

NORWEGIAN AIR SHUTTLE ASA

# ANNUAL REPORT 2015

**norwegian** 



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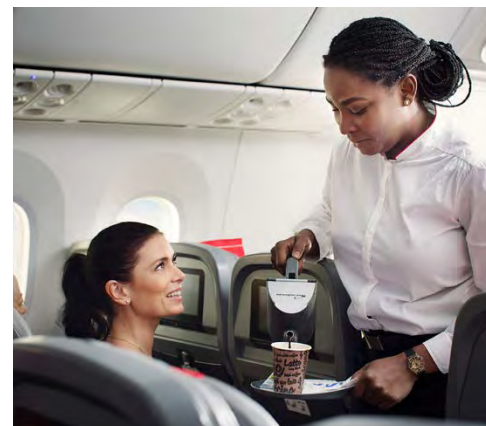


## FINANCIAL CALENDAR

# 2016

Interim report 1Q 2016:	April 21
General shareholder meeting:	May 10
Interim report 2Q 2016:	July 14
Interim report 3Q 2016:	October 20

Norwegian Air Shuttle reserves the right to revise the dates.



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## HIGHLIGHTS

[Highlights 2015](#)[Key figures – financials](#)[Key figures – operation](#)

# HIGHLIGHTS 2015

- ➔ Awarded the title “World’s Best Low-Cost Long Haul Airline” and the “Best Low-Cost Airline in Europe” for the third year in a row, also by SkyTrax
- ➔ Launched winter routes in domestic Spain and to the Caribbean
- ➔ Eleven new aircraft delivered during 2015
- ➔ New order of 19 additional Dreamliners
- ➔ Leasing agreement with HK Express for 12 A320 Neo aircraft
- ➔ New unsecured bond issues
- ➔ Norwegian and OSM Aviation join forces to increase global presence

For detailed information, see Board of Directors' report on [page 10](#).



## Q1

New routes	5	
Passengers (million)	4.9	+2%
Aircraft utilization (BLH)	10.6	-0.3
New aircraft (737 and 787)	2	
Average spot fuel price	USD 591	+40%
USD/NOK	7.75	+27%

## Q2

New routes	12	
Passengers (million)	7.0	+9%
Aircraft utilization (BLH)	11.9	+0.1
New aircraft (737 and 787)	2	
Average spot fuel price	USD 589	-39%
USD/NOK	7.75	+29%

## Q3

New routes	-	
Passengers (million)	7.7	+9%
Aircraft utilization (BLH)	12.4	+0.1
New aircraft (737 and 787)	5	
Average spot fuel price	USD 540	-44%
USD/NOK	8.22	+32%

## Q4

New routes	20	
Passengers (million)	6.1	+9%
Aircraft utilization (BLH)	11.3	+0.2
New aircraft (737 and 787)	1	
Average spot fuel price	USD 469	-44%
USD/NOK	8.53	+24%



## HIGHLIGHTS

Highlights 2015

Key figures – financials

Key figures – operation

## KEY FIGURES – FINANCIALS

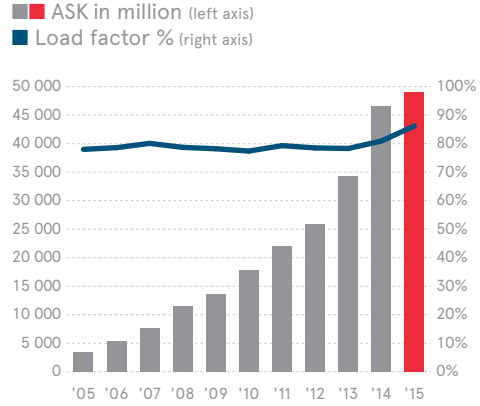
<i>(Amounts in NOK million)</i>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenue (MNOK)	22 491	19 540	15 580	12 859	10 532	8 598	7 309	6 226	4 226	2 941	1 972
EBITDAR (MNOK)	3 694	1 184	2 784	1 822	1 540	1 175	1 341	200	504	201	185
EBITDA (MNOK)	1 481	(662)	1 500	789	710	397	721	(208)	208	21	59
EBIT/operating result (MNOK)	348	(1 411)	970	404	416	210	572	(338)	134	(31)	29
EBT (MNOK)	75	(1 627)	438	623	167	243	623	5	113	(32)	39
Net profit/loss (-)	246	(1 070)	319	457	122	189	446	4	85	(22)	28
Basic earnings per share (NOK)	6.99	(30.42)	9.15	13.08	3.53	4.97	13.01	0.15	3.77	(1.14)	1.53
Diluted earnings per share (NOK)	6.92	(29.89)	9.02	12.99	3.47	4.87	12.89	0.15	3.77	(1.14)	1.53
Equity ratio	9%	9%	19%	20%	22%	27%	32%	28%	22%	25%	21%
Cash and cash equivalents (MNOK)	2 454	2 011	2 166	1 731	1 105	1 178	1 408	608	501	232	261
Unit cost (CASK)	0.42	0.42	0.42	0.45	0.46	0.46	0.49	0.56	0.53	0.54	0.55
Unit cost (CASK) excluding fuel	0.31	0.29	0.29	0.31	0.32	0.34	0.38	0.37	0.40	0.41	0.44
ASK (million)	49 028	46 479	34 318	25 920	21 958	17 804	13 555	11 530	7 561	5 371	3 464
RPK (million)	42 284	37 615	26 881	20 353	17 421	13 774	10 602	9 074	6 059	4 223	2 703
Load factor	86.2%	80.9%	78.3%	78.5%	79.3%	77.4%	78.2%	78.7%	80.1%	79.0%	78.0%
Passengers (million)	25.8	24.0	20.7	17.7	15.7	13.0	10.8	9.1	6.9	5.1	3.3
Internet sales	77%	82%	80%	78%	82%	87%	88%	87%	86%	84%	75%
Number of routes (operated during the year)	447	402	391	308	271	249	206	170	114	86	50
Number of destinations (at year end)	138	130	125	121	114	97	93	87	70	57	36
Number of aircraft (at year end)	99	95	85	68	62	57	46	40	32	22	13

**HIGHLIGHTS**

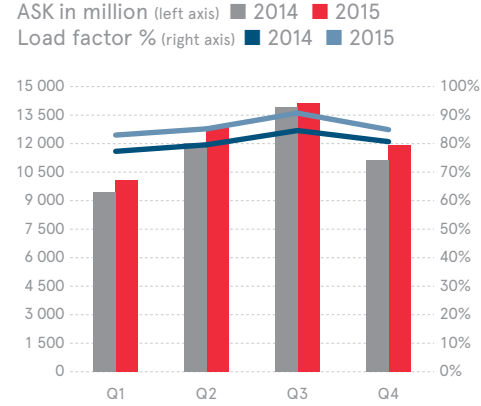
- Highlights 2015
- Key figures – financials
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# KEY FIGURES – OPERATION

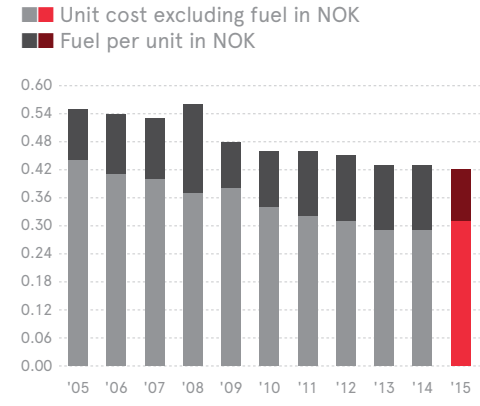
## ASK



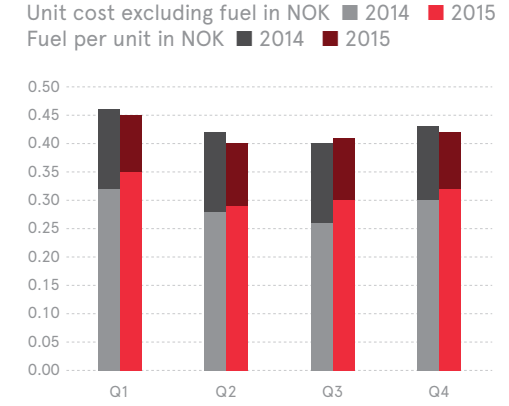
## ASK PER QUARTER



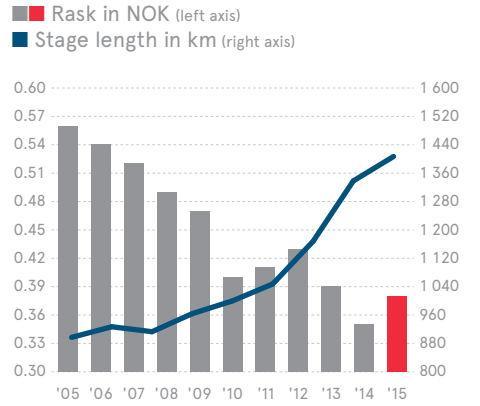
## UNIT COSTS



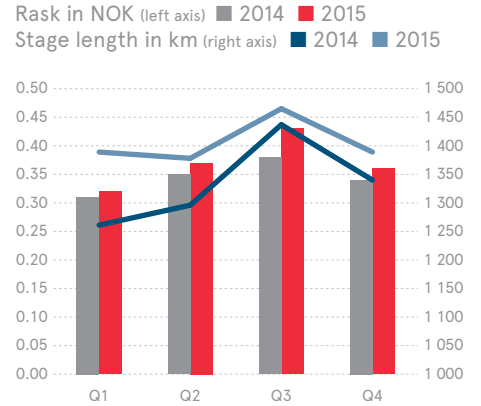
## UNIT COSTS PER QUARTER



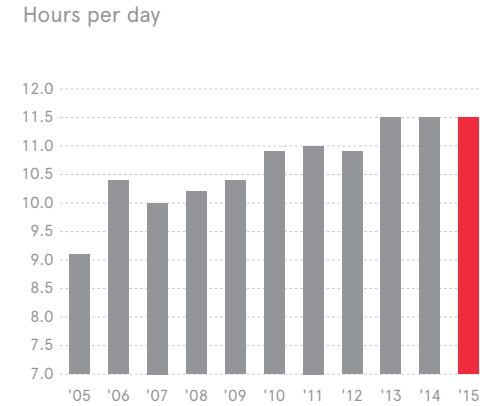
## RASK



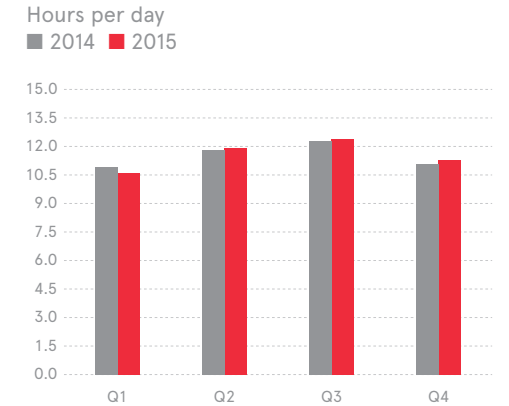
## RASK PER QUARTER



## BLOCK HOURS



## BLOCK HOURS PER QUARTER



## DEAR SHAREHOLDERS

2015 was yet another year of international growth for Norwegian with new aircraft entering service, new route launches, a record-high number of passengers choosing to fly with us and hundreds of new colleagues joining the Norwegian family. It was also a year of strong passenger recognition, as Norwegian received seven awards including the renowned Skytrax for "Best Low-Cost Airline Europe" for the third consecutive year as well as the "Best Low-Cost Long haul Airline". This would not have been possible without our loyal passengers and our hard-working colleagues in the air and on the ground. Our strong commitment to reducing emissions was recognized in 2015 by the International Council of Clean Transportation voting us to the most environmentally friendly transatlantic airline.

Strong demand for our domestic routes in the Nordics and new Europeans routes drove passenger traffic in 2015, while our intercontinental operation reached critical mass and contributed to Group profit. Our results for 2015 were influenced by lower fuel price offset by a weaker Norwegian currency and impact of hedging.

Our operational fleet increased to 99 aircraft at year end – whereof eight 787-8 Dreamliners and 91 Boeing 737-800s. We launched 37 new routes, including domestic service in Spain and seasonal service between the French Caribbean islands of Martinique and Guadeloupe to Boston, New York and Baltimore/Washington. We signed a new agreement to acquire 19 Boeing 787-9s, expanding our fleet of Dreamliners to 38 by 2020.

Norwegian offers 447 routes to 138 destinations. In 2015 our capacity (ASK) increased by a moderate five per cent compared to 2014 while revenue grew by 15 per cent. The revenue growth was driven by a solid load factor improvement to 86

per cent (+ five p.p.), higher ancillary revenue and strong demand for flights between Europe and the U.S and Scandinavia and Thailand. Our strongest growth occurred on long haul operations between Europe and the U.S. By year-end, Norwegian operated flights between Scandinavia/UK and New York, Fort Lauderdale, Orlando, Los Angeles, San Francisco, Las Vegas, Puerto Rico (Caribbean) and Bangkok. In the continental European market, growth was primarily a result of increased operations from UK and Spain.

### CONTINUED GLOBAL GROWTH AHEAD

Continuous fleet renewal has become an integral part of our business. In 2012, Norwegian placed the largest aircraft order in European aviation history, comprising 222 short haul aircraft and 150 purchase rights. Since then Norwegian has ordered a total 38 Boeing 787 Dreamliners of which 30 787-9s, the longer and bigger version of the 787. By year-end 2015, the Group had a total

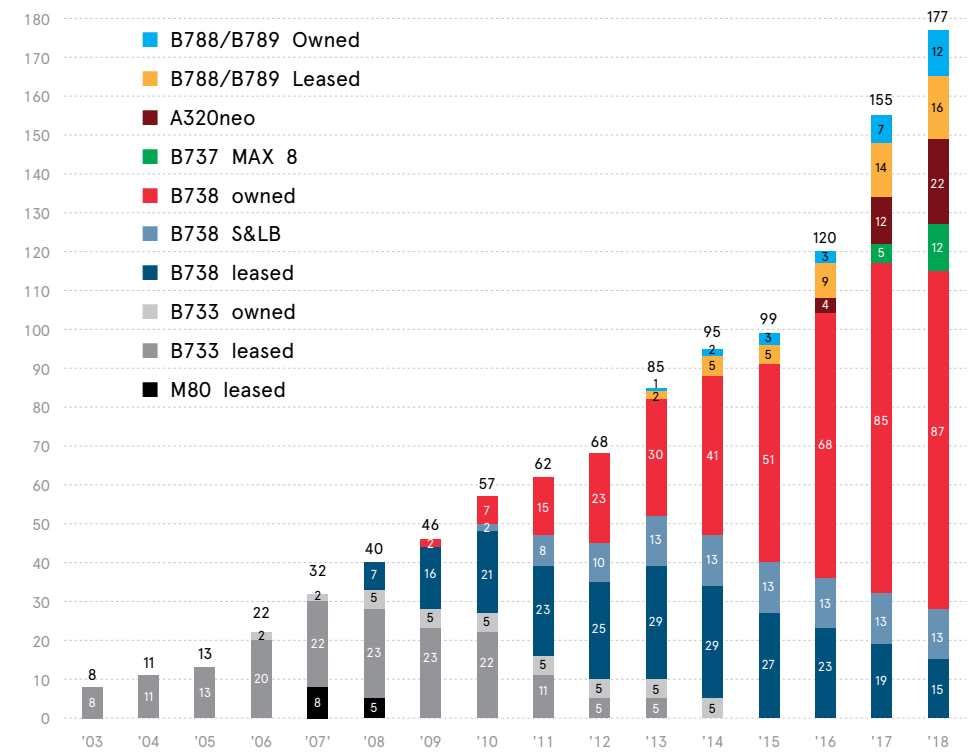


*"Looking into 2016, we expect continued growth, several new route launches and the delivery of more than 20 brand new aircraft"*

**LETTER FROM CEO**

**CURRENT COMMITTED FLEET PLAN**

Number of planes at year-end

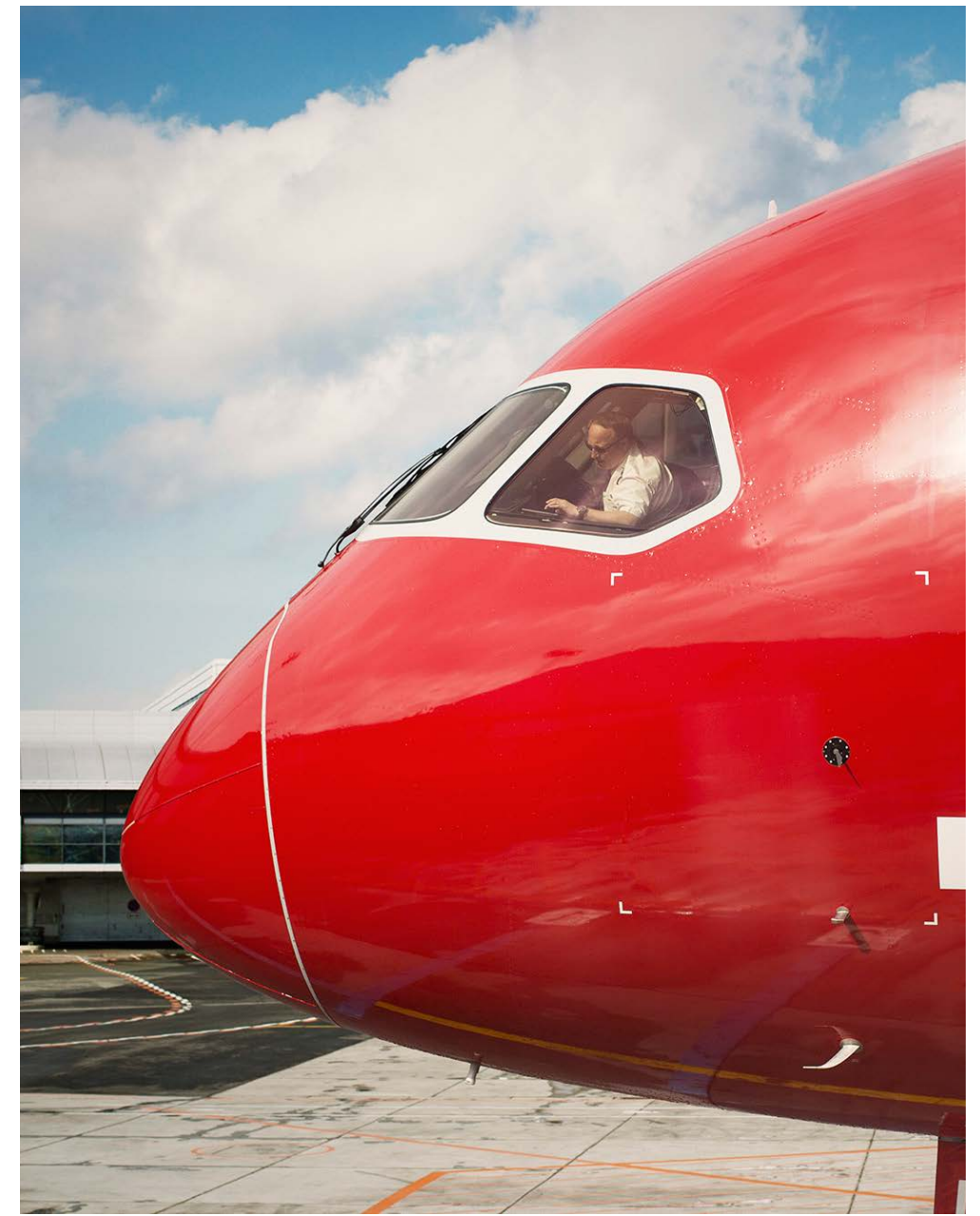


of 266 undelivered aircraft on firm order: 36 Boeing 737-800s, 100 Boeing 737 MAX8s, 100 Airbus A320neos and 30 Boeing 787-9 Dreamliners (included eleven to be leased).

