



SATS Q3 2020

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 more than 650 000 members.

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

THIS IS SATS

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WORDS FROM THE CEO

“SATS had a rapid recovery after re-opening, both in visits and member growth. We operate with strong infection control measures, and are confident in our ability to handle the uncertainty around potential new governmental restrictions”

SATS is now back on track, with all our clubs open during the full third quarter. We have seen a rapid comeback of members and visits after opening of our clubs. We have proven that it is safe to work out at SATS, with no confirmed infection cases among our members tracked back to our clubs. We have implemented new operational routines and enforced a tight cost control. Hence, we are confident that we are able to combine strong infection control measures, and at the same time deliver positive member experiences, strong financial results and product development. We are ready to operate in this “new normal” for as long as necessary and to handle potential new governmental restrictions in the different countries.

We believe that it is very important for the society that fitness clubs stay open. We have proven that we can operate our clubs in a safe and responsible way.

The contribution to public health from SATS and other players in the industry is significant, and even more important now than prior to the pandemic. Inactivity must be reduced, and the experience from the lock-down during the spring was the opposite.

Furthermore, we are excited to see growth in the usage of our digital products. Technology enables new user habits and opportunities, and we will continue to invest in growing our digital business as a key priority going forward. This is a very positive contribution to fulfilling our vision of making people healthier and happier.

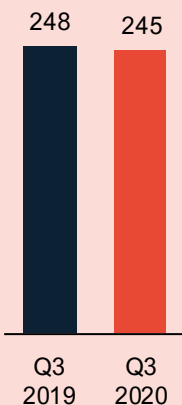
I would also like to take the opportunity to express how impressed I am with our members and their contribution to ensure social distancing and safe clubs. I would also like to thank our 10 000 SATS colleagues, who are doing an incredible job every day to ensure safe clubs and delivering inspiring experiences to our members. Your contribution to our members and to public health is crucial in these challenging times.


Sondre Gravir
 CEO



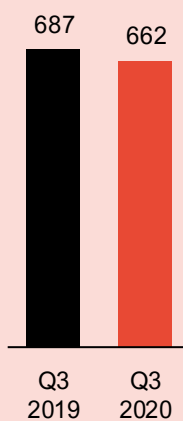
Clubs

-1%



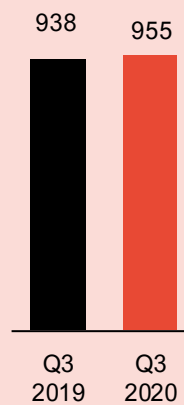
Members '000

-4%



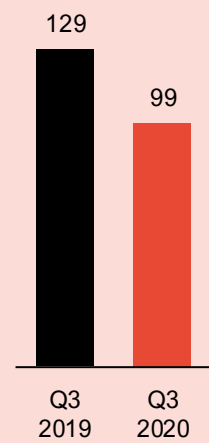
Revenues NOK million

+2%



Adjusted EBITDA¹⁾ NOK million

-23%



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

HIGHLIGHTS

- We have seen a rapid comeback of members and visits after opening our clubs
- We have proven that it is safe to work out at SATS, with no confirmed infection cases tracked back to our clubs
- We have strong operational routines and tight cost control, resulting in a significant improvement in member satisfaction and solid financial delivery
- After adjusting for the sale of nine clubs in Denmark, the member base grew with 4% during Q3, compared to a flat development last year, reducing the gap versus last year to -1%
- Total revenues summed up to NOK 955 million, increasing by 2% (-3% currency adjusted)
- Adj. EBITDA is recovering, but was down 23% to NOK 99 million in Q3 as the member base is not fully recovered and marketing costs increased temporarily in the quarter
- Once the member base is back to pre-COVID-19 levels, we expect to return to the healthy financials proven prior to the pandemic
- The record high net growth in member base in Q3 is not expected to continue in Q4 given the COVID-19 development and uncertainty around potential new governmental restrictions – but we have proven that we are able to quickly recover even after a long club closure
- Our number one priority is to ensure that it is safe to train in our clubs, so we can continue with our positive contribution to public health – which is now more important than ever
- We have proven that we are able to combine strong infection control measures, and at the same time deliver positive member experiences, growth and product development – and we are ready to operate in this “new normal” for as long as necessary
- Digital fitness is growing, creating new growth opportunities for SATS
- We will continue to invest in growth both in existing and new clusters going forward

Key Financial Figures and Alternative Performance Measures (APM)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	772	776	2 044	2 357
Other revenues	182	162	644	594
Total revenues	955	938	2 688	2 951
EBITDA	344	348	919	1 103
Margin (%)	36%	37%	34%	47%
Operating profit excluding impairment	85	107	134	380
Operating profit	69	107	56	380
Profit/loss for the period	-18	31	-230	168
Earnings per share (NOK)	-0.11	0.28	-1.34	0.98
Adjusted Country EBITDA before impact of IFRS 16	162	190	367	601
Margin (%)	17%	20%	14%	20%
Adjusted EBITDA before impact of IFRS 16	99	129	177	418
Margin (%)	10%	14%	7%	14%
Maintenance Capex	36	73	148	162
Total Capex	48	81	187	231
Net debt	1 349	1 570	1 349	1 570
Operating cash flow	77	68	21	137
Clubs	245	248	245	248
Members ('000)	662	687	662	687
ARPM (NOK/month)	490	455	443	483

¹⁾ As defined in Appendix under Alternative Performance Measures.

BOARD OF DIRECTORS' REPORT

ANALYSIS OF THE Q3 2020 FINANCIAL STATEMENTS

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

Statement of comprehensive income

Total revenues increased by 2% to NOK 955 million in Q3 2020, compared to NOK 938 million in Q3 2019. A weakened NOK caused positive currency translation effects on revenues, and currency adjusted revenues fell by 3%. The revenues for the segments Norway, Sweden and Finland increased, while Denmark decreased in Q3 2020 compared to Q3 2019. The total member base decreased by 4%, mainly due to the divestment of nine clubs in Denmark with effect from 1 July. Adjusted for this divestment, the member base decreased by 1%. Reported ARPM increased by 8%, mainly driven by a positive currency translation effect but also good sale of personal training and retail in the quarter.

