, we have launched a comprehensive digital offering – both a limited free offer for non-members and full digital access for SATS members. We are doing around 10 live classes every day and have more than 100 available classes in our digital library, a wide range of audio products, digital office workouts and many digital training programs. We have also launched online physiotherapy, online personal training and online nutrition counselling, as well as introduced several new commercial digital partnerships in an ecommerce solution. This has resulted in a record high digital usage, with more than 1.2 million online training sessions completed in Q1, a stunning 485% increase since last year. Our live classes have had around 1 000 participants per class and more than 100 000 of our members have been working out digitally with SATS during the corona close down.

We are highly impressed by our active members who are making the most out of this challenging time by doing their best to stay healthy and happy!

Sondre Gravir
CEO



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

HIGHLIGHTS

- Four new club openings in Q1 2020, of which two acquisitions and two greenfields, filling out the clusters in Stockholm and Helsinki
- Reduction in member base of 1% versus last year due to a negative sales effect from COVID-19
- Total revenues of NOK 990 million, compared to NOK 1 010 million last year (-2%). Estimated COVID-19 related revenue loss of NOK 110 million
- Adjusted EBITDA of NOK 40 million, down -67% from NOK 120 million last year, including an estimated negative EBITDA effect of NOK 85 million from COVID-19
- Temporarily closed all clubs on 12 March, with reopening in Sweden on 26 March and in Finland on 24 April
- Retaining parts of the membership revenue, as members were given option to continue the membership and use SATS' extended digital offering at a reduced price during closure period
- Swift action to manage the cash position and lower the cost base, reducing operating costs by ~20% during the closed period in March
  - Temporarily laid off more than 5 000 employees in Norway and Denmark
  - Support from governmental compensation packages
  - Expansion and maintenance capex partly put on hold
  - Strong liquidity position due to partly continued member revenues, RCF drawdown and reduced cash burn

Key Financial Figures and Alternative Performance Measures (APM)

	Q1 2020	Q1 2019	Year 2019
Amounts in NOK million (unless otherwise stated)			
Membership revenue	786	797	3 171
Other revenues	203	213	816
Total revenues	990	1 010	3 987
EBITDA	286	354	1 484
Margin (%)	*29%*	*35%*	*37%*
Operating profit	23	118	512
Profit/loss for the period	-97	63	187
Earnings per share (NOK)	-0.57	0.56	1.52
Adjusted Country EBITDA before impact of IFRS 16	107	183	811
Margin (%)	*11%*	*18%*	*20%*
Adjusted EBITDA before impact of IFRS 16	40	120	573
Margin (%)	*4%*	*12%*	*14%*
Maintenance Capex	69	42	229
Total Capex	95	87	325
Net debt	1 177	1 543	1 136
Operating cash flow	-29	78	344
Clubs	252	245	248
Members ('000)	695	703	687
ARPM (NOK/month)	477	491	490

1) As defined in Appendix under Alternative Performance Measures.

COVID-19 BUSINESS IMPACT

OPERATIONAL IMPACT

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

In the wake of the closure, the company has been in close dialogue with the authorities, following their advices on how to act, balancing the considerations of limiting the contagion on one hand and keeping the Nordic population healthy and happy through physical activity on the other.

The company spent the closure period maintaining, cleaning and disinfecting the clubs, making sure the members are welcomed to clubs of high standard at reopening.

SATS continues to adopt to the situation in each of the four Nordic countries, with differences in the contagion progress and governmental recommendations. The company decided to open the clubs in Sweden on 26 March and in Finland on 24 April. There have been taken a series of measures to make sure the openings are handled in a responsible way, including measures to ensure needed distance between members when training, reduced capacity in group training classes, outdoor group training and personal training sessions, higher cleaning frequency and closed child care.

The clubs opened with around half of the activity level of the same period last year, gradually increasing after a few weeks. During the first week of May, the number of visits was 76% of last year in Sweden and 51% in Finland. By offering a combination of the physical club experience and a range of online products, SATS can reach out to both members who are eager to work out at the clubs and members who need some more time before reverting to the gym. Further on, the contribution from the online training also makes it easier to run the operations at the clubs in a safe manner, helping members to keep distance.

SATS expects to reopen the clubs in Norway on 15 June, after a 3 months closure. The Company is continuing to work close with local industry organizations and health authorities in Denmark to establish an industry standard for how to reopen in a responsible matter. No opening date is declared, but the Danish government has indicated to allow reopening in August.

FINANCIAL IMPACT

The total revenue loss related to the closure of clubs sums up to an estimated NOK 110 million in Q1 2020, mainly related to members on freeze, but also due to paused personal training and retail sales. The loss of NOK 110 million was lower than the guided NOK 140 million due to the reopening of clubs in Sweden on 26 March as well as a compensation for a share of the fixed costs from the Danish government reflected as revenue.

Following the closure of all clubs, SATS took swift action to manage the cash position and lower the cost base. This included constructive dialogues with suppliers to find solutions during this extraordinary period. As a result, the company has been able to reduce the operational costs by approximately 20% during the closure period in March.

The cost reductions have partially been realized with support from the various governmental packages and arrangements compensating for fixed cost and salaries. The compensation for fixed costs from the Danish government is estimated to NOK 8 million in March. The compensation from the Norwegian government will not be booked before Q2 2020, but the company expects to be entitled to a compensation of approximately NOK 15 million.

More than 5 000 employees were temporarily laid off in March, but SATS aims to protect jobs and keep employees onboard.

Due to the extraordinary situation, the Board of Directors will not propose to distribute the guided dividend of NOK 250 million to the shareholders in 2020.

The Board will reassess the capacity for a dividend once the situation has stabilized.

The total estimated COVID-19 effect on adjusted EBITDA is NOK 85 million in Q1 2020, excluding NOK 15 million in support from the Norwegian government to be booked in Q2 2020.

OUTLOOK

The member base as per 30 April was at 676 000, a 20 000 reduction from 31 March. The company experienced a period of increased drop off after reopening in Sweden and Finland and expects the same effect when reopening in Norway and Denmark. The sales is also expected to be temporarily reduced. The financial performance the coming months is highly dependent on the members' behavior, closely linked to the contagion growth and perception, and macro conditions such as unemployment rates.

The company has had two touch points with members regarding compensation options. The first member communication covered the first two weeks and the second covered the remaining closed period. The aim was to provide members with a choice of how to be compensated while keeping as many members as possible throughout the period, contributing to making people healthier and happier.

The cost reduction initiatives will have increased effect in Q2, and the company expects to reduce group operational costs by 30-40% from April until clubs are reopened in Norway and Denmark. Going forward, budgets for travel, marketing and facility operations have all been significantly reduced. The management team has taken voluntary salary cuts during the COVID-19 crisis and all performance-based bonus compensations will automatically decline if the business does not achieve its financial targets.

SATS has assessed different scenarios for the temporary closure and is confident to have sufficient liquidity and financial strength into the foreseeable future. Weekly cash burn in the period where the clubs in Norway and Denmark are closed is expected to be in the area of NOK 15 million, which includes a moderate level of maintenance capex and already committed investments.

The company has flexibility through a revolving credit facility with a maximum principal amount of NOK 2 500 million. In order to secure liquidity, a precautionary draw-down of NOK 575 million increased available liquidity to NOK 775 million at the end of the period. The negative EBITDA effect is expected to result in a temporary significant deviation from the leverage target of 2.0x Adjusted EBITDA. The leverage covenant of the credit facility is 4.25x Adjusted EBITDA, and the company is not in breach with the covenant as of end-Q1 2020. The company has a close dialogue with the bank and expects flexibility going forward.

