

NORWEGIAN AIR SHUTTLE ASA

# ANNUAL REPORT 2017

norwegian 










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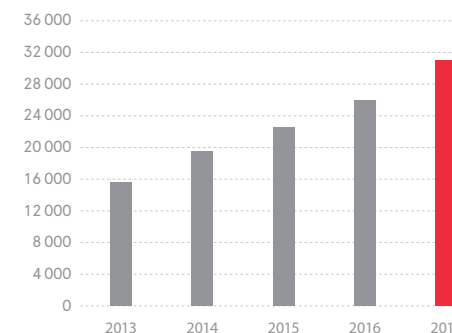
HIGHLIGHTS

# HIGHLIGHTS 2017

- ➔ 35 new aircraft delivered
- ➔ Approval for NUK by the US Department of Transportation (DOT)
- ➔ Launch of the Transatlantic narrow-body operation
- ➔ Awarded "The World's Best Low-Cost Long-Haul Airline and Europe's Best Low-Cost Airline"
- ➔ Got the green light to venture into Argentina
- ➔ Norwegian Reward celebrated ten years

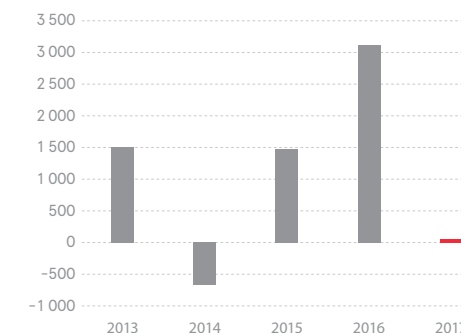
## REVENUES

In million



## EBITDA

In million



For detailed information, see Board of Directors' report on page 7.

NUMBER OF PASSENGERS

+13%

CO<sub>2</sub> PER PASSENGER KILOMETER

-1%

NUMBER OF AIRCRAFT

+24%

NUMBER OF EMPLOYEES

+32%



## DEAR SHAREHOLDERS

It has been another eventful year for Norwegian as we continue to deliver on our global growth ambitions. During 2017, we have made major investments that will increase our global competitiveness going forward. This past year, we have seen our worldwide footprint continue to grow, with new routes, more flights, a growing fleet and new bases in Europe, the US and beyond. This expansion has helped us offer passengers better service, affordable fares and more choice than ever before, leading to another year of record-high passenger growth. Our talented team of staff has also grown in 2017, with many more set to join us in the years to come.

In 2017, our transatlantic network saw continued growth in the UK and France but also expanded into new markets with the launch of new routes to the US from Spain and Italy – Norwegian ended the year with more routes between Europe and the US than any other European airline, underlining our growing presence in the transatlantic market. Our long-haul growth also expanded into a new continent this year. We saw the launch of our first ever route from the UK to Asia with our London-Singapore service, and our first ever route to South America, with our London Gatwick-Buenos Aires route becoming an iconic moment in Norwegian's history when it commenced in early 2018.

### NEW TRAFFIC RIGHTS SECURED

A key part of our expansion strategy has been to establish new subsidiaries in markets to secure access to a wide range of global traffic rights. This year, we have seen this strategy come to fruition. In 2017, our subsidiary Norwegian UK (NUK) finally received permission to operate flights between the UK, Europe and the US – by combining these transatlantic rights with NUK's existing traffic rights in Asia, South America and Africa, our UK

*"Norwegian ended the year with more routes between Europe and the US than any other European airline"*





## LETTER FROM CEO

subsidiary now offers us a seamless path toward global growth.

Meanwhile, our new subsidiary Norwegian Air Argentina (NAA) was established to give us a foothold in the South American market where high prices and low competition create huge opportunities for growth. We ended the year with the Argentine Government granting NAA concessions to operate more than 150 domestic and international routes, opening the door to considerable future growth in South America.

#### MORE LOYAL PASSENGERS MEANS MORE AWARDS

Through 2017, we have managed to significantly increase our passenger numbers without compromising the award-winning, high-quality service we offer. This was reflected at the Skytrax awards, where passengers voted us the “World’s Best Low-Cost Long-Haul Airline” for a third year running and “Best Low-Cost Airline in Europe” for a fifth year. In addition, leading industry website AirlineRatings.com named us “Best Low-Cost Airline – Europe” for a fifth consecutive year. These awards are welcome recognition for our hard-working colleagues in the air and on the ground and underlines our commitment to putting passengers’ needs at the heart of our expansion plans.

#### NORWEGIAN STANDS STRONG IN A TURBULENT INDUSTRY

2017 has seen some turbulent conditions for the aviation industry, with economic factors leading to the demise of other European airlines and political factors such as Brexit creating continued uncertainty. Nonetheless, Norwegian continues to be

in a strong position to weather the storm that the industry faces. As with other airlines, we would welcome further clarity on post-Brexit aviation arrangements, but our subsidiaries in Norway, the EU and the UK offer us a degree of flexibility to deal with a range of possible scenarios. In terms of the economic challenges the industry faces, Norwegian remains in a good position – with a strong long-haul and short-haul operation, good forward bookings and a strong liquidity, our continued expansion is based on firm financial foundations.

Our operations are also in good shape as we head into our busiest ever year in 2017. Some services were affected in summer 2017 as long-term planning and crewing issues created challenges, but these have been thoroughly addressed to ensure we are in a stronger position for the summer of 2018. An additional benefit of being an exciting, fast-growing airline is our strong ability to attract and retain talent.

#### CREATING A NEW MARKET – AGAIN

In 2017, Norwegian became the European launch customer of the Boeing 737 MAX aircraft. With six MAX aircraft delivered to service, a series of pioneering new routes were launched from Ireland, the UK and Norway to the US East Coast. By combining the increased range of the new MAX aircraft with the lower landing charges of smaller US airports, we have been able to offer American and European passengers never-before-seen routes and some truly ground-breaking transatlantic fares. By offering people in smaller cities their first direct connection across continents on a single-aisle aircraft, we are once again creating an entirely new market.

## *“Norwegian continues to be in a strong position to weather the storm that the industry faces”*

We are also using our new aircraft to deliver broader benefits in many parts of the world. By investing in state-of-the-art new aircraft, Norwegian is making great strides to considerably reduce its emissions and in 2017, we further underlined our environmental credentials with a new ‘Plant A Tree’ initiative. Working with the Global Climate Institute, Norwegian has started a project to plant a tree for every person working at the airline. In the past year, we also completed our fourth humanitarian mission with UNICEF, filling our brand-new UNICEF-branded Dreamliner aircraft with emergency aid to help 300 000 children in Yemen.

#### STRONGER COMPETITION MEANS AFFORDABLE FARES FOR ALL

In 2017, the low-cost long-haul model continued to make its mark on the industry, not only through Norwegian’s own long-haul expansion, but through new low-cost long-haul entrants, and steps taken by many legacy carriers to compete with their low-cost rivals. We welcome the added competition this brings, ensuring that passengers receive more choice and – in line with our overall vision – the lowest possible fares. Increased competition will also help grow the market for everyone - there is huge demand for affordable long-haul travel, especially in the transatlantic market, so the more Norwegian and other airlines cater for this market, demand will grow and will help create opportunities for everyone.

#### A GROWING FLEET MEANS MORE OPPORTUNITIES AHEAD

The significant expansion we have seen in this past year will continue into 2018 but we will also see more diverse growth than in previous years. The delivery of 11 new Boeing 787-9 Dreamliners will allow us to spread our transatlantic growth into new markets in Madrid, Milan and Amsterdam, while also supporting our first steps into South America with the London-Buenos Aires route. The delivery of 12 new Boeing 737 MAX aircraft will allow us to both renew the 737 fleet and review possible long-haul growth opportunities. 2018 will also see us finalize our plans for the new Airbus 321LR (long range) aircraft due to be delivered in 2019, creating further global route opportunities.

I can promise that both our passengers and all my colleagues at Norwegian can look forward to another exciting chapter in the Norwegian story in 2018 with more routes, greater choice and, of course, affordable fares for all.

Bjørn Kjos  
Chief Executive Officer



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# POSITIONING FOR THE FUTURE

**Norwegian Air Shuttle ASA reported a solid revenue growth in 2017, supported by new aircraft entering the fleet and new routes launched. Despite a high production growth (ASK) of 25 per cent, the load factor was relatively stable at 87.5 per cent. The unit cost increased by seven per cent to NOK 0.43, due to the extensive ramp-up and increased fuel cost. Norwegian confirmed its competitive ability and attractiveness with a passenger growth of 13 per cent since last year.**

Through considerable growth and investments, Norwegian is laying the foundation for a sustainable business for years to come. The growth naturally affects both short-term RASK (revenue per passenger kilometer) and CASK (cost per passenger kilometer), and the results for 2017 reflect that the company is in the middle of this growth phase. The results were also strongly affected by a higher fuel price and operational challenges in the summer period.

The consolidated operating revenue grew by 19 per cent to NOK 30 948 million, with a negative net profit of NOK 1 794 million, compared to positive NOK 1 135 million in 2016. The revenue growth was mainly a result of the 13 per cent passenger growth driven by new aircraft deliveries in 2017. At the end of 2017, the fleet operated by Norwegian comprised of 144 aircraft, including aircraft on maintenance, but excluding wetleased aircraft.

The ticket revenue per available seat kilometer (RASK) for 2016 was NOK 0.34, down six per cent from previous year. As the load factor was almost unchanged, the RASK decrease was a result of six per cent lower yield, explained by a 14 per cent increase in sector length and currency headwind. An-

cillary revenues rose by 23 per cent to NOK 4 823 million (3 929), representing an eight per cent increase in ancillary per passenger.

The Group's financial position at the end of 2017 was sufficient considering the Group's strategy and risk profile but was impacted by the growth in new on-balance aircraft. Net interest-bearing debt increased to NOK 22 265 million, up from NOK 21 151 million at the end of 2016, driven by investments in new aircraft. Cash and cash equivalents was NOK 4 040 million as of 31 December 2017, a net increase of NOK 1 716 million. The equity ratio decreased to five per cent from 11 per cent last year.

The Board of Directors expects 2018 to be a year of continued growth. Production growth is expected to be around 40 per cent in 2018, driven by 90 per cent growth in the wide body production. The level of advance bookings at year-end was encouraging. Norwegian will continue its efforts to improve cost efficiency and expects to reduce the unit cost from 0.433 in 2017 to the range of NOK 0.390–0.395 in 2018. The reduction will be driven by declining growth in the second half, leading to better utilization of crew and aircraft. Additionally, the increased sector length will be a contributor.

*"Production growth is expected to be around 40 per cent in 2018"*





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### KEY EVENTS 2017

- **35 new aircraft delivered.** 17 new Boeing 737-800, six 737 MAXs and nine 787-9 Dreamliners were delivered in 2017. Additionally, three new Airbus 320neos were delivered for leasing to HK Express. Norwegian operated 117 Boeing 737-800 aircraft, six Boeing 737 MAXs and 21 Boeing 787 Dreamliners year-end 2017.

- **Approval for NUK by the US Department of Transportation (DOT).** In September, the DOT approved NUK's application for a foreign carrier permit. The approval gives Norwegian flexibility to use the fleet more efficiently.
- **Launch of the Transatlantic narrow-body operation.** Norwegian used the 737 MAX to fly thinner routes that are better suited to this aircraft type than the 787

Dreamliner. 12 routes were launched between USA and Ireland, UK and Norway.

- **"The World's Best Low-Cost Long-Haul Airline and Europe's Best Low-Cost Airline".** SkyTrax recognized Norwegian as the prestigious "Best Low-Cost Long-Haul Airline" for the third time and the "Best Low-Cost Airline in Europe" for the fifth consecutive year.

- **Got the green light to venture into Argentina.** Norwegian received concessions to fly 152 Argentine routes.
- **Norwegian Reward celebrated ten years.** Norwegian's rapidly growing loyalty program Reward celebrated 10 years. The program reached 6.8 million members worldwide, an increase of 34 per cent since 2016.

### GROUP OVERVIEW

Norwegian Air Shuttle ASA ("Norwegian" or "the Company"), the parent company of the Norwegian Group ("the Group"), is headquartered at Fornebu in Norway, just outside Oslo. The Company and its subsidiaries employ 9 593 staff at 23 operational bases in 13 countries across four continents. Norwegian is one of Europe's fastest growing and most innovative airlines. In 2017, Norwegian operated more than 500 routes to over 150 destinations with both scheduled and charter service.

### BUSINESS STRATEGY

Norwegian's vision is "affordable fares for all". To realize this vision, Norwegian offers high quality flights at a low fare based on operational excellence and helpful, friendly service. The Group's operational priorities are safety, service and simplicity. Norwegian's overall business objectives are to be the preferred airline in selected markets and to generate profitability and return to its shareholders.

The Group's strategy going forward is to maintain the short-haul position within Europe, grow medium to long-haul routes between Europe and the rest of the world and open up new/underserved markets.



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### Other key elements in Norwegian's strategy include being able to:

- Attract customers by offering competitive fares and a quality travel experience whilst maintaining low operating costs, operational excellence and helpful friendly service across all markets.
- Offer customers the freedom of choice to select additional products and services. Norwegian provides a core, low-cost product to the price sensitive customer and a more comprehensive package for those who may want a little extra, thereby ensuring a broad market reach.
- Bypass the traditional hub and spoke model with focus on point-to-point leisure travelers. Offer new routes and destinations to selected markets utilizing Norwegian's core strengths
- Utilize the strong brand awareness and efficient distribution channels to further increase the Norwegian Group's revenue and profitability.
- Secure an optimal operating model to handle fleet growth, international expansion, market access and efficiency in all parts of the operations.
- Maintain an innovative, "out-of-the-box" approach to the way business is done and explore new opportunities across the global market place.
- Have a positive, effective and entrepreneurial organization in which everyone has the possibility to make a difference.

and create new direct routes to a broader market, focusing on underserved routes.

### CORPORATE STRUCTURE

The Norwegian Group consists of the parent company, Norwegian Air Shuttle ASA, and its directly or indirectly owned subsidiaries in Norway, Sweden, Denmark, Finland, Ireland, Spain, United Kingdom and Argentina. The Group has structured its operations and different functions into several entities to ensure international growth and secure necessary traffic rights in line with the strategy. The purpose is to have an organizational structure that maintains Norwegian's flexibility and adaptability when growing and entering into new markets. The respective companies offer permanent employment, and terms and conditions according to local markets, laws and regulations.

The Group's entities are further organized into four main business areas. Each business area is focused on specializing within its core operation, while maximizing benefits on behalf of the Group. This division seeks to highlight the value-driving activities within the Group and is a result of Norwegian's innovative and entrepreneurial approach in the travel industry and beyond.

Norwegian has four main business areas:

- Assets
- Aircraft Operations
- People and Services
- Other Business Areas

The Group does not report profit per entity, as the Executive Management considers the business as one operating segment, which is low-cost air passenger travel. The Group's operating profit comes from airline-related activities and the aircraft fleet

is the Group's main revenue generating asset, which is utilized across the Group's geographical segment.

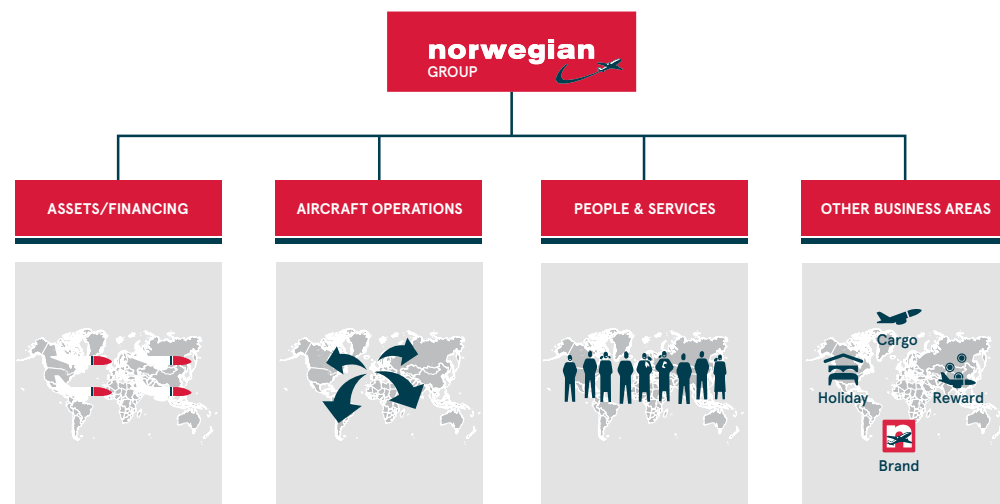
### Assets

The Group's asset companies are organized in a set of subsidiaries based in Dublin, Ireland. Arctic Aviation Asset DAC is the parent company. The business area handles aircraft financing, leasing and ownership. Arctic leases aircraft to both Norwegian's own operations and external airlines.

### Aircraft operations

At year-end 2017, Norwegian had four airline operators in three different countries, each holding a unique national air operator's certificate (AOC). Each AOC is under the supervision of the civil aviation authorities in their respective country. The co-existence of these operators gives the Norwegian Group broader market access than with a single AOC. Multiple AOCs is key to expanding the current route network.

The parent company Norwegian Air Shuttle ASA (NAS) based at Fornebu, Norway, holds one of the AOCs. The fully owned subsidiaries, Norwegian Air International Ltd. (NAI) based in Dublin, Ireland, Norwegian Air UK Ltd. (NUK) based in London, United Kingdom and Norwegian Air Norway AS (NAN) based at Fornebu, Norway each have an AOC. In addition, Norwegian Air Argentina (NAA) has been granted an AOC in Argentina in 2018. Norwegian's commercial airline activities are operated through 23 bases globally in the following countries: Norway, Sweden, Denmark, Finland, United Kingdom, Ireland, Spain, Thailand, United States, Italy, Netherlands, France and French Caribbean.





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### People and services

The Group's people and services functions are organized in a set of subsidiaries across the world. Norwegian Air Resources Ltd. is the parent company and based in Dublin, Ireland. The business area handles crew services, airline operative support services and part of the administrative services.

### Other business areas

Norwegian Brand Ltd. (Dublin, Ireland) has the responsibility of developing and maintaining the Norwegian Group's brand across all business areas.

Norwegian Reward, Norwegian's loyalty program, is a separate business unit with its own management. Reward is growing rapidly – it surpassed 6.8 million members in 2017 – and has a presence in the airline's major markets. Members earn CashPoints when booking Norwegian flights and buying products or services from partner companies. Reward members can then use CashPoints as full or partial payment on all Norwegian flights or other products and services without restrictions, such as seat reservations and baggage. Reward has also introduced additional member benefits, which members can now claim after every sixth flight and use an unlimited amount of times within 12 months. The benefits include free seat reservation, free baggage, free Fast Track or a CashPoint boost.

Norwegian Cargo AS (Fornebu, Norway) carries out the Group's commercial cargo activities.

Norwegian Holidays AS (Fornebu, Norway) provides holiday packages to customers in the end market through the Group's web booking portal.



Red Handling carries out ground handling services and is established in the UK and Spain. Red Handling UK Ltd. provides ground handling services at London Gatwick Airport (LGW) to Norwegian's AOCs, and Red Handling Spain S.L provides ground handling services at Barcelona Airport (BCN), Alicante Airport (ALC), Palma de Mallorca Airport (PMI), Málaga Airport (AGP) and Las Palmas Airport (LPA) to Norwegian's AOCs.

### Brand value

The Norwegian Group has strengthened the investment in its brand, both as a valuable Intellectual Property asset and a consumer facing asset. The subsidiary Norwegian Brand Ltd. is the owner of all intellectual property assets in the Group and has advanced the development of brand strategy as a commercial tool to support expansion worldwide. As the value of the brand increases, the abil-

ity of the Group to efficiently attract new consumers and increase repurchase also grows.

The work of Norwegian Brand Ltd. also focuses on aligning brand efforts across the business to maximize investment and marketing impact while reducing costs. Developing a strong and consistent brand across the business supports Norwegian's aim to deliver positive customer experiences worldwide.



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**MARKET CONDITIONS**

Norwegian is the third largest low-cost carrier in Europe and seventh largest in the world. The route network stretches across Europe into North Africa, the Middle East, North America, the Caribbean and Southeast Asia. Norwegian has a vast domestic route network in Norway, Sweden, Denmark, Finland and Spain, as well as a wide range of routes between Scandinavia and the European continent Asia and the US. Norwegian's long-haul network has increased by more than 20 per cent during 2017 and reached a total of more than 60 intercontinental routes at year-end 2017.

2017 has been a challenging year for the industry. Various geopolitical and macro-economic issues have impacted the trading environment. Terrorist attacks in Barcelona and London and the Brexit vote have dulled consumer confidence. These issues have dampened demand and have been major contributing factors to several high-profile airline failures (Monarch, Berlin and Alitalia administration). Norwegian has been well placed to react to these issues. With such a wide network throughout Europe, Norwegian is not as reliant as some other airlines on one key market. Norwegian's capacity has been redeployed

*"Continuing to operate with new aircraft enables Norwegian to offer more competitive fares than the competition and grow its market share"*

quickly within the affected markets.

Competitors have reacted to Norwegian's long-haul growth. In 2017, International Airlines Group (IAG) launched a new low-cost long-haul airline, "Level". Operations started with two Airbus 330s, serving the US and South America from Barcelona. Level will grow further in 2018 with bases in Paris and expected growth in Barcelona. In addition, British Airways have reacted to Norwegian's London growth by adding seats to their Boeing 777s flying out of Gatwick.

Further on, Aer Lingus has changed their business model to compete with Norwegian's new 737 MAX transatlantic product from Dublin. Aer Lingus has introduced lower fares and a Hand Baggage Only product to compete with Norwegian's new services.

Actions by airline competitors show that Norwegian's expansion plans have an impact on competitor profitability. In 2018, the Company will continue to target routes where competitors are keeping fares high. Continuing to operate with new aircraft enables Norwegian to offer more competitive fares than the competition and grow its market share.

**Operational and market development**

In 2017, Norwegian continued its strong network expansion with the introduction of 23 narrowbody aircraft and nine wide-body aircraft during the year. Norwegian launched more than 40 new routes as well

as a new, innovative low-cost single-aisle product over the Atlantic using Boeing 737 MAX aircraft.

**Network**

The Group's route network spans across Europe into the Middle East, North America, the Caribbean and Southeast Asia, serving both business and leisure markets. Norwegian's network development objectives are to identify major point-to-point markets that have been over-priced or under-served, while simultaneously maximizing aircraft and crew utilization.

In 2017, Norwegian focused the majority of its narrowbody growth on its core Nordic markets. Particular focus has been placed on growing Mediterranean routes by adding eight aircraft in Spain. This enabled the Group to offer attractive schedules and low-cost production for its Scandinavian customer base.

In addition, the Nordic bases grew by four aircraft, increasing domestic production across all markets. Non-Nordic routes from London and Spain were rationalized following weakened demand and an oversupply of seats in the market.

The Group launched a new, innovative product with the 737 MAX aircraft. This new aircraft technology has enabled Norwegian to operate new unique long-haul routes to smaller US destinations. Norwegian used six new 737 MAX aircraft to operate into the wider New York and Boston markets, offer-



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*"Norwegian's network development objectives are to identify major point-to-point markets that have been over-priced or underserved"*

ing highly competitive, low-cost fares from the UK and Ireland. This new service has been received very well by the market.

The Group's largest growth has been in the long-haul segment, increasing capacity by more than 50 per cent. Focus has been placed on growing seats in the North American market, developing routes where legacy competition has kept fares high. Norwegian's long-haul operation has grown significantly outside of the Nordic bases, with nearly three quarters of the long-haul fleet now serving mainland Europe.

During 2017, Norwegian commenced transatlantic operations from two new markets, Italy and Spain. In total, four aircraft were allocated to these markets serving the key North American cities of Los Angeles, New York, Oakland and Fort Lauderdale. In addition, the Group strengthened its presence on key long-haul points out of the UK and France, adding a total of five additional 787 Dreamliners. Norwegian increased its London network to ten points, adding services to Denver, Seattle and Singapore and increasing flights to New York, Los Angeles and Oakland. Norwegian has become the second largest long-haul carrier at Gatwick just three years since commencing long-haul operations at the London airport. Paris continued to perform strongly, and a second Dreamliner was added, starting a new route to Orlando as well as increasing frequencies on existing routes.

Norwegian's robust long-haul growth rate is expected to continue in 2018 when

an additional 11 new 787-9 Dreamliners enter the fleet with significant growth planned in London, Paris and Barcelona in addition to new long-haul operations in Milan, Amsterdam and Madrid. The Group also added its first destination in South America, Buenos Aires.

**International operations**

**Norwegian Air International Ltd. (NAI)**

During 2017, Norwegian Air International (NAI) went from operating 47 aircraft to operating 69 aircraft; the fleet now consists of 737-800 and 737 MAX. Additionally, NAI had a permanent wetlease from Norwegian UK during the year.

At the end of the year, NAI operated out of bases in Denmark, Finland, Italy, Ireland, Spain and UK.

NAI is headquartered at Dublin Airport, Ireland with approximately 35 staff.

**Norwegian Air UK Ltd. (NUK)**

Norwegian Air UK Ltd. (NUK) was established in the United Kingdom in 2015 and has seen continued growth throughout 2017 with new routes, additional aircraft and increased traffic rights.

In 2017, NUK took delivery of one Boeing 787-9 Dreamliner which, from September, was used to service a new 4-weekly service from London Gatwick to Singapore Changi Airport. In June 2017, it was announced that NUK will operate a new 4-weekly service from London Gatwick to Buenos Aires Ezeiza International Airport, starting in February 2018. NUK also has one Boeing 737-800 aircraft servicing wetlease operations for Norwegian Air International Ltd.

In March 2017, NUK became a member of Airlines UK, the industry body that represents UK-registered carriers. In September 2017, NUK was granted a Foreign Carrier Permit by the U.S. Department of

Transportation, allowing NUK to operate flights between the UK, Europe and the US.

NUK is headquartered at London Gatwick with approximately 30 staff and plans for more recruitment is expected in the coming years.

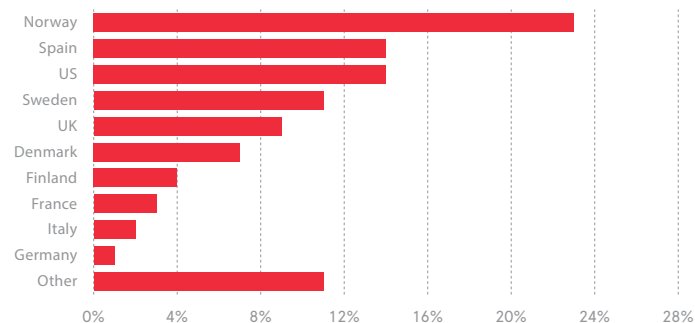
**Safety and compliance**

Norwegian embraces the safety of customers, personnel and operations as essential guiding principles. To achieve a safe operating environment, each of the airlines, Norwegian Air Shuttle, Norwegian Air Norway, Norwegian Air UK and Norwegian Air International have both a dedicated (1) Safety Department and (2) Quality and Compliance Department. The Directors of both departments report directly to the Accountable Manager of their respective airline, ensuring independent safety management and compliance monitoring.

The continued expansion of Norwegian's network brings new cultures and new challenges to the operation. Norwegian meets these challenges proactively, as part of the Management of Change, con-

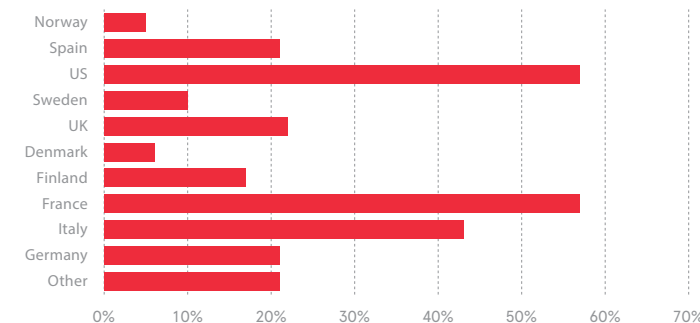
**REVENUE SHARE**

In per cent



**REVENUE GROWTH 2016-2017**

In per cent



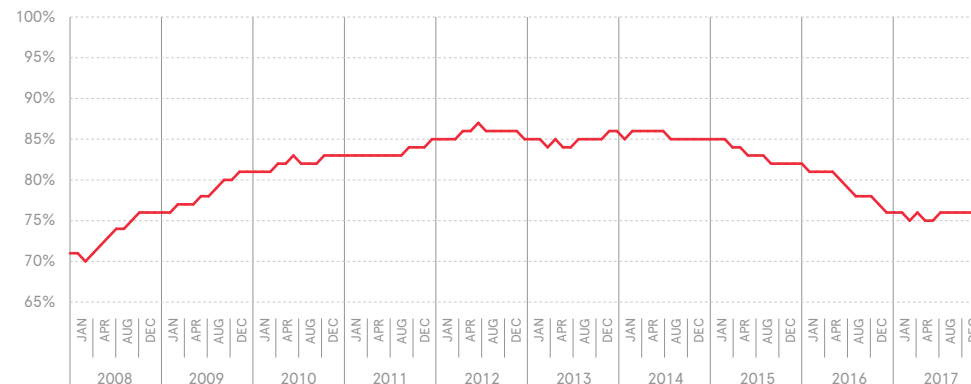


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### PUNCTUALITY

■ On-time performance (12 months rolling)



ducting Change Impact Assessments, and Safety Risk Assessments to ensure that to the highest degree possible, hazards are identified, and associated risks are adequately managed. Norwegian's Safety Culture is derived from industry best practice and learning. The Safety Directors attend major safety conferences to ensure they are up to date with industry progress, thinking and direction on safety. They also represent Norwegian on EASA influencing committees within Europe on safety issues.

Norwegian places emphasis on its safety culture as a key safety tool, and Norwegian Safety Management Systems are underpinned by a strong reporting culture, which is used to provide early identification of hazards, permitting opportunity to prevent escalation to accident or incident. The reporting culture is built on the foundation of "just culture", and a "learning culture". "Just culture" is a culture in which front-line operators and others are not punished for actions,

omissions or decisions taken by them which match their experience and training, but where gross negligence, willful violations and destructive acts are not tolerated. The knowledge Norwegian gains from its safety reporters is used to ensure continual safety improvement. The Norwegian code of ethics, applicable to all personnel, welcomes and ensures all cultures joining and already amongst the family experience respect and recognition in the workplace.

A collaborative, cohesive and proactive approach to safety across the Norwegian group of airlines is recognized and accepted as essential to the business. Accordingly, the Safety Directors drive harmonized systems to deliver risk management and safety assurance. Safety Management System Training is provided to all personnel, and specialist Safety Personnel receive internal and external training applicable to their role. This ensures safety competency amongst all personnel.

## "Norwegian's robust long-haul growth rate is expected to continue in 2018"

Norwegian moves from 2017 into 2018, with no accidents since its inception in 1993. The safety is managed to a degree over and above regulatory requirements utilizing cutting edge safety IT systems fed by competent and well engaged personnel.

### Aircraft maintenance

Norwegian Group had four Air Operator Certificates (AOCs) at year-end 2017: Norwegian Air Shuttle ASA (NAS), Norwegian Air Norway AS (NAN), Norwegian Air International Ltd. (NAI) and Norwegian Air UK Ltd. (NUK). Each individual AOC operator has its own approved certification from its respective national civil aviation authority. Each national civil aviation authority has approved the AOCs' maintenance organization (CAMO) and maintenance program (AMP). The Boeing 737 fleet is operated by all four AOCs, while the Boeing 787 fleet is operated by NAS and NUK.

Continuing Airworthiness activities – activities that keep the aircraft suitable for safe flights – for the 787 and 737 MAX fleets are sub-contracted to Boeing Fleet Technical Management. The control and oversight of all activities are performed by each AOC.

Maintenance is divided into frequent line maintenance and heavy maintenance. The line maintenance is performed by approved Part-145 organizations. The NAS AOC's Part-145 is do-

ing line maintenance for all Norwegian's AOCs in Oslo, Trondheim, Bergen, Stavanger, Stockholm, Copenhagen, Barcelona, Guadeloupe and Martinique. Other destinations where Norwegian AOCs operate and need line maintenance checks are contracted to external Part-145 organizations.

Major airframe and workshop maintenance is performed by external sources subject to approval by the European Aviation Safety Agency (EASA) and the national aviation authorities. Airframe (base) maintenance for the 737 fleet is currently carried out by Lufthansa Technik in Budapest, Hungary. Lufthansa Technik and Boeing are undertaking engine and component workshop maintenance. Airframe maintenance for the 787 fleet is carried out by Norwegian, British Airways and Monarch. Rolls Royce UK carries out engine maintenance.

All maintenance, planning and follow-up activities, both internally and externally, are performed according to both the manufacturers' requirements and additional internal requirements, and are in full compliance with authoritative international regulations. The Group carries out initial quality approval, as well as continuously monitoring all maintenance suppliers.

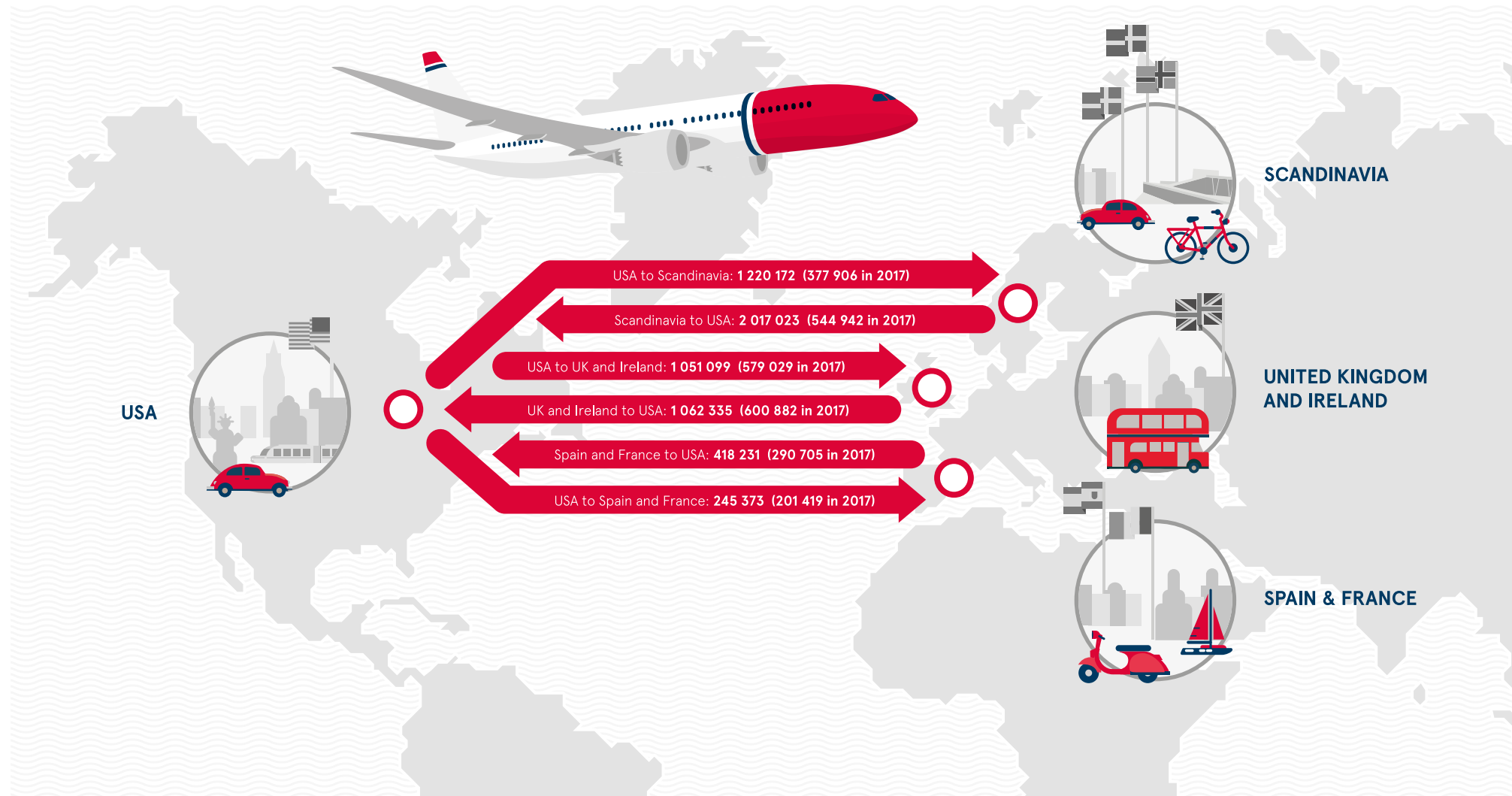
All supplier contracts are subject to approval and monitored by the national aviation authorities.

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**TOTAL NUMBER OF PASSENGERS**

Total numbers of passengers from each country/region from 2013 to 2017.



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### FINANCIAL REVIEW

Norwegian reports consolidated financial information compliant to the International Financial Reporting Standards (IFRS) as adopted by the EU. The preparation of the accounts and application of the chosen accounting principles involve using assessments and estimates and necessitate the application of assumptions that affect the carrying amount of assets and liabilities, income and expenses. The estimates and the pertaining assumptions are based on experience and other factors. The uncertainty associated with this implies that the actual figures may deviate from the estimates. Maintenance reserve obligations, expected useful lives and residual values of aircraft are among the most important estimates applied by Management when preparing the financial statements.

#### Consolidated income statement

The Group's total operating revenues for 2017 grew by 19 per cent to NOK 30 948 million (NOK 25 951 million), of which ticket revenues accounted for NOK 24 719 million (NOK 21 096 million). Ancillary passenger revenues were NOK 4 823 million (NOK 3 929 million), while NOK 1 407 million (NOK 926 million) was related to freight, third-party products and other revenue. The revenue growth is largely attributable to an increased number of passengers, up 13 per cent to surpass 33 million during 2017. The load factor decreased by 0.2 percentage points compared to last year. The ticket revenue per available seat kilometer (RASK) for 2017 was NOK 0.34 (NOK 0.36), down six per cent from the previous year. Ancillary revenue per passenger rose by eight per cent to NOK 145 (134).

Operating expenses (including leasing



and excluding depreciation and impairment) amounted to NOK 30 889 million (NOK 22 834 million), with a unit cost of NOK 0.43 (NOK 0.41). The unit cost excluding fuel increased by four per cent to NOK 0.33 (NOK 0.32). The increase in unit cost was driven by a ramp-up costs related to growth in the 787 operation and prevention of pilot shortages in the 737 operation in the coming high season, as well as an increased share of leased aircraft in the fleet. CASK excluding fuel in constant currency was five per cent higher than previous year. Earnings be-

fore interest, tax, depreciation and amortizations (EBITDA) were NOK 59 million, compared to NOK 3 116 million last year.

In 2017 the Group entered into a sale and leaseback arrangement regarding 11 owned 737-800 aircraft. The sale and leaseback arrangement resulted in an impairment of NOK 656 million.