The performance of our 787-8 Dreamliners has improved considerably since the aircraft first entered service. The aircraft are now performing on par with the 737, confirming Norwegian's confidence in the Dreamliner as a true game changer. Passenger comfort is unparalleled, with low noise levels, high humidity and ambient

mood lighting, which reduces jet lag. Fuel consumption is even lower than expected, making fuel savings per seat higher than twenty per cent compared to the most modern similar-sized aircraft types. In 2016, we will take delivery of four 787-9 Dreamliners to a total of twelve Dreamliners.

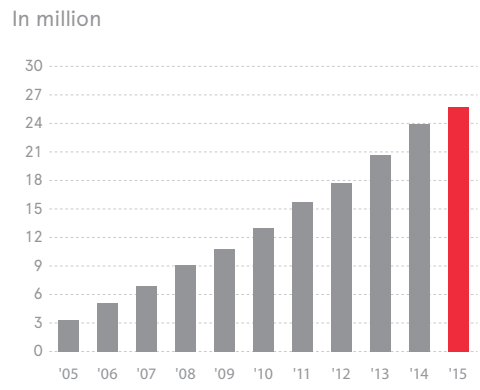
Following the slower growth in 2015, capacity growth will be significantly higher in 2016. We are about to launch several new routes and bases. We have already announced the opening of a new base in





**LETTER FROM CEO**

**PASSENGERS**



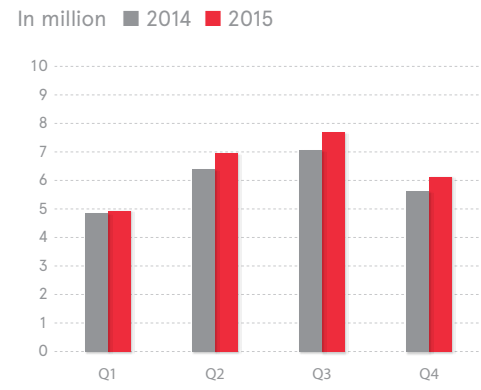
Rome, Italy as well as new routes between Paris, France and the U.S. We will continue to retire the oldest leased 737-800s from the fleet, contributing to reduce unit costs and capacity growth in low season.

For the five-year period 2015-2020 we plan for an average annual growth rate of 20 per cent in ASK with a strong 40 per cent annual growth for long haul and ten per cent annual growth for short haul.

**THE ENVIRONMENT**

New aircraft supercharge our cost efficiency and significantly enhance the passenger experience. However, it also considerably benefits the environment. In 2015, CO<sub>2</sub> emissions per passenger per kilometre were only 76 grams, a nine per cent reduction compared to previous year. Norwegian is one of the most environmentally-friendly airlines in Europe. Since 2008, Norwegian's fuel consumption per seat kilometre has decreased by nine per cent. Today, emissions per airline passenger are approaching those per train passenger in many coun-

**PASSENGERS PER QUARTER**

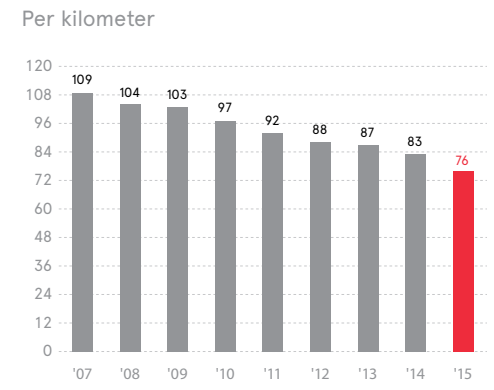


tries. Entering 2016, we boast one of the world's most efficient and greenest fleets with an average age of 3.6 years. Our strong commitment to reducing emissions was also recognized in 2015, when the International Council of Clean Transportation voted us the most environmentally friendly transatlantic airline.

Looking into 2016, we expect continued growth, several new route launches and the delivery of more than 20 brand new aircraft. The entry of the bigger edition of the Dreamliner, the 787-9, will be an important milestone in strengthening the Company's foothold in the low-cost long haul market. 2016 will also see the establishing of new bases and more great people joining the Norwegian family.

Bjørn Kjos  
Chief Executive Officer

**GRAMS CO<sub>2</sub> PER PASSENGER**





## BOARD OF DIRECTORS' REPORT

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# BUILDING COMPETITIVE ADVANTAGE

**Norwegian Air Shuttle ASA reported a solid revenue growth in 2015, enabled by new aircraft entering the fleet and new routes launched. The production growth (ASK) came in at a moderate five per cent. The load factor increased to 86 per cent and the unit cost was reduced by one per cent to NOK 0.42. Norwegian confirmed its competitive ability and attractiveness with almost two million new passengers in 2015.**

The Group's results for 2015 were affected by strong expansion of the network, continued revenue growth and efficiency improvements. The figures were also strongly affected by the weaker Norwegian currency (NOK) and unrealized losses on fuel hedges for 2016 and 2017.

The consolidated operating revenue grew by 15 per cent to NOK 22 491 million, with a net profit of NOK 246 million, compared to a loss of NOK 1 070 million in 2014. The revenue growth is mainly a result of the strong load factor, supported by new aircraft delivered in 2015 and the strengthening of the international route network. Revenues from international traffic increased by 18 per cent in 2015 and amounted to NOK 17 704 million.

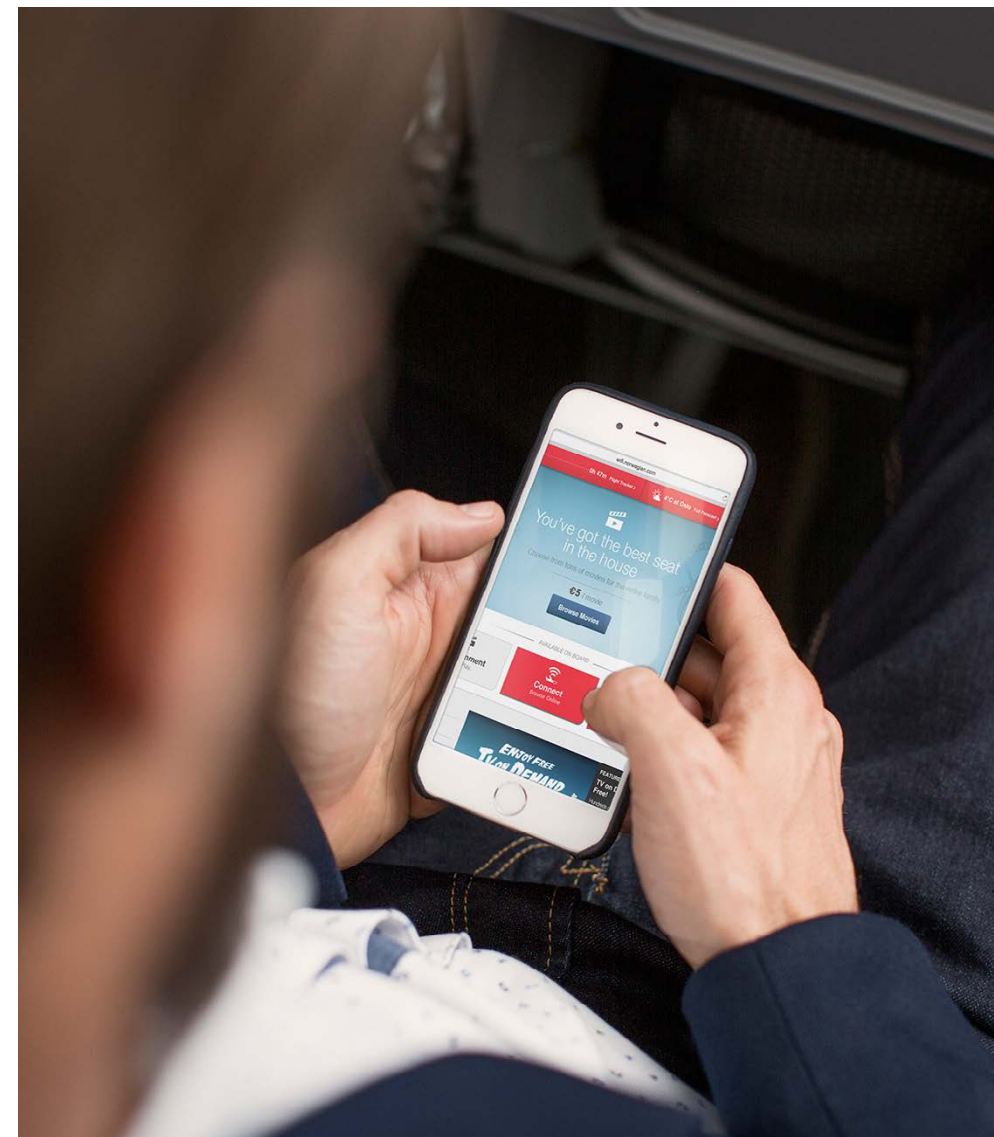
The long haul operation developed well and in line with the Group's plans. The regularity of the long haul fleet of Dreamliners was on par with the 737 operation. The intercontinental operation's increased success was reflected in the Group's traffic growth (RPK) of twelve per cent. This was driven by a strong improvement in load factor by five p.p. to 86 per cent, in addition to a five per cent increase in average distance travelled per passenger. In total, eleven new aircraft were delivered in 2015, and at the end of 2015 the fleet comprised 99 aircraft,

including aircraft on maintenance, excluding wet-lease and aircraft for redelivery.

The ticket revenue per available seat kilometer (RASK) for 2015 was NOK 0.38 (NOK 0.35), up eight per cent from previous year related to increased yield and higher load. Ancillary revenues rose by twenty per cent to NOK 3 275 million (2 727). Per passenger ancillary revenue grew by eleven per cent to NOK 129 (116) driven by bundling and the passengers' freedom to choose.

The Group's financial position at the end of 2015 was solid, although affected by the asset acquisitions, lower fuel prices and currency fluctuations. Net interest bearing debt increased to NOK 17 131 million, up from NOK 11 273 million at the end of 2014 driven by financing of new aircraft and currency effects. Cash and cash equivalents was NOK 2 454 million as of December 31, 2015, a net increase of NOK 443 million. The equity ratio was unchanged at nine per cent.

The Board of Directors expects 2016 to be a year of continued growth. Production growth is expected to be around 18 per cent in 2016, driven by 40 per cent growth in long haul production. The level of advance bookings at year end was good. Norwegian will continue its efforts to improve cost efficiency and expects the unit cost for 2016 to



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be further reduced by twelve per cent to approximately NOK 0.37 (0.42). The reduction is driven by new aircraft with lower operating and fuel cost.

### KEY EVENTS 2015

- **Awarded the title "World's Best Low-Cost Long Haul Airline".** The renowned SkyTrax World Airline Awards awarded Norwegian the "World's Best Low-Cost Long Haul Airline" after slightly more than two years in operation. In addition, Norwegian won the title as the "Best Low-Cost Airline in Europe" for the third year in a row, also by SkyTrax.
- **Launched winter routes in Spain and to the Caribbean.** Norwegian took our first steps into the Spanish domestic market by announcing a series of new routes between mainland Spain and the Canary Islands. In December, Norwegian started routes between the French islands Guadeloupe and Martinique and North America. The seasonal offer is targeting the cities New York, Boston and Baltimore.
- **Eleven new aircraft delivered during 2015.** Ten new 737 800s and one Boeing 787-8 Dreamliner have been delivered in 2015. Currently Norwegian has eight Boeing 787-8 in operation and 91 Boeing 737 800s. During 2015 Norwegian redelivered two older leased 737 800s and retired five 737 300 classics.
- **New order of 19 additional Dreamliners.** In October, Norwegian agreed to buy 19 new 787-9s from Boeing scheduled for delivery from 2017 to



- 2020 through Norwegians fully owned subsidiary, Arctic Aviation Assets Ltd. The agreement is the largest single order of 787-9s in Europe and includes purchase options for additional ten aircraft of the same type. By 2020 the Group will have 38 Dreamliners in operation.
- **Leasing agreement with HK Express for 12 A320 Neo aircraft.** Arctic Aviation Assets Ltd (AAA) – a fully owned subsidiary of Norwegian Air Shuttle –

has agreed to lease out twelve Airbus 320neo aircraft to airline HK Express. The twelve aircraft are scheduled to delivery between 2016 and 2018 with four each year.

- **New bond issues in Euro and local currency.** During 2015 Norwegian issued two new unsecured bonds (NAS 06 and NAS 07) and tapped NOK 425 million on an existing bond (NAS04). For the first time Norwegian successfully issued a bond in Euro with a four year tenor. The

net proceeds from the new bonds will be used for general corporate purposes in support of the growth of the Group.

- **Norwegian and OSM Aviation join forces to increase global presence.** Norwegian Air Resources Holding (NARH) and OSM Aviation have signed an agreement to form a stronger global partnership in employment and management of aviation crew. NARH acquires 50 per cent of OSM Aviation. The new partnership will build on the

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experiences of Norwegian's and OSM Aviation's established relationship offering professional employment and good career opportunities. This is subject to approval by the EU Merger Regulation. The transaction is expected to be completed by the end of first half 2016.

### COMPANY OVERVIEW

Norwegian Air Shuttle ASA ("Norwegian" or "the Company") is the parent company of the Norwegian Group ("the Group"). Norwegian is headquartered at Fornebu outside Oslo, Norway.

Norwegian is one of Europe's fastest growing and most innovative airlines. The parent company Norwegian Air Shuttle ASA and its subsidiaries form the Norwegian group with 4 576 employees, at 19 locations in nine countries on three continents.

The Group operates both scheduled services and charter services.

At the end of 2015, Norwegian operated 447 routes to 138 destinations. Norwegian's vision is "Affordable fares for all". The business idea is to attract customers by offering a high-quality travel experience based on operational excellence and helpful, friendly service at a low fare. Operationally, safety always comes first.

### CORPORATE STRUCTURE

The Norwegian Group consists of the parent company Norwegian Air Shuttle ASA and it's directly or indirectly fully owned subsidiaries in Norway, Sweden, Denmark, Finland, Ireland, Spain, United Kingdom and Singapore. The Group has reorganized its operations into several new entities to ensure international growth and necessary traffic rights, in line with the strategy. The

goal is to build a structure that maintains Norwegian's flexibility and adaptability when growing and entering into new markets. Norwegian's operations are separated into a commercial airline group with various AOC's (Air Operator's Certificate), an asset group, a resource and service group and other activities including brand.

### AIRLINE GROUP

The Group's commercial airline activities are organized in the parent company Norwegian Air Shuttle ASA (NAS), the fully owned subsidiaries Norwegian Air International Ltd. (NAI) based in Dublin, Ireland, Norwegian UK (NUK) based in London, UK and Norwegian Air Norway AS (NAN) based at Fornebu, Norway. Norwegian's commercial airline activities are operated through twenty bases globally in the following geographical locations: Norway, Sweden, Denmark, Finland, United Kingdom, Spain, Thailand, United States and French Caribbean.

### OTHER BUSINESS AREAS

- Norwegian Brand Ltd (Dublin, Ireland) was established in 2013, with the intention of maintaining the Group's brand and marketing activities across business areas.
- Norwegian Cargo AS (Fornebu, Norway) was established in April 2013, and is carrying out the Group's commercial cargo activities.
- Norwegian Holidays AS (Fornebu, Norway) was established in 2013 and provides the new business area of holiday packages to customers in the end market through the Group's web booking.