Total operating expenses increased by 5% to NOK 870 million in Q3 2020, while operating expenses excluding depreciation and amortisation increased by 3% to NOK 611 million. A weakened NOK caused negative currency translation effects on costs, and currency adjusted operating expenses excluding depreciation and amortization decreased by 4%. In terms of categories, the relative increase was largest for cost of goods sold, driven by increased retail sales, and other operating expenses, driven by temporarily increased marketing spend. The impairment of assets held for sale of NOK 16 million was a result of the divestment of nine clubs in Denmark, related to an impairment of fixed assets. The operating profit decreased by NOK 38 million to NOK 69 million. Profit decreased in all segments compared to Q3 2019.

Net financial expense in Q3 2020 was NOK 75 million, an increase of NOK 5 million compared to Q3 2019, mainly due to higher interest costs. Further weakening of the NOK in Q3 caused minor positive currency effects in the quarter.

Income tax expense in Q3 2020 was NOK 12 million, driven by the profit in Norway and Sweden.

Loss before tax was NOK 6 million in Q3 2020, compared to a profit of NOK 37 million in Q3 2019. Loss for the period was NOK 18 million in Q3 2020, compared to a profit of NOK 31 million in Q3 2019, while total comprehensive loss was NOK 21 million, compared to a profit of NOK 51 million in Q3 2019.

Statement of financial position

Consolidated assets increased by NOK 1 173 million to NOK 8 900 million in Q3 2020. A major driver of the increased consolidated assets was currency translation effects from a weakened NOK compared to last year. Right-of-use assets and intangible assets were the largest components of consolidated assets, amounting to NOK 4 195 million and NOK 2 571 million, respectively, on 30 September 2020. Both non-current assets and current assets increased. The increase in non-current assets was driven by increased right-of-use assets, as a result of an ongoing assessments of lease durations. The increase in current assets was primarily driven by an increase in cash and cash equivalents. The agreement for divestment of nine clubs in Denmark was signed in June, and the transaction took place at 1 July. The related assets which were classified as assets held for sale in the consolidated balance sheet at 30 June 2020, have thus been reduced to nil as of the balance sheet date of 30 September 2020.

Total liabilities increased from NOK 7 838 million as at 30 September 2019 to NOK 7 887 million as at 30 September 2020, primarily due to currency translation effects, partly offset by the change in other liabilities. Other current liabilities of NOK 1 168 million last year was mainly related to a provision for dividend.

As at 30 September 2020, consolidated equity amounted to NOK 1 013 million, representing an equity ratio of 11%, compared to NOK -111 million and -1% in Q3 2019. The negative equity in Q3 2019 was caused by a provision for dividend, as part of the IPO. The increase is the result of a profit and a capital injection related to the initial public offering in Q4 2019, partly offset by a dividend payment.

Statement of cash flows

Net cash flow from the Group's operations was NOK 357 million in Q3 2020, compared to NOK 351 million in Q3 2019. The increased cash flow from operations of NOK 6 million was mainly due a positive change in other receivables and accruals, predominantly stemming from payout of compensation for fixed costs for Q1 and Q2, partly offset by the negative cash effect of the free training campaigns. The profit reduction in the quarter reduced the cash flow from operations.

Net cash outflow from investing activities amounted to NOK 90 million in Q3 2020, compared to an outflow of NOK 85 million in Q3 2019. The divestment of the nine clubs in Denmark is reported as a sale of subsidiary and affects the cashflow negatively with NOK 42 million in Q3 2020.

Net cash outflow from financing was NOK 262 million in Q3 2020, compared to an outflow of NOK 301 million in Q3 2019, mainly as a result of a reduction in repayment of borrowings.

In Q3 2020, consolidated cash and cash equivalents increased net by NOK 5 million, compared to a decrease of NOK 35 million in Q3 2019. As at the balance sheet date, the Group had cash and cash equivalents of NOK 609 million, compared to NOK 219 million as of the balance sheet date of 30 September 2019.

Segment development

The following sections of this report review each operating segment. Unless otherwise stated, comments regarding development reflect a comparison between Q3 2020 and Q3 2019.

NORWAY

Norway is the largest operating segment in the Group with 46% of the consolidated total revenues in 2019 and 292 000 members at the end of Q3 2020. SATS is a well-known brand in Norway and the largest operator of fitness clubs.

Total revenues summed up to NOK 436 million in Norway in Q3, a 1% increase compared to the corresponding quarter last year. The revenue increase was driven by improved yield, primarily as a result of pricing initiatives during the past year. The member base was 2% lower than last year, due to lost sales during the closure period, partly compensated by a successful sales campaign in the third quarter.

SATS has through Fresh Fitness signed an agreement with Kif Trading AS to acquire Bare Trening AS, holding a portfolio of six clubs in the Greater Oslo area. The acquisition is in line with the Company's strategy of focusing on the capital clusters. Closing of the transaction took place on 2 November 2020.

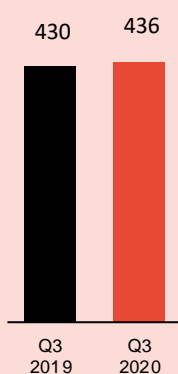
Country EBITDA decreased by NOK 9 million to NOK 91 million, resulting in quarterly Country EBITDA margin of 21%, 2 p.p. down from Q3 2019.

Key Financial figures and Alternative Performance Measures (APM)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	351	353	824	1 073
Other revenues	85	77	295	286
Total revenues	436	430	1 118	1 359
EBITDA	159	165	410	537
Margin (%)	36%	38%	37%	40%
Operating profit	62	71	121	253
Profit/loss for the period	29	39	36	146
Adjusted Country EBITDA before impact of IFRS 16	91	100	211	335
Margin (%)	21%	23%	19%	25%
Adjusted EBITDA before impact of IFRS 16	58	68	110	240
Margin (%)	13%	16%	10%	18%
Clubs	103	102	103	102
Members ('000)	292	298	292	298
ARPM (NOK/month)	509	481	421	518