Financial items in 2017 resulted in a loss of NOK 852 million, compared to a loss of NOK 525 million in 2016. Included in financial items is NOK 351 million in net foreign exchange loss, compared to a gain of NOK 116 million previous year. With regards to

accounting for the prepayments on purchase contracts with aircraft manufacturers, NOK 323 million (NOK 262 million) in interest costs were capitalized in 2017.

The Group's share of OSM Aviation and Bank Norwegian's net profit resulted in a net gain of NOK 292 million (NOK 213 million) in the consolidated income statement.

Loss before tax in 2017 amounted to NOK 2 562 million (profit in 2016 of NOK 1 508 million) and net loss after tax was NOK 1 794 million (profit in 2016 of NOK 1 135 million). Earnings per share was negative NOK 50.2 per share (NOK 31.7).



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### Consolidated statement of financial position

The Group's total debt and assets are impacted by asset acquisitions, depreciation of NOK against USD and the capacity increase during the year. Total assets at 31 December 2017 were NOK 43 523 million (NOK 37 762 million). The book value of aircraft increased by NOK 3 290 million to 25 862 million during the year. Prepayments to aircraft manufacturers were NOK 5 219 million at the end of 2017, a decrease of NOK 1 937 million from 31 December 2016. Trade and other receivables were NOK 4 358 million (NOK 3 014 million).

At 31 December 2017, the Group had a cash balance of NOK 4 040 million (NOK 2 324 million). Total borrowings increased by NOK 2 830 million to NOK 26 305 million (NOK 23 475 million) related to financing of new aircraft.

### Capital structure

The Group's total equity was NOK 2 098 million (NOK 4 049 million) at 31 December 2017 with an equity ratio of five per cent (11 per cent). Total equity decreased by NOK 1 951 million following net loss for the period of NOK 1 795 million, exchange rate loss on translation of equity in foreign currencies of NOK 127 million and actuarial loss on pension plans of NOK 43 million.

All issued shares in the parent company are fully paid with a par value of NOK 0.1 per share. There is only one class of shares, and all shares have equal rights. The Group's articles of association have no limitations regarding the trading of Norwegian Air Shuttle ASA's shares on the stock exchange.

The Group's aggregated net interest-bearing debt was NOK 22 265 mil-

lion (NOK 21 151 million) at year-end. The Group's gross interest-bearing liabilities of NOK 26 305 million (NOK 23 475 million) mainly consisted of financing for aircraft amounting to NOK 20 694 million, bond loans with a net book value of NOK 4 320 million, pre-delivery payment syndicated credit facilities of NOK 616 million and a credit facility of NOK 675 million. In 2017, the Group successfully re-financed one bond in NOK and issued a new bond in SEK. NOK 4 244 million of the interest-bearing loans mature in 2017. NOK 616 million is related to financing of prepayments to aircraft manufacturers and will be replaced by long term financing at the time of delivery of the aircraft.

### Consolidated statement of cash flow

The Group's cash flow from operations was NOK 2 901 million (NOK 3 046 million) in 2017. The net cash flow from operating activities consists of the loss before tax of NOK 2 562 million; add back of depreciation and other expenses without cash effects of NOK 1 405 million and interests on borrowings of NOK 1 153 million included in financial activities. Changes in working capital mainly due to traffic growth amounted to NOK 3 029 million. During 2017, the Group received a net of NOK 35 million in taxes, paid back due to corrections of previous year's tax returns. The net cash flow used for investment activities was negative of NOK 3 428 million (negative of NOK 6 512 million), related to the purchases of four new Boeing 787-9s, six new Boeing 737 MAXs, three Airbus 320neos and net of pre-delivery payments. The net cash flow from financial activities in 2017 was NOK 2 291 million (NOK 3 303 million). New loans, including draw downs on facilities for aircraft prepay-

ments and bond issues were NOK 8 210 million, while repayments on long term debt were NOK 4 491 million. The Group has a strong focus on liquidity planning and the Board is confident in the Group's financial position in 2018.

### FINANCIAL RISK AND RISK MANAGEMENT

Risk management in the Norwegian Group is based on the principle that risk evaluation is an integral part of all business activities. Policies and procedures have been established to manage risk. The Group's Board of Directors reviews and evaluates the overall risk management systems and environment in the Group on a regular basis.

The Group faces many risks and uncertainties in a global marketplace that has become increasingly volatile. The variety of economic environments and market conditions can be challenging, with the risk of Norwegian's unit cost not being low enough to shield the airline in case of weaker consumer demand and business confidence in its key markets. Price volatility may have a significant impact on the Group's results. Higher leverage as well as changes in borrowing costs may increase Norwegian's borrowing cost and cost of capital. Norwegian is also continuously exposed to the risk of counterparty default. The Group's reported results and net assets denominated in foreign currencies are influenced by fluctuations in currency exchange rates and in particular the US dollar.

The Group's main strategy for mitigating risks related to volatility in cash flows is to maintain a solid financial position and strong credit rating. Financial risk management is carried out by a central treasury department (Group treasury), under

policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risk in close cooperation with the Group's operating units. The Board provides principles for overall risk management such as foreign currency risk, jet-fuel risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

### Interest risk

The Group is exposed to changes in the interest rate level, following the substantial amount of interest bearing debt. The Group's cash flow interest rate risk arises from cash and cash equivalents and floating interest rate. Floating interest rate borrowings consist of unsecured bonds, aircraft and prepayment financing, loan facility and financial lease liabilities. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Fixed interest rate borrowings consist of aircraft financing guaranteed by export credits, commercial debt for aircraft and unsecured bonds. Borrowings are denominated in USD, EUR, SEK and NOK. Hence, there is an operational hedge in the composition of the debt.

### Foreign currency risk

A substantial part of the Group's revenues and expenses are denominated in foreign currencies. Revenues are increasingly exposed to changes in foreign currencies against NOK as the Group expands globally with more customers travelling from the USA and between European destinations. The Group's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly





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denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the Group has a mandate to hedge up to 100 per cent of its currency exposure for the following 12 months. The hedging consists of forward currency contracts.

### Price risk

Expenses for jet-fuel represent a substantial part of the Group's operating costs, and fluctuations in jet-fuel prices influence the projected cash flows. The objective of the jet-fuel price risk management policy is to safeguard against significant and sudden increases in jet-fuel prices whilst retaining access to price reductions. The Group manages jet-fuel price risk using fuel derivatives. The Management has a mandate to hedge up to 100 per cent of its expected consumption over the next 24 months with forward commodity contracts.

### Liquidity risk

The Group monitors rolling forecasts of the liquidity reserves, cash and cash equivalents. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and evaluating the level of liquid assets required. Furthermore, these analyses are used to monitor balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans. Following the acquisition of aircraft with future deliveries, Norwegian will have ongoing financing activities. The Group's strategy is to diversify the financing of aircraft through sale and leaseback transactions and term loan financing supported

by the export credit agencies in the United States and EU.

### Credit risk

Credit risks are managed on a Group level. Credit risks arise from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to commercial customers. The Group's policy is to maintain credit sales at a minimum level and sales to consumers are settled by using credit card companies. The risks arising from receivables on credit card companies or credit card acquirers are monitored closely. At 31 December 2017, 53 per cent of total trade receivables are with counterparties with an external credit rating of A or better, and 87 per cent of total cash and cash equivalents are placed with A+ or better rated counterparties.

### THE SHARE

The Company's shares are listed on Oslo Børs (Oslo Stock Exchange) with the ticker symbol NAS and is included in the benchmark index OBX, which comprises the 25 most liquid shares on Oslo Børs. Norwegian aims to generate competitive returns to its shareholders. The Board has recommended not to distribute dividends but to retain earnings for investment in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and returns to shareholders. The Company has not paid dividends during the last three years. The share had a closing price of NOK 176.0 at 31 December 2017 and yielded a negative return of 39 per cent from the beginning of the year. Norwegian

### SHARE PRICE DEVELOPMENT 2017 – NORWEGIAN AIR SHUTTLE ASA

NOK per share



had 17 608 shareholders at 31 December 2017 and the ten largest shareholders accounted for 75.6 per cent of the share capital. HBK Holding AS is the largest shareholder, currently holding 26.8 per cent of the shares. Its majority owner is Mr Bjørn Kjos, CEO of Norwegian. Mr Bjørn H. Kise, Chair of the Board of Directors, has ownership interests in HBK Holding AS.

### CHANGES IN THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

Ms Helga Bollmann Leknes joined Norwegian in October 2017 as the Group's new Chief Human Resources Officer, succeeding Mr Jan Dahm-Simonsen. The Group Management was expanded to include CEO of Norwegian Air Argentina Ole Christian Melhus and Managing Director of Norwegian Reward, Mr Brede Huser. Mr Kurt Simonsen assumed the position as Chief Information Officer on 1 January 2018, succeeding Mr Dag Skage. After CFO Frode Foss left the company in July 2017, Mr Tore

Østby has acted as interim CFO. The new CFO Geir Karlsen, who was announced in January 2018, will take over the position in April 2018. Mr Tore Østby will continue in the Group Management in a new position as Executive Vice President Strategic Development.

### EVENTS AFTER 31 DECEMBER

Norwegian Air Argentina was in January granted an Air Operator's Certificate by the Argentine government. The document recognizes the company as a commercial airline and certifies that it complies with safety and quality standards to carry out aeronautical operations and activities, in accordance with the law of the Argentine Republic. On 24 January 2018, Norwegian Air Shuttle ASA successfully completed a tap issue of EUR 65 million in the outstanding EUR 185 million senior unsecured bonds issue with maturity date in December 2019. Following the tap issue, the new outstanding amount in NAS07 is EUR 250 million. The net proceeds from the bonds shall be employed for general cor-



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porate purposes in support of the growth of the group. On 26 January 2017, Norwegian Air Shuttle signed an interline agreement with Widerøe, including all Widerøe's Public Service Obligation routes in Norway (listed below) and Norwegian's domestic routes in Norway.

On 16 March 2018, Norwegian concluded on the accounting treatment of its investment in Norwegian Finans Holding. Following recent dialog with Finanstilsynet, the investment will be accounted for as an associated company throughout 2017. Norwegian will again recognize the investment in accordance to IFRS 9 at fair value as of first quarter 2018. On 20 and 21 March 2018, the company announced a private placement of shares with gross proceeds of up to NOK 1 300 million by issuing new ordinary shares in the Company, and that the Board of Directors has resolved to conduct a subsequent offering (the "Subsequent Offering") with gross proceeds of up to NOK 200 million by issuing new shares at a subscription price equal to the private placement. In connection with the contemplated private placement, Norwegian provided an update on the expected earnings for first quarter 2018 and the unit cost for 2018.

### GOING CONCERN ASSUMPTION

Pursuant to the requirements of Norwegian accounting legislation, the Board confirms that the requirements for the going concern assumption have been met and that the annual accounts have been prepared on this basis.

### PARENT COMPANY RESULTS AND DISTRIBUTION OF FUNDS

Net profit for the parent company Norwegian Air Shuttle ASA was NOK 520 million.

In accordance with the Company's corporate governance policy, the Board recommends the following distribution of funds:

*(Amounts in NOK million)*

Dividend	0
Transferred to other equity	520
<b>Total allocated</b>	<b>520</b>

### CORPORATE RESPONSIBILITY

Norwegian strives to be a good corporate citizen in every area of operation. The Company is committed to operating in accordance with responsible, ethical, sustainable and sound business principles, with respect for people, the environment and the society.

The requirements of the Norwegian Accounting Act § 3-3c for reporting on Corporate Social Responsibility activities have been covered within the separate report Corporate Responsibility at Norwegian, presented in a separate section of the annual report and available on the Group's website [www.norwegian.com](http://www.norwegian.com). Included in this report is reporting on environmental impact in addition to working environment, equality and non-discrimination.

### CORPORATE GOVERNANCE

Good corporate governance is a priority for the Board of Directors. Norwegian's objective for corporate governance is based on accountability, transparency, fairness and simplicity with the ultimate goal of maximizing shareholder value while creating added value for all stakeholders. The principles are designed in compliance with laws, regulations and ethical standards. Norwegian's core values are simplicity, directness and relevance, but no business



conduct within the Group should under any circumstances jeopardize safety and quality.

Norwegian is subject to the annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on Oslo Børs' continuing obligations of listed companies. The Accounting Act may be found (in Norwegian) at [www.lov-](http://www.lov-)

[data.no](http://data.no). The Norwegian Code of Practice for Corporate Governance ("the code"), which was last revised on 30 October 2014, may be found at [www.nues.no](http://www.nues.no).

The annual corporate governance statement is approved by the Board of Directors and is pursuant to Section 5-6 of the Public Limited Companies Act, subject to approval by the Annual General Meeting.

Norwegian has adapted to the code and subsequent amendments in all areas.



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The annual statement on how Norwegian complies with the Code of Practice and the Norwegian Accounting Act's requirements for corporate governance is included as a separate document in a separate section of the annual report, which is available on the Group's website [www.norwegian.no](http://www.norwegian.no).

### OUTLOOK 2018

The demand for travelling with Norwegian and advance bookings have been satisfactory entering the first quarter of 2018. Norwegian will continue to take advantage of its increasing competitive power realized through continuous cost efficiency, and from introducing larger aircraft (two new Boeing 737-800s, eleven new Boeing 787-9s and twelve 737 MAXs will be delivered in 2018) with a lower

operating cost. In addition, five Airbus 320neo aircraft are scheduled to be delivered in 2018, which will be leased to airline HK Express.

Norwegian has 23 operational bases globally.

Norwegian guides for a production growth (ASK) of 40 per cent for 2018. Estimated production increase per quarter in 2018 is respectively 36, 48, 37 and 41 per cent. The growth in Boeing 737 production comes from adding Boeing 737 MAX.

The Boeing 787 production will grow in accordance with the phasing in of aircraft and the company will have 32 Boeing 787s by the end of 2018. Norwegian may decide to adjust capacity to optimize the route portfolio depending on the development in the overall economy and in the marketplace.

Assuming a fuel price of USD 629 per ton, USD/NOK 7.71 and EUR/NOK 9.65 for the year 2018 (excluding hedged volumes) and with the currently planned route portfolio, the company is targeting a unit cost including depreciation in the range of NOK 0.415–0.420 and a unit cost excluding depreciation in the range of NOK 0.390–0.395 for 2018.

Norwegian has a long-term target for ancillary revenue share at 20 per cent of total revenue. The increased share of ancillary revenue will be driven by third party revenue streams and introduction of new products and services.

Going forward, Norwegian will continue its fleet renewal program and reduce ownership in non-core assets.

Norwegian continues to establish and develop an organizational structure that

will secure cost efficient, international expansion and necessary traffic rights for the future.

### DECLARATION ON THE FINANCIAL STATEMENTS

We confirm that the financial statements for the year 2017, to the best of our knowledge, have been prepared in accordance with International Financial Reporting Standards (IFRS), gives a true and fair view of the Company's and Group's consolidated assets, liabilities, financial position and results of operations, and that the annual report includes a fair review of the development, results and position of the Company and Group, together with a description of the most central risks and uncertainty factors facing the companies.

Fornebu, 21 March 2018

The board of directors of Norwegian Air Shuttle ASA

Bjørn H. Kise  
Chair

Liv Berstad  
Deputy Chair

Christian Fredrik Stray  
Director

Ada Kjeseth  
Director

Marcus Daniel Hall  
Director  
(elected by the employees)

Linda Olsen  
Director  
(elected by the employees)

Geir Olav Øien  
Director  
(elected by the employees)

Bjørn Kjos  
Chief Executive Officer



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## CONSOLIDATED INCOME STATEMENT 1.1 – 31.12

NOK 1 000	Note	2017	2016
Revenue	4	30 948 264	25 950 554
<b>Total operating revenue</b>		<b>30 948 264</b>	<b>25 950 554</b>
Operational expenses	5	24 021 594	18 024 344
Payroll and other personnel expenses	6, 7, 17, 18	5 316 253	3 971 412
Depreciation and amortization	10, 11	1 405 075	1 295 825
Impairment	10, 11	655 904	
Other operating expenses	5a	1 983 742	1 516 243
Other losses/(gains) - net	20	(432 192)	(677 656)
Total operating expenses		32 950 375	24 130 168
<b>Operating profit</b>		<b>(2 002 111)</b>	<b>1 820 386</b>
Interest income		71 296	43 623
Interest expense		958 615	685 990
Other financial income (expenses)		35 285	117 513
<b>Net financial items</b>	8	<b>(852 033)</b>	<b>(524 854)</b>
Share of profit from associated companies	25	291 944	212 801
Profit (loss) before tax		(2 562 200)	1 508 333
Income tax expense (income)	9	(768 496)	373 353
<b>Profit (loss) for the year</b>		<b>(1 793 705)</b>	<b>1 134 981</b>
Basic earnings per share	16	(50.18)	31.75
Diluted earnings per share	16	(50.18)	31.47
<b>Profit attributable to:</b>			
Owners of the company		(1 794 551)	1 135 263
Non-controlling interests		847	(283)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

NOK 1 000	Note	2017	2016
<b>Profit for the year</b>		<b>(1 793 705)</b>	<b>1 134 981</b>
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>			
Exchange rate differences on translation of foreign operations	15	(127 033)	(104 313)
Share of other comprehensive income of associated companies		(1 509)	1 232
Share of other comprehensive income of associated companies recycled to profit and loss		(3 132)	-
Net comprehensive income that may be reclassified		(131 675)	(103 080)
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>			
Actuarial gains and losses	18	(43 035)	24 452
Exchange rate differences attributable to non-controlling interests		684	1 189
Net comprehensive income that will not be reclassified		(42 351)	25 642
<b>Total comprehensive income for the period</b>		<b>(1 967 731)</b>	<b>1 057 542</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the company		(1 969 262)	1 056 635
Non-controlling interests		1 530	907

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

NOK 1 000	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	201 383	198 260
Deferred tax asset	9	1 018 927	241 499
Aircraft, parts and installations on leased aircraft	11	25 861 883	22 571 775
Equipment and fixtures	11	90 458	88 361
Buildings	11	279 462	283 236
Derivative financial instruments	3, 20	31 016	114 476
Financial assets available for sale	3, 20	2 689	82 689
Investment in associate	25	832 561	609 110
Prepayment to aircraft manufacturers	11	5 219 372	7 156 303
Other receivables	13	789 974	623 606
<b>Total non-current assets</b>		<b>34 327 725</b>	<b>31 969 314</b>
<b>Current assets</b>			
Inventory	14	101 890	102 465
Trade and other receivables	13	4 357 571	3 013 978
Derivative financial instruments	3, 20	615 707	353 246
Financial assets available for sale	3, 20	80 000	
Cash and cash equivalents	24	4 039 776	2 323 647
<b>Total current assets</b>		<b>9 194 943</b>	<b>5 793 337</b>
<b>Total assets</b>		<b>43 522 668</b>	<b>37 762 651</b>

NOK 1 000	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	3 576	3 576
Share premium	15	1 231 631	1 231 631
Other paid-in equity		127 769	110 621
Other reserves		641 437	773 112
Retained earnings		81 666	1 919 266
<b>Shareholders' equity</b>		<b>2 086 077</b>	<b>4 038 205</b>
Non-controlling interest		12 328	10 770
<b>Total equity</b>		<b>2 098 405</b>	<b>4 048 975</b>
<b>Non-current liabilities</b>			
Pension obligation	18	149 661	107 379
Provision for periodic maintenance	19	2 679 400	1 376 465
Other long term liabilities	19	137 121	85 166
Borrowings	22	22 060 271	18 706 062
Derivative financial instruments	3, 20		27 939
<b>Total non-current liabilities</b>		<b>25 026 454</b>	<b>20 303 010</b>
<b>Short term liabilities</b>			
Short term part of borrowings	22	4 244 486	4 768 813
Trade and other payables	21	5 568 261	3 881 684
Air traffic settlement liabilities		6 493 615	4 666 212
Derivative financial instruments	3, 20	41 819	86 306
Tax payable		49 629	7 650
<b>Total short term liabilities</b>		<b>16 397 810</b>	<b>13 410 666</b>
<b>Total liabilities</b>		<b>41 424 264</b>	<b>33 713 676</b>
<b>Total equity and liabilities</b>		<b>43 522 668</b>	<b>37 762 651</b>

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Fornebu, 21 March 2018

The board of directors of Norwegian Air Shuttle ASA

Bjørn H. Kise Chair	Liv Berstad Deputy Chair	Christian Fredrik Stray Director	Ada Kjeseth Director
Marcus Daniel Hall Director (elected by the employees)	Linda Olsen Director (elected by the employees)	Geir Olav Øien Director (elected by the employees)	Bjørn Kjos Chief Executive Officer



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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1.1 – 31.12

<i>NOK 1 000</i>	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	Share-holders' equity	Non-controlling interest	Total equity
Equity at 1 January 2016	3 576	1 231 631	94 362	1 329 569	876 192	759 550	2 965 311	-	2 965 312
Profit for the year	-	-	-	-	-	1 135 263	1 135 263	(283)	1 134 981
Actuarial gains and losses	-	-	-	-	-	24 452	24 452	-	24 452
Exchange rate differences on translation of foreign operations	-	-	-	-	(104 313)	-	(104 313)	1 189	(103 123)
Share of other comprehensive income of associated companies	-	-	-	-	1 232	-	1 232	-	1 232
Total comprehensive income 2016	-	-	-	-	(103 080)	1 159 716	1 056 635	907	1 057 542
Transactions with non-controlling interests	-	-	-	-	-	-	-	9 863	9 863
Equity change on employee options	-	-	16 259	16 259	-	-	16 259	-	16 259
Transactions with owners	-	-	16 259	16 259	-	-	16 259	9 863	26 122
<b>Equity at 31 December 2016</b>	<b>3 576</b>	<b>1 231 631</b>	<b>110 621</b>	<b>1 345 828</b>	<b>773 112</b>	<b>1 919 266</b>	<b>4 038 205</b>	<b>10 770</b>	<b>4 048 975</b>
Profit for the year	-	-	-	-	-	(1 794 551)	(1 794 551)	847	(1 793 705)
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Share of OCI associated companies recycled to PL	-	-	-	-	(3 133)	-	(3 133)	-	(3 133)
Actuarial gains and losses	-	-	-	-	-	(43 034)	(43 035)	-	(43 035)
Exchange rate differences on translation of foreign operations	-	-	-	-	(127 033)	-	(127 033)	684	(126 350)
Share of other comprehensive income of associated companies	-	-	-	-	(1 509)	-	(1 509)	-	(1 509)
<b>Total comprehensive income 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(131 675)</b>	<b>(1 837 586)</b>	<b>(1 969 261)</b>	<b>1 530</b>	<b>(1 967 731)</b>
Transactions with non-controlling interests	-	-	-	-	-	(14)	(14)	27	14
Equity change on employee options	-	-	17 148	17 148	-	-	17 148	-	17 148
Transactions with owners	-	-	17 148	17 148	-	(13)	17 134	27	17 162
<b>Equity at 31 December 2017</b>	<b>3 576</b>	<b>1 231 631</b>	<b>127 769</b>	<b>1 362 976</b>	<b>641 437</b>	<b>81 666</b>	<b>2 086 076</b>	<b>12 328</b>	<b>2 098 405</b>

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## CONSOLIDATED STATEMENT OF CASH FLOWS 1.1 – 31.12

<i>NOK 1 000</i>	<i>Note</i>	<b>2017</b>	<b>2016</b>
Profit (loss) before tax		<b>(2 562 200)</b>	1 508 333
Taxes paid	9	<b>35 012</b>	(28 622)
Depreciation, amortization and impairment	10, 11	<b>1 405 074</b>	1 295 825
Impairment assets held for sale	10, 11	<b>655 904</b>	-
Pension expense without cash effect			(27 137)
Profit from associated companies	26	<b>(291 944)</b>	(212 801)
Compensation expense for employee options	17	<b>17 148</b>	16 259
Losses/(gains) on disposal of tangible assets	11	<b>(297 845)</b>	(101 103)
Fair value losses/(gains) on financial assets	20	<b>(134 347)</b>	(576 553)
Realized effects from currency and derivative contracts		<b>122 052</b>	(566 109)
Financial items	8	<b>852 033</b>	524 854
Interest received	8	<b>71 296</b>	43 623
Change in inventories, accounts receivable and accounts payable		<b>17 952</b>	(183 056)
Change in air traffic settlement liabilities		<b>1 827 403</b>	651 784
Change in other current assets and current liabilities		<b>1 183 802</b>	701 175
<b>Net cash flow from operating activities</b>		<b>2 901 339</b>	3 046 473
<b>Cash flows from investing activities:</b>			
Prepayments aircraft purchase	11	<b>(2 388 262)</b>	(3 474 816)
Purchase of tangible assets	11	<b>(5 993 452)</b>	(4 525 827)
Purchase of intangible assets	10	<b>(39 768)</b>	(31 038)
Proceeds from sales of tangible assets	11	<b>4 864 061</b>	1 584 509
Proceeds from sales of shares in subsidiaries net of cash disposed			1 698
Payment to associated companies	25	<b>(88 958)</b>	(66 950)
Proceeds from total return swap		<b>545 725</b>	-
Paid deposit total return swap		<b>(327 435)</b>	-
<b>Net cash flow from investing activities</b>		<b>(3 428 088)</b>	(6 512 425)
<b>Cash flows from financial activities:</b>			
Proceeds from long-term debt	22	<b>8 209 914</b>	5 805 813
Payment of long-term debt	22	<b>(4 490 895)</b>	(1 572 788)
Interest on borrowings and financing costs		<b>(1 427 929)</b>	(941 890)
Other financing activities			11 698
<b>Net cash flow from financial activities</b>		<b>2 291 090</b>	3 302 834
Foreign exchange effect on cash		<b>(48 213)</b>	32 606
Net change in cash and cash equivalents		<b>1 716 128</b>	(130 513)
Cash and cash equivalents at 1 January		<b>2 323 647</b>	2 454 160
<b>Cash and cash equivalents at 31 December</b>	24	<b>4 039 776</b>	2 323 647

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 01: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 General information

Norwegian Air Shuttle ASA and its subsidiaries (henceforth referred to as 'the Group') are a low-cost airline incorporated in Norway and headquartered at Fornebu outside of Oslo. Norwegian Air Shuttle ASA is a public limited liability company and listed on the Oslo Stock Exchange.

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 21 March 2018. The annual shareholders meeting, to be held 8 May 2018, have the power to amend and reissue the financial statements.

### 1.2 Basis of preparation

The consolidated financial statements of Norwegian Air Shuttle ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the EU. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets, and financial liabilities (including derivative instruments) at fair value through profit or loss.

In order to prepare financial statements in conformity with IFRS, it is necessary to apply certain critical accounting estimates. It also requires the Management to exercise its judgment when applying the Group's accounting policies. The areas involving a greater degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. See paragraph 1.23.

The Group is in a strong financial position and there are no indications that the Group is in breach of the going concern convention. The

Group continues to adopt the going concern convention in preparing its consolidated financial statements.

#### *New standards, amendments and interpretations not yet adopted*

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

- *IFRS 9, Financial instruments*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L.

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

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. For 2017, the Group has not used hedge accounting. The

group will consider applying hedge accounting for certain derivatives as from 2018 and hedge accounting principles according to IFRS 9 is the basis for the group's assessments in this area.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments, and certain financial guarantee contracts. The new model does not have a significant effect on impairment provisions for the 2017 financial statements, but may result in an earlier recognition of credit losses in future accounting periods.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard which will be 2018.

The standard is effective for accounting periods beginning on or after 1 January 2018 and will be implemented with any transition effects recognized directly against equity.

- *IFRS 15, Revenue from contracts with customers*

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018.

Based on performed analysis, the impact on the Group's financial reporting from the implementation of IFRS 15 is considered as low. The vast majority of the Group's revenues are recognized at the time of travel, which will apply also under IFRS 15. There are certain fees previously being recognized at time of sale, whereas these under IFRS 15 will be recognized at the time of travel. Hence will there be a changed timing of revenue recognition, but whereas the associated amounts are considered as not material. In addition, under the Group's loyalty program Reward, presentation of revenue from sales of CashPoints to external partners will be changed from a gross to a net presentation in the income statement. Previously such sales have been presented with a gross revenue from CashPoints including commissions and with a cost of goods sold under operating expenses. Under IFRS 15 only net commissions will be presented as revenue and there will be presented no cost of goods sold. The net impact on operating profit is minimal. If such a net presentation was applied in 2017, both revenues and operating expenses would have been reduced by approximately NOK 325 million.

The Group has decided to implement IFRS 15 using the exempt method whereas the cumulative effect of initially applying the standard is recognized at the date of initial recognition as an adjustment to the opening balance of retained earnings. As changes to the financial statements following the adoption of IFRS 15 are expected to be immaterial, the Group expects the amount presented as such cumulative effect to be minimal. Norwegian is closely monitoring industry practice and new application guidance on IFRS 15 in general and will continuously evaluate whether other changes to revenue recognition might occur following the implementation of the new standard.



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### ● IFRS 16, Leases

IFRS 16 replaces the current standards IAS 17, Leases, whereas IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to financial leases applying IAS 17. The standard is effective for accounting periods beginning on or after 1 January 2019. The Group will adopt the standard at its mandatory date.

There will be a material impact on the Group's income statement and statement of financial position from the adoption of IFRS 16. More than 80 per cent of the total impact is expected to arise from changed presentation of operational aircraft leases. In addition to the effects stemming from aircraft leases, there will be effects from the leasing of facilities, ground service equipment and other categories of equipment and machinery.

IFRS 16 allows for various adoption approaches, whereas the Group has not yet decided which approach to apply. The choice of adoption approach will have implications for the size of transitional effects recognized both in the income statement, the statement of financial position and equity.

As per now the Group estimates that the total of assets and the total of equity and liabilities as per 1 January 2019 will increase with an amount in the range between NOK 25 billion and NOK 28 billion. The Group also estimates that compared to current presentation in the income statement, in 2019 an amount of more than NOK 4 billion is expected to be re-classified from lease expenses and into depreciation and interest expense. The net impact on the income statement and the equity, if any, cannot yet be reliably estimated.

There are various factors of uncertainty surrounding the above estimates. The portfolio of leased assets as per 1 January 2019 is not yet confirmed as new contracts will be entered into in 2018 and there could also be made changes to the existing contract portfolio. The estimates build on a certain interpretation of how to reflect periodic maintenance of aircraft in the accounting model under IFRS 16. There is

still uncertainty about what will be the final interpretation and under some alternative solutions the above estimates will increase substantially. The various financial effects will also be impacted by the choice made among the allowed adoption approaches. Finally, there are several parameters to be used for calculations under IFRS 16 that are pending final observations and decisions, such as foreign exchange rates and discount rates.

Further information on leases today classified as operational leases are presented in note 12.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### 1.3 Basis of consolidation and equity accounting

#### 1.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The Group's consolidated financial statements comprise Norwegian Air Shuttle ASA, and its subsidiaries, presented in note 23 in the parent company financial statements. Additionally, the Group has consolidated Special Purpose Vehicles (SPVs) according to IFRS 10. The SPVs are solely established for aircraft financing purposes. The Group does not own the shares in those SPVs nor does it have control over the Management of those SPVs, but the Group has accepted all risks and rewards related to the assets, liabilities and operations of the SPVs.

The financial statements of the subsidiaries and SPVs are prepared for the same reporting period as the parent company, using consistent accounting policies.

The acquisition method is applied when accounting for business combinations. Companies acquired or sold during the year are included in the consolidated financial statements from the date when control was achieved until the date when control ceased.

The consideration that is transferred for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The transferred consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Acquired identifiable assets, liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interests of the acquiree either at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The excess of the consideration transferred and the amount of the non-controlling interest over the fair value of the Group's share of the identifiable net assets acquired are recorded as goodwill. If, in the case of a bargain purchase, the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

All intra-Group balances, transactions and unrealized gains and losses on transactions between Group companies are eliminated.

#### 1.3.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 1.3.4 below), after initially being recognized at cost.

#### 1.3.3 Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has investments in joint ventures. Interests in joint ventures are accounted for using the equity method (see 1.3.4 below), after initially being recognized at cost in the consolidated balance sheet.

#### 1.3.4 Equity method

The consolidated financial statements include the Group's share of the profits/losses from associates and joint ventures, accounted for using the equity method, from the date when a significant influence is achieved until the date when such influence ceases. The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of a loss exceeds the Group's investment in an investee, the amount carried in the Group's statement of financial position is reduced to zero and further losses are not recognized unless the Group has an obligation to cover any such losses. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### 1.3.5 Changes in ownership

The Group considers transactions with non-controlling interests that do not result in loss of control, as transactions with equity owners of the Group. Any difference between considerations paid and the relevant share acquired from the carrying value of net assets



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are recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. The fair value becomes the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts of retained interest in the entity is remeasured to its fair value at the date when control ceased, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate. Dilution gains and losses arising from investments in associates are recognized in the income statement.

### 1.3.6 Other investments

All other investments are recognized in accordance with IAS 39, Financial Instruments: Recognition and Measurement, and additional information are provided in note 20.

### 1.4 Foreign currency translation

The Group's presentation currency is Norwegian Krone (NOK). Norwegian Air Shuttle ASA's functional currency is NOK. Each entity of the Group determines its own func-

tional currency and items that are included in the entities' financial statements are measured in that functional currency. For consolidation purposes, the results and financial position of all the Group's entities that have a functional currency other than NOK are translated to the closing rate at the reporting date of each month. Income and expenses for each income statement are translated to the average exchange rate for the period, this being a reasonable approximation for estimating actual rate. Exchange differences are recognized in comprehensive income and specified separately in equity.

Transactions in foreign currencies are initially recorded at the functional currency rate using the exchange rates prevailing on the dates of the transactions or valuation where items are re-estimated. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency exchange rate of the reporting date. Any differences are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates of the dates of the initial transactions.

Foreign currency gains and losses on operating activities are recognized within operating profit. Foreign currency gains and losses on financing activities are recognized within net financial items.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Any differences in exchange are recognized in other comprehensive income.

### 1.5 Tangible assets

Tangible assets including buildings are carried at historical cost, less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation and impairment losses are derecognized. Any gain or loss on the sale or disposal is recognized in the income statement as other losses/ (gains)-net.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the non-current asset ready for its intended use. Subsequent costs, such as repair and maintenance costs, are normally recognized in profit or loss as incurred. When increased future economic benefits are the result of verified repair and maintenance work, these costs will be recognized in the statement of financial position as additions to non-current assets. Borrowing costs are capitalized on qualifying assets.

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful life of the asset beginning when the asset is ready for its intended use. Residual values, where applicable, are reviewed annually against prevailing market rates at the reporting date for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

An aircraft is recognized as two components for depreciation purposes in order to consider different useful lives of the aircraft components. The first aircraft component is defined as maintenance components. In accordance with official requirements, the aircraft must be maintained which means significant components must be changed after a specific number of take-offs or airborne hours. These components are identified as two heavy maintenance checks of the aircraft body, power restoration and life limited parts for the two engines on each aircraft, as well as maintenance on landing gears and APU. The maintenance and overhauls of these components occur on a defined interval, and the value is depreciated based on the number of take-offs or airborne hours until the next maintenance is conducted. Completed maintenance and overhaul are capitalized and depreciated until the next relevant maintenance and overhauls. The second aircraft component is defined as the remainder of the aircraft and depreciated over the esti-

mated useful life, considered to be 25 years for the fleet in Norwegian. When estimating the future residual values at the end of the 25-year period, Norwegian reviews reports from two separate independent aircraft appraisers for each applicable aircraft type and year of build, and sets the residual value to an average value of the two appraiser's reports.

Investments in leased aircraft including cabin interior modifications are depreciated over their useful lives, but not exceeding the remaining leasing period.

Rotable spare parts are carried as non-current assets and depreciated over their useful lives.

The Group capitalizes prepayments on the purchase contracts of aircraft. The prepayments are classified as tangible assets as presented at the face of the statement of financial position. The prepayments include capitalized borrowing costs. On the delivery of the aircraft, the prepayments are included in the acquisition costs of the aircraft and reclassified as aircraft in the statement of financial position.

Financial lease assets are initially recognized at the lower of acquisition cost or future minimum lease payments. The assets are carried as non-current assets and depreciated on a straight-line basis over their expected useful lives.

The depreciation period and method are assessed annually to ensure that they reconcile with the substance of the non-current asset. Additional details on tangible assets are outlined in note 11.

### 1.6 Intangible assets

#### 1.6.1 Computer software

Acquired computer software licenses are capitalized based on the costs incurred to obtain and apply the specific software. These costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs which are directly associated with the development of identifiable software products con-



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trolled by the Group, and which are estimated to generate economic benefits, are recognized as intangible assets. The costs of computer software developments recognized as assets are amortized over their estimated useful lives. The depreciation of the software commences as each module is completed.

### 1.6.2 Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment 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.

Other intangible assets are related to identifiable assets from business combinations and investments in other intangible assets.

Intangible assets which are determined as having indefinite useful lives, are not amortized, but subject to annual impairment testing. The determination of indefinite useful lives is based on assessment by Management as to whether there is any foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

See note 1.7 for details of impairment testing of non-financial assets and note 10 for additional details on intangible assets.

### 1.7 Impairment of non-financial assets

Intangible assets with indefinite useful lives are not subject to amortization, and are tested annually for impairment. Assets that are subject to amortization are reviewed 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 to sell and value in use.

For the purpose of impairment testing, assets are grouped at the lowest levels of separately identifiable cash flows (cash-gener-

ating units). The allocation is made to those cash-generating units that are expected to benefit from the assets. The Management has assessed the Group as one segment and the Group's total operations as its cash generating unit. The determination of cash generating units is based on how the Management operates and assesses the Group's performance, profit and cash flow. The aircraft fleet is operated as one unit, and the route portfolio is administered and diversified as one unit generating the Group's profit and cash flow, hence goodwill and other non-current assets are re-allocated to the entire Group for the purpose of impairment testing.

Non-current assets other than goodwill that have suffered impairment are reviewed for a possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

### 1.8 Financial assets

Financial assets are classified according to the following categories: as fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The Group holds financial instruments that are classified as fair value through profit or loss, available-for-sale (with changes over OCI), and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Management determines the classification of its financial assets at initial recognition.

Financial assets that are categorized as fair value through profit or loss are financial assets held for trading. A financial asset is classified as in this category if it was principally acquired for the purpose of selling on a short-term basis. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the re-

porting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other payables/receivables, and cash and cash equivalents in the statement of financial position (See note 1.11, 1.12 and 1.14 respectively).

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as being in any of the other categories. They are included in non-current assets unless the Management intends to dispose of the investments within 12 months of the reporting date.

Regular purchases and sales of financial assets are recognized on the trade date; the date which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss- category are presented in the income statement within other losses/ (gains) – net of the period in which they occur. Gains or losses that occur from changes in the fair value of the available-for-sale category are presented in equity within other comprehensive income in the period in which they occur. Interest on available-for-sale securities which is calculated using the effective interest method, is recognized in the income statement as part of other income. Dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets are recognized in the income statement as a part

of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 1.8.1 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The fair values of quoted investments are based on current mid prices at the reporting date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. The valuation hierarchy for financial assets is detailed in note 3 where the techniques are making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment losses of financial assets measured at amortized cost are incurred only if there is objective evidence of impairment as a result of one or more events that occur after initial recognition. Impairment losses are recognized in the consolidated income statement if the losses have had an impact on the estimated future cash flows and that the impact can be reliably estimated.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Impairment losses of available-for-sale financial assets are incurred if there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities,



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if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 1.9 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the transaction date and subsequently measured at their fair value. Derivatives are classified within the category 'financial assets at fair value through profit or loss' as long as the derivatives are not designated as hedging instruments for accounting purposes.