Expansion and maintenance capex are partly put on hold until the situation has stabilized and the effects of the COVID-19 crisis are clearer. However, as the clubs in Sweden and Finland are opened, the company still considers it wise to keep the majority of the planned maintenance, and also to open the clubs in Norway and Denmark in good shape. Further on, the company will be open for acquisition opportunities arising in the wake of the crisis.

The company is withdrawing the previously communicated financial targets due to the extraordinary uncertainty, but will revert to the market with updated targets when the situation has stabilized.

Although the COVID-19 crisis is having a negative impact on the fitness industry in the short-term, the company is confident that the long-term outlook is still dominated by society's increased focus on health and well-being and robust global trends. The company sees itself well positioned going forward, as the scale economics is probably even more important coming out of this period. SATS also had a well-developed digital position prior to COVID-19 and has further strengthened the digital universe during the past weeks, laying a strong foundation for the new reality.

BOARD OF DIRECTORS' REPORT

ANALYSIS OF THE Q1 2020 FINANCIAL STATEMENTS

All financial statements show the period 1 January 2020 to 31 March 2020, compared to the accounts for the period 1 January 2019 to 31 March 2019.

Statement of comprehensive income

Total revenues decreased by 2% to NOK 990 million in Q1 2020, compared to NOK 1 010 million in Q1 2019. Adjusted for the estimated NOK 110 million revenue loss related to COVID-19, total revenues would have increased by 9% to NOK 1 100 million. The revenues for the segments Sweden and Denmark increased somewhat, while Norway and Finland decreased in Q1 2020 compared to Q1 2019. The member base decreased by 1% due to lower sales during the closure period. Reported ARPM fell by 3% due to the membership compensations, as well as fewer personal training sessions and lower retail sales during the closure period.

Total operating expenses increased by 8% to NOK 967 million in Q1 2020, compared to NOK 892 million in Q1 2019. The company was able to reduce the cost base by approximately 20% during the club closure in March. In terms of categories, relative increase was largest for cost of goods sold and depreciation and amortisation. The increase in cost of goods sold is explained by a provision for gift cards to members who chose this option as compensation during the closure of clubs. The operating profit decreased by NOK 95 million to NOK 23 million. As a consequence of the closure of the clubs, profit decreased in all segments compared to Q1 2019.

Net financial expense in Q1 2020 was NOK 57 million, an increase of NOK 19 million compared to Q1 2019, due to unrealized currency effects from a weakened NOK. The finance income of NOK 61 million was mainly related to currency adjustments on intercompany loans, partly offset by an unrealized currency loss on the revolving credit facility.

The main component in the finance expense of NOK 56 million was a market value adjustment of interest rate swaps amounting to NOK 51 million.

Based on the Q1 2020 balance date, a 10% weakening of NOK against SEK will increase net financial items by NOK 12 million, while a 10% weakening of NOK against EUR will result in an increase of NOK 48 million.

Income tax expense in Q1 2020 was NOK 63 million, as the deferred tax asset in Denmark was written down in Q1, resulting in an income tax expense of NOK 61 million in the Danish segment.

Loss before tax was NOK 34 million in Q1 2020, compared to a profit of NOK 80 million in Q1 2019. Loss for the period was NOK 97 million in Q1 2020, compared to a profit of NOK 63 million in Q1 2019, while total comprehensive loss was NOK 71 million, compared to a profit of NOK 25 million in Q1 2019.

Statement of financial position

Consolidated assets increased by NOK 1 236 million to NOK 9 059 million in Q1 2020. A major driver of the increased consolidated assets is currency translation effects from a weakened NOK through the quarter. Right-of-use assets and goodwill were the largest components of consolidated assets, amounting to NOK 4 174 million and NOK 2 476 million, respectively, on 31 March 2020. Both non-current assets and current assets increased. The increase in non-current assets is driven by increased right-of-use assets and intangible assets while the increase in current assets was primarily driven by an increase in cash and cash equivalents.

Total liabilities increased from NOK 7 037 million as at 31 March 2019 to NOK 7 909 million as at 31 March 2020, primarily due to the increase in the lease liability.

As at 31 March 2020, consolidated equity amounted to NOK 1 150 million, representing an equity ratio of 13%, compared to NOK 787 million and 10% in Q1 2019. The increase is the result of a profit and a capital injection related to the initial public offering in Q4 2019, partly offset by a dividend payment.

Statement of cash flows

Net cash flow from the Group's operations was NOK 416 million in Q1 2020, compared to NOK 304 million in Q1 2019. The improved cash flow from operations of NOK 112 million is mainly due a positive change in other receivables and accruals, driven by increased deferred revenue related to member compensations during the club closure period.

Net cash outflow from investing activities amounted to NOK 94 million in Q1 2020, compared to an outflow of NOK 93 million in Q1 2019.

Net cash flow from financing was NOK 312 million in Q1 2020, compared to an outflow of NOK 344 million in Q1 2019. A precautionary draw-down of NOK 575 million on the credit facility was made in Q1 to ensure liquidity during the COVID-19 crisis, which primarily explains the positive change in net cash flow from financing.

In Q1 2020, consolidated cash and cash equivalents increased net by NOK 633 million, compared to a decrease of NOK 132 million in Q1 2019. As at the balance sheet date, the Group had cash and cash equivalents of NOK 775 million, compared to NOK 221 million at the balance sheet date in Q1 2019.

Segment development

The following sections of this report review each operating segment. Unless otherwise stated, comments regarding development reflect a comparison between Q1 2020 and Q1 2019.

NORWAY

Norway is the largest operating segment in the Group with 44% of the consolidated total revenues and 301 000 members at the end of Q1. SATS is a well-known brand in Norway and the largest operator of fitness clubs.

Total revenues decreased by NOK 29 million in Norway in Q1, a decrease of 6% compared to the corresponding quarter last year. The revenue decrease was the result of a volume decrease of 5 000 members and an ARPM decrease of 8%. The negative development was caused by the outbreak of COVID-19, as all clubs were temporarily closed from 12 March and throughout the end of the quarter. The underlying trend was positive, both in terms of member and price development. Parts of the fixed costs during the COVID-19 crisis will be compensated by the Norwegian government, based on a linear compensation factor of 0.9 of the total revenue loss. The compensation for March, estimated to NOK 15 million, will not be booked before Q2 2020.

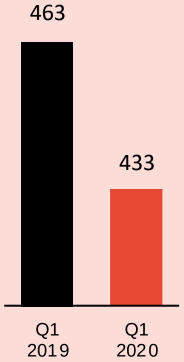
Country EBITDA decreased by NOK 27 million to NOK 69 million, resulting in quarterly Country EBITDA margin of 16%, 5 p.p. down from Q1 2019.

In February, Wenche Evertsen took over the position as Country Manager in Norway. Evertsen returned to SATS after a few years outside the company.

