



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 913 295 544
Organisasjonsform: Aksjeselskap
Foretaksnavn: HFN GROUP AS
Forretningsadresse: Nydalsveien 28
0484 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Nina Mejlænder
Dato for fastsettelse av årsregnskapet: 17.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 15.06.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad	3	6 000 000	10 000 000
Sum kostnader		6 000 000	10 000 000
Driftsresultat		-6 000 000	-10 000 000
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	4,5,6		1 372 000 000
Renteinntekt fra foretak i samme konsern	4,5,6	4 000 000	7 000 000
Annen renteinntekt	4	2 000 000	2 000 000
Annen finansinntekt	4	2 000 000	159 000 000
Sum finansinntekter		8 000 000	1 540 000 000
Rentekostnad til foretak i samme konsern	6		4 000 000
Annen finanskostnad		11 000 000	105 000 000
Sum finanskostnader		11 000 000	109 000 000
Netto finans		-3 000 000	1 431 000 000
Ordinært resultat før skattekostnad		-9 000 000	1 421 000 000
Ordinært resultat etter skattekostnad		-9 000 000	1 421 000 000
Årsresultat		-9 000 000	1 421 000 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	5	29 000 000	2 423 000 000
Investering i annet foretak i samme konsern	5	10 000 000	
Lån til foretak i samme konsern	6	85 000 000	90 000 000
Andre fordringer	6	24 000 000	22 000 000
Sum finansielle anleggsmidler		148 000 000	2 535 000 000
Sum anleggsmidler		148 000 000	2 535 000 000
Omløpsmidler			
Varer			
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	7	38 000 000	46 000 000
Sum bankinnskudd, kontanter og lignende		38 000 000	46 000 000
Sum omløpsmidler		38 000 000	46 000 000
SUM EIENDELER		186 000 000	2 581 000 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	8	25 000 000	242 000 000
Overkurs	8	155 000 000	1 532 000 000
Sum innskutt egenkapital		180 000 000	1 774 000 000
Opptjent egenkapital			
Annen egenkapital	8	6 000 000	805 000 000
Sum opptjent egenkapital		6 000 000	805 000 000



Balanse

Beløp i: NOK	Note	2020	2019
Sum egenkapital		186 000 000	2 579 000 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Annen kortsiktig gjeld			2 000 000
Sum kortsiktig gjeld			2 000 000
Sum gjeld		0	2 000 000
SUM EGENKAPITAL OG GJELD		186 000 000	2 581 000 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	4,5,8	990 000 000	3 987 000 000
Annen driftsinntekt	4,30	369 000 000	
Sum inntekter		1 359 000 000	3 987 000 000
Kostnader			
Varekostnad		43 000 000	115 000 000
Lønnskostnad		393 000 000	1 464 000 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	11,12, 13	263 000 000	972 000 000
Annen driftskostnad	7,8,12	272 000 000	935 000 000
Sum kostnader		971 000 000	3 486 000 000
Driftsresultat		388 000 000	501 000 000
Finansinntekter og finanskostnader			
Annen renteinntekt			2 000 000
Annen finansinntekt	9	38 000 000	37 000 000
Sum finansinntekter		38 000 000	39 000 000
Annen rentekostnad		63 000 000	256 000 000
Annen finanskostnad		58 000 000	146 000 000
Sum finanskostnader		121 000 000	402 000 000
Netto finans		-83 000 000	-363 000 000
Ordinært resultat før skattekostnad		305 000 000	138 000 000
Skattekostnad på ordinært resultat	10	64 000 000	61 000 000
Ordinært resultat etter skattekostnad		241 000 000	77 000 000
Årsresultat		241 000 000	77 000 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	11		113 000 000
Utsatt skattefordel	10		192 000 000
Goodwill	11		2 351 000 000
Sum immaterielle eiendeler			2 656 000 000
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	12		3 912 000 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	13		739 000 000
Sum varige driftsmidler			4 651 000 000
Finansielle anleggsmidler			
Andre fordringer	22,23, 25,29	219 000 000	69 000 000
Sum finansielle anleggsmidler		219 000 000	69 000 000
Sum anleggsmidler		219 000 000	7 376 000 000
Omløpsmidler			
Varer			
Varer	15		41 000 000
Sum varer			41 000 000
Fordringer			
Kundefordringer	16		136 000 000
Andre fordringer	16		292 000 000
Sum fordringer			428 000 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	15,17, 21	41 000 000	215 000 000
Sum bankinnskudd, kontanter og lignende		41 000 000	215 000 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
Sum omløpsmidler		41 000 000	684 000 000
SUM EIENDELER		260 000 000	8 060 000 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	18	25 000 000	242 000 000
Overkurs		155 000 000	1 532 000 000
Sum innskutt egenkapital		180 000 000	1 774 000 000
Opptjent egenkapital			
Annen egenkapital		95 000 000	-950 000 000
Sum opptjent egenkapital		95 000 000	-950 000 000
Minoritetsinteresser		-16 000 000	468 000 000
Sum egenkapital		259 000 000	1 292 000 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	10		77 000 000
Sum avsetninger for forpliktelser			77 000 000
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	20,21		1 293 000 000
Leasinggjeld	12,20, 21		3 521 000 000
Sum annen langsiktig gjeld			4 814 000 000
Sum langsiktig gjeld		0	4 891 000 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	20,21		8 000 000
Leverandørgjeld	24		122 000 000
Betalbar skatt	10		48 000 000
Skyldige offentlige avgifter			119 000 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
Annen kortsiktig gjeld	12,20, 21,24	1 000 000	1 580 000 000
Sum kortsiktig gjeld		1 000 000	1 877 000 000
Sum gjeld		1 000 000	6 768 000 000
SUM EGENKAPITAL OG GJELD		260 000 000	8 060 000 000



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 03.04.2018	Vår dato 04.04.2018
Telefon 22078139	Deres referanse Per Fossan-Waage	Vår referanse 2018/475361

PriceWaterhouseCoopers AS
Postboks 748
0106 Oslo

U.off. offl. § 13. forvl. § 13

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 3. april 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper.

HFN Group AS org.nr. 913 295 544

HFN Holding AS org.nr. 996 739 848

Skattedirektoratet gir på bakgrunn av en konkret vurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

HFN Group AS er morselskap til HFN Holding AS. Gruppen har to aksjonærer, Altor Funds og Tryghedsgruppen. Altor er et nordisk oppkjøpsfond med internasjonale investorer. Tryghedsgruppen er en dansk gruppe som blant annet eier Tryg forsikring. Gruppens hovedvirksomhet er å selge medlemskap til Gruppens treningssentre, samt tilknyttet virksomhet, eksempelvis salg av personlig trening og detaljhandel. Gruppen har over 200 treningssentre gjennom datterselskaper i Norge, Sverige og Finland under merkenavnene SATSELIXIA, Fresh Fitness, HiYoga, Metropolis og SAFE. Rundt halvparten av omsetningen kommer fra utlandet og Gruppen forventer at virksomheten i utlandet vil vokse ytterligere. Den operative virksomheten foregår i det alt vesentlige i driftsselskapene. Gruppens kunder og leverandører vil kunne forholde seg til de lokale operative datterselskapene som er i Norge, Sverige og Finland, disse datterselskapene vil som før rapportere sine regnskaper på det lokale språket. HFN Holding har startet en prosess hvor hensikten er notering av HFN Holding AS på Oslo Børs og har fått tillatelse fra Oslo Børs til å bruke engelsk språk i pliktig rapportering. Styret i HFN Group har flere av styremedlemmer som ikke er norske. Arbeidsspråket er engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

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800 80 000
Telefaks
22 17 08 60



2020 Board of Directors' report

HFN Group AS was established on 5 June 2014 through a merger of Health & Fitness Nordic and Elixia Holding IV and has historically been the holding company for SATS ASA and its subsidiaries. Following the listing of SATS ASA, HFN Group AS has as of March 2020 transferred all the shares in SATS ASA to its shareholders as a non-cash dividend. The transaction was carried through as a corporate demerger, where four new separate shareholding entities were established. Consequently, the former subsidiary SATS ASA is derecognized per the reporting date 2020.

ANALYSIS OF THE 2020 FINANCIAL STATEMENTS

The Board of Directors believes that the 2020 financial statements give a true and fair view of the Group's assets and liabilities, financial position and profit for the period. The financial statement shows the results for the period 1 January 2020 to 31 December 2020 by comparison with the period from 1 January 2019 to 31 December 2019. The Board confirms that the Group's liquidity basis will be sufficient to fulfil all costs and liabilities as they fall due for the coming financial year.

Per the reporting date 2020, the Group holds only non-current financial investments and cash and cash equivalents, and the Groups assets are financed with equity only.

The Board of Directors confirms that the use of the going concern assumption is appropriate, and that the 2020 Group and standalone statutory financial statements have been prepared in accordance with this assumption.

The COVID-19 pandemic has affected the Group's operations due to lower activities in the SATS ASA Group but the corona virus is not expected to have any significant impact for the coming reporting period.

Statements of comprehensive income

The Group's statement of comprehensive income is primarily influence by the consolidation effects from the subsidiary SATS Group from the period 1 January 2020 until the demerger in March 2020. Total revenues decreased by 75% to NOK 990, compared to NOK 3 987 in 2019. The decrease in revenues was driven by the limited ownership period and a revenue decrease of 2% in the SATS ASA Group in Q1-2020 compared to Q1-2019. A gain on demerger of NOK 369 million is the accounting effects from recognizing the non-cash assets distributed to owners at fair value per the date of the demerger.

The Group's operating expenses decreased by 72% from NOK 3 486 million in 2019 to NOK 972 million in 2020. The main driver for the decreased operating expenses was due to the limited ownership period.

Net financial items decreased by 77% from NOK 364 million in 2019 to NOK 83 million in 2020. The main driver of the decreased was due to the limited SATS ownership period in 2020.

Income tax expense increased by 5% from NOK 60 million in 2019 to NOK 63 million in 2020. The main driver of the increased expenses was due to one off tax items related to the write down off deferred tax assets in the subsidiary SATS Denmark in the first quarter in 2020.

The parent company had no operating income in 2020 and NOK 6 million in operating expenses and NOK - 4 million in net financial items.



Statement of comprehensive income

	2020	2019
<i>Amounts in NOK million</i>		
Total revenue	990	3 987
Gain on demerger	369	0
Operating expenses	-972	-3 486
Operating profit	386	502
Net finance items	-83	-364
Profit before tax	304	138
Income tax expense	-63	-60
Profit for the year	241	77
Total comprehensive income	265	87

Statement of financial position

Consolidated assets per the reporting date reflects that the only remaining assets after the demerger are non-current financial investments and cash and cash equivalent. No liabilities are recognized as per the reporting date 2020.

The parent company holds non-current financial investments and cash and cash equivalent. No liabilities are recognized as per the reporting date 2020.

Statement of financial position

	2020	2019
<i>Amounts in NOK million</i>		
Total assets	260	8 060
Total liabilities	0	6 769
Total equity	259	1 291

Statement of cash flows

Net cash flow from the Group's operations was NOK 406 million in 2020, compared to NOK 1 339 million in 2019. The reduction of NOK 933 million is caused by the limited ownership period of SATS ASA Group and an underlying reduction of cash flows from operations due to the COVID-19 pandemic.

Net cash outflow from investing activities amounted to NOK 94 million in 2020, compared to an outflow of NOK 398 million in 2019. The main reason for the decreased outflow is the limited ownership period of SATS ASA Group.

Net cash outflow from financing activities was NOK 463 million in 2020, compared to a net outflow of NOK 1 102 million in 2019.

The parent company had net cash flows from operations of NOK 8 million in line with profit before tax of NOK 9 million.



Statement of cash flow

	2020	2019
<i>Amounts in NOK million</i>		
Net cash flow from operations	406	1 339
Net cash flow from investments	-94	-398
Net cash flow from financing	-463	-1 102
Net increase/decrease in cash and cash equivalents	-151	-161
Cash and cash equivalents at the end of the period	41	215

BUSINESS AND INDUSTRY OUTLOOK

HFN Group AS holds only non-current financial investments and cash per the reporting date 2020 and there are no plans to make any further investments or engagements in operational business activities. The Group has not recognized any liabilities per the balance sheet date and does not plan to enter into any loan or financing arrangements.