The parent company also owns 20 per cent of the shares in the online bank, Bank Norwegian AS, through the associated company Norwegian Finans Holding ASA. The airline's loyalty program, Norwegian Reward with its more than three million members, is run in cooperation with the bank.

### ASSET GROUP

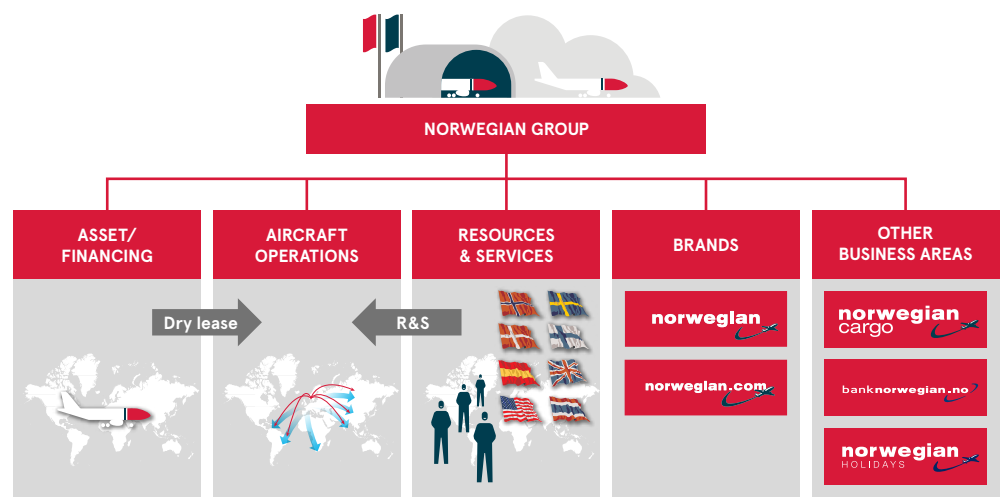
The Group's asset companies are organized in a group of subsidiaries, based in Dublin, Ireland. Arctic Aviation Asset Ltd. (previously September Aviation Assets Ltd) is the parent company. Aircraft leases and ownership have been transferred to the Asset group.

### RESOURCE GROUP

In line with legal requirements in Europe, fully owned country-specific resource companies are being established, with the intention of offering permanent local employment.

### MARKET CONDITIONS

Norwegian is the third largest low-cost carrier in Europe and seventh largest in the world. The route portfolio stretches across Europe into North Africa, the Middle East, North America, The Caribbean and South-east 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, Thailand, the Middle East and the USA. Norwegian has strengthened its offering further in 2015, with the launch of new domestic services in Spain and seasonal services between the French Caribbean is-



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lands of Martinique and Guadelope to Boston, New York and Baltimore. Norwegian's fleet of more than 100 aircraft is one of Europe's most modern and environmentally friendly. The Group also wait for 266 aircraft on firm order for delivery over the coming years, which is a strong confirmation of the Group's strategy to become a global airline. In addition, the Group has 160 purchase rights for potential deliveries from 2022.

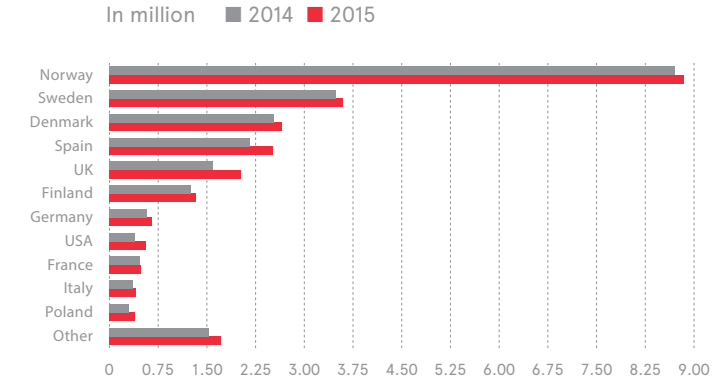
The global airline industry is characterized by strong competition. Norwegian intends to be a competitive player in this market and believes that the ability to grow the business internationally is key to remain profitable in the future.

This is the reason behind the establishment of the Group's crew bases in New York, Fort Lauderdale, Bangkok and London – not in Oslo, Stockholm or Copenhagen for its long haul operation. With crew placed at these big catchment areas, you can operate flights into smaller and less populated ar-

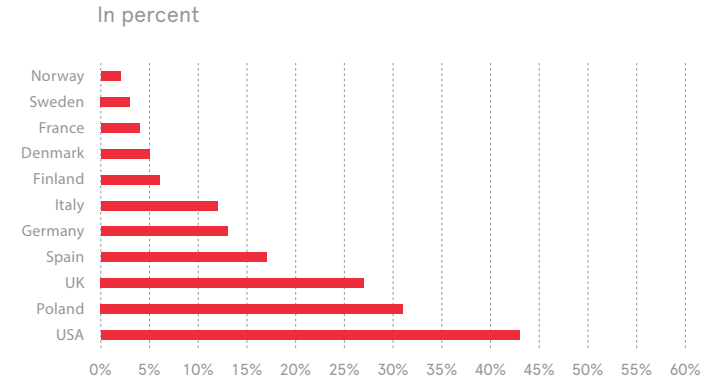
reas and maximize both crew and aircraft utilization.

In 2015 the strongest growth in number of passengers was in UK, Spain and the US market. The growth rate was strongest in USA with 46 per cent, followed by Poland (31 per cent), UK (27 per cent) and Spain (17

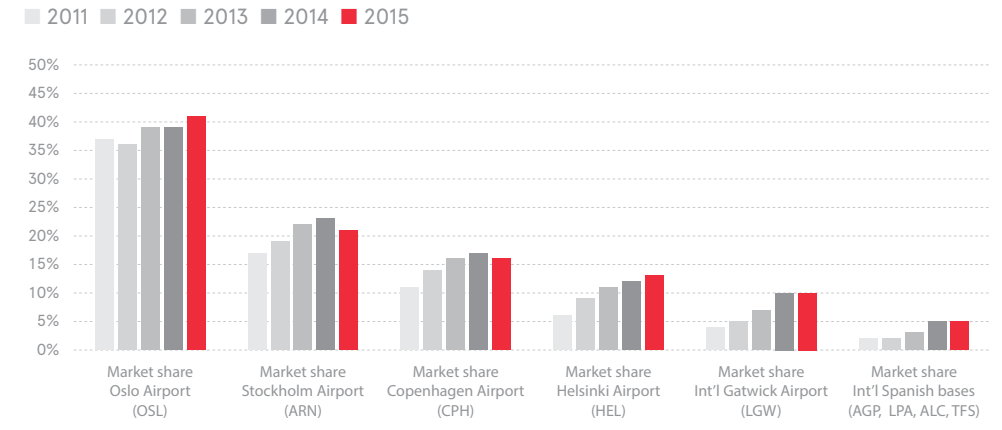
### PASSENGERS BY COUNTRY OF ORIGIN



### GROWTH IN PASSENGERS BY COUNTRY 2015



### MARKET SHARE



per cent). The growth in Scandinavia was a moderate 2.6 per cent from 2014.

Establishing new bases in Europe not only allows Norwegian to tap into new markets, such as non-stop routes from Barcelona and Las Palmas to smaller cities in the Nordics, or routes from London Gatwick to destinations on the European Continent. It also enables Norwegian to compete with the most cost-efficient airlines. Recruitment to new bases takes places locally, at competitive local wages and benefits.

Norwegian continued its global expansion in 2015 by taking delivery of ten brand new Boeing 737-800s and one 787-8 Dreamliner, launching scores of new routes and welcoming hundreds of new coworkers to the Norwegian family. It also launched new long haul services to Las Vegas, San Juan and St Croix. The international expansion strategy will continue in 2016 where new routes to Boston and San Francisco Oakland are already established.

Revenues from International flights grew by 18 per cent in 2015 and represented

79 per cent of group revenues, up from 76 per cent in 2014. The company expect this trend to continue in 2016, as most of the growth will be in long haul.

### SAFETY AND COMPLIANCE

The safety of customers and employees is a prerequisite for Norwegian's business. Safe operations in the air and on the ground are therefore Norwegian's paramount priorities. We have not experienced any serious accidents since Norwegian was established in 1993, neither to passengers nor to crew involving aircraft operations.

In 2015, Norwegian's commercial airline business is built around four separate airlines, Norwegian Air Shuttle and Norwegian Air Norway based in Norway, Norwegian Air International based in Ireland and Norwegian United Kingdom based in U.K.

As Norwegian is expanding across the globe this brings new people from different cultures to our team. The Norwegian corporate Safety Culture is the "engine" of our

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Safety Management Systems. An important goal is to create one corporate “safety culture” across all different parts of the Group to avoid inefficiencies and a different approach to core safety goals. Initiatives that develop the Company’s airlines into cohesive, informed and cooperative units with a common goal and operating procedures are essential elements in creating an enduring safety culture. Safe operations is core to all airlines. Hence, Norwegian continuously strive to improve inter airline communications, harmonized airlines management systems and joint efforts in creating an enduring safety culture.

The Norwegian airlines have separate safety departments, which all are integrated parts of the Airlines Safety Management Systems. The Safety and Compliance departments are independent and report directly to the Airlines Accountable Manager.

As with all management systems, the Safety Management System provides for goal setting, planning, and performance measuring. The Safety Management System is fully integrated across the organization. As it develops, it becomes part of the company culture, nurturing safety attitudes and beliefs, encouraging a “Safety Culture”, influencing how personnel go about their work.

Norwegian focus on safety and encourage internal reporting of errors. The Group is actively promoting an atmosphere where any employee can openly discuss errors of commission or omission, process improvements, and/or systems corrections without the fear of reprisal. The safety departments approach safety in a holistic manner involving all employees. Such activity is essential to an effective Safety Management System, where each department considers

not alone its own risks, but also the risk that its plans and/or activities will have on other departments.

In order to achieve Norwegians goal of obtain best practices, the Group move beyond just authority compliance. The company engage actively in international safety research projects, exchange data with the aviation industry and strive to follow industry best practices.

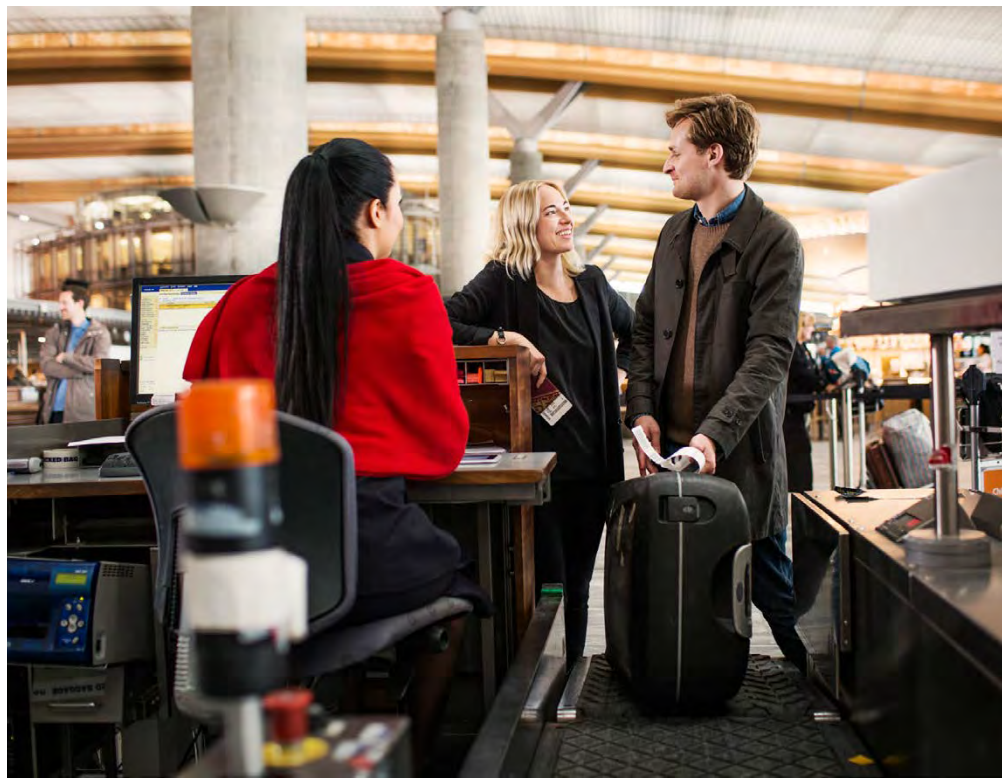
In Norwegian all employees play a vital role in the continuous work to achieve excellence in safety. Through the Safety Management System, Norwegian manage risk and as a result achieve cost reduction through efficiencies, whilst reducing financial loss associated with accidents and incidents.

### OPERATIONAL AND MARKET DEVELOPMENT

In 2015 Norwegian expanded its network extensively with 37 new routes: Two in Norway, two in Finland, three in Sweden, four in Denmark, six in the French Caribbean, six in the UK and 14 in Spain. By year-end, the Group operated 447 scheduled routes to 138 destinations. Norwegian took delivery of ten environmentally friendly Boeing 737-800 aircraft and one 787-8 during the year. Net fleet growth was four aircraft, with the year-end fleet comprising 99 aircraft, including aircraft on maintenance, excluding wet-lease and aircraft for redelivery.

### NETWORK

The Group’s route portfolio spans across Europe as well as into North Africa, the Middle East, North America, The Caribbean and Southeast Asia, serving both business and leisure markets. Norwegian’s net-



work development objectives are to identify major point-to-point markets that have been excessively priced or underserved, while simultaneously maximizing aircraft and crew utilization.

In 2015, Norwegian launched two new seasonal bases on the French Caribbean islands of Martinique and Guadeloupe. The short haul flights operate exclusively to the Northeastern USA, from both islands to New York (JFK), Boston and Baltimore/Washington (BWI). The operation constitutes the first scheduled Norwegian flights never to enter neither Scandinavian nor Continental European airspace. The ratio-

nale is to counter the seasonally weak winter season in Europe where short haul aircraft are grounded mid-winter. The Caribbean – USA short haul market has a counter-seasonal pattern with a demand peak in mid-winter.

In total Norwegian operates 16 short haul bases, six in Spain, four in Norway, two in the French Caribbean and one in Sweden, Denmark, Finland and the UK. All mainland European bases serve a pan-European international route network. Domestic operations commenced in Spain in 2015 in addition to existing domestic routes in Norway, Sweden, Denmark and Finland.

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Norwegian launched its long haul operations at the end of May 2013. In 2014, new long haul crew bases were established in Bangkok, New York and Fort Lauderdale with London being added in 2015. By year-end 2015, the long haul network covered 32 routes between four European cities to nine destinations in the US and one in Asia. The four crew bases in Europe, North America and Asia corresponds well to the operating pattern of the Group.

In 2015, eight Boeing 787-8 Dreamliners ran the long haul operation. Norwegian is taking delivery of the first four Boeing 787-9 Dreamliners in 2016, a higher capacity longer-range version of the 787-8s. Norwegian has firm orders for 30 long haul aircraft including eleven to be leased, and with purchase rights for another ten.

Optimization of return on investment is to be achieved by:

- Operating high-RASK business routes during peak hours, and focusing production on low-RASK leisure routes during midday off-peak hours.
- Focusing on leisure destinations with year-round interest in the Nordic market. The Canary Islands is one example.
- Replacing Mediterranean routes with routes to the Alps and the Middle East during the winter season.
- Replacing business routes with leisure routes during the mid-summer period operating flights at nighttime during peak seasons.

Domestic, intra-Scandinavian and typical European business destinations have the highest frequencies, which attracts business travelers. The Oslo-Bergen and

Oslo-Trondheim routes have the highest frequencies with 13 daily rotations on weekdays. Typical leisure destinations in Southern Europe, Northern Africa and the Middle East are typically served once a day or less.

### OPERATIONS INTERNATIONAL

**Norwegian Air International Ltd. (NAI)**  
NAI was granted its own ticket code “D8” in 2015 and took over the fleet of 737-800 operations at bases in UK, Spain and Finland from Norwegian Air Shuttle (NAS).

During the process of transitioning bases from NAS, NAI continues to use NAS as wet-lease operator on certain D8 routes.

In February 2014, NAI applied to the US Department of Transportations (DoT) for the approval to operate to the USA. As of year-end 2015 the application is still waiting for the approval.

### Norwegian Air UK Ltd. (NUK)

Norwegian Air UK Ltd (NUK) was established in the United Kingdom January 2015, and NUK got its Operational License and Air Operating Certificate in October 2015.

NUK applied for operational approval for operations between Europe and the USA in December 2015, and the decision from the Department of Transportation (DoT) is still pending.

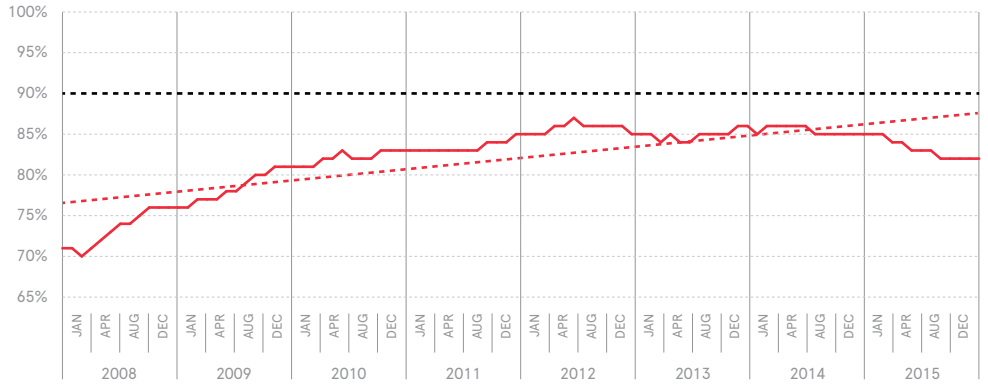
NUK has one Boeing 737-800 registered on the operational specifications and plan to start wet-lease operations for Norwegian Air Shuttle ASA and Norwegian Air International Ltd. from March or April 2016.