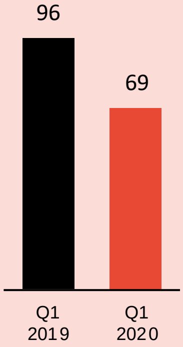
Key Financial figures and Alternative Performance Measures (APM)

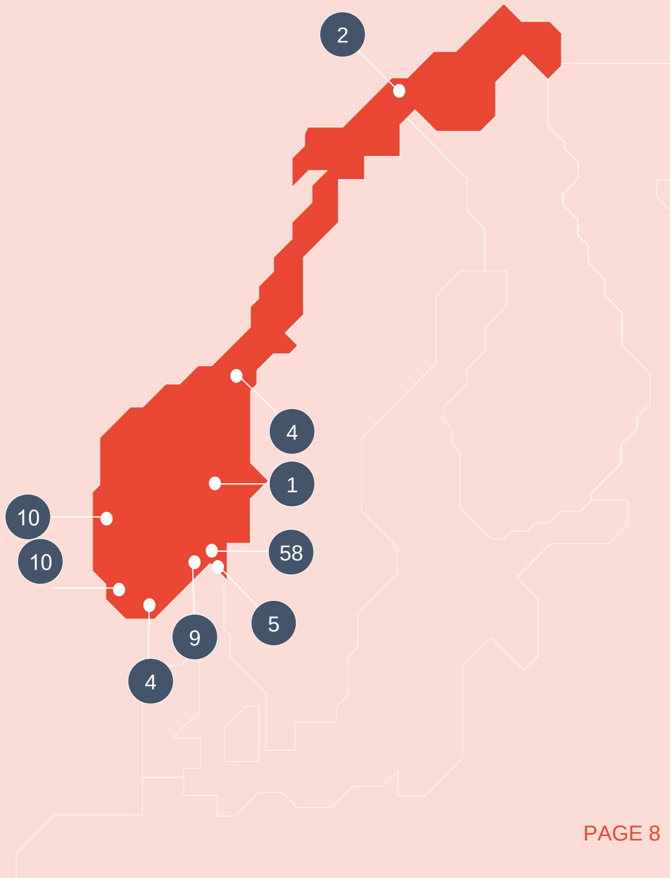
	Q1 2020	Q1 2019	Year 2019
Amounts in NOK million (unless otherwise stated)			
Membership revenue	345	361	1 439
Other revenues	88	101	392
Total revenues	433	463	1 831
EBITDA	135	164	717
Margin (%)	*31%*	*35%*	*39%*
Operating profit	38	69	337
Profit/loss for the period	9	36	212
Adjusted Country EBITDA before impact of IFRS 16	69	96	452
Margin (%)	*16%*	*21%*	*25%*
Adjusted EBITDA before impact of IFRS 16	33	64	322
Margin (%)	*8%*	*14%*	*18%*
Clubs	103	101	103
Members ('000)	301	306	299
ARPM (NOK/month)	482	523	523

Revenues
NOK million
-6%



Country EBITDA[1)]
NOK million
-28%





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

SWEDEN

Sweden is the second-largest operating segment in the Group, with 34% of consolidated total revenues 2019 and 232 000 members at the end of Q1. SATS has maintained a very strong position in Sweden over the course of many years and is the largest operator of fitness clubs in terms of revenue.

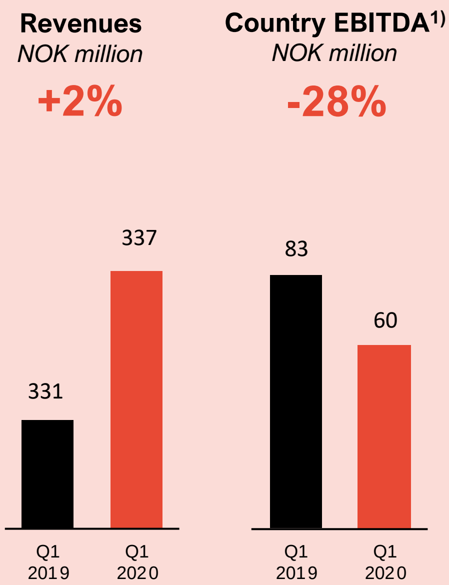
Total revenues increased by NOK 6 million to NOK 337 million in Sweden in Q1, an increase of 2% compared to the corresponding quarter last year. The increase was driven by volume growth of 3 000 members, while the ARPM development was flat. All clubs in Sweden were temporarily closed for a 14-days period from 12 March to 25 March. The underlying price development was promising, but the volume development was slightly weaker than expected.

SATS Sweden acquired BodyJoy with two clubs in Stockholm and opened a new club in Ursvik (Stockholm) during the first quarter.

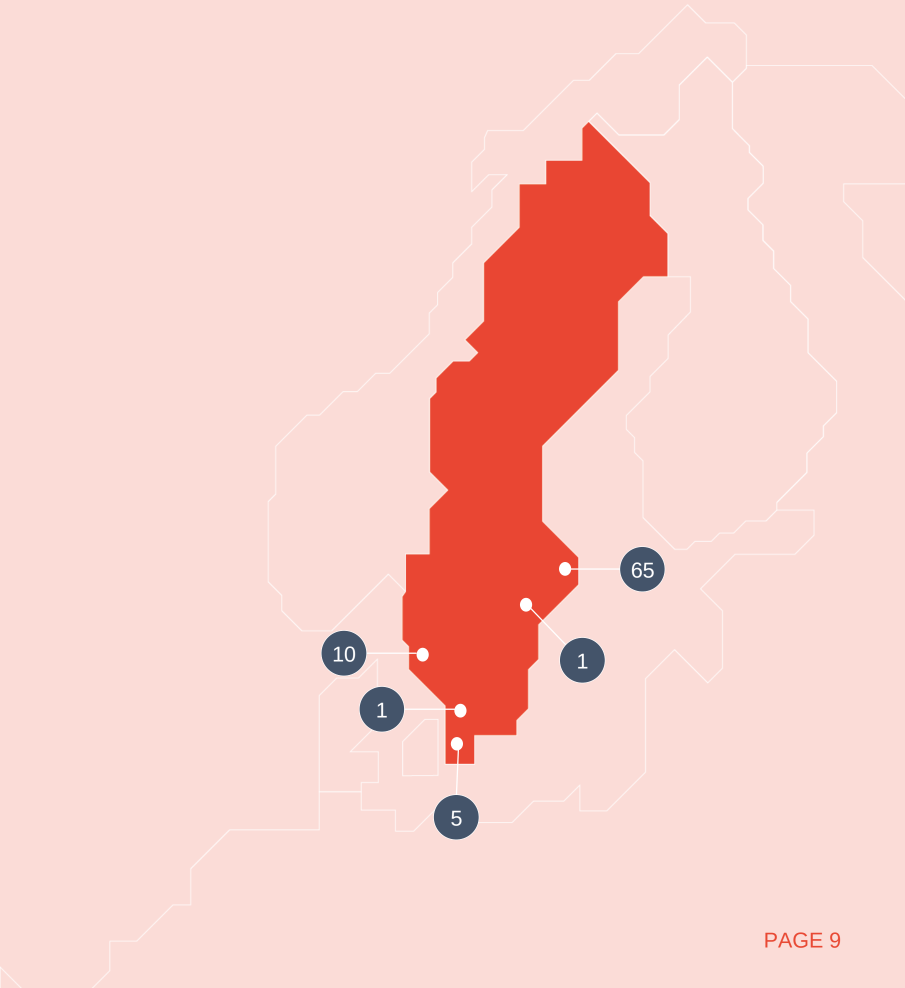
Country EBITDA decreased by NOK 23 million to NOK 60 million, resulting in quarterly Country EBITDA margin of 18%, 7 p.p. down from Q1 2019.

Key Financial Figures and Alternative Performance Measures (APM)

	Q1 2020	Q1 2019	Year 2019
Amounts in NOK million (unless otherwise stated)			
Membership revenue	266	253	1 026
Other revenues	71	78	282
Total revenues	337	331	1 308
EBITDA	107	126	530
Margin (%)	*32%*	*38%*	*41%*
Operating profit	29	57	257
Profit/loss for the period	-6	37	201
Adjusted Country EBITDA before impact of IFRS 16	60	83	363
Margin (%)	*18%*	*25%*	*28%*
Adjusted EBITDA before impact of IFRS 16	29	56	256
Margin (%)	*9%*	*17%*	*20%*
Clubs	82	76	79
Members ('000)	232	228	230
ARPM (NOK/month)	487	488	482



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



FINLAND

In Finland, the business is operated under the brand ELIXIA, and the Finnish operations, with 63 000 members at the end of Q1, constitute 9% of consolidated total revenues. The Finnish fitness market is highly fragmented, and ELIXIA is the market leader.