WORK ENVIRONMENT AND EQUAL OPPORTUNITIES

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

EXTERNAL ENVIRONMENT

The Group's goal is to contribute to an environmentally sustainable society.

EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors is not aware of any events that occurred after the balance sheet date, or any new information regarding existing matters, that can have a material effect on the 2020 consolidated and stand-alone statutory financial statements.

GOING CONCERN

The financial statements have been prepared based on the going concern assumption, and the Board of Directors confirms that this assumption is valid. As limited costs are expected to occur in coming reporting periods, the Board considers the Group and the mother company to be in a healthy financial position with adequate liquidity reserves.

SHAREHOLDERS INFORMATION

HFN Group AS's share capital was NOK 25 million as at 31 December 2020, divided into 2 418 100 ordinary shares, each with a par value of NOK 10. All the shares have been fully paid and have equal rights. HFN Group AS did not own any treasury shares as at the balance sheet date. The number of shareholders as at 31 December 2020 was four.

FINANCIAL RISK FACTORS

The Group's overall risk management plan is to ensure the ongoing liquidity of the Group, defined as to being able to meet all its obligations at any given point in time. No liabilities are recognized per the reporting date, and the liquidity is deemed to meet any future costs that may occur.

The Group is not exposed to exchange rate fluctuations, price risk or any significant liquidity risks.

As the Group only holds cash and financial investments no significant exposure to credit risk has been identified. The investments in non-current financial assets are subject to limited market risks, but this risk is not deemed to be significant given the 100 % equity financing levels and substantial reserves of cash and cash equivalents per the 2020 reporting date.



Oslo, 17 June 2021

The Board of HFN Group AS

Tom C. Jovik
Chair of the Board

Niels U. Andersson
Board Member

Jonas A. Ramm
Board Member

Sondre Gravir
CEO



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Til generalforsamlingen i HFN Group AS

UAVHENGIG REVISORS BERETNING

Uttalelse om revisjonen av årsregnskapet

Konklusjon

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

- selskapsregnskapet, som består av balanse per 31. desember 2020, resultatregnskap, og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper, og
- konsernregnskapet, som består av balanse per 31. desember 2020, resultatregnskap, utvidet resultatregnskap, oppstilling over endringer i egenkapital og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

- er årsregnskapet avgitt i samsvar med lov og forskrifter
- gir det medfølgende selskapsregnskapet et rettviseende bilde av den finansielle stillingen til HFN Group AS per 31. desember 2020 og av selskapets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3-9.
- gir det medfølgende konsernregnskapet et rettviseende bilde av den finansielle stillingen til konsernet HFN Group AS per 31. desember 2020 og av konsernets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.

Grunnlag for konklusjonen

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

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

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

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

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

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Organisasjonsnummer: 980 211 282

Penneo Dokumentnøkkel: HAQ41-6EU57-MYN2T-7OEWM-LWL8I-ZZFDE



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side 2
Uavhengig revisors beretning -
HFN Group AS

Styrets og daglig leders ansvar for årsregnskapet

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

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

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

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

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

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

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Deloitte.

side 3
Uavhengig revisors beretning -
HFN Group AS

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

Uttalelse om andre lovmessige krav

Konklusjon om årsberetningen

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

Konklusjon om registrering og dokumentasjon

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

Oslo, 17. juni 2021
Deloitte AS

Eivind Ungersness
statsautorisert revisor

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Annual Report 2020 HFN Group AS

HFN

Health & Fitness Nordic



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2020	2019
<i>(Amounts in NOK million for the period ended 31 December)</i>			
Revenue	4, 5, 8	990	3 987
Gain on demerger	4, 30	369	0
Revenue and other income		1 359	3 987
Operating expenses			
Cost of goods		-43	-115
Personnel expenses	6	-393	-1 464
Other operating expenses	7, 8, 12	-272	-935
Depreciation and amortization	11, 12, 13	-263	-972
Total operating expenses excluding impairment		-972	-3 486
Operating profit		386	502
Interest income		0	2
Finance income	9	38	37
Interest expense	20	-63	-256
Finance expense	9	-58	-146
Net financial items		-83	-364
Profit/loss before tax		304	138
Income tax expense	10	-63	-60
Profit/loss for the year		241	77
Profit/loss for the year is attributable to:			
Equity holders of the parent company		303	26
Non-controlling interests		-62	52
Total allocation		241	77
Earnings per share in NOK			
Basic earnings per share attributable to the ordinary equity	19	125.13	10.66
Diluted earnings per share attributable to the ordinary equity	19	125.13	10.66



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
<i>(Amounts in NOK million for the period ended 31 December)</i>		
Profit/loss for the year	241	77
Other comprehensive income		
Foreign exchange rate changes - may be reclassified to profit or loss	25	10
Other comprehensive income, net of tax	25	10
Total comprehensive income	265	87
Total comprehensive income is attributable to:		
Equity holders of the parent company	318	18
Non-controlling interests	-53	69
Total comprehensive income	265	87



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	11	0	2 351
Customer relations	11	0	42
Trademark	11	0	2
Internally developed software	11	0	70
Total non-current intangible assets		0	2 464
Property, plant and equipment			
Right-of-use assets	12	0	3 912
Leasehold improvements	13	0	480
Fitness equipment	13	0	197
Other equipment, fixtures and fittings	13	0	62
Total non-current property, plant and equipment		0	4 651
Financial assets			
Financial assets held at fair value through profit or loss	29	195	0
Derivative financial instruments	22, 23	0	5
Other non-current receivables	25	24	63
Total non-current financial assets		219	69
Deferred tax asset	10	0	192
Total non-current assets		219	7 376
CURRENT ASSETS			
Inventories	15	0	41
Other current receivables	16	0	70
Accounts receivables	16	0	136
Prepaid expenses and accrued income	16	0	222
Cash and cash equivalents	15, 17, 21	41	215
Total current assets		41	684
Total assets		260	8 060



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>			
EQUITY			
Share capital	18	25	242
Share premium		155	1 532
Other reserves		0	-5
Retained earnings		95	-946
Non-controlling interests		-16	468
Total equity		259	1 291
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	0	77
Borrowings	20, 21	0	1 293
Lease liability	12, 20, 21	0	3 521
Total non-current liabilities		0	4 891
Current liabilities			
Borrowings	20, 21	0	8
Lease liability	12, 20, 21	0	767
Contract liability	24	0	491
Trade and other payables		0	122
Current tax liabilities	10	0	48
Public fees and charges payable		0	119
Other current liabilities	24	0	323
Total current liabilities		0	1 878
Total liabilities		0	6 769
Total equity and liabilities		260	8 060

Oslo, 17 June 2021


Tom Christian Jovik
Chair of the Board


Niels Ulrik Andersson
Board Member


Jonas Aspelin Ramm
Board Member


Sondre Gravir
CEO



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	242	2 176	2	-1 795	625	96	721
Profit/loss for the year				26	26	52	77
OCI for the year			-7		-7	17	10
Total comprehensive income for the year	0	0	-7	26	19	69	88
Other items				-1	-1	1	0
Dividends		-644			-644	-63	-708
Proceeds from capital injection IPO SATS ASA				759	759	481	1 241
Net sale of shares in SATS Management Invest				88	88	-106	-17
Transactions with non-controlling interests				-24	-24	-10	-34
Equity 31 December 2019	242	1 532	-5	-946	823	468	1 291
Equity 1 January 2020	242	1 532	-5	-946	823	468	1 291
Profit/loss for the year				303	303	-62	241
OCI for the year			15		15	9	25
Total comprehensive income for the year	0	0	15	303	318	-53	265
Dividends					0	-5	-5
Dividend payments demerger	-217	-1 376	-11	738	-866	-426	-1 292
Equity 31 December 2020	25	155	0	95	275	-16	259

¹⁾ Other reserves consist of currency translation adjustments



CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020	2019
<i>(Amounts in NOK million for the period ended 31 December)</i>			
Cash flow from operating activities			
Profit before tax		304	138
Adjustment for:			
Taxes paid in the period	10	-17	-60
Depreciation, amortization and impairment	11, 12, 13	263	972
Net financial items	9	83	364
Gain on net assets distributed - demerger of SATS Group	30	-369	0
Change in inventory	15	-6	-10
Change in accounts receivable	16	-29	-11
Change in trade payables		47	-20
Change in other receivables and accruals	24	131	-34
Net cash flow from operations		406	1 339
Cash flow from investing			
Proceeds from sale of shares		0	29
Proceeds from sale of subsidiary		0	2
Purchase of property, plant and equipment	13	-81	-265
Proceeds from property, plant and equipment		0	2
Acquisition of shares		0	-106
Acquisition of subsidiary, net of cash acquired	27	-13	-60
Net cash flow from investing		-94	-398
Cash flow from financing			
Repayments of borrowings	20	0	-1 894
Proceeds from borrowings	20	575	1 495
Instalments on lease liabilities	12	-200	-750
Paid interest on borrowings	20	-14	-67
Interest on lease liabilities	12	-49	-187
Cash effect dividend payment demerger	30	-775	0
Disbursement of dividend		0	-705
Proceeds from issues of shares IPO	19	0	1 356
Transactions with non-controlling interests		0	-34
Transaction costs from issues of new shares IPO of SATS ASA		0	-163
Other financial items	9	0	-153
Net cash flow from financing		-463	-1 102
Net increase/decrease in cash and cash equivalents		-151	-161
Effect of foreign exchange changes on cash and cash equivalents		-24	8
Cash and cash equivalents at the beginning of the period		215	367
Cash and cash equivalents at the end of the period	17	41	215



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 General information

HFN Group AS (the company) is registered and domiciled in Norway with its head office in Nydalsveien 28, Oslo, Norway. The company was demerged on 23 March 2020. The Group's ownership structure is as follows: 49,0% by TG Nordic Invest Aps, 39,5% by AF III TopCo AS, 7,5% by Maaseide TopCo AS and 4,0% by other shareholders. The company was incorporated on 13 February 2014.

HFN Group (parent) and subsidiaries represented the leading training enterprise in the Nordic region with 253 wholly owned fitness clubs until 23 March 2020 when SATS ASA and subsidiaries were deconsolidated from HFN Group due to demerger and loss of control.

The consolidated financial statements were approved by the Board of Directors on 17 June 2021.

NOTE 2 Basis of preparation

Financial reporting framework and basis of preparation

HFN Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Union (EU). There are no material differences between IFRS as issued by the IASB and as endorsed by the EU for the consolidated financial statements of the Group.

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value
- Right-of-use assets – initially measured based on the corresponding lease liability
- Lease liabilities – initially measured at net present value of future lease payments

The functional currency of the parent company is Norwegian Kroner (NOK), and this is also the presentation currency of both the parent company and the Group. All amounts are rounded to the nearest NOK million, unless stated otherwise.

Significant accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 32 Critical estimates.

NOTE 3 Principles of consolidation and significant accounting policies

Subsidiaries

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

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in NOK which is HFN Group's functional and presentation currency.



Transactions and balances

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

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

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

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income

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

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

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary

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

The excess of the

- consideration transferred;
 - amount of any non-controlling interest in the acquired entity; and
 - acquisition-date fair value of any previous equity interest in the acquired entity
- over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

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

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

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

Revenue recognition

Please find a description of the nature of external revenues in Note 5 Revenue, contract assets and advance payments from customers.