The Group has not designated any derivatives as hedging instruments for accounting purposes in 2017 or 2016.

### 1.10 Inventory

Inventory of spare parts are carried at the lower of acquisition cost and net realizable value. Cost is determined using the first in – first out (FIFO) method. Obsolete inventory has been fully recognized as impairment losses. Inventory is consumed during maintenance and overhaul of the aircraft, and is expensed when consumed.

### 1.11 Trade receivables

Trade receivables are amounts due from customers for services performed and goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Receivables from credit card companies are classified as trade receivables in the statement of financial position.

### 1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and in the bank, as well as short-term deposits with an original maturity of three months or less. Cash and cash equivalents in the statement of financial position include restricted funds from withheld employee tax, guarantees and deposits pledged as collateral to suppliers (note 24).

The Group holds investments in money market funds. These investments are classified as either cash equivalents or financial assets available-for-sale depending on the maturity of the investments.

### 1.13 Equity

Share capital comprises the number of shares multiplied by their nominal value, and are classified as equity.

Transaction costs directly attributable to an equity transaction are recognized directly in equity net of tax.

Acquisitions of own shares are recognized in share capital and retained earnings. The number of shares purchased multiplied by the nominal value is deducted from outstanding share capital. The share premium paid is recognized in other equity. The sale of own shares is booked accordingly, with nominal value as increase of share capital, and share premium in other equity.

### 1.14 Liabilities

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

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 date.

Trade payables are obligations to pay for goods or services purchased from suppliers in accordance with general course of business. Accounts payables are classified as current liabilities if payment is due within the next 12 months. Payables due after the next 12 months are classified as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 1.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### 1.16 Employee benefits

The Group operates various pension schemes. The schemes are generally funded through

payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

#### 1.16.1 Defined benefit plans

The Group operated a defined benefit pension plan until 1 December 2012, when the plan was closed and all employees were transferred to a defined contribution plan (see 1.16.2). In November 2013, the Group issued a new defined benefit pension plan, according to the Collective Agreement with the Norwegian Pilot Union.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits are vested. If the benefits are already vested immediately following the introduction of or changes to a pension plan, past service cost is recognized immediately.

The defined benefit obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

In addition, the Group participates in an early retirement plan (AFP) for all employees in Norway. The AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognized in the income statement as a defined contribution plan as the plans administrator has not allocated actuarial gains/losses to the members of the AFP pension plan as of 31 December 2017.

Provisions for pension costs are detailed in note 18.



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### 1.16.2 Defined contribution plans

In addition to the defined benefit plan described above, the Group operates a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions should the fund not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expenses when they are due. Pre-paid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 1.16.3 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grants of the options is recognized as an expense over the vesting period. The total amount to be expensed is determined by referring to the fair value of the options granted.

The fair value of the options to be settled in equity instruments is estimated at the grant date. The fair value is determined by an external part by applying the Black and Scholes option-pricing model. The assumptions underlying the number of options expected to vest are adjusted to reflect conditions prevailing at the reporting date. For further details see note 17.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

### 1.16.4 Employee share purchase savings program

Bonus shares and employer's contribution are measured at fair value using the Black and Scholes option pricing model. Expenses for bonus shares are included in payroll expenses. The fair value of the bonus shares and the es-

timated employer's contribution are distributed as expenses over the expected period until settlement. Changes in estimates affecting employer's contribution are expensed over the remaining vested period. For further details see note 17.

### 1.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent when 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.

#### 1.17.1 Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws that are used to compute the amount are those which are enacted or substantively enacted at the reporting date.

#### 1.17.2 Deferred income tax

Deferred income tax is determined by using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred

income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected in the year when the assets are realized or when the liabilities are settled, based on tax rates (and tax laws) which have been enacted, or substantively enacted, at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset to the extent that:

- the Group has a legal and enforceable right to offset the recognized amounts and;
- if deferred tax assets and tax liabilities relates to income tax from the same tax authorities and the same taxable entity in the Group, or if different taxable entities in the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is provided based on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### 1.18 Contingent assets and liabilities

A contingent asset is not recognized in the annual financial statements, but disclosed in the notes where an inflow of economic benefits is probable.

Contingent liabilities are defined as possible obligations arising from past events the existence of which depends on future events, or for which it is improbable that they will lead to an outflow of resources, or which cannot be measured with sufficient reliability

Contingent liabilities are not recognized in the annual financial statements, but significant contingent liabilities are disclosed in the notes to the financial statements, with the exception

of contingent liabilities where the probability of the liability occurring is remote.

### 1.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the general course of the Group's activities. Revenue is shown net of value-added tax and discounts. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

#### 1.19.1 Passenger revenue

Passenger revenue is reported as traffic revenue when the air transport has been carried out. The value of tickets sold and which are still valid but not used by the reporting date (amounts sold in excess of revenue recognized) is reported as air traffic settlement liability. This liability is reduced either when the Group or another airline completes the transportation or when the passenger requests a refund.

#### 1.19.2 Ancillary revenue

Ancillary revenue comprises sales of ticket-related products and services, e.g. revenue from baggage sales and seating. Some of the products and services are earned at the time of the transport, and such revenue is recognized in the same manner as passenger revenue. Other products and services are earned at the time of purchase and immediately recognized in the income statement.

Amounts paid by 'no show' customers are recognized as revenue when the booked service is provided. 'No show' customers with low fare tickets are not entitled to change flights or seek refunds once a flight has departed.

#### 1.19.3 Other revenue

Other revenue comprises third party revenue, such as wetlease, cargo and revenue from business activities in subsidiaries which are not airlines.



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Other airline revenues are recognized when the services have been rendered, fees are reliable measurable, collections are probable, and when other significant obligations have been fulfilled.

Revenue from sales of Wi-Fi products and services comprises traffic fees. Revenue traffic fees are recognized as revenue at the time of consumption.

### 1.19.4 Customer loyalty program – Norwegian Reward

The Group runs a loyalty program: Norwegian Reward. Reward members earn the digital currency "CashPoints" and additional frequent flyer benefits "Rewards" in the following circumstances:

#### CashPoints:

- Airlines within Norwegian Group; Reward members earn from 2 per cent on all LowFare tickets and up to 20 per cent on all Flex tickets.
- Corporate agreement; 4 per cent on all LowFare tickets and 12 per cent on all Flex tickets.
- Bank Norwegian Customer; 1 per cent of the payment is earned as cashpoints on all purchases with Bank Norwegian Credit Card. Total of 5 per cent CashPoints earned on all LowFare tickets when the tickets are purchased with the Bank Norwegian Credit Card.
- CashPoints are also earned by members making purchases of goods and services from more than 50 Reward Partners according to the applicable accumulation rates and conditions set by the Reward Partners.
- CashPoints can be used as payment on all Norwegian flight tickets (full or partial), luggage, seat reservation and ticket changes.

#### Rewards:

- Frequent flyer benefits, called "Rewards" were introduced in 2015, and in addition to earning CashPoints on all flights, members receive an additional Reward for every sixth single flight. Members get to choose the fol-

lowing Rewards: CashPoints Boost (can be chosen 5 times), Free seat reservation, Free luggage and Free Fast Track. Each Reward can be used by the member on all flights for at least 12 months ahead. Members can collect a total of 8 Rewards.

Member CashPoints gained from travelled airline tickets are recognized as a liability in the statement of financial position and recognized as revenue only when it has fulfilled its obligations. The member Cashpoint liability, is derecognized from the statement of financial position and recognized as income when customers utilize their CashPoints.

All other earned CashPoints are recognized as a liability towards members in the statement of financial position and immediately expensed. The cash points earned with other merchants are invoiced and recognized as income in the corresponding period. When the customers use their collected CashPoints, the liability is derecognized and cash payment on the Group's services is reduced.

CashPoints are valid throughout the year they were earned, plus two years. In this period, Cashpoints are presented as deferred revenue in the balance sheet, and they are released to the income statement when the points are redeemed or expire.

The deferred income is measured by reference to fair value. It is classified as short term as available statistics as of 31 December 2017 indicate that members CashPoints are utilized within one year. Hence, the carrying value of the liability is estimated as the fair value of the liability.

### 1.20 Leasing

To determine whether an arrangement is, or contains a lease, it is necessary to assess whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset.

The lease agreements, in which, most of the risk lies with the contracting party are classified as operating leases. Operating lease pay-

ments are recognized as an expense in the income statement on a straight-line basis over the lease term. Payments for the lease and payments for other elements are recognized separately.

Deposits made at the inception of operating leases are carried at amortized cost. The difference between the nominal value of a deposit paid, carried at less than market interest and its fair value, is considered as additional rent, payable to the lessor and is expensed on a straight-line basis over the lease term.

The Group leases tangible assets where the lease agreements transfer all material risks and rewards of the asset to the lessee at the end of the lease term. Such lease agreements are classified as financial leases. Financial leases are recognized at inception to the lowest of acquisition cost and the net present value of minimum lease payments. Financial lease assets are depreciated on a straight-line basis over the lease period if such is shorter than the useful life of the financial lease asset. Financial lease assets are included in the statement of financial position as tangible assets.

Each lease payment under financial leases is split between the lease liability and finance cost to amortize the financial costs related to such leases for the duration of the lease period. The lease liability is classified as borrowings, see note 22 for details.

Sale and leaseback transactions are treated as financial leases and operating leases, depending on the nature of the lease. All sale and leaseback transactions are defined as operating leases established at fair value and any profit or loss is recognized immediately in the income statement as other income or operating expenses, see note 11 and 12 for details.

### 1.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision maker has been identified as the Executive Management.

The Group has one operating segment, which is low cost air passenger travel. See note 4 for further details.

### 1.22 Events after the reporting date

New information regarding the Group's positions at the reporting date is taken into account in the preparation of the annual financial statements. Events occurring after the reporting date which do not affect the Group's position at the reporting date, but which will affect the Group's position in the future, are disclosed if significant.

### 1.23 Critical accounting estimates and judgments

In preparing the consolidated financial statements, the Management is required to assess judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The critical judgments and key sources of estimation uncertainty that have been made in preparing the consolidated financial statements are detailed below. These judgments involve assumptions or estimates in light of future events that can differentiate from what is expected.

The aircraft held under operating lease agreements are subject to specific redelivery conditions stated in the contracts as well as periodic maintenance programs as defined by the aircraft and engines manufacturers. To meet these requirements, the Group must conduct maintenance, both regularly and at the expiration of the leasing period. Provisions are made based on the estimated costs of overhauls and maintenance. In order to estimate these conditions, the Management must make assumptions regarding expected maintenance costs. Description of maintenance cost estimates are described in note 19.

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful lives, taking expected residual value into consideration. An aircraft is decomposed into several components for depreciation purposes in order to consider different useful lives of the aircraft components, in accordance with offi-



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cial requirements. The depreciation period and method are assessed annually to ensure that they reconcile with the substance of the non-current asset, and the residual value is estimated at each year-end. The assessments require Management to make assumptions regarding expected useful lives and residual values.

Deferred tax assets are recognized for all unused tax losses to the extent that taxable profits are probable. Deferred tax liabilities are recognized when an obligation has been incurred. Significant management judgment is required to determine the amounts of deferred tax assets that can be recognized, based on the anticipated timing and level of future taxable profits together with future tax planning strategies. Deferred tax liabilities that have been incurred are based on the best estimate of the likely obligation at each reporting period. These estimates are subject to revision based on the outcome of tax audits and discussions with authorities that

can take several years to conclude. See notes 9 and 27 for further details of tax positions.

The Group tests annually whether goodwill and other intangible assets with indefinite useful lives, have suffered any impairment in accordance with the accounting policy stated in note 1.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 10). Estimating value in use for owned aircraft and for purchase contracts, require judgement. In 2017 indications of impairment have not been identified for neither aircraft nor purchase contracts.

Bad debt provisions for credit card receivables are based on actual historical loss percentage and actual withdrawal for payments from credit card companies.

Fair value of financial instruments is determined using fair value estimation techniques. Valuation techniques and details on financial instruments are outlined in note 3.

### NOTE 02: FINANCIAL RISK

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall financial risk management program focuses on changes and fluctuations in financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain financial risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury), under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risk in close co-operation with the Group's operating units. The Board provides principles for overall risk management such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

#### 2.1 Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, jet fuel prices and interest rates which will affect the Group's income or value of its holdings of financial instruments.

#### 2.2 Foreign exchange risk

A substantial part of the Group's expenses is denominated in foreign currencies. The Group's leases, aircraft borrowings, maintenance, jet fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. The carrying amount of the Group's net investments in foreign entities and proceeds from these investments varies with changes in the foreign exchange rate. In order to reduce currency risk, the Group has a mandate to hedge up to 100 per cent of its currency exposure for the fol-

lowing 12 months. The hedging consists of forward currency contracts and flexible forwards.

#### Exchange rate risk sensitivity analysis

This analysis does not take into account correlation between currencies. Empirical studies confirm substantial diversification effect across the currencies that the Group is exposed to.

#### Effects on net currency gains (losses)

The Group is exposed to currency fluctuations on monetary items in the statement of financial position and revenue/costs, denominated in other currencies than the functional currency.

If NOK had weakened/strengthened by 1 per cent against USD in 2017, with all other variables held constant, post-tax profit would have been NOK 145 million (2016: NOK 22.4 million) higher/lower, mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments and cash and cash equivalents.

If NOK had weakened/strengthened by 1 per cent against EUR with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 20 million (2016: NOK 9.7 million) lower/higher, mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments, cash and cash equivalents and long-term borrowings denominated in EUR.

If NOK had weakened/strengthened by 1 per cent against GBP with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 15 million (2016: NOK 0.9 million) higher/lower, mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments and cash and cash equivalents.

#### Effects due to foreign exchange translations on other comprehensive income

The Group has major investments in operations abroad, whose net assets are exposed to foreign currency translation risk. Currency expo-

sure arising from the net assets of the Group's foreign operations can be material, but the variances create a natural hedge against the Group's currency exposure on operating expenses. If NOK had weakened/strengthened with 1 per cent against USD with all other variables held constant, other comprehensive income would have been NOK 66 million (2016: 38.7 million) higher/lower. If NOK had weakened/strengthened with 1 per cent against EUR with all other variables held constant, other comprehensive income would have been NOK 5 million (2016: 2.5 million) higher/lower.

#### 2.3 Cash flow and fair value interest rate risk

As the Group has net interest bearing debt, the Group's income and operating cash flows are dependent on changes in the market interest rates. The Group's cash flow interest rate risk arises from cash and cash equivalents and floating interest rate borrowings. Floating interest rate borrowings consist of unsecured bond issue, aircraft and prepayment financing, loan facility and financial lease liabilities. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Fixed interest rate borrowings consist of aircraft financing, guaranteed by export credit agencies. Borrowings are denominated in USD and NOK.

If the floating interest rate in 2017 had been 1 per cent higher/lower with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 3.9 million (2016: NOK 22.4 million) lower/higher, mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

The sensitivity analysis of interest rate risk is calculated based on amortized cost of floating rate borrowings, cash and cash equivalents.

The Group measures borrowings at amortized cost. No changes in fair value of fixed rate interest rate borrowings would be accounted for. Fair value calculations of fixed interest rate borrowings are detailed in note 22.





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### 2.4 Jet fuel prices

Expenses for jet fuel represent a substantial part of the Group's operating costs, and fluctuations in jet fuel prices influence the projected cash flows. The objective of the jet fuel price risk management policy is to safeguard against significant and sudden increases in jet fuel prices whilst retaining access to price reductions. The Group manages jet fuel price risk using fuel derivatives. The Management has a mandate to hedge up to 100 per cent of its expected consumption over the next 24 months with forward commodity contracts.

The Group holds forward commodity contracts to hedge jet fuel price risk. Such derivative contracts affect the financial statements through unrealized gains/losses from jet fuel prices. At 31 December 2017, the Group held forward contracts totaling 481 500 tons of jet fuel (831 766), equaling approximately 25 per cent of fuel consumption in 2018.

### 2.5 Credit risk

Credit risk is managed on a Group-wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to travel agencies and commercial customers, including outstanding receivables and committed transactions. The utilization of credit limits is regularly monitored. The Group's policy is to maintain credit sales at a minimum level. Sales to private customers are settled in cash or using major credit card companies.

A portion of the Group's sales, are paid for by the customers at the time of booking and Norwegian receive the actual payments from the credit card companies, or acquires are received at a later point in time. Delayed payments from credit card companies vary between credit card brands. The risk arising from receivables on credit card companies or credit card acquires are monitored closely.

Credit risk related to bank defaults is closely monitored and partly offset by diversifying the Group's deposit portfolio.

There is re-invoicing of maintenance costs on aircraft to leasing companies, and Norwegian regularly evaluates and assesses the value of these credits. See note 20 for further disclosure on credit risk.

### 2.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve, cash and cash equivalents (see note 24) on the basis of expected cash flow. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Norwegian has historically utilized aircraft financing institutions, as its primary funding source in relation to aircraft acquisitions in addition to the US Capital market by way of Private Placements, EETC and sale and leaseback arrangements. Norwegian is dependent on access to one of these or other financing forms to finance the delivery of aircraft. Deliveries in 2018 will be financed through export guaranteed financing, non-payment insurance product, in the US capital market or through other commercial sources of financing. The Group is currently in the process of securing pre-delivery payment financing and term financing according to the Group's financing policy for deliveries in the finance planning for 2018-2020. The Group's financing policy includes sale and leaseback transactions on several aircraft to diversify its aircraft fleet. In 2017, 17 aircraft were delivered and financed as sale and leaseback transactions (four in 2016).

The Group's aircraft fleet consists of leased aircraft (note 12) and owned aircraft (note 11), whereof the Group has 216 owned and leased

aircraft on firm order with future delivery. In accordance with airline industry market practice the total order is not fully financed. The financing will be secured on a periodic basis, the size and timing depending on the schedule of aircraft delivery and market conditions. Prepayments to aircraft manufacturers on future aircraft deliveries are financed

by internal and external funds.

For future aircraft deliveries and contractual commitments, see note 28.

The table below analyses the maturity profile of the Group's financial liabilities at the reporting date. The amounts disclosed are the contractual undiscounted cash flows:

NOK 1000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2017</b>				
Borrowings	4 244 486	3 802 215	6 924 398	12 115 247
Derivative contracts - payments	41 819	-	-	-
Trade and other payables	5 568 261	-	-	-
Calculated interest on borrowings	905 551	826 961	1 561 712	1 287 873
<b>Total financial liabilities</b>	<b>10 760 117</b>	<b>4 629 176</b>	<b>8 486 110</b>	<b>13 403 120</b>

NOK 1000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2016</b>				
Borrowings	4 768 813	6 417 052	8 746 430	4 013 356
Derivative contracts - payments	86 306	27 939	-	-
Trade and other payables	3 881 684	-	-	-
Calculated interest on borrowings	919 351	1 399 801	1 719 880	434 643
<b>Total financial liabilities</b>	<b>9 656 153</b>	<b>7 844 792</b>	<b>10 466 309</b>	<b>4 447 999</b>

### 2.7 Capital risk management

The Group's capital management policy is to have a capital structure which meets the demands of operations, reduces cost of capital and complies with financial covenants and future investments planned by the Group. The Management monitors these externally imposed financial covenants closely as a part of the Group's capital risk management policy.

The Board of Directors has imposed an internal liquidity target which is closely monitored by the Management.

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The equity ratios at 31 December were as follows:

NOK 1 000	2017	2016
Equity	2 098 405	4 048 975
Total assets	43 522 668	37 762 651
<b>Equity ratio</b>	<b>4.8%</b>	<b>10.7%</b>

### NOTE 03: FAIR VALUE ESTIMATION

Financial instruments which are measured in the statement of financial position at fair value, requires disclosures of fair value measurements by the following levels of fair value measurement hierarchy:

#### Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices of the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis.

#### Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Financial instruments in level 2 include forward contracts classified as derivatives. The fair values of forward foreign currency contracts and forward commodities contracts are determined using mark to market values from financial institutions. Spot prices in the mark to market calculations are based on mid-prices as set by the financial institutions (Handelsbanken, Mitsui, SEB, Danske Bank, Investec, GRM and Goldman) at the reporting date. The forward contracts are classified as current or non-current assets or liabilities according to the net value at 31 December 2017 and maturity profile of individual contracts. Contracts with maturity within one year are classified as short term assets and short term liabilities.

#### Level 3

If one or more of the significant inputs are not based on observable market data, specific valuation techniques are applied. Financial instruments included in level 3, relate to investments in unlisted shares in Silver Pensjonsforsikring, and the investment in Bank Norwegian AS' listed bond due to low market activity.

The following table presents financial assets and liabilities measured at fair value at 31 December 2017:

NOK 1 000	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<b>Financial assets at fair value through profit and loss</b>				
- Derivative financial instruments, long term	-	31 016	-	31 016
- Derivative financial instruments, short term	-	615 707	-	615 707
Available-for-sale financial assets	-	-	82 689	82 689
<b>Total assets</b>	-	646 722	82 689	729 412
<b>Liabilities</b>				
- Derivative financial liabilities, long term	-	-	-	-
- Derivative financial liabilities, short term	-	41 819	-	41 819
<b>Total liabilities</b>	-	41 819	-	41 819

There have not been any changes in the valuation techniques used on the assets and liabilities listed in the table above through the year.

The following table presents financial assets and liabilities measured at fair value at 31 December 2016:

NOK 1 000	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
- Derivative financial instruments, long term	-	114 476	-	114 476
- Derivative financial instruments, short term	-	353 246	-	353 246
Available-for-sale financial assets	-	-	82 689	82 689
<b>Total assets</b>	-	467 722	82 689	550 412
<b>Liabilities</b>				
- Derivative financial liabilities, long term	-	27 939	-	27 939
- Derivative financial liabilities, short term	-	86 306	-	86 306
<b>Total liabilities</b>	-	114 245	-	114 245

There have not been any changes in the valuation techniques used on the assets and liabilities listed above during 2017.



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### NOTE 04: SEGMENT INFORMATION

Executive Management reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports. Executive Management considers the business as one operating segment, which is low-cost air passenger travel. The Group's operating profit comes from airline-related activities and the Group's main revenue generating asset is its aircraft fleet, which is utilized across the Group's geographical segment. As of second quarter 2017, gain and loss from sale of fixed assets are moved to other losses/(gains). Other revenue from 2016 of NOK 103 million have been adjusted according to this.

Performance is measured by the Executive Management based on the operating segment's earnings before interests, tax, depreciation and amortization (EBITDA). Other information is measured in accordance with the financial statements.

The table below shows revenues from low-cost air passenger travel which is split between passenger revenue, ancillary revenue and other revenue. Revenue per country is based on starting point of passenger journeys.

NOK 1 000	2017	2016
<b>By activity:</b>		
Passenger transport	24 719 086	21 095 595
Ancillary revenue	4 822 516	3 928 978
Other revenue	1 406 661	925 981
<b>Total operating revenue</b>	<b>30 948 264</b>	<b>25 950 554</b>
<b>Per country:</b>		
Norway	7 160 434	6 844 411
US	4 398 006	2 797 660
Spain	4 470 509	3 701 012
Sweden	3 345 013	3 040 460
UK	2 711 851	2 216 267
Denmark	2 316 947	2 180 100
Finland	1 133 239	966 134
France	955 128	606 896
Germany	454 792	374 319
Italy	587 692	412 234
Other	3 414 653	2 811 061
<b>Total</b>	<b>30 948 264</b>	<b>25 950 554</b>
Total outside of Norway	23 787 830	19 106 143

### NOTE 05: OPERATING EXPENSES

NOK 1 000	2017	2016
Sales and distribution expenses	946 074	758 698
Aviation fuel	7 339 171	5 052 906
Aircraft leases	3 889 680	2 841 859
Airport charges	3 760 075	3 303 841
Handling charges	3 685 213	2 995 608
Technical maintenance expenses	2 706 549	1 864 985
Other aircraft expenses	1 694 830	1 206 447
<b>Total operational expenses</b>	<b>24 021 594</b>	<b>18 024 344</b>

### NOTE 05A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 1 983.7 million (2016: NOK 1 516.2 million). Other operating expenses are related to the operating of systems, marketing, back office, consultants, and other costs not directly attributable to the operation of the aircraft fleet and related airline-specific costs. As of second quarter 2017, gain and loss from sale of fixed assets are moved to other losses/(gains). Other operating expenses from 2016 of NOK 2.8 million have been adjusted according to this.

### NOTE 06: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

NOK 1 000	2017	2016
Wages and salaries	2 368 601	1 910 976
Social security tax	378 869	306 170
Pension expenses	245 313	212 416
Employee stock options	17 148	16 259
Other benefits	190 282	160 801
Hired crew personnel	2 116 040	1 364 790
<b>Total</b>	<b>5 316 253</b>	<b>3 971 412</b>

Payroll expenses include hired crew personnel. The employees are participants in defined pension plans. See note 18 for details.



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### Number of man-labour years\*

	2017	2016
Norway	1 910	1 835
Spain	1 837	1 209
United Kingdom	1 637	945
Sweden	583	520
Singapore/Bangkok	212	246
Denmark	401	324
USA	621	391
Finland	269	204
Ireland	86	77
Italy	166	45
France	44	-
Netherlands	37	-
Caribbean	28	-
Argentina	14	-
<b>Total</b>	<b>7 845</b>	<b>5 796</b>

\*) Including man-labor years related to hired crew personnel.

## NOTE 07: REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

### Remuneration of the Board of Directors

Total remuneration paid to the Board in 2017 was NOK 1.5 million (2016: NOK 1.5 million). The Chairman of the Board, Bjørn Kise, received NOK 0.5 million (2016: NOK 0.5 million). There were no bonuses or other forms of compensation paid to the Board members in 2017.

### Directive of Remuneration of the CEO and the Executive Management

The principles of executive remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting performance oriented culture, enabling Norwegian to deliver on its strategy. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determines the remuneration of the CEO, and the guidelines for remuneration of the Executive Management. The remuneration of the Board and the Executive Management must not have negative effects on the Group, nor damage the reputation and standing of the Group in the public eye.

There were made no changes to the guidelines or principles of Management remuneration during the 2017. The actual remuneration in 2017 was consistent with the guidelines and principles.

Compensation made to the Executive Management going forward will have its basis in Norwegian's performance oriented culture, and should primarily consist of a fixed yearly salary with additional compensations e.g. a company car, free telephone, internet and newspapers, and a standard pension and insurance plan. The Executive Management is also a part of the Group's stock option plan. The Board can also award key position holders with stock options.

The CEO does not receive compensation in form of performance-based salary or bonuses, except for options in the stock option plan. The Executive Management can on an individual level be awarded with a special compensation for profit enhancing projects.

The Executive Management is a part of the Group's collective pension plan for salaries up to 12 G, which applies to all employees. The Executive Management has not been given any specific rights in case of terminated employment.



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### Total compensation year 2017:

NOK 1 000	Fee	Salary	Bonus	Other benefits <sup>2</sup>	Total compensation	Pension expense <sup>3</sup>
<b>The Board of Directors</b>						
Bjørn Kise (Chair)	500	-	-	-	500	-
Liv Berstad (Deputy Chair)	300	-	-	-	300	-
Christian Fredrik Stray	275	-	-	-	275	-
Ada Kjeseth	275	-	-	-	275	-
Thor Espen Bråten (not part of BoD since September 2016) <sup>1)</sup>	38	-	-	-	38	-
Kenneth Utsikt (not part of BoD since September 2016) <sup>1)</sup>	38	-	-	-	38	-
Linda Olsen <sup>1)</sup>	50	-	-	-	50	-
Marcus Daniel Hall <sup>1)</sup>	12	-	-	-	12	-
Geir Olav Øien <sup>1)</sup>	9	-	-	-	9	-
Katrine Gundersen <sup>1)</sup>	3	-	-	-	3	-
<b>Total board of directors</b>	<b>1 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 500</b>	<b>-</b>
<b>Executive Management</b>						
Bjørn Kjos (Chief Executive Officer)	-	1 997	-	158	2 155	65
Frode Foss (Chief Financial Officer until October 2017)	-	2 101	-	2 632	4 733	70
Asgeir Nyseth (Chief Operating Officer)	-	2 418	-	182	2 600	72
Anne-Sissel Skånvik (Chief Communications Officer)	-	1 859	-	152	2 011	78
Frode Berg (Chief Legal Officer)	-	1 912	-	154	2 066	71
Thomas Ramdahl (Chief Commercial Officer)	-	1 859	-	158	2 017	70
Dag Skage (Chief Information Officer)	-	1 859	-	159	2 018	70
Tore Jenssen (CEO Norwegian Air International Ltd)	-	2 005	-	154	2 159	68
Edward Thorstad (Chief Customer Officer)	-	1 743	-	154	1 897	70
Jan Dahm-Simonsen (Chief Human Resources Officer until September 2017)	-	1 200	-	111	1 311	94
Bjørn Erik Barman-Jenssen (Managing Director - Norwegian Air Resources)	-	1 792	-	177	1 969	72
Lennart Ceder (Chief Operating Officer - Norwegian Air UK Ltd)	-	1 404	-	10	1 414	74
Brede Huser (Managing director Norwegian Reward, part of executive management since July 2017)	-	1 708	-	159	1 867	70
Ole Christian Melhus (Director South America, part of executive management since July 2017) <sup>4)</sup>	-	2 705	-	19	2 724	146
Helga Bollmann Leknes (Chief Human Resources Officer since October 2017)	-	500	-	38	538	-
Tore Østby (Acting Chief Financial Officer from June 2017)	-	919	-	17	936	38
<b>Total executive management</b>	<b>-</b>	<b>27 981</b>	<b>-</b>	<b>4 434</b>	<b>32 415</b>	<b>1 128</b>

1) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors is stated.

2) Other benefits include company car, telephone, internet, etc.

3) Pension expense reflects paid pension premium less employee contribution.

4) Including compensation for expatriation.

No share options were exercised by the Management in 2017. Refer to note 15 for an overview of shares held by Management.



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### Total compensation year 2016:

NOK 1 000	Fee	Salary	Bonus	Other benefits <sup>2</sup>	Total compensation	Pension expense <sup>3</sup>
<b>The Board of Directors</b>						
Bjørn Kise (Chair)	500	-	-	-	500	-
Liv Berstad (Deputy Chair)	300	-	-	-	300	-
Christian Fredrik Stray	275	-	-	-	275	-
Ada Kjeseth	275	-	-	-	275	-
Thor Espen Bråthen (elected by the employees) until October 2016 <sup>1</sup>	50	-	-	-	50	-
Kenneth Utsikt (elected by the employees) until October 2016 <sup>1</sup>	50	-	-	-	50	-
Linda Olsen (elected by the employees) <sup>1</sup>	50	-	-	-	50	-
Geir Olav Øien (elected by the employees) from October 2016 <sup>1</sup>	-	-	-	-	-	-
Marcus Daniel Hall (elected by the employees) from October 2016 <sup>1</sup>	-	-	-	-	-	-
<b>Total board of directors</b>	<b>1 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 500</b>	<b>-</b>
<b>Executive management</b>						
Bjørn Kjos (Chief Executive Officer)	-	1 997	-	159	2 156	68
Frode Foss (Chief Financial Officer)	-	2 385	-	159	2 544	71
Asgeir Nyseth (Chief Operating Officer)	-	2 341	-	182	2 523	74
Anne-Sissel Skånvik (Chief Communications Officer)	-	1 722	-	121	1 843	79
Thomas Ramdahl (Chief Commercial Officer)	-	1 722	-	159	1 881	72
Jan Dahm-Simonsen (Chief Human Resources Officer from September 2016)	-	577	-	284	861	-
Frode Berg (Chief Legal Officer)	-	1 796	-	155	1 951	73
Dag Skage (Chief Information Officer)	-	1 722	-	160	1 882	72
Tore Jenssen (CEO Norwegian Air International Ltd)	-	1 823	-	155	1 978	71
Edward Thorstad (Chief Customer Officer)	-	1 617	-	167	1 784	72
Bjørn Erik Barman-Jenssen (Managing Director – Norwegian Air Resources from September 2016)	-	525	-	35	560	22
Lennart Ceder (Chief Operating Officer – Norwegian Air UK Ltd)	-	1 247	-	11	1 258	77
Gunnar Martinsen (Senior Vice President HR and Organisation until August 2016)	-	1 419	-	114	1 533	46
Geir Steiro (Chief Operating Officer until August 2016)	-	1 759	-	105	1 864	53
<b>Total Executive management</b>	<b>-</b>	<b>22 652</b>	<b>-</b>	<b>1 966</b>	<b>24 618</b>	<b>850</b>

1) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors is stated.

2) Other benefits include company car, telephone, internet, etc.

3) Pension expense reflects paid pension premium less employee contribution.

The tables above are presented excluding employers contribution. Shares and options held by the Executive Management are presented in note 15. There are no outstanding loans or guarantees made to the Board of Directors or the Executive Management.



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### NOTE 07A: AUDIT REMUNERATION

#### Audit remuneration (excl VAT)

NOK 1 000	2017	2016
Audit fee	9 985	7 738
Other audit related services	1 711	2 440
Tax advisory	74	99
Other services	2 000	828
<b>Total</b>	<b>13 770</b>	<b>11 105</b>

All amounts stated exclude VAT. Other services in 2017 relates mainly to services from Deloitte Consultancy on operational areas. Deloitte has been the Group's auditor since 21 June, 2013.

### NOTE 08: NET FINANCIAL ITEMS

NOK 1 000	2017	2016
Interest income	71 296	43 625
Interest expense	(958 615)	(685 990)
Net foreign exchange (loss) or gain	(351 010)	116 476
Appreciation cash equivalents	7 350	5 418
Other financial items	378 946	(4 383)
<b>Net financial items</b>	<b>(852 033)</b>	<b>(524 854)</b>

Foreign exchange derivatives and fuel derivatives are categorized as financial assets or financial liabilities at fair value through profit or loss and are measured at fair value at each reporting date with changes in fair value recognized as other gains and losses within operating expenses.

Net foreign exchange loss of NOK 351.0 million is recognized in 2017 (2016: NOK 116.5 million gain). Non-interest-bearing deposits for aircraft leases are initially measured at fair value and a periodic interest income is calculated using the same interest rate as for fair value calculation.

See note 3 for fair value estimation and note 20 for further information concerning available-for-sale financial assets.

Interest expenses include amortized cost on borrowings. Capitalized interests reduce interest expenses (note 11).

### NOTE 09: TAX

#### This year's tax expense consists of:

NOK 1 000	2017	2016
Tax payable	24 898	21 035
Adjustments from previous year	(24 629)	(75 824)
Change in deferred tax	(768 764)	428 142
<b>Income tax expense</b>	<b>(768 496)</b>	<b>373 353</b>

Tax expense adjustments from previous years recognized in 2017 consists of changes in deferred tax from previous years.

#### Reconciliation from nominal to effective tax rate:

NOK 1 000	2017	2016
Profit before tax	(2 562 200)	1 508 333
Expected tax expense (income) using nominal tax rate 24% (25%)	(614 928)	377 083
<b>Tax effect of the following items:</b>		
Non deductible expenses/income	(137 992)	3 637
Adjustments from previous year	(23 405)	(62 495)
Tax rate outside Norway other than 24% (25%)	153 108	40 835
Change in tax rate	41 055	13 128
Deferred tax asset not recognised previous years	(186 714)	-
Other items	380	1 165
<b>Tax expense</b>	<b>(768 496)</b>	<b>373 353</b>
Effective tax rate	29.99%	24.75%

Non-deductible expenses/income includes non-taxable gains related to financial assets measured at fair value.



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The following table details net deferred tax liabilities (assets) at year end:

### Deferred tax (assets):

NOK 1 000	2017	2016
Intangible assets	(210 371)	64 645
Tangible assets	659 805	337 154
Inventories	(11 681)	(15 660)
Receivables	(10 506)	(8 546)
Financial instruments	139 128	84 834
Deferred gains/losses	357 661	49 725
Other accruals	(254 252)	255 398
Pensions	(34 991)	(25 983)
Other temporary differences	(310 637)	(11 162)
Loss carried forward	(1 375 515)	(980 283)
Not recognized deferred tax	32 433	8 379
<b>Net deferred tax liabilities (assets)</b>	<b>(1 018 927)</b>	<b>(241 499)</b>

Deferred tax assets are based on unused tax loss carry-forwards and temporary differences in assets and liabilities. The tax loss carried forward is expected to be utilized by future taxable profits. The Irish subsidiary Norwegian Air International Ltd. has recognized a deferred tax asset of NOK 761 million related to carryforward losses at 31 December 2017. Although the company has experienced recent losses, the company has convincing other evidence supporting the future utilization of its carryforward losses, including renegotiations of agreements with other companies in the group, route and base optimization across the group and for the company, moving capacity from non-profitable routes and other profit improvement measures. Adjustments from previous years consists of differences in deferred tax positions between the Group reporting last year and each company's tax reporting finalized later in 2017. Deferred tax liabilities and deferred tax assets are presented net to the extent that there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority.

### Reconciliation of deferred tax liabilities (assets):

NOK 1 000	2017	2016
Recognized at 1 January	(241 499)	(593 626)
Charged/credited to the income statement	(768 764)	428 142
Adjustment from previous year	(11 321)	(75 824)
Translation differences	2 656	(191)
<b>Recognized at 31 December</b>	<b>(1 018 927)</b>	<b>(241 499)</b>





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### NOTE 10: INTANGIBLE ASSETS

NOK 1 000	Software	Goodwill	Other intangible assets		Total
			Indefinite life	Definite life	
Acquisition costs 1 January 2016	433 146	94 157	29 235	69 574	626 112
Additions	31 038	-	-	-	31 038
Disposals	-	(176)	-	-	(176)
Acquisition costs 31 December 2016	464 184	93 981	29 235	69 574	656 974
Acquisition costs 1 January 2017	464 184	93 981	29 235	69 574	656 974
Additions	24 695	-	15 073	-	39 768
Acquisition costs 31 December 2017	488 879	93 981	44 308	69 574	696 742
Accumulated amortisation 1 January 2016	349 863	-	-	69 574	419 437
Amortisation	39 277	-	-	-	39 277
Accumulated amortisation 31 December 2016	389 140	-	-	69 574	458 714
Accumulated amortisation 1 January 2017	389 140	-	-	69 574	458 714
Amortisation	36 645	-	-	-	36 645
Accumulated amortisation 31 December 2017	425 784	-	-	69 574	495 358
<b>Book value at 31 December 2016</b>	75 044	93 981	29 235	-	198 260
<b>Book value at 31 December 2017</b>	63 095	93 981	44 308	-	201 383
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortization plan	Straight-line	None	None	Straight-line	

Capitalized software is related to external consulting fees for the development of Norwegian's own systems for bookings and ticket-less travels, various sales portals, back office and maintenance system. These costs are amortized over their estimated useful lives (three to five years).