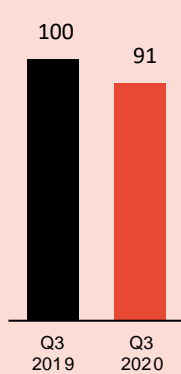
Revenues NOK million

+1%

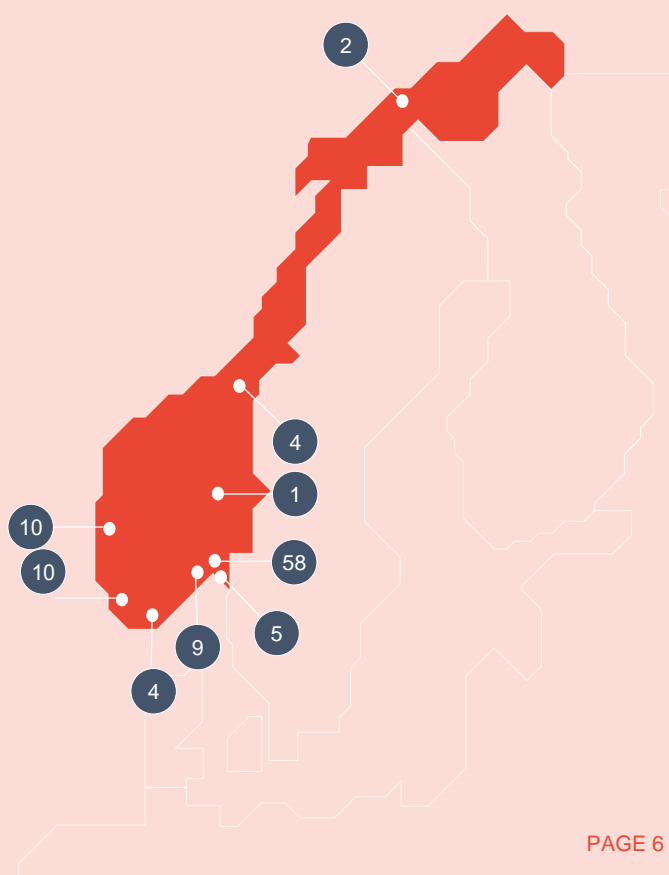


Country EBITDA¹⁾ NOK million

-9%



¹⁾ Adjusted Country EBITDA before impact of IFRS 16.



SWEDEN

Sweden is the second-largest operating segment in the Group, with 33% of consolidated total revenues in 2019 and 226 000 members at the end of Q3 2020. SATS has maintained a very strong position in Sweden over the course of many years and is the largest operator of fitness clubs in terms of revenue.

Total revenues increased by 8% to NOK 330 million in Sweden in Q3. The increase was driven by a 10% increase in ARPM, a result of the price initiatives made over the past year and a weakening of NOK relative to SEK. This was partly offset by a 1% reduction in the member base. Since the Swedish clubs were closed for a shorter period of time than the clubs in the rest of the Group, the negative effects from the closure were smaller and the potential for high sales during the third quarter also more modest.

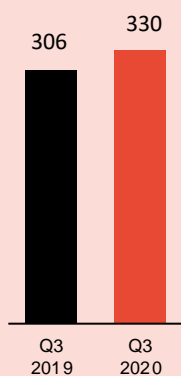
Country EBITDA decreased by NOK 15 million to NOK 81 million, resulting in quarterly Country EBITDA margin of 25%, 7 p.p. down from Q3 2019.

Key Financial Figures and Alternative Performance Measures (APM)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	267	253	806	757
Other revenues	63	52	207	206
Total revenues	330	306	1 013	962
EBITDA	135	134	393	395
Margin (%)	41%	44%	39%	41%
Operating profit	52	69	150	193
Profit/loss for the period	26	45	65	125
Adjusted Country EBITDA before impact of IFRS 16	81	97	237	270
Margin (%)	25%	32%	23%	28%
Adjusted EBITDA before impact of IFRS 16	53	70	152	192
Margin (%)	16%	23%	15%	20%
Clubs	82	78	82	78
Members ('000)	226	228	226	228
ARPM (NOK/month)	492	447	494	474

Revenues NOK million

+8%



Country EBITDA¹⁾ NOK million

-16%



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 Q3 2020, constituted 9% of consolidated total revenues in 2019. The Finnish fitness market is highly fragmented, and ELIXIA is the market leader.

Total revenues increased to NOK 88 million in Finland in Q3, an increase of 8% compared to the corresponding quarter last year. The total member base increased by 1% compared to Q3 2019, resulting in a total member base of 63 000. ARPM increased by 9%, as a result of price increase initiatives, a weakened NOK relative to EUR and a governmental compensation package. The Finnish government launched a compensation package in the third quarter, compensating part of the COVID-19 related revenue loss and cost increase in the second quarter. SATS booked NOK 5 million in governmental compensation in Finland in the third quarter.

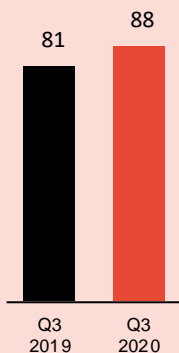
Country EBITDA decreased by NOK 3 million to NOK 7 million and quarterly Country EBITDA margin was 8%, down 4 p.p. compared to Q3 2019.

Key Financial Figures and Alternative Performance Measures (APM)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	66	69	181	209
Other revenues	22	12	54	44
Total revenues	88	81	235	253
EBITDA	30	27	62	83
<i>Margin (%)</i>	34%	33%	26%	33%
Operating profit	3	3	-20	14
Profit/loss for the period	-10	-3	-53	-3
Adjusted Country EBITDA before impact of IFRS 16	7	10	-6	28
<i>Margin (%)</i>	8%	12%	-3%	11%
Adjusted EBITDA before impact of IFRS 16	3	6	-20	16
<i>Margin (%)</i>	3%	7%	-8%	6%
Clubs	30	29	30	29
Members ('000)	63	62	63	62
ARPM (NOK/month)	478	438	420	459

Revenues NOK million

+8%



Country EBITDA¹⁾ NOK million

-26%



¹⁾ Adjusted Country EBITDA before impact of IFRS 16.

DENMARK

The Danish operation is the newest segment in the Group, constituting 13% of consolidated total revenues in 2019. SATS Denmark, with 82 000 members at the end of Q3 2020, is the number two operator in Denmark, focused around the Greater Copenhagen area.

Total revenues decreased to NOK 101 million in Denmark in Q3, a decrease of 17% compared to Q3 2019. On 1 July 2020, SATS divested nine clubs to Fitness 1 in Jylland and Fyn, in order to make Denmark more efficient and profitable and focus on the Greater Copenhagen area. The member base in the remaining club portfolio has been relatively stable the past year despite the club closure, resulting in a net reduction of 17 000 members. ARPM increased by 5% compared to Q3 2019, driven by a weakened NOK against DKK.