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

The nature of SATS revenue recognition is categorized as follows:

- Revenue related to sales of fitness center membership is recognized over the subscription period, analogous with the previous financial statement treatment in accordance with IAS 18
- Revenue related to membership joining fees is recognized at contract inception
- Revenue from the sale of products in stores is recognized when the entity sells a product to the customer
- Revenue from personal trainer sessions is recognized when the session has been delivered to the customer



Right-of-use assets

The Group recognizes a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, adjusted for initial direct costs and lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by any impairment charges and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The Group recognizes a lease liability at the lease commencement date. The lease liability is measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. SATS utilizes the incremental borrowing rate as the discount rate for virtually all lease agreements. The Group has elected to separate lease and non-lease components included in lease payments for property leases. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate; initially measured using the index or rate as at the commencement date;
- (if any) amounts expected to be payable under a residual value guarantee;
- (if any) lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

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

Impairment of assets

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

Cash and cash equivalents

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

Other financial assets

All financial assets, excluding derivatives, meet the SPPI (solely payments of principal and interest) criteria and are managed in a business model of Hold to Collect. These financial assets are in the measurement category amortized cost. The Group measures its trade receivables and cash and cash equivalents at amortized cost. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognized in the income statement. Financial assets are classified as current assets, except for those where management has the intention to hold the investment for over 12 month or financial assets with maturities later than 12 months after the balance sheet date. These assets are classified as non-current assets.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

While cash and cash equivalents also are subject to the impairment requirements, the expected credit losses are immaterial. For trade receivables and contract assets, the Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables and contract assets.

Statement of cash flows

The cash flow statement is prepared using the indirect method.

Interest paid on trade payables and interest received on trade receivables are presented as operating cash flows. Interest paid on borrowings is classified as financial cash flows.

Cash flows are only classified as investing activities if they result in the recognition of an asset in the balance sheet.

Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities, whereas cash payments for short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented as cash flows from operating activities.

Cost of goods

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



NOTE 4 Segment information

General

The Group's business was before demerger 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. After demerger on 23 March 2020, the HFN Group has no operational business activities.

The Group's chief operating decision maker was the Nordic Management Group, consisting of the CEO, Group functions (CFO, Director of Consumer, Insights & Technology, Director of Marketing, Communication and Member Care, Director of Product and Retail and HR Director), and the country managers. The Nordic Management Group was responsible for allocating resources and assessing the performance of the segments.

The Group's performance was 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 used EBITDA¹⁾, EBITDA before impact of 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.

Revenue recognition

The revenue recognition criteria in the segment information note are based on the Group's accounting principles and are in accordance with IFRS 15. Please see Note 5 Revenue, contract assets and advanced payments from customers for further information.

Operating segment information

HFN Group	NORWAY	SWEDEN	FINLAND	DENMARK	GROUP FUNCTIONS AND OTHER	TOTAL
<i>(Amounts in NOK million)</i>						
FINANCIAL YEAR 2020						
Revenue						
Membership revenue	338	264	67	105	0	774
Other revenues ³⁾	95	73	18	29	0	215
Gain on demerger	0	0	0	0	369	369
Revenue and other income	433	337	85	134	369	1 359

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

EBITDA before impact of IFRS 16¹⁾	33	29	-8	-29	375	401
Impact of IFRS 16	102	78	27	43	0	249
EBITDA¹⁾	135	107	19	14	375	650
Depreciation and amortization	-96	-78	-26	-48	-15	-263
Operating profit	38	29	-8	-33	360	386
Net financial items ²⁾	-27	-36	-11	-8	-1	-83
Income tax expense	-2	1	4	-61	-4	-63
Profit/loss for the year	9	-6	-14	-103	355	241

FINANCIAL YEAR 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

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

Underlying EBITDA before impact of IFRS 16²⁾	319	256	22	-81	25	641
Impact of IFRS 16	397	274	95	167	0	933
EBITDA¹⁾	717	530	117	86	25	1 474
Depreciation and amortization	-379	-273	-92	-184	-44	-972
Operating profit	337	257	25	-98	-19	501
Net financial items ²⁾	-89	-51	-22	-35	-166	-364
Income tax expense	-37	-4	19	1	-38	-60
Profit/loss for the year	212	201	21	-133	-224	77

On 1 January 2019, SATS acquired 100% of the shares in the Danish fitness center chain fitness dk. The operating results and assets and liabilities of the acquired segment are consolidated from 1 January 2019.

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.

³⁾ Other revenues from Group functions and other are gain on net assets distributed. For further information see Note 30 Demerger - non cash dividends.



Financial statement per segment

Segments' assets and liabilities are measured in the same way as in the financial statements. The assets are allocated based on the operations of the segment and the physical location of the asset. The Group's borrowings and derivative financial instruments are not considered to be segment liabilities but are managed by the treasury function.

HFN Group	NORWAY	SWEDEN	FINLAND	DENMARK	GROUP FUNCTIONS AND OTHER	TOTAL
<i>(Amounts in NOK million)</i>						
FINANCIAL YEAR 2020						
Total non-current financial assets	0	0	0	0	219	219
Current assets	0	0	0	0	41	41
Total assets	0	0	0	0	260	260
Investments	16	36	8	6	16	81
FINANCIAL YEAR 2019						
Total non-current intangible assets	1 605	194	564	30	72	2 464
Non-current tangible assets ¹⁾	2 086	1 346	487	732	0	4 651
Total non-current financial assets	0	1	2	39	27	69
Deferred tax asset	65	45	28	54	0	192
Current assets	604	702	102	-85	-640	684
Total assets	4 360	2 288	1 183	770	-541	8 060
Total liabilities	2 462	1 669	614	727	1 297	6 769
Investments	67	65	17	59	56	265

On 1 January 2019, SATS acquired 100% of the shares in the Danish fitness center chain fitness dk. The operating results and assets and liabilities of the acquired segment are consolidated from 1 January 2019.

¹⁾ Non-current tangible assets consist mainly of right-of-use assets, capitalized improvements on the leased fitness center facilities and fitness equipment, and excludes financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.



NOTE 5 Revenue, contract assets and advance payments from customers

Disaggregation of revenue

In accordance with IFRS 15, management analyses the revenue contracts with customers and disaggregates the revenue into the following product categories, which depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

- Membership fees, consisting of subscription and joining fees
- Other revenue, mainly consisting of personal training (PT) and product sales

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

Revenue recognition - Membership fees

Membership subscription fees

The main product from SATS is fitness center memberships, where customers get access to one or more of the Group's fitness center facilities. Most SATS memberships entail access at all opening hours, giving the customer access to utilize the facilities at their own discretion, and should be defined as a service arrangement. The subscription members simultaneously receive and consume the fitness center services provided by SATS, and SATS therefore satisfies its performance obligation to its customers over time. Consequently, membership subscription revenue is also recognized over time.

The customers enter into a contract with SATS when signing up for a subscription, through the website registration page, at a fitness center, or through customer service center or sales representatives. The customer chooses the preferred subscription arrangement, where the terms, adjusted for any given rebates, are the same for all customers. The normal binding subscription period is 12 months where neither SATS nor the customer can terminate the subscription.

Revenue related to sales of fitness center membership is recognized over the subscription period.

Discounts with binding agreements

For some sales campaigns, customers can receive free months if they agree to a corresponding addition to the binding subscription period. The transaction price will be calculated based on the monthly subscription fee multiplied by the commitment period, i.e. twelve months of monthly fee payments over a thirteen-month subscription period.

Joining fees

When a customer signs up for a fitness center membership, a joining fee will be charged to the overall subscription amount. For this fee, the new members receive a membership registration, an automatic payment arrangement, and one free PT introduction session. The introduction session has commercial value to the customer, and normally the customer utilizes the PT introduction session the first month after the contract inception date.

As the customer has accepted the subscription arrangement when entering into a membership agreement, regardless of whether the new member chooses to utilize the free PT introduction session, management has made the assessment that the performance obligation related to the joining arrangement has been satisfied at the membership inception date, and the joining fee is consequently recognized as revenue at the subscription contract date. All other revenue related to membership subscriptions is recognized over the membership period.

Revenue recognition - Other

PT sessions

PT sessions, where customers receive advice, inspiration and guidance from a certified fitness instructor, are offered as an additional service to SATS membership subscribers. PT sessions can be purchased individually or as prepaid access cards containing a given number of sessions. The price of a PT session is determined by the experience level of the instructor, the number of participants at each session and the number of prepaid sessions included in the access cards. Since the customer simultaneously receives and consumes the benefits provided by the PTs as the sessions unfold, the performance obligation is satisfied when the session is delivered. Revenue related to PT sessions is thus recognized at the point in time when the session is carried out.

Product sales

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

Sales are recognized when control of the products has transferred, which is the point in time when the products are delivered to the customer. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in-store. The Group has a limited return policy for the customers, which does not materially affect the revenue recognition from the sale of goods.

Disaggregation of revenue from contracts with customers

	Membership revenue	Other revenue	2020
<i>(Amounts in NOK million)</i>			
Norway	338	95	433
Sweden	264	73	337
Finland	67	18	85
Denmark	105	29	134
Group functions and other	0	0	0
Revenue from contracts with customers	774	215	990

Point-of-time revenue recognition

Other revenue		215
Membership revenue ¹⁾		14
Total point-of-time revenue recognition		230

Period-of-time revenue recognition

Membership revenue		760
Total period-of-time revenue recognition		760

	Membership revenue	Other revenue	2019
<i>(Amounts in NOK million)</i>			
Norway	1 439	392	1 831
Sweden	1 026	282	1 308
Finland	282	61	343
Denmark	423	81	504
Revenue from contracts with customers	3 171	816	3 987

Point-of-time revenue recognition

Other revenue		816
Membership revenue ¹⁾		57
Total point-of-time revenue recognition		874

Period-of-time revenue recognition

Membership revenue		3 113
Total period-of-time revenue recognition		3 113

¹⁾ Consists of joining fee and invoicing fee



Contract assets and contract liabilities

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

Practical expedient

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

Contract assets

Contract assets are recognized whenever a performance obligation is satisfied before consideration is received and relates mainly to PT subscription arrangements where the customer can pay the consideration over an extended credit period. Access to 25 PT sessions is normally paid over six months, whereas access to 50 PT sessions is normally paid over twelve months. Contract assets are assessed for impairment in accordance with IFRS 9. As of 31 December 2020, contract assets have been reviewed for impairment, with no material impaired charge recognized.

Contract liabilities (Advance payments from customers)

Advance payments from customers are recognized if SATS receives consideration or if it has the unconditional right to receive consideration in advance of performance. A large portion of the Group's customers pay the monthly membership subscription fee in advance, and these prepayments are recognized as non-financial debt and will be settled in the Group's services. Non-redeemed gift cards relate to prepayments from customers related to the use of PT training sessions. Non-redeemed gift cards are recognized as revenue at the card's expiry date, normally after one year.

At the balance sheet date of 31 December 2020, the HFN Group does not have contract liabilities due to the deconsolidation of the SATS Group. The following table shows the revenue recognized in 2020 that relates to advance payments from customers.

Revenue recognized from contract liabilities

2020

(Amounts in NOK million)

Revenue recognized in this period that was included in the contract liability balance at the beginning of the period

Membership subscriptions	77
PT sessions	45

Compensation packages related to COVID-19

The revenue in 2020 is negatively affected by the closure of clubs 12 March 2020. All clubs in the HFN Group were closed on 23 March 2020 when the SATS Group was demerged from the HFN Group. The company decided to open the clubs in Sweden on 26 March and in Finland on 24 April 2020. Denmark and Norway remained closed until mid-June 2020.

The revenue loss is mainly related to lower membership fees, due to both frozen memberships at the closed clubs and higher freeze rates at the open clubs, but also due to paused personal training and retail sales. The revenue loss is partly compensated for by governmental compensation packages, in addition to reduced personnel costs due to temporary layoffs of personnel at closed clubs. The compensations for the period before deconsolidation in 2020 summed up to NOK 8 million and are reflected as other revenues. The NOK 8 million is compensation for fixed costs from the Danish government. The compensation from the Norwegian governments was not recognized in the period before deconsolidating the SATS Group.



NOTE 6 Personnel expenses

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service, are recognized in respect of employees' services up to the end of the reporting period. The liabilities are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations

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

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

Personnel expenses	2020	2019
<i>(Amounts in NOK million)</i>		
Salary expenses including bonuses, holiday pay and other costs	-339	-1 268
Social security contributions	-39	-143
Pension costs	-15	-53
Total personnel expenses	-393	-1 464

Full-time equivalents¹⁾	2020	2019
Norway	199	1 059
Sweden	152	670
Finland	56	251
Denmark	48	223
Total	454	2 203

¹⁾ HFN Group AS and SATS Management AS have no employees, the numbers presented in the table are from the SATS Group until demerger on 23 March 2020.