Other intangible assets and goodwill are related to the purchase of FlyNordic in Sweden July 2007 and purchase of slots at London Gatwick airport in 2017. Other intangible assets from business combinations consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. Other intangible assets also consist of intellectual property rights that are related to purchases of internet domains. The Group has developed international web portals in major markets.

Goodwill, slots, and intellectual property rights are determined to have indefinite useful lives and are not amortized. Slots and intellectual property rights do not expire over time, as long as the Management has the intention to continue using the assets.

#### Impairment testing of goodwill and intangible assets

The Group tests goodwill and assets with indefinite useful lives annually at year-end for impairment. Intangible assets with definite lives are tested for impairment if indicators of impairment are identified. No indications of impairment have been identified in 2017 or in 2016.

The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year which is approved by the Board of Directors. The budget for the next 12 months is applied for cash flows within a planning horizon of 8 years, as the aircraft fleet is estimated for re-investment every eight years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flows beyond the eight-year period are extrapolated with a long-term growth rate. Estimated cash flows and discount rate are after tax.



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### Discount rate

The applied after-tax discount rate is 5.8 per cent (2016: 5.7 per cent) and based on the Weighted Average Cost of Capital (WACC). The cost of the Group's debt and equity capital, weighted accordingly to reflect its capital structure, gives the Group's weighted average cost of capital. The WACC rates which are used to discount future cash flows are based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate of 1 percentage point will not result in impairment of goodwill and intangible assets.

### Growth rates

The basis for calculating future growth rate is next year's budget as approved by the Board of Directors. Except for budgeted growth stemming from existing assets, no growth is incorporated in the impairment test for 2017.

### Operating costs

The operating costs are calculated based on the budget period. Committed operations efficiency programs for the next 12 months are taken into account. Changes in the outcome of these initiatives may affect future estimated operating costs. A permanent increase of 2 per cent of total costs, with all other assumptions unchanged, will not result in impairment of assets.

### Terminal value

A growth rate of 0 per cent is used in calculating cash flow beyond the eight-year period.

### Sensitivity

At 31 December 2017, the Group's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. A sensitivity analysis has been performed, in order to determine if a reasonable change in key assumptions would cause the carrying amount to exceed the recoverable amount. A reduction in the estimated revenue per passenger kilometer by 2 per cent, an increase in the unit cost by 2 per cent, a reduction in the estimated load factor by 1 percentage point or an increase in WACC after tax by 1 percentage point would not lead to an impairment loss.



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## NOTE 11: TANGIBLE ASSETS

<i>NOK 1 000</i>	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment on aircraft orders	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 2016	293 845	21 944 173	5 939 281	256 442	6 301	<b>28 440 041</b>
Additions	3 225	4 462 893	3 784 297	50 380	-	<b>8 300 795</b>
Transfers	-	2 479 075	(2 479 075)	-	-	-
Disposals	-	(1 513 002)	-	-	-	<b>(1 513 002)</b>
Foreign currency translation	-	(197 958)	(88 200)	-	-	<b>(286 159)</b>
<b>Acquisition cost at 31 December 2016</b>	<b>297 069</b>	<b>27 175 180</b>	<b>7 156 302</b>	<b>306 821</b>	<b>6 301</b>	<b>34 941 675</b>
Acquisition cost at 1 January 2017	297 069	27 175 180	7 156 302	306 821	6 301	<b>34 941 675</b>
Additions	1 955	10 141 324	2 689 864	66 681	-	<b>12 899 824</b>
Transfers	-	4 251 264	(4 251 264)	-	-	-
Disposals	-	(10 384 386)	-	-	-	<b>(10 384 386)</b>
Foreign currency translation	-	(1 223 144)	(375 531)	-	-	<b>(1 598 674)</b>
<b>Acquisition cost at 31 December 2017</b>	<b>299 024</b>	<b>29 960 238</b>	<b>5 219 372</b>	<b>373 503</b>	<b>6 301</b>	<b>35 858 438</b>
Accumulated depreciation at 1 January 2016	8 171	3 436 467	-	176 934	6 301	<b>3 627 872</b>
Depreciation	5 663	1 209 359	-	41 527	-	<b>1 256 549</b>
Depreciation disposals	-	(32 465)	-	-	-	<b>(32 465)</b>
Foreign currency translation	-	(9 955)	-	-	-	<b>(9 955)</b>
<b>Accumulated depreciation at 31 December 2016</b>	<b>13 833</b>	<b>4 603 406</b>	<b>-</b>	<b>218 461</b>	<b>6 301</b>	<b>4 842 001</b>
Accumulated depreciation at 1 January 2017	13 833	4 603 406	-	218 461	6 301	<b>4 842 001</b>
Depreciation	5 728	1 298 117	-	64 584	-	<b>1 368 429</b>
Depreciation disposals	-	(2 262 889)	-	-	-	<b>(2 262 889)</b>
Impairment	-	655 904	-	-	-	<b>655 904</b>
Foreign currency translation	-	(196 181)	-	-	-	<b>(196 181)</b>
<b>Accumulated depreciation at 31 December 2017</b>	<b>19 562</b>	<b>4 098 356</b>	<b>-</b>	<b>283 045</b>	<b>6 301</b>	<b>4 407 263</b>
<b>Book value at 31 December 2016</b>	<b>283 236</b>	<b>22 571 775</b>	<b>7 156 302</b>	<b>88 361</b>	<b>-</b>	<b>30 099 674</b>
<b>Book value at 31 December 2017</b>	<b>279 462</b>	<b>25 861 882</b>	<b>5 219 372</b>	<b>90 458</b>	<b>-</b>	<b>31 451 175</b>

### Estimated useful life, depreciation plan and residual value is as follows:

Useful life	See below	See below	See below	3-9 years	4-20 years
Depreciation plan	See below	Straight-line	See below	Straight-line	Straight-line
Residual value	See below	See below	See below	0%	0%



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As at 31 December 2017, the Group operated a total of 144 aircraft (2016: 116), whereas 70 (2016: 69) were owned and 78 (2016: 49) were leased under operational leases. In addition, the group have 4 aircraft (2016: 2) in 2017 not operated by the Group, but leased out. See note 12 for details about operational leases.

### Aircraft

The Group acquired 6 Boeing 737-MAXs (2016: 13 Boeing 737-800), 4 Boeing 787-9 aircraft (2016: 0) and 2 Airbus 320neos (2016: 2) during 2017. In addition, the Group acquired 17 Boeing 737-800 on sale and leaseback (2016: 4) and sold 11 Boeing 737-800 (2016: 0) on sale and leaseback.

The residual value is NOK 4 700 million (2016: NOK 7 000 million) in total for all owned aircraft and deducted from the depreciable amount of the body of the aircraft. To determine residual value, the Group have a process of internal assessment along with the use of two external and independent appraisers providing estimates on future value based on aircraft type and year of build. The economic life expectancy of the body of the aircraft is 25 years for the 737, 787 and 320neo aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

The majority of the aircraft in the Group are accounted for in USD by the Groups subsidiary in Ireland, after transfers at 31 December 2013 and during 2014. Hence, the values in consolidated accounts as per 31 December 2017 include effects from currency translation.

Impairment relates to sale and leaseback of 11 of the oldest 737-800 aircraft in the fleet. The difference between carrying value and the final sales price adjusted for debt break costs, maintenance accruals following re-delivery conditions in the lease agreements and accelerated amortized financing expenses are presented as impairment in the consolidated income statement.

### Installations on leased aircraft

The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2016 and 2015 several engines on the leased aircraft were in overhaul, and replacement costs for life limited parts were capitalized to the extent that the costs were improvements to the engines and therefore exceeding the requirements that were specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

### Spare parts

Spare parts consist of rotatable parts for the aircraft and are depreciated over their useful life. The useful life of spare parts ranges between 5-8 years. Straight-line depreciation is applied and 25 per cent of the acquisition cost is calculated as residual value.

### Buildings

Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the Group purchased an apartment in Seattle, and in 2013 purchased an apartment in Florida, for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. In 2014, a new hangar at Gardermoen airport was constructed. Additions in 2017 consist of improvements and upgrades to the hangar. The hangar is estimated to have a useful life of 50 years and is depreciated linearly over its useful economic life. The residual value is NOK 0.

### Prepayments to aircraft manufacturers

In 2007 the Group entered a purchase contract with Boeing Commercial Airplanes concerning 42 new 737-800 aircraft, with an option of purchasing 42 additional aircraft. The contract was extended in June 2011 for an additional 15 Boeing 737-800. In 2011, the Group entered a purchase contract with Icelandair for the right to acquire 3 Boeing 787-8 Dreamliner aircraft, which Icelandair had on order with Boeing Commercial Airplanes. In January 2012, the Group entered into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S. comprising a total of 372 aircraft, of which 222 were firm orders. On 22 October 2015, the subsidiary Arctic Aviation Assets DAC entered into a purchase contract for 19 new 787-9 Dreamliner aircraft, with an additional purchase option of 10 aircraft. Note 28 includes a table showing the timeline of future deliveries.

Until delivery of the aircraft, the Group will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Group capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time which is required to complete the aircraft. Borrowing costs of NOK 322.5 million (2016: NOK 262.1 million) have been capitalized during the year. An average capitalization rate of 5.2 per cent (2016: 4.7 per cent) was used.

### Financial lease assets

In 2009, the Group entered into lease agreements concerning de-icing equipment and electronic flight bag equipment. The lease agreements are classified as financial leases as all risks and rewards are transferred to the Group after the end of the lease agreement. The financial lease assets are depreciated over their useful lives. De-icing equipment is depreciated over 20 years, while electronic flight bag equipment is depreciated over 4 years. The residual value of financial lease assets is 0. In 2015, the Group sold the de-icing equipment at book value.

### Impairment of tangible assets

Tangible assets are tested for impairment if there are indicators that impairment may exist. No such indicators were identified in 2017 or 2016, and as such no impairment losses have been recognized.

For information regarding assets pledged as collateral for debt, see note 23.



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### NOTE 12: OPERATING LEASES

The lease agreements on the Boeing 737 aircraft last between 3 and 12 years from the date of agreement, with some extension options. The lease agreements on the Boeing 787 aircraft last for 12 years with an option for extension. From 2002 to 2016, 79 aircraft were delivered. In 2017, 22 aircraft (2016: 8) were delivered on sale and leaseback, including five 787-9 Dreamliners. In addition nine existing aircraft were sold and leased back during 2017.

Renegotiations have resulted in the extension of some of the shorter leases. In 2017, four (2016: six) aircraft were redelivered to the lessor. Contracts for four of the aircraft will expire in 2018. The remaining contracts expire in 2019 or later.

Leasing costs expensed on aircraft lease within operational expenses was NOK 3 889.7 million in 2017 (2016: NOK 2 841.9 million). Included in leasing costs are wetlease and operating lease costs on aircraft from sale and leaseback transactions.

In addition, the Group leases 13 (2016: 1) cars and 45 (2016: 46) properties in Oslo, Dublin and London in addition to properties in all the operating bases world-wide. Leasing costs related to cars and properties expensed in other operating expenses in 2017 was NOK 73.4 million (2016: NOK 73.8 million).

Annual minimum rent on non-cancellable operating lease agreements per 31 December is as follows:

NOK 1 000	Nominal value 2017				Nominal value 2016			
	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within one year	4 551 261	1 284	70 666	4 623 211	3 071 884	168	42 081	3 114 133
Between 1 and 5 years	16 468 302	5 028	117 562	16 590 892	18 464 198	28	40 908	18 505 134
After 5 years	17 239 792	-	48 741	17 288 534	16 420 712	-	-	16 420 712

The aircraft's minimum lease payments consist of ordinary lease payments and expensed deferred lease payments resulting from non-interest bearing deposits paid at inception of lease agreements. The overview above also includes external leased aircraft scheduled to be received in 2018 where agreements already are entered into. Payments for maintenance reserves are not included due to dependency on future utilization. Current estimates of maintenance reserves payments over the lease agreements are calculated to NOK 11 842 million in 2017 (2016: NOK 13 133 million). Aircraft leases committed through letter of intent are not included in the table above.



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### NOTE 13: TRADE AND OTHER RECEIVABLES

#### Specification of receivables

NOK 1 000	2017	2016
Trade receivables	495 311	318 248
Credit card receivables	1 972 127	1 304 447
Deposits	1 374 799	906 086
Deferred leasing costs	-	-
Reimbursements claims maintenance costs	1 562	14 670
Other claims	418 394	291 891
<b>Trade and other receivables</b>	<b>4 262 193</b>	<b>2 835 342</b>
Prepaid costs	556 324	580 563
Public duty debt	200 766	130 560
Prepayments to employees	6 845	6 933
Prepaid rent	121 418	84 186
Prepayments	885 352	802 242
<b>Total</b>	<b>5 147 545</b>	<b>3 637 584</b>
Maximum credit risk	2 469 000	1 631 447

#### Due dates, nominal value of receivables

NOK 1 000	2017	2016
Within one year	4 357 571	3 013 978
After one year	790 410	624 041
<b>Total</b>	<b>5 147 981</b>	<b>3 638 019</b>

#### Fair value of trade and other receivables

NOK 1 000	2017	2016
Due within one year	4 357 571	3 013 978
After one year*	789 974	623 606
<b>Total</b>	<b>5 147 545</b>	<b>3 637 584</b>

For receivables due within one year, fair value is equal to nominal value.

\*) Discount rate 2.5 per cent (2016: 2.5 per cent)

#### Provision for bad debt

NOK 1 000	2017	2016
Balance 1 January	22 923	15 974
Charged to the income statement	(11 846)	(14 423)
Accruals	13 535	33 972
Reversals	(9 000)	(12 600)
<b>Balance 31 December</b>	<b>15 612</b>	<b>22 923</b>

Changes in provision for bad debt is recognized as other operating expenses.

#### Overdue accounts receivables

NOK 1 000	2017	2016
Overdue less than 1 month	425 070	62 513
Overdue 1-2 months	3 079	23 747
Overdue 2-3 months	972	26 468
Overdue over 3 months	11 985	16 843
<b>Total</b>	<b>441 105</b>	<b>129 571</b>

Provisions for bad debt include trade – and credit card receivables. The provisions for bad debts on trade receivables relate to provisions for overdue receivables that are not impaired at 31 December. Overdue accounts receivables include trade receivables and credit card receivables.

Non-interest bearing deposits are measured at amortized cost in the statement of financial position. Deposits denominated in foreign currencies are converted using the prevailing exchange rates on the reporting date.

### NOTE 14: INVENTORIES

NOK 1 000	2017	2016
Consumables	101 890	89 267
Parts for heavy maintenance	-	13 198
<b>Total</b>	<b>101 890</b>	<b>102 465</b>

In 2017 and 2016 the Group removed stock parts from aircraft engines in relation to heavy maintenance. These parts were sold in secondary markets. Charges for obsolete parts in 2017 were NOK 23.6 million (2016: NOK 39.4 million).



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## NOTE 15: EQUITY AND SHAREHOLDER INFORMATION

### Shares and share issues in 2016 and 2017:

NOK 1 000	Number of ordinary shares	Share capital	Share premium	Total
There were no shares issued in 2016				
<b>31 December 2016</b>	35 759 639	3 576	1 231 631	<b>1 235 207</b>
There were no shares issued in 2017				
<b>31 December 2017</b>	35 759 639	3 576	1 231 631	<b>1 235 207</b>

All issued shares are fully paid with a par value of 0.1 NOK per share (2016: 0.1 NOK per share). There is only one category of shares, and all shares have equal rights. For information about employee share options, see note 17.

### DESCRIPTION OF ITEMS BOOKED DIRECTLY ON SHAREHOLDER'S EQUITY:

#### Other comprehensive income

NOK -127.1 million has been booked as exchange rate differences under comprehensive income in 2017 (2016: NOK -103.0 million). The exchange differences arise from translating the non-Norwegian subsidiaries from functional currency to presentation currency. In addition, the company's share of other comprehensive income in associated companies during 2017 amount to NOK -4.6 million (2016: NOK 1.2 million).

#### Actuarial gains and losses

During 2017, NOK -43.0 million in actuarial loss arising from defined benefit pension plans was booked directly to equity (2016: NOK 24.5 million).

#### Stock option plan

A total of 625 000 share options were granted to Management and key personnel in 2016. The options had an exercise price ten per cent above the weighted average price the ten last trading days as of 13 July 2016, which equaled NOK 321.00. The options granted may be exercised two years after the grant. The exercise window is six months. The potential gain on the options has a maximum cap of three times basic salary per year minus employer contribution tax (effectively, 5 154 times basic salary).

In 2017 a total of 35 000 share options were granted to Management and key personnel. The options have an exercise price ten per cent above the weighted average price the ten last trading days as of 1 October 2017, which equaled NOK 254.00. The options granted may be exercised nine months after the grant. The exercise window is six months. The potential gain on the options has a maximum cap of three times basic salary per year minus employer contribution tax (effectively, 1 933 times basic salary).

Total share option expense in 2017 for share options granted in 2016 was NOK 14.98 million (2016: NOK 12.6 million). Total share option expense in 2017 amounted to NOK 15.44 million. See note 17 for further details.

### Shareholder structure

The largest shareholders at 31 December 2017 were:

	Shares	Ownership	Voting rights
HBK Holding AS*	9 598 873	26.8%	26.8%
Folketrygdfondet	2 169 790	6.1%	6.1%
J.P. Morgan Securities plc	1 809 096	5.1%	5.1%
Danske Capital (Norway)	1 779 467	5.0%	5.0%
Ferd AS	1 500 000	4.2%	4.2%
DNB Asset Management AS	1 158 911	3.2%	3.2%
Pareto Nordic Investments AS	691 000	1.9%	1.9%
KLP Forsikring	658 965	1.8%	1.8%
Ålandsbanken Sverige AB	531 437	1.5%	1.5%
Watrium AS	459 000	1.3%	1.3%
Catella Bank S.A.	352 926	1.0%	1.0%
Svenska Handelsbanken AB	330 214	0.9%	0.9%
Nordnet Bank AB.	316 450	0.9%	0.9%
Storebrand Kapitalforvaltning AS	297 262	0.8%	0.8%
SAFE Investment Company Limited	294 256	0.8%	0.8%
Nordnet Livsforsikring AS	282 063	0.8%	0.8%
Saxo Bank A/S	255 819	0.7%	0.7%
Skagen AS	248 136	0.7%	0.7%
Nordea Funds Oy	223 903	0.6%	0.6%
UBS Zuerich	220 313	0.6%	0.6%
Other	12 581 758	35.2%	35.2%
<b>Total number of shares</b>	<b>35 759 639</b>	<b>100.0%</b>	<b>100.0%</b>

\*) The shareholding of HBK Holding AS at 31 December 2017 and 31 December 2016 reflect the actual shareholding and may deviate from the official shareholder register as HBK Holding has signed a securities lending agreement with Nordea and Danske Bank. Under this agreement these institutions may borrow shares from HBK Holding for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligations.



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### The largest shareholders at 31 December 2016 were:

	Shares	Ownership	Voting rights
HBK Holding AS*	8 795 873	24.6%	24.6%
Folketrygdfondet	3 259 303	9.1%	9.1%
Skagen AS	2 000 000	5.6%	5.6%
DNB Asset Management AS	1 914 828	5.4%	5.4%
Danske Capital (Norway)	1 864 617	5.2%	5.2%
Ferd AS	1 300 000	3.6%	3.6%
KLP Forsikring	879 712	2.5%	2.5%
Alfred Berg Kapitalforvaltning AS	663 110	1.9%	1.9%
Keskinäinen eläkevakuutusyhtiö Varma	650 000	1.8%	1.8%
Pareto Nordic Investments AS	566 000	1.6%	1.6%
Storebrand Kapitalforvaltning AS	502 069	1.4%	1.4%
Datum AS	500 000	1.4%	1.4%
DNB Markets	497 148	1.4%	1.4%
DNB Livsforsikring ASA	489 064	1.4%	1.4%
Handelsbanken Kapitalförvaltning AS	447 100	1.3%	1.3%
Norron Asset Management AB	364 895	1.0%	1.0%
Nordea Funds Oy	327 929	0.9%	0.9%
SAFE Investment Company Limited	270 297	0.8%	0.8%
Stenshagen Invest AS	189 492	0.5%	0.5%
Handelsbanken Asset Management	178 422	0.5%	0.5%
Other	10 099 780	28.2%	28.2%
<b>Total number of shares</b>	<b>35 759 639</b>	<b>100.0%</b>	<b>100.0%</b>

### Shares directly or indirectly held by members of the Boards of Directors, Chief Executive Officer and Executive Management:

Name	Title	Shares <sup>1</sup>
Bjørn Kise <sup>2</sup>	Chair	789 988
Liv Berstad	Deputy Chair	-
Ada Kjeseth	Board Member	-
Christian Fredrik Stray	Board Member	-
Geir Olav Øien	Board Member – Employee representative	-
Linda Olsen	Board Member – Employee representative	-
Marcus Hall	Board Member – Employee representative	-
Bjørn Kjos <sup>3</sup>	Chief Executive Officer	8 118 919
Tore Østby	Chief Financial Officer	13 168
Asgeir Nyseth	Chief Operating Officer	12 342
Anne-Sissel Skånvik	Chief Communication Officer	-
Thomas Ramdahl	Chief Commercial Officer	-
Helga Bollmann Leknes	Chief Human Resources Officer	5
Frode Berg	Chief Legal Officer	-
Kurt Simonsen	Chief Information Officer	-
Tore K. Jenssen	CEO & accountable manager Norwegian Air International Ltd	-
Edward Thorstad	Chief Customer Officer	2 558
Ole Christian Melhus	CEO Norwegian Air Argentina	406
Bjørn Erik Barman-Jenssen	Managing Director Norwegian Air Resources	-
Lennart Ceder	Chief Operating Officer Norwegian Air UK Ltd	50
Brede Huser	Managing Director of Norwegian Reward	672

1) Including shares held by related parties

2) Bjørn Kise holds 8.2 per cent of HBK Holding AS

3) Bjørn Kjos holds 84.1 per cent of HBK Holding AS





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### Options directly or indirectly held by Chief Executive Officer and Executive Management:

Name	Title	Outstanding 2016	Options granted 2017	Outstanding 2017
Bjørn Kjos	Chief Executive Officer	100 000	-	100 000
Asgeir Nyseth	Chief Operating Officer	100 000	-	100 000
Anne-Sissel Skånvik	Chief Communications Officer	50 000	-	50 000
Thomas Ramdahl	Chief Commercial Officer	25 000	-	25 000
Frode Berg	Chief Legal Officer	25 000	-	25 000
Tore Jenssen	CEO Norwegian Air International	25 000	-	25 000
Edward Thorstad	Chief Customer Officer	20 000	-	20 000
Bjørn Erik Barman-Jenssen	Managing Director – Norwegian Air Resources	15 000	-	15 000
Sofia Katarina Finneng	Deputy Chief Human Resources Officer	5 000	-	5 000
Brede Huser	Managing Director – Norwegian Reward	15 000	-	15 000
Helga Bollmann Leknes	Chief Human Resources Officer	-	35 000	35 000
Tore Østby	Interim CFO & VP Investor Relations	15 000	-	15 000

### Specification of other reserves

NOK 1 000	OCI associated companies	Translation differences	Total
<b>1 January 2016</b>	-	876 192	<b>876 192</b>
Translation differences	-	(104 313)	<b>(104 313)</b>
Share of other comprehensive income of associated companies	1 232	-	<b>1 232</b>
<b>31 December 2016</b>	<b>1 232</b>	<b>771 879</b>	<b>773 111</b>
Translation differences	-	(127 033)	<b>(127 033)</b>
Share of other comprehensive income of associated companies	(4 640)	-	<b>(4 640)</b>
<b>31 December 2017</b>	<b>(3 408)</b>	<b>644 845</b>	<b>641 437</b>

### Other paid-in equity

Other paid-in equity amounts to NOK 127.8 million at 31 December 2017 (2016: NOK 110.6 million) and consists of accumulated stock option expenses.



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### NOTE 16: EARNINGS PER SHARE

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of common shares and dilutive common shares equivalents outstanding during each period.

NOK 1 000	2017	2016
Profit attributable to the owners of the company	(1 794 551)	1 135 263
Average number of shares outstanding	35 759 639	35 759 639
Average number of shares and options outstanding	36 343 101	36 072 139
Basic earnings per share	(50.18)	31.75
Diluted earnings per share	(50.18)	31.47

	2017	2016
Average number of shares outstanding	35 759 639	35 759 639

#### Dilutional effects

Stock options	583 462	312 500
Average number of shares outstanding adjusted for dilutional effects	36 343 101	36 072 139

### NOTE 17: OPTIONS

#### Options issued in 2017

In 2017 a total of 35 000 share options were granted to Management and key personnel. The options have an exercise price of NOK 254 corresponding to ten per cent above the weighted average price the ten last trading days as of 1 October 2017. The options granted may be exercised nine months after the grant. The exercise window is six months. The potential gain on the options has a maximum cap of three times basic salary per year minus employer contribution tax (1.933 times basic salary effectively).

The stock option program was expensed on a straight-line basis at fair value over the vesting period. The cost was offset in other paid-in capital. Fair value calculations were conducted using the Black & Scholes option-pricing model. There were no market conditions linked to the vesting of the options.

The following estimates were used in calculating the fair value for options granted in 2017:

Dividend (%)	0%
Expected volatility (%)	43.11%
Risk-free interest (%)	0.43%
Expected lifetime (years)	1.28
Share price at grant date	235.80

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option.

Total share option expense in 2017 for share options granted in 2017 amounted to NOK 0.455 million. Total share option expense in 2017 for options granted in 2016 amounted to NOK 14.98 million. Total share option expense in 2017 amounted to NOK 15.44 million.

#### Options issued in 2016

A total of 625 000 share options were granted to Management and key personnel in 2016. The options have an exercise price ten per cent above the weighted average price the ten last trading days as of 13 July 2016, which is equal to NOK 321.00. The options granted may be exercised two years after the grant. The exercise window is six months. The potential gain on the options has a maximum cap of three times basic salary per year minus employer contribution tax, (5.154 times basic salary effectively).

The stock option program was expensed on a straight-line basis at fair value over the vesting period. The cost was offset in other paid-in capital. Fair value calculations were conducted using the Black & Scholes option-pricing model. There were no market conditions linked to the vesting of the options.

The following estimates were used in calculating the fair value for options granted in 2016:

Dividend (%)	0%
Expected volatility (%)	43.24%
Risk-free interest (%)	0.44%
Expected lifetime (years)	2.49
Share price at grant date	307.26

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option.

The option program was expensed with NOK 12.6 million in 2016.



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### Outstanding options:

	2017 shares	Weighted avg. exerc. price	2016 shares	Weighted avg. exerc. price
Outstanding at the beginning of the period	625 000	321.61	-	-
Granted	35 000	254.00	625 000	321.61
Exercised	-	-	-	-
Terminated	(150 000)	323.53	-	-
<b>Outstanding at the end of the period</b>	<b>510 000</b>	<b>316.40</b>	<b>625 000</b>	<b>321.61</b>

### Share savings program

Norwegian Air Shuttle ASA has implemented a share purchase savings program for the employees, whereby the employees purchase shares in the parent company by way of salary deductions, and the Company will fund up to 50 per cent of the purchased shares, limited to NOK 6 000 per year. Employees are not permitted to sell the shares in a period of twelve months after date of acquisition. The Company will also distribute one bonus share per ten shares kept by the employee for two years after acquisition date.

The fair value of the bonus shares is measured at the grant date using the Black & Scholes option-pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security costs are expensed over the remaining vesting period. At 31 December 2017, accumulated expensed amount amounts to NOK 5.6 million (2016: NOK 5.0 million).

## NOTE 18: PENSIONS

The Group operated defined benefit plans and defined contribution plans in Norway, Denmark, Sweden, Ireland and the UK. In March 2014, the Group renegotiated its pension obligations with the Norwegian Pilots Union, resulting in a change for some members to defined contribution plan. Additional renegotiations in March 2015 with the Norwegian Pilots Union, resulted in an agreement where all pilots aged 46 or younger entered into a defined contribution plan. Pension plans in Norway are placed with DNB Liv and pension plans in Sweden are placed with Alecta and Fora.

### Defined contribution plan

The defined contribution plans require that the Group pays premiums to public or private administrative pension plans on a mandatory, contractual or voluntary basis. The Group has no further obligations once these premiums are paid. The premiums are accounted for as personnel expenses as soon as they are incurred. Pre-paid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

Defined contribution plans comply with local Pension legislation.

Pension expenses on defined contribution plans are NOK 227.3 million in 2017 (2016: NOK 194.4 million). The defined benefit plan was closed at the time of transfer for all pilots aged 46 or younger, and a new defined contribution plan was issued.

### Defined benefit plan

As per 31 December 2017, 89 employees were active members (2016: 99) and 14 were on pension retirement (2016: 7). The related pension liability is recognized at NOK 149.7 million (2016: 107.4 million).

The pension plans are in compliance with the Occupational Pensions Act and actuarial calculations comply with IAS 19.

The mortality and disability estimates are based on up-to-date mortality tables K2013 BE. This has not had any material effect on the consolidated financial statements in 2017.

### Pension expense

NOK 1 000	Funded	
	2017	2016
Net present value of benefits earned	25 593	25 636
Interest cost on pension liability	2 250	3 599
Return on plan assets	(93)	(239)
Administrative expenses	132	-
Recognized settlement	-	-
Social security tax	3 944	4 122
<b>Net pension expense defined benefit plans</b>	<b>31 826</b>	<b>33 119</b>
Pension expense on defined contribution plans	202 384	179 088
Social security tax	24 883	15 280
<b>Total pension expense</b>	<b>259 093</b>	<b>227 486</b>

### Defined benefit liability and fund

NOK 1 000	Funded	
	2017	2016
<b>Change in present value of defined benefit liability:</b>		
Gross pension liability 1 January	194 053	193 582
Current service costs	30 513	28 791
Interest cost	3 989	5 032
Actuarial gains/losses	43 988	(26 210)
Effect of new disability plan	-	(2 575)
Settlement	-	(394)
Benefits paid	(1 100)	-
Social security on payments to plan	(3 829)	(4 173)
<b>Gross pension liability 31.12</b>	<b>267 614</b>	<b>194 053</b>



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NOK 1 000	Funded	
	2017	2016
<b>Change in fair value of plan assets:</b>		
Fair value of pension assets 1 January	86 675	59 066
Expected return	3 657	1 467
Actuarial gains/losses	954	(1 758)
Effect of new disability plan	-	(1 300)
Contributions paid	30 983	33 765
Benefits paid	(486)	(394)
Social security on payments to plan	(3 829)	(4 173)
<b>Fair value of plan assets 31 December</b>	<b>117 953</b>	<b>86 675</b>
Net pension liability	149 661	107 379
Social security tax	-	-
<b>Net recognized pension liability 31 December</b>	<b>149 661</b>	<b>107 379</b>
	<b>2017</b>	<b>2016</b>
Actual return on pension funds*	4.80%	3.60%
Expected contribution to be paid next year (NOK 1 000)	34 848	37 885

\*) Actual return on pension funds is based on reported amounts per first quarter each year.

The net pension liability was based on several assumptions. The discount rate was based on long-term government bonds in Norway, with adjustments for duration. The pension liability's average duration was 20 years. Wage adjustments, pension adjustments and the expected increase in state pensions were based on historical observations for the Group, and an expected long-term inflation rate of 1.5 per cent.

	2017	2016
Discount rate	2.40%	2.10%
Expected return on pension funds	2.40%	2.10%
Wage adjustments	2.25%	2.00%
Increase of social security base amount (G)	2.25%	2.00%
Future pension increase	0.50%	0.00%
Average turnover	2-8%	2-8%

The Group's pension fund was invested in the following instruments:

	2017	2016
Equity	10.9%	5.1%
Alternative investments	0.0%	0.0%
Bonds	13.2%	12.1%
Money market funds	14.0%	25.3%
Hold-to maturity bonds	27.2%	30.7%
Real estate	10.0%	6.4%
Various	24.7%	20.4%

The table shows actual distribution of plan assets at 31 December 2017 and 2016.

### Historical information

NOK 1 000	2017	2016	2015	2014	2013
Present value of defined benefit obligation	267 614	194 053	193 582	243 243	124 671
Fair value of plan assets	117 953	86 675	59 066	65 613	14 204
<b>Deficit/(surplus) in the plan</b>	<b>149 661</b>	<b>107 379</b>	<b>134 516</b>	<b>177 630</b>	<b>110 468</b>
Experience adjustments on plan liabilities	43 988	(26 210)	(86 010)	45 654	-
Experience adjustments on plan assets	954	(1 758)	(38 176)	6 839	-

## NOTE 19: PROVISIONS AND OTHER LONG-TERM LIABILITIES

### Periodic maintenance on leased aircraft

NOK 1 000	2017	2016
<b>Opening balance</b>	<b>1 462 640</b>	<b>1 263 688</b>
Charges to the income statement	(1 870 883)	(1 302 396)
Accruals	3 173 819	1 501 348
<b>Closing balance</b>	<b>2 765 575</b>	<b>1 462 640</b>
Classified as short term liabilities	86 174	86 174
Classified as long term provision	2 679 400	1 376 465

For aircraft held under operating lease agreements, Norwegian is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines, and life-limited parts upon return. In addition, during the lease term the Group is obliged to follow the maintenance program as defined by Boeing. In order to fulfil the conditions of the lease and maintenance obligations, maintenance, in the form of major airframe overhaul, engine maintenance checks, and restitution of major life-limited parts, is required to be performed during the period of the lease and upon return of the aircraft to the lessor. The estimated maintenance costs are accrued and charged to profit or loss over the lease term for this contractual obligation, based on the estimated current cost of the major airframe



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overhaul, engine maintenance checks and restitution of major life-limited parts, calculated by either reference to the number of hours flown or cycles operated since last maintenance event or since the aircraft was new, or the age of the aircraft.

The estimated costs of overhauls and maintenance are based on the Group's maintenance program, the Group's and industry experience, and contractual and catalog prices. Changes in estimated maintenance event costs over time are charged to the income statement as incurred with reference to number of hours flown or cycles operated during the period since the last maintenance event or since the aircraft was new. Additional provisions are also set to meet specific re-delivery conditions if these are deemed to be other or higher than the estimated maintenance costs. The Group's aircraft leases are typically between 8-12 years in length, and several of the maintenance events will occur within the leasing period.

For some of the operating leases, the Group is invoiced by the lessor for Maintenance Reserve Contribution (MRC), which is reclaimable at time of actual maintenance event, or forfeited if the maintenance event occurs after leasing period ends. Paid and unclaimed MRC is offset against the accumulated accrual balances in the Statement of Financial Position. For these lease contracts, the accrual and charge to the income statement is based on the larger of the Maintenance Reserve Contribution and the estimated maintenance cost. In case of lease extension, estimates on maintenance costs will be revised.

Parts of the periodic maintenance will be conducted in 2018, and NOK 86.2 million is classified as a short-term liability for periodic maintenance (2016: NOK 86.2 million). The short-term part of periodic maintenance is estimated based on the planned maintenance in 2018.

### Other long-term liabilities

Other long-term liabilities consist of deposits on future aircraft leases from external parties.

## NOTE 20: FINANCIAL INSTRUMENTS

### Financial instruments by category

NOK 1000	2017			Total
	Loans and receivables	Fair value through profit or loss	Available-for-sale	
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	82 689	<b>82 689</b>
Derivative financial instruments	-	646 722	-	<b>646 722</b>
Trade and other receivables*	4 262 193	-	-	<b>4 262 193</b>
Cash and cash equivalents	4 039 776	-	-	<b>4 039 776</b>
<b>Total</b>	<b>8 301 969</b>	<b>646 722</b>	<b>82 689</b>	<b>9 031 381</b>

\*) Prepayments not included in trade and other receivables

885 352

NOK 1000	2016			Total
	Loans and receivables	Fair value through profit or loss	Available-for-sale	
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	82 689	<b>82 689</b>
Derivative financial instruments	-	467 722	-	<b>467 722</b>
Trade and other receivables*	2 835 342	-	-	<b>2 835 342</b>
Cash and cash equivalents	2 323 647	-	-	<b>2 323 647</b>
<b>Total</b>	<b>5 158 989</b>	<b>467 722</b>	<b>82 689</b>	<b>5 709 401</b>

\*) Prepayments not included in trade and other receivables

802 842

NOK 1000	2017			Total
	Fair value through profit or loss	Other financial liabilities		
<b>Liabilities per balance sheet</b>				
Borrowings	-	26 304 757	-	<b>26 304 757</b>
Derivative financial instruments	41 819	-	-	<b>41 819</b>
Trade and other payables*	-	5 344 104	-	<b>5 344 104</b>
<b>Total</b>	<b>41 819</b>	<b>31 648 861</b>	<b>861</b>	<b>31 690 680</b>

\*) Public duties not included in trade and other payables

224 157

NOK 1000	2016			Total
	Fair value through profit or loss	Other financial liabilities		
<b>Liabilities per balance sheet</b>				
Borrowings	-	23 474 875	-	<b>23 474 875</b>
Derivative financial instruments	114 245	-	-	<b>114 245</b>
Trade and other payables*	-	3 725 276	-	<b>3 725 276</b>
<b>Total</b>	<b>114 245</b>	<b>27 200 151</b>	<b>151</b>	<b>27 314 396</b>

\*) Public duties not included in trade and other payables

156 408

See note 22 for details related to borrowings.



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### Credit quality of financial assets

NOK 1 000	2017	2016
<b>Trade receivables</b>		
Counterparties with external credit rating A or better	1 972 127	1 304 447
Counterparties without external credit rating	2 290 066	1 530 894
<b>Total trade receivables</b>	<b>4 262 193</b>	<b>2 835 342</b>
<b>Cash and cash equivalents</b>	<b>2017</b>	<b>2016</b>
A+ or better	3 604 557	1 995 777
BBB +	435 219	327 870
<b>Total cash and cash equivalents</b>	<b>4 039 776</b>	<b>2 323 647</b>
<b>Derivative financial assets</b>	<b>2017</b>	<b>2016</b>
A+ or better	646 722	467 722
<b>Total derivative and financial assets</b>	<b>646 722</b>	<b>467 722</b>
<b>Available-for sale financial assets</b>		
1 January	82 689	82 689
<b>31 December</b>	<b>82 689</b>	<b>82 689</b>
Non-current portion	2 689	82 689
Current portion	80 000	-

Available-for-sale financial assets at 31 December 2017 consist of an investment in an unlisted equity instrument in Silver Pensjonsforsikring and an investment in a listed bond issue in Bank Norwegian.

### Derivative financial instruments

NOK 1 000	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	10 268	24 390	4 322	-
Forward commodities contracts	567 149	17 430	463 400	114 245
Total return swap	69 306	-	-	-
<b>Total</b>	<b>646 722</b>	<b>41 819</b>	<b>467 722</b>	<b>114 245</b>
Non-current portion:	31 016	-	114 476	27 939
Current portion	615 707	41 819	353 246	86 306

Trading derivatives are classified as current or non-current assets or liabilities depending on the maturity profile and net value of individual forward contracts. The total unrealized value of derivatives amounts to a gain of NOK 604.9 million (2016: gain of NOK 353.5 million). See details under the specification of 'Other losses/(gains) - net' below.