Country EBITDA decreased by NOK 1 million to a negative NOK 17 million and quarterly Country EBITDA margin was -17%, down 4 p.p. compared to last year.

Key Financial Figures and Alternative Performance Measures (APM)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
<i>Amounts in NOK million (unless otherwise stated)</i>				
Membership revenue	88	100	233	319
Other revenues	12	21	88	58
Total revenues	101	121	321	377
EBITDA	11	11	26	62
<i>Margin (%)</i>	11%	9%	8%	16%
Operating profit excluding impairment	(29)	(35)	-106	-74
Operating profit	(45)	(35)	-184	-74
Profit/loss for the period	-53	-34	-270	-81
Adjusted Country EBITDA before impact of IFRS 16	-17	-16	-74	-33
<i>Margin (%)</i>	-17%	-14%	-23%	-9%
Adjusted EBITDA before impact of IFRS 16	-23	-24	-95	-55
<i>Margin (%)</i>	-23%	-20%	-29%	-15%
Clubs	30	39	30	39
Members ('000)	82	99	82	99
ARPM (NOK/month)	426	407	398	417

Revenues

NOK million

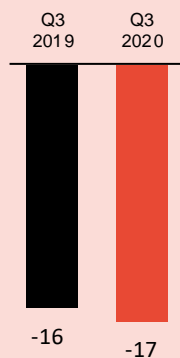
-17%



Country EBITDA¹⁾

NOK million

-6%



¹⁾ Adjusted Country EBITDA before impact of IFRS 16.

BUSINESS AND INDUSTRY OUTLOOK

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

SHAREHOLDER INFORMATION

SATS ASA's share capital was NOK 365 million as at 30 September 2020, divided into 171 763 386 ordinary shares, each with a par value of NOK 2.125. All the shares have been fully paid and have equal rights. SATS did not own any treasury shares as at the balance sheet date. The number of shareholders as at 30 September 2020 was 4 282.

FINANCIAL POLICY AND DIVIDEND

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

RISK AND UNCERTAINTY FACTORS

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

EVENTS AFTER THE BALANCE SHEET DATE

On 1 October 2020, SATS announced a share repurchase program under which the company may repurchase 1 100 000 own shares, representing 0.64% of the total number of shares in the company. The shares to be repurchased will be used for the following three purposes under the share investment program:

1. Delivery of matching shares to the relevant employees in accordance with the terms and conditions of the Share Investment Program, in total approximately 550 000 shares.
2. Delivery of shares to new employees who will be offered to participate in the Share Investment Program, in total approximately 450 000 shares.
3. Delivery of shares to the company's CEO, Sondre Gravir with respect to the additional investment made by him under the Share Investment Program.

SATS has through Fresh Fitness signed an agreement with Kif Trading AS to acquire Bare Trening AS, holding a portfolio of six clubs in the Greater Oslo area. The acquisition is in line with the company's strategy of focusing on the capital clusters. The six clubs are relatively small compared to the average SATS club and fits perfectly into the Fresh Fitness footprint. Closing of the transaction took place on 2 November 2020.

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 third 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, 4 November 2020
The Board of Directors

CONSOLIDATED INCOME STATEMENT

	Notes	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK million)</i>						
Revenue	2	955	938	2 688	2 951	3 987
Operating expenses						
Cost of goods sold		-30	-28	-91	-83	-115
Personnel expenses		-328	-329	-983	-1 052	-1 463
Other operating expenses		-253	-233	-694	-713	-925
Depreciation and amortisation	7, 8	-259	-241	-785	-723	-972
Total operating expenses		-870	-831	-2 554	-2 571	-3 475
Operating profit excluding impairment		85	107	134	380	512
Impairment of assets held for sale	3	-16	0	-78	0	0
Operating profit		69	107	56	380	512
Interest income		0	0	0	1	1
Finance income		18	5	88	32	11
Interest expense		-70	-64	-197	-192	-253
Finance expense		-23	-11	-95	-10	-24
Net financial items		-75	-70	-204	-169	-265
Profit/loss before tax		-6	37	-148	211	247
Income tax expense	3	-12	-6	-81	-44	-60
Profit/loss for the period		-18	31	-230	168	187
Profit/loss for the year is attributable to:						
Equity holders of the Group		-18	31	-230	168	187
Total allocation		-18	31	-230	168	187
Earnings per share in NOK						
Basic earnings per share attributable to equity holders of the company	4	-0.11	0.28	-1.35	1.50	1.52
Diluted earnings per share attributable to equity holders of the company	4	-0.11	0.28	-1.35	1.50	1.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK million)</i>					
Profit/loss for the year	-18	31	-230	168	187
Other comprehensive income					
Currency translation adjustment - may be reclassified to profit or loss	-2	20	-5	-15	10
Other comprehensive income, net of tax	-2	20	-5	-15	10
Total comprehensive income for the period	-21	51	-235	153	197
Total comprehensive income is attributable to:					
Equity holders of the Group	-21	52	-235	154	198
Non-controlling interests	0	0	0	-1	0
Total comprehensive income for the period	-21	51	-235	153	197

CONSOLIDATED BALANCE SHEET

	Notes	30.09.2020	30.09.2019	31.12.2019
<i>(Amounts in NOK million)</i>				
ASSETS				
Non-current assets				
Intangible assets	6	2 571	2 460	2 464
Right-of-use assets	8	4 195	3 641	3 912
Property, plant and equipment	7	772	704	739
Derivative financial instruments	9	0	5	5
Other non-current receivables		40	41	41
Deferred tax assets	3	150	215	192
Total non-current assets		7 729	7 067	7 354
Current assets				
Inventories		45	45	41
Accounts receivables		155	116	136
Other current receivables		50	45	70
Prepaid expenses and accrued income		313	236	222
Cash and cash equivalents		609	219	165
Total current assets		1 172	660	634
Total assets		8 900	7 727	7 988
EQUITY				
Share capital		365	239	361
Share premium		4 013	2 756	3 990
Other reserves		10	-10	15
Retained earnings		-3 375	-3 092	-3 143
Non-controlling interests		0	-4	0
Total equity		1 013	-111	1 223
LIABILITIES				
Non-current liabilities				
Deferred tax liability	3	86	127	77
Borrowings	5	1 947	1 708	1 293
Lease liability	5	3 778	3 271	3 521
Derivative financial instruments	9	54	0	0
Total non-current liabilities		5 864	5 106	4 891
Current liabilities				
Borrowings	5	11	80	8
Lease liability	5	811	745	767
Contract liability		515	507	491
Trade and other payables		135	127	122
Current tax liabilities		23	17	39
Public fees and charges payable		181	88	127
Other current liabilities		345	1 168	322
Total current liabilities		2 023	2 732	1 875
Total liabilities		7 887	7 838	6 765
Total equity and liabilities		8 900	7 727	7 988