### Aircraft maintenance

The Boeing 737 fleet is operated by the parent company (NAS) and it is fully owned

### PUNCTUALITY

■ Punctuality (12 months rolling) ■ Target (90%)



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subsidiary Norwegian Air Norway (NAN) and Norwegian Air International (NAI).

Each individual operator has its own Air Operator Certificate (AOC), each with individual civil aviation authority oversight and approval. Each AOC must have a civil aviation authority approved maintenance organization and maintenance program.

NAS and NAN manages their maintenance operations from their technical bases at Oslo Airport Gardermoen. NAI manages its maintenance operations from its technical base at Dublin, Ireland.

Line maintenance for the B737 fleet is performed by NAS Part 145 organization and it is at Oslo Airport Gardermoen, Stavanger Airport Sola, Bergen Airport Flesland, Trondheim Airport Værnes, Stockholm Arlanda Airport and Copenhagen Airport Kastrup. We do line maintenance on the Caribbean bases Martinique and Guadeloupe. Line Maintenance for the of B737 fleet are contracted to other external suppliers outside Scandinavia.

Continuing Airworthiness activities for B787 fleet are sub-contracted to Boeing Fleet Technical Management (Boeing FTM). Control and oversight of the activities are performed by Norwegian Air Shuttle Maintenance operations in addition to civil aviation authorities.

Major airframe maintenance as well as workshop maintenance are performed by external sources subject to approval by the European Aviation Safety Agency (EASA) and by the national aviation authorities.

Airframe (base) maintenance for our B737 fleet currently carried out by Lufthansa Technik in Budapest, Hungary. Lufthansa Technik, MTU and Boeing are undertaking engine and component workshop maintenance.

Airframe maintenance for our fleet of B787 is currently carried out by BA, NAS and Monarch.

Rolls Royce UK currently carries out engine maintenance.

All maintenance, planning and follow-up activities, both internal and external, are performed in accordance with both the manufacturers' requirements and additional internal requirements, and are in full compliance with international authority regulations. The Group carries out initial quality approval, and also continuously monitors all maintenance suppliers.

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

### FINANCIAL REVIEW

Norwegian reports consolidated financial information compliant to the International Financial Reporting Standards (IFRS).

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. It is especially the maintenance reserves liabilities that are associated with this type of uncertainty.

### Consolidated statement of profit and loss

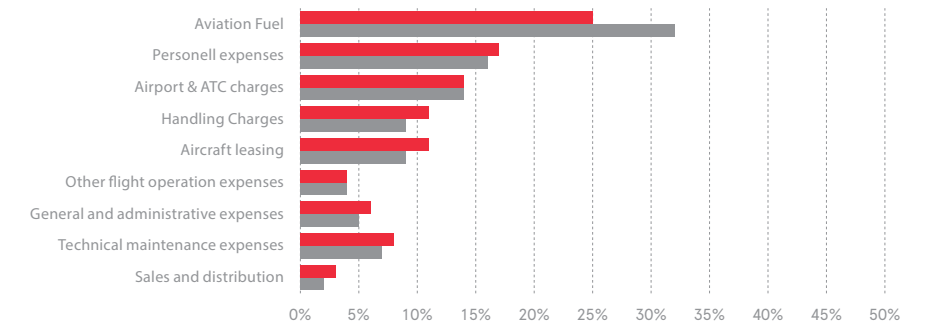
The Group's total operating revenues and income for 2015 grew by 15 per cent and

came to NOK 22 491 million (NOK 19 540 million), of which ticket revenues accounted for NOK 18 506 million (NOK 16 255 million). Ancillary passenger revenues were NOK 3 275 million (NOK 2 727 million) and NOK 710 million (NOK 558 million) was related to freight, third-party products and other income. The revenue growth is mainly a result of increased number of passengers and increased average sector length. The load factor increased by five per cent compared to the same period last year. The ticket revenue per available seat kilometer (RASK) for 2015 was NOK 0.38 (NOK 0.35), up eight per cent from previous year. Ancillary revenues rose by eleven per cent to NOK 129 per PAX (116).

Operating costs (including leasing and excluding depreciation and write-downs) amounted to NOK 21 010 million (NOK 20 202 million), with a unit cost of NOK 0.42 (NOK 0.42). The unit cost excluding fuel was up by nine per cent to NOK 0.31 (NOK 0.29). The increase in unit cost is mainly a consequence of depreciation of NOK, offset by lower fuel price. Earnings

### OPEX BREAKDOWN

Percent ■ 2014 ■ 2015



before interest, depreciation and amortizations (EBITDA) were NOK 1 481 million, compared to a loss of NOK 662 million last year.

Financial items in 2015 resulted in a loss of NOK 376 million, compared to a loss of NOK 274 million in 2014. Included in financial items is NOK 27 million in net foreign exchange gains, compared to a loss of NOK 37 million previous year. With regards to accounting for the prepayments on purchase contracts with aircraft manufacturers, NOK 269 million (NOK 145 million) in interest costs were capitalized in 2015.

In 2007, the Group established Bank Norwegian, a wholly-owned subsidiary of Norwegian Finans Holding ASA, in which the Group has a 20 per cent stake. The Group's share of Bank Norwegian's net profit resulted in a net gain of NOK 103 million (NOK 57.6 million) in the consolidated profit and loss.

Earnings before tax in 2015 amounted to a gain of NOK 75 million (negative of NOK 1 627 million) and net profit after tax was a gain of NOK 246 million (negative of NOK



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1 070 million). Earnings per share was positive NOK 6.99 per share (negative of NOK 30.42).

### Consolidated statement of financial position

The Group's total debt and assets are impacted by the asset acquisitions, depreciation of NOK against USD and the capacity increase that have taken place during the year. Total assets at December 31, 2015 were NOK 31 634 million (NOK 22 706 million). The book value of aircraft increased by NOK 5 980 million during the year. Prepayments to aircraft manufacturers were NOK 5 939 million at the end of 2015, an in-

crease of NOK 1 837 million from December 31, 2014. Trade and other receivables were NOK 2 551 million (NOK 2 174 million).

At the balance sheet date, the Group had a cash balance of NOK 2 454 million (NOK 2 011 million). Total borrowings increased by NOK 6 310 million to NOK 19 594 million (NOK 13 284 million), mainly related to new unsecured bonds, the purchase of new aircraft and financing of prepayments to aircraft manufacturers.

### Capital structure

The Group's total equity was NOK 2 965 million (NOK 2 108 million) at December 31, 2015 with an equity ratio of nine per cent

(nine per cent). Total equity increased by NOK 857 million following net profit for the period of NOK 246 million, exchange rate gains on equity in Group companies of NOK 421 million and actuarial gains on pension plans of NOK 45 million. Equity changes from employee options amounted to NOK 145 million, whereof NOK 138 million related to share issue.

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 17 131 million (NOK 11 273 million) at year end. The Group's gross interest-bearing liabilities of NOK 19 594 million (NOK 13 284 million) mainly consisted of financing for aircraft amounting to NOK 14 899 million, bond loans with a net book value of NOK 3 222 million, and Pre-Delivery Payment syndicated credit facilities of NOK 1 473 million. In 2015, the Group successfully issued two new bonds, and a tap issue on existing bond. The new bonds will mature in 2018 and 2019. NOK 3 041 million of the interest-bearing loans mature in 2016. NOK 1 473 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 2 357 million (NOK 287 million) in 2015. The net cash flow from operating activities consists of the profit before tax of

NOK 75 million; add back of depreciation and other expenses without cash effects of NOK 2 001 million and interests on borrowings of NOK 582 million included in financial activities. Changes in working capital mainly due to traffic growth amounted to NOK 868 million. During 2015 the Group paid NOK 44 million in taxes.

The net cash flow used for investment activities was negative NOK 5 189 million (negative of NOK 4 931 million), of which the prepayments to aircraft manufacturers constituted negative NOK 3 139 million. The purchases of ten new Boeing 737-800s, a 787-8 Dreamliner and intangible assets amounted to NOK 2 069 million.

The net cash flow from financial activities in 2015 was NOK 3 282 million (NOK 4 478 million). New loans, including draw downs on facilities for aircraft prepayments and bond issues were NOK 5 554 million, while repayments on long term debt were NOK 1 828 million. Interest paid on borrowings was NOK 582 million (NOK 323 million). The Group has a strong focus on liquidity planning and the Board is confident in the Group's financial position at the beginning of 2016.

### 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 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 Group faces many risks and uncertainties in a marketplace that has become

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### *"The Group's main strategy for mitigating risks related to cash flow volatility is to maintain a solid financial position and strong credit rating"*

increasingly global. The variety of economic environments and market conditions can be challenging, with the risk that Norwegian may not succeed in reducing the unit cost sufficiently to compensate in case of weaker consumer 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 Norwegians borrowing cost and cost of capital. Norwegian is 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 volatility in cash flows is to maintain a solid financial position and a 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, and 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 the Ex-Im Bank of the United States and unsecured bond. Borrowings are denominated in USD, EUR 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 US 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 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 twelve

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

#### Price risk

Expenses for jet-fuel represents a substantial part of the Group's operating costs, and fluctuations in the 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, on the basis of expected cash flows. 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 equiv-

alents, 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 December 31, 2015, 45 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 at generating 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 323.7 at December 31, 2015 and yielded a return of 17 per cent from the beginning of the year.

Norwegian had 11 183 shareholders at December 31, 2015 and the 20 largest shareholders accounted for 62.4 per cent of the share capital.

HBK Invest AS is the largest shareholder, currently holding 24.6 per cent of the

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**SHARE PRICE DEVELOPMENT 2015 – NORWEGIAN AIR SHUTTLE ASA**



*"The Norwegian share yielded a return of 17 per cent in 2015"*

shares. Its majority owner is Mr. Bjørn Kjos, CEO of Norwegian. HBK Invest AS is represented on the Board of Directors of Norwegian Air Shuttle ASA by Mr. Bjørn H. Kiese, who is elected Chair of the Board.

In February 2016, Norwegian reached an agreement with cabin crew in Norway and Denmark. The new collective agreements are for a two-year period.

**EVENTS AFTER DECEMBER 31**

On January 26, 2016, Norwegian announced a new charter agreement for the summer 2016, to continue its cooperation with TUI Nordic, TUI UK, Thomas Cook Northern Europe and Nazar Nordic to fly their customers from the Nordics and the UK to various summer destinations including the Balearics, the Greek Isles and the Canaries. The total value of the contracts is approximately NOK 500 million, up NOK 100 million from previous year, and include more than 2 200 flights.

**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.

An arrangement for pre-delivery payment financing (PDP) for fifty Airbus 320 Neo aircraft scheduled for delivery in 2016 to 2019 was finalized at the end of January 2016. The facility covers PDP financing for deliveries until the end of 2019 and is structured as a revolving credit facility. These deliveries over the next four years are key to the Norwegian Group's future growth plans, and the PDP financing facility is a milestone in Norwegian's ongoing program for financing direct-buy aircraft.

**PARENT COMPANY RESULTS AND DISTRIBUTION OF FUNDS**

Net profit for the parent company Norwegian Air Shuttle ASA was negative of NOK 862.2 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 from other equity	862.2
Total allocated	862.2

On February 2, 2016, a long-term financing of six Boeing 737 800 aircraft was completed. The financing is structured as a private placement directed to institutional investors in the US market.

**CORPORATE RESPONSIBILITY**

Norwegian is committed to operating in accordance with responsible, ethical, sustainable and sound business principles, with respect for people and the environment.

Norwegian's corporate responsibility strategy is built on the Group's commit-

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*"The second most fuel-efficient airline burned 14 per cent more fuel per passenger kilometer than Norwegian"*

ment to reduce emissions and make aviation more environmentally friendly. The single most important action an airline can take to reduce its environmental footprint is to invest in new aircraft, consequently reducing emissions considerably. With an average fleet age of 3.6 years (as of January 1, 2016) and a pending order of more than 250 new aircraft, Norwegian boasts one of the greenest and most fuel-efficient fleets in the world, and from 2014 to 2015, the total emissions were reduced by as much as 9.3 per cent. In 2015, The International Council on Clean Transportation named Norwegian the most fuel-efficient transatlantic airline, with an average fuel burn of 40 passenger kilometers per liter. Norwegian goal is to help make aviation carbon neutral by 2050.

Other key aspects of the Group's corporate responsibility strategy are its humanitarian work through a long-term signature partnership with UNICEF as well as its code of ethics.

**THE ENVIRONMENT**

Norwegian is committed to actively engage in and support a sustainable environmental policy, and to continue to reduce emissions from aviation. Norwegian boasts one of the greenest and most fuel-efficient fleets in the world, thanks to its state-of the art Boeing 737-800 and 787 Dreamliner.

Norwegian's fleet renewal program commenced in 2007 and the Group has continuously taken deliveries of brand new Boeing aircraft, enabling it to open new routes and expand into new markets. In 2012, Norwegian placed an order of 222 new Boeing and Airbus single-aisle aircraft. The order was the single largest order made by any European airline. The Group currently has more

than 250 new aircraft on order, including 30 Boeing 787-9 Dreamliners. In 2015, Norwegian took delivery of ten Boeing 737-800s and one Boeing 787-8 Dreamliner. It also phased out seven Boeing 737s.

In 2015, The International Council on Clean Transportation named Norwegian the most fuel-efficient transatlantic airline. According to the study, Norwegian's modern Dreamliner fleet – with its average fuel burn of 40 passenger kilometers per liter – is significantly more fuel-efficient than any of the other 19 leading transatlantic airlines. The second most fuel-efficient airline burned 14 per cent more fuel per passenger kilometer than Norwegian. The three least-efficient airlines were collectively responsible for one-fifth of transatlantic available seat kilometers and burned 44 per cent to 51 per cent more fuel per passenger kilometer.

In 2015, the Group consumed 1 015 337 tons of Jet A-1 fuel, equivalent to 77 grams of CO<sub>2</sub> per passenger per kilometer, a reduction of 9.3 per cent from last year.

Norwegian encourages the development of biofuel and is fully committed to replacing traditional jet fuel with a greener alternative when it becomes commercially available and sustainable. In 2014, Norwegian conducted its first ever biofuel flight, reducing emissions by 40 per cent compared to an average flight with traditional fuel. This biofuel flight was an important milestone in the industry's shared commitment to make sustainable biofuel more easily available for airlines. Through the development of new technologies and frameworks, Norwegian wants to help make aviation carbon neutral by 2050. All employees should focus on how they can contribute to a better environment.

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The Group's business model promotes high load factors and higher capacity per flight, which makes Norwegian's operations more environmentally sustainable as emissions per passenger are lower. The Group's emissions per passenger kilometer are well

below the industry average and less than many forms of land and sea-based transportation.

Other key measures that minimize Norwegian's environmental impact:

- "Green" approaches, or Continuous Descent Approaches (CDAs), designed to reduce overall emissions during the final stages of the flight
- Winglets, a tailfin-like extension of each wingtip on the Boeing 737-800, reduce

drag. The effect is a reduction in fuel consumption, as the same lift and speed is created with less engine thrust.

- The technologically advanced 787 Dreamliner uses more than 20 per cent less fuel than its counterparts. With a pending order of 30 Dreamliners, Norwegian will continue to be one of the most environmentally friendly airlines in the world
- Modern, slim and light seats, reducing weight and emissions
- 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.
- A special engine and aircraft wash decreases fuel consumption, reducing carbon emissions by approximately 16 000 tons per year.
- Our new aircraft reduce noise considerably, improving the conditions for people living around the airport.

### HUMANITARIAN WORK

Norwegian has a collaboration with UNICEF, the United Nation's Children Fund. Norwegian also believes that it is important to enable staff and customers to make a difference. Fundraisers, internal activities, relief flights and other activities contribute to supporting UNICEF and its important efforts to help children in need all over the world. Norwegian and UNICEF have had a Signature Partnership since 2007.

Norwegian's support to UNICEF consists of travel funding, fundraisers and employee engagement:

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- Every year, Norwegian conducts “The most important flight of the year”. In cooperation with UNICEF, partners and customers, Norwegian fills an aircraft with emergency aid and flies it to an area where the need for help is vital. In 2015, “The most important flight of the year went to Jordan and Syrian refugee children and in 2014, it went to the Central African Republic.
- In June 2015, Norwegian and Amadeus launched a service that enables customers to donate money to UNICEF when booking a flight on Norwegian’s website. The response from the

customers have been overwhelming, and in seven months, they donated a total of almost NOK 3.2 million.

- Instead of giving its employees a Christmas present, Norwegian donates money to UNICEF
- UNICEF Norway employees fly for free with Norwegian
- In 2013, Norwegian donated 1 NOK from each water bottle sold on board to UNICEF's important work. Our passengers bought 1.3 million water bottles and consequently contributed with 1.3 million NOK to the world's children.