Total revenues decreased by NOK 1 million to NOK 85 million in Finland in Q1, a decrease of 2% compared to the corresponding quarter last year. The total member base was stable compared to Q1 2019 and ARPM decreased by 2%. All clubs in Finland were closed from 12 March due to the outbreak of COVID-19, and adjusted for the COVID-19 effects, underlying volume and price development was positive.

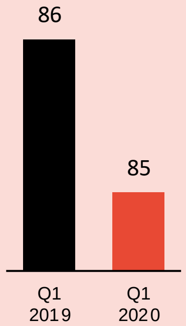
ELIXIA Finland opened a new club in Q1 at the highly visited AINOA shopping centre, representing a white spot in the Greater Helsinki area.

Country EBITDA decreased by NOK 11 million to a negative NOK 3 million and quarterly Country EBITDA margin was -3%, down 13 p.p. compared to Q1 2019.

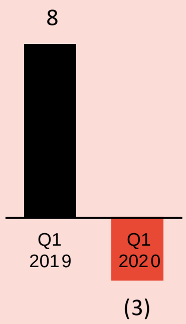
Key Financial Figures and Alternative Performance Measures (APM)

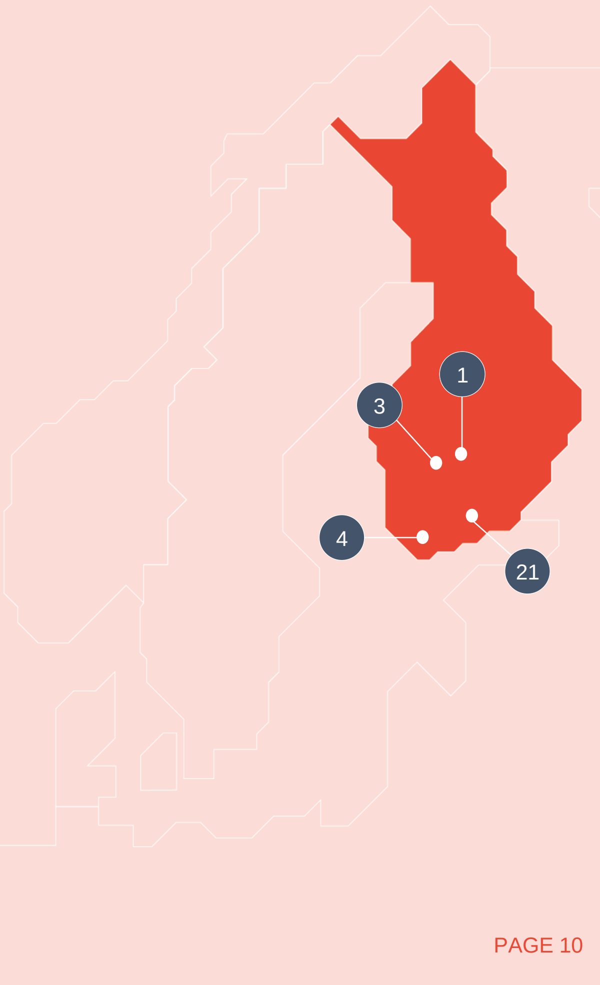
	Q1 2020	Q1 2019	Year 2019
Amounts in NOK million (unless otherwise stated)			
Membership revenue	69	71	282
Other revenues	16	16	61
Total revenues	85	86	343
EBITDA	19	27	117
Margin (%)	*22%*	*31%*	*34%*
Operating profit	(8)	4	25
Profit/loss for the period	-14	-2	21
Adjusted Country EBITDA before impact of IFRS 16	-3	8	40
Margin (%)	*-3%*	*9%*	*12%*
Adjusted EBITDA before impact of IFRS 16	-8	4	22
Margin (%)	*-9%*	*4%*	*6%*
Clubs	29	29	28
Members ('000)	63	63	62
ARPM (NOK/month)	454	466	466

Revenues
NOK million
-2%



Country EBITDA[1)]
NOK million
-137%





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

DENMARK

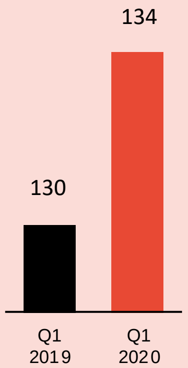
Through the acquisition of fitness dk in Q1 2019, SATS Denmark became the newest segment in the Group. The Danish operations, with 99 000 members at the end of Q1, constitute 14% of consolidated total revenues.

Total revenues increased by NOK 4 million to NOK 134 million in Denmark in Q1, an increase of 3% compared to Q1 2019. The Danish business is still in a turnaround phase, and the total member base decreased by 7 000 members compared to Q1 2019. ARPM increased by 9% compared to Q1 2019, as the compensation package of NOK 8 million from the Danish government, covering parts of the fixed costs, is recognized as income. SATS expects a 60-80% revenue loss in Denmark during the period and will in that case be compensated 50% of the fixed costs, which is reflected in the Q1 revenues.

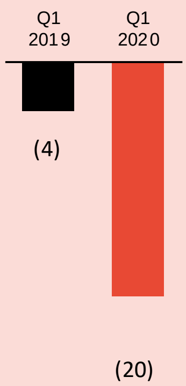
Country EBITDA decreased by NOK 16 million to a negative NOK 20 million and quarterly Country EBITDA margin was -15%, down 12 p.p. compared to last year.

Income tax expense in Q1 2020 was NOK 61 million, as the deferred tax asset in Denmark was fully written down in Q1. It is management`s judgement that it is not probable that future taxable profits will be available against the unused tax losses within a reasonable time frame and tax reducing temporary differences after the severe effects from COVID-19.

Revenues
NOK million
+3%



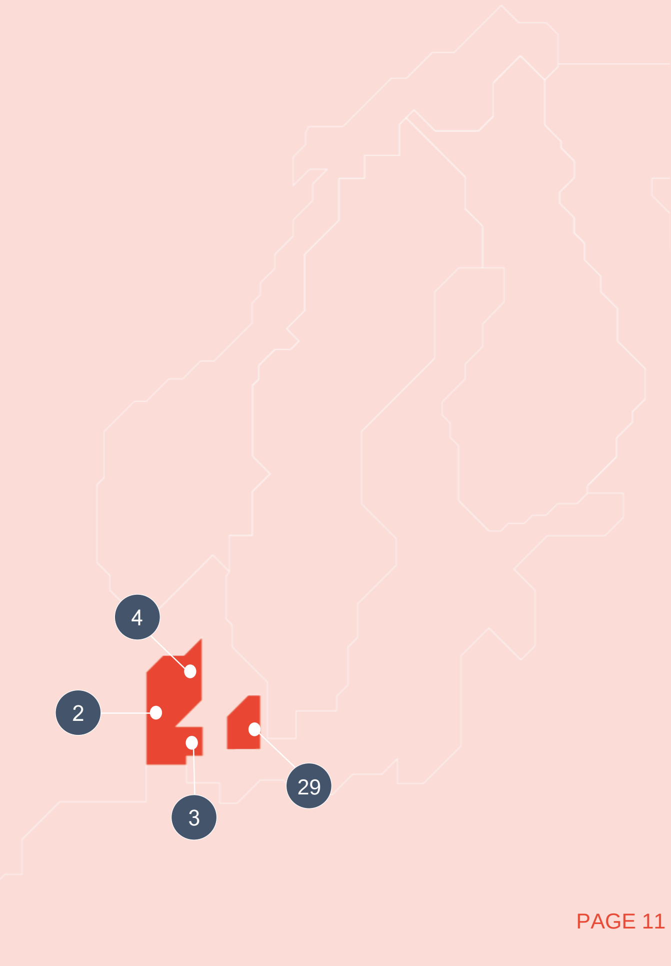
Country EBITDA[1)]
NOK million
-391%



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

Key Financial Figures and Alternative Performance Measures (APM)

	Q1 2020	Q1 2019	Year 2019
Amounts in NOK million (unless otherwise stated)			
Membership revenue	106	112	423
Other revenues	28	18	81
Total revenues	134	130	504
EBITDA	14	29	86
Margin (%)	*11%*	*22%*	*17%*
Operating profit	(11)	(33)	(98)
Profit/loss for the period	-103	-16	-133
Adjusted Country EBITDA before impact of IFRS 16	-20	-4	-44
Margin (%)	*-15%*	*-3%*	*-9%*
Adjusted EBITDA before impact of IFRS 16	-28	-12	-75
Margin (%)	*-21%*	*-9%*	*-15%*
Clubs	38	39	38
Members ('000)	99	106	97
ARPM (NOK/month)	456	419	433



BUSINESS AND INDUSTRY OUTLOOK

The company is withdrawing the previously communicated financial targets due to the extraordinary uncertainty, but will revert to the market with updated targets when the situation has stabilized.