### Forward foreign currency contracts

The net fair value of the outstanding forward foreign currency contracts at 31 December 2017 were negative NOK 14.1 million (2016: NOK 4.3 million). At 31 December 2017, the Group had forward foreign currency contracts to secure USD 90 million, EUR 45 million, GBP 8 million, SEK 200 million, DKK 100 million and PLN 5 million (2016: USD 60 million, SEK 50 million and PLN 1 million).

### Forward commodities contracts

Forward commodities contracts relate to jet fuel derivatives. The net fair value of the outstanding forward commodities contracts at 31 December 2017 were NOK 549.7 million (2016: NOK 349.2 million). As of 31 December 2017, the Group had secured 281 835 tons of jet fuel (2016: 831 766 tons) through forward contracts that matures in the period January 2018 – January 2019.

### Other losses/gains – net

NOK 1 000	2017	2016
Net losses/(gains) on financial assets at fair value through profit or loss	(541 922)	(693 500)
Foreign exchange losses/(gains) on operating activities	407 575	15 844
Losses/(gains) on asset sale	(297 845)	-
<b>Total</b>	<b>(432 192)</b>	<b>(677 656)</b>

## NOTE 21: TRADE AND OTHER PAYABLES

NOK 1 000	2017	2016
Accrued vacation pay	265 107	234 590
Accrued airport and transportation taxes	451 830	301 996
Accrued expenses	1 907 876	1 601 815
Trade payables	1 754 997	990 859
Payables to related party (note 26)	851	5 023
Public duties	224 157	156 408
Short-term provisions for MRC (note 19)	86 174	86 174
Other short-term provisions	877 270	504 819
<b>Total</b>	<b>5 568 261</b>	<b>3 881 684</b>

The short-term payables and provisions are non-interest bearing and are due within the next 12 months.



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### NOTE 22: BORROWINGS

#### Nominal value at 31 December 2017

NOK 1 000	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	4 320 056	(81)	4 319 975	6.4%
Credit facility	675 000	-	675 000	2.0%
Aircraft prepayment financing	618 639	(2 749)	615 891	4.7%
Aircraft financing	21 472 650	(778 759)	20 693 891	3.6%
<b>Total</b>	<b>27 086 345</b>	<b>(781 588)</b>	<b>26 304 757</b>	

#### Nominal value at 31 December 2016

NOK 1 000	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	4 155 966	(1 542)	4 154 424	5.9%
Credit facility	325 000	-	325 000	2.0%
Aircraft prepayment financing	1 425 665	(9 950)	1 415 715	4.0%
Aircraft financing	18 037 287	(457 552)	17 579 735	3.5%
<b>Total</b>	<b>23 943 918</b>	<b>(469 043)</b>	<b>23 474 875</b>	

Effective interest rate during 2017, recognized as financial items (note 8) and capitalized borrowing costs (note 11), is 5.2 per cent (2016: 4.6 per cent).

#### Classification of borrowings

NOK 1 000	2017	2016
<b>Non-current</b>		
Bond issue	3 069 975	2 936 595
Aircraft prepayment financing	263 168	47 171
Aircraft financing	18 727 128	15 722 296
<b>Total</b>	<b>22 060 271</b>	<b>18 706 062</b>
<b>Current</b>		
Bond issue	1 250 000	1 217 829
Credit facility	675 000	325 000
Aircraft prepayment financing	352 723	1 368 544
Aircraft financing	1 966 763	1 857 440
<b>Total</b>	<b>4 244 486</b>	<b>4 768 813</b>
<b>Total borrowings</b>	<b>26 304 757</b>	<b>23 474 875</b>

#### Cash and non-cash changes in total borrowings

Changes in total borrowings over a period consist of both cash effects (disbursements and repay-

ments) and non-cash effects (amortizations and currency translation effects). The following is the changes in the Group's borrowings stemming from cash effects respectively non-cash effects:

NOK 1 000	2017	2016
Opening balance total borrowings	23 474 875	19 584 793
Disbursement	8 209 914	5 805 813
Repayment	(4 490 895)	(1 572 788)
Net amortization effects	(119 247)	(7 428)
Currency translation effects	(769 891)	(335 516)
<b>Closing balance total borrowings</b>	<b>26 304 757</b>	<b>23 474 875</b>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

NOK 1 000	2017	2016
USD	17 262 437	18 995 451
NOK	2 172 940	2 790 157
SEK	996 192	-
EUR	5 873 188	1 689 267
<b>Total</b>	<b>26 304 757</b>	<b>23 474 875</b>

Collateralized borrowings are detailed in note 23.

#### Covenants

##### Bond issues

- Minimum book equity of NOK 1 500 million.
- Dividend payments less than 35 per cent of net profit.
- No dividend unless liquidity is above NOK 1 000 million.
- Minimum liquidity of NOK 500 million.

##### Credit facility

There are no financial covenants on credit facilities.

##### Aircraft prepayment financing

There are no financial covenants on aircraft prepayment financing.

##### Aircraft financing

Aircraft financing does not include covenant requirements. Aircraft in the Group are financed with guarantees by either the parent company and / or by export credit agencies. Owned aircraft are pledged as collateral. For more information on assets pledged as collateral, see note 23.

The Group has not been in breach of any covenants during 2017.

#### Fair value calculations

The carrying amounts and fair values of the non-current borrowings are as follows:



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NOK 1 000	Carrying amount		Fair Value	
	2017	2016	2017	2016
Bond issue	3 069 975	2 936 595	3 072 543	3 040 500
Aircraft prepayment financing	263 168	47 171	266 794	58 362
Aircraft financing	18 727 128	15 722 296	19 359 551	16 209 985
<b>Total fair value</b>	<b>22 060 271</b>	<b>18 706 062</b>	<b>22 698 887</b>	<b>19 308 847</b>

The fair value of current borrowings approximates their carrying amount as the impact of discounting is not significant. The fair value of non-current borrowings is based on cash flows which are discounted using a rate based on the following assumptions:

### Bond Issue I

Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is an unsecured bond issue denominated in NOK and matures 22 May 2018. The coupon is 3M NIBOR + 5.75 per cent.

ISIN: NO0010736549

Ticker: NAS06

Name: Norwegian Air Shuttle ASA 15/18 FRN

### Bond Issue II

Interest rate of 4Y EUR swap interest rate and a risk premium equal to the spread at the reporting date. The bond issue is an unsecured bond issue denominated in EUR and matures 11 December 2019. The coupon is 7.25 per cent.

ISIN: NO0010753437

Ticker: NAS07

Name: Norwegian Air Shuttle ASA 15/19 7.25 per cent EUR

### Bond Issue III

Interest rate of STIBOR and a risk premium equal to the spread at the reporting date. The bond issue is an unsecured bond issue denominated in SEK and matures 7 August 2020. The coupon is STIBOR + 5.0 per cent.

ISIN: NO0010783459

Ticker: NAS08

Name: NORWEG.AIR SHUT.17-20 FLR

### Bond Issue IV

Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is a secured bond issue pledged in the Group's hangar at OSL, is denominated in NOK and matures 21 November 2020. The coupon is 3M NIBOR + 3.95 per cent.

ISIN: NO0010809940

Ticker: NAS09

Name: FRN Norwegian Air Shuttle ASA Senior Secured Bond Issue 2017/2020

### Credit facility

Interest rate of overnight NIBOR (NOWA) and a risk premium of 1.50 per cent. The parent company has entered into a credit facility agreements DNB of up to NOK 1 000 million. At 31 December 2017 NOK 675 million was drawn (NOK 687 million including interest), leaving NOK 323 million of available credit facilities.

### Facility agreement

Interest rate of LIBOR 3M and a risk premium equal to the spread at the reporting date. The Group has entered into facility agreements with UTF and DVB in 2016 and 2017 respectively to cover pre-delivery financing for aircraft with deliveries in 2016 and 2017.

The borrowings which mature at the delivery of each aircraft in 2018 are classified as short-term borrowings and are denominated in USD.

### Aircraft financing

Fixed and floating interest rate based on LIBOR and EURIBOR market rates and a risk premium equal to the spread at the reporting date. The spread of USD denominated borrowings is not entity specific, as the agreed spread is based on the overall credit risk of the financial markets in the United States. 3 per cent of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 97 per cent of aircraft financing is exposed to fair value risk on fixed interest rates.

The borrowings mature quarterly after the delivery of aircraft. See note 2 for further maturity analysis of borrowings. The aircraft financing is denominated in USD and in EUR.

## NOTE 23: ASSETS PLEDGED AS COLLATERALS AND GUARANTEES

### Liabilities secured by pledge

NOK 1 000	2017	2016
Bond issue	248 796	224 364
Credit facility	675 000	325 000
Aircraft financing	20 693 891	17 579 735
Aircraft prepayment financing	615 891	1 415 715
<b>Total</b>	<b>22 233 578</b>	<b>19 544 815</b>

The owned aircraft are pledged as collateral for the aircraft financing. The purchase contracts with aircraft manufacturers are pledged as collateral for the revolving credit facility agreement with DVB and UTF to secure the pre-delivery payments. Shares in Norwegian Finans Holding ASA are pledged as collateral for the credit facility held by the parent company in DNB.

The Group has not issued any guarantees for third parties.





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### Book value of assets pledged as security and guarantees:

<i>NOK 1 000</i>	2017	2016
Prepayment and aircraft	30 945 783	28 713 370
Buildings	264 184	268 270
Investment in Norwegian Finans Holding ASA	2 817 384	615 949
<b>Total</b>	<b>34 027 351</b>	<b>29 597 589</b>

### NOTE 24: BANK DEPOSITS

#### Cash and cash equivalents

<i>NOK 1 000</i>	2017	2016
Cash in bank	3 604 557	1 995 777
Cash equivalents	435 219	327 870
<b>Total</b>	<b>4 039 776</b>	<b>2 323 647</b>

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are 3 months or less. At 31 December 2017, the interest terms of the main cash deposits in folio accounts are 1 month NIBOR - 0.25 per cent p.a. The interest terms on restricted cash deposits in folio accounts are 1 month NIBOR +0.55 per cent p.a.

Receivables from credit card companies are included in trade receivables. See note 13.

#### Restricted cash

<i>NOK 1 000</i>	2017	2016
Guarantees for leases and credits from suppliers	508 010	464 111
Taxes withheld	63 338	60 342
<b>Total</b>	<b>571 348</b>	<b>524 453</b>

Bank guarantees are granted for the leasing liabilities of aircraft, suppliers of fuel and handling services, as well as airport charges from airports and governments.



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## NOTE 25: INVESTMENTS IN OTHER ENTITIES

Norwegian Air Shuttle ASA has the following investments in associates and joint ventures accounted for using the equity method (NOK 1 000):

Entity	Country	Industry	Ownership interest	Type of investment	Share of profit recognized in 2017	Share of OCI recognized in 2017	Investment 2017 <sup>1</sup>	Carrying amount 31.12.2017	Fair value 31.12.2017 <sup>2</sup>
Norwegian Finans Holding ASA	Norway	Financial Institution	16.40%	Associated company	263 682	406	(55 241)	824 796	2 817 384
OSM Aviation Ltd.	Cyprus	Aviation crew management	50.00%	Joint venture	27 819	(1 646)	(11 568)	7 765	N/A

Entity	Country	Industry	Ownership interest	Type of investment	Share of profit recognized in 2016	Share of OCI recognized in 2016	Investment 2016 <sup>1</sup>	Carrying amount 31.12.2016	Fair value 31.12.2016 <sup>2</sup>
Norwegian Finans Holding ASA	Norway	Financial Institution	20.00%	Associated company	210 384	3 133	74 306	615 949	2 656 535
OSM Aviation Ltd.	Cyprus	Aviation crew management	50.00%	Joint venture	2 417	(1 900)	(7 356)	(6 839)	N/A

1) Investments recognized for Norwegian Finans Holding ASA relates to share issues by the associated company and sales in June and December 2017 followed by total return swaps. Investments in OSM Aviation Ltd. relates to dividends received.

2) The fair value of the investment in Norwegian Finans Holding ASA is based on observed market value of owned shares as the last recorded trade on Oslo Stock Exchange in 2017. OSM Aviation Ltd. is not publicly traded, and no quoted market price for the investment is available.

The associated company, Norwegian Finans Holding ASA, owns 100 per cent of the shares in Bank Norwegian AS. Norwegian Air Shuttle ASA held 20 per cent of the shares and voting power in Norwegian Finans Holding ASA until June 2017. The Company is situated in Oslo, Norway. The equity method is applied when accounting for the investment, and the Group's share of the associated company's profit and loss is included in the carrying amount. Norwegian Air Shuttle ASA sold 2.5 per cent of the outstanding shares in NOFI in June and additionally 1.1 per cent in December. Both sales were followed by total return swaps (TRS) for a number of shares equal to the amount sold extending Norwegian's financial exposure for additionally 12 months.

On 1 September 2016, Norwegian Air Shuttle entered into a joint venture by acquiring 50 per cent of the shares in OSM Aviation Ltd. from OSM Aviation Group. OSM Aviation Group retains the remaining 50 per cent of the shares in OSM Aviation Ltd. The shares were acquired by fully owned subsidiary Norwegian Air Resources Ltd. with a cash consideration of USD 0.2 million. Shares, voting rights and board representation is divided equally among the two owning parties, and important decisions require consensus between the owners. The investment is classified as a joint venture according to IFRS 11, and is accounted for using the equity method.

On 1 November 2016, Norwegian Air Resources Ltd. sold 49 per cent of the shares in Norwegian Air Resources Spain S.L and AB Norwegian Air Resources Finland Ltd. The proceeds from the sale of shares is recognized as a reduction in the carrying amount of the investment in the joint venture. Further, 100 per cent of the shares in Norwegian Air Resources Asia PTE Limited and Norwegian Air Resources UK Limited were sold to the joint venture. The total proceeds from sale of shares to the joint venture was NOK 15.2 million. The transactions did not result in any significant effect on the consolidated income statement. On 1 November 2016, Norwegian Air Resources Ltd. acquired 51 per cent of the shares in OSM Aviation UK Ltd. from the joint venture at a purchase price of GBP 1 020.

A shareholder's agreement is in place between OSM Aviation and Norwegian Air Resources Ltd. stating that all dividends from Norwegian Air Resources Spain S.L, Norwegian Air Resources Finland Ltd., and OSM Aviation UK Ltd. are distributed to the joint venture OSM Aviation Ltd. Non-controlling interests are recognized at 50 per cent of the equity of these companies, in total NOK 10.8 million at the end of 2016. The three subsidiaries are not material to the consolidated financial statements neither individually nor aggregated.



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### Summarized financial information for immaterial joint ventures:

NOK 1 000	2017	2016
Profit or loss from continuing operations	60 016	40 086
Other comprehensive income	(10 137)	(4 689)
<b>Total comprehensive income</b>	<b>49 878</b>	<b>35 397</b>

### NOTE 26: RELATED PARTY TRANSACTIONS

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 26.8 per cent through the controlling ownership of HBK Holding AS. This ownership share is the actual shareholding, and may deviate from the official shareholder register, as HBK Holding has entered into a security agreement with Nordea and Danske Bank. Under this agreement, these institutions may borrow shares from HBK Holding for a limited period to improve the liquidity in the share trading, for example by fulfilling their market maker obligation. The Chairman of the Board owns a minority of shares in HBK Holding AS. There have been no financial transactions between HBK Holding AS and Norwegian Air Shuttle ASA in 2017 or 2016, except for indirect transactions through Fornebu Næringseiendom.

The Chairman of the Board, Bjørn Kise, is a partner, and the CEO is a former partner, of the law firm Simonsen Vogt Wiig which operates as the legal advisor for Norwegian Air Shuttle ASA.

The Group leases its property at Fornebu from Fornebu Næringseiendom AS, which is a fully owned subsidiary of HBK Holding AS. The leasing agreement entitles the Group to lease Ok-senøyveien 3 at Fornebu until 2030, with an option to extend the lease for another five years.

The parent company has received commissions from Norwegian Finans Holding ASA (Bank Norwegian) in 2017 and 2016. The commissions relate to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. In addition, the subsidiary Norwegian Brand Ltd receives license fees from Norwegian Finans Holding ASA for the use of the Norwegian Brand. The total commission and license fee is enclosed in the table below. Receivables and payables to related parties are included below.

No loans or guarantees have been issued to related parties in 2017 or 2016.

See note 7 for details on key Management compensations and note 15 for shares and options held directly or indirectly by members of the Board of Directors, the CEO and the Executive Management.

### The following transactions were carried out with related parties:

NOK 1 000	2017	2016
<b>Sales (-) and purchases (+) of goods and services (excl VAT)</b>		
- Simonsen Vogt Wiig (legal services)	15 084	11 397
- Associate (commission and licence fee)	(281 840)	(208 978)
- Associate (interests on subordinated loan)	(3 486)	(3 661)
- Fornebu Næringseiendom (property rent)	13 469	15 559
<b>Year-end balances arising from sales/purchases of goods/ services (incl VAT)</b>		
Receivables from related parties (note 13)		
- Associate (commission)	12 591	11 118
<b>Payables from related parties (note 21)</b>		
- Simonsen Vogt Wiig (legal services)	851	252
- Fornebu Næringseiendom (property rent)	-	4 771
<b>Investment in related parties</b>		
- Associate (subordinated loan)	80 000	80 000

Transactions between Group companies have been eliminated in the consolidated financial statements and do not represent related party transactions. See note 25 Related Parties and note 23 Shares in Subsidiaries in the financial statements of Norwegian Air Shuttle ASA for further details.

### NOTE 27: CONTINGENCIES AND LEGAL CLAIMS

Through their respective unions, pilots and cabin crew that have been subject to business transfers from Norwegian Air Shuttle ASA (NAS) to Norwegian Air Norway AS (NAN) and from NAN to local national resourcing entities for pilots and cabin crew in Norway, have raised claims that NAS primarily, NAN alternatively shall be considered employer. The District Court ruling was appealed, and Norwegian won the Court of Appeal in 2017. In 2018, the respective unions have indicated that they will try to appeal to the Supreme Court. Financial exposure from the ruling is limited.

The Norwegian Group has, since the end of 2013, continuously reorganized its operations, and in 2013 and 2014, Norwegian transferred parts of its business to Irish group companies as a natural part of this international reorganization process. The internal group reorganization was carried out under the tax rules on contingent tax-free transfers within a group and the freedom of establishment under the EEA-agreement.

In March 2017, Norwegian received a reassessment from the Central Tax Office for Large Enterprises in which the tax office argues that the rules on contingent tax-free transfers within a group does not apply to the transfer of the business in 2013. The reassessment resulted in increased



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taxable income in 2013. In 2017, Norwegian received draft reassessment proposals from the tax office regarding other business transfers carried out in 2013 and 2014, in which it argues that tax-free transfers within a group does not apply to the business restructuring carried out in this period.

Norwegian and its tax advisor are of the opinion that the reassessment by the tax office is without merit and has thus not made any provision for any potential tax claim in its financial statements for 2017. This view is especially supported by the fact that the superior assessment board at the same tax office in 2013 issued a principle decision in another case to the effect that the rules on contingent tax-free transfers within a group when read in conjunction with the freedom of establishment under the EEA-agreement indeed applies to transfer of a business from a Norwegian group company to a group company within the EU. The company has concluded that the possibility of any outflow in settlement is remote. The 2013 reassessments have been appealed.

### NOTE 28: COMMITMENTS

Norwegian has several aircraft purchase commitments from agreements entered into with Boeing and Airbus. An overview of firm orders by expected year of delivery at 31 December 2017 is presented in the table below, along with the expected gross cash payments per year. Aircraft delivery schedules are subject to changes. Expected cash payments per year include net prepayments within the year and assumes zero cash inflows from sale of aircraft. The final cash payments are also subject to changes in delivery and prepayment schedules, certain contingent discounts or other adjustments of the purchase price. The final purchase price for individual aircraft is not known until the time of delivery.

#### Committed aircraft acquisitions

NOK 1 000	2018	2019	2020-	Total
Boeing 737	2	-	-	2
Boeing 737 MAX	12	16	76	104
Boeing 787-9	5	5	5	15
Airbus 320neo	4	6	55	65
Airbus 321LR	-	8	22	30
<b>Total commitments</b>	<b>23</b>	<b>35</b>	<b>158</b>	<b>216</b>
USD 1 000	2018	2019	2020-	Total
Total contractual commitments	1 860 000	2 600 000	7 900 000	12 360 000

For details on commitments for aircraft leases, see note 12.

Norwegian Air Shuttle ASA has selected the Rolls-Royce Trent 1000 engine to power up to 9 new 787-8 Dreamliners. The contract, signed with Rolls-Royce, includes "Total Care" long-term support agreements which include all maintenance, spare parts and other support services. The contract value quoted at list price is USD 450 million when comprising 18 engines.

Norwegian Air Shuttle ASA has entered into a maintenance agreement with Boeing comprising all long-haul aircrafts on order. The agreement secures cost efficient maintenance and has a duration of 12 years.

At 18 December 2015, the Group signed an agreement to lease out 12 Airbus 320neo aircraft to airline HK Express. The first 2 aircraft were delivered in December 2016, the next 2 in 2017 and the remaining 8 aircraft are scheduled to be delivered in 2018 and 2019.

### NOTE 29: EVENTS AFTER THE REPORTING PERIOD

On 20 March 2018 the company announced a contemplated private placement of shares with gross proceeds of up to NOK 1 300 million by issuing new ordinary shares in the Company. In connection with the contemplated private placement, Norwegian provided an update on the expected earnings for Q1 2018 and the unit cost for 2018. On 21 March the company announced successful completion of the private placement. The company further announced on 21 March 2018 that the Board of Directors has resolved to conduct a subsequent offering (the "Subsequent Offering") with gross proceeds of up to NOK 200 million by issuing new shares at a subscription price equal to the Private Placement. The Subsequent Offering will, on the basis of a prospectus approved by the Norwegian Financial Supervisory Authority expected to be approved on or about 2 May 2018, be directed towards shareholders in the Company as of 20 March 2018, as registered in the VPS on 22 March 2018, who were not allocated shares in the private placement.

In November 2017, the company received a request for information from the Financial Supervisory Authority in Norway (Finanstilsynet/"FT") regarding certain items in the financial statements for 2016 and the half yearly report for the first half of 2017. Norwegian replied to the request for information in December 2017 and received a preliminary assessment from FT in February 2018. One of the questions from the initial request was related to the accounting treatment in the group financial statement of the company's investment in Norwegian Finans Holding ASA, specifically whether Norwegian still has significant influence over the investee. With reference to the stock exchange announcement dated 16 March 2018, Norwegian concluded on the accounting treatment. Following recent dialog with Finanstilsynet, the investment will be accounted for as an associated company using the equity method throughout 2017, resulting in a reduction of the value of the investment by NOK 1 993 million with corresponding decrease in end balance of equity, reversal of financial gains in net profits of NOK 1 657 million, reversal of fair value adjustments recorded in other comprehensive income of NOK 498 million and increase in share of profit from associated companies of NOK 163 million. Norwegian will again recognize the investment in accordance to IFRS 9 at fair value as of Q1 2018.

Norwegian Air Shuttle ASA has successfully completed a tap issue of EUR 65 million in the outstanding EUR 185 million senior unsecured bonds issue with ISIN NO 001 0753437 and maturity in December 2019 (NAS07). Following the tap issue, the new outstanding amount in NAS07 will be EUR 250 million. Net proceeds from the tap issue will be used for general corporate purposes and further growth of the Group. In connection with the placement of the tap issue, the Company has repurchased bonds with nominal value of NOK 169.5 million in the existing bond issue NAS06 (ISIN: NO 001 0736549) with maturity in May 2018.



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Norwegian and Widerøe signed an interline agreement on 26 January 2018. The agreement includes all Widerøe's Public Service Obligation routes in Norway and Norwegian's domestic routes in Norway. Initially, the flights will only be available for purchase through Widerøe's channels, with an estimated launch during the first half of March.

On 27 January 2018 Norwegian Air Argentina (NAA) received the Air Services Operator Certificate (AOC) from the National Government. The document recognizes the company as a commercial airline and certifies that it complies with safety and quality standards to carry out aeronautical operations and activities, in accordance with the law of the Argentine Republic.

There have been no other material events subsequent to the reporting period that might have a significant effect on the consolidated financial statements for 2017.



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# FINANCIAL STATEMENTS OF THE PARENT COMPANY

## INCOME STATEMENT 1.1 – 31.12

NOK 1 000	Note	2017	2016
Revenue	3	19 930 494	14 825 514
<b>Total operating revenue</b>		<b>19 930 494</b>	<b>14 825 514</b>
Operational expenses	4	16 639 473	10 267 364
Payroll and personnel expenses	5, 6	3 644 762	2 716 622
Depreciation, amortization and impairment	9, 10	151 390	144 459
Other operating expenses	4a	2 125 477	1 352 950
Other losses/(gains) - net	19	(669 967)	(569 507)
Total operating expenses		21 891 136	13 911 889
<b>Operating profit (loss)</b>		<b>(1 960 642)</b>	<b>913 625</b>
Interest income		508 477	458 178
Interest expense		689 017	527 319
Other financial income (expenses)		2 104 434	284 085
<b>Net financial items</b>	7	<b>1 923 894</b>	<b>214 944</b>
Profit (loss) before tax		(36 748)	1 128 569
Income tax expense (income)	8	(556 371)	344 347
<b>Profit (loss) for the year</b>		<b>519 624</b>	<b>784 222</b>
Basic earnings per share		14.53	(24.47)
Diluted earnings per share		14.30	(24.22)

## STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

NOK 1 000	Note	2017	2016
<b>Profit for the year</b>		<b>519 624</b>	<b>784 222</b>
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>			
Available-for-sale financial assets	19	677 250	857 209
<b>Total comprehensive income for the period</b>		<b>1 196 873</b>	<b>1 641 432</b>



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**STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER**

NOK 1 000	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	184 057	178 504
Deferred tax asset	8	730 555	210 674
Aircraft, parts and installations on leased aircraft	10	149 210	162 938
Equipment and fixtures	10	60 292	66 860
Buildings	10	279 150	283 236
Derivative financial instruments	2, 19	31 016	114 476
Financial assets available for sale	19, 24	2 689	2 739 224
Investments in subsidiaries	23	13 380 973	7 556 800
Financial lease receivable	25	2 681 255	4 912 588
Other receivables	12	6 556 514	6 769 193
<b>Total non-current assets</b>		<b>24 055 711</b>	<b>22 994 493</b>
<b>Current assets</b>			
Inventory	13	73 343	83 812
Trade and other receivables	12	6 057 432	4 027 017
Derivative financial instruments	2, 19	464 031	353 246
Financial assets available for sale	19, 24	3 513 784	-
Cash and cash equivalents	21	3 239 340	2 149 251
<b>Total current assets</b>		<b>13 347 930</b>	<b>6 613 326</b>
<b>Total assets</b>		<b>37 403 641</b>	<b>29 607 820</b>

NOK 1 000	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	3 576	3 576
Share premium		1 231 631	1 231 631
Other paid-in equity		127 735	110 587
Investments revaluation reserve		3 091 265	2 414 015
Other reserves		1 158	1 158
Retained earnings		4 641 558	4 121 935
<b>Total equity</b>		<b>9 096 923</b>	<b>7 882 903</b>
<b>Non-current liabilities</b>			
Provision for periodic maintenance	17	846 355	1 051 108
Other long term liabilities		36 772	41 302
Borrowings	22	5 316 296	7 048 147
Derivative financial instruments	2, 19	-	27 939
<b>Total non-current liabilities</b>		<b>6 199 424</b>	<b>8 168 496</b>
<b>Short term liabilities</b>			
Short term part of borrowings	22	2 322 730	2 248 467
Trade and other payables	18	14 638 614	8 037 695
Air traffic settlement liabilities		5 105 333	3 183 953
Derivative financial instruments	2, 19	40 616	86 306
<b>Total short term liabilities</b>		<b>22 107 294</b>	<b>13 556 421</b>
<b>Total liabilities</b>		<b>28 306 718</b>	<b>21 724 917</b>
<b>Total equity and liabilities</b>		<b>37 403 641</b>	<b>29 607 820</b>

Fornebu, 21 March 2018  
The board of directors of Norwegian Air Shuttle ASA

Bjørn H. Kise Chair	Liv Berstad Deputy Chair	Christian Fredrik Stray Director	Ada Kjeseth Director
Marcus Daniel Hall Director (elected by the employees)	Linda Olsen Director (elected by the employees)	Geir Olav Øien Director (elected by the employees)	Bjørn Kjos Chief Executive Officer



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**STATEMENT OF CHANGES IN EQUITY 1.1 - 31.12**

<i>NOK 1 000</i>	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Investments revaluation reserve	Other Reserves	Retained earnings	Total equity
<b>Equity at 1 January 2016</b>	3 576	1 231 631	94 328	1 329 535	1 556 806	1 158	3 337 713	<b>6 225 211</b>
Profit for the year	-	-	-	-	-	-	784 222	<b>784 222</b>
Available for sale financial assets	-	-	-	-	857 209	-	-	<b>857 209</b>
Comprehensive income 2016	-	-	-	-	857 209	-	784 222	<b>1 641 432</b>
Equity change on employee options	-	-	16 259	16 259	-	-	-	<b>16 259</b>
Transactions with owners	-	-	16 259	16 259	-	-	-	<b>16 259</b>
<b>Equity at 31 December 2016</b>	<b>3 576</b>	<b>1 231 631</b>	<b>110 587</b>	<b>1 345 794</b>	<b>2 414 015</b>	<b>1 158</b>	<b>4 121 935</b>	<b>7 882 903</b>
Profit for the year	-	-	-	-	-	-	519 624	<b>519 624</b>
Available-for-sale financial assets	-	-	-	-	677 250	-	-	<b>677 250</b>
Comprehensive income 2017	-	-	-	-	677 250	-	519 624	<b>1 196 873</b>
Equity change on employee options	-	-	17 148	17 148	-	-	-	<b>17 148</b>
Transactions with owners	-	-	17 148	17 148	-	-	-	<b>17 148</b>
<b>Equity at 31 December 2017</b>	<b>3 576</b>	<b>1 231 631</b>	<b>127 735</b>	<b>1 362 942</b>	<b>3 091 265</b>	<b>1 158</b>	<b>4 641 558</b>	<b>9 096 923</b>





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## STATEMENT OF CASH FLOWS 1.1 – 31.12

<i>NOK 1 000</i>	<i>Note</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>			
Profit (loss) before tax		<b>(36 748)</b>	1 128 569
Taxes (paid) / received	8	<b>35 012</b>	(28 622)
Depreciation, amortization and write-down	9, 10	<b>151 390</b>	144 459
Compensation expense for employee options	16	<b>17 148</b>	16 259
Losses/(gains) on disposal of tangible assets		<b>(483 990)</b>	-
Fair value losses/(gains) on financial assets	19	<b>(185 977)</b>	(1 121 863)
Realized effects from currency and derivative contracts		<b>(305 732)</b>	-
Financial items	7	<b>(1 923 894)</b>	(214 944)
Interest received	7	<b>508 477</b>	458 178
Change in inventories, accounts receivable and accounts payable		<b>2 241 594</b>	239 440
Change in air traffic settlement liabilities		<b>1 921 381</b>	376 539
Change in other current assets and current liabilities		<b>6 778 495</b>	(386 051)
<b>Net cash flow from operating activities</b>		<b>8 717 156</b>	611 964
<b>Cash flows from investing activities:</b>			
Purchase of tangible assets	10	<b>(147 125)</b>	(89 937)
Purchase of intangible assets	9	<b>(38 466)</b>	(15 066)
Proceeds from sales of tangible assets	10	<b>541 406</b>	-
Proceeds from total return swap	19, 24	<b>545 725</b>	-
Paid deposit total return swap	19, 24	<b>(327 435)</b>	-
Payment to subsidiaries	23	<b>(5 824 173)</b>	-
Payment to associates	24	<b>(100 000)</b>	(74 306)
<b>Net cash flow from investing activities</b>		<b>(5 350 069)</b>	(179 309)
<b>Cash flows from financial activities:</b>			
Proceeds from long-term debt	22	<b>1 591 040</b>	1 313 761
Payment of long-term debt	22	<b>(3 195 709)</b>	(686 938)
Interest on borrowings		<b>(632 498)</b>	(474 871)
Transaction cost		<b>(6 200)</b>	(8 242)
<b>Net cash flow from financial activities</b>		<b>(2 243 366)</b>	143 709
Foreign exchange effect on cash		<b>(33 632)</b>	(56 823)
Net change in cash and cash equivalents		<b>1 090 089</b>	519 541
Cash and cash equivalents at 1 January		<b>2 149 251</b>	1 629 711
<b>Cash and cash equivalents at 31 December</b>	21	<b>3 239 340</b>	2 149 251

The company participates in cash pool arrangements, and deposits and overdrafts by subsidiaries within these arrangements are presented as other receivables and other payables in the statement of financial position. The net deposits in cash pool arrangements are included as cash equivalents.



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# NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

## NOTE 01: GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Norwegian Air Shuttle ASA is the parent in the Norwegian Group. Besides being an operative airline it also serves the purpose of holding company in the Norwegian Group, and contains the Group Management and Corporate Functions, in addition to serving other Group airlines and other business areas with shared services. The information provided in the consolidated financial statements covers the company to a significant degree. Please refer to the consolidated financial statement of the Group for a description of the operative activities of Norwegian Air Shuttle ASA.

The financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 21 March 2018. The annual shareholders meeting, to be held 8 May 2018, have the power to amend and reissue the financial statements.

The financial statements of the company has been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008. The first time simplified IFRS was adopted by the parent company was the company's annual financial statements for 2015. The date of transition was 1 January 2014.

The company's significant accounting principles are consistent with the accounting principles of the Group, as described in note 1 of the consolidated financial statement. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the Group's Consolidated

Financial Statements (hereinafter referred to as the Group's Consolidated Financial Statements).

The option in the regulation for simplified IFRS which the company has utilized in recognition, and measurement and which differ from the consolidated financial statements are:

### Dividends and group contribution

Dividend and group contributions are recognized in accordance with the Accounting Act and recognized in the reporting period to which they relate.

### Investments in subsidiaries and associates

Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement. Loans provided to subsidiaries are measured at cost according to IAS 39.

Norwegian's investment in Bank Norwegian is considered as an investment in an associate in accordance with the definitions of IAS 28 Investments in Associates and Joint Ventures. In accordance with IAS 28 and IAS 27 Separate Financial Statements Norwegian has chosen to account for the investment in accordance with IAS 39 Financial instruments: Recognition and Measurement. Under IAS 39 the investment is classified as an available-for-sale financial asset, and hence measured at fair value with gains and losses from changes in fair value recognized in other comprehensive income.

## NOTE 02: FINANCIAL RISK

The company's exposure to, and management of, financial risk is primarily the same as disclosed for the Group. For further information, please refer to note 3 in the consolidated financial statements.

## NOTE 03: OPERATING REVENUE

NOK 1 000	2017	2016
<b>By activity:</b>		
Passenger transport	11 133 519	10 814 605
Ancillary revenue	2 215 249	2 000 792
Other revenue	6 581 726	2 010 117
<b>Total operating revenue</b>	<b>19 930 494</b>	<b>14 825 514</b>
<b>By geographic market:</b>		
Domestic	9 421 450	5 379 935
International	10 509 044	9 445 578
<b>Total operating revenue</b>	<b>19 930 494</b>	<b>14 825 514</b>

The Company is a low-cost airline, using its fleet of aircraft. Revenues from this business are specified in the table above. Passenger revenue consists of revenue generated from sales of airline tickets, while ancillary revenue consists of other services directly generated from ticket sales. Other revenue consists of sales that are not directly related to an airline ticket, e.g. cargo and sales of third-party products. As of second quarter 2017, gain and loss from sale of fixed assets are moved to other losses/(gains). Other revenue from 2016 of NOK 14 million have been adjusted according to this.



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**NOTE 04: OPERATIONAL EXPENSES**

NOK 1 000	2017	2016
Sales and distribution expenses	719 188	623 411
Aviation fuel	2 898 197	2 270 340
Aircraft leases	6 851 806	2 618 268
Airport charges	1 551 004	1 663 485
Handling charges	1 632 789	1 361 215
Technical maintenance expenses	2 498 381	1 406 770
Other aircraft expenses	488 107	323 876
<b>Total operational expenses</b>	<b>16 639 473</b>	<b>10 267 364</b>

Aircraft lease expenses includes wetlease costs.

**NOTE 04A: OTHER OPERATING EXPENSES**

Other operating expenses amount to NOK 2 125.5 million (2016: NOK 1 353.2 million). Other operating expenses are related to the operation of systems, marketing, back office, consultants and other costs not directly attributable to operation of the aircraft fleet and related airline specific costs. As of second quarter 2017, gain and loss from sale of fixed assets are moved to other losses/(gains). Other operating expenses from 2016 of NOK 0.3 million have been adjusted according to this.

**NOTE 05: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES**

NOK 1 000	2017	2016
Wages and salaries	3 489 284	2 541 936
Social security tax	72 978	75 414
Pension expenses	34 842	44 977
Employee stock options	17 148	16 259
Other benefits	30 511	38 036
<b>Total</b>	<b>3 644 762</b>	<b>2 716 622</b>

In 2017, NOK 17.1 million (2016: NOK 16.3 million) was charged as an expense to salaries, according to the stock option program (note 16). The Company has a pension scheme covering all employees. The scheme is in compliance with the act on occupational pensions (note 15).

	2017	2016
Number of man-labor years	2 731	2 519

**NOTE 06: REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT**

For information on remuneration of the Board of Directors and Executive management, please refer to note 7 in the Group's Consolidated Financial Statements.

**NOTE 06A: AUDITOR REMUNERATION**

**Auditor remuneration:**

NOK 1 000	2017	2016
Audit fee	2 390	2 900
Other audit related services	1 134	2 152
Other services	2 000	786
<b>Total</b>	<b>5 524</b>	<b>5 837</b>

All amounts stated exclude VAT.

**NOTE 07: NET FINANCIAL ITEMS**

NOK 1 000	2017	2016
Interest income	508 477	458 178
Interest expense	(689 017)	(527 319)
Net foreign exchange (loss) or gain	(267 254)	282 174
Appreciation cash equivalents	7 350	5 418
Other financial items	2 364 338	(3 507)
<b>Net financial items</b>	<b>1 923 894</b>	<b>214 944</b>

**NOTE 08: TAXES**

**This year's tax expense consists of:**

NOK 1 000	2017	2016
Adjustments from previous year	(36 490)	53 086
Change in deferred tax	(519 881)	291 261
<b>Income tax expense</b>	<b>(556 371)</b>	<b>344 347</b>

Adjustments from previous years consist of both taxes received in 2017 related to earlier years' tax assessments, and changes in deferred tax from previous years.