### CODE OF ETHICS

Norwegian’s code of ethics provides the directions for a good working environment and highlights the Group’s guidelines for human rights, preventing corruption, employee rights and safety for all – both for customers and employees. Everyone has a joint responsibility to create a good working environment and develop a sound corporate culture characterized by openness and tolerance. Norwegian promotes an environment free from any discrimination, based on religion, skin color, gender, sexual orientation, age, nationality, race or disability. The work environment shall be free from bullying or harassment. The Group has zero tolerance for behavior that may be perceived as degrading or threatening. When engaging in businesses with third party suppliers, Norwegian will, whenever possible, ensure that the suppliers adhere to international rules of ethical standards. The Group has reviewed and updated its ethical guidelines.

### EMPLOYEES AND ORGANIZATION

The airline business is a service business where good relations and respect between people are key success factors. Everyone at Norwegian has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance. 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 places great importance on ensuring compliance with employees’ basic human rights as outlined in the International Labor Organization's core conventions.

*"Norwegian promotes an environment free from any discrimination, based on religion, skin color, gender, sexual orientation, age, nationality, race or disability"*

Equality between the genders in terms of employment, working conditions, career opportunities and remuneration is a given essentiality for Norwegian Group. Norwegian has a long-term focus on creating an attractive workplace for employees. An important success factor is maintaining a workforce of highly motivated and skilled employees and leaders. The goal is to offer unique opportunities to the employees as well as a corporate culture that helps us to attract and retain the best people in the industry, regardless of where the business is located. Creating effective arenas for learning and professional development at all levels of the organization is a priority at Norwegian.

At the end of 2015, the Group employed a total of 4 576 full-time equivalents (FTE’s) compared to 4 375 FTEs at the end of 2014. (Apprentices and hired staff included). This was a planned increase, which has taken place in line with the 2015 expansion of the route network.

Norwegian’s successful apprentice program in Travel & Tourism continued in 2015 with apprentices from both Norway and

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Sweden. The program is approved by the Norwegian Educational Authorities, and comprized round about a 100 apprentices at the end of 2015. 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 2016, and the program is continuously developed.

At graduation, the apprentices have successfully completed modules in Sales & Marketing, Customer Support & Booking and Ground Handling and had at least one international assignment over a longer period. On top of that, they have spent several months flying as cabin crew members across Scandinavia and Europe. The standard of our apprentices is at the highest level with a perfect pass rate in 2015. The labor unions are actively included in planning of the apprentices' curriculum.

Norwegian's human resources policy strives to be equitable, neutral and non-discriminatory, regardless of for example ethnicity and national background, gender,

religion or age. The airline industry has historically been male-dominated, but Norwegian has a strong tradition of practicing equality since its inception in 2002. Norwegian gives weight to have staff with expertise related to tip tasks and is committed to recruit both women and men to these positions.

In 2015, 47 (48.3) per cent of the employees were women and 53 (51.7) per cent were men. Most of the pilots are men. The share of female pilots is around 4.5 (5) per cent.

The majority of the cabin personnel are women, while men account for approximately 23 (23) per cent.

Among administrative staff, there is more or less an equal spread between women and men. Among employees in technical positions as technicians and engineers there has historically been a predominance of men, but this has changed in last few years with an increasing share of female employees. The Board of Directors has above 40 (40) per cent female representation.

### SICKNESS LEAVE PER GROUP OF EMPLOYEES IN THE NORWEGIAN GROUP, INCLUDING AGENCY STAFF\*:

	Cabin crew		Pilots		Other	
	2015	2014	2015	2014	2015	2014
Norway	15.8%	15.3%	8.8%	8.9%	4.6%	4.9%
Sweden	9.7%	9.6%	7.2%	4.9%	-	-
Denmark	12.1%	10.4%	6.6%	7.3%	-	-
Finland	5.4%	6.0%	5.5%	3.7%	-	-
Spain	3.0%	1.9%	3.7%	2.2%	-	-
UK	3.5%	4.1%	3.5%	1.8%	-	-
US	6.9%	3.4%	-	-	-	-
Thailand	1.5%	1.8%	5.3%	2.0%	-	-

\*) Calculated sick leave comparable across all units. For Norway the external reported sick leave is calculated different. The official reported sick leave for Cabin Crew was 13.3% (12.7%) and 8.6% (8.1%) for Pilots.

Active monitoring of HSE indicators, corporate health insurance policies and continuing cooperation with protective services will contribute to ensure that reduction of sickness leave remains a priority.

A number of key HSE activities (Health, Safety and the Environment) are conducted in compliance with labor laws and corporate guidelines, such as risk assessments, audits, handling of occurrence reports, work environment surveys and following up with group processes on base-meetings both for crew and technical staff. Activities also include participation in ERM-organization, FRSAG (Fatigue Risk Safety Action Group), SAG (Safety Action Group), Non SAG and in several HSE-related projects. HSE information is also provided in connection with training of crew, pilots and technical staff.

The Group HSE function also ensures group HSE supervision, leading the work with preventing addiction and abuse problems, Work Environment committees (WEC) and safety representative meetings. New WEC's have been established in the companies PSN, CSN and CSD, and there is an ongoing work establishing WEC also in PSS and PSD. Structural meetings with safety representatives and agencies are important, and as the organization grow, it is necessary to implement HSE into the new Group structure. This is an ongoing process.

Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO (Confederation of Norwegian Enterprise). The 2015 collective salary review was conducted through local union negotiations. Wage development reflects the social situation, and was moderate according to the consumer price index.

In March 2015 there were negotiations with the Norwegian Pilot Union regarding the tariff agreement for the pilot companies within Norwegian Group. The negotiations lead to an extensive strike with consequences for both Norwegian Group and its customers.

People working in Norwegian are employed in the country where they are based, and follow the laws and regulations for the respective country. Group policies and guidelines are however based upon a Scandinavian approach in according to Norwegians organizational culture.

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

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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.

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

### OUTLOOK FOR 2016

The market in Norway is influenced by the slowdown in the economy. In Denmark there is increased competition as several players have added capacity for the winter 2016. The demand for travelling with Norwegian and advance bookings have been satisfactory entering the first quarter of 2016. Norwegian will continue to take advantage of its increasing competitive power realized through continuous cost efficiency, and from introducing larger aircraft (seventeen new 737-800Ws and four new 787-9 will be delivered in 2016) with a lower operating cost. In addition four Airbus 320neo aircraft will be delivered in 2016, which will be leased to airline HK Express.

Norwegian has twenty operational bases globally. On March 27, 2016, the first Italian base will be opened at Rome Fiumicino Airport.

Norwegian guides for a production growth (ASK) of 18 per cent for 2016, including the long haul production. The growth in short haul production is mainly from increasing the fleet by adding 737-800s. The long haul production will grow in accordance with the phasing in of aircraft and the Company will have twelve Boeing 787 by the end of 2016. Norwegian may decide to adjust capacity in order to optimize the route portfolio depending on the development in the overall economy and in the marketplace.

Assuming a fuel price of USD 350 per ton, USD/NOK 8.25 and EUR/NOK 9.00 for the year 2016 (excluding hedged volumes) and with the currently planned route portfolio, the Group is targeting a unit cost (CASK) in the area of NOK 0.37 for 2016.

Norwegian is establishing and preparing for an organizational structure that will secure cost efficient international expansion and necessary traffic rights for the future.

In February 2016, Norwegian reached an agreement with cabin crew in Norway and Denmark. The new collective agreements are for a two-year period and will secure a steady foundation for the coming years.

*Fornebu, March 16, 2016*

Bjørn H. Kise  
*(Chair)*

Liv Berstad  
*(Deputy chair)*

Christian Fredrik Stray  
*(Director)*

Ada Kjeseth  
*(Director)*

Kenneth Utsikt  
*(Director, employee representative)*

Linda Olsen  
*(Director, employee representative)*

Thor Espen Bråten  
*(Director, employee representative)*

Bjørn Kjos  
*(Chief Executive Officer)*





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# CONSOLIDATED FINANCIAL STATEMENTS 2015

## CONSOLIDATED INCOME STATEMENT 1.1 – 31.12

NOK 1 000	Note	2015	2014
Revenues	<a href="#">4</a>	22 483 544	19 540 039
Other income	<a href="#">4</a>	7 603	
<b>Total operating revenues and income</b>		<b>22 491 148</b>	<b>19 540 039</b>
Operational expenses	<a href="#">5</a>	15 839 048	15 360 124
Payroll	<a href="#">6, 7, 17, 18</a>	3 433 703	3 208 987
Depreciation, amortization and impairment	<a href="#">10, 11</a>	1 133 287	748 138
Other operating expenses	<a href="#">5a</a>	1 263 185	1 049 577
Other losses/(gains) - net	<a href="#">20</a>	474 150	583 751
<b>Total operating expenses</b>		<b>22 143 372</b>	<b>20 950 577</b>
<b>Operating profit</b>		<b>347 775</b>	<b>(1 410 538)</b>
<b>Net financial items</b>	<a href="#">8</a>	<b>(376 178)</b>	<b>(274 139)</b>
Share of profit (loss) from associated company	<a href="#">25</a>	103 441	57 631
<b>Profit (loss) before tax</b>		<b>75 038</b>	<b>(1 627 047)</b>
Income tax expense (income)	<a href="#">9</a>	(171 114)	(557 284)
<b>Profit (loss) for the year</b>		<b>246 152</b>	<b>(1 069 763)</b>
Basic earnings per share	<a href="#">16</a>	6.99	(30.42)
Diluted earnings per share	<a href="#">16</a>	6.92	(29.89)
<b>Profit attributable to:</b>			
Owners of the Company		246 152	(1 069 763)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

NOK 1 000	Note	2015	2014
Profit for the year		246 152	(1 069 763)
<b>Non-reversible income and losses:</b>			
Actuarial gains and losses	<a href="#">18</a>	44 533	(52 493)
<b>Total reversible income and losses</b>		<b>44 533</b>	<b>(52 493)</b>
<b>Reversible income and losses:</b>			
Available-for-sale financial assets		-	(1 158)
Exchange rate differences Group		421 093	467 359
<b>Total reversible income and losses</b>		<b>421 093</b>	<b>466 201</b>
<b>Total comprehensive income for the period</b>		<b>711 778</b>	<b>(656 054)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		711 778	(656 054)

The notes on [pages 30-61](#) are an integral part of these consolidated financial statements.

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31

NOK 1 000	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	<a href="#">10</a>	206 675	206 826
Deferred tax asset	<a href="#">9</a>	593 626	518 915
Aircraft, parts and installations on leased aircraft	<a href="#">11</a>	18 507 706	12 527 932
Equipment and fixtures	<a href="#">11</a>	79 508	83 687
Buildings	<a href="#">11</a>	285 674	252 236
Financial lease asset	<a href="#">11</a>	-	19 234
Financial assets available for sale	<a href="#">3, 20</a>	82 689	82 689
Investment in associate	<a href="#">25</a>	328 127	223 594
Prepayment to aircraft manufacturers	<a href="#">11</a>	5 939 281	4 102 664
Other receivables	<a href="#">13</a>	501 811	421 060
<b>Total non-current assets</b>		<b>26 525 096</b>	<b>18 438 836</b>
<b>Current assets</b>			
Inventory	<a href="#">14</a>	104 141	82 851
Trade and other receivables	<a href="#">13</a>	2 550 716	2 173 522
Cash and cash equivalents	<a href="#">24</a>	2 454 160	2 011 139
<b>Total current assets</b>		<b>5 109 017</b>	<b>4 267 512</b>
<b>Total assets</b>		<b>31 634 113</b>	<b>22 706 348</b>

NOK 1 000	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	<a href="#">15</a>	3 576	3 516
Share premium		1 231 632	1 093 549
Other paid-in equity		94 362	87 221
Other reserves		876 192	455 099
Retained earnings		759 550	468 866
<b>Total equity</b>		<b>2 965 312</b>	<b>2 108 251</b>
<b>Non-current liabilities</b>			
Pension obligation	<a href="#">18</a>	134 516	201 883
Provision for periodic maintenance	<a href="#">19</a>	1 177 513	835 480
Other long term liabilities	<a href="#">19</a>	80 338	-
Deferred tax	<a href="#">9</a>	-	169 851
Borrowings	<a href="#">22</a>	16 543 405	9 950 228
Financial lease liability	<a href="#">22</a>	-	3 227
<b>Total non-current liabilities</b>		<b>17 935 772</b>	<b>11 160 669</b>
<b>Short term liabilities</b>			
Short term part of borrowings	<a href="#">22</a>	3 041 388	3 330 387
Trade and other payables	<a href="#">21</a>	2 862 566	2 680 445
Air traffic settlement liabilities		4 014 428	2 965 427
Derivative financial instruments	<a href="#">3, 20</a>	782 523	458 958
Tax payable	<a href="#">9</a>	32 123	2 210
<b>Total short term liabilities</b>		<b>10 733 029</b>	<b>9 437 427</b>
<b>Total liabilities</b>		<b>28 668 801</b>	<b>20 598 096</b>
<b>Total equity and liabilities</b>		<b>31 634 113</b>	<b>22 706 348</b>

The notes on [pages 30–61](#) are an integral part of these consolidated financial statements.

Fornebu, March 16, 2016

Bjørn H. Kise  
(Chair)

Liv Berstad  
(Deputy chair)

Christian Fredrik Stray  
(Director)

Ada Kjeseth  
(Director)

Kenneth Utsikt  
(Director,  
employee representative)

Linda Olsen  
(Director,  
employee representative)

Thor Espen Bråten  
(Director,  
employee representative)

Bjørn Kjos  
(Chief Executive Officer)

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1.1 – 31.12

NOK 1 000	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	Total equity
Equity at January 1, 2014	3 516	1 093 549	72 744	1 169 810	(11 102)	1 591 121	2 749 829
Net profit for the year	-	-	-	-	-	(1 069 763)	(1 069 763)
Available for sale financial assets	-	-	-	-	(1 158)	-	(1 158)
Actuarial gains and losses	-	-	-	-	-	(52 493)	(52 493)
Exchange rate differences Group	-	-	-	-	467 359	-	467 359
Comprehensive income 2014	-	-	-	-	466 201	(1 122 255)	(656 054)
Equity change on employee options	-	-	14 477	14 477	-	-	14 477
Transactions with owners	-	-	14 477	14 477	-	-	14 477
<b>Equity December 31, 2014</b>	<b>3 516</b>	<b>1 093 549</b>	<b>87 221</b>	<b>1 184 287</b>	<b>455 099</b>	<b>468 865</b>	<b>2 108 251</b>
Net profit for the year	-	-	-	-	-	246 152	246 152
Actuarial gains and losses	-	-	-	-	-	44 533	44 533
Exchange rate differences Group	-	-	-	-	421 093	-	421 093
Comprehensive income 2015	-	-	-	-	421 093	290 685	711 778
Share issue	60	138 082	-	138 142	-	-	138 142
Equity change on employee options	-	-	7 141	7 141	-	-	7 141
Transactions with owners	60	138 082	7 141	145 284	-	-	145 284
<b>Equity December 31, 2015</b>	<b>3 576</b>	<b>1 231 632</b>	<b>94 362</b>	<b>1 329 571</b>	<b>876 192</b>	<b>759 550</b>	<b>2 965 312</b>

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## CONSOLIDATED CASH FLOW STATEMENT 1.1 – 31.12

NOK 1 000	Note	2015	2014
<b>Cash flows from operating activities:</b>			
Profit (loss) before tax		75 038	(1 627 047)
Taxes paid	<a href="#">9</a>	(44 056)	(202 796)
Depreciation, amortization and write-down	<a href="#">10, 11</a>	1 133 287	748 138
Pension expense without cash effect		5 480	21 569
Profit from associated company	<a href="#">26</a>	(103 441)	(57 631)
Compensation expense for employee options	<a href="#">17</a>	7 141	14 477
Fair value (gains)/losses on financial assets	<a href="#">20</a>	474 150	583 751
Realized effects from currency and derivative contracts		(899 161)	(76 246)
Financial items	<a href="#">8</a>	376 178	274 139
Interest received	<a href="#">8</a>	74 172	70 471
Change in inventories, accounts receivable and accounts payable		(292 082)	193 363
Change in air traffic settlement liabilities		1 049 001	398 908
Change in other current assets and current liabilities		501 000	(53 994)
<b>Net cash flow from operating activities</b>		<b>2 356 707</b>	<b>287 104</b>
<b>Cash flows from investing activities:</b>			
Prepayments aircraft purchase	<a href="#">11</a>	(3 138 767)	(2 402 406)
Purchase of tangible assets	<a href="#">11</a>	(2 022 951)	(2 580 099)
Purchase of intangible assets	<a href="#">10</a>	(45 685)	(31 715)
Proceeds from sales of tangible assets	<a href="#">11</a>	18 250	84 222
Payment to associated company	<a href="#">26</a>	-	(1 389)
<b>Net cash flow from investing activities</b>		<b>(5 189 153)</b>	<b>(4 931 386)</b>
<b>Cash flows from financial activities:</b>			
Proceeds from long-term debt	<a href="#">22</a>	5 553 592	6 060 958
Payment of long-term debt	<a href="#">22</a>	(1 827 543)	(1 259 335)
Interest on borrowings		(581 903)	(323 192)
Proceeds from issuing new shares		138 142	-
<b>Net cash flow from financial activities</b>		<b>3 282 288</b>	<b>4 478 431</b>
Foreign exchange effect on cash		(6 820)	10 864
Net change in cash and cash equivalents		443 021	(154 987)
Cash and cash equivalents at January 1		2 011 139	2 166 126
<b>Cash and cash equivalents at December 31</b>	<a href="#">24</a>	<b>2 454 160</b>	<b>2 011 139</b>

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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 December 31, 2015 were authorized for issue by the Board of Directors on March 16, 2016.