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves ¹⁾	Retained earnings	Total attributable to owners of the Group	Non-controlling interests	Total equity
<i>(Amounts in NOK million)</i>							
Equity 1 January 2019	225	2 270	5	-1 735	765	-4	761
Profit/loss for the period				168	168	0	168
OCI for the period			-15		-15	0	-15
Total comprehensive income for the period	0	0	-15	168	154	0	153
Dividends				-1 525	-1 525		-1 525
Capital increase	14	486			500		500
Equity 30 September 2019	239	2 756	-10	-3 092	-106	-4	-111
Equity 1 January 2020	361	3 990	15	-3 143	1 223	0	1 223
Profit/loss for the period				-230	-230	0	-230
OCI for the period			-5		-5	0	-5
Total comprehensive income for the period	0	0	-5	-230	-235	0	-235
Investment program				1	1		1
Capital increase	4	23			26		26
Capital increase expenses from IPO				-2	-2		-2
Equity 30 September 2020	365	4 013	10	-3 375	1 013	0	1 013

¹⁾ Other reserves consist of currency translation adjustments.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK million)</i>						
Cash flow from operating activities						
Profit before tax		-6	37	-148	211	247
Adjustment for:						
Taxes paid in the period		0	-8	-17	-35	-60
Gain/loss from disposal or sale of equipment		0	0	0	-1	0
Depreciation, amortisation and impairment	6, 7, 8	275	241	863	723	972
Net financial items		75	70	204	169	265
Change in inventory		-2	-13	-4	-14	-10
Change in accounts receivable		-23	-24	-19	9	-11
Change in trade payables		31	68	14	-14	-20
Change in other receivables and accruals		8	-20	2	-99	-38
Net cash flow from operations		357	351	894	950	1 345
Cash flow from investing						
Sale of subsidiary, net of cash		-42	2	-42	2	2
Purchase of property, plant and equipment	6, 7	-48	-87	-174	-171	-265
Proceeds from property, plant and equipment		0	0	1	0	2
Acquisition of subsidiary, net of cash acquired		0	1	-13	-60	-60
Net cash flow from investing		-90	-85	-229	-229	-321
Cash flow from financing						
Repayments of borrowings	5	0	-34	-1	-94	-1 894
Proceeds from borrowings	5	0	0	575	59	1 492
Instalments on lease liabilities	5	-196	-179	-604	-554	-750
Paid interests on borrowings	5	-27	-21	-56	-57	-67
Interests on lease liabilities	5	-48	-48	-147	-140	-187
Disbursement of dividend		0	0	0	-32	-1 032
Proceeds from issues of shares	4	11	0	26	0	1 356
Transactions with non-controlling interests		0	0	0	0	-34
Transaction costs from issues of new shares		-2	0	-2	0	-43
Other financial items		1	-19	-1	-40	-66
Net cash flow from financing		-262	-301	-211	-859	-1 225
Net increase/decrease in cash and cash equivalents		5	-35	454	-138	-200
Effect of foreign exchange changes on cash and cash equivalents		-5	1	-11	0	8
Cash and cash equivalents at the beginning of the period		609	252	165	357	357
Cash and cash equivalents at the end of period		609	219	609	219	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 1 July 2020, SATS divested nine clubs to Fitness 1 in Jylland and Fyn, Denmark. The divestment was a planned strategic move initiated by SATS, in order to make Denmark more efficient and profitable. It will further enable SATS to continue on the journey of focusing on its strong capital clusters by strengthening our position in the Copenhagen and Northern Sealand area.

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 nine months of 2020.

General

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

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

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

The Nordic Management Group primarily uses EBITDA¹⁾, EBITDA excluding IFRS 16¹⁾, Adjusted EBITDA before impact of IFRS 16¹⁾ and Adjusted Country EBITDA before impact of IFRS 16¹⁾ 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 Q3 2020, Q3 2019, YTD 2020, YTD 2019 and year ended 31 December 2019 is as follows:

SATS Group	Norway	Sweden	Finland	Denmark	Group functions and other	Total
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(Amounts in NOK million)

Q3 2020**Revenue**

Membership revenue	351	267	66	88	0	772
Other revenues	85	63	22	12	0	182
Total revenues	436	330	88	101	0	955

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	58	53	3	-23	9	99
Impact of IFRS 16	101	82	27	35	0	245
EBITDA¹⁾	159	135	30	11	9	344
Depreciation and amortisation	-96	-83	-27	-40	-12	-259
Operating profit excluding impairment	62	52	3	-29	-4	85
Impairment of assets held for sale	0	0	0	-16	0	-16
Operating profit	62	52	3	-45	-4	69
Net financial items ²⁾	-25	-19	-13	-8	-10	-75
Income tax expense	-8	-7	0	0	3	-12
Profit/loss for the period	29	26	-10	-53	-11	-18

Q3 2019**Revenue**

Membership revenue	353	253	69	100	0	776
Other revenues	77	52	12	21	0	162
Total revenues	430	306	81	121	0	938

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	68	69	6	-30	10	123
Impact of IFRS 16	97	65	22	41	0	225
EBITDA¹⁾	165	134	27	11	10	348
Depreciation and amortisation	-94	-65	-24	-46	-12	-241
Operating profit	71	69	3	-35	-2	107
Net financial items ²⁾	-21	-14	-6	-9	-20	-70
Income tax expense	-11	-10	0	9	5	-6
Profit/loss for the period	39	45	-3	-34	-16	31

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
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(Amounts in NOK million)

YTD 2020

Revenue						
Membership revenue	824	806	181	233	0	2 044
Other revenues	295	207	54	88	1	644
Total revenues	1 118	1 013	235	321	1	2 688