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**Reconciliation from nominal to effective tax rate:**

<i>NOK 1 000</i>	2017	2016
Profit before tax	(36 748)	1 128 569
Expected tax expense (income) using nominal tax rate 24% (25%)	(8 819)	282 142
<b>Tax effect of the following items:</b>		
Non deductible expenses/income	(541 837)	341
Adjustments from previous year	(36 490)	53 086
Change in tax rate	31 763	8 778
Other items	(988)	-
<b>Tax expense</b>	<b>(556 371)</b>	<b>344 347</b>
Effective tax rate	1514.04%	30.51%

Details of deferred tax assets in the balance sheet:

**Deferred tax (assets)**

<i>NOK 1 000</i>	2017	2016
Intangible assets	(6 346)	26 162
Tangible assets	(22 503)	(54 382)
Inventories	(11 681)	(15 660)
Receivables	(1 172)	(7 987)
Financial instruments	139 128	84 834
Deferred gains/losses	357 661	57 905
Other accruals	(213 483)	(229 633)
Other temporary differences	(338 275)	-
Loss carried forward	(633 885)	(71 915)
<b>Net deferred tax assets</b>	<b>(730 555)</b>	<b>(210 674)</b>

Reconciliation of deferred tax assets and liabilities:

**Reconciliation of deferred tax (assets)**

<i>NOK 1 000</i>	2017	2016
Recognized at 1 January	(210 674)	(517 823)
Charged/credited to the income statement	(519 881)	291 261
Adjustment from previous year	-	15 888
<b>Recognized at 31 December</b>	<b>(730 555)</b>	<b>(210 674)</b>

Deferred tax assets are based on unused tax loss carry forwards and temporary differences in assets and liabilities. The tax loss carried forward is expected to be utilized by future taxable profits. Adjustments from previous years consists of differences in deferred tax positions between the Financial Statement release last year and the company's tax reporting finalized later in the year.



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**NOTE 09: INTANGIBLE ASSETS**

<i>NOK 1 000</i>	Software	Goodwill	Other intangible assets	Total
Acquisition cost at 1 January 2016	406 216	94 157	26 998	<b>527 371</b>
Additions	15 066	-	-	<b>15 066</b>
<b>Acquisition cost at 31 December 2016</b>	<b>421 282</b>	<b>94 157</b>	<b>26 998</b>	<b>542 437</b>
Acquisition cost at 1 January 2017	421 282	94 157	26 998	<b>542 437</b>
Additions	23 394	-	15 073	<b>38 466</b>
<b>Acquisition cost at 31 December 2017</b>	<b>444 676</b>	<b>94 157</b>	<b>42 070</b>	<b>580 903</b>
Accumulated amortization and write-down at 1 January 2016	323 149	-	4 591	<b>327 740</b>
Amortization in 2016	36 192	-	-	<b>36 192</b>
<b>Accumulated amortization and write-down at 31 December 2016</b>	<b>359 341</b>	<b>-</b>	<b>4 591</b>	<b>363 932</b>
Accumulated amortization and write-down at 1 January 2017	359 341	-	4 591	<b>363 932</b>
Amortization in 2017	32 914	-	-	<b>32 914</b>
<b>Accumulated amortization and write-down at 31 December 2017</b>	<b>392 254</b>	<b>-</b>	<b>4 591</b>	<b>396 846</b>
<b>Book value at 31 December 2016</b>	<b>61 941</b>	<b>94 157</b>	<b>22 406</b>	<b>178 504</b>
<b>Book value at 31 December 2017</b>	<b>52 421</b>	<b>94 157</b>	<b>37 479</b>	<b>184 057</b>
Useful life	3-5 years	Indefinite	Indefinite	
Amortization plan	Straight-line	None	None	

Capitalized software is related to external consulting fees for the development of Norwegian's own systems for bookings and ticket-less travels, various sales portals, back office and maintenance system. These costs are amortized over their estimated useful lives (three to five years).

Other intangible assets and goodwill are related to the purchase of FlyNordic in Sweden July 2007 and purchase of slots at London Gatwick airport in 2017. Other intangible assets from business combinations consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. Other intangible assets also consist of intellectual property rights that are related to purchases of internet domains. The Group has developed international web portals in major markets.

Goodwill, slots and intellectual property rights are determined to have indefinite useful lives and are not amortized. Slots and intellectual property rights do not expire over time, as long as the management has the intention to continue using the assets.

**Impairment testing of goodwill and intangible assets**

The company tests goodwill and assets with indefinite useful lives annually at year-end for impairment. Intangible assets with definite lives are tested for impairment if indicators of impairment are identified. No indications of impairment have been identified in 2017 or in 2016.

The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering

the next year which is approved by the Board of Directors. The budget for the next 12 months is applied for cash flows within a planning horizon of 8 years, as the aircraft fleet is estimated for re-investment every eight years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flows beyond the eight-year period are extrapolated with a long-term growth rate. Estimated cash flows and discount rate are after tax.

**Discount rate**

The applied after-tax discount rate is 5.8 per cent (2016: 5.7 per cent) and based on the Weighted Average Cost of Capital (WACC). The cost of the Group's debt and equity capital, weighted accordingly to reflect its capital structure, gives the Group's weighted average cost of capital. The WACC rates which are used to discount future cash flows are based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate of 1 percentage point will not result in impairment of goodwill and intangible assets.

**Growth rates**

The basis for calculating future growth rate is next year management approved budget. Except for budgeted growth stemming from existing assets, no growth is incorporated in the impairment test for 2017.

**Operating costs**

The operating costs are calculated based on the budget period. Committed operations efficiency



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programs for the next 12 months are taken into account. Changes in the outcome of these initiatives may affect future estimated operating costs. A permanent increase of 2 per cent of total costs, with all other assumptions unchanged, will not result in impairment of assets.

**Terminal value**

A growth rate of 0 per cent is used in calculating cash flow beyond the eight-year period.

**Sensitivity**

At 31 December 2017, the Group's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. A sensitivity analysis has been performed in order to determine if a reasonable change in key assumptions would cause the carrying amount to exceed the recoverable amount. A reduction in the estimated revenue per passenger kilometre by 2 per cent, an increase in the unit cost by 2 per cent, a reduction in the estimated load factor by 1 percentage point or an increase in WACC after tax by 1 percentage point would not lead to an impairment loss.

**NOTE 10: TANGIBLE ASSETS**

<i>NOK 1 000</i>	Buildings	Aircraft	Equipment and fixtures	Total
Acquisition cost at 1 January 2016	293 845	948 915	244 758	1 487 517
Additions	3 225	45 870	34 586	83 680
<b>Acquisition cost at 31 December 2016</b>	<b>297 069</b>	<b>994 784</b>	<b>279 343</b>	<b>1 571 197</b>
Acquisition cost at 1 January 2017	297 069	994 784	279 343	1 571 196
Additions	1 643	211 473	51 098	264 214
Disposals	-	569 064	-	569 064
<b>Acquisition cost at 31 December 2017</b>	<b>298 711</b>	<b>637 194</b>	<b>330 441</b>	<b>1 266 346</b>
Accumulated depreciation at 1 January 2016	8 171	770 466	171 258	949 895
Depreciation	5 663	61 380	41 225	108 268
<b>Accumulated depreciation at 31 December 2016</b>	<b>13 834</b>	<b>831 846</b>	<b>212 483</b>	<b>1 058 163</b>
Accumulated depreciation at 1 January 2017	13 834	831 846	212 483	1 058 163
Depreciation	5 728	50 697	57 666	114 091
Depreciation on disposals	-	394 560	-	394 560
<b>Accumulated depreciation at 31 December 2017</b>	<b>19 562</b>	<b>487 983</b>	<b>270 149</b>	<b>777 694</b>
<b>Book value at 31 December 2016</b>	<b>283 235</b>	<b>162 938</b>	<b>66 860</b>	<b>513 034</b>
<b>Book value at 31 December 2017</b>	<b>279 149</b>	<b>149 210</b>	<b>60 292</b>	<b>488 652</b>
Economic life	See below	See below	See below	
Depreciation plan	See below	See below	Linear	
Residual value	See below	See below	See below	

At 31 December 2017, the Company operated a total of 41 aircraft, 2 were leased under operational leases from external lessors and 39 were leased under internal operating leases. For comparison, the Company operated a total of 59 aircraft at 31 December 2016, ten were leased

under operational leases from external lessors, while 45 were leased under internal operating leases, and 4 were owned. In addition, the company had 33 wetlease aircraft from subsidiary Norwegian Air Norway AS at year end 2017 (year end 2016: one).



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**Aircraft**

The Company sold the remaining four aircrafts 737-300 in March 2017.

**Installations on leased aircraft**

The installations on leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft leases, which are between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2016 and 2015 several engines of the leased aircraft were in overhaul, and replacements costs for life limited parts were capitalized to the extent that the costs are improvements to the engines which exceed the requirements specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

**Spare parts**

Spare parts consist of rotatable parts for aircraft and are depreciated over their useful life. The useful life of spare parts ranges between 5 to 8 years. Linear depreciation is applied and 25 per cent of the acquisition cost is calculated as residual value.

**Buildings**

Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the Group purchased an apartment

in Seattle, and in 2013 purchased an apartment in Florida, for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. In 2014, a new hangar at Gardermoen airport was constructed. Additions in 2017 consist of improvements and upgrades to the hangar. The hangar is estimated to have a useful life of 50 years and is depreciated linear over useful economic life. Residual value is NOK 0.

**Financial lease assets**

The Company entered into lease agreements in 2009 related to de-ice equipment and electronic flight bag equipment. The lease agreements are classified as financial leases as all risks and rewards are transferred to the Company after the end of the lease agreement. The financial lease assets are depreciated over their economic useful lives. De-ice equipment is depreciated over 20 years, while electronic flight bag equipment is depreciated over 4 years. Residual value of financial lease assets is 0. The Company sold its financial lease assets in 2015 at book value.

**Impairment of tangible assets**

In 2017 and 2016, management determined that the total operations of the Company were its cash generating unit. Impairment testing of tangible assets are covered by impairment testing on the whole Company, see note 9 for details.

For information regarding assets pledged as collateral, see note 20.

**NOTE 11: LEASING**

The lease agreements on the Boeing 737 aircraft last between 3 and 12 years from the date of agreement, with some extension options. At the end of 2017 the company have 41 aircrafts on lease (2016: 55). During 2017 6 (2016: 0) intercompany leased aircraft were delivered. Renegotiations have resulted in the extension of some of the shorter leases. In 2017, 4 (2016: 13) aircraft were redelivered to the lessor or novated to other Group companies.

In addition, the Company leases 13 (2016: 1) cars and 26 (2016: 27) properties in Oslo, Stavanger, Stockholm, Copenhagen, Bergen, Helsinki, London, Madrid, Malaga, Malmø, Sandefjord, Tenerife, Tromsø, Trondheim and Guadeloupe/Martinique in the Caribbean. Leasing costs related to cars and properties expensed in other operating expenses in 2017 was NOK 50.9 million (2016: NOK 57.6 million).

Leasing costs expensed on aircraft lease within operational expenses was NOK 6 851.8 million in 2017 (2016: NOK 2 618.3 million). Included in leasing costs are wetlease.

**Annual minimum rent on non-cancellable operating lease agreements per 31 December is as follows:**

NOK 1 000	Nominal value 2017				Nominal value 2016			
	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within one year	3 064 981	1 284	51 411	3 117 675	2 185 041	168	35 455	2 220 664
Between 1 and 5 years	12 144 279	5 028	38 495	12 187 802	10 437 297	28	39 258	10 476 583
After 5 years	13 384 400	-	-	13 384 400	4 249 072	-	-	4 249 072



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The aircraft's minimum lease payments consist of ordinary lease payments and expensed deferred lease payments resulting from non-interest bearing deposits paid at inception of lease agreements. Payments for maintenance reserves are not included due to the dependency on future utilization. Figures for 2016 have therefore been restated. Current estimates of maintenance reserves payments are calculated to NOK 6 980 million in 2017 (2016: NOK 3 355 million). Only aircraft leases for aircraft operated by the Company are included above. 39 of the leases are leased from internal Group Companies. For the Company's leasing commitments on behalf of other Group Companies, see note 25.

**NOTE 12: RECEIVABLES**

**Specification of receivables:**

<i>NOK 1 000</i>	2017	2016
Trade receivables	276 094	227 590
Intercompany receivables	8 963 862	8 240 422
Credit card receivables	1 965 086	1 298 020
Deposits	823 417	499 248
Deferred leasing costs	-	-
Reimbursements claims maintenance costs	-	5 724
Other claims	364 291	218 504
<b>Trade and other receivables</b>	<b>12 392 750</b>	<b>10 489 508</b>
Prepaid costs	55 520	201 912
Public duty debt	119 434	50 440
Prepayments to employees	5 871	5 847
Prepaid rent	40 370	48 504
Prepayments	221 196	306 702
<b>Total</b>	<b>12 613 946</b>	<b>10 796 211</b>

**Due dates:**

<i>NOK 1 000</i>	2017	2016
Within one year	6 057 432	4 027 017
After 1 year	6 556 514	6 769 193
<b>Total</b>	<b>12 613 946</b>	<b>10 796 211</b>

The Company pays deposits on aircraft leases. Non-interest bearing deposits are measured at amortized cost in the statement of financial position. Receivables denominated in foreign currency are converted using the prevailing exchange rates on the reporting date. Refer to note 25 for further information on transactions and outstanding balances with other group companies.

**NOTE 13: INVENTORIES**

<i>NOK 1 000</i>	2017	2016
Consumables	73 343	70 614
Parts for heavy maintenance	-	13 198
<b>Total</b>	<b>73 343</b>	<b>83 812</b>

In 2017 and 2016 the Company removed stock parts from aircraft engines in relation to heavy maintenance. These parts were sold in secondary markets. Charges for obsolete parts in 2017 were NOK 23.6 million (2016: NOK 39.4 million).

**NOTE 14: SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION**

Refer to note 15 in the Group's consolidated financial statements.

**NOTE 15: PENSIONS**

The Company operates defined contribution plans. Pension plans are placed with DNB Liv.

**Defined contribution plan**

The defined contribution plans require that the Company pays premiums to public or private administrative pension plans on mandatory, contractual or voluntary basis. The Company has no further obligations once these premiums are paid. The premiums are accounted for as payroll expenses as soon as they are incurred. Pre-paid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

Defined contribution plans comply with Norwegian Pension legislation.

Pension expenses on defined contribution plans were NOK 34.8 million in 2017 (2016: NOK 44.9 million).

In addition, employees are included in the early retirement scheme (AFP), with the right to retire at the age of 62. The AFP is a multi-employer plan, where the Norwegian government finances 1/3 of the contribution to plans. The AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plan's administrators have not been able to calculate the pension obligation for each entity participating in the plan.

The scheme is in compliance with the Occupational Pensions Act.





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**NOTE 16: OPTIONS**

Refer to note 17 in the Group's consolidated financial statements.

**NOTE 17: PROVISIONS FOR PERIODIC MAINTENANCE**

The Company pays a fee to maintenance funds held by the lessor on leased aircraft. The accrued provisions in the accounts are estimated payments for periodic maintenances in excess of payments to the maintenance funds, and are provided on the basis of aircraft utilization and estimates of current maintenance costs. For some of the contracts, there is a degree of uncertainty about what kind of maintenance is covered by the maintenance funds, and the provision for this increase in expenses for the Company is distributed over the period until the maintenance is performed.

On 31 December 2017, the company had NOK 846.3 million (2016: NOK 1 051.1 million) in provision for maintenance reserves. Parts of the periodic maintenances will be conducted in 2018, and NOK 86.2 million (2016: NOK 86.2 million) is classified as short term liability for periodic maintenances. The short-term part of periodic maintenance is estimated based on planned maintenance in 2018.

**NOTE 18: TRADE AND OTHER PAYABLES**

NOK 1 000	2017	2016
Accrued vacation pay	58 760	59 663
Accrued airport and transportation taxes	164 730	125 592
Accrued expenses	1 093 918	664 339
Trade payables	933 901	631 669
Intercompany liabilities	11 488 006	5 925 595
Payables to related party (note 25)	461	5 023
Public duties	38 775	46 705
Short-term provisions for MRC (note 17)	86 174	86 174
Other short-term provisions	773 889	492 934
<b>Total</b>	<b>14 638 614</b>	<b>8 037 695</b>

The short-term payables and provisions are non-interest bearing and are due within the next 12 months.

**NOTE 19: FINANCIAL INSTRUMENTS**

The accounting policies for financial instruments have been applied to the line items below:

**2017:**

NOK 1 000	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	3 516 474	3 516 474
Derivative financial instruments	-	495 047	-	495 047
Trade and other receivables*	12 392 750	-	-	12 392 750
Cash and cash equivalents	3 239 340	-	-	3 239 340
<b>Total</b>	<b>15 632 090</b>	<b>495 047</b>	<b>3 516 474</b>	<b>19 643 610</b>

\* Prepayments not included in trade and other receivables 221 196

**2016:**

NOK 1 000	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	2 739 224	2 739 224
Derivative financial instruments	-	467 722	-	467 722
Trade and other receivables*	10 489 508	-	-	10 489 508
Cash and cash equivalents	2 149 251	-	-	2 149 251
<b>Total</b>	<b>12 638 759</b>	<b>467 722</b>	<b>2 739 224</b>	<b>15 845 706</b>

\* Prepayments not included in trade and other receivables 306 702

**2017:**

NOK 1 000	Fair value through profit or loss	Other financial liabilities	Total
<b>Liabilities per balance sheet</b>			
Borrowings	-	7 639 026	7 639 026
Derivative financial instruments	40 616	-	40 616
Trade and other payables*	-	14 599 840	14 599 840
<b>Total</b>	<b>40 616</b>	<b>22 238 866</b>	<b>22 279 482</b>

\* Public duties not included in trade and other payables 38 775



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2016:	Fair value through profit or loss	Other financial liabilities	Total
<i>NOK 1 000</i>			
<b>Liabilities per balance sheet</b>			
Borrowings	-	9 296 614	<b>9 296 614</b>
Derivative financial instruments	114 245	-	<b>114 245</b>
Trade and other payables *)	-	7 990 990	<b>7 990 990</b>
<b>Total</b>	<b>114 245</b>	<b>17 287 604</b>	<b>17 401 849</b>

\*) *Public duties not included in trade and other payables* 46 705

**Credit quality of financial asset:**

<i>NOK 1 000</i>	2017	2016
<b>Trade receivables</b>		
Counterparties with external credit rating A or better	<b>1 965 086</b>	1 298 020
Counterparties without external credit rating	<b>10 427 664</b>	9 191 488
<b>Total trade receivables</b>	<b>12 392 750</b>	10 489 508

<i>NOK 1 000</i>	2017	2016
<b>Cash and cash equivalents</b>		
A+ or better	<b>2 804 120</b>	1 821 381
BBB +	<b>435 219</b>	327 870
<b>Total cash and cash equivalents</b>	<b>3 239 340</b>	2 149 251

<i>NOK 1 000</i>	2017	2016
<b>Derivative financial assets</b>		
A+ or better	<b>495 047</b>	467 722
<b>Total derivative and financial assets</b>	<b>495 047</b>	467 722

**Available-for sale financial assets:**

<i>NOK 1 000</i>	2017	2016
1 January	<b>2 739 224</b>	1 807 709
Additions	<b>100 000</b>	74 306
Net gains/(losses) recognized in comprehensive income	<b>677 250</b>	857 209
Net gains/(losses) recognized in profit and loss	-	-
<b>31 December</b>	<b>3 516 474</b>	2 739 224
Non-current portion	<b>2 689</b>	2 739 224
Current portion	<b>3 513 784</b>	-

Available-for-sale financial assets include the Company's investment in Norwegian Finans Holding including the value of total return swap (TRS) agreements entered into on 28 June 2017 and 19 December 2017. The TRS agreements have been included in the fair value of the available for sale financial assets as the NOFI shares that were sold were already presented in accordance to IAS 39. In accordance to IAS 39 an asset lent under a repurchase agreement should not be derecognized as the transferor retains substantially all the risks and rewards of ownership. Other investments included in available-for-sale financial assets at 31 December 2017 is an investment in unlisted equity instrument in Silver Pensjonsforsikring and an investment in a listed bond issue in Bank Norwegian. The fair value of available for sale financial assets at 31 December 2017 is NOK 3 516.5 million (2016: NOK 2 739.2 million).

**Derivative financial instruments:**

<i>NOK 1 000</i>	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	<b>10 268</b>	<b>24 187</b>	4 322	-
Forward commodities contracts	<b>484 779</b>	<b>16 430</b>	463 400	114 245
<b>Total</b>	<b>495 047</b>	<b>40 616</b>	467 722	114 245
Non-current portion:	<b>31 016</b>	-	114 476	27 939
Current portion	<b>464 031</b>	<b>40 616</b>	353 246	86 306

Trading derivatives are classified as current or non-current assets or liabilities depending on the maturity profile and net value of individual forward contracts. The total unrealized value of derivatives amounts to a gain of NOK 454.4 million (2016: gain of NOK 353.5 million). See details under the specification of 'Other losses/(gains) - net' below.

**Forward foreign currency contracts**

The net fair value of the outstanding forward foreign currency contracts at 31 December 2017 were NOK - 13.9 million (2016: NOK 4.3 million). At 31 December 2017, the Group had forward foreign currency contracts to secure USD 90 million, EUR 45 million, GBP 8 million, SEK 200 million, DKK 100 million and PLN 5 million (2016: USD 60 million, SEK 50 million and PLN 1 million).



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**Forward commodities contracts**

Forward commodities contracts relate to jet fuel derivatives. The net fair value of the outstanding forward commodities contracts at 31 December 2017 were NOK 468.3 million (2016: NOK 349.2 million). As of 31 December 2017, the Group had secured 281 835 tons of jet fuel (2016: 831 766 tons) through forward contracts that matures in the period January 2018 – January 2019.

**Other losses/(gains) – net**

NOK 1 000	2017	2016
Net losses/(gains) on financial assets at fair value through profit or loss	(541 012)	(578 678)
Foreign exchange losses/(gains) on operating activities	(128 955)	9 171
<b>Total</b>	<b>(669 967)</b>	<b>(569 507)</b>

**NOTE 20: ASSETS PLEDGED AS COLLATERAL AND GUARANTEES**

NOK 1 000	2017	2016
<b>Liabilities secured by pledge</b>		
Bond issue	248 796	224 364
Credit facility	675 000	325 000
Aircraft financing	2 644 046	4 817 190
<b>Total</b>	<b>3 567 842</b>	<b>5 366 554</b>

During 2013 and 2014, the Company transferred several of its owned aircraft to its fully owned asset companies. Norwegian Air Shuttle ASA carries the financial obligation towards external financing institutions, with security in the aircraft transferred.

For references to pledged assets, see note 10 and for borrowings related to those assets, see note 22.

**Book value of assets pledged as security and guarantees:**

NOK 1 000	2017	2016
Hangar	264 184	268 270
Investment in Norwegian Finans Holding ASA	2 817 384	2 656 535
<b>Total</b>	<b>3 081 568</b>	<b>2 924 804</b>

**NOTE 21: BANK DEPOSITS**

**Cash and cash equivalents**

NOK 1 000	2017	2016
Cash in bank	2 804 120	1 821 381
Cash equivalents	435 219	327 870
<b>Total</b>	<b>3 239 340</b>	<b>2 149 251</b>

**Restricted cash**

Guarantees for leases and credits from suppliers	508 010	464 111
Taxes withheld	21 820	23 017
<b>Total</b>	<b>529 830</b>	<b>487 128</b>

Bank guarantees are granted for leasing liabilities for aircraft, suppliers of fuel and handling services, as well as airport charges from airports and governments.

**NOTE 22: BORROWINGS**

**Nominal value at 31 December 2017**

NOK 1 000	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	4 320 056	(81)	4 319 975	6.4%
Credit facility	675 000	-	675 000	2.0%
Aircraft financing	2 709 667	(65 616)	2 644 051	3.6%
<b>Total</b>	<b>7 704 723</b>	<b>(65 697)</b>	<b>7 639 026</b>	

**Nominal value at 31 December 2016**

NOK 1 000	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	4 155 966	(1 542)	4 154 424	5.9%
Credit facility	325 000	-	325 000	2.0%
Aircraft financing	4 929 701	(112 512)	4 817 190	3.5%
<b>Total</b>	<b>9 410 667</b>	<b>(114 053)</b>	<b>9 296 614</b>	



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### Classification of borrowings

<i>NOK 1 000</i>	2017	2016
<b>Non-current</b>		
Bond issue	3 069 975	2 936 595
Aircraft financing	2 246 320	4 111 552
<b>Total</b>	<b>5 316 296</b>	<b>7 048 147</b>
<b>Current</b>		
Bond issue	1 250 000	1 217 829
Credit facility	675 000	325 000
Aircraft financing	397 730	705 638
<b>Total</b>	<b>2 322 730</b>	<b>2 248 467</b>
<b>Total borrowings</b>	<b>7 639 026</b>	<b>9 296 614</b>

Collateralized borrowings are detailed in note 20.

### Covenants

#### *Bond issues*

Minimum book equity of NOK 1 500 million.

Dividend payments less than 35 per cent of net profit.

No dividend unless liquidity is above NOK 1 000 million.

Minimum liquidity of NOK 500 million.

#### *Credit facility*

No financial covenants.

#### *Aircraft financing*

Aircraft financing does not include covenant requirements. Aircraft in the group are financed with guarantees by either the parent company and / or by the Ex-Im Bank of the United States. Owned aircraft are pledged as collateral. For more information on assets pledged as collateral, see note 20.

The Company has not been in breach of any covenants during 2017.

### Maturity of borrowings

<i>NOK 1 000</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2017</b>				
Borrowings	2 322 730	2 219 879	1 445 723	1 716 391
<b>Total liabilities</b>	<b>2 322 730</b>	<b>2 219 879</b>	<b>1 445 723</b>	<b>1 716 391</b>
<b>At 31 December 2016</b>				
Borrowings	2 255 482	4 341 929	2 721 364	93 541
<b>Total liabilities</b>	<b>2 255 482</b>	<b>4 341 929</b>	<b>2 721 364</b>	<b>93 541</b>



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## NOTE 23: INVESTMENTS IN SUBSIDIARIES

Name	Date of establishment	Office	Number of shares	Ownership
Call Norwegian AS	14 January 2008	Fornebu, Norway	1 000 000	100%
Norwegian Holiday AS	4 August 2008	Fornebu, Norway	100	100%
Norwegian Ground Handling AS	1 January 2012	Fornebu, Norway	20 000	100%
Red Handling UK Ltd	6 October 2016	Gatwick Airport, UK	500 000	100%
Norwegian Air Norway AS	28 May 2013	Fornebu, Norway	155	100%
Norwegian Cargo AS	16 April 2013	Fornebu, Norway	100 000	100%
Norwegian Brand Limited	9 December 2013	Dublin, Ireland	151 711 820	100%
Arctic Aviation Assets DAC	9 August 2013	Dublin, Ireland	479 603 659	100%
Oslofjorden Limited	22 August 2013	Dublin, Ireland	1	100%
Drammensfjorden Leasing Limited	24 September 2013	Dublin, Ireland	1	100%
Geirangerfjorden Limited	26 November 2013	Dublin, Ireland	1	100%
Boknafjorden Limited	14 March 14, 2014	Dublin, Ireland	1	100%
DY1 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY2 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY3 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY4 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY5 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY6 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY7 Aviation Ireland Limited	2 August 2013	Dublin, Ireland	1	100%
DY9 Aviation Ireland Limited	27 November 2014	Dublin, Ireland	1	100%
Fedjefjorden Limited	23 June 23, 2015	Dublin, Ireland	1	100%
Larviksfjorden Limited	4 September 2015	Dublin, Ireland	1	100%
Torskefjorden Limited	23 April 2015	Dublin, Ireland	1	100%
Torefjorden Limited	12 November 2015	Dublin, Ireland	1	100%
Larviksfjorden II Limited	1 January 2016	Dublin, Ireland	1	100%
Lysakerfjorden Leasing Limited	5 July 2016	Dublin, Ireland	1	100%
Arctic Leasing No.1 Limited	10 September 2015	Dublin, Ireland	1	100%
Arctic Leasing No.2 Limited	2 November 2015	Dublin, Ireland	1	100%
Arctic Leasing No.3 Limited	2 November 2015	Dublin, Ireland	1	100%
Arctic Leasing No.4 Limited	30 November 2016	Dublin, Ireland	1	100%
Hardangerfjorden Limited	12 April 2017	Dublin, Ireland	1	100%
Sognefjorden Limited	12 April 2017	Dublin, Ireland	1	100%
Ofofjorden Limited	5 October 2017	Dublin, Ireland	1	100%

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Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air International Limited	3 April 2013	Dublin, Ireland	1 036 449 936	100%
Norwegian Red Handling Spain S.L.	11 June 2015	Madrid, Spain	3 000	100%
Norwegian Air Resources Limited	20 September 2013	Dublin, Ireland	1	100%
Norwegian Air Resources Sweden AB	28 August 2013	St.holm Arl., Sweden	50 000	100%
Norwegian Resources Denmark ApS	5 September 2013	Hellerup, Danmark	80 000	100%
Norwegian Air Resources Spain S.L	6 October 2014	Madrid, Spain	3 000	51%
AB Norwegian Air Resources Finland Ltd	14 June 2011	Helsinki, Finland	200	51%
Norwegian OSM Management UK Limited	1 November 2016	London, UK	2 000	51%
Norwegian OSM Aviation LH Spain S.L	1 January 2017	Madrid, Spain	3 000	51%
Norwegian Cabin Services AS	27 January 2014	Fornebu, Norway	30	100%
Cabin Services Denmark Aps	20 February 2014	Hellerup, Denmark	50	100%
Norwegian Air Resources SSC AS	15 November 2012	Fornebu, Norway	30	100%
Pilot Services Sweden AB	30 August 2013	Stockholm, Sweden	50 000	100%
Norwegian Pilot Services Norway AS	11 November 2014	Fornebu, Norway	30	100%
Pilot Services Denmark Aps	20 February 2015	Copenhagen, Denmark	497	100%
Norwegian Air Resources Ireland Limited	20 September 2017	Dublin, Ireland	1	100%
Norwegian Training Academy AS	23 October 2017	Fornebu, Norway	30 000	100%
Red Maintenance Spain SL	27 January 2017	Madrid, Spain	3 000	100%
Norwegian Air UK Limited	18 December 2015	London, UK	55 000 000	100%
Norwegian Air Argentina Holding	7 April 2017	Buenos Aires, Argentina	1 970 000	100%
Norwegian Air Argentina	20 March 2017	Buenos Aires, Argentina	1 970 000	100%

### Transactions during the year

During 2017, the following transactions were carried out:

- Norwegian Air Shuttle Sweden AB was liquidated.
- Hardangerfjorden Limited, Sognefjorden Limited, Ofotfjorden Limited, Norwegian Air Resources Ireland Limited, Norwegian Training Academy AS, Red Maintenance Spain S.L, Norwegian Air Argentina Holding and Norwegian Air Argentina were established during 2017. Norwegian Air Shuttle ASA owns 95% of the shares in Norwegian Air Argentina Holding and Norwegian Air UK Limited owns the remaining 5%.
- Norwegian Air Resources Limited acquired 51% of the shares in Norwegian OSM Aviation LH Spain S.L on 1 January.
- Pilot Services Sweden AB, Norwegian Pilot Services Norway AS and Pilot Services Denmark Aps were transferred to Norwegian Air Resources Limited from Norwegian Air Norway AS. The transfer was made based on arm length principle consistently to an external valuation report and in accordance to the Norwegian Public Limited Liability Companies Act (Aksjeloven) § 3-8.
- Norwegian Cabin Services AS, Cabin Services Denmark Aps and Norwegian Air Resources SSC AS were transferred to Norwegian Air Resources Limited from Norwegian Air Shuttle ASA. The transfer was made based on arm length principle consistently to an external valuation report and in accordance to the Norwegian Public Limited Liability Companies Act (Aksjeloven) § 3-8.



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**NOTE 24: FINANCIAL ASSETS AVAILABLE FOR SALE**

Norwegian Air Shuttle ASA has the following investments in associates (NOK 1 000):

Entity	Country	Industry	Ownership interest 31.12.17	Financial exposure 31.12.17	Fair value 31.12.2016	Investment 2017	Net gain in OCI 2017	Fair value 31.12.2017
Norwegian Finans Holding ASA	Norway	Financial Institution	16.40%	20.00%	2 656 535	100 000	677 250	3 433 784

Until June 2017, Norwegian held a 20 per cent ownership in Norwegian Finans Holding ASA. During 2017 Norwegian sold 3,6 per cent of the shares in the company followed by total return swaps for a number of shares equal to the amount sold extending Norwegian's financial exposure for further 12 months after signing the agreements. Fair value 31.12.17 corresponds to the financial exposure in Norwegian Finans Holding ASA, including TRS. Norwegian Finans Holding's shares are publicly

traded at Oslo Stock Exchange. The company is situated in Oslo, Norway. The investment, including the exposure received through the total return swaps, is accounted for as financial instruments according to IAS 39, classified as available-for-sale (note 19). The carrying amount is equivalent to market value based on last trade on 31 December 2017. For more information with regards to the investment in the company and the accounting treatment, reference is made to note 19.

**NOTE 25: RELATED PARTIES**

**The company's related parties are:**

Key management personnel, close members of the family of a person and entities that are controlled or jointly controlled by any of these and owners with significant influence. The company's subsidiaries, and associates. Please refer to note 7 to the Group's consolidated financial statements for information on transactions with and remuneration to key management personnel and owners with significant influence.

**Transactions with subsidiaries:**

Intercompany balances 31 December 2017	Short term	Long term
Financial lease receivables	-	2 681 255
Other receivables	1 844 750	5 955 030
Payables	10 587 267	36 772
Intercompany balances 31 December 2016	Short term	Long term
Financial lease receivables	-	4 912 588
Other receivables	1 895 769	6 344 653
Payables	5 925 595	41 302
Intercompany sales (-) and Purchases (+)	2017	2016
Sales and financial revenue	6 385 839	1 804 489
Purchases and financial expenses	11 422 284	4 254 019
Dividend	2 339 797	-

Norwegian Air Shuttle ASA has provided some of the Group's external stakeholders with parent company guarantees for some of the obligations of subsidiaries. The issued guarantees are mainly in relation to purchase contracts, aircraft financing and leasing contracts. To the extent subsidiaries receive an economic benefit from the issued guarantees, the guarantee is priced according to the risk undertaken by the parent company. Guarantee fees are included in the above intercompany transactions.

**Transactions with other related parties**

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 26.8 per cent through controlling ownership of HBK Holding AS. This ownership share is the actual shareholding, and may deviate from the official shareholder register, as HBK Holding has entered into a security agreement with Nordea and Danske Bank. Under this agreement, these institutions may borrow shares from HBK Holding for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligation. The Chairman of the Board owns a minority of shares in HBK Holding AS. There have been no financial transactions between HBK Holding AS and Norwegian Air Shuttle ASA in 2017 or 2016, except for indirect transactions through Fornebu Næringseiendom AS.

The Chairman of the Board, Bjørn Kise, is a partner, and the CEO is a former partner, of the law firm Simonsen Vogt Wiig which operates as the legal advisor for Norwegian Air Shuttle ASA.

The company leases its property at Fornebu from Fornebu Næringseiendom AS, which is a wholly owned subsidiary of HBK Holding AS. The leasing agreement entitles the company to lease Oksenøyveien 3 at Fornebu until 2030, with an option to extend the lease for another five years.

Norwegian Air Shuttle ASA has received commissions from the associated company Norwegian Finans Holding ASA (Bank Norwegian) in 2017 and 2016. The commissions relate to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. The total commission is enclosed in the table below. Receivables and payables to related parties are included below.

No loans or guarantees have been issued to related parties in 2017 or 2016.



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Note 04: Operational expenses

Note 04A: Other operating expenses

Note 05: Payroll expenses and number of employees

Note 06: Remuneration to the Board of Directors and Executive management

Note 06A: Auditor remuneration

Note 07: Net financial items

Note 08: Taxes

Note 09: Intangible assets

Note 10: Tangible assets

Note 11: Leasing

Note 12: Receivables

Note 13: Inventories

Note 14: Shareholder's equity and shareholder information

Note 15: Pensions

Note 16: Options

Note 17: Provisions for periodic maintenance

Note 18: Trade and other payables

Note 19: Financial instruments

Note 20: Assets pledged as collateral and guarantees

Note 21: Bank deposits

Note 22: Borrowings

Note 23: Investments in subsidiaries

Note 24: Financial assets available for sale

Note 25: Related parties

Note 26: Contingencies and legal claims

Note 27: Commitments

Note 28: Events after the reporting period

Independent auditor's report

See note 7 in the Consolidated Financial Statements for details on key management compensations and note 15 in the Consolidated Financial Statements for shares and options held directly or indirectly by members of the Board of Directors, the CEO and the Executive Management.

**The following transactions were carried out with related parties:**

NOK 1 000	2017	2016
<b>Sales (-) and purchases (+) of goods and services (excl VAT)</b>		
- Simonsen Vogt Wiig (legal services)	10 685	10 964
- Associate (commission and licence fee)	(250 930)	(199 325)
- Associate (interests on subordinated loan)	(3 486)	(3 661)
- Fornebu Næringseiendom (property rent)	13 469	15 559
<b>Year-end balances arising from sales/purchases of goods/services (incl VAT):</b>		
<b>Receivables from related parties (note 13)</b>		
- Associate (commission)	12 591	11 118
<b>Payables to related parties (note 21)</b>		
- Simonsen Vogt Wiig (legal services)	461	252
- Fornebu Næringseiendom (property rent)	-	4 771
<b>Investment in related parties</b>		
- Associate (subordinated loan)	80 000	80 000

**NOTE 26: CONTINGENCIES AND LEGAL CLAIMS**

The Norwegian Group has, since the end of 2013, continuously reorganized its operations, and in 2013 and 2014, Norwegian transferred parts of its business to Irish group companies as a natural part of this international reorganization process. The internal group reorganization was carried out under the tax rules on contingent tax-free transfers within a group and the freedom of establishment under the EEA-agreement. In March 2017, Norwegian received a reassessment from the Central Tax Office for Large Enterprises in which the tax office argues that the rules on contingent tax free transfers within a group does not apply to the transfer of the business in 2013. The reassessment resulted in increased taxable income in 2013. In addition, the tax office has indicated that the rules on contingent tax-free transfers within a group nor applies to the transfer of business in 2014.

Norwegian and its tax advisor are of the opinion that the reassessment by the tax office is without merit and has thus not made any provision for any potential tax claim in its 2016 financial statement. This view is especially supported by the fact that the superior assessment board at the same tax office in 2013 issued a principle decision in another case to the effect that the rules on contingent tax-free transfers within a group when read in conjunction with the freedom of establishment under the EEA-agreement indeed applies to transfer of a business from a Norwegian group company to a group company within the EU. The company has concluded that the possibility of any outflow in settlement is remote. The 2013 reassessments have been appealed.