### 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.

#### 1.2.1 Changes in accounting policies and disclosures

##### Standards, amendments and interpretations that are adopted

The following new or amended/revised IFRS or IFRIC interpretations approved by the EU and effective at the start of the financial year, beginning on or after January 1, 2015, have been implemented, but have not had any material impact on the Group other than minor disclosure changes related to some of the standards:

- Annual Improvements to IFRSs 2011-2013 Cycle

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

A number of new standards and amendments to standards and interpretations approved by the EU are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

There are also some new standards and amendments to standards that have not been approved by the EU as per December 31, 2015 whereas such standards are effective on January 1, 2016 or later. None of these new standards or amendments to standards have been applied in preparing these consolidated financial statements. From the Group's perspective the following new standards and interpretations not yet approved are the most important:

- IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 that relates to the classification and measurement

of financial instruments. IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness, and requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' 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. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and benefit from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Group is yet to assess the impact of IFRS 15.
- IFRS 16, 'Leases' replaces the current standards IAS 17 'Leases' whereas IFRS 16 elim-

inates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Under IFRS 16 leases are 'capitalized' by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). The standard is effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted. As the Group is lessee in a large number of leases being classified as operational leases under IAS 17, one expects a major increase in balance sheet totals and also material reclassifications between line items of the income statement. The Group is yet to assess IFRS 16's full impact. 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

The Group's consolidated financial statements comprise Norwegian Air Shuttle ASA, and its subsidiaries, presented in [note 25](#). Additionally, the Group has consolidated Special Pur-

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pose 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 and 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.

When the Group ceases to have control any 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.

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

An associate is an entity where the Group holds a significant influence but does not control the Management of its finances and operations (i.e. generally when the Group owns 20%-50% of the voting rights of the Company). The consolidated financial statements include the Group's share of the profits/losses from associates, 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. Dilution gains and losses arising in investments in associates are recognized in the income statement.

When the Group's share of a loss exceeds the Group's investment in an associate, 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 are eliminated in proportion to the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 functional 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 of 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 on the sale is recognized in the income statement as other income and any 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 compo-

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nents. 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 estimated useful life.

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 on the basis of 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 controlled 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 commence 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 Management's assessment 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 an-

nually 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 purposes of impairment testing, assets are grouped at the lowest levels of separately identifiable cash flows (cash-generating 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 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 reporting 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](#) and [1.12](#) 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 oc-



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cur. 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. Interests on available-for-sale securities which are 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, 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 2015 or 2014.

### 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 virtu-

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ally 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 December 1, 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 December 31, 2015.

Provisions for pension costs are detailed in [note 18](#).

#### 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. Prepaid 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 estimated 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 expected 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, 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

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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 wet lease, cargo and revenue from business activities in subsidiaries which are not airlines.

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 has implemented a frequent flyer program; Norwegian Reward. Reward members earn "CashPoints" and additional "Rewards" in the following circumstances:

- Bank Norwegian Customer; 1% of the payment is earned on all purchases. CashPoints are also earned on all LowFare and Flex tickets purchased from Norwegian Air Shuttle ASA, and which are paid with the Bank Norwegian credit card, with 5% and 20% of the purchase price, respectively, except for tickets for long distance and domestic travel in Norway and Sweden, which earn 2% on LowFare tickets and 20% on Flex tickets.
- Norwegian Air Shuttle ASA; Reward Members earn 2% on all LowFare tickets and 20% on all Flex tickets.
- Corporate Reward Members; 3% on all LowFare tickets and 7% on all Flex tickets.

- Members earn Cashpoints with selected merchants that are in cooperation with Norwegian Reward. Cash points can be earned on purchases in the range of 2-20%.

- More rewarding Rewards were introduced in 2015, and in addition to earning Cashpoints on all flights, members can receive additional Rewards for every sixth single flight. Additional Rewards are CashPoints Boost, Free Seating, Free luggage and Free Fast Track and it's valid for 12 months.

Member CashPoints gained from traveled 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 December 31, 2015 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 fulfillment 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 payments 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 lease back transactions are treated as financial leases and operating leases depending on the nature of the lease. The Group entered into no sale and lease back transactions in 2015 (none also in 2014). All sales and lease back 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 other losses/(gains)-net.

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### 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 Board of Directors and the Executive Management. The Group has one operating segment, which is low cost air passenger travel. The Group has one geographical segment which is the route portfolio. 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 lease contracts require the aircraft to be returned at the end of the lease in accordance with the specific redelivery conditions stated in the lease contracts. To meet this requirement, the Group must conduct maintenance on these aircraft, 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 future main-

tenance. For sensitivity analysis, see [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 two components for depreciation purposes in order to consider different useful lives of the aircraft components, in accordance with official 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. 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. See [note 9](#) for further details.

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 1.8](#). 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](#)).

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 are 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. The net income of the Group is also affected by currency fluctuations, as the profit and losses from foreign operations are translated into NOK using average exchange rates for the period. In order to reduce currency risk, the Group has a mandate to hedge up to 100% of its currency exposure

for the following 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, denominated in other currencies than the functional currency.

If NOK had weakened/strengthened by 1% against USD in 2015, with all other variables held constant, post-tax profit would have been NOK 30.2 million (2014: NOK 7.5 million) higher/lower, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments, cash and cash equivalents and long-term borrowings denominated in USD.

If NOK had weakened/strengthened by 1% against EUR with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 5.4 million (2014: NOK 8.6 million) higher/lower, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and cash and cash equivalents.

If NOK had weakened/strengthened by 1% against GBP with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 7.4 million (2014: NOK 5.6 million) higher/lower, mainly as a result of foreign exchange losses/gains on 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 in Ireland, whose net assets are exposed

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to foreign currency translation risk. Currency exposure 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 against USD with all other variables held constant, other comprehensive income would have been NOK 29.7 million (2014: 32.3 million) higher/lower. If NOK had weakened/strengthened against EUR with all other variables held constant, other comprehensive income would have been NOK 0.7 million (2014: 0 million) higher/lower.

### *Effects due to foreign exchange translations on net income*

Translation of net income from subsidiaries with functional currency other than NOK, also represents a currency exposure for the Groups reported figures. The sensitivity analysis is only carried out for the Group's major subsidiaries. If local currency had weakened/strengthened by 1% against all other currencies included in the analysis, net income for the Group would have been NOK 2.2 million lower/higher in 2015 (NOK 3.5 million in 2014).

### **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 the Ex-Im Bank of the United States. Borrowings are denominated in USD and NOK.

If the floating interest rate in 2015 had been 1% higher/lower with all other variables held constant, post-tax profit and post-tax

equity effect for the year would have been NOK 35.7 million (2014: NOK 13.1 million) higher/lower, 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](#).

### **2.4 Jet-fuel prices**

Expenses for jet-fuel represents a substantial part of the Group's operating costs, and fluctuations in the 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% 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 December 31, 2015, the Group held forward contracts totaling 752 000 tons of Jet Fuel, equaling approximately 50% of fuel consumption in 2016 and 20% of fuel consumption in 2017.

### **2.5 Credit risk**

Credit risk is managed on group 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.

Aircraft delivery	2016	2017–2018	2019–	Total
737-800	17	19	-	36
737 Max 8	-	12	88	100
Airbus 320 neo	4	18	78	100
787-9 Dreamliner	-	9	10	19
787-9 Dreamliner (operational lease)	4	7	-	11
<b>Total</b>	<b>25</b>	<b>65</b>	<b>176</b>	<b>266</b>

The Group's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2015, no aircraft were delivered and financed as sales and lease backs transactions (none also in 2014).

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.

The Group's aircraft fleet consist of leased aircraft ([note 12](#)) and owned aircraft ([note 11](#)), whereof the Group has 266 owned and leased aircraft on firm order with future delivery.

The table below shows the expected timeline of future deliveries of aircraft at December 31, 2015. Prepayments to aircraft manufacturers on future aircraft deliveries are financed by internal and external funds. The Group has ensured export credit support on all aircraft on order. Deliveries in 2016 will be financed through export guaranteed financing, in the US capital market or through other commercial 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 2016–2018.

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:

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<i>NOK 1 000</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At December 31, 2015</b>				
Borrowings	2 984 682	2 592 408	6 863 040	7 640 661
Derivative contracts – payments	782 523	-	-	-
Trade and other payables	2 862 566	-	-	-
Interest on borrowings*	594 935	537 951	1 201 827	843 391
<b>Total financial liabilities</b>	<b>7 224 707</b>	<b>3 130 359</b>	<b>8 064 867</b>	<b>8 484 052</b>

\*) *Calculated interests on 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 December 31, 2014</b>				
Borrowings	3 315 704	3 076 877	3 077 784	4 135 600
Financial lease liability	4 582	3 227	-	-
Derivative contracts – payments	458 958	-	-	-
Trade and other payables	2 680 445	-	-	-
Interest on borrowings*	403 210	552 269	555 595	334 770
<b>Total financial liabilities</b>	<b>6 862 898</b>	<b>3 632 373</b>	<b>3 633 379</b>	<b>4 470 371</b>

\*) *Calculated interests on borrowings*

### 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 Group will at all times adjust debt and equity to maintain and secure an optimal capital structure by continuously monitoring the total equity level and the equity ratio of the Group. This ratio is calculated as equity divided by total assets as presented in the con-

solidated statement of financial position and consolidated statement of changes in equity. The equity level is an important factor in financial covenants as detailed in [note 22](#). 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.

The equity ratios at December 31 were as follows:

<i>NOK 1 000</i>	2015	2014
Equity	2 965 312	2 108 251
Total assets	31 634 113	22 706 348
<b>Equity ratio</b>	<b>9.4%</b>	<b>9.3%</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 (Nordea, DNB, Handelsbanken, Danske Bank, Mitsui, SEB, and Pareto) at the reporting date.

#### 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 December 31, 2015:

<i>NOK 1 000</i>	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit and loss				
- Derivative financial instruments	-	-	-	-
Available-for-sale financial assets	-	-	82 689	82 689
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>82 689</b>	<b>82 689</b>
<b>Liabilities</b>				
- Derivative financial liabilities	-	782 523	-	782 523
<b>Total liabilities</b>	<b>-</b>	<b>782 523</b>	<b>-</b>	<b>782 523</b>

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

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The following table presents financial assets and liabilities measured at fair value at December 31, 2014:

NOK 1 000	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale financial assets	-	-	82 689	82 689
<b>Total assets</b>	-	-	82 689	82 689
<b>Liabilities</b>				
- Derivative financial liabilities	-	458 958	-	458 958
<b>Total liabilities</b>	-	458 958	-	458 958

### 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.

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 revenues, ancillary revenues and other revenues. A division of revenues from geographical markets categorizes domestic revenues as all domestic routes independent of country thus domestic routes in Norway, Sweden, Denmark and Finland are included.

NOK 1 000	2015	2014
<b>By activity:</b>		
Passenger transport	18 505 762	16 254 622
Ancillary revenue	3 275 289	2 727 439
Other revenues	702 493	557 978
<b>Total revenues</b>	<b>22 483 544</b>	<b>19 540 039</b>
<b>By geographic market:</b>		
Domestic	4 779 331	4 591 938
International	17 704 213	14 948 101
<b>Total revenues</b>	<b>22 483 544</b>	<b>19 540 039</b>

### NOTE 05: OPERATING EXPENSES

NOK 1 000	2015	2014
Sales and distribution expenses	612 286	469 111
Aviation fuel	5 184 475	6 321 053
Aircraft leases	2 213 251	1 845 940
Airport charges	2 949 313	2 723 910
Handling charges	2 336 785	1 854 844
Technical maintenance expenses	1 716 547	1 290 035
Other aircraft expenses	826 391	855 231
<b>Total operational expenses</b>	<b>15 839 048</b>	<b>15 360 124</b>

### NOTE 05A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 1 263.2 million (2014: NOK 1 049.6 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.

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

NOK 1 000	2015	2014
Wages and salaries	1 598 875	1 480 795
Social security tax	270 869	261 621
Pension expenses	230 265	213 371
Employee stock options	7 141	14 477
Other benefits	185 744	150 958
Hired crew personnel	1 140 810	1 087 764
<b>Total</b>	<b>3 433 703</b>	<b>3 208 987</b>

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

#### Number of man-labour years\*

	2015	2014
Norway	1 730	1 845
Sweden	430	573
Danmark	283	331
Finland	175	179
Spain	819	599
United Kingdom	564	280
Irland	55	12
Singapore/Bangkok	292	369
USA	228	185
<b>Total</b>	<b>4 576</b>	<b>4 375</b>

\*) Including man-labour 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 2015 was NOK 1.4 million (2014: NOK 1.5 million). The chair of the Board, Bjørn Kise, received NOK 0.5 million. (2014: NOK 0.5 million) There were no bonuses or other forms of compensation paid to the Board members in 2015.

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

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. There have been no changes to the guidelines or principles of management remuneration during the year. The actual remuneration in 2015 was consistent with the guidelines and principles.

Compensation made to the Executive Management should primarily consist of a fixed yearly salary with additional compensations such as 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 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 2015:

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	-
Ola Krohn-Fagervoll (Board member and Deputy chair until May 12, 2015)	300	-	-	-	300	-
Liv Berstad (Deputy chair)	275	-	-	-	275	-
Christian Fredrik Stray (Board member since May 12, 2015)	-	-	-	-	-	-
Ada Kjeseth (Board member since May 12, 2015)	-	-	-	-	-	-
Thor Espen Bråthen <sup>1</sup>	50	-	-	-	50	-
Kenneth Utsikt <sup>1</sup>	50	-	-	-	50	-
Linda Olsen <sup>1</sup>	50	-	-	-	50	-
Benedicte Elisabeth Schillbred Fasmer (Board member until January 1, 2015)	183	-	-	-	183	-
<b>Total Board of Directors</b>	<b>1 408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 408</b>	<b>-</b>
<b>Executive management</b>						
Bjørn Kjos (Chief Executive Officer)	-	2 138	-	163	2 301 <sup>a</sup>	65
Frode Foss (Chief Financial Officer)	-	2 169	-	163	2 332 <sup>b</sup>	79
Asgeir Nyseth (CEO Norwegian UK Ltd.) <sup>4</sup>	-	2 738	-	163	2 901 <sup>c</sup>	83
Gunnar Martinsen (Chief Human Resources Officer)	-	1 512	-	180	1 692 <sup>d</sup>	70
Anne-Sissel Skånvik (Chief Communications Officer)	-	1 515	-	152	1 667 <sup>e</sup>	92
Frode Berg (Chief Legal Officer)	-	1 627	-	158	1 785 <sup>f</sup>	79
Geir Steiro (Chief Operating Officer)	-	1 793	-	162	1 955 <sup>g</sup>	83
Thomas Ramdahl (Chief Commercial Officer)	-	1 508	-	163	1 671 <sup>h</sup>	76
Dag Skage (Chief Information Officer)	-	1 400	-	164	1 564	93
Tore Jenssen (CEO Norwegian Air International Ltd, included in executive management July 1, 2015)	-	768	-	77	845	36
Edward Thorstad (Chief Customer Officer, included in executive management July 1, 2015)	-	669	-	45	714	39
<b>Total executive management</b>		<b>17 837</b>	<b>-</b>	<b>1 590</b>	<b>19 427</b>	<b>795</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

a) Bjørn Kjos exercised share options in 2015 that has been reported as additional taxable income with TNOK 9 259

b) Frode Foss exercised share options in 2015 that has been reported as additional taxable income with TNOK 8 468

c) Asgeir Nyseth exercised share options in 2015 that has been reported as additional taxable income with TNOK 8 486

d) Gunnar Martinsen exercised share options in 2015 that has been reported as additional taxable income with TNOK 4 094

e) Anne-Sissel Skånvik exercised share options in 2015 that has been reported as additional taxable income with TNOK 4 094

f) Frode Berg exercised share options in 2015 that has been reported as additional taxable income with TNOK 1 864

g) Geir Steiro exercised share options in 2015 that has been reported as additional taxable income with TNOK 674

h) Thomas Ramdahl exercised share options in 2015 that has been reported as additional taxable income with TNOK 1 156

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### Total compensation year 2014:

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	-
Ola Krohn-Fagervoll (Deputy chair)	300	-	-	-	300	-
Liv Berstad	275	-	-	-	275	-
Marianne Wergeland Jenssen (Board member until May 2014)	275	-	-	-	275	-
Thor Espen Bråthen <sup>1</sup>	50	-	-	-	50	-
Kenneth Utsikt <sup>1</sup>	50	-	-	-	50	-
Linda Olsen <sup>1</sup>	50	-	-	-	50	-
Benedicte Elisabeth Schillbred Fasmer (Board member from May 2014)	-	-	-	-	-	-
<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) <sup>4</sup>	-	2 918	-	169	3 087	80
Frode Foss (Chief Financial Officer)	-	2 116	-	175	2 291	76
Asgeir Nyseth (CEO Norwegian UK Ltd.) <sup>5</sup>	-	3 455	-	160	3 615	81
Gunnar Martinsen (Chief Human Resources Officer)	-	1 450	-	171	1 621	67
Anne-Sissel Skånvik (Chief Communications Officer)	-	1 456	-	155	1 611	96
Per-Ivar Gjørvad (Chief IT Officer, until October 13, 2014)	-	941	-	140	1 081	81
Frode Berg (Chief Legal Officer)	-	1 621	-	160	1 781	78
Geir Steiro (Chief Operating Officer)	-	1 835	-	168	2 003	141
Thomas Ramdahl (Chief Commercial Officer)	-	1 372	-	120	1 492	75
Dag Skage (Chief Information Officer, started on October 13, 2014)	-	309	-	37	346	-
<b>Total executive management</b>	<b>-</b>	<b>17 473</b>	<b>-</b>	<b>1 455</b>	<b>18 928</b>	<b>775</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 delayed payment of previous years salary adjustment.