Pensions

Short-term obligations

Norway

Norwegian companies are required to have occupational pension schemes according to the law on compulsory occupational pension. The Norwegian companies' pension schemes meet the requirements of this act. The pension plans cover all employees and are reported as defined contribution under IFRS.

Sweden

Swedish companies are not required to provide occupational pension plans by Swedish law. However, employers covered by a Swedish collective bargaining agreement (CBA) are required to provide an occupational pension plan in accordance with the CBA. The Swedish legal entities' pension plans satisfy the requirements stipulated in the Swedish CBA. The pension plans cover all employees and are reported as defined contribution under IFRS.

Finland

Finnish companies are required to have occupational pension arrangements according to the laws and rules that apply to Finland. The Finnish companies' pension plans meet the requirements according to Finnish laws and regulations. The pension plans cover all employees and are reported as defined contribution under IFRS.

Denmark

Danish companies are not required to provide occupational pension plans by Danish law. Employees are thus not entitled to occupational pension schemes unless (a) the employment is covered by a collective agreement containing stipulations regarding pension or (b) it is explicitly agreed in the employment contract. The Danish companies' pension plans meet the requirements according to these regulations. The pension plans are reported as defined contribution under IFRS.

As of 31 December 2020, the HFN Group has no obligations (NOK 11 million as of 31 December 2019). As of 31 December 2020 and 31 December 2019, the scheme covered 0 (4 213) employees.

The HFN Group recognized an expense of NOK 15 million in 2020 (NOK 53 million in 2019) related to defined contribution plans.



Remuneration to executive personnel

The Board of Directors in SATS ASA has established a remuneration committee consisting of two board members, Eivind Roald (chairperson) and Siren Sundby. The remuneration committee is a sub-committee of the Board of Directors, and its objective is to act as a preparatory and advisory body in relation to the company's remuneration of the Executive Management and to ensure thorough and independent preparation of matters in relation to compensation of Executive Management.

Guidelines for salary and other remuneration

General

The Board of Directors in SATS ASA has established guidelines for the remuneration to the members of the Executive Management. It is the company's policy to offer the Executive Management competitive remuneration based on current market standards, company performance and individual performance. The remuneration consists of a basic salary element combined with a performance-based bonus program as described under "Bonus scheme" below.

The Executive Management participates in the Group's insurance schemes and in the Group's defined contribution pension schemes in accordance with mandatory law in the relevant countries. Further, the Executive Management is entitled to certain fringe benefits such as free newspaper, car and phone.

The CEO and other Norwegian individuals who are part of the Executive Management are entitled to an additional annual pension contribution of up to 15% of their annual base salary, payable either as an insurance/pension scheme contribution or in cash, at their discretion pursuant to separate agreements.

The CEO and the Country Manager Finland are entitled to severance pay equal to twelve and six months' base salary, respectively, if their employment agreement is terminated by the employer, being SATS ASA and SATS Finland Oy, respectively. Other than this, the Group has not entered into any agreements with members of the Executive Management regarding severance pay upon termination of employment.

Bonus scheme

The SATS Group has established a bonus scheme for its employees, including the Executive Management, which is 80% based on the Group's results before interests and taxes (EBIT) exceeding the budget and 20% based on certain individual KPIs agreed for each role. Under the bonus scheme, each member of the Executive Management may be awarded an annual bonus of up to 50% of his/her annual gross base salary, however such that the Group will honor existing bonus agreements with members of the Executive Management to the extent such agreements deviate from the aforementioned bonus threshold. This is currently only the case for the Group's CEO, who may be granted a bonus of up to 75% of his annual gross base salary. The annual bonus for Executive Management will be determined by the Board of Directors each year.

It is the Group's general policy that the Group shall not enter into individual bonus agreements with members of the Executive Management, but certain exemptions can be made, cf. the one-time transactions bonus for the CEO in connection with the Company's IPO in 2019 and the individual bonus agreement with the CEO.

Remuneration to executive personnel in 2020

Other Group Executive Management includes Country Managers, CFO, HR Director, Director of Consumer, Insights & Technology, Director of Marketing, Communication and Member Care and Director of Product and Retail. The reported bonus in 2020 reflects bonus earned in 2019 and paid in 2020, prior to the COVID-19 outbreak. The management group accepted a temporary salary cut of 20% during the period of COVID-19 related club closures in Q1 and Q2 2020. No bonus under the established bonus scheme is earned during 2020.

The table below includes remuneration to executive personnel from 1 January 2020 to 23 March 2020. On 23 March the SATS Group was demerged from the HFN Group.

Remuneration to executive personnel (Amounts in NOK thousand)	Salary	Bonus	Pension	Other benefits	Total
Financial year 2020					
Group CEO	1 486	680	234	52	2 452
Other members of Group Executive Management (9 members) ¹⁾	4 037	838	516	191	5 583
Total	5 524	1 517	750	244	8 035
Financial year 2019					
Group CEO	4 410	8 180 ²⁾	1 006	202	13 798
Other members of Group Executive Management (6 members)	8 910	2 493	966	524	12 892
Total	13 319	10 673	1 972	726	26 690

¹⁾ Includes severance pay.

²⁾ The CEO had a performance-based bonus related to the initial public offering of SATS ASA in October 2019. Consequently, the bonus presented is not representative for the bonus level of the CEO the following financial year.

The Group Executive Management in SATS owns 36 858 A-shares, 458 283 C-shares and 292 759 D-shares in SATS Management Invest AS.

Board of Directors' compensation

For compensation to the Board of Directors', please see note 25 Related parties.



NOTE 7 Other operating expenses

Other operating expenses	2020	2019
<i>(Amounts in NOK million)</i>		
Property expenses ¹⁾	-135	-517
Marketing expenses	-51	-129
IT expenses	-28	-103
Other operating expenses	-58	-186
Total other operating expenses	-272	-935

¹⁾ Property expenses consist of electricity, water, janitorial expenses, maintenance and short-term lease expenses for which the underlying asset is of low value and hence IFRS 16 is not applied. The Group does not have variable lease payments.

Please see Note 16 Accounts receivable and other current receivables for further information about receivables and Note 22 Financial risk factors for further information about the Group's risk management procedures.

Auditor's remuneration	2020	2019
<i>(Amounts in NOK thousand)</i>		
Expensed auditor fees:		
Statutory audit (including technical assistance - annual accounts)	-1 430	-2 812
Other attestation and assurance services	-203	-7 404
Total auditor's remuneration	-1 633	-10 216

NOTE 8 Realized net gain/loss

Net gain/loss	2020	2019
<i>(Amounts in NOK million)</i>		
Net gain/loss on disposal of property, plant and equipment	0	-1
Net foreign exchange gains/losses	2	-11
Total Net gain/loss	2	-12

NOTE 9 Financial income and financial expenses

Financial income	2020	2019
<i>(Amounts in NOK million)</i>		
Foreign exchange gains unrealized	57	0
Foreign exchange gains realized	4	0
Net gain derivatives unrealized	1	7
Other finance income	-23	30
Total financial income	38	37

Financial expenses	2020	2019
<i>(Amounts in NOK million)</i>		
Foreign exchange losses unrealized	0	-6
Foreign exchange losses realized	0	-9
Net loss derivatives unrealized	-51	-4
Other finance expenses	-7	-127
Total financial expenses	-58	-146



NOTE 10 Tax

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Tax expense/income	2020	2019
<i>(Amounts in NOK million)</i>		
Tax payable	0	-48
Change in deferred tax as result of changed tax rates	0	2
Tax Group contribution	0	-4
Change in deferred tax	-63	-10
Total tax income/expense	-63	-60

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

Deferred tax	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>		
Intangible assets	0	26
Gain and loss account	0	11
Financial instruments	0	1
Untaxed reserves	0	35
Other items	0	3
Total deferred tax relating to temporary differences	0	77
Carrying amount deferred tax liabilities	0	77

Deferred tax assets	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>		
Fixed assets	0	-36
Leasing	0	-82
Receivables	0	-20
Losses carried forward	0	-52
Other items	0	-3
Total deferred tax assets relating to temporary differences	0	-192
Carrying amount deferred tax assets	0	-192

Explanation of the change in the deferred tax:	2020	2019
<i>(Amounts in NOK million)</i>		
Carrying amount deferred tax at 1 January	77	83
Change in deferred tax liabilities	-77	-7
Carrying amount deferred tax at 31 December	0	77

Explanation of the change in the deferred tax assets:	2020	2019
<i>(Amounts in NOK million)</i>		
Carrying amount deferred tax assets at 1 January	-192	-149
Change in deferred tax assets	192	-43
Carrying amount deferred tax assets at 31 December	0	-192



Losses carried forward as at 31 December	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>		
Tax jurisdiction:		
Norway (unlimited expiration)	21	18
Finland	0	129
Denmark (unlimited expiration)	0	213
Sweden (unlimited expiration)	0	89
Total losses carried forward	21	450

Significant estimates and assumptions

On 1 January 2019 SATS acquired 100% of the shares in the Danish fitness center chain Fitness DK A/S. As part of the acquisition process, Group management performed an assessment as to the eligibility of previous tax losses and other tax reducing temporary differences being recognized as a deferred tax asset, NOK 54 million as at 31 December 2019. However, after the severe effects from COVID-19, it was management's judgement that it is no longer probable that future taxable profits will be available against the unused tax losses within a reasonable time frame. Hence, to be prudent, the deferred tax asset in Denmark was written down in 2020 before the demerger of the SATS Group, resulting in an income tax expense of NOK 61 million in the Danish segment. Due to a strengthening of DKK against NOK, the deferred tax asset increased from NOK 54 million as at 31 December 2019, resulting in the higher income tax expense of NOK 61 million.

The Group has in total a net deferred tax asset of NOK 21 million not recognized in the balance sheet as at 31 December 2020, consisting of losses carried forward.

Reconciliation of tax expense	2020	2019
<i>(Amounts in NOK million)</i>		
Profit before tax		
Norway	365	114
Sweden	-2	145
Finland	-18	3
Denmark	-41	-124
Corporate tax rates		
Norway, 22%	-80	-25
Sweden, 21.4%	0	-31
Finland, 20%	4	-1
Denmark, 22%	9	27
Reconciling items:		
Non-deductible expenses	0	-31
Tax exempt income	81	6
Unused tax losses not recognized as deferred tax assets	-18	-29
Deferred tax assets not recognized previous years	0	19
Changes in Swedish nominal tax rate	0	2
Foreign currency effects	0	1
Group adjustments without tax effects	2	0
Write down of deferred tax assets (Denmark)	-62	0
Others	1	1
Calculated tax expense/income	-63	-60
Weighted average tax rate	20.7%	43.7%



NOTE 11 Intangible assets

Goodwill

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

The Group tests goodwill annually at year-end for impairment. The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis (DCF). Based on the value-in-use calculation, the estimated recoverable amount exceeds the carrying amount with significant headroom for most CGUs.

Software

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

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

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

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

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. Capitalized costs for internally developed software are amortized over the estimated period of usage, three years. Amortization is presented in the line 'Depreciation and amortization'.