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

SHAREHOLDER INFORMATION

SATS ASA's share capital was NOK 361 million as at 31 March 2020, divided into 170 000 000 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS did not own any treasury shares as at the balance sheet date. The number of shareholders as at 31 March 2020 was 3 121.

FINANCIAL POLICY AND DIVIDEND

The long-term target leverage ratio is 2.0x, net debt (current and non-current bank borrowings less cash and cash equivalents) to adjusted EBITDA before impact of IFRS 16. The Group intends to maintain a constant leverage ratio by returning excess capital to shareholders on a semi-annual basis via dividends and share buybacks. However, the company expects to deviate from the leverage target going forward due to the extraordinary situation related to COVID-19. The Board of Directors will not propose to distribute the guided dividend of NOK 250 million to the shareholders in 2020, but will reassess the capacity for a dividend once the situation has stabilized.

RISK AND UNCERTAINTY FACTORS

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

EVENTS AFTER THE BALANCE SHEET DATE

On 24 April, the company reopened all clubs in Finland, using learning points from the reopening in Sweden to make sure everything was done in a responsible and safe way for both employees and members.

The company has made several organizational changes in the commercial area to adapt to the new situation. Chief Commercial Officer Wenche Martinussen has left the company and the three commercial functions will be represented in the management team; Product and Retail, Member journey and sales process and Marketing and digital sales.

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

Disclaimer

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

Oslo, 11 May 2020
The Board of Directors

CONSOLIDATED INCOME STATEMENT

(Amounts in NOK million)	Notes	Q1 2020	Q1 2019	2019
Revenue	2	**990**	**1 010**	**3 987**
Operating expenses				
Cost of goods sold		-43	-27	-115
Personnel expenses		-394	-377	-1 463
Other operating expenses		-266	-252	-925
Depreciation and amortisation	7, 8	-263	-236	-972
Total operating expenses		**-967**	**-892**	**-3 475**
Operating profit		**23**	**118**	**512**
Interest income		0	0	1
Finance income		61	31	11
Interest expense		-63	-65	-253
Finance expense		-56	-4	-24
Net financial items		**-57**	**-38**	**-265**
Profit/loss before tax		**-34**	**80**	**247**
Income tax expense		-63	-18	-60
Profit/loss for the period		**-97**	**63**	**187**
Profit/loss for the year is attributable to:				
Equity holders of the Group		-97	63	187
Non-controlling interests		0	-1	0
Total allocation		**-97**	**63**	**187**
Earnings per share in NOK				
Basic earnings per share attributable to equity holders of the company	4	-0.57	0.56	1.52
Diluted earnings per share attributable to equity holders of the company	4	-0.57	0.56	1.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK million)	**Q1 2020**	Q1 2019	2019
Profit/loss for the year	**-97**	**63**	**187**
Other comprehensive income			
Currency translation adjustment - may be reclassified to profit or loss	25	-38	10
Other comprehensive income, net of tax	**25**	**-38**	**10**
Total comprehensive income for the period	**-73**	**25**	**197**
Total comprehensive income is attributable to:			
Equity holders of the Group	-73	25	198
Non-controlling interests	0	-1	0
Total comprehensive income for the period	**-73**	**25**	**197**

CONSOLIDATED BALANCE SHEET

	Notes	31.03.2020	31.03.2019	31.12.2019
(Amounts in NOK million)				
ASSETS				
Non-current assets				
Intangible assets	*6*	2 599	2 381	2 464
Right-of-use assets	*8, 12*	4 174	3 811	3 912
Property, plant and equipment	*7*	824	689	739
Derivative financial instruments	*9*	0	4	5
Other non-current receivables		48	39	41
Deferred tax assets		151	178	192
Total non-current assets		**7 797**	**7 102**	**7 354**
Current assets				
Inventories		47	33	41
Accounts receivables		166	119	136
Other current receivables		62	164	70
Prepaid expenses and accrued income		214	184	222
Cash and cash equivalents		775	221	165
Total current assets		**1 263**	**722**	**634**
Total assets		**9 059**	**7 823**	**7 988**
EQUITY				
Share capital		361	225	361
Share premium		3 990	2 270	3 990
Other reserves		40	-34	15
Retained earnings		-3 241	-1 670	-3 143
Non-controlling interests		0	-4	0
Total equity		**1 150**	**787**	**1 223**
LIABILITIES				
Non-current liabilities				
Deferred tax liability	*14*	86	78	77
Borrowings	*5*	1 943	1 756	1 293
Lease liability	*5*	3 716	3 387	3 521
Derivative financial instruments	*9*	45	0	0
Total non-current liabilities		**5 789**	**5 222**	**4 891**
Current liabilities				
Borrowings	*5*	8	8	8
Lease liability	*5*	853	748	767
Contract liability		606	449	491
Trade and other payables		169	110	122
Current tax liabilities		23	26	39
Public fees and charges payable		107	80	127
Other current liabilities		354	393	322
Total current liabilities		**2 120**	**1 815**	**1 875**
Total liabilities		**7 909**	**7 037**	**6 765**
Total equity and liabilities		**9 059**	**7 823**	**7 988**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK million)	Share capital	Share premium	Other reserves[1)]	Retained earnings	**Total attributable to owners of the Group**	Non-controlling interests	**Total equity**
Equity 1 January 2019	**225**	**2 270**	**5**	**-1 735**	**765**	**-4**	**761**
Profit/loss for the period				63	63	0	63
OCI for the period			-38		-38	0	-38
Total comprehensive income for the period	**0**	**0**	**-38**	**63**	**25**	**0**	**25**
Other items				2	2		2
Equity 31 March 2019	**225**	**2 270**	**-34**	**-1 670**	**792**	**-4**	**787**
Equity 1 January 2020	**361**	**3 990**	**15**	**-3 143**	**1 223**	**0**	**1 223**
Profit/loss for the period				-97	-97	0	-97
OCI for the period			25		25	0	25
Total comprehensive income for the period	**0**	**0**	**25**	**-97**	**-73**	**0**	**-73**
Equity 31 March 2020	**361**	**3 990**	**40**	**-3 241**	**1 150**	**0**	**1 150**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Q1 2020	Q1 2019	2019
(Amounts in NOK million)				
Cash flow from operating activities				
Profit before tax		-34	80	247
Adjustment for:				
Taxes paid in the period		-17	-19	-60
Gain/loss from disposal or sale of equipment	7	0	-1	0
Depreciation, amortisation and impairment	6, 7, 8	263	236	972
Net financial items		57	38	265
Change in inventory		-6	-2	-10
Change in accounts receivable		-29	6	-11
Change in trade payables		47	-31	-20
Change in other receivables and accruals		135	-3	-38
Net cash flow from operations		**416**	**304**	**1 345**
Cash flow from investing				
Proceeds from sale of subsidiary		0	0	2
Purchase of property, plant and equipment	6, 7	-81	-49	-265
Proceeds from property, plant and equipment		0	0	2
Acquisition of subsidiary, net of cash acquired		-13	-43	-60
Net cash flow from investing		**-94**	**-93**	**-321**
Cash flow from financing				
Repayments of borrowings	5	0	-61	-1 894
Proceeds from borrowings	5	575	0	1 492
Instalments on lease liabilities	12	-200	-186	-750
Paid interests on borrowings	5	-13	-18	-67
Interests on lease liabilities	12	-49	-48	-187
Disbursement of dividend		0	0	-1 032
Proceeds from issues of shares IPO	4	0	0	1 356
Transactions with non-controlling interests		0	0	-34
Transaction costs from issues of new shares IPO		0	0	-43
Other financial items		0	-31	-66
Net cash flow from financing		**312**	**-344**	**-1 225**
Net increase/decrease in cash and cash equivalents		**633**	**-132**	**-200**
Effect of foreign exchange changes on cash and cash equivalents		-24	-4	8
Cash and cash equivalents at the beginning of the period		165	357	357
Cash and cash equivalents at the end of period		**775**	**221**	**165**