5) Including compensation for expatriation.

No share options were exercised by the Management in 2014.

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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### Audit remuneration (excl. VAT)

NOK 1 000	2015	2014
Audit fee	5 525	1 519
Other audit related services	474	1 131
Tax advisory	-	46
Other services	2 072	2 520
<b>Total</b>	<b>8 071</b>	<b>5 216</b>

All amounts stated exclude VAT. Deloitte has been the Group's auditor since June 21, 2013.

### NOTE 08: NET FINANCIAL ITEMS

NOK 1 000	2015	2014
Interest income	74 181	51 681
Interest expense	(463 348)	(302 653)
Net foreign exchange (loss) or gain	26 503	(36 948)
Appreciation cash equivalents	(2 122)	17 589
Fair value adjustment long term deposits		1 219
Other financial items	(11 392)	(5 027)
<b>Net financial items</b>	<b>(376 178)</b>	<b>(274 139)</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 gain of NOK 26.5 million is recognized in 2015 (2014: NOK 36.9 million loss). 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	2015	2014
Tax payable	4 393	208 538
Tax paid in current year on current year income	-	-
Adjustments from previous year	(127 141)	(317 909)
Change in deferred tax	(48 366)	(447 913)
<b>Income tax expense</b>	<b>(171 114)</b>	<b>(557 284)</b>

Adjustments from previous years consists of both taxes paid in 2015 related to earlier years tax assessments, and changes in deferred tax from previous years, please see table below.

Reconciliation from nominal to effective tax rate:

NOK 1 000	2015	2014
Profit before tax	75 038	(1 627 047)
Expected tax expense using nominal tax rate (27%)	20 260	(439 303)
<b>Tax effect of the following items:</b>		
Non deductible expenses/income	(31 889)	(218 980)
Adjustments from previous year	(127 141)	(118 488)
Tax rate outside Norway other than 27%	(66 522)	94 999
Change in tax rate in Norway to 25%	46 336	-
Other items	(12 158)	124 487
<b>Tax expense</b>	<b>(171 114)</b>	<b>(557 284)</b>
Effective tax rate	<b>(228.04%)</b>	34.25%

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The following table details deferred tax assets and liabilities:

### Deferred tax:

NOK 1 000

	Assets 2015	Liabilities 2015	Assets 2014	Liabilities 2014
Intangible assets	(25 587)	-	(10 872)	(12 035)
Tangible assets	(322 945)	-	28 345	(157 816)
Long term receivables and borrowings in foreign currency	-	-	-	-
Inventories	15 979	-	12 160	-
Receivables	4 757	-	3 607	-
Financial instruments	200 371	-	123 919	-
Derferred gains/losses	(33 846)	-	(43 093)	-
Other accruals	27 790	-	28 131	-
Pensions	26 173	-	-	-
Other temporary differences	(14 145)	-	(53 022)	-
Loss carried forward	715 078	-	429 740	-
<b>Gross deferred tax assets and liabilities</b>	<b>593 625</b>	<b>-</b>	<b>518 915</b>	<b>(169 851)</b>

### Reconciliation of deferred tax assets and liabilities:

Recognized at January 1	518 915	(169 851)	28 517	(443 991)
Charged/credited to the income statement	(174 327)	222 692	592 836	(144 923)
Adjustment from previous year	180 032	(3 164)	(130 447)	443 991
Charged directly to equity	6 724	-	-	-
Translation differences	62 281	(49 677)	28 008	(24 929)
<b>Recognized at December 31</b>	<b>593 625</b>	<b>-</b>	<b>518 915</b>	<b>(169 851)</b>

Deferred tax asset is 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 Group reporting last year and each company's tax reporting finalized later in 2015.

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### NOTE 10: INTANGIBLE ASSETS

NOK 1 000	Other intangible assets				Total
	Software	Goodwill	Indefinite life	Definite life	
Acquisition costs January 1, 2014	355 570	94 157	29 235	69 574	548 536
Additions	31 715	-	-	-	31 715
Acquisition costs December 31, 2014	387 285	94 157	29 235	69 574	580 251
Acquisition costs January 1, 2015	387 285	94 157	29 235	69 574	580 251
Additions	45 861	-	-	-	45 861
Acquisition costs December 31, 2015	433 146	94 157	29 235	69 574	626 112
Accumulated amortization January 1, 2014	253 692	-	-	69 574	323 266
Amortization	50 159	-	-	-	50 160
Accumulated amortization December 31, 2014	303 851	-	-	69 574	373 425
Accumulated amortization January 1, 2015	303 851	-	-	69 574	373 425
Amortization	46 012	-	-	-	46 012
Accumulated amortization December 31, 2015	349 863	-	-	69 574	419 437
Book value at December 31, 2014	83 434	94 157	29 235	-	206 826
Book value at December 31, 2015	83 283	94 157	29 235	-	206 675
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 Norwegian Air Shuttle Sweden AB on July 31, 2007. 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 2015, or in 2014.

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 discount rate is 7.4% (2014: 6.2%) 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 5% will not result in impairment of goodwill and intangible assets.

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### 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 2015.

### 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 5% of total costs, with all other assumptions unchanged, will not result in impairment of assets.

### Terminal value

A growth rate of 2% is used in calculating cash flow beyond the eight year period.

### Sensitivity

At December 31, 2015, the Group's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. The impairment calculation is not particularly sensitive to changes in assumptions.

## NOTE 11: TANGIBLE ASSETS

NOK 1 000	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment Boeing contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at January 1, 2014	14 966	8 702 767	2 514 883	181 007	34 607	11 448 230
Additions	239 883	2 290 038	2 556 247	40 594	-	5 126 762
Transfers	-	1 172 167	(1 172 167)	-	-	-
Foreign currency translation	-	2 460 832	203 701	606	-	2 665 140
<b>Acquisition cost at December 31, 2014</b>	<b>254 849</b>	<b>14 625 805</b>	<b>4 102 664</b>	<b>222 207</b>	<b>34 607</b>	<b>19 240 132</b>
Acquisition cost at January 1, 2015	254 849	14 625 805	4 102 664	222 207	34 607	19 240 132
Additions	38 995	1 985 659	3 398 478	33 533	-	5 456 666
Transfers	-	2 461 462	(2 461 462)	-	-	-
Disposals	-	(39 498)	-	-	(28 306)	-
Foreign currency translation	-	2 910 745	899 600	701	-	3 811 047
<b>Acquisition cost at December 31, 2015</b>	<b>293 845</b>	<b>21 944 173</b>	<b>5 939 281</b>	<b>256 442</b>	<b>6 301</b>	<b>28 507 845</b>
Accumulated depreciation at January 1, 2014	-	1 176 059	-	108 035	13 367	1 297 461
Depreciation	2 613	662 871	-	30 486	2 006	697 977
Foreign currency translation	-	258 942	-	-	-	258 942
<b>Accumulated depreciation at December 31, 2014</b>	<b>2 613</b>	<b>2 097 872</b>	<b>-</b>	<b>138 521</b>	<b>15 373</b>	<b>2 254 380</b>
Accumulated depreciation at January 1, 2015	2 613	2 097 872	-	138 521	15 373	2 254 380
Depreciation	5 557	1 042 239	-	38 315	1 162	1 087 274
Depreciation disposals	-	(27 965)	-	-	(10 235)	-
Foreign currency translation	-	324 320	-	97	-	324 418
<b>Accumulated depreciation at December 31, 2015</b>	<b>8 171</b>	<b>3 436 467</b>	<b>-</b>	<b>176 934</b>	<b>6 301</b>	<b>3 666 071</b>
<b>Book value at December 31, 2014</b>	<b>252 236</b>	<b>12 527 931</b>	<b>4 102 664</b>	<b>83 688</b>	<b>19 233</b>	<b>16 985 752</b>
<b>Book value at December 31, 2015</b>	<b>285 674</b>	<b>18 507 706</b>	<b>5 939 281</b>	<b>79 508</b>	<b>0</b>	<b>24 812 169</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 December 31, 2015, the Group operated a total of 101 (2014: 100) aircraft, whereas 54 (2014: 48) were owned and 47 (2014: 52) were leased under operational leases. See [note 12](#) for details about operational leases.

### Aircraft

The Group acquired 10 (2014: 11) Boeing 737-800 and 1 (2014: 1) Boeing 787-8 aircraft during 2015.

The residual value is NOK 5 770 million (2014: NOK 3 686 million) in total for all owned aircraft and deducted from the depreciable amount of the body of the aircraft. The life expectancy of the body of the aircraft is 25 years for the 737 and the 787 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 December 31 2013 and during 2014. Hence, the values in consolidated accounts as per December 31, 2015 include effects from currency translation.

### 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 2015 and 2014 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% of the acquisition cost is calculated as residual value.

### Buildings

Buildings consist of three 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. 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.

### 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 October 22, 2015, the subsidiary

Arctic Aviation Assets Ltd entered into a purchase contract for 19 new 787-9 Dreamliner aircraft, with an additional purchase option of 10 aircraft. [Note 2.6](#) includes a table showing the timeline of future deliveries.

At December 31, 2015, 54 owned and 13 sale and lease backs had been delivered (2014: 43 and 13). 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 268.6 million (2014: NOK 144.6 million) have been capitalized during the year. An average capitalization rate of 4.1% (2014:4.5%) 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 four years. 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 impairment losses have been recognized in 2015 or 2014.

For information regarding assets pledged as collateral for debt, see [note 23](#).

## NOTE 12: OPERATING LEASES

The lease agreements on the Boeing 737 aircraft last between three and ten 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 2012, 59 aircraft were delivered. In 2013 and 2014, nine and three aircraft were delivered respectively, including sale leaseback. Renegotiations have resulted in the extension of some of the shorter leases. In 2015, three (2014: three) aircraft were redelivered to the lessor. Contracts for five of the aircraft will expire in 2016. The remaining contracts expire in 2017 or later.

Leasing costs expensed on aircraft lease within operational expenses was NOK 2 108.2 million in 2015 (2014: NOK 1 537.1 million). Included in leasing costs are operating lease costs on aircraft from sale-and-leaseback transactions.

In addition, the Group leases one (2014: 11) car and 37 (2014: 37) properties in Oslo, Stavanger, Stockholm and Copenhagen, Alicante, Bangkok, Barcelona, Bergen, Dublin, Florida, Helsinki, Las Palmas, London, Madrid, Malaga, Malmø, New York, Sandefjord, Tenerife, Tromsø and Trondheim. Leasing costs related to cars and properties expensed in other operating expenses in 2015 was NOK 63.1 million. (2014: NOK 59.8 million).

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

NOK 1 000	Nominal value 2015				Nominal value 2014			
	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within one year	3 172 354	168	45 993	3 218 516	2 548 002	3 776	51 555	2 603 334
Between 1 and 5 years	20 187 542	196	74 113	20 261 852	8 803 064	3 707	87 366	8 894 137
After 5 years	19 882 063	-	-	19 882 063	7 140 299	-	26 736	7 167 035

The aircraft's minimum lease payments consist of ordinary lease payments, contractual payments for maintenance reserves and expensed deferred lease payments resulting from non-interest bearing deposits paid at inception of lease agreements. Aircraft leases committed through letter of intent are not included in the table above.

### NOTE 13: TRADE AND OTHER RECEIVABLES

#### Spesification of receivables

NOK 1 000	2015	2014
Trade receivables	349 994	327 071
Credit card receivables	1 107 291	942 659
Deposits	704 063	461 537
Deferred leasing costs	35 962	35 962
Reimbursements claims maintenance costs	174 162	379 015
Other claims	99 992	33 725
<b>Trade and other receivables</b>	<b>2 471 465</b>	<b>2 179 969</b>
Prepaid costs	348 329	202 278
Public duty debt	153 643	134 679
Prepayments to employees	6 022	5 663
Prepaid rent	73 067	71 994
<b>Prepayments</b>	<b>581 062</b>	<b>414 614</b>
<b>Total</b>	<b>3 052 526</b>	<b>2 594 583</b>
Maximum credit risk	1 631 447	1 648 745

#### Due dates

NOK 1 000	2015	2014
Within one year	2 550 716	2 173 523
After 1 year	501 811	421 060
<b>Total</b>	<b>3 052 526</b>	<b>2 594 583</b>

#### Fair value of trade and other receivables

NOK 1 000	2015	2014
Due within one year	2 550 716	2 173 523
After one year*	463 553	384 989
<b>Total</b>	<b>3 014 269</b>	<b>2 558 511</b>

\*) Discount rate 2,5% (2014: 2,5%) . For receivables due within one year, fair value is equal to nominal value.

#### Provision for bad debt

NOK 1 000	2015	2014
Balance January 1	31 791	12 879
Charged to the income statement	34 382	16 963
Accruals	12 406	22 693
Reversals	(62 605)	(20 744)
<b>Balance December 31</b>	<b>15 974</b>	<b>31 791</b>

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

#### Overdue accounts receivables

NOK 1 000	2015	2014
Overdue less than 1 month	49 107	129 885
Overdue 1-2 months	6 795	5 009
Overdue 2-3 months	1 305	819
Overdue over 3 months	12 142	11 080
<b>Total</b>	<b>69 348</b>	<b>146 793</b>



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Provisions for bad debt include trade – and credit card receivables. The provisions for bad debts on trade receivables relates to provisions for overdue receivables that are not impaired at December 31. 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	2015	2014
Consumables	90 943	69 653
Parts for heavy maintenance	13 198	13 198
<b>Total</b>	<b>104 141</b>	<b>82 851</b>

In 2015 and 2014 the Group removed stock parts from aircraft engines in relation to heavy maintenance. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2015 were NOK 33.9 million (2014: NOK 28.7 million).

### NOTE 15: EQUITY AND SHAREHOLDER INFORMATION

At December 31 the share capital consists of the following share categories:

NOK 1 000	Number of shares	Ordinary shares	Share premium	Total
January 1, 2014	35 162 139	3 516	1 093 549	1 097 065
<b>December 31, 2014</b>	<b>35 162 139</b>	<b>3 516</b>	<b>1 093 549</b>	<b>1 097 065</b>
Share issue May 7, 2015	252 500	25	58 353	58 378
Share Issue July 23, 2015	183 500	18	42 407	42 425
Share issue September 18, 2015	161 500	16	37 323	37 339
<b>December 31, 2015</b>	<b>35 759 639</b>	<b>3 576</b>	<b>1 231 631</b>	<b>1 235 207</b>

All issued shares are fully paid with a par value of 0.1 NOK per share (2014: 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:

#### Translation differences

NOK 421.1 million has been booked as comprehensive income at December 31, 2015 (2014: NOK 467.4 million). The translation differences arise from translating the subsidiaries from functional currency to presentation currency.

#### Actuarial gains and losses

At December 31, 2015, NOK 44.5 million in actuarial loss arising from the Group defined benefit pension plan was booked directly to equity (2014: -52.5).

#### Stock option plan

Share options were granted in 2013, under which a total of 625 000 share options were granted to the Management and to key personnel. The options had an exercise price 10% above the weighted average price on March 20, 2013 which is equal to NOK 231.20. The options granted were to be exercised two years after the grant, and the exercise window were set to six months.

Through 2015 the stock options granted in 2013 were either exercised or terminated. No new share options have been granted in 2014 or in 2015.

Total share option expense in 2015 was NOK 7.1 million (2014: NOK 14.5). See [note 17](#) for further details.

#### Shareholder structure

The largest shareholders at December 31, 2015 were:

	A-Shares	Ownership	Voting rights
HBK Invest AS	8 795 873	24.60%	24.60%
Folketrygdfondet	3 020 703	8.45%	8.45%
Verdipapirfondet DNB Norge (IV)	1 121 036	3.13%	3.13%
Skagen Vekst	1 100 000	3.08%	3.08%
Ferd AS	987 500	2.76%	2.76%
Danske Invest Norske Instit. II.	885 247	2.48%	2.48%
Skagen Kon-Tiki	800 000	2.24%	2.24%
Clearstream Banking S.A.	645 310	1.80%	1.80%
Verdipapirfondet DNB Norge Selektiv	585 568	1.64%	1.64%
Danske Invest Norske Aksjer Inst	510 197	1.43%	1.43%
Verdipapirfondet KLP Aksjenorge	500 575	1.40%	1.40%
Morgan Stanley & Co. International	488 986	1.37%	1.37%
DNB Livsforsikring ASA	416 647	1.17%	1.17%
Verdipapirfondet Handelsbanken	400 000	1.12%	1.12%
Statoil Pensjon	394 724	1.10%	1.10%
Deutsche Bank AG	389 682	1.09%	1.09%
Storebrand Norge I	335 822	0.94%	0.94%
Swedbank Generator	320 989	0.90%	0.90%
Kommunal Landspensjonskasse	304 816	0.85%	0.85%
DNB NOR Markets, aksjehand/analyse	295 309	0.83%	0.83%
Other	13 460 655	37.64%	37.64%
<b>Total number of shares</b>	<b>35 759 639</b>	<b>100%</b>	<b>100%</b>

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### Shareholder structure

The largest shareholders at December 31, 2014 were:

	A-shares	Ownership	Voting rights
HBK Invest AS	8 795 873	25.02%	25.02%
Folketrygdfondet	2 441 393	6.94%	6.94%
Skagen Vekst	1 551 707	4.41%	4.41%
Verdipapirfondet DNB Norge (IV)	1 444 419	4.11%	4.11%
Skagen Kon-Tiki	1 048 248	2.98%	2.98%
Danske Invest Norske Instit. II.	888 707	2.53%	2.53%
Clearstream Banking S.A.	797 842	2.27%	2.27%
DNB NOR Markets, aksjehandel	795 300	2.26%	2.26%
Morgan Stanley & Co. International	637 850	1.81%	1.81%
Credit Suisse Securities	597 985	1.70%	1.70%
Verdipapirfondet DNB Norge selektiv	582 654	1.66%	1.66%
KLP Aksje Norge VPF	523 395	1.49%	1.49%
Statoil Pensjon	510 198	1.45%	1.45%
Danske Invest norske aksjer	509 297	1.45%	1.45%
BNP Paribas S.A.	505 000	1.44%	1.44%
J.P. Morgan Chase Bank N.A. London	492 874	1.40%	1.40%
JP Morgan Chase Bank, N.A	423 275	1.20%	1.20%
Deutsche Bank AG	352 722	1.00%	1.00%
Odin Norge	321 805	0.92%	0.92%
Kommunal Landspensjonskasse	319 816	0.91%	0.91%
Other	11 621 779	33.05%	33.05%
<b>Total number of shares</b>	<b>35 162 139</b>	<b>100%</b>	<b>100%</b>

The shareholding of HBK Invest at December 31, 2015 and December 31, 2014 reflects the actual shareholding and may deviate from the official shareholder register as HBK Invest has signed a securities lending agreement with Nordea and Danske Bank. Under this agreement these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligations.