Goodwill	Norway	Sweden	Finland	Denmark	Total goodwill
<i>(Amounts in NOK million)</i>					
At 1 January 2019					
Cost	1 762	181	579	0	2 522
Accumulated impairment	-199	0	-10	0	-209
Net book value	1 563	181	569	0	2 313
Year ended 31 December 2019					
Opening net book value	1 563	181	569	0	2 313
Effect of changes in foreign exchange cost	0	-4	-5	0	-9
Additions	35	12	0	0	47
Closing net book value	1 599	188	564	0	2 351
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
Year ended 31 December 2020					
Opening net book value	1 599	188	564	0	2 351
Effect of changes in foreign exchange cost	0	20	94	0	114
Additions	0	11	0	0	11
Demerger of SATS Group	-1 599	-219	-658	0	-2 476
Closing net book value	0	0	0	0	0
At 31 December 2020					
Cost	1 798	219	668	0	2 685
Accumulated impairment	-1 798	-219	-668	0	-2 685
Net book value	0	0	0	0	0
Useful life	Indefinite	Indefinite	Indefinite	Indefinite	
Amortization method	Not amortized	Not amortized	Not amortized	Not amortized	



Other intangible assets	Customer list	Trademark	Internally developed software ¹	Other	Total other intangible assets
<i>(Amounts in NOK million)</i>					
At 1 January 2019					
Cost	0	265	220	4	488
Accumulated amortization and impairment	0	-265	-161	-3	-429
Net book value	0	0	58	0	58
Year ended 31 December 2019					
Opening net book value	0	0	58	0	58
Effect of changes in foreign exchange cost	0	0	-5	0	-5
Effect of changes in foreign exchange accumulated depreciation	0	0	4	0	4
Acquisitions	50	0	0	0	50
Additions	0	2	56	0	58
Amortization charge	-8	0	-43	0	-52
Closing net book value	42	2	70	0	113
At 31 December 2019					
Cost	50	267	271	4	591
Accumulated amortization and impairment	-8	-265	-201	-4	-478
Net book value	42	2	70	0	113
Year ended 31 December 2020					
Opening net book value	42	2	70	0	113
Effect of changes in foreign exchange cost	-1	0	29	0	27
Effect of changes in foreign exchange accumulated depreciation	0	0	-21	0	-21
Acquisitions	5	0	0	0	5
Additions	0	0	16	0	16
Amortization charge	-2	0	-15	0	-17
Demerger of SATS Group	-43	-2	-78	0	-123
Closing net book value	0	0	0	0	0
At 31 December 2020					
Cost	53	267	316	4	640
Accumulated amortization and impairment	-53	-267	-315	-4	-640
Net book value	0	0	0	0	0
Useful life	3 - 7 years	10 years	3 years	1 - 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	

¹ Software consists of capitalized development expenditure being an internally generated intangible asset.

Impairment test

The fitness clubs in Norway, Sweden, Finland and Denmark (the segments) are considered to be the four cash generating units (CGU) against which goodwill and trademark are tested. The members can move freely between the fitness clubs within each country. Allowing the members to exercise where they live, work etc. is an important part of the Group's customer offering. The Nordic Management Group also monitors the Group's performance at segment level. Norway, Sweden, Finland and Denmark are therefore deemed the smallest groups of assets that independently generate cash flow and whose cash flow is largely independent of the cash flows generated by other assets. The recoverable amount from the CGU is calculated by taking the historical cash flows for CGUs, taking into account expectations for moderate growth in the Norwegian, Swedish, Finnish and Danish markets.

Intangible assets from the SATS Group were demerged from the HFN Group in March 2020. Net book value as at the balance sheet date of 31 December 2020 is hence equal zero for intangible assets. Sensitivity analysis are carried out for the SATS ASA Group and described in the SATS ASA Annual Accounts, which are to be found on www.satsgroup.com.



NOTE 12 Leases

The Group's leasing activities

The SATS Group leases fitness center premises, office buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of six months to 15 years but may have extension options as described below. The Group's lease contracts may contain both lease and non-lease components, and SATS allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. However, for leases of certain premises, the Group grants the lessors guarantee contracts on behalf of its subsidiaries. These financial guarantee contracts amounted to NOK 0 million as of 31 December 2020 (NOK 218 million as of 31 December 2019) due to the demerger of the SATS Group in March 2020. The guarantees are provided by SATS Holding AB which is included in the SATS Group and the company is hence demerged from the HFN Group in March 2020.

Several of the lease agreements for the fitness centers include leasehold improvement provided by the lessor as a lease incentive. The assets obtained by the Group are recognized as furniture and fittings at fair value and depreciated over the shorter of their useful life or the lease term. The lease incentive is presented as part of the lease liabilities and reversed on a straight-line basis over the lease term.

Rent is annually adjusted for virtually all premises' lease contracts in accordance with the relevant CPI index.

Key accounting principles

Leases are recognized as a lease liability with a corresponding right-of-use asset at the date at which the leased asset is available for use by the Group. Lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value are not capitalized since the payments are recognized in the income statement on a straight-line basis over the lease contract period.

SATS presents the right-of-use assets and lease liabilities as separate line-items on the statement of financial position. Lease liabilities are split into current, due within one year, and non-current, due after more than one year. In the statement of profit or loss, the depreciation and impairment expenses related to the right-of-use asset are presented as part of the total depreciation and impairment expenses. The interest expenses related to the lease liabilities are presented as part of the interest expense.

Lease liabilities

Lease liabilities are recognized at the lease commencement date and are measured at the present value of future lease payments from contractual agreements as at the reporting date.

The Group has elected to separate lease and non-lease components included in lease payments for property leases. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (if any) amounts expected to be payable under a residual value guarantee
- (if any) lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Upon modification of a lease, the remeasurement of the lease liability is performed using the applicable discount rate at the date of the remeasurement.

Extension and termination options

Most Norwegian and Finnish lease contracts contain renewal options. In Sweden, the fitness center leasing contracts are automatically renewed if not explicitly agreed otherwise. Danish legislation will under normal circumstances grant the lessor a unilateral right to extend the lease term.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of center premises the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations, center profitability and the costs and business disruption required to replace the leased asset.

Most extension options in premises leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

Incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, which is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group's long-term borrowing interest rate is the applicable IBOR plus a margin dependent on the leverage ratio of the Group. If SATS Group were to acquire the right-of-use assets on similar terms and in a similar economic environment, management expects that the borrowing terms would be comparable to the terms from the current financing agreement with the Group's lenders, adjusted for certain items specific to the lease, such as term, country, currency, security, etc.



Lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options, or periods after termination options, are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of center premises, the following factors are normally the most relevant:

- If there are significant penalties to terminate or not extend, the Group is typically reasonably certain to extend.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased premises.

Most extension options have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

Right-of-use assets

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, adjusted for lease payments made at or before the commencement date, any lease incentives received, initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In 2020, there were no indications of impairment, hence no impairment test has been undertaken for right-of-use assets, and no impairment charge to right-of-use assets was recognized as at the reporting date.

RoU assets	Premise rental	Other leases	Total RoU assets
<i>(Amounts in NOK million)</i>			
At 1 January 2019			
Cost	6 758	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
Year ended 31 December 2020			
At 1 January 2020	3 862	51	3 912
Additions/disposals	181	0	181
Effect of changes in foreign exchange cost	343	11	354
Depreciation charge	-198	-6	-202
Effect of changes in foreign exchange accumulated depreciation	-67	-4	-71
Demerger of SATS Group	-4 122	-52	-4 174
Closing net book value	0	0	0
At 31 December 2020			
Cost	8 675	97	8 773
Accumulated depreciation	-8 676	-98	-8 773
Net book value	0	0	0
Useful life	1 - 15 years	1 - 5 years	
Depreciation method	Straight-line	Straight-line	



NOTE 13 Property, plant and equipment

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

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

Property, plant and equipment	Capitalized leasehold improvements ¹⁾	Fitness equipment	Other fixtures and equipment	Total fixed assets
<i>(Amounts in NOK million)</i>				
At 1 January 2019				
Cost	942	693	390	2 025
Accumulated depreciation and impairment	-576	-510	-341	-1 427
Net book value	366	184	49	598
Year ended 31 December 2019				
Opening net book value	366	184	49	598
Effect of changes in foreign exchange cost	-8	-7	-3	-18
Effect of changes in foreign exchange accumulated depreciation	4	4	3	11
Acquisition of subsidiary	293	53	19	365
Additions	111	63	35	209
Disposals cost	-16	-34	-3	-52
Disposals accumulated depreciation	9	32	3	44
Accumulated depreciation acquisition of subsidiary	-195	-49	-15	-260
Depreciation charge	-85	-49	-25	-159
Closing net book value	480	197	62	739
At 31 December 2019				
Cost	1 323	768	438	2 529
Accumulated depreciation and impairment	-843	-572	-376	-1 791
Net book value	480	197	62	739
Year ended 31 December 2020				
Opening net book value	480	197	62	739
Effect of changes in foreign exchange cost	126	52	27	205
Effect of changes in foreign exchange accumulated depreciation	-83	-37	-23	-142
Acquisition of subsidiary	2	1	1	4
Additions	35	21	9	65
Disposals cost	0	-6	0	-6
Disposals accumulated depreciation	0	5	0	5
Accumulated depreciation acquisition of subsidiary	-2	-1	-1	-3
Depreciation charge	-23	-14	-7	-44
Demerger of SATS Group	-536	-219	-69	-824
Closing net book value	0	0	0	0
At 31 December 2020				
Cost	1 486	837	475	2 798
Accumulated depreciation and impairment	-1 486	-837	-475	-2 798
Net book value	0	0	0	0
Pledged as security for liabilities				
Useful life	10 years ¹⁾	5 - 9 years	3 - 7 years	
Depreciation method	Straight-line	Straight-line	Straight-line	

¹⁾ Leasehold improvements relate to refurbishments of leased premises. These lease contracts have a contract period of ten years or beyond. The depreciation period is estimated to correspond with the expected economic useful life of the improvement. Expected useful life is adjusted if the contract period is altered before initial expiration date.



NOTE 14 Interest in other entities

The consolidated financial statements include the following companies for the period 1 January 2020 to 23 March 2020:

<u>Subsidiaries</u>	<u>Organization number</u>	<u>Business office</u>	<u>Country</u>	<u>Voting percentage</u>	<u>Ownership percentage</u>
SATS Management Invest AS	914-837-707	Oslo	Norway	100 %	20.4%
SATS ASA	996-739-848	Oslo	Norway	61.8%	61.8%
SATS Holding AB	556628-6562	Stockholm	Sweden	100 %	100 %
SATS Sports Club Sweden AB	556563-2527	Stockholm	Sweden	100 %	100 %
SATS Finland Oy	0459885-5	Helsinki	Finland	100 %	100 %
Fresh Fitness AS	995-415-569	Oslo	Norway	100 %	100 %
SATS Norway AS	892-625-522	Oslo	Norway	100 %	100 %
SATS Vest AS	948-942-003	Oslo	Norway	100 %	100 %
SATS Grenland AS	998-050-154	Porsgrunn	Norway	100 %	100 %
Run Holding AS	920-340-210	Oslo	Norway	100 %	100 %
SATS Danmark A/S	20-37-05-99	Copenhagen	Denmark	100 %	100 %

100% of the shares in Body Joy Monica & Monica AB were acquired by SATS Sports Club Sweden AB on 1 February 2020 and the subsidiary was merged into SATS Sports Club Sweden the same year.

HFN Group AS was demerged into four on 1 January 2020, see Note 30 Demerger - non cash dividend, for further disclosure.

After deconsolidation of the SATS Group on 23 March 2020 the HFN Group consists of the two shareholding entities HFN Group AS and SATS Management Invest AS.

Overview as at balance sheet date of 31 December 2020:

<u>Subsidiaries</u>	<u>Organization number</u>	<u>Business office</u>	<u>Country</u>	<u>Voting percentage</u>	<u>Ownership percentage</u>
SATS Management Invest AS	914-837-707	Oslo	Norway	100 %	21.96 %



NOTE 15 Inventories

Inventories

Inventories consist mainly of clothing, sports equipment, energy bars and soft drinks. Inventories are measured at the lower of cost and net realizable value, using the first-in first-out (FIFO) method. The Group's inventories only consist of finished goods for sale to customers. The cost of inventories consist of direct costs related to the acquisition of the goods. Net realizable value is the estimated sales price less relevant variable costs to sell. Costs of purchased inventory are determined after deducting rebates and discounts.

	2020	2019
<i>(Amounts in NOK thousand)</i>		
Inventories at cost	-90	40 947
Impairment	-65	-155
Impairment reversal	155	154
Demerger of SATS Group	-47 901	0
Total inventories	-47 901	40 946

NOTE 16 Accounts receivable and other current receivables

Accounts receivable

Accounts receivables are measured at amortized cost using the effective interest method, less provision for impairment. Please see Note 22 Financial risk factors for a description of the Group's credit risk assessment.