**NOTE 27: COMMITMENTS**

In 2007 through 2012, the Company entered into purchase contracts with Boeing Commercial Airplanes and Airbus S.A.S on purchase of new commercial aircraft. In 2013 and 2014, the Company sold the aircraft already delivered, to its subsidiary Arctic Aviation Assets DAC in Ireland.

In December 2014, the Company transferred the aircraft purchase contracts to its subsidiary Arctic Aviation Assets DAC the 100 per cent owned leasing Group established in 2013 for the purpose of leasing aircraft to internal and external operators. All future deliveries of aircraft on order will be received in Arctic Aviation Assets Group, and the company as operator will receive aircraft on operating leases.

For further details regarding aircraft commitments, please see note 28 in the Consolidated Financial Statements.

For details on commitments for aircraft leases, see note 11.

**NOTE 28: EVENTS AFTER THE REPORTING PERIOD**

On 20 March 2018 the company announced a contemplated private placement of shares with gross proceeds of up to NOK 1 300 million by issuing new ordinary shares in the Company. In connection with the contemplated private placement, Norwegian provided an update on the expected earnings for Q1 2018 and the unit cost for 2018. On 21 March the company announced successful completion of the private placement. The company further announced on 21 March 2018 that the Board of Directors has resolved to conduct a subsequent offering (the "Subsequent Offering") with gross proceeds of up to NOK 200 million by issuing new shares at a subscription price equal to the Private Placement. The Subsequent Offering will, on the basis of a prospectus approved by the Norwegian Financial Supervisory Authority expected to be approved on or about 2 May 2018, be directed towards shareholders in the Company as of 20 March 2018, as registered in the VPS on 22 March 2018, who were not allocated shares in the Private Placement.

Norwegian Air Shuttle ASA has successfully completed a tap issue of EUR 65 million in the outstanding EUR 185 million senior unsecured bonds issue with ISIN NO 001 0753437 and maturity in December 2019 (NAS07). Following the tap issue, the new outstanding amount in NAS07 will be EUR 250 million. Net proceeds from the tap issue will be used for general corporate purposes and further growth of the Group. In connection with the placement of the tap issue, the Company has repurchased bonds with nominal value of NOK 171.5 million in the existing bond issue NAS06 (ISIN: NO 001 0736549) with maturity in May 2018.

Norwegian and Widerøe signed an interline agreement on 26 January 2018. The agreement includes all Widerøe's Public Service Obligation routes in Norway and Norwegian's domestic routes in Norway. Initially, the flights will only be available for purchase through Widerøe's channels, with an estimated launch during the first half of March.





# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

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To the General Meeting of Norwegian Air Shuttle ASA:

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Norwegian Air Shuttle ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.

- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Carrying value of aircraft and value of future committed aircraft purchases
- Provision for periodic maintenance of aircraft
- Tax assets and liabilities
- Financing of future committed aircraft purchases

*(Continues on the following pages)*

*Translation from the original Norwegian version has been made for information purposes only.*

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Registrert i Foretaksregisteret  
 Medlemmer av Den norske Revisorforening  
 Organisasjonsnummer: 980 211 282



### CARRYING VALUE OF AIRCRAFT AND VALUE OF FUTURE COMMITTED AIRCRAFT PURCHASES

Key audit matter	How the matter was addressed in the audit
<p>Refer to note 1.23 and note 11 for description of the Group's impairment assessments.</p> <p>The Group has aircraft and associated spare parts with a carrying value of NOK 25.9 billion as of 31 December 2017.</p> <p>In addition, the Group has entered into several purchase contracts for future delivery of aircraft at fixed prices. As described in note 11 and 28, these contracts consist of upfront prepayments to manufactures with a carrying value of NOK 5.2 billion, and future committed payments up on delivery of NOK 13.2 billion.</p> <p>As described in note 2, macro-economic factors may have a significant impact on the profitability of the existing aircraft assets and the future committed aircraft purchases.</p> <p>The evaluation of residual value and impairment of existing aircraft and assessment of whether onerous contracts exist related to the future committed aircraft purchases requires a significant degree of management judgement, and as such, this has been identified as a key audit matter.</p>	<p><i>To assess the carrying value of the existing aircraft and the value of future committed aircraft purchases, we:</i></p> <ul style="list-style-type: none"> <li>● Assessed the design and the implementation of relevant controls management has established related to the impairment process.</li> <li>● Challenged the impairment indicator assessment.</li> <li>● Tested the consistency for a sample of input used in the calculation of the depreciation charge, to input used in the provision for periodic maintenance of the aircraft.</li> <li>● Assessed the allocation of purchase price to the various components of the aircraft.</li> <li>● Compared the Group's estimates of expected useful life and residual value to manufactures' recommendations and to published estimates of other international airlines.</li> <li>● Agreed the fair values of the aircraft types to independent third party valuation reports prepared by aircraft valuation experts to assess the accuracy of the residual value estimate on existing aircraft and the value on future committed aircraft purchases.</li> <li>● Assessed the adequacy of the related disclosures.</li> </ul>

### PROVISION FOR PERIODIC MAINTENANCE OF AIRCRAFT

Key audit matter	How the matter was addressed in the audit
<p>Refer to note 1.23 and 19 for description of Norwegian's maintenance provision process and key assessments.</p> <p>The Group has maintenance provision with a carrying value of NOK 2.8 billion as of 31 December 2017.</p> <p>The Group operates aircraft that are owned or held under operating lease arrangements. Under the terms of operating lease agreements, the Group is contractually committed either to return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the aircraft.</p> <p>The maintenance provision is calculated by using a model that incorporates a number of assumptions, including the lifespan of life-limited parts, utilisation of the aircraft by references to the number of hours flown or cycles operated and the expected cost of the heavy maintenance at the time the overhaul is expected to occur.</p> <p>We focused on this area because of the complexity and the inherent level of management judgement required in calculating the provision.</p>	<p><i>To assess the aircraft maintenance provisions, we:</i></p> <ul style="list-style-type: none"> <li>● Assessed the design and implementation of relevant controls management has established related to the maintenance provision process.</li> <li>● Assessed the appropriateness of the methodology applied in calculating the maintenance provision.</li> <li>● Tested the mathematical accuracy of the model used to calculate the provisions.</li> <li>● Assessed the key assumptions made by management in estimating maintenance provisions, including anticipated maintenance intervals of the aircraft components and the expected cost of maintenance. For a sample this included:             <ul style="list-style-type: none"> <li>- Agreed and re-calculated the rates for maintenance costs to available internal and external information and lease contracts.</li> <li>- Agreed maintenance intervals to available internal and external information and lease contracts.</li> <li>- Agreed the accuracy of historical use of aircrafts in calculations of maintenance provisions.</li> <li>- Assessed the adequacy of the related disclosures.</li> </ul> </li> </ul>



### TAX ASSETS AND LIABILITIES

Key audit matter	How the matter was addressed in the audit
<p>Refer to notes 1.23 and 9 for a description of the Group's tax position as at 31 December 2017. Deferred tax assets as of 31 December 2017 amounts to NOK 1.0 billion, of which NOK 1.3 billion is related to tax losses carried forward.</p> <p>As described in note 1.23 and 9, management applies judgement to determine to what extent these tax assets qualify for recognition in the balance sheet, in particular tax assets related to historical losses in a subsidiary in Ireland. This involves judgement as to the likelihood that the subsidiary will generate sufficient taxable profits in future periods to utilize the related tax assets.</p> <p>Refer to notes 1.23 and 27 for a description of the Group's uncertain tax positions. The Group's worldwide operations are highly integrated and involve cross border transactions. As a result, there is complexity and judgement regarding the valuation of tax assets and liabilities, including transfer pricing considerations.</p> <p>Due to the level of complexity and judgement in assessing the appropriate accounting for taxes, this has been identified as a key audit matter.</p>	<p><i>To assess the tax position as of year-end, we:</i></p> <ul style="list-style-type: none"> <li>● Assessed the design and the implementation of relevant controls the Group has established to identify and assess the tax position.</li> <li>● Assessed the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets.</li> <li>● Evaluated the appropriateness of the provision for uncertain tax positions, including:                     <ul style="list-style-type: none"> <li>– Obtained latest correspondence between the Group and the relevant authorities.</li> <li>– Evaluated and challenged the key assumptions and documentation prepared by management related to critical estimates and judgements made by the Group in determining its tax liabilities. This included evaluation of certain third party tax opinions that the Group has obtained to assess the appropriateness of assumptions used.</li> </ul> </li> <li>● Engaged Deloitte tax specialists, as appropriate, to assist with our audit of the Group's tax obligations.</li> <li>● Assessed the adequacy of the related disclosures.</li> </ul>

### FINANCING OF FUTURE COMMITTED AIRCRAFT PURCHASES

Key audit matter	How the matter was addressed in the audit
<p>The Group has entered into several purchase agreements for future deliveries of aircraft (reference made to notes 2.6 and 28). To meet the future committed aircraft purchases the Group is dependent upon its ability to generate sufficient cash flows, and/or to raise other means of funding to meet scheduled cash outflows in relation to these purchases.</p> <p>Due to the significant value of the purchase agreements for future deliveries of aircraft, this has been identified as a key audit matter.</p>	<p><i>To assess the liquidity forecast to meet future obligations, we:</i></p> <ul style="list-style-type: none"> <li>● Assessed the design and the implementation of relevant controls the Group has established related to estimate future liquidity forecasts.</li> <li>● Evaluated the accuracy of management forecasting by comparing cash flows forecasts for prior periods to actual outcomes.</li> <li>● Reviewed the cash flow requirements over the next 12 months based on committed aircraft purchases, loan repayment schedules and other operational matters.</li> <li>● Verified the consistency of forecast used in the liquidity forecast assessment with assumptions used in the budget.</li> <li>● Tested the arithmetic integrity for a sample of calculations.</li> <li>● Assessed the description of available financing sources.</li> <li>● Assessed the adequacy of the related disclosures.</li> </ul>



## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a go-

ing concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are re-



sponsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinion on the Board of Directors' report and on statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

### Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 March 2018  
Deloitte AS

**Jørn Borchgrevink**  
State Authorized Public Accountant (Norway)



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# ANALYTICAL INFORMATION

## KEY FIGURES

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenue (NOK million)	<b>30 948</b>	25 951	22 491	19 534	15 580	12 859	10 532	8 598	7 309	6 226
EBITDAR* (NOK million)	<b>3 948</b>	5 958	3 694	1 186	2 784	1 822	1 540	1 175	1 341	200
EBITDA* (NOK million)	<b>59</b>	3 116	1 481	(664)	1 500	789	710	397	721	(208)
EBIT/Operating result (NOK million)	<b>(2 002)</b>	1 821	348	(1 412)	970	404	416	210	572	(338)
EBT/Profit (loss) before tax (NOK million)	<b>(2 562)</b>	1 508	75	(1 627)	438	623	167	243	623	5
Net profit/loss (NOK million)	<b>(1 794)</b>	1 135	246	(1 072)	319	457	122	189	446	4
Basic earnings per share (NOK)	<b>(50.18)</b>	31.75	6.99	(30.42)	9.15	13.08	3.53	4.97	13.01	0.15
Diluted earnings per share (NOK)	<b>(50.18)</b>	31.47	6.92	(30.42)	9.02	12.99	3.47	4.87	12.89	0.15
Equity ratio	<b>5%</b>	11%	9%	9%	19%	20%	22%	27%	32%	28%
Net interest bearing debt*	<b>22 265</b>	21 151	17 131	11 273	4 346	3 797	3 145	1 307	176	91
Cash and cash equivalents (NOK million)	<b>4 040</b>	2 324	2 454	2 011	2 166	1 731	1 105	1 178	1 408	608
Yield	<b>0.39</b>	0.42	0.44	0.43	0.50	0.55	0.52	0.52	0.60	0.62
Unit revenue (RASK)	<b>0.34</b>	0.36	0.38	0.35	0.39	0.43	0.41	0.40	0.47	0.49
Unit cost including depreciation	<b>0.45</b>	0.43	0.44	0.44	0.44	0.47	0.47	0.50	0.57	0.54
Unit cost (CASK)	<b>0.43</b>	0.41	0.42	0.42	0.42	0.45	0.46	0.46	0.49	0.56
Unit cost (CASK) excluding fuel	<b>0.33</b>	0.32	0.31	0.29	0.29	0.31	0.32	0.34	0.38	0.37
ASK (million)	<b>72 341</b>	57 910	49 028	46 479	34 318	25 920	21 958	17 804	13 555	11 530
RPK (million)	<b>63 320</b>	50 798	42 284	37 615	26 881	20 353	17 421	13 774	10 602	9 074
Load factor	<b>87.5%</b>	87.7%	86.2%	80.9%	78.3%	78.5%	79.3%	77.4%	78.2%	78.7%
Passengers (million)	<b>33.1</b>	29.3	25.8	24.0	20.7	17.7	15.7	13.0	10.8	9.1
Internet sales	<b>75%</b>	75%	77%	82%	80%	78%	82%	87%	88%	87%
Block hours	<b>11.4</b>	11.3	11.6	11.6	11.5	10.9	11.0	10.9	10.4	10.2
Average sector length (km)	<b>1 607</b>	1 473	1 407	1 338	1 168	1 048	1 000	964	913	927
Fuel consumption (metric tonnes)	<b>1 465 100</b>	1 190 017	1 015 337	965 575	735 154	569 197	497 909	423 682	345 692	299 661
Number of aircraft (operated at year end)	<b>144</b>	116	99	95	85	68	62	57	46	40

\*) See "definitions" on page 89.

## FINANCIAL CALENDAR 2018

Interim report Q1 2018:  
**26 April**

General shareholder meeting:  
**08 May**

Interim report Q2 2018:  
**12 July**

Interim report Q3 2018:  
**25 October**

Norwegian Air Shuttle reserves the right to revise the dates.

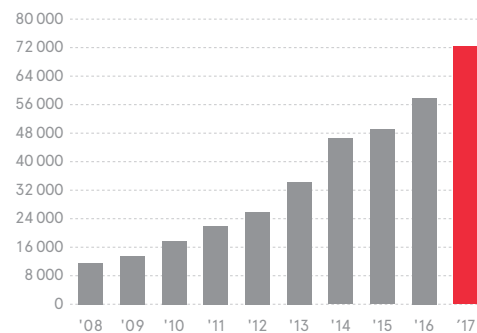
**ANALYTICAL INFORMATION**

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**KEY OPERATIONAL FIGURES**

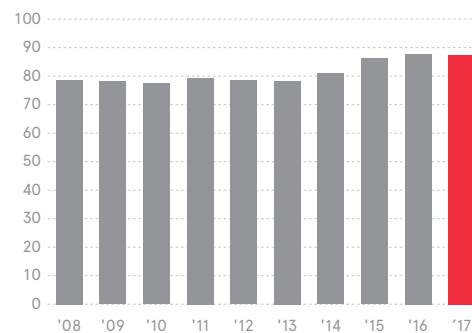
**ASK**

in million



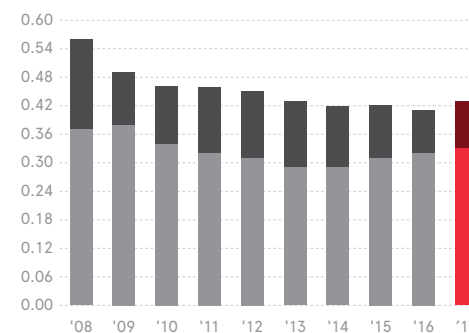
**LOAD FACTOR**

Per cent



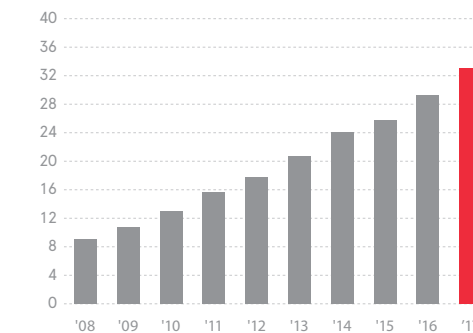
**UNIT COST (CASK)**

■ Unit cost excluding fuel  
■ Fuel part of CASK (NOK)



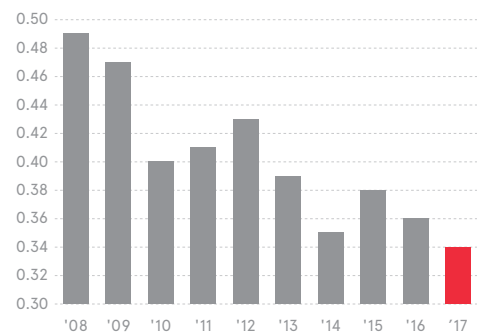
**PASSENGERS**

In million



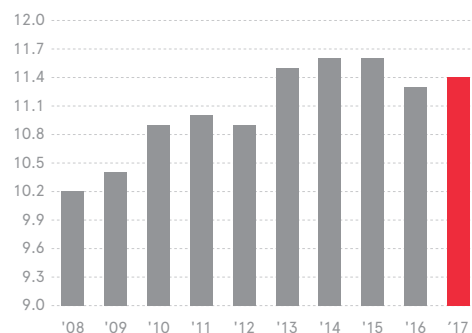
**UNIT REVENUE (RASK)**

■ RASK in NOK



**BLOCK HOURS**

Hours per day



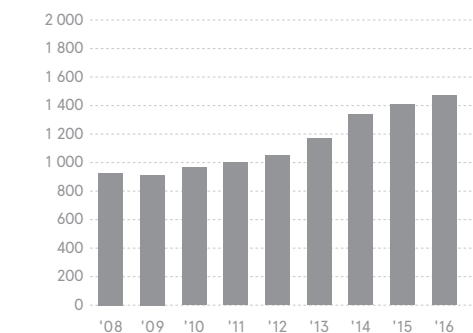
**BASIC EARNINGS PER SHARE**

NOK



**AVERAGE SECTOR LENGTH**

Kilometres





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Fleet plan

Definitions

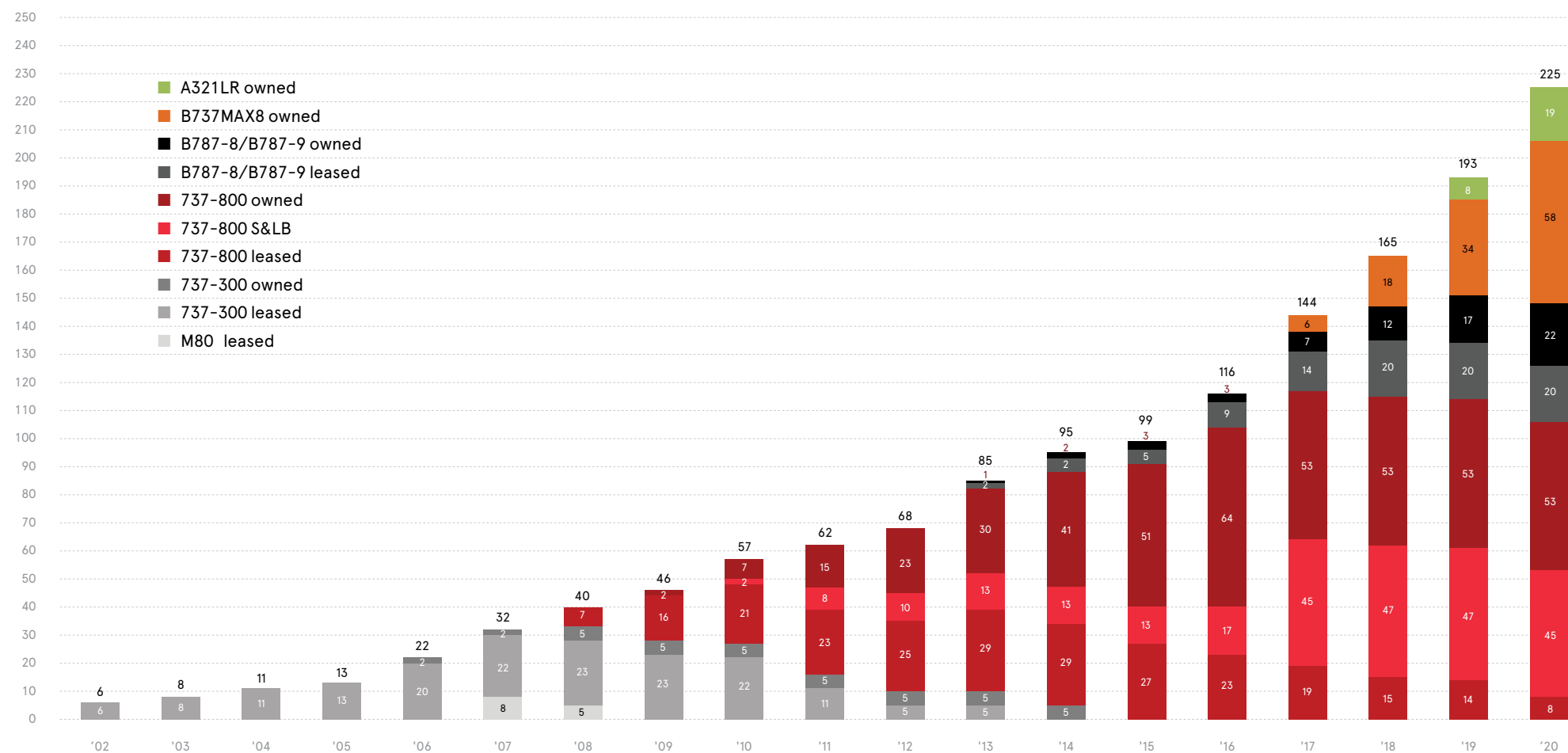
Alternative performance measures

Other definitions

**FLEET PLAN**

**HISTORIC, CURRENT AND COMMITTED FLEET PLAN**

Number of planes operated by Norwegian at year-end







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## DEFINITIONS

### ALTERNATIVE PERFORMANCE MEASURES

Measure	Description	Reason for including
<b>EBIT</b>	Earnings before net financial items, income tax expense (income) and share of profit (loss) from associated companies. Equivalent to operating profit in the consolidated income statement in the annual report	Enables comparability of profitability regardless of capital structure or tax situation
<b>EBITDA</b>	Earnings before net financial items, income tax expense (income), depreciation, amortization, impairment, and share of profit (loss) from associated companies	Shows the operations' earning power regardless of capital structure and tax situation with the purpose of simplifying comparisons with other companies in the same industry
<b>EBITDAR</b>	Earnings before net financial items, income tax expense (income), depreciation, amortization and impairment, restructuring, aircraft leasing expense and share of profit (loss) from associated companies	A measure of operating performance that enables comparison between airlines as it is not affected by the method used to finance aircraft
<b>EBT</b>	Earnings before income tax expense (income). Equivalent to profit (loss) before income tax expense (income) in the Consolidated Income Statement in the annual report	Enables comparability of profitability regardless of capital structure or tax situation
<b>Net interest-bearing debt</b>	Long-term borrowings plus short-term borrowings less cash and cash equivalents	Measurement of the ability to pay all debt with available cash and cash equivalents, if all debt matured on the day of the calculation. It is therefore a measure of the risk related to the company's capital structure
<b>Other losses/(gains)-net</b>	Gains and losses from foreign currency contracts, forward fuel contracts, adjustment of market value for total return swaps, translation of working capital in foreign currency and net gain or loss from sale of fixed assets	Included as a specification to operating expenses to separate certain volatile effects from other operating expenses
<b>Total operating expenses excl depreciation and amortization</b>	Total operating expenses not including depreciation, amortization and impairment	A measure of operating expenses that includes leasing but is not affected by depreciation and amortization

### ALTERNATIVE PERFORMANCE MEASURES – RECONCILIATION

(Amounts in NOK million)	2017	2016
<b>EBITDA</b>		
Operating profit (loss)	(2 002)	1 820
Depreciation and amortization	1 405	1 296
Impairment	656	-
<b>EBITDA</b>	<b>59</b>	<b>3 116</b>
<b>EBITDAR</b>		
EBITDA	59	3 116
Leasing	3 890	2 842
<b>EBITDAR</b>	<b>3 949</b>	<b>5 958</b>
<b>Net interest bearing debt</b>		
Long term borrowings	22 060	18 706
Short term borrowings	4 245	4 769
- Cash and cash equivalents	(4 040)	(2 324)
<b>Net interest bearing debt</b>	<b>22 265</b>	<b>21 151</b>



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[Alternative performance measures](#)
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## OTHER DEFINITIONS

Item	Description
<b>Aircraft lease expense</b>	Lease and rental expenses on aircraft including both dry leases and wetleases
<b>Ancillary revenue / PAX</b>	Ancillary passenger revenue divided by passengers
<b>ASK</b>	Available seat kilometers. Number of available passenger seats multiplied by flight distance
<b>Average sector length</b>	Total flown distance divided by number of flights
<b>Book equity per share</b>	Total equity divided by number of shares outstanding
<b>Block hours</b>	Time of block off to block on – industry standard measure of aircraft utilization
<b>CO<sub>2</sub> per RPK</b>	Amount of CO <sub>2</sub> emissions divided by RPK
<b>Constant currency</b>	A currency exchange rate that excludes the impact of exchange rate fluctuations from comparable period, e.g. last year as comparable period
<b>Equity ratio</b>	Book equity divided by total assets
<b>Fixed asset investment</b>	Consists of the following items presented in the statement of financial position in the annual report: Financial assets available for sale, investment in associate and other receivables
<b>Fuel consumption</b>	Aviation fuel consumed, presented in metric tons
<b>Load factor</b>	RPK divided by ASK. Describes the utilization of available seats
<b>Passengers</b>	Number of passengers flown
<b>RPK</b>	Revenue passenger kilometers. Number of sold seats multiplied by flight distance
<b>Unit cost</b>	Total operating expenses incl leasing, excluding depreciation and amortization and other losses/(gains)-net, divided by ASK
<b>Unit cost excl fuel</b>	Total operating expenses incl leasing, excluding depreciation and amortization, other losses/(gains)-net and aviation fuel expense, divided by ASK
<b>Unit cost incl depreciation</b>	Total operating expenses incl leasing, depreciation and amortization, excluding other losses/(gains)-net, divided by ASK
<b>Unit revenue</b>	Passenger revenue divided by ASK
<b>Yield</b>	Passenger revenue divided by RPK. A measure of average fare per kilometer



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# CORPORATE RESPONSIBILITY AT NORWEGIAN

**Norwegian strives to be a good corporate citizen in all areas of operation. The Company is committed to operate in accordance with responsible, ethical, sustainable and sound business principles, with respect for people, the environment and the society.**

Norwegian's international business activities, powered by the vision of "affordable fares for all", brings people, cultures and economies together.

Global expansion and new routes boost local tourism, create new jobs, drive economic growth and social progress.

A growing population in an increasingly globalized world will lead to more mobility and increased need for air travel. Norwegian acknowledges its responsibilities as a significant market player and takes action to reduce emissions per passenger to make aviation more environmentally friendly. The Company operates one of the world's newest and most modern aircraft fleets.

As a global low-cost airline, Norwegian employs 9 593 people in Europe, North and South America and Asia. Diversity makes the organization richer and better. Regardless of location, workers' rights, equality, non-discrimination, business ethics and anti-corruption are key priorities.

Since 2002, Norwegian has safely carried more than 218 million passengers. Safety is the number one priority and at the heart of the operation. It is essential for customers and staff, and imperative for the sustainability of air travel. All aspects of the Group's operations are subject to extensive safety controls and certification. They meet the strictest standards and the highest level of regulations in the industry (The Euro-

pean Aviation Safety Agency, EASA). Norwegian's work with safety in mind – both in terms of systems and culture – are used as examples in the healthcare industry.

## THE THREE PILLARS OF CORPORATE RESPONSIBILITY AT NORWEGIAN

To integrate Corporate Responsibility (CR) efforts into the daily operations, Norwegian's CR approach is concentrated around three distinct pillars. All corporate responsibility activities should be relevant, simple and direct. Within the three pillars, Norwegian has distinct ambitions that are fundamental to the Group's CR efforts:

- **Environment:** Norwegian has an ambition to continue reducing emissions per passenger and help making aviation carbon neutral by 2050. The environmental footprint is reduced by flying the most modern and fuel-efficient aircraft in the skies. Norwegian also actively engages in various tree planting projects around the world that help reduce emissions.
- **Local development and humanitarian engagement:** Norwegian's goal is to create economic and social value at its bases and destinations. The Company wants to help children in need through its Signature Partnership with the

humanitarian organization UNICEF. Locally, the goal is to involve staff in their local communities, as Norwegian believes that employee involvement creates greater quality of work life for staff. As such, the initiative is in line with the UN's official Sustainability Goal #1: "End poverty in all its forms everywhere".

- **Responsible people culture:** Norwegian's goal is to create a positive working environment and develop a sound corporate culture marked by openness, tolerance and high ethical standards. Norwegian wants to promote an environment free from any discrimination.

## 2017 ACTIVITIES AND RESULTS

Norwegian is committed to delivering results within the Company's Corporate Responsibility framework. The following is a representation of the key activities performed during 2017.

## THE ENVIRONMENT

Norwegian is committed to actively supporting and engaging in sustainable environmental policy to continue reducing aviation emissions. The single most important action an airline can take to reduce its environmental footprint is to invest in new aircraft technology, which

consequently reduces emissions considerably.

## One of the greenest fleets in the world

In 2017, Norwegian took delivery of 17 Boeing 737-800s, nine Boeing 787-9s and six Boeing 737 MAX 8s. Four 737-800s were phased out. The continued fleet renewal in 2017 contributed to a further reduction in emissions per passenger. The Group as a whole consumed 1.5 million tons of Jet A-1 fuel, equivalent to 72.9 grams of CO<sub>2</sub> per passenger per kilometer, a reduction of 1.2 per cent from the previous year. The average fleet age for the 144 aircraft was 3.6 years at 31 December 2017, making it one of the greenest and most fuel-efficient fleets in the world.

Norwegian uses the technologically advanced Boeing 787 Dreamliner and the Boeing 737 MAX 8 on its intercontinental routes. The Dreamliner consumes less than 80 per cent fuel compared to its counterparts and the MAX consumes 14 per cent less than the 737-800. With a pending order of 21 Dreamliners and 104 MAXs to be delivered in the coming years, Norwegian will continue to be one of the most environmentally friendly airlines in the world.

To reduce emissions even further, Norwegian is working on several initiatives to make the fleet even greener. In 2017, Norwegian's key emission reducing activities were:

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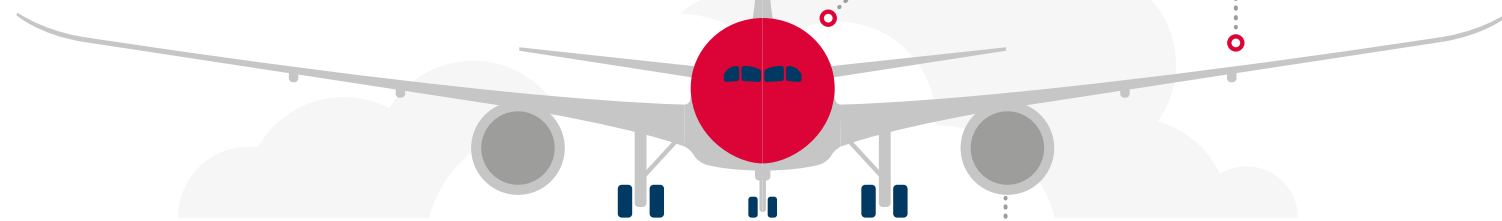
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- **Fewer take offs and landings** As opposed to traditional network carriers, Norwegian bypasses the big “hubs” and offers more direct flights. The result is a significant reduction of fuel-intensive take-offs and landings. Continuous Descent Approaches, or so-called “green approaches”, are designed to reduce overall emissions during the final stages of the flight.
- **Plant for the planet** In collaboration with the Global Climate Institute, Norwegian has planted thousands of trees in 2017. Trees are of immense importance to the global climate as they sequester carbon.
- **Advanced weather data to calculate more efficient flights** Norwegian has partnered with AVTECH Sweden AB allowing Norwegian’s pilots to receive accurate wind and temperature information to explore the possibility of reducing fuel consumption and thereby reducing Norwegian's environmental footprint. Norwegian's pilots will gain access to the highest quality weather data available. When this data is fed into the aircraft’s Flight Management Computer, the aircraft’s flightpath can be adjusted and optimized. The goal is to deliver better fuel and time estimates as well as fuel efficient descents with less speed deviations.
- **Noise reduction** Aviation is associated with noise challenges. Norwegian’s new fleet of aircraft plays an important part in the efforts to reduce the negative impact on the local environment, as new aircraft are considerably quieter than

## FLEET

### BOEING 787 DREAMLINER



#### LIGHT CABIN INTERIOR

All planes use composite materials and has a light cabin interior to save weight.

#### STATE-OF-THE-ART ENGINE TECHNOLOGY

Contributes to reduce the fuel consumption.

### BOEING 737 MAX



#### BIOFUEL

All planes supporting switch to biofuel.

### BOEING 737-800





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older generations. All of Norwegian's aircraft meet The International Civil Aviation Organization's (ICAO) Chapter 4 and Chapter 14 requirements.

- **Lighter materials** Norwegian's aircraft feature the most modern interiors. Several factors, such as slim and light seats, reduce weight and emissions.
- **Winglets reduce drag** All of Norwegian's 737-800s have winglets, a tailfin-like extension of each wingtip. Winglets reduce drag, which results in less fuel consumption by approximately two per cent per aircraft.
- **A special wash that reduces fuel consumption** Norwegian has a special engine and aircraft wash that reduces fuel consumption and carbon emissions by approximately 16 000 tons per year.

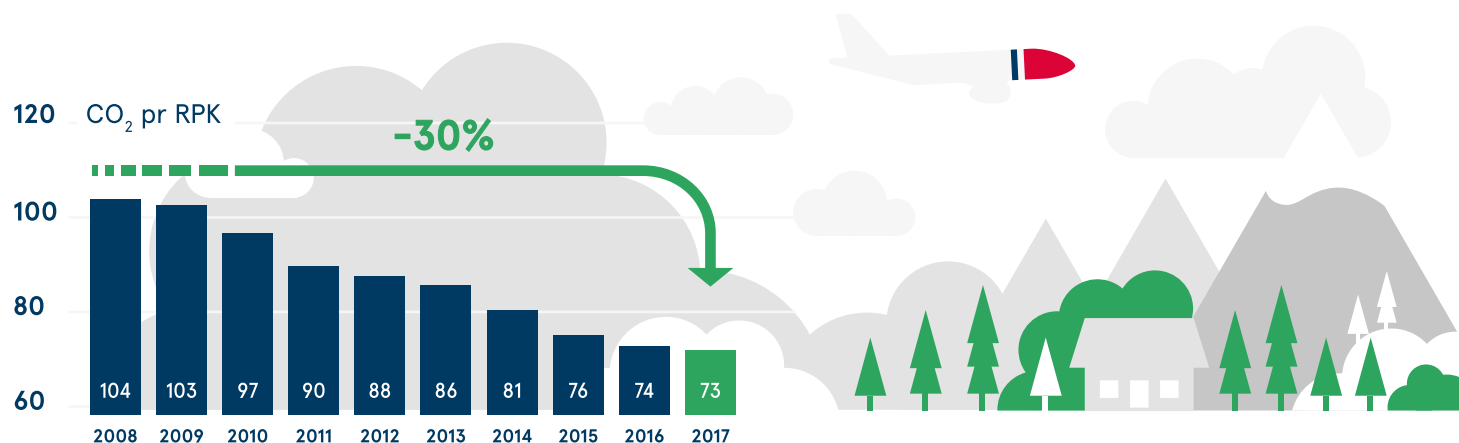
### LOCAL DEVELOPMENT AND HUMANITARIAN ENGAGEMENT

Creating economic and social value at crew bases and destinations underlines Norwegian's ambition to be a good corporate citizen. This ambition is also realized through the Signature Partnership with the humanitarian organization UNICEF, to help children in need.

#### Boosting local economies and creating new jobs

Global expansion and new routes boost local tourism, create jobs, drive economic growth and social progress. In 2017, Norwegian continued to create economic and social value at new and existing bases and at all destinations.

## EMISSIONS



Norwegian's contribution to the Scandinavian tourism industry is substantial, according to a report from the economic analysis company Menon. Tourists visiting Norway, Sweden and Denmark through Norwegian contribute to sustaining 41 500 jobs in the tourism industry (Norway: 16 000; Sweden: 13 000; Denmark: 12 500).

Norwegian's contribution to the US economy is also considerable. Since 2013, Norwegian has carried over 3.7 million visitors to the US on more than 50 transatlantic routes, which has significantly boosted the creation of American jobs in the travel and tourism industry, including at Fort Lauderdale and Oakland/San Francisco, where international flights have been scarce. Norwegian is one of the largest customers of American aircraft manufacturer, Boeing. According to calculations from the US Department of Commerce in 2016, Nor-

wegian's firm aircraft order from Boeing was valued at more than USD 18.5 billion, which is consequently helps to create and support up to 100 000 American jobs.

In addition, Norwegian's own workforce increased by 46 per cent in 2017, with the highest growth recorded in Spain and the UK.

#### Partnership with UNICEF

"The children are the future and we should do everything we can to make the world a better place for the ones who need it the most," says Norwegian's CEO Bjørn Kjos. That is why Norwegian has a collaboration with UNICEF, the United Nation's Children Fund.

Norwegian also believes that it is important to enable the staff and customers to make a difference. Through fundraisers, internal activities, relief flights and other activities the Company is commit-

ted to supporting UNICEF and the important work the organization does for children in need all over the world. Norwegian and UNICEF have had a Signature Partnership since 2007 and in 2017 a global partnership introduced to reflect Norwegian's increasingly international footprint.

The partnership is enabling Norwegian and its passengers to contribute to UNICEF's work through several initiatives. UNICEF Norway's employees fly for free with Norwegian.

In 2017, Norwegian performed two relief flights with UNICEF to help the children of Mali and Yemen. These missions contributed to supporting thousands of children and also created huge internal engagement at Norwegian, which enhanced the company culture and sense of pride.

Throughout 2017, Norwegian's customers donated more than NOK 5.7 million to

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UNICEF's work for children when booking flights on the website. In addition, Norwegian donates money to UNICEF instead of giving its staff a Christmas present.

### RESPONSIBLE PEOPLE CULTURE

The airline business is a service industry where good relations and respect between people are key success factors. Norwegian has a long-term focus on creating an attractive workplace for staff which offers exciting opportunities in a global environment.

Norwegian's success rests on the ability to maintain a talented workforce of highly skilled staff and leaders, who are motivated to contribute to Norwegian's growth and to deliver on the vision of affordable fares for all. The goal is to offer unique opportunities to the people working for Norwegian as well as a corporate culture that helps the Company attract and retain the most talented people in the industry, regardless of location. Creating effective arenas for organizational learning and professional development at all levels of the organization is a goal, guiding the work with organizational development. During 2017, Open Meetings and Regional Events engaged about 1 600 colleagues around the revision of core values, with the purpose of uniting the global organization through common guidelines.

### Code of Ethics

Norwegian's corporate vision, values and operational priorities form the basis of the Group's ethical guidelines. Norwegian's Code of Ethics provides guidelines and directions for a good working environment and highlights the Group's guidelines for corporate and individual behavior, sound



business principles, rights and duties, and safety for all - including staff, customers and partners.