NOTES

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 General information and basis for preparation

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

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

These consolidated interim financial statements are unaudited.

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

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Significant changes in the current reporting period
On 6 March 2020, SATS signed a conditional agreement to divest nine clubs in Denmark and the company will update the market with more details as soon as the acquisition date is concluded.

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

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

NOTE 2 Segment information

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

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

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

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

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

Operating segment information
The segment information provided to the Nordic Management Group for the reportable segments for Q1 2020, Q1 2019 and year ended 31 December 2019 is as follows:

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	**Total**
(Amounts in NOK million)						
Q1 2020						
Revenue						
Membership revenue	345	266	69	106	0	786
Other revenues	88	71	16	28	0	203
Total revenues	**433**	**337**	**85**	**134**	**0**	**990**
EBITDA[1)] and EBITDA before impact of IFRS 16[1)] reconcile to profit/loss for the period as follows:						
EBITDA before impact of IFRS 16[1)]	**33**	**29**	**-8**	**-29**	**11**	**37**
Impact of IFRS 16	102	78	27	43	0	249
EBITDA[1)]	**135**	**107**	**19**	**14**	**11**	**286**
Depreciation and amortisation	-96	-78	-26	-48	-15	-263
Operating profit	**38**	**29**	**-8**	**-33**	**-4**	**23**
Net financial items[2)]	-27	-36	-11	-8	25	-57
Income tax expense	-2	1	4	-61	-4	-63
Profit/loss for the period	**9**	**-6**	**-14**	**-103**	**17**	**-97**
Q1 2019						
Revenue						
Membership revenue	361	253	71	112	0	797
Other revenues	101	78	16	18	0	213
Total revenues	**463**	**331**	**86**	**130**	**0**	**1 010**
EBITDA[1)] and EBITDA before impact of IFRS 16[1)] reconcile to profit/loss for the period as follows:						
EBITDA before impact of IFRS 16[1)]	**64**	**56**	**4**	**-12**	**8**	**120**
Impact of IFRS 16	100	70	23	41	0	234
EBITDA[1)]	**164**	**126**	**27**	**29**	**8**	**354**
Depreciation and amortisation	-95	-69	-23	-40	-9	-236
Operating profit	**69**	**57**	**4**	**-11**	**-1**	**118**
Net financial items[2)]	-23	-11	-6	-9	11	-38
Income tax expense	-10	-10	0	4	-2	-18
Profit/loss for the period	**36**	**37**	**-2**	**-16**	**8**	**63**

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

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	**Total**
(Amounts in NOK million)						
2019						
Revenue						
Membership revenue	1 439	1 026	282	423	0	3 171
Other revenues	392	282	61	81	0	816
Total revenues	**1 831**	**1 308**	**343**	**504**	**0**	**3 987**
EBITDA[1)] and EBITDA before impact of IFRS 16[1)] reconcile to profit/loss for the period as follows:						
EBITDA before impact of IFRS 16[1)]	**319**	**256**	**22**	**-81**	**35**	**551**
Impact of IFRS 16	397	274	95	167	0	933
EBITDA[1)]	**717**	**530**	**117**	**86**	**35**	**1 484**
Depreciation and amortisation	-379	-273	-92	-184	-44	-972
Operating profit	**337**	**257**	**25**	**-98**	**-9**	**512**
Net financial items[2)]	-89	-51	-22	-35	-67	-265
Income tax expense	-37	-4	19	1	-38	-60
Profit/loss for the year	**212**	**201**	**21**	**-133**	**-114**	**187**

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

NOTE 3 Profit and loss information

COVID-19
The revenue in the period is negatively affected by the closure of clubs in March, and sums up to an estimated NOK 110 million in Q1 2020. The revenue loss is mainly related to lower membership fees, but also due to paused personal training and retail sales.

The company has been able to reduce the operational cost by approximately 20% during the closure period in March. These cost reductions have partially been realized through the support from various governmental supporting packages and arrangements compensating for fixed cost and salaries. Fixed cost compensation is reflected as revenue in the figures.

The total estimated COVID-19 effect on adjusted EBITDA is NOK 85 million in Q1 2020.

Income tax expense

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year and is classified as deferred tax liability. The estimated average annual tax rate used for the 2020 interim reporting period is 22% for Norwegian entities, 21.4% for the Swedish entities, 20% for the Finnish entity and 0% for the Danish entity.

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

Definitions

In the interim financial statements, Q1 is defined as the reporting period from 1 January to 31 March.

NOTE 4 Earnings per share

In September 2019, the shares of the company were split in the ratio 1:4 so that the number of shares was increased from 28 071 892 to 112 287 568. The updated number of shares has been applied as the denominator for Q1 2019.

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

Basic earnings per share attributable to equity holders of the company

	Q1 2020	Q1 2019	2019
Basic earnings	-0.57	0.56	1.52
Total basic earnings per share	**-0.57**	**0.56**	**1.52**
Total number of outstanding shares	170 000 000	112 287 568	123 197 589

Diluted earnings per share attributable to equity holders of the company

	Q1 2020	Q1 2019	2019
Diluted earnings	-0.57	0.56	1.52
Total diluted earnings per share	**-0.57**	**0.56**	**1.52**
Total number of outstanding shares	170 000 000	112 287 568	123 197 589

Reconciliation of earnings used in calculating earnings per share

	Q1 2020	Q1 2019	2019
Basic earnings per share			
Profit/loss attributable to equity holders of the Group	-97	63	187
Profit used in calculating basic earnings per share	**-97**	**63**	**187**
Diluted earnings per share			
Profit/loss used in calculating diluted earnings per share	-97	63	187
Profit used in calculating diluted earnings per share	**-97**	**63**	**187**

NOTE 5 Interest-bearing liabilities

Overview of interest-bearing liabilities	31.03.2020	31.03.2019	31.12.2019
(Amounts in NOK million)			
Current			
Bank borrowings	8	8	8
Lease liabilities	853	748	767
Total current interest-bearing liabilities	**861**	**756**	**775**
Non-current			
Bank borrowings	1 943	1 756	1 293
Lease liabilities	3 716	3 387	3 521
Total non-current interest-bearing liabilities	**5 659**	**5 144**	**4 814**
Total interest-bearing liabilities	**6 520**	**5 899**	**5 589**
Total bank borrowings	1 951	1 764	1 301
Cash and cash equivalents	775	221	165
Net debt[1)]	**1 177**	**1 543**	**1 136**

Please see Note 12 New IFRS standards for more information about Lease liabilities.

Long-term loan facility agreement
The company has an unsecured revolving credit facility agreement with Swedbank, consisting of a multicurrency revolving credit facility with a maximum principal amount of NOK 2 500 million.