Impairment of accounts receivable and contract assets (financial asset at amortized cost)

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

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

SATS uses an impairment model with the following characteristics:

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

	2020	2019
<i>(Amounts in NOK million)</i>		
Accounts receivable	0	341
Loss allowance	0	-205
Demerger of SATS Group	-325	0
Total	-325	136

Loss allowance at 31 December 2019	-205
Demerger of SATS Group	205
Loss allowance at 31 December 2020	0

	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>		
Credit cards	0	5
VAT receivables	0	11
Prepaid taxes	0	43
Other current receivables	0	11
Total other current receivables	0	70

	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>		
Prepaid rent	0	36
Prepaid property expenses	0	21
Prepaid marketing expenses	0	19
Contract asset	0	74
Other prepaid expenses	0	71
Total prepaid expenses and accrued income	0	222



NOTE 17 Cash and cash equivalents

Cash and cash equivalents

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

	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>		
Cash and cash equivalents	41	215
Of which are restricted cash:		
Restricted bank deposits for employee tax withholdings	0	25

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

Please see Note 22 Financial risk factors for further information about the Group's managing of credit risk.

NOTE 18 Share capital

As at 31 December 2020, share capital amounts to NOK 24.5 million consisting of 2 418 100 ordinary shares at a face value of NOK 10 per share.

Overview of the shareholders as at 31 December 2020

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
TG Nordic Invest ApS	1 184 869	49.0%	49.0%
AF III TopCo AS	956 223	39.5%	39.5%
Maaseide TopCo AS	180 308	7.5%	7.5%
Øvrige aksjonærer	96 700	4.0%	4.0%
Total	2 418 100	100.0%	100.0%

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



NOTE 19 Earnings per share

General

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- the post-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

Basic earnings per share	2020	2019
<i>(Amounts in NOK per share)</i>		
From continuing operations attributable to the ordinary equity	125.13	10.66
Total basic earnings per share attributable to the ordinary equity	125.13	10.66
Total number of outstanding shares, including share options	2 418 100	2 418 100
Diluted earnings per share	2020	2019
<i>(Amounts in NOK per share)</i>		
From continuing operations attributable to the ordinary equity	125.13	10.66
Total diluted earnings per share attributable to the ordinary equity	125.13	10.66
Total number of outstanding shares, including share options	2 418 100	2 418 100
Reconciliation of earnings used in calculating earnings per share	2020	2019
<i>(Amounts in NOK million)</i>		
Basic earnings per share		
Profit/loss attributable to equity holders of the Group	303	26
Profit attributable to the ordinary equity used in calculating basic earnings per share	303	26
Diluted earnings per share		
Profit/loss used in calculating diluted earnings per share	303	26
Profit attributable to the ordinary equity used in calculating diluted earnings per share	303	26



NOTE 20 Borrowings

Borrowings

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Overview of interest-bearing liabilities	31.12.2020	31.12.2019
<i>(Amounts in NOK million)</i>		
Current		
Bank borrowings	0	8
Leases	0	767
Total current interest-bearing liabilities	0	775
Non-current		
Bank borrowings	0	1 293
Leases	0	3 521
Total non-current interest-bearing liabilities	0	4 814
Total interest-bearing liabilities	0	5 589

The fair value of the interest-bearing liabilities is considered to be equal to the book value according to the amortized cost as shown above. All the bank facilities have floating interest rates.

New long-term loan facility agreement

The company had an unsecured revolving credit facility (RCF) agreement, consisting of a multicurrency revolving credit facility with a maximum principal amount of NOK 2 500 million. The RCF was part of the SATS Group which was demerged in March 2020.

Covenants

For covenants, please see Note 28 Financial covenants.



NOTE 21 Reconciliation of net debt

Liabilities arising from financing activities <i>(Amounts in NOK million)</i>	Cash and cash equivalents	Borrowings	Leases	Total
Net debt 1 January 2019	-367	1 847	3 560	5 040
Cash flows				
Net cash flow from operations	-1 339	0	0	-1 339
Net cash flow from investing	398	0	0	398
Net cash flow from financing	1 102	0	0	1 102
Repayments of borrowings	0	-1 894	0	-1 894
Proceeds from borrowings	0	1 495	0	1 495
Proceeds from borrowings from related parties	0	-130	0	-130
Paid borrowing expenses	0	-15	0	-15
Instalments on lease liabilities	0	0	-750	-750
Interest on lease liabilities	0	0	-187	-187
Non-cash changes				
Acquisitions – borrowings	0	15	0	15
Net additions – finance leases	0	0	1 709	1 709
Foreign exchange movement	-8	-18	-44	-70
Net debt 31 December 2019	-215	1 301	4 289	5 374
Cash flows				
Net cash flow from operations	-406	0	0	-406
Net cash flow from investing	94	0	0	94
Net cash flow from financing including demerger of SATS Group	463	0	0	463
Proceeds from borrowings	0	575	0	575
Instalments on lease liabilities	0	0	-200	-200
Interest on lease liabilities	0	0	-49	-49
Non-cash changes				
Net additions – finance leases	0	0	-642	-642
Depreciation bank costs	0	1	0	1
Foreign exchange movement	24	26	319	368
Demerger of SATS Group	0	-1 896	-3 716	-5 612
Other changes	0	-6	0	-6
Net debt 31 December 2020	-41	0	0	-41



NOTE 22 Financial risk factors

Overview

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

Risk management

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

Risk management of the Group was until March 2020 maintained by a central finance function in accordance with the guidelines approved by the Board. The Group's finance function identifies, measures, mitigates and reports on financial risks in close cooperation with the various operating units.

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

Market risk

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

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

Foreign exchange risk

The Group operates internationally and was until March 2020 exposed to changes in foreign exchange rates. For risk management purposes, the Group has identified three types of exchange exposures:

- Net investment;
- Profit after tax in foreign currency; and
- Borrowings in foreign currency

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

The Group's business model is such that the subsidiaries' sales and operating expenses are incurred in local currency, reducing the exposure to foreign exchange rate fluctuations in the profit or loss. The net of those cash flows is meant to be able to cover the borrowings in local currency, reducing the exposure related to borrowings in local currency due to changes in the foreign exchange rates.

Sensitivity analysis

As shown below, the HFN Group was primarily exposed to changes in the SEK/NOK, EUR/NOK and DKK/NOK exchange rates in 2019. On 23 March 2020 the SATS Group was demerged from the HFN Group, and the remaining legal entities exist of two companies of which both are in NOK and the HFN Group is hence no longer exposed to exchange rate risk.

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

Exchange rate - sensitivity analysis (Amounts in NOK million)	2020	2019
SEK/NOK exchange rate - increase 10% ¹⁾	0	32
EUR/NOK exchange rate - increase 10% ¹⁾	0	34
DKK/NOK exchange rate - increase 10% ¹⁾	0	-12
Impact on Profit/loss after tax	0	54

¹⁾ Holding all other variables constant.

Profit after tax was sensitive to changes in the SEK/NOK and EUR/NOK exchange rate in 2019 due to a borrowing facility with other amounts in EUR and SEK than previous years. Increase in negative cash on a NOK bank account within the Group's cashpool in the Swedish holding company, contributed to the same effect. The Danish segment was acquired on 1 January 2019 and was sensitive to changes in DKK/NOK caused by a negative net income after tax of NOK -133 million in 2019. The Group's exposure to other foreign exchange movements was not material in 2019 and 2020.

Interest rate risk

The Group's interest rate risk is mainly related to loans where an element of interest rate is not fixed. See Note 20 Borrowings for an overview of such loans. An increase in floating rates would lead to an increase in interest costs and reduce net income and cash flow. Effects from derivatives used for hedging of interest rate risk are not included in the following analysis.

Interest rate - sensitivity analysis (Amounts in NOK million)	2020	2019
Interest rates - increase 100 basis points ¹⁾	0	-13
Interest rates - decrease 100 basis points ¹⁾	0	13

¹⁾ Holding all other variables constant.

²⁾ Estimated impact given a tax rate of 22.0% (2019: 24.3%)

Profit after tax was more sensitive to changes in the interest rate in 2019 because the demerger of the SATS Group in March 2020.



The interest swaps was part of the SATS Group which was demerged from the HFN Group in March 2020. As of the balance sheet date of 31 December 2020, no interest swaps were included in the HFN Group.

Overview of non-overdue interest rate swaps per 31 December 2019

Interest rate swaps	Notional in currency million	Maturity	Fixed rate	Unrealised gain/loss 31 December
<i>(Amounts in NOK million)</i>				
IRS NOK	713	29.09.2021	1.28	6
IRS EUR	13	29.09.2021	0.09	-1
Fair value of the Group's interest rate swaps as at 31 December 2019 in NOK million				5

Changes in fair value are presented within finance income and finance expense in the income statement. Please see Note 9 Financial income and financial expenses.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. SATS ASA's credit risk refers to the risk of the Group's trade receivables and investment in liquid assets. As the daily business is to a large part based on customer prepayments and direct debit arrangements, the Group's credit risk is considered low.

The Group has a credit management policy to only cooperate with financial institutions with high credit rating.

Liquidity risk

The SATS Group's liquidity risk is characterised by a potential risk of not being able to meet obligations to vendors and loan creditors. The ability to service the debt, and ultimately continue as a going concern, depends on the Group's cash flow from operating activities. The SATS Group regularly monitors the cash flow situation by setting up cash flow forecasts based on the forecasts of the liquidity reserves, including cash equivalents and borrowing facilities. The forecasts are set by the individual subsidiaries and is regularly monitored by the SATS Group.

To be able to maintain a sufficient flexibility in the source of funding, the Group has total available borrowing facilities of NOK 0 million as at 31 December 2020 (NOK 2 500 million as at 31 December 2019). In addition the Group has cash and cash equivalents of NOK 41 million as at 31 December 2020 (NOK 165 million as at 31 December 2019).

Net presentation of financial assets and liabilities as at 31 December 2020

Maturity profile	1-3 months	3-12 months	1-5 years	More than 5 years	Total
<i>(Amounts in NOK million)</i>					
Cash and cash equivalents	41	0	0	0	41
Financial assets	41	0	0	0	41
Net financial liabilities	40	0	0	0	41

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

Net presentation of financial assets and liabilities as at 31 December 2019

Maturity profile	1-3 months	3-12 months	1-5 years	More than 5 years	Total
<i>(Amounts in NOK million)</i>					
Derivatives	0	0	5	0	5
Accounts receivable	202	54	85	0	341
Other current receivables	70	0	0	0	70
Cash and cash equivalents	215	0	0	0	215
Financial assets	487	54	91	0	632
Borrowings	9	27	1 455	4	1 495
Lease liabilities	241	701	2 846	1 147	4 935
Trade payables	122	0	0	0	122
Other current liabilities	323	0	0	0	323
Payment of interest	9	26	132	0	167
Financial liabilities	704	753	4 434	1 150	7 042
Net financial liabilities	-218	-699	-4 343	-1 150	-6 410

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

Capital management

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



NOTE 23 Financial instruments

Derivatives

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

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

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

The Group has the following derivative financial instruments: **31.12.2020** **31.12.2019**
(Amounts in NOK million)

Non-current assets		
Interest rate swap contracts	0	5
Total non-current derivative financial instrument assets	0	5

Fair value estimates

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

Other financial instruments

Financial assets (excluding derivative financial instruments)

All financial assets, excluding derivatives, meet the SPPI criteria, and are managed in a business model of Hold to Collect. Therefore all financial assets, excluding derivatives, are allocated to the category amortized cost.

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

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

Financial liabilities (excluding derivative financial instruments)

The Group's financial liabilities consist of trade and other payables, other financial liabilities (including contingent considerations and lease liabilities) and borrowings. The Group initially recognizes its financial liabilities at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Transaction costs are amortized using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value.