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	106	152	-20	-98	28	168
Impact of IFRS 16	304	241	82	124	0	751
EBITDA¹⁾	410	393	62	26	28	919
Depreciation and amortisation	-289	-243	-82	-132	-39	-785
Operating profit excluding impairment	121	150	-20	-106	-11	134
Impairment of assets held for sale	0	0	0	-78	0	-78
Operating profit	121	150	-20	-184	-11	56
Net financial items ²⁾	-75	-67	-36	-25	-1	-204
Income tax expense	-10	-18	4	-61	4	-81
Profit/loss for the period	36	65	-53	-270	-9	-230

YTD 2019

Revenue						
Membership revenue	1 073	757	209	319	0	2 357
Other revenues	286	206	44	58	0	594
Total revenues	1 359	962	253	377	0	2 951

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	240	191	16	-61	27	412
Impact of IFRS 16	297	204	68	123	0	691
EBITDA¹⁾	537	395	83	62	27	1 103
Depreciation and amortisation	-284	-202	-69	-136	-32	-723
Operating profit	253	193	14	-74	-5	380
Net financial items ²⁾	-66	-36	-17	-28	-22	-169
Income tax expense	-41	-32	0	22	7	-44
Profit/loss for the period	146	125	-3	-81	-20	168

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

EBITDA¹⁾ and EBITDA before impact of IFRS 16¹⁾ reconcile to profit/loss for the period as follows:

EBITDA before impact of IFRS 16¹⁾	319	256	22	-81	35	551
Impact of IFRS 16	397	274	95	167	0	933
EBITDA¹⁾	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 Finnish government launched a compensation package in the third quarter, compensating part of the COVID-19-related revenue loss and cost increase in the second quarter. SATS booked NOK 5 million in governmental compensation in Finland in the third quarter, related to revenue loss and cost increase in April and May. All SATS clubs were open throughout the full third quarter, and there were thus no other direct profit and loss effects from the COVID-19 related to club closure in the quarter. However, the third quarter was highly affected by indirect effects in terms of both a lower member base as a result of loss of sales during the club closure and initiatives related to recovering the member base.

Divestment of clubs in Denmark

On 1 July 2020, SATS divested nine clubs to Fitness 1 in Jylland and Fyn, Denmark. The divestment was a planned strategic move initiated by SATS, in order to make Denmark more efficient and profitable. It further enabled SATS to continue on the journey of focusing on its strong capital clusters by strengthening our position in the Copenhagen and Northern Sealand area. The transaction resulted in an impairment of NOK 78 million reflecting that the nine disposed clubs were operating with a significant loss, representing 75% of the negative EBITDA in 2019. The profit and loss effect from the transaction was recognized as impairment of assets held for sale in Q2 (NOK 62 million) and Q3 2020 (NOK 16 million).

Income tax expense

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

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

Definitions

In the interim financial statements, Q3 is defined as the reporting period from 1 July to 30 September.

NOTE 4 Earnings per share

On the basis of the resolution by the general meeting of SATS ASA on 26 May 2020, all employees of the company and its subsidiaries and the members of the Board of Directors of the company, except from Hugo Maurstad, were invited to participate in a share investment program for the purpose of seeking to align the interests of the employees with those of the shareholders of the company. The share capital increase pertaining to the issuance of shares was registered with the Norwegian Register of Business Enterprises (Nw. Foretaksregisteret) on 8 July. The company's new share capital is NOK 364 997 195, comprising in total 171 763 386 shares, each with a nominal value of NOK 2.125. The denominator for Q3 2020 and YTD 2020 is calculated as a weighted average. The Share Investment Program implies that the company on the balance sheet date of 30 September 2020 will deliver 493 020 matching shares to employees in 2023. The denominator for diluted earnings per share is therefore adjusted as a weighted average for Q3 2020 and YTD 2020. Allocation of matching shares is further contingent upon the company's performance over time.

On 23 October 2019, SATS ASA was accepted for listing on the Oslo Stock Exchange (Oslo Børs). The initial public offering (IPO) was achieved by issuing 57 712 432 shares with a par value of NOK 2.125 at the price of NOK 23.5 per share, resulting in a net capital increase of NOK 1 323 million. Prior to the IPO, the company's shares have not been publicly traded. The number of shares outstanding following the IPO was 170 000 000. The denominator for Q3 2019, YTD 2019 and 2019 is calculated as a weighted average.

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 Q3 2019 and YTD 2019.

Basic earnings per share attributable to equity holders of the company

<i>(NOK per share)</i>	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Basic earnings	-0.11	0.28	-1.35	1.50	1.52
Total basic earnings per share	-0.11	0.28	-1.35	1.50	1.52
Total number of outstanding shares	171 629 215	112 287 568	170 547 036	112 287 568	123 197 589

Diluted earnings per share attributable to equity holders of the company

<i>(NOK per share)</i>	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Diluted earnings	-0.11	0.28	-1.35	1.50	1.52
Total diluted earnings per share	-0.11	0.28	-1.35	1.50	1.52
Total number of outstanding shares	172 116 864	112 287 568	170 710 767	112 287 568	123 197 589

Reconciliation of earnings used in calculating earnings per share

<i>(Amounts in NOK million)</i>	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Basic earnings per share					
Profit/loss attributable to equity holders of the Group	-18	31	-230	168	187
Profit used in calculating basic earnings per share	-18	31	-230	168	187
Diluted earnings per share					
Profit/loss used in calculating diluted earnings per share	-18	31	-230	168	187
Profit used in calculating diluted earnings per share	-18	31	-230	168	187

NOTE 5 Interest-bearing liabilities

Overview of interest-bearing liabilities	30.09.2020	30.09.2019	31.12.2019
<i>(Amounts in NOK million)</i>			
Current			
Bank borrowings	11	80	8
Lease liabilities	811	745	767
Total current interest-bearing liabilities	822	825	775
Non-current			
Bank borrowings	1 947	1 708	1 293
Lease liabilities	3 778	3 271	3 521
Total non-current interest-bearing liabilities	5 725	4 979	4 814
Total interest-bearing liabilities	6 547	5 803	5 589
Total bank borrowings	1 957	1 788	1 301
Cash and cash equivalents	609	219	165
Net debt¹⁾	1 349	1 570	1 136

Long-term loan facility agreement

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

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

The facility will mature in full in October 2024, and no installment payments are due before this time. Interests payable will depend on the principal amount of the facility at any given time. However, based on a draw-down of NOK 1 947 million as of the balance sheet date of 30 September 2020, the annual interest payment is expected to be in the range of NOK 39 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.