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

The facility will mature in full in October 2024, and no installment payments are due before this time. Interests payable will depend on the principal amount of the facility at any given time. However, based on a draw-down of NOK 1 945 million as of the balance sheet date of 31 March 2020, the annual interest rate is expected to be in the range of NOK 48 to 60 million.

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

Compliance with financial borrowing covenants
SATS ASA executes the financing functions within the Group, holds the long-term financing agreement with the Group's long-term lenders, and provides long-term financing to other Group entities. SATS ASA has complied with the financial covenants related to its borrowing facility during Q1 2020.

In order to secure liquidity after the outbreak of the COVID-19 pandemic (please see more information in Note 3) the draw-down was increased in Q1 2020. The negative effect on operating profit is expected to result in a temporary significant deviation from the leverage target of 2.0x Adjusted EBITDA. The company has a close dialogue with the bank and expects flexibility should the temporary closure persist.

Payment profile
The following table shows the undiscounted payment profile of the Group's interest bearing liabilities, based on the remaining period as of 31 March 2020:

Bank borrowings	Total
(Amounts in NOK million)	
Less than 1 year	48
1-2 years	48
2-3 years	48
3-5 years	2 041
More than 5 years	4
Total payments	**2 188**

Lease liabilities	Total
(Amounts in NOK million)	
Less than 1 year	1 036
1-2 years	953
2-3 years	843
3-5 years	1 225
More than 5 years	1 176
Total payments	**5 233**

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

NOTE 6 Intangible assets

Goodwill	Norway	Sweden	Finland	Denmark	Total goodwill
(Amounts in NOK million)					
At 31 December 2019					
Cost	1 798	188	574	0	2 559
Accumulated impairment	-199	0	-10	0	-209
Net book value	**1 599**	**188**	**564**	**0**	**2 351**
Period ended 31 March 2020					
Opening net book amount	1 599	188	564	0	2 351
Net effect of changes in foreign exchange	0	20	94	0	114
Net additions/disposals	0	11	0	0	11
Closing net book value	**1 599**	**219**	**658**	**0**	**2 476**
At 31 March 2020					
Cost	1 798	219	668	0	2 684
Accumulated impairment	-199	0	-10	0	-209
Net book value	**1 599**	**219**	**658**	**0**	**2 476**
Useful life	Indefinite	Indefinite	Indefinite		
Amortisation method	Not amortised	Not amortised	Not amortised		

Other intangible assets	Trademark	Internally developed software[1]	Customer list	Other	Total other intangible assets
(Amounts in NOK million)					
At 31 December 2019					
Cost	267	271	49	4	591
Accumulated amortisation and impairment	-265	-201	-8	-4	-478
Net book value	**2**	**70**	**42**	**0**	**113**
Period ended 31 March 2020					
Opening net book amount	2	70	42	0	113
Effect of changes in foreign exchange cost	0	29	-1	0	27
Effect of changes in foreign exchange accumulated depreciation	0	-21	0	0	-23
Acquisition	0	0	5	0	5
Additions/disposals	0	16	0	0	16
Amortisation charge	0	-15	-2	0	-17
Closing net book value	**2**	**78**	**43**	**0**	**123**
At 31 March 2020					
Cost	267	316	53	4	640
Accumulated amortisation and impairment	-265	-237	-10	-4	-516
Net book value	**2**	**78**	**43**	**0**	**123**
Useful life	10 years	3 years	3 - 7 years	1 - 10 years	
Amortisation method	Straight-line	Straight-line	Straight-line	Straight-line	

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

NOTE 7 Property, plant and equipment

Property, plant and equipment	Capitalised leasehold improvements	Fitness equipment	Other fixtures and equipment	**Total tangible fixed assets**
(Amounts in NOK million)				
At 31 December 2019				
Cost	1 323	769	438	2 529
Accumulated depreciation	-843	-572	-376	-1 791
Net book value	**480**	**197**	**62**	**739**
Pledged as security for liabilities				**739**
Period ended 31 March 2020				
Opening net book amount	480	197	62	739
Effect of changes in foreign exchange cost	126	52	27	205
Net additions/disposals	35	22	9	66
Depreciation charge	-23	-14	-7	-44
Effect of changes in foreign exchange accumulated depreciation	-83	-37	-23	-142
Closing net book value	**536**	**220**	**69**	**824**
At 31 March 2020				
Cost	1 484	843	474	2 801
Accumulated depreciation and impairment	-948	-623	-405	-1 976
Net book value	**536**	**220**	**69**	**824**
Pledged as security for liabilities				**824**
Useful life	10 years	5 - 9 years	3 - 7 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

NOTE 8 Right of use ("RoU") assets

RoU assets	Premise rental	Other leases	**Total RoU assets**
(Amounts in NOK million)			
At 1 January 2019			
Cost	6 759	23	6 782
Accumulated depreciation	-3 543	-10	-3 553
Net book value	**3 216**	**13**	**3 229**
Year ended 31 December 2019			
At 1 January 2019	3 216	13	3 229
Additions/disposals	1 425	63	1 488
Effect of changes in foreign exchange cost	-33	0	-33
Depreciation charge	-736	-25	-761
Effect of changes in foreign exchange accumulated depreciation	-11	0	-11
Closing net book value	**3 862**	**51**	**3 912**
At 31 December 2019			
Cost	8 152	86	8 238
Accumulated depreciation	-4 290	-36	-4 326
Net book value	**3 862**	**50**	**3 912**
Period ended 31 March 2020			
At 1 January 2020	3 862	50	3 912
Effect of changes in foreign exchange cost	343	11	354
Additions/disposals	181	0	181
Depreciation charge	-196	-6	-202
Effect of changes in foreign exchange accumulated depreciation	-67	-4	-71
Closing net book value	**4 122**	**51**	**4 174**
At 31 March 2020			
Cost	8 675	97	8 772
Accumulated depreciation	-4 554	-46	-4 599
Net book value	**4 122**	**51**	**4 174**
Useful life	1 - 15 years	1 - 5 years	
Depreciation method	Straight-line	Straight-line	

NOTE 9 Financial instruments

Overview
Through its activities, the Group will be exposed to different types of financial risks: market risk, credit risk and liquidity risk. This note presents information related to the Group's exposure to such risks, the Group's objectives, policies and procedures for risk management and handling, as well as the Group's management of capital. The interim financial statements do not include all financial risk information and should be read in conjunction with the annual report. There have not been any changes in the Group`s risk management policies since year end. The Group does not apply hedge accounting.

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

	Profit in foreign currency	Borrowings, intercompany loans and bank accounts in foreign currency	**Total**
(Amounts in NOK million)			
SEK/NOK exchange rate - increase 10%[1)]	13	12	25
EUR/NOK exchange rate - increase 10%[1)]	-1	48	47
DKK/NOK exchange rate - increase 10%[1)]	-15	0	-15
Effect on Profit/loss before tax	**-3**	**61**	**57**

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

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

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

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

	31.03.2020		31.03.2019		31.12.2019	
Financial instruments - Assets	**Assets measured at amortised cost**	**Fair value through profit and loss**	Assets measured at amortised cost	Fair value through profit and loss	Assets measured at amortised cost	Fair value through profit and loss
(Amounts in NOK million)						
Other non-current receivables	48	0	39	0	41	0
Accounts receivables	166	0	119	0	136	0
Other current receivables	62	0	164	0	70	0
Derivatives	0	0	0	4	0	5
Cash and cash equivalents	775	0	221	0	165	0
Total	**1 050**	**0**	**543**	**4**	**412**	**5**