Financial instruments as at 31 December 2020

Assets	Assets measured at amortized cost	Fair value through profit and loss	Total
<i>(Amounts in NOK million)</i>			
Other non-current receivables	24	0	24
Cash and cash equivalents	41	0	41
Total financial assets	64	0	64

There are no financial liabilities in the HFN Group as at 31 December 2020.

Financial instruments as at 31 December 2019

Assets	Assets measured at amortized cost	Fair value through profit and loss	Total
<i>(Amounts in NOK million)</i>			
Other non-current receivables	63	0	63
Accounts receivable	136	0	136
Other current receivables	70	0	70
Derivatives	0	5	5
Cash and cash equivalents	215	0	215
Total financial assets	484	5	490

Liabilities	Liabilities measured at amortized cost	Fair value through profit and loss	Total
<i>(Amounts in NOK million)</i>			
Borrowings	1 301	0	1 301
Leases	4 289	0	4 289
Trade and other payables	122	0	122
Other current liabilities	323	0	323
Total financial liabilities	6 034	0	6 034



NOTE 24 Other current liabilities

Contract liabilities

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

	2020	2019
<i>(Amounts in NOK million)</i>		
Contract liabilities	0	491
Total deferred revenue	0	491

Trade payables

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

Other current liabilities by nature	2020	2019
<i>(Amounts in NOK million)</i>		
Accrued employee benefit expenses	0	62
Accrued vacation pay	0	79
Non-redeemed gift cards	0	1
Accrued rent	0	7
Accrued rent discounts	0	51
Customer liabilities	0	27
Other current liabilities	0	96
Total other current liabilities	0	323

NOTE 25 Related parties

The following table presents an overview of transaction with related parties. Remuneration to executive staff and Board of Directors and share capital information are presented in Note 6 and Note 18, respectively, and are not included in the following overview:

Profit or loss items	Relationship	Type of services	2020	2019
<i>(Amounts in NOK thousand)</i>				
Elixia Holding IV AS	Shareholder of SATS Group AS	Interest rate on loan	0	-47
Altor	Shareholder of SATS Group AS	Restructuring costs	-92	-196
Metropolis Health Club AB	Minority interest	Accounting services	0	75
SATS Grenland AS	Minority interest	IT, accounting and other services	0	3 948
Gravir Holding AS	CEO	Interest rate on loan	1 367	1 581
Jakob Hansen	Country Manager Denmark	Interest rate on loan	224	312
Board of Directors	Board of Directors	Remuneration	0	-483
Total related party profit or loss items			1 499	5 190

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 a related party in 2019 but not in 2020. Metropolis Health Club AB was sold on 1 July 2019.

Elixia Holding IV was liquidated on 23 March 2020.

Balance sheet items

Related party	Relationship	Type of services	31.12.2020	31.12.2019
<i>(Amounts in NOK thousand)</i>				
Gravir Holding AS	CEO	Loan	20 158	18 791
Jakob Hansen	Former country Manager Denmark	Loan	3 378	3 154
Total related party balance sheet items			23 536	21 945

All transactions with related parties are priced at market conditions and there are no special conditions attached to them. Transactions with subsidiaries have been eliminated in consolidated statements and do not represent transactions with related parties. Please see Note 20 Borrowings for further information related party borrowings.

NOTE 26 Provisions, contingent liabilities and contingent assets

Provisions

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

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

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



NOTE 27 Business combinations

Acquisition of BodyJoy

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 operating results and assets and liabilities of the acquired company were consolidated from 1 February 2020. BodyJoy is part of the SATS Group which was demerged from the HFN Group on 23 March 2020.

Details of the purchase consideration

(Amounts in NOK million)

Purchase consideration:

Cash paid	18
Total purchase consideration	18

The assets and liabilities recognized as a result of the acquisition are as follows:

Fair value at acquisition¹⁾

(Amounts in NOK million)

Cash and cash equivalents	5
Right-of-use asset	26
Property, plant and equipment	1
Customer base	5
Payables	4
Lease liabilities	26
Deferred tax on customer base	1
Fair value of net identifiable assets acquired	6
Recognized goodwill	
Total purchase consideration	18
Less: fair value of net identifiable assets acquired	6
Recognized goodwill	12

¹⁾ The assets and liabilities recognized are based on preliminary purchase price allocation analysis and may be subject to future adjustments.

The amounts of revenue recognized from the acquiree since the acquisition date are disclosed in the segment reporting for Sweden, Note 4. The goodwill is attributable to the workforce and the expected profitability of the acquired business.



NOTE 28 Financial covenants

Financial borrowing facility 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.

SATS ASA holds the long-term financing agreement, and the holding entity is included in SATS Group which was demerged from the HFN Group on 23 March 2020.

Compliance with financial borrowing covenants

SATS ASA has complied with the financial covenants related to its borrowing facility throughout 2019 and 2020.

NOTE 29 Financial assets held at fair value through profit or loss

<u>Group companies</u>	<u>Business office</u>	<u>Ownership percentage</u>	<u>Equity</u>	<u>Profit after tax</u>	<u>Carrying amount 2020</u>
<i>(Amounts in NOK million)</i>					
SATS ASA	Oslo	5.30 %	2 096	-35	195

NOTE 30 Demerger - non cash dividends

In March 2020, HFN Group AS transferred all the shares held in its subsidiary SATS ASA to its shareholders as a non-cash dividend. The transaction was carried through as a corporate demerger, where four new separate shareholding entities were established.

The dividend, defined as the net assets that was distributed to the new shareholding entities, was measured at the fair value of the net assets transferred. The value of the company's transferred shares in SATS ASA was based on the fixed market value of the shares as of 23 March 2020, the date of transfer.

The difference between the fair value of the net assets distributed in the demerger and their carrying amount is presented in the statement of profit or loss as Other gains and losses.

The net assets derecognized as a result of the demerger are as follows:

(Amounts in NOK million)

Fair value of net assets distributed	1 292
Book value of net assets distributed	923
Gain on net assets distributed	369



NOTE 31 New IFRS standards

New standards and amendments – applicable 1 January 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020. SATS has not identified any significant impact to the Group's consolidated financial statements as a result of the mentioned amendments:

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

Definition of a Business – Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting, which is not currently applied by the Group.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes have been made to any of the current accounting standards.

Standards not yet effective

The below amendments to IFRS applicable to SATS have been issued but were not yet effective on the balance sheet date. Except for IAS 1, management, at the date of the Board approval of these financial statements, has not identified any significant potential impacts to the Group's consolidated financial statements as a result of these amendments. None of the following standards have been subject to early adaptation.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities from non-current to current if any noncompliance with loan covenants is expected for further reporting periods.

The standard will be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.



NOTE 32 Critical estimates

Critical estimates

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

Critical accounting estimates and assumptions

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

Impairment of intangible assets

The acquisition method was used to account for the historic business combinations results in the goodwill amount. Internally developed software has been recognized at historic cost, has a finite useful life and is subsequently carried at cost less accumulated amortization and impairment losses.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Recognized goodwill and internally developed software are not material to the 2020 financial statements after the demerger of the SATS Group.

The sensitivity analysis and valuation methodology for assessing goodwill are further described in Note 11.

Goodwill

Goodwill is recognized at NOK 0 million per the balance sheet date after the SATS Group was demerged from the HFN Group. The SATS Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting periods, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of several assumptions. The calculations use cash flow projections based on financial budgets and prognoses approved by management covering a five-year period for Norway and Sweden and a seven-year period for Finland and Denmark. The growth rates are consistent with forecasts included in economic outlook reports specific to the area in which each CGU operates.

Internally developed software

Internally developed software is recognized at NOK 0 million per the balance sheet date. The Group estimates the useful life of internally developed software to be at least three years based on the expected useful economic life of the assets. However, the actual useful life may be shorter or longer than three years, depending on software innovations, technical obsolescence of existing solutions and competitor actions.

Depreciation of property, plant and equipment

The Group's assessment of the useful life of property, plant and equipment is determined by the expected useful economic life of the assets, and is based on management's judgement and previous experience. Due to the significant historic investments in leasehold improvements and other fitness equipment, any deviation between actual and estimated useful lives could have a material effect on the consolidated financial statement.

Recognition of income tax

The HFN Group was subject to income tax in four jurisdictions until the demerger on 23 March 2020, and significant estimates were required when determining the provision for income taxes and related tax balances. There were many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.



NOTE 33 Judgements in applying the Group's accounting policies

Critical judgements in applying the Group's accounting policies

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

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not to exercise). The assessment of reasonable certainty is only revised if a significant event or a significant change in the circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Extension options are at the latest reassessed the quarter before the date of the termination option, which in practical terms means that the lease option is added to the lease liability when a quarter of the agreement remains if the agreement is not to be terminated. The Danish lease agreements do not have extension options; instead the agreements are continuously prolonged until terminated. 6 or 12 months (according to the agreement) are continuously added to the lease liability if the agreement is not to be terminated.

Critical judgements in recognising revenue - joining fees

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

Critical judgements in recognising revenue - financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTE 34 Events after the balance sheet date

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



Financial statements 2020 HFN Group



STATEMENT OF PROFIT OR LOSS

	Notes	2020	2019
<i>(Amounts in NOK million for the period ended 31 December)</i>			
Other operating expenses	3	-6	-10
Total operating expenses		-6	-10
Operating profit		-6	-10
Dividends from subsidiaries and Group contributions	4, 5, 6	0	1 372
Interest income from Group companies	4, 5, 6	4	7
Other interest income	4	2	2
Other finance income	4	2	159
Interest expense to Group companies	6	0	-4
Other finance expenses	4	-11	-105
Net financial items	4	-4	1 431
Profit/loss for the year		-9	1 421
Allocation of profit/loss for the year			
Retained earnings/accumulated losses	8	-9	1 421
Total allocation		-9	1 421



STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2020	31.12.2019
<i>(Amounts in NOK million for the period ended 31 December)</i>			
NON-CURRENT ASSETS			
Financial assets			
Investments in subsidiaries	5	29	2 423
Investments in other Group companies	5	10	0
Loans to Group companies	6	85	90
Other non-current receivables	6	24	22
Total non-current financial assets		148	2 535
Total non-current assets		148	2 535
CURRENT ASSETS			
Cash and cash equivalents	7	38	46
Total current assets		39	46
Total assets		186	2 581

	Notes	31.12.2020	31.12.2019
<i>(Amounts in NOK million for the period ended 31 December)</i>			
EQUITY			
Share capital	8	25	242
Share premium	8	155	1 532
Retained earnings/accumulated losses	8	6	805
Total equity		186	2 579
LIABILITIES			
Current liabilities			
Borrowings from Group companies	9, 6	0	0
Trade and other payables		0	0
Other current liabilities		0	2
Total current liabilities		0	2
Total liabilities		0	2
Total equity and liabilities		186	2 581


Tom Christian Jovik
Chair of the Board

Oslø, 17 June 2021

Niels Ulrik Andersson
Board Member


Jonas Aspelin Ramm
Board Member


Sondre Gravir
CEO



STATEMENT OF CASH FLOWS

	Notes	2020	2019
<i>(Amounts in NOK million for the period ended 31 December)</i>			
Cash flow from operating activities			
Profit before tax		-9	1 421
Adjustment for:			
Proceeds from interest income		0	-7
Proceeds from other financial income		4	-159
Dividends from subsidiaries and Group contributions		0	-1 372
Payments of interest income		0	2
Payments of other financial cost		0	105
Change in intercompany receivables and payables		0	-78
Change in trade payables		-2	0
Change in other receivables and accruals		0	12
Net cash flow from operations		-8	-77
Cash flow from investments			
Proceeds from sale of shares		0	37
Capital injection in SATS ASA		0	-452
Transaction costs from issues of new shares IPO in SATS ASA		0	-103
Acquisition of subsidiary		0	-106
Net cash flow from investments		0	-624
Cash flow from financing			
Repayments of borrowings from SATS ASA	9	0	32
Received Group contribution	9	0	3
Disbursement of dividend		0	-644
Received dividend		0	1 372
Other financial items		0	-20
Net cash flow from financing		0	742
Net increase/decrease in cash and cash equivalents	7	-8	41
Cash and cash equivalents at the beginning of the period		46	5
Cash and cash equivalents at the end of period	7	38	46



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 General information

General information

HFN Group AS (the company) is registered and domiciled in Norway with its head office in Nydalsveien 28, Oslo, Norway. The company was demerged on 23 March 2020. The Group's ownership structure is as follows: 49.0% by TG Nordic Invest Aps, 39.5% by AF III TopCo AS, 7.5% by Maaseide TopCo AS and 4.0% by other shareholders. The company was incorporated on 13 February 2014.