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

Compliance with financial borrowing covenants

SATS ASA executes the financing functions within the Group, holds the long-term financing agreement with the Group's long-term lenders, and provides long-term financing to other Group entities. SATS ASA has complied with the financial covenants related to its borrowing facility during Q3 2020, and considers the financial covenants in the amended loan facility to give sufficient headroom throughout the amendment period.

Payment profile

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

Bank borrowings	Total	Lease liabilities	Total
<i>(Amounts in NOK million)</i>		<i>(Amounts in NOK million)</i>	
Less than 1 year	59	Less than 1 year	986
1-2 years	50	1-2 years	918
2-3 years	39	2-3 years	806
3-5 years	2 011	3-5 years	1 223
More than 5 years	2	More than 5 years	1 312
Total payments	2 161	Total payments	5 245

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
<i>(Amounts in NOK million)</i>					
At 31 December 2019					
Cost	1 798	188	574	0	2 560
Accumulated impairment	-199	0	-10	0	-209
Net book value	1 599	188	564	0	2 351
Period ended 30 September 2020					
Opening net book amount	1 599	188	564	0	2 351
Net effect of changes in foreign exchange	0	22	71	0	93
Net additions/disposals	0	11	0	0	11
Closing net book value	1 599	221	634	0	2 455
At 30 September 2020					
Cost	1 798	221	644	0	2 664
Accumulated impairment	-199	0	-10	0	-209
Net book value	1 599	221	634	0	2 455

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
<i>(Amounts in NOK million)</i>					
At 31 December 2019					
Cost	267	271	49	4	591
Accumulated amortisation and impairment	-265	-201	-8	-4	-478
Net book value	2	70	42	0	113
Period ended 30 September 2020					
Opening net book amount	2	70	42	0	113
Effect of changes in foreign exchange cost	0	32	-1	0	31
Effect of changes in foreign exchange accumulated depreciation	0	-24	0	0	-24
Acquisition	0	0	5	0	5
Additions/disposals	0	36	0	0	36
Amortisation charge	0	-38	-7	0	-46
Closing net book value	2	75	39	0	116
At 30 September 2020					
Cost	267	339	54	4	663
Accumulated amortisation and impairment	-265	-263	-15	-4	-547
Net book value	2	75	39	0	116

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
<i>(Amounts in NOK million)</i>				
At 31 December 2019				
Cost	1 323	768	439	2 530
Accumulated depreciation	-843	-572	-377	-1 791
Net book value	480	197	62	739
Pledged as security for liabilities				739
Period ended 30 September 2020				
Opening net book amount	480	197	62	739
Effect of changes in foreign exchange cost	108	47	25	180
Net additions/disposals	51	42	19	112
Depreciation charge	-72	-42	-20	-134
Effect of changes in foreign exchange accumulated depreciation	-70	-33	-21	-125
Closing net book value	497	211	64	772
At 30 September 2020				
Cost	1 482	858	482	2 822
Accumulated depreciation and impairment	-985	-647	-418	-2 050
Net book value	497	211	64	772
Pledged as security for liabilities				772
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
<i>(Amounts in NOK million)</i>			
At 1 January 2019			
Cost	6 759	23	6 782
Accumulated depreciation	-3 543	-10	-3 553
Net book value	3 216	13	3 229
Year ended 31 December 2019			
At 1 January 2019	3 216	13	3 229
Additions/disposals	1 425	63	1 488
Effect of changes in foreign exchange cost	-33	0	-33
Depreciation charge	-736	-25	-761
Effect of changes in foreign exchange accumulated depreciation	-11	0	-11
Closing net book value	3 862	51	3 912
At 31 December 2019			
Cost	8 152	87	8 238
Accumulated depreciation	-4 290	-36	-4 326
Net book value	3 862	51	3 912
Period ended 30 September 2020			
At 1 January 2020	3 862	51	3 912
Effect of changes in foreign exchange cost	317	8	325
Additions/disposals	643	-13	630
Depreciation charge	-589	-16	-605
Effect of changes in foreign exchange accumulated depreciation	-65	-3	-68
Closing net book value	4 168	27	4 196
At 30 September 2020			
Cost	9 112	82	9 194
Accumulated depreciation	-4 944	-55	-4 998
Net book value	4 168	27	4 195
Useful life	1 - 15 years	1 - 5 years	
Depreciation method	Straight-line	Straight-line	

Overview

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

Exchange rate - sensitivity analysis

As shown below, the Group is primarily exposed to changes in the SEK/NOK, EUR/NOK and DKK/NOK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the profit or loss in the Group's foreign subsidiaries, borrowings, intercompany loans and bank accounts in currencies other than where the legal entity is located. EUR, SEK and DKK are strengthened by 10% against NOK in the sensitivity analysis below. A 10% weaker NOK against SEK/EUR/DKK results in a negative effect of NOK 15 million on Profit/loss before tax when re-consolidating the last 12 months. Re-consolidating the balance sheet as of 30 September 2020 with a weaker NOK results in a positive effect of NOK 72 million.

	Profit in foreign currency	Borrowings, intercompany loans and bank accounts in foreign currency	Total
<i>(Amounts in NOK million)</i>			
SEK/NOK exchange rate - increase 10% ¹⁾	13	19	32
EUR/NOK exchange rate - increase 10% ¹⁾	-5	49	44
DKK/NOK exchange rate - increase 10% ¹⁾	-23	4	-19
Effect on Profit/loss before tax	-15	72	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.