Norwegian supports the international human rights as outlined by the UN declaration and conventions. No one shall in any way cause or contribute to the violation or circumvention of human rights. Norwegian will strive to offer a professional and positive workplace with a respectful, open and inclusive working environment. All people working for Norwegian shall behave with respect and integrity towards anyone

they encounter through their work. Everyone should also contribute to creating an environment free of any discrimination - based on religion, race, gender, sexual orientation, age, nationality or disability - and free from bullying and harassment.

Everyone working for Norwegian has a joint responsibility to develop and maintain a good working environment and be compliant with the ethical guidelines. Any violations of the Code of Ethics shall be reported to Norwegian's Whistleblowing channel.

# 5.7 MILLION

In 2017, Norwegian's passengers donated more than NOK 5.7 million to UNICEF's work for children when booking flights on the website. This amount will contribute to the following:

- Provide 300 000 children with cholera medicine.
- Installing more than 1 600 wells equipped with water pumps that can supply an entire village or refugee camp with clean water. Often it is the girls' job to get water, which may mean that they do not have time to go to school. If the water pump is located near the school, it increases the girls' chance to receive an education.
- 1.65 million emergency food kits, providing nearly 40 000 malnourished children food for two weeks.
- Provide approximately 1.2 million children with polio vaccinations.
- Buy 1.5 million notebooks and pencils for school children.
- Provide 3 400 School-in-a-box sets for emergencies. This can provide education to 136 000 children.



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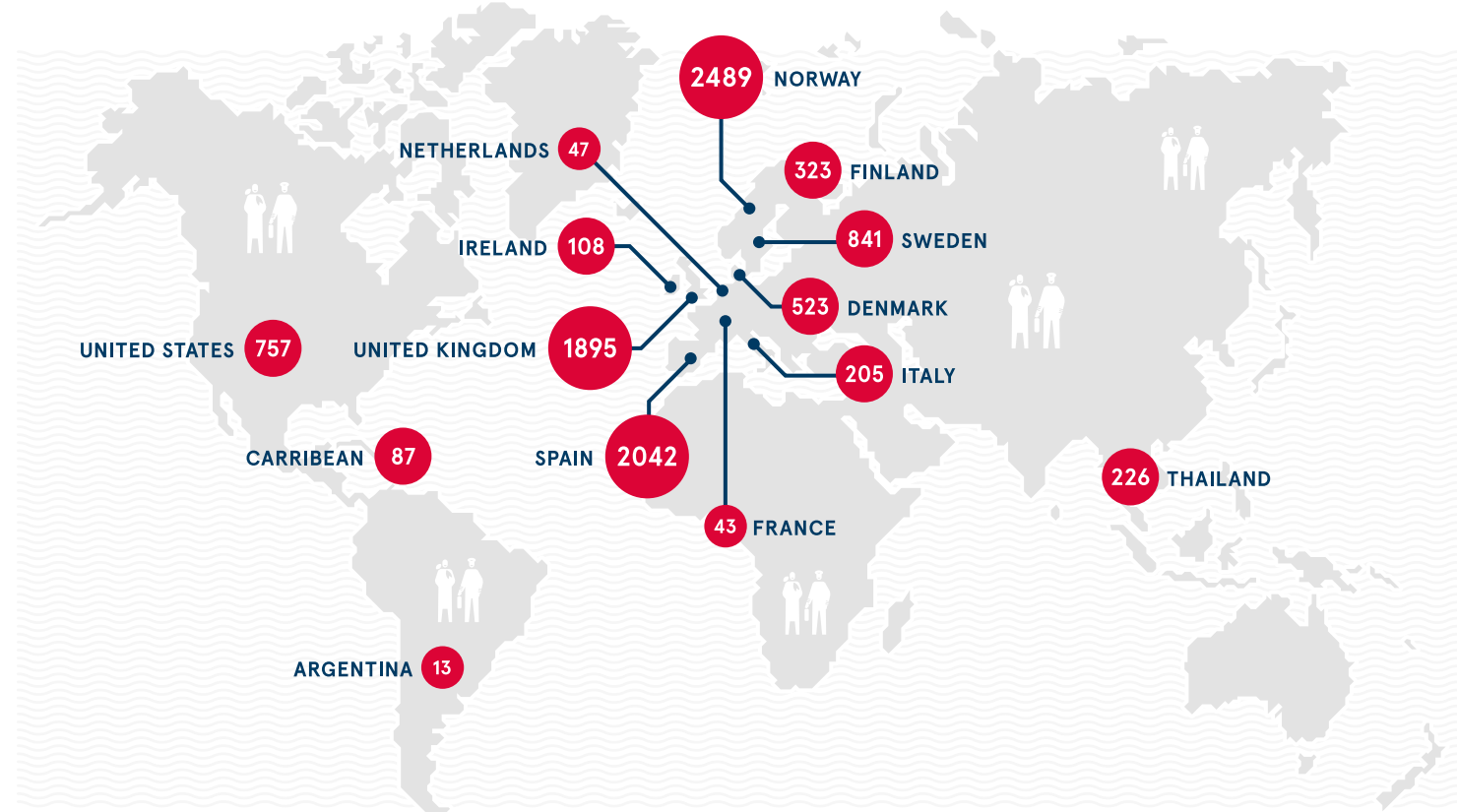
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**NUMBER OF EMPLOYEES**



**Staff and Organization**

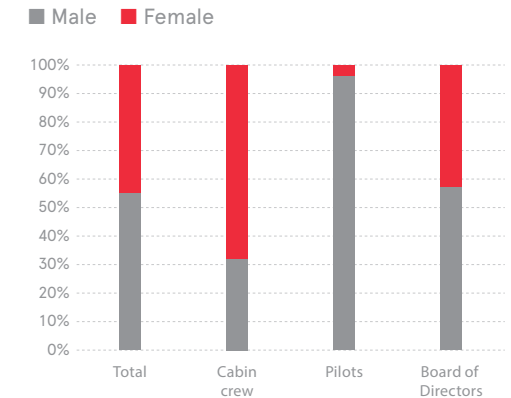
At the end of 2017, the Norwegian Group facilitated employment for a total 9 593 people, compared to 6 564 at the end of 2016, apprentices and staff employed in partner companies included. This was a planned increase, which has taken place in line with the 2017 expansion of the route network.

Norwegian's successful apprentice program in Travel & Tourism continued in

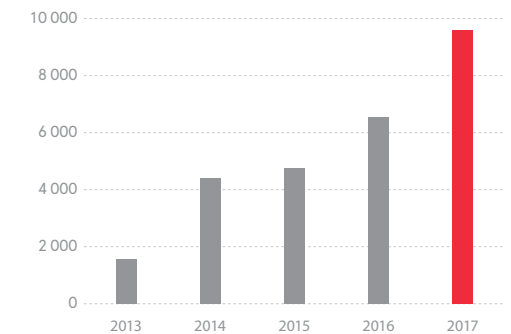
2017 with apprentices from both Norway and Sweden. The program is approved by the Norwegian Educational Authorities and comprised of approximately 100 apprentices at the end of 2017. The program runs over a two to three-year period dependent on the apprentice's educational background and has year-round rolling admission. A further intake is due in 2018, and the program is continuously developed. At

graduation, the apprentices had successfully completed modules in Sales & Marketing, Customer Support & Booking and Ground Handling. They also had two international assignments over a longer period and had spent several months flying as cabin crew members across Scandinavia and Europe. The standard of Norwegian apprentices is at the highest level with a perfect pass rate in 2017.

**GENDER DISTRIBUTION 2017**



**STAFF**



Norwegian's human resources policy strives to be equitable, neutral and non-discriminatory. The airline industry has historically been male-dominated, but Norwegian has a strong tradition of practicing equality since its inception in 2002. Norwegian has talented and highly competent staff and is committed to recruiting both women and men to key positions. In 2017, 45 (46) per cent of staff were female and 55



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*"The Group's global expansion will continue to increase local tourism, create jobs, drive economic growth and social progress"*



(54) per cent male. Most pilots are male and women represent around a 4 (4) per cent share of pilots. The majority of cabin personnel are female, while males account for approximately 32 (31) per cent. Among administrative staff, there is roughly an equal

ratio of male to female staff. Technicians and engineers have historically been men, but in the past few years, the number of female staff is rising. The Group's Board of Directors has more than 40 (40) per cent female representation.

Active monitoring of HSE (Health, Safety and Environment) indicators, corporate health insurance policies and continued cooperation with protective services will help ensure that a reduction of sickness leave remains a priority. A number of key HSE activities are conducted in compliance with labor laws and corporate guidelines. This includes risk assessments, audits, handling of occurrence reports, conflicts, work environment surveys and following up with Group processes on base meetings for crew and technical staff. Activities also include participation in ERM-organization, and regular meetings with Fatigue Risk Manager, Non-SAG and in several HSE-related projects. HSE information is also provided in connection with the training of crew, pilots, and technical staff. HSE provides leader training and seminars focusing on positive work engagement. The Group HSE function also ensures HSE supervision, leads the work on preventing addiction and abuse problems, Work Environment committees (WEC) and safety representative meetings. A well-functioning safety representative organization has been established and there is ongoing work to create WECs throughout the organization, as part of implementing HSE aligned with global requirements.

Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO, The Confederation of Norwegian Enterprise. Salary reviews are conducted through local union negotiations or according to local laws, regulations and CBA (collective bargaining agreements). The salary development reflects the social situation and market requirements and in 2017 was moderate according to the consumer

price index. People working at Norwegian are employed in the country they are based and follow the laws and regulations of their respective country. However, Norwegian's policies and guidelines are based upon a Scandinavian approach according to its legacy and organizational culture. Sickness leave for the Norwegian Group across all units (not including agency staff) was 5.8 per cent for 2017.

**AMBITIONS AND PLANS FOR 2018**

Norwegian will continue its commitment to operate in accordance with responsible, ethical, sustainable and sound business principles, with respect for people and the environment. The Group's global expansion will continue to increase local tourism, create jobs, drive economic growth and social progress, and it will continuously drive efforts that safeguard the sustainability and responsibility aspects of the growth. The continued partnership with UNICEF will contribute to helping more children in line with the UN's official Sustainability Goal #1: "End poverty in all its forms everywhere".

The environment will also be a priority in 2018. The fleet renewal program with the introduction of 11 787-9 Dreamliners, 12 737 MAX 8, 2 Boeing 737-800s will contribute to reduced emissions per passenger.

In addition, Norwegian will plant tens of thousands of trees that will contribute to the absorption of large amounts of CO<sub>2</sub>, through its Plant a Tree Program launched in 2017. This initiative and the UNICEF partnership encourages local staff engagement which is an overall key priority in 2018. Norwegian believes that encouraging its staff to support their local communities, creates a better quality work life.





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The Board of Directors

The Management Team

# ANNUAL CORPORATE GOVERNANCE STATEMENT

**Norwegian’s objective for corporate governance is based on accountability, transparency, fairness and simplicity with the ultimate goal of maximizing shareholder value while creating added value for all stakeholders. The principles are designed in compliance with laws, regulations and ethical standards. Norwegian’s core values are simplicity, directness and relevance, but no business conduct within the Group should under any circumstances jeopardize safety and quality.**

## 1. HOW WE UNDERSTAND THE CONCEPT

The description of the main features is generally structured like the Code of Practice. As recommended, more details are provided on the individual points. The topic of corporate governance is subject to annual evaluation and discussion by the Board. The annual evaluation was carried at the Board meeting on 21 March 2018. The Group's core values and corporate code of ethics are the fundamentals of Norwegian's corporate governance. Corporate governance deals with issues and principles associated with the distribution of roles between the governing bodies of a company, and the responsibilities and authorities assigned to each body. Good corporate governance is distinguished by responsible interaction between the owners, the Board and the Management in a long-term, productive and sustainable perspective. It calls for effective cooperation, which means a defined division of responsibilities and roles between the shareholders, the Board and the Management, and also respect for the Group's other stakeholders as well as open and honest communica-

tion with the communities in which the Group operates. In line with the Norwegian Code of Practice for Corporate Governance, a review of the major aspects of Norwegian Air Shuttle ASA's governance structure follows below.

## 2. BUSINESS

Norwegian's business is clearly defined in paragraph 3 of its articles of association: "The Group's objective is to be engaged in aviation, other transport and travel related business activities as well as activities connected therewith. The Group may also be engaged directly or indirectly in other forms of Internet-based provision of goods and services, including car rental, hotel booking, payment services, financial services and services related to credit cards. Participation in such activities as mentioned may take place through co-operation agreements, ownership interests or by any other means." The Group has clear goals and strategies for its business. These are presented in the Groups quality manual and are also made available to the public in the annual report and on the website [www.norwegian.com](http://www.norwegian.com).

## 3. EQUITY AND DIVIDENDS

The Group's equity at year-end 2017 was NOK 4 091 million equivalent to an equity ratio of 9 per cent. The Board deems this to be adequate considering the Group's strategy and risk profile.

### Dividend policy

Norwegian is a growth company with continuous investment plans. The Board of Directors recommends not to distribute dividends as it is considered to be in the best interest of the shareholders to retain funds for investments in expansion and for other investment opportunities as stated in the articles of association, thereby enhancing profitability and shareholder value. Dividends should under no circumstances be paid if equity is below what is considered to be an appropriate level. A financial covenant to the bond agreements entered into in, May 2015, December 2015, February 2017 and November 2017 restricts dividend payments, (except for the benefit of the employees and/or Management and/or Directors for any Group Company) until maturity of the last bond in November 2020. The Group shall maintain a book equity of minimum NOK 1 500 million and a minimum liquidity level of NOK 500 million.

### Board authorizations

The general meeting has granted the Board an authorization to increase the Company's share capital by 1.75 per cent of the existing share capital through issuance of new shares under the incentive schemes. The authorization granted to the Board is limited to a total of 625 000 shares and is

valid until next Annual General Meeting.

The general meeting has granted the Board an authorization to increase the Company's share capital by 8.25 per cent of existing share capital through issuance of new shares as consideration for the acquisition of businesses falling within the Company's business purposes, or for necessary strengthening of the Company's equity. The authorization granted to the Board is limited to a total of 2 950 963 shares and is valid until next Annual General Meeting.

The general meeting has granted the Board of Directors an authorization to acquire treasury shares for a period of 18 months reckoned from the date of the general meeting's resolution. The mandate may as an example, be used in connection with employee incentive schemes. The mandate granted to the Board is limited to a total of 3 575 963 shares.

## 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

### Class of shares

Norwegian Air Shuttle ASA has only one class of shares and all shares have equal rights in the Company. The articles of association impose no voting restrictions.

### Restrictions on shareholders that are not being domiciled within EEA

The Norwegian Civil Aviation Act ("Luftfartsloven") with accompanying regulations pertaining to adoption of the EC Regulation



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The Board of Directors

The Management Team



NO. 1008/2008 set forth a requirement that non-EEA nationals may not own more than 50 per cent of the shares in companies that are subject to said regulation. In the general meeting in May 2016, the Articles of association was amended in order to ensure that the Company in an efficient manner could intervene if it is a risk that the license(s) of the Company may be revoked.

#### Trading in treasury shares

Share buy-back transactions are generally carried out via stock exchanges. Buy-backs of treasury shares are carried out at mar-

ket prices. Employee share allocations are granted at a discount to market value. Norwegian did not purchase or sell any of its own shares in 2017.

#### Transactions with related parties

Material transactions between the Group and key stakeholders, in particular the shareholders, the members of the Board and the Executive Management, are subject to the approval of the Board of Directors. Such transactions are duly noted in the minutes from the Board meeting and are also explicitly stated in the notes to

the consolidated accounts. At present, the Chair of the Board is partner of the law firm Simonsen Vogt Wiig, which is the legal advisor to Norwegian Air Shuttle ASA. Norwegian has leased its head office from Fornebu Næringseiendom 1 AS, which is controlled by the Chair and the CEO. In cases where members of the Board of Directors or the Executive Management have other direct or indirect material interests in transactions entered into by the Group, this is stated in the notes to the consolidated accounts. Note 26 to the consolidated financial statements describes trans-

actions with close associates (related parties). Financial relationships related to the Directors and Executive personnel are described in note 7 and 15.

#### Guidelines for Directors and Executives

Norwegian's code of ethics includes guidelines for handling possible conflicts of interest. The code applies to all Board members and Norwegian staff. In addition, the Board has drawn up specific procedures for handling of conflicts of interest for Board members and members of the corporate Management Board.

#### 5. FREELY NEGOTIATED SHARES

There are no restrictions on trading of the Company's shares in the articles of association or elsewhere.

#### 6. GENERAL MEETINGS

The Board of Directors has ensured that the shareholders may exercise their rights at the general assembly, making the summons and related documentation available on the website.

#### Notification

At least three weeks written notice must be given to call the annual general meeting. The relevant documents, including the election committee's justified slate of nominees when new members are up for election or existing ones are up for re-election, are available at the Group's website at least 21 days prior to the date of the general meeting. The general meeting in May 2017 decided that "An extraordinary general meeting may be called with fourteen days' notice if the Board decides that the



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9. The work of the board of directors
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shareholders may attend the general meeting with the aid of electronic devices, cf. Section 5-8a of the public Limited Companies Act". The Board of Directors, election committee and the auditor are required to be present. The Management is represented by the Chief Executive Officer and the Chief Financial Officer and other key personnel on specific topics.

### Agenda and execution

The agenda is set by the Board, and the main items are specified in Article 7 of the Article of Association. According to the Company's Articles of Association the General Meeting shall be chaired by the Chair of the Board. The minutes of the general meeting are available on the Group's website.

### 7. ELECTION COMMITTEE

The election committee's task is to nominate candidates to the general meeting for the shareholder-elected Directors' seats. The articles of association state that the committee shall have four members, and the Chair of the committee is the Chair of the Board. The remaining three members are elected by the general meeting every second year. The next election is due in 2018. The guidelines for the election committee are included in the Company's articles of association and were last approved by the general meeting in May 2011. To ensure that nominees meet the requirements for expertise, capacity and diversity set forth by the Board members, the Chair of the Board is a permanent member of the committee. As described in the guidelines, the election committee should have contact with shareholders, the Board of Directors and

the Company's Executive personnel as part of its work on proposing candidates for election to the Board.

### Composition

The election committee currently consists of the Chair of the Board, one employee and two external members representing major shareholders in the Company. The current composition of the committee consists of;

- **Alexander Stensrud**, portfolio manager Skagen Fondene.
- **Mr Jørgen Stenshagen**, CEO Stenshagen Invest AS.
- **Sven Fermann Hermansen**, pilot and shareholder in the Company.

None of the members of the election committee represent Norwegian's Management. The majority of the members are considered as independent of the Management and the Board. The composition of the election committee is regarded as reflecting the common interests of the community of shareholders.

### 8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Norwegian Air Shuttle ASA has, in agreement with the employee unions and as warranted by Norwegian law, no corporate assembly. Instead, the Company has three Directors elected by the employees on the Board of Directors. According to the articles of association, the Board must consist of between six and eight members. At year end there were seven members.

### Election of the Board of Directors

The shareholder-elected members of the Board of Directors have been nominated by the election committee to ensure that the Board of Directors possesses the necessary expertise, capacity and diversity. The Board members have competencies in and experiences from the transport sector and other competitive consumer sectors, relevant network connections and experiences from businesses, finance, capital markets and marketing. The Chair and deputy Chair are elected by the Board. The Board members are elected for a period of two years.

### The Board's independence

The majority of the shareholder elected members of the Board are considered to be autonomous and independent of the Company's Executive personnel and material business contacts. At least two of the members of the Board, who are elected by shareholders, are considered autonomous and independent of the Company's main shareholder(s). Among the shareholder-elected Directors, there are two men and two women. Detailed information on the individual director can be found on the website at [www.norwegian.com](http://www.norwegian.com). The CEO is not a member of the Board of Directors.

### 9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors' work is in accordance with the rules of Norwegian law. The Board has an annual plan for its work, which particularly emphasizes objectives, strategies and implementations. The Board holds annual strategy seminars, in which objectives, strategies and implementations are being addressed.

### Instructions for the Board of Directors

The Board of Directors issues instructions for its own work. If the Chair of the Board of Directors is or has been actively engaged in a given case, another Board member will normally lead discussions concerning that particular case.

### Instructions for the CEO

There is a clear division of responsibilities between the Board and the Executive Management. The Chair is responsible for ensuring that the Board's work is conducted in an efficient, correct manner and in accordance with the Board's terms of reference. The CEO is responsible for the Group's operational Management. The Board has drawn up special instructions for the CEO.

### The Board's Audit Committee

The audit committee was established by the general meeting in 2010. To ensure that nominees meet the requirements of expertise, capacity and diversity set forth by the Board members, the Board of Directors acts as the Company's audit committee. The Board of Directors conducts an annual self-assessment of its work competence and cooperation with the Management and a separate assessment of the Chair.

### 10. RISK MANAGEMENT AND INTERNAL CONTROL

The Management issues monthly performance reports to the Board of Directors for review. Quarterly financial reports are prepared and made available to the capital market in accordance with the reporting requirements applicable to listed companies on Oslo Børs. The quarterly financial



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reports are reviewed by the audit committee prior to Board approval and disclosure. Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at Board meetings. The auditor meets with the entire Board in connection with the presentation of the interim annual financial statements, and when otherwise required. Policies and procedures have been established to manage risks. The Group's Board of Directors reviews and evaluates the overall risk Management systems and environment in the Group on a regular basis. The Board ensures sound internal controls and systems for risk Management through, for example, annual Board reviews of the most important risk factors and internal controls. Risk assessment and the status of the Group's compliance and corporate social responsibility are reported to the Board annually. The Group's financial position and risks are thoroughly described in the Board of Directors' Report.

### 11. REMUNERATION OF THE BOARD OF DIRECTORS

Based on the consent of the general meeting, it is assumed that the remuneration of Board members reflects the respective members' responsibilities, expertise, time commitments and the complexities of the Group's activities. In cases where Board members take on specific assignments for the Group, which are not taken on as part of their office, the other Board members must be notified immediately and if the transaction is of a substantial nature this will be explicitly stated in the notes to the consolidated accounts. Details of the remuneration of individual Board members are available in the notes to the consolidated accounts.

### 12. REMUNERATION OF EXECUTIVE PERSONNEL

The Board's statement on Management compensation policy is prepared in accordance with the public limited companies act 6-16a and includes the Company's share option program, if any. The statement is presented at the Annual General Meeting. The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determines the remuneration of the CEO, and the guidelines for remuneration of the Executive Management. The remuneration of the Board and the Executive Management must not have negative effects on the Group, nor damage the reputation and standing of the Group in the public eye. The Executive Management has not been given any specific rights in case of terminated employment. Details of the remuneration of individual members of the Executive Management are available in the notes to the consolidated accounts.

### 13. INFORMATION AND COMMUNICATIONS

Norwegian has established guidelines for the Company's reporting of financial and other information based on transparency and with regard to the requirement of equal treatment of all parties in the securities market. The Board of Directors annually reviews these guidelines. A financial calendar is prepared and published on the Group's website and is also distributed in accordance with the rules of the

Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange. Information distributed to the shareholders is also published on the Group's website. The Group holds regular investor meetings and public interim results presentations, and has an investor relations department. Norwegian has separate instructions for investor relations regarding communication with investors and how insider information shall be treated. The Board of Directors has prepared guidelines for the Group's contact with shareholders outside the general meeting. The Board considers that these measures enable and ensure continuous informative interactions between the Company and the shareholders.

### 14. TAKEOVERS

There are no limitations with respect to the purchases of shares in the Company. In the event of a take-over bid the Board of Directors will act in the best interest of the shareholders and in compliance with all the rules and regulations applicable for such an event. In the case of a take-over bid, the Board will refrain from taking any obstructive action unless agreed upon by the general meeting. The Company's bond issue has a change of control clause that allows bondholders to call for redemption of the bonds at 101 per cent of par in the event of a change of control.

### 15. AUDITOR

The auditor annually presents the main features of the audit plan for the Group to the audit committee. The auditor participates in the meetings of the Board of Di-

rectors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the Group's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been a disagreement between the auditor and the Executive Management of the Company. The auditor presents a review of the Group's internal control procedures at least once a year to the audit committee, including identified weaknesses and proposals for improvements. The auditor participates in meetings with the audit committee and present the report from the auditor that addresses the Group's accounting policy, risk areas and internal control routines. The CEO and the CFO are present at all meetings with the Board of Directors and the auditor, except for one meeting a year, in which only the auditor, the Board and the audit committee are present. The Management and the Board of Directors evaluate the use of the auditor for services other than auditing. The Board receives annual confirmation that the auditor continues to meet the requirement of independence. The Board of Directors reports the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific services.



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# THE BOARD OF DIRECTORS



**Bjørn H Kise**  
*Chair*

Mr Bjørn H. Kise (born 1950) has more than 25 years of legal expertise with the law firm, Simonsen Vogt Wiig AS, where he is also a partner. He holds a Law Degree from the University of Oslo and was admitted to the Supreme Court in 1997. Mr Kise is one of the founding partners of Norwegian Air Shuttle and has been a Board member since 1993. He was Chair of the Board from 1996-2002. Mr Kise also holds a number of Board appointments at large and medium-sized companies in Norway and abroad. As of 31 December 2017, Mr Kise held 789 998 shares in the Company and had no stock options. He is a Norwegian citizen. Mr Kise has been elected for the 2016-2018 period, and represents Norwegian's principal shareholder HBK Holding AS.



**Liv Berstad**  
*Deputy Chair*

Chair Ms Liv Berstad (born 1961) is the Managing Director for the clothing company KappAhl in Norway. Ms Berstad has extensive retail experience in the Nordic region, mainly in construction material, fashion and cosmetics. She joined KappAhl as their financing manager in 1990, and in 1996, Ms Berstad assumed the Managing Director position. She is a business economist from the BI Norwegian School of Management and has been a Board member since 2005. Ms Berstad has extensive experience from Board positions at companies in Norway and Scandinavia. As of 31 December 2017, Ms Berstad did not hold any shares or stock options in the Company. She is a Norwegian citizen. Ms Berstad was elected for the 2017-2019 period and is an independent Board member.



**Ada Kjeseth**  
*Director*

Ms Ada Kjeseth (born 1949) is the Executive Chair of Tekas AS, a family investment company, and has held various leading roles as Managing Director, CEO and CFO in companies such as Visma Services ASA, Visma Services Norway AS, ØkonomiPartner AS. Ms Kjeseth was educated at The Norwegian School of Economics. She has extensive experience from several Boards. She is Chair of the Board of Tekas AS and member of the Board of Bertel O. Steen Holding AS and Parkveien 27-31 ANS. As of 31 December 2017, Ms Kjeseth did not hold any shares or stock options in the Company. She is a Norwegian citizen. Ms Kjeseth has been elected for the 2017-2019 period and is an independent Board member.



**Christian Fredrik Stray**  
*Director*

Mr Christian Fredrik Stray (born 1978) is CEO of Hy5Pro AS (Hy5) and has held this position since 2015, with several years of experience from the global medical device company Biomet. From 2008-2011 he was CEO of Biomet Norge, and from 2011-2014 he was CEO of Biomet Nordic. Mr Stray holds a Bachelor of Science degree in Biomedical Engineering and an executive MBA from ESCP-EAP (Paris) in addition to the BI Norwegian Business School. Mr Stray holds several Board appointments at companies in Norway and Scandinavia, primarily within the medical and digital industry. As of 31 December 2017, Mr Stray held 200 shares in the Company, but did not have any stock options. He is a Norwegian citizen. Mr Stray was elected for the 2017-2019 period and is an independent Board member.



**Geir Olav Øien**  
*Director*  
*(elected by the employees)*

Mr Geir Olav Øien (born 1972) joined Norwegian's Technical Department in 1998. He has worked in the aviation industry since 1991 and has extensive experience within technical operations. Mr Øien has previously worked for SAS Heavy Maintenance Oslo and as a civil employee for the Norwegian Air Force in Bodø and Kjeller. From 2014-2015, he was the leader of Norwegian's Technical Union and has been a Director since 2016. As of 31 December 2017, Mr Øien did not hold any shares or stock options in the Company. He is a Norwegian citizen. Mr Øien was elected for the 2016-2018 period and is an independent Board member.



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**Linda Olsen**

*Director  
(elected by the employees)*

Ms Linda Olsen (born 1985) joined Norwegian in February 2006 and is currently working as a Manager in Customer Relations. Ms Olsen is a Legal Office Assistant and has studied tourism management in Australia. She has been a Director since 2009. As of 31 December 2017, Ms Olsen did not hold any shares or stock options in the Company. She is a Norwegian citizen. Ms Olsen was elected for the 2016-2018 period and is an independent Board member.



**Marcus Hall**

*Director  
(elected by the employees)*

Mr Marcus Hall (born 1970) is a Cabin Check Supervisor for Norwegian's cabin crew. He started in the airline industry in the late 1990s and has been with Norwegian since 2004. He has extensive aviation experience in both continental and intercontinental operations. Mr Hall started his career in the hospitality business in the 1980s where he gained substantial national and international experience from various high-end fields. Mr Hall was a Board member of the Cabin Union from 2010-2014. He is educated within HRM, Coaching, Project Management, Change Management and Influencing from Buskerud and Vestfold University College. Mr Hall has been a Director since 2016. As of 31 December 2017, Mr Hall did not hold any shares or stock options in the Company. He is a Swedish citizen. Mr Hall was elected for the 2016-2018 period and is an independent Board member.





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# THE MANAGEMENT TEAM



**The Executive Management team of the Group consists of representatives from the Company's Scandinavian and international operations.**

**Bjørn Kjos**

*Chief Executive Officer*

Mr Bjørn Kjos (born 1946) has been Norwegian's Chief Executive Officer since October 2002. He is one of the founding partners of Norwegian Air Shuttle and was the Chair of the Board between 1993 and 1996. Mr Kjos was also Chair during the start-up period of the Boeing 737 operation from June-September 2002. Mr Kjos, a law graduate of the University of Oslo, was granted the right of audience in the Supreme Court in 1993. He was also a fighter pilot in the 334 squadron for six years. As of 31 December 2017, he held 8 118 919 shares in the Company and had 100 000 stock-options. Mr Kjos is a Norwegian citizen.

**Tore Østby**

*Acting Chief Financial Officer*

Tore Østby (born 1965) joined Norwegian as Vice President Investor Relations in 2014 and was appointed interim CFO in July 2017. Mr. Østby has worked 15 years in the financial sector in various investment banks. He has also held positions in several units in the Orkla Group (1991-1997), including corporate development/M&A and as Finance Manager. He holds an economics degree from BI Norwegian Business School and an authorized financial analyst (AFA) from the Norwegian School of Economics and Business Administration (NHH). As of 31 December 2017, he held 13 168 shares in the Company and had 15 000 stock-options. Mr Østby is a Norwegian citizen.

**Asgeir Nyseth**

*Chief Operating Officer*

Mr Asgeir Nyseth (born 1957) was appointed Chief Operating Officer for Norwegian Group in 2016. He started as Norwegian's Chief Operational Officer in 2006 and CEO of Norwegian's long-haul operation in 2013. Mr Nyseth has extensive experience as an aeronautical engineer from Lufttransport and Scandinavian Airlines. He was the technical director of Lufttransport for three years and became the CEO of Lufttransport in 2000. Mr Nyseth completed officer training school and technical education at the Norwegian Air Force. As of 31 December 2017, he held 12 342 shares in the Company and had 100 000 stock-options. Mr Nyseth is a Norwegian citizen.

**Anne-Sissel Skånvik**

*Chief Communications Officer*

Ms Anne-Sissel Skånvik (born 1959) has more than 30 years' experience working in corporate communications and journalism. Ms Skånvik was the Deputy Director General in The Ministry of Finance between 1996 and 2004. She has several years' experience working in Statistics Norway (SSB) and as a journalist for various news outlets. She joined Norwegian in 2009 from Telenor ASA where she was responsible for corporate communications and governmental relations as Senior Vice President. She has a Master's Degree in Political Science ("Cand. Polit") from the University of Oslo and a degree in journalism. As of 31 December 2017, she did not hold any shares in the Company, but had 50 000 stock-options. Ms Skånvik is a Norwegian citizen.

**Thomas Ramdahl**

*Chief Commercial Officer*

Mr Thomas Ramdahl (born 1971) was appointed Norwegian's Chief Commercial Officer in 2014. Prior to that, he was Norwegian's Director of Network Development and a member of the Company's commercial management team since 2008. He has extensive experience in the aviation industry and has previously worked for SAS and Braathens where he held positions in Revenue Management, Route Management and Charter. Mr Ramdahl has a Bachelor's Degree from the BI Norwegian Business School. As of 31 December 2017, he did not hold any shares in the Company, but he had 25 000 stock-options. Mr Ramdahl is a Norwegian citizen.



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**Helga Bollmann Leknes**  
*Chief Human Resources Officer*

Ms. Helga Bollmann Leknes (born 1972) was appointed Chief Human Resources Officer (CHRO) at Norwegian in October 2017. Ms. Bollmann Leknes held the global position of Executive Vice President HR & Communications at Kongsberg Automotive ASA, where she was part of the Executive Management Team. She worked as Senior Vice President HR/Head of Staff Functions at Frontica Business Solutions and held leading positions within HR in Aker Solutions. Ms. Bollmann Leknes also has aviation experience from working at SAS, where she was HR Director for Norway. She has a Bachelor of Management from Norwegian Business School (BI) and a Master of Management from Norwegian University of Science and Technology (NTNU). As of 31 December 2017, she held 5 shares in the Company and had 35 000 stock-options. Ms Leknes is a Norwegian citizen.



**Frode Berg**  
*Chief Legal Officer*

Mr Frode Berg (born 1968) has been Norwegian's Chief Legal Officer since February 2013. A law practitioner since 1997, he was as a partner at the law firm Simonsen Vogt Wiig from 2007. As a lawyer, Mr Berg's specialized in corporate law, transactions and international contracts. He was legal advisor to Norwegian during the start-up phase as well as during the establishment of Bank Norwegian. Mr Berg holds a Law Degree and a Bachelor's Degree in Economics from the University of Tromsø, Norway, and a Master's Degree (LL.M) from the University of Cambridge, England. As of 31 December 2017, he did not hold any shares in the Company, but he had 25 000 stock-options. Mr Berg is a Norwegian citizen.



**Kurt Simonsen**  
*Chief Information Officer*

Mr Kurt Simonsen (born 1958) joined Norwegian as Chief Information Officer (CIO) in January 2018. Mr. Simonsen has a vast background in the IT industry and has held various positions at Hewlett-Packard Norge AS, has served as Vice President of Telenor FOU and Vice President of Telenor 4Tel (later acquired by Evry). For the past 17 years, he has been a partner and co-owner of the consulting company Infocom Group AS. During his time at Infocom, Mr. Simonsen has implemented some of the largest IT Sourcing and restructuring projects in Norway. Mr. Simonsen is a graduate engineer in electronics. As of 31 December 2017, he did not hold any shares in the Company, and had no stock-options. Mr Simonsen is a Norwegian citizen.



**Tore Jenssen**  
*Chief Executive Officer Norwegian Air International Ltd.*

Mr Tore Jenssen (born 1978) is the Chief Executive Officer of Norwegian Air International and Chief Executive Officer of the wholly-owned asset company, Arctic Aviation Assets (AAA). He was initially hired in 2007 as Norwegian's cost controller in the technical department. Since 2010, Mr Jenssen worked as an asset manager, and in 2013 he moved to Ireland when he was appointed CEO for AAA. Before starting his career at Norwegian, he worked for Grilstad. Mr Jenssen has a Business Degree from Bodø Graduate School of Business. As of 31 December 2017, he did not hold any shares in the Company, but had 25 000 stock-options. Mr Jenssen is a Norwegian citizen.



**Edward Thorstad**  
*Chief Customer Officer*

Mr Edward Thorstad (born 1969) is Norwegian's Chief Customer Officer and has been part of the commercial management team and responsible for Norwegian's customer service department since 2005. Mr Thorstad has worked in aviation since 1996, and he previously worked for Delta Air Lines where he helped to build their European contact center in London. He has a Bachelor's Degree from University College London. As of 31 December 2017, he held 2 558 shares in the Company and had 20 000 stock-options. Mr Thorstad is a British citizen.



**Ole Christian Melhus**  
*Chief Executive Officer Norwegian Air Argentina*

Mr Ole Christian Melhus (born 1971) joined Norwegian in 2003 as a captain and has been part of the Company's operational management team since 2004. He was appointed Deputy Director of Flight Operations in 2006 and has held the position for the last 10 years. Actively participating in the growth of the Company, Mr Melhus has extensive experience in international aviation from management positions within administration, project management, IT, safety, quality and training. In January 2017, Mr Melhus was appointed Director of Norwegian Air Argentina for the Norwegian Group, responsible for establishing operations in the South American region. As of 31 December 2017, he held 406 shares in the Company and had 15 000 stock-options. Mr Melhus is a Norwegian citizen.





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**Bjørn Erik Barman-Jenssen**  
*Managing Director Norwegian Air Resources*

Mr Bjørn Erik Barman-Jenssen (born 1963) was appointed as the Managing Director of Norwegian Air Resources (NAR) in September 2016. A member of the Company's operational management team since 2007, he was previously Norwegian's Director of Ground Operations and In-Flight Services. In 2013, Mr Barman-Jenssen founded Norwegian Cargo, and is currently the Managing Director. Additionally, Mr Barman-Jenssen has almost 30 years of operational and commercial positions from roles held at Braathens and SAS. As of 31 December 2017, he does not hold any shares in the Company, but had 15 000 stock-options. Mr Barman-Jenssen is a Norwegian citizen.



**Lennart Ceder**  
*Chief Operating Officer Norwegian Air UK Ltd.*

Mr Lennart Ceder (born 1955) is currently the Chief Operating Officer for Norwegian Air UK, a position he has held since 2016. He joined the Company in 2006 as a Base Maintenance Manager with a wealth of experience from airlines in Sweden. Over the next 10 years, Mr Ceder gained extensive experience within the Norwegian Group as Technical Director for Norwegian's long-haul operation, Norwegian Air UK and Norwegian Air International. Additionally, he is well versed in establishing and managing Air Operator Certificates in Norway, UK, Ireland and Sweden. Mr Ceder studied Aircraft technical education at the Mälardalen University Sweden. As of 31 December 2017, he held 50 shares in the Company, but no stock-options. Mr Ceder is a Swedish citizen.



**Brede Huser**  
*Managing Director of Norwegian Reward*

Mr. Brede G. Huser (born 1971) was appointed Managing Director of Norwegian Reward, the Norwegian Group's loyalty program, in January 2015. He joined Norwegian in its start-up year in 2002, first as a consultant and then as an employee from 2006. Mr Huser was part of the Company's financial management team from 2006 until 2015. Prior to Norwegian, Brede had 10 years' experience from finance and management consulting with Orkla, Arthur Andersen and Ernst & Young. Mr Huser holds a Master of Science Degree in Financial Economics from Norwegian School of Business (BI). As of 31 December 2017, he held 672 shares in the Company, and had 15 000 stock-options. Mr Huser is a Norwegian citizen.



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## Norwegian Air Shuttle ASA

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