The Board of Directors approved the financial statements on 17 June 2021.

Financial reporting framework

The financial statements are prepared in accordance with the simplified application of International Financial Reporting Standards (Norwegian Forenklet IFRS) in accordance with § 3-9 of the Norwegian Accounting Act and the related directive. The directive refers to the general recognition and measurement requirements in IFRS as endorsed by the European Union, but with certain exemptions.

The relevant exemption applicable to HFN Group relates to the recognition of group contributions (Norwegian konsernbidrag). Group contributions and dividends under simplified IFRS may be recognized in accordance with Norwegian generally accepted accounting principles for the distributing and receiving entity. This means that the distributing entity may recognize a liability when the contribution or dividend is proposed, but before it has been approved. The receiving entity may also recognize the dividend or contribution receivable before it has been approved.

Disclosure requirements are in accordance with the directive, which refers to disclosure requirements in accordance with Chapter 7 of the Norwegian Accounting Act and Norwegian generally accepted accounting principles, with certain differences.

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

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

Certain new or revised standards, amendments or interpretations of existing standards have been published. Management has assessed these changes and concluded that they are not relevant for the business of the company or for the 2020 financial statements. For new standards, please see Note 30 in the consolidated financial statement.

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



NOTE 2 Accounting principles

Foreign currency

Functional currency and presentation currency

The financial statements of the company are prepared in NOK, which is the currency of the primary economic environment in which the company operates.

Transactions, monetary and non-monetary items

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rate of exchange prevailing at the dates of the transactions. Gains or losses on transactions in foreign currencies and exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Subsidiaries

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

Intercompany loans

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

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

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

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

Cash and cash equivalents

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

Share capital and share premium

Ordinary shares are classified as equity. Costs that are directly related to the issue of new shares or warrants are recognized after tax as a reduction of the consideration received directly in equity.

Borrowings

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

Income tax

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

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

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

Statement of cash flows

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



NOTE 3 Other operating expenses

	2020	2019
<i>(Amounts in NOK million)</i>		
Consultant services	-6	-10
Other operating expenses	0	0
Total operating expenses	-6	-10

The company has no employees.

The Board of Directors did not receive remuneration in 2020 (NOK 535 thousand in 2019). The remuneration to the Board members is included in Other operating expenses in the Statement of profit or loss in 2019.

The CEO has a loan of NOK 20,2 million as at the balance sheet date of 31 December 2020. The Chair of the Board of Directors, or any other related parties have not received any loans or guarantees.

	2020	2019
<i>(Amounts in NOK thousand)</i>		
Expensed auditor incl. VAT:		
Statutory audit (including technical assistance - annual accounts)	-48	-2 287
Other attestation and assurance services	-125	-795
Total auditor's remuneration	-173	-3 062

NOTE 4 Financial income and financial expenses

	2020	2019
<i>(Amounts in NOK million)</i>		
Dividends from subsidiaries and Group contributions	0	1 372
Interest income from Group companies	4	7
Interest income from financial institutions	2	0
Foreign exchange gain	0	0
Other finance income	2	161
Total financial income	9	1 540

	2020	2019
<i>(Amounts in NOK million)</i>		
Interest expense to Group companies	0	-4
Other finance expenses	-11	-105
Total financial expenses	-11	-109

	2020	2019
Net financial items	-2	1 431

NOTE 5 Investments in Group companies

The table below sets forth HFN Group's ownership interest in Group companies. SATS ASA and SATS Management Invest AS are holding companies and own shares in other subsidiaries as described in its annual financial statement.

Ownership interests correspond to voting interest if not otherwise stated.

Group companies	Business office	Ownership percentage	Equity	Profit after tax	Carrying amount 2020
<i>(Amounts in NOK million)</i>					
SATS ASA	Oslo	0.26 %	2 096	-35	10
SATS Management Invest AS	Oslo	21.96 %	102	-19	29

Investment in subsidiary is carried at market value.



NOTE 6 Related parties

General

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

Profit or loss items	Relationship	Type of services	2020	2019
Related party				
<i>(Amounts in NOK thousand)</i>				
SATS ASA	Subsidiary	Interest rate on borrowing	0	-3 823
SATS Management Invest AS	Sister company	Interest rate on loan	3 507	7 310
Gravir Holding AS	CEO	Interest rate on loan	1 367	1 740
Hansen Holdco Aps	Country Manager Denmark	Interest rate on loan	224	153
Elixia Holding IV AS	Shareholder	Interest rate on loan	0	6
Total related party profit/loss items			5 098	5 386

The amounts in the table above are presented within Interest income from Group companies and Interest expense from Group companies.

Elixia Holding IV AS was liquidated on 23 March 2020.

Balance sheet items

Related party / type	Relationship	Financial statement line item	31.12.2020	31.12.2019
<i>(Amounts in NOK thousand)</i>				
SATS Management Invest AS	Subsidiary	Loan to Group company	85 481	89 892
SATS ASA	Subsidiary	Borrowings from Group companies	0	-284
Gravir Holding AS	CEO	Other non-current receivables	20 158	18 791
Hansen Holdco Aps	Country Manager Denmark	Other non-current receivables	3 378	3 154
Total related party balance sheet items			109 017	111 553

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

Impairment of intercompany loans

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

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

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

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

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

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

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the assessment. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment. Loans are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan.

No loss allowance on intercompany loans was recognized as per 31 December 2020.



NOTE 7 Cash and cash equivalents

	2020	2019
<i>(Amounts in NOK million)</i>		
Cash and cash equivalents	38	46

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

Please see Note 22 Financial risk factors for further information about the Group's managing of credit risk.

NOTE 8 Share capital

As of 31 December 2020, share capital amounts to NOK 24.5 million consisting of 2 418 100 ordinary shares at a face value of NOK 10 per share.

Overview of the shareholders as of 31 December 2020

Shareholder	Number of ordinary shares	Ownership percentage	Voting percentage
TG Nordic Invest ApS	1 184 869	49.0%	49.0%
AF III TopCo AS	956 223	39.5%	39.5%
Maaseide TopCo AS	180 308	7.5%	7.5%
Other shareholders	96 700	4.0%	4.0%
Total	2 418 100	100.0%	100.0%

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

Shares in SATS Management Invest held by the Board of Directors and Executive Management in the SATS Group:

	Ownership
Executive management including CEO	32.90 %

Equity	Share capital	Share premium	Retained earnings (acc. losses)	Total equity
<i>(Amounts in NOK thousand)</i>				
Equity 1 January 2020	241 810	1 531 802	805 093	2 578 705
Demerger	-217 276	-1 376 387	-789 734	-2 383 396
Profit/loss for det year			-9 125	-9 125
Equity 31 December 2020	24 534	155 415	6 234	186 183

NOTE 9 Other non-current receivables

Overview of interest-bearing receivables	31.12.2020		31.12.2019	
	Current	Non-current	Current	Non-current
<i>(Amounts in NOK million)</i>				
Related party loan	0	85	0	90
Total interest-bearing liabilities	0	85	0	90



NOTE 10 Tax

Tax expense/income	2020	2019
<i>(Amounts in NOK thousand)</i>		
Tax payable	0	0
Change in deferred tax assets	10	0
Total tax expense/income	10	0
Reconciliation of the nominal statutory tax rate to the effective tax rate:		
	2020	2019
Profit before tax	-9 125	1 420 694
Expected taxes at nominal tax rate of 22%	2 008	-312 553
Reconciling items:		
Permanent differences	-1 898	336 613
Non-deductible expenses	-468	-23 106
Deferred tax assets not recognized	358	-954
Income tax expense/income	0	0
Effective tax rate	0 %	0 %

Significant estimates

Deferred tax assets from unused tax losses are recognized to the extent that it is probable that Group can utilise the tax losses against taxable profit in the future. Refer also to Note 10 Tax of the consolidated financial statements, and the Board of Directors' Report for further information.

NOTE 11 New IFRS standards

For information on effects from coming IFRS standards and interpretations, please see Note 31 in the consolidated financial statements.

NOTE 12 Events after the balance sheet date

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



NOTE 13 Financial risk factors

Overview

Through its activities, the Group will be exposed to different types of financial risks: market risk, credit risk and liquidity risk.

The company's overall risk management plan is to ensure the ongoing liquidity in the Group, defined as to be able to meet its obligations at any time. The risk management strategy focuses on the uncertainty inherent in capital markets and intends to minimize potential negative effects on the financial results of the company by use of both natural hedges and derivatives to economically hedge certain risks. The overall focus also includes being able to meet the financial covenants related to the Group's borrowings.

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

Liquidity risk

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

Credit Risk

The exposure to credit risk is represented by the carrying amount of each class of financial assets, primarily intercompany loans to subsidiaries. SATS ASA manages the credit risk by continuously monitoring forecasted, cash balances and actual cash flows in all of its subsidiaries. Non-current intercompany receivables are related to funding of subsidiaries and have a maturity profile matching the external debt maturities, see Note 20 Borrowings in the consolidated financial statements for details.

Cash flows and market interest rates

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

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

Fair value measurement

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

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



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 use 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, amortization 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	2020	2019
<i>(Amounts in NOK million)</i>		
EBITDA before impact of IFRS 16	401	540
(ii) Revenue and costs from closed clubs	1	1
(iii) Comparability adjustments on Country level	0	8
(iii) Comparability adjustments on Group level	2	13
Adjusted EBITDA before impact of IFRS 16	404	562
Group overhead and cost allocation	-297	248
Adjusted Country EBITDA before impact of IFRS 16	107	811
NORWAY	2020	2019
<i>(Amounts in NOK million)</i>		
EBITDA before impact of IFRS 16	33	319
(ii) Revenue and costs from closed clubs	0	1
(iii) Comparability adjustments	0	2
Adjusted EBITDA before impact of IFRS 16	33	322
Group overhead and cost allocation	-37	-130
Adjusted Country EBITDA before impact of IFRS 16	69	452
SWEDEN	2020	2019
<i>(Amounts in NOK million)</i>		
EBITDA before impact of IFRS 16	29	256
(ii) Revenue and costs from closed clubs	0	0
(iii) Comparability adjustments	0	0
Adjusted EBITDA before impact of IFRS 16	29	256
Group overhead and cost allocation	-30	-107
Adjusted Country EBITDA before impact of IFRS 16	60	363
FINLAND	2020	2019
<i>(Amounts in NOK million)</i>		
EBITDA before impact of IFRS 16	-8	22
(ii) Revenue and costs from closed clubs	0	0
(iii) Comparability adjustments	0	0
Adjusted EBITDA before impact of IFRS 16	-8	22
Group overhead and cost allocation	-5	-17
Adjusted Country EBITDA before impact of IFRS 16	-3	40
DENMARK	2020	2019
<i>(Amounts in NOK million)</i>		
EBITDA before impact of IFRS 16	-29	-81
(ii) Revenue and costs from closed clubs	1	0
(iii) Comparability adjustments	0	7
Adjusted EBITDA before impact of IFRS 16	-28	-75
Group overhead and cost allocation	-8	-31
Adjusted Country EBITDA before impact of IFRS 16	-20	-44

**Net debt**

Current and non-current borrowings for the period (excluding property lease liabilities recognized 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 commercial functions, IT, finance and administration
Leverage ratio	Net debt divided by last twelve months adjusted EBITDA before impact of IFRS 16
LTM EBITDA	Last twelve months EBITDA adjusted for lease expenses applying IAS 17 Leases
Member base, average	Average number of members at the beginning and end of the period, including frozen memberships, excluding free memberships
Member base, outgoing	Number of members at 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