	31.03.2020		31.03.2019		31.12.2019	
Financial instruments - Liabilities	**Liabilities measured at amortised cost**	**Fair value through profit and loss**	Liabilities measured at amortised cost	Fair value through profit and loss	Liabilities measured at amortised cost	Fair value through profit and loss
(Amounts in NOK million)						
Borrowings	1 951	0	1 764	0	1 301	0
Lease liabilities	4 569	0	4 136	0	4 289	0
Trade and other payables	169	0	110	0	122	0
Derivatives	0	45	0	0	0	0
Other current liabilities	354	0	393	0	322	0
Total financial liabilities	**7 042**	**45**	**6 403**	**0**	**6 032**	**0**

The Group has the following derivative financial instruments:

	31.03.2020	31.03.2019	31.12.2019
(Amounts in NOK million)			
Non-current asset			
Interest rate swap contracts	0	4	5
Total non-current derivative financial instrument assets	**0**	**4**	**5**
Non-current liabilities			
Interest rate swap contracts	45	0	0
Total non-current derivative financial instrument liabilities	**45**	**0**	**0**

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

Overview of interest swaps per 31 March 2020

Interest rate swaps	Notional in currency million	Maturity	Fixed rate	**Unrealised gain/loss 31.03.2020**
IRS NOK	694	24.10.2026	1.751	-42
IRS SEK	200	24.10.2024	0.430	-3
Fair value of the Group`s interest rate swaps as of 31 March 2020 in NOK million				**-45**

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

NOTE 10 Related parties

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

Profit or loss items

Related party	Relationship	Type of services	Q1 2020	Q1 2019	2019
(Amounts in NOK thousand)					
Elixia Holding IV AS	Shareholder of SATS Group AS	Interest rate on loan	0	-13	-41
Altor	Shareholder of SATS Group AS	Restructuring costs	0	99	144
Altor	Shareholder of SATS Group AS	Other expenses	51	0	0
SATS Group AS	Shareholder	Interest rate on loan	0	-879	-3 810
Metropolis Health Club AB	Minority interest	Accounting services	0	49	75
SATS Grenland AS	Minority interest	IT, accounting and other services	0	1 034	3 948
Total related party profit or loss items			**51**	**290**	**315**

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

100% of the shares in SATS Grenland AS were acquired by the Group on 19 December 2019. In the table above, SATS Grenland AS is treated as related party for in Q1 2019 and 2019. Metropolis Health Club AB was sold in Q3 2019.

Balance sheet items

Related party	Relationship	Type of services	31.03.2020	31.03.2019	31.12.2019
(Amounts in NOK thousand)					
SATS Group AS	Shareholder	Borrowings	0	56 150	284
Run Holding AS	Sister company	Loan	0	0	0
Run BidCo ApS	Sister company	Loan	0	0	0
Elixia Holding IV AS	Shareholder of SATS Group AS	Loan	0	1 095	0
Total related party balance sheet items			**0**	**57 246**	**284**

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

NOTE 11 Events after the balance sheet date

On 24 April, the company reopened all clubs in Finland, using learning points from the reopening in Sweden to make sure everything was done in a responsible and safe way for both employees and members.

The company has made several organizational changes in the commercial area to adapt to the new situation. Chief Commercial Officer Wenche Martinussen has left the company and the three commercial functions will be represented in the management team; Product and Retail, Member journey and sales process and Marketing and digital sales.

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

NOTE 12 New IFRS standards

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

NOTE 13 Critical estimates and judgements

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

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

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

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

Goodwill
Goodwill is recognized at NOK 2 476 million per the balance sheet date. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. The recoverable amount of the cash generating units (CGUs) is determined based on value-in-use calculations which require the use of several assumptions. The calculations use cash flow projections based on financial budgets and prognoses approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 11 in the Annual Report for 2019. These growth rates are consistent with forecasts included in economic outlook reports specific to the area in which each CGU operates.

It is not possible to accurately estimate the duration of the pandemic and its impact on the business at this time. The financial performance in the coming months is highly dependent on the members' behavior, closely linked to the contagion growth and perception, and macro conditions such as unemployment rates. The company has assessed different scenarios for the temporary closure and are confident to have sufficient liquidity and financial strength into the foreseeable future. The company will reduce its operating expenses as necessary to respond to fluctuations in member activity. For Norway and Sweden, the value-in-use is significantly higher than the carrying value for all tested scenarios. Sensitivity analyses show that no reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying value. For Denmark and Finland, sensitivity analyses show that the headroom is more limited, and the development will be monitored closely in the months to come. Over the longer-term, the economic impact of the pandemic is expected to drive further consolidation in the fitness industry, a trend which should benefit SATS.

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

Part of the historic tax losses carried forward in the Finnish segment has been recognized at the balance sheet date as 2019 showed improved revenues and EBITDA, and growth in all clusters in the Finnish market. However, the COVID-19 crisis has significantly impacted the business. It is not possible to accurately estimate the duration of the pandemic and its impact on the business at this time, and as for goodwill, several scenarios are tested. Given that sensitivity analyses show limited headroom, the development will be monitored closely in the months to come.

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

Fair value estimates
The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

NOTE 14 Business combination

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

APPENDIX

ALTERNATIVE PERFORMANCE MEASURES

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

Alternative Performance Measures reflect adjustments based on the following items:

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

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

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

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

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

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

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

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

TOTAL	Q1 2020	Q1 2019	2019
(Amounts in NOK million)			
EBITDA before impact of IFRS 16	**37**	**120**	**551**
(ii) Revenue and costs from closed clubs	1	0	1
(iii) Comparability adjustments on Country level	0	0	8
(iiii) Comparability adjustments on Group level	2	0	13
Adjusted EBITDA before impact of IFRS 16	**40**	**120**	**573**
Group overhead and cost allocation	66	62	237
Adjusted Country EBITDA before impact of IFRS 16	**107**	**183**	**811**

NORWAY	Q1 2020	Q1 2019	2019
(Amounts in NOK million)			
EBITDA before impact of IFRS 16	**33**	**64**	**319**
(ii) Revenue and costs from closed clubs	0	0	1
(iii) Comparability adjustments	0	0	2
Adjusted EBITDA before impact of IFRS 16	**33**	**64**	**322**
Group overhead and cost allocation	-37	-32	-130
Adjusted Country EBITDA before impact of IFRS 16	**69**	**96**	**452**

SWEDEN	Q1 2020	Q1 2019	2019
(Amounts in NOK million)			
EBITDA before impact of IFRS 16	**29**	**56**	**256**
(ii) Revenue and costs from closed clubs	0	0	0
(iii) Comparability adjustments	0	0	0
Adjusted EBITDA before impact of IFRS 16	**29**	**56**	**256**
Group overhead and cost allocation	-30	-27	-107
Adjusted Country EBITDA before impact of IFRS 16	**60**	**83**	**363**

FINLAND	Q1 2020	Q1 2019	2019
(Amounts in NOK million)			
EBITDA before impact of IFRS 16	**-8**	**4**	**22**
(ii) Revenue and costs from closed clubs	0	0	0
(iii) Comparability adjustments	0	0	0
Adjusted EBITDA before impact of IFRS 16	**-8**	**4**	**22**
Group overhead and cost allocation	-5	-4	-17
Adjusted Country EBITDA before impact of IFRS 16	**-3**	**8**	**40**

DENMARK	Q1 2020	Q1 2019	2019
(Amounts in NOK million)			
EBITDA before impact of IFRS 16	**-29**	**-12**	**-81**
(ii) Revenue and costs from closed clubs	1	0	0
(iii) Comparability adjustments	0	0	7
Adjusted EBITDA before impact of IFRS 16	**-28**	**-12**	**-75**
Group overhead and cost allocation	-8	-8	-31
Adjusted Country EBITDA before impact of IFRS 16	**-20**	**-4**	**-44**

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

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

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

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

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

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

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

DEFINITIONS

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

Financial Calendar

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

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