	30.09.2020		30.09.2019		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
<i>(Amounts in NOK million)</i>						
Other non-current receivables	40	0	41	0	41	0
Accounts receivables	155	0	116	0	136	0
Other current receivables	50	0	45	0	70	0
Derivatives	0	0	0	5	0	5
Cash and cash equivalents	609	0	219	0	165	0
Total financial assets	854	0	421	5	412	5

	30.09.2020		30.09.2019		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
<i>(Amounts in NOK million)</i>						
Borrowings	1 957	0	1 788	0	1 301	0
Lease liabilities	4 590	0	4 015	0	4 289	0
Trade and other payables	135	0	127	0	122	0
Derivatives	0	54	0	0	0	0
Other current liabilities	345	0	1 168	0	322	0
Total financial liabilities	7 028	54	7 098	0	6 032	0

The Group has the following derivative financial instruments:

	30.09.2020	30.09.2019	31.12.2019
<i>(Amounts in NOK million)</i>			
Non-current asset			
Interest rate swap contracts	0	5	5
Total non-current derivative financial instrument assets	0	5	5
Non-current liabilities			
Interest rate swap contracts	54	0	0
Total non-current derivative financial instrument liabilities	54	0	0

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

Overview of interest swaps per 30 September 2020

	Notional in currency million	Maturity	Fixed rate	Unrealised gain/loss 30.09.2020
Interest rate swaps				
IRS NOK	694	28.10.2026	1.751	-50
IRS SEK	200	28.10.2024	0.430	-4
Fair value of the Group's interest rate swaps as of 30 September 2020 in NOK million				-54

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

NOTE 10 Related parties

General

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

Profit or loss items

Related party	Relationship	Type of services	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK thousand)</i>					
Elixia Holding IV AS	Shareholder of HFN Group AS	Interest rate on loan	0	-41	-41
Altor	Shareholder of HFN Group AS	Restructuring costs	0	144	144
Altor	Shareholder of HFN Group AS	Other expenses	59	0	0
HFN Group AS	Shareholder	Interest rate on loan	0	-3 362	-3 810
Metropolis Health Club AB	Minority interest	Accounting services	0	75	75
SATS Grenland AS	Minority interest	IT, accounting and other services	0	2 978	3 948
Total related party profit or loss items			59	-205	315

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

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

Elixia Holding IV AS was liquidated on 23 March 2020.

Balance sheet items

Related party	Relationship	Type of services	30.09.2020	30.09.2019	31.12.2019
<i>(Amounts in NOK thousand)</i>					
HFN Group AS	Shareholder	Borrowings	0	118 153	284
HFN Group AS	Shareholder	Dividend	0	-1 357 050	0
HFN Group AS	Shareholder	Capital injection	0	452 357	0
SATS Management Invest AS	Shareholder	Dividend	0	-125 250	0
SATS Management Invest AS	Shareholder	Capital injection	0	41 752	0
Hansemgruppen Holding AS	Shareholder	Dividend	0	-17 700	0
Hansemgruppen Holding AS	Shareholder	Capital injection	0	5 892	0
Total related party balance sheet items			0	-881 847	284

HFN Group AS was shareholder of SATS ASA until 23 March 2020. After 23 March 2020, HFN Group AS is shareholder of SATS Management Invest AS.

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 1 October 2020, SATS announced a share repurchase program under which the company may repurchase 1 100 000 own shares, representing 0.64% of the total number of shares in the company. The shares to be repurchased will be used for the following three purposes under the share investment program:

1. Delivery of matching shares to the relevant employees in accordance with the terms and conditions of the Share Investment Program, in total approximately 550 000 shares.
2. Delivery of shares to new employees who will be offered to participate in the Share Investment Program, in total approximately 450 000 shares.
3. Delivery of shares to the Company's CEO, Sondre Gravir with respect to the additional investment made by him under the Share Investment Program.

SATS has through Fresh Fitness signed an agreement with Kif Trading AS to acquire Bare Trening AS, holding a portfolio of six clubs in the Greater Oslo area. The acquisition is in line with the company's strategy of focusing on the capital clusters. The six clubs are relatively small compared to the average SATS club and fits perfectly into the Fresh Fitness footprint. Closing of the transaction took place on 2 November 2020.

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 third 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 2 455 million per the balance sheet date. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. The recoverable amount of the cash generating units (CGUs) is determined based on value-in-use calculations which require the use of several assumptions. The calculations use cash flow projections based on financial budgets and prognoses approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 11 Intangible assets in the Annual Report for 2019. These growth rates are consistent with forecasts included in economic outlook reports specific to the area in which each CGU operates.

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

Deferred tax assets

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

Lease

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

Fair value estimates

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

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

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

NOTE 14 Business combination

Acquisition of Body Joy

On 1 February 2020, SATS acquired two fitness clubs in the Värmdö Municipality 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	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	99	123	168	412	551
(ii) Revenue and costs from closed clubs	0	0	1	0	1
(iii) Comparability adjustments on Country level	0	6	6	6	8
(iii) Comparability adjustments on Group level	0	0	2	0	13
Adjusted EBITDA before impact of IFRS 16	99	129	177	418	573
Group overhead and cost allocation	63	61	190	183	237
Adjusted Country EBITDA before impact of IFRS 16	162	190	367	601	811

NORWAY	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	58	68	106	240	319
(ii) Revenue and costs from closed clubs	0	0	0	0	1
(iii) Comparability adjustments	0	0	4	0	2
Adjusted EBITDA before impact of IFRS 16	58	68	110	240	322
Group overhead and cost allocation	-33	-32	-101	-96	-130
Adjusted Country EBITDA before impact of IFRS 16	91	100	211	335	452

SWEDEN	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	53	69	152	191	256
(ii) Revenue and costs from closed clubs	0	0	0	0	0
(iii) Comparability adjustments	0	0	0	0	0
Adjusted EBITDA before impact of IFRS 16	53	70	152	192	256
Group overhead and cost allocation	-28	-27	-84	-78	-107
Adjusted Country EBITDA before impact of IFRS 16	81	97	237	270	363

FINLAND	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	3	6	-20	16	22
(ii) Revenue and costs from closed clubs	0	0	0	0	0
(iii) Comparability adjustments	0	0	0	0	0
Adjusted EBITDA before impact of IFRS 16	3	6	-20	16	22
Group overhead and cost allocation	-4	-4	-14	-13	-17
Adjusted Country EBITDA before impact of IFRS 16	7	10	-6	28	40

DENMARK	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
<i>(Amounts in NOK million)</i>					
EBITDA before impact of IFRS 16	-23	-30	-98	-61	-81
(ii) Revenue and costs from closed clubs	0	0	1	0	0
(iii) Comparability adjustments	0	6	2	6	7
Adjusted EBITDA before impact of IFRS 16	-23	-24	-95	-55	-75
Group overhead and cost allocation	-6	-8	-20	-23	-31
Adjusted Country EBITDA before impact of IFRS 16	-17	-16	-74	-33	-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 and working capital.

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 2019

12 MAY

2020

Q1 2019 Results

26 MAY

2020

Annual General Meeting

16 JUL

2020

Q2 2019 Results

05 NOV

2020

Q3 2019 Results

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