### 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	723 901
Liv Berstad	Board member	-
Ada Kjeseth	Board member	-
Christian Fredrik Stray	Board member	-
Linda Olsen	Board member – employee representative	-
Thor Espen Bråten	Board member – employee representative	738
Kenneth Utsikt	Board member – employee representative	451
Bjørn Kjos <sup>3</sup>	Chief Executive Officer	7 443 315
Frode E Foss	Chief Financial Officer	35 000
Asgeir Nyseth	CEO Norwegian UK Ltd.	12 342
Geir Steiro	Chief Operating Officer	-
Anne-Sissel Skånvik	Chief Communications Officer	-
Gunnar Martinsen	Chief Human Resources Officer	9 519
Thomas Ramdahl	Chief Commercial Officer	-
Frode Berg	Chief Legal Officer	-
Dag Skage	Chief Information Officer	-
Tore K. Jenssen	CEO Norwegian Air International Ltd.	-
Edward Thorstad	Chief Customer Officer	2 385

<sup>1</sup> Including shares held by related parties

<sup>2</sup> Bjørn Kise holds 8.2% of HBK invest AS

<sup>3</sup> Bjørn Kjos holds 84.1% of HBK Invest AS

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

Name	Title	2014	Exercised 2015	Outstanding 2015
Bjørn Kjos	Chief Executive Officer	100 000	(100 000)	-
Frode E. Foss	Chief Financial Officer	100 000	(100 000)	-
Geir Steiro	Chief Operating Officer	10 000	(10 000)	-
Asgeir Nyseth	CEO Norwegian UK Ltd.	100 000	(100 000)	-
Frode Berg	Chief Legal Officer	20 000	(20 000)	-
Anne-Sissel Skånvik	Chief Communications Officer	50 000	(50 000)	-
Gunnar Martinsen	Chief Human Resources Officer	50 000	(50 000)	-
Thomas Ramdahl	Chief Commercial Officer	15 000	(15 000)	-



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### Specification of other reserves

	Available-for sale financial assets	Translation differences	Total
<b>January 1, 2014</b>	1 158	(12 260)	<b>(11 102)</b>
Available for sale financial assets	(1 158)	-	<b>(1 158)</b>
Translation differences	-	467 359	<b>467 359</b>
<b>December 31, 2014</b>	-	455 099	<b>455 099</b>
Translation differences	-	421 093	<b>421 093</b>
<b>December 31, 2015</b>	-	876 192	<b>876 192</b>

Other paid-in capital consists of accumulated stock option expenses.

### 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)	2015	2014
Profit	<b>246 152</b>	(1 069 763)
Average number of shares outstanding	<b>35 233 540</b>	35 162 139
Average number of shares and options outstanding	<b>35 591 045</b>	35 787 139
Basic earnings per share	<b>6.99</b>	(30.42)
Diluted earnings per share	<b>6.92</b>	(29.89)

	2015	2014
Average number of shares outstanding	<b>35 233 540</b>	35 162 139

#### Dilutional effects

Stock options	<b>357 505</b>	625 000
Average number of shares outstanding adjusted for dilutional effects	<b>35 591 045</b>	35 787 139

### NOTE 17: OPTIONS

In 2013, the Board issued 625 000 share options to employees. The share options had an exercise price of NOK 231.2, equal to 10% above the weighted average share price on March 20, 2013. The share options were to be exercised two years after the grant, with an exercise window of six months. There were no share option grants in 2014 or in 2015.

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 was no market conditions linked to the vesting of the options.

The following estimates were used in calculating the fair value for options granted in 2013:

	2015
Dividend (%)	0%
Expected volatility (%)	45.00%
Risk-free interest (%)	1.33%
Expected lifetime (years)	2.50
Share price at grant date	216.40

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 is expensed with NOK 7.1 million in 2015 (NOK 14.5 in 2014).

	2015 shares	Weighted avg. exerc. price	2014 shares	Weighted avg. exerc. price
Outstanding at the beginning of the period	<b>625 000</b>	<b>231.20</b>	625 000	231.2
Exercised	<b>597 500</b>	<b>231.20</b>	-	-
Terminated	<b>27 500</b>	<b>231.20</b>	-	-
Outstanding at the end of the period	-	-	625 000	231.2
Vested options	-	-	-	-
Weighted average fair value of options allocated in the period	-	-	-	-

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Share options were exercised May 7, July 23, and September 18, 2015 respectively. The weighted average share price at the three exercise dates was NOK 330.86 per share.

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% of the purchased shares, limited to NOK 6 000 per year. In addition the Company will also distribute bonus shares depending on the total amount of purchased shares per employee.

The fair value of the bonus shares are 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 December 31, 2015, NOK 4.5 million (2014: NOK 2.9 million) was expensed.

### NOTE 18: PENSIONS

The Group operated defined benefit plans and defined contribution plans in Norway, Denmark and Sweden. 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 Norwegian, Danish and Swedish Pension legislation.

Pension expenses on defined contribution plans are NOK 227.2 million in 2015 (2014: NOK 130.2 million). The increase in expenses in 2015 relates to a transfer of pilot employee contracts from Norwegian Air Norway AS to Pilot Services Norway AS. 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 December 31, 2015, 106 employees were active members (2014: 391) and five (2014: one) were on pension retirement. The related pension liability is recognized at NOK 135.8 million (2014: 201.8 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 had no material effect on the consolidated financial statements in 2015.

### Pension expense

NOK 1 000	Funded	
	2015	2014
Net present value of benefits earned	31 270	65 633
Interest cost on pension liability	3 372	6 253
Return on plan assets	(160)	(831)
Administrative expenses	303	296
Recognized settlement	(12 366)	-
Social security tax	(4 154)	11 796
<b>Net pension expense defined benefit plans</b>	<b>18 265</b>	<b>83 146</b>
Pension expense on defined contribution plans	199 758	110 282
Social security tax	27 476	19 943
<b>Total pension expense</b>	<b>245 499</b>	<b>213 371</b>

### Defined benefit liability and fund

NOK 1 000	Funded	
	2015	2014
<b>Change in present value of defined benefit liability:</b>		
Gross pension liability January 1	243 243	124 671
Current service costs	36 499	65 633
Interest cost	4 206	7 285
Actuarial gains/losses	(86 010)	45 654
Settlement	-	-
Social security on payments to plan	(4 348)	-
<b>Gross pension liability December 31</b>	<b>193 582</b>	<b>243 243</b>
<b>Change in fair value of plan assets:</b>		
Fair value of pension assets January 1	65 613	14 204
Expected return	801	1 421
Actuarial gains/losses	(38 176)	(6 839)
Administrative expenses	-	(296)
Contributions paid	35 185	57 124
Benefits paid	(9)	-
<b>Fair value of plan assets December 31</b>	<b>59 066</b>	<b>65 613</b>
Net pension liability	134 516	177 630
Social security tax	-	24 252
<b>Net recognized pension liability December 31</b>	<b>134 516</b>	<b>201 883</b>

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	2015	2014
Actual return on pension funds*	4.80%	4.40%
Expected contribution to be paid next year (NOK 1000)	15 535	80 422

\*) 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 25 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 2.5%.

	2015	2014
Discount rate	2.70%	2.30%
Expected return on pension funds	2.70%	2.30%
Wage adjustments	2.25%	2.50%
Increase of social security base amount (G)	2.25%	2.50%
Future pension increase	0.00%	0.00%
Average turnover	2-8%	2-8%

The Groups pension fund is invested in the following instruments:

	2015	2014
Equity	6.1%	7.2%
Alternative investments	4.0%	4.0%
Bonds	13.6%	15.3%
Money market funds	25.2%	23.5%
Hold-to maturity bonds	33.9%	32.6%
Real estate	14.7%	14.2%
Various	2.6%	3.3%

The table shows actual distribution of plan assets at December 31, 2015 and 2014.

### Historical information

(NOK 1 000)	2015	2014	2013	2012	2011
Present value of defined benefit obligation	193 582	243 243	124 671	-	955 334
Fair value of plan assets	59 066	65 613	14 204	-	515 629
<b>Deficit/(surplus) in the plan</b>	<b>134 516</b>	<b>177 630</b>	<b>110 468</b>	<b>-</b>	<b>439 705</b>
Experience adjustments on plan liabilities	(86 010)	45 654	-	-	108 905
Experience adjustments on plan assets	(38 176)	6 839	-	-	28 702

## NOTE 19: PROVISIONS

Periodic maintenance on leased Boeing 737 aircraft:

(NOK 1 000)	2015	2014
<b>Opening balance</b>	<b>919 237</b>	<b>467 607</b>
Charges to the income statement	(1 148 975)	(781 870)
Accruals	1 493 424	1 233 499
<b>Closing balance</b>	<b>1 263 688</b>	<b>919 237</b>
Classified as short term liabilities	86 174	83 756
Classified as long term provision	1 177 513	835 480

The lease contracts require the aircraft to be returned by the end of the lease term in accordance with specific redelivery conditions stated in the contract. In addition, the Group is obliged to follow the maintenance program as defined by Boeing. In order to meet this requirement, the Group must carry out maintenance of aircraft, both regularly as well as at the expiration of the leasing period. The overhauls and maintenance of the aircraft are contractual lease obligations. The specific event that gives rise to the obligation is each airborne hour or cycle completed by the aircraft as these determine the timing and nature of the overhauls and maintenance that must be carried out. 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 of expenses for the Group, is distributed over the period until the maintenance is conducted.

The estimation technique for maintenance reserve contribution (MRC) additional provisions is based on contractual payments for maintenance and mandatory maintenance. The estimated costs of overhauls and maintenance are based on the Group's maintenance program and contractual prices. In addition, additional provisions are set to meet redelivery conditions for leased aircraft. Additional provisions are dependent on redelivery date and redelivery conditions of the different lease terms. In case of lease extension, estimates on maintenance costs will be revised. For the additional provisions set to meet redelivery conditions, an increased cost upon redelivery of 10% would increase the MRC additional provisions with approximately NOK 10.3 million (2014: NOK 4.7 million)

Parts of the periodic maintenance will be conducted in 2016, and NOK 86.2 million is classified as a short-term liability for periodic maintenance (2014: NOK 83.8 million). The short-term part of periodic maintenance is estimated based on the planned maintenance in 2016.

### Other long-term liabilities

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

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## NOTE 20: FINANCIAL INSTRUMENTS

Financial instruments by category:

(NOK 1 000)	2015			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	-	-	-	-
Trade and other receivables*	2 471 465	-	-	<b>2 471 465</b>
Cash and cash equivalents	2 454 160	-	-	<b>2 454 160</b>
<b>Total</b>	<b>4 925 625</b>	<b>-</b>	<b>82 689</b>	<b>5 008 314</b>

\*) Prepayments not included in trade and other receivables

581 062

(NOK 1 000)	2014			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	-	-	-	-
Trade and other receivables*	2 179 876	-	-	<b>2 179 876</b>
Cash and cash equivalents	2 011 139	-	-	<b>2 011 139</b>
<b>Total</b>	<b>4 191 014</b>	<b>-</b>	<b>82 689</b>	<b>4 273 703</b>

\*) Prepayments not included in trade and other receivables

414 614

NOK 1 000	2015		Total
	Fair value through profit or loss	Other financial liabilities	
<b>Liabilities per balance sheet</b>			
Borrowings	-	19 584 793	<b>19 584 793</b>
Derivative financial instruments	782 523	-	<b>782 523</b>
Trade and other payables*	-	2 862 446	<b>2 862 446</b>
<b>Total</b>	<b>782 523</b>	<b>22 447 240</b>	<b>23 229 763</b>

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

123 068

NOK 1 000	2014		Total
	Fair value through profit or loss	Other financial liabilities	
<b>Liabilities per balance sheet</b>			
Borrowings	-	13 283 842	<b>13 283 842</b>
Derivative financial instruments	458 958	-	<b>458 958</b>
Trade and other payables*	-	2 680 312	<b>2 680 312</b>
<b>Total</b>	<b>458 958</b>	<b>15 964 154</b>	<b>16 423 112</b>

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

132 753

See [note 22](#) for details related to borrowings.

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### Credit quality of financial assets

<i>NOK 1 000</i>	2015	2014
<b>Trade receivables</b>		
Counterparties with external credit rating A or better	1 107 291	942 659
Counterparties without external credit rating	1 364 174	1 237 217
<b>Total trade receivables</b>	<b>2 471 465</b>	<b>2 179 876</b>
<b>Cash and cash equivalents</b>		
A+ or better	2 131 708	1 786 565
BBB +	322 452	224 574
<b>Total cash and cash equivalents</b>	<b>2 454 160</b>	<b>2 011 139</b>
<b>Derivative financial assets</b>		
A+ or better	-	-
<b>Total derivative and financial assets</b>	<b>-</b>	<b>-</b>
<b>Available-for sale financial assets</b>		
January 1	82 688	93 846
Additions	-	-
Sale	-	(11 158)
<b>December 31</b>	<b>82 688</b>	<b>82 688</b>
Non-current portion	82 688	82 688
Current portion	-	-

Available-for-sale financial assets at December 31, 2015 consist of an investment in an unlisted equity instrument in Silver Pensjonsforsikring and an investment in a listed bond issue in Bank Norwegian.

See [note 3](#) for fair value calculations.

### Derivative financial instruments

<i>NOK 1 000</i>	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	-	1 443	-	354
Forward commodities contracts	-	781 081	-	458 604
<b>Total</b>	<b>-</b>	<b>782 523</b>	<b>-</b>	<b>458 958</b>
Current portion	-	782 523	-	458 958

Trading derivatives are classified as current assets or liabilities.

The total amount from derivatives amounts to a loss of NOK 782.5 million (2014: loss of NOK 489.5 million). See details under the specification of 'Other losses/(gains) – net' below.

### Forward foreign currency contracts

The fair value of the outstanding forward foreign currency contracts at December 31, 2015 were NOK – 1.4 million (2014: NOK – 0.4 million). At December 31, 2015, the Group had forward foreign currency contracts to secure MDKK 140, MSEK 150, MPLN 3 and MGBP 5 (2014: MUSD 35, MDKK 125, MSEK 125 and MGBP 2).

### Forward commodities contracts

Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at December 31, 2015 were NOK – 781.1 million (2014: NOK – 458.6). As of December 31, 2015, the Group had secured 752 000 tons of Jet-fuel through forward contracts that matures in the period January 2016 – December 2017.

### Other losses/gains – net

<i>NOK 1 000</i>	2015	2014
Net losses/(gains) on financial assets at fair value through profit or loss	1 013 248	489 476
Foreign exchange losses/(gains) on operating activities	(539 098)	94 275
<b>Total</b>	<b>474 150</b>	<b>583 751</b>

## NOTE 21: TRADE AND OTHER PAYABLES

<i>NOK 1 000</i>	2015	2014
Accrued vacation pay	182 476	171 825
Accrued airport and transportation taxes	197 375	134 909
Accrued expenses	1 168 804	1 009 847
Trade payables	780 626	888 926
Payables to related party ( <a href="#">note 27</a> )	1 512	4 258
Public duties	123 068	132 753
Short-term provisions for MRC ( <a href="#">note 19</a> )	86 174	83 756
Other short-term provisions	322 530	254 171
<b>Total</b>	<b>2 862 566</b>	<b>2 680 445</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 December 31, 2015

NOK 1 000	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	3 252 375	(30 806)	3 221 569	6.5%
Facility agreement	1 477 191	(3 743)	1 473 448	4.5%
Aircraft financing	15 357 373	(467 598)	14 889 775	3.3%
Financial lease liability	-	-	-	0.0%
<b>Total</b>	<b>20 086 939</b>	<b>(502 146)</b>	<b>19 584 793</b>	

#### Nominal value at December 31, 2014

NOK 1 000	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	835 500	(4 684)	830 816	6.4%
Facility agreement	2 573 819	(5 888)	2 567 930	4.1%
Aircraft financing	10 198 354	(321 067)	9 877 287	3.5%
Financial lease liability	7 809	-	7 809	4.4%
<b>Total</b>	<b>13 615 482</b>	<b>(331 640)</b>	<b>13 283 842</b>	

Effective interest rate during 2015, recognized as financial items ([note 8](#)) and capitalized borrowing costs ([note 11](#)), is 4.1% (2015: 4.5%).

#### Classification of borrowings

NOK 1 000	2015	2014
<b>Non-current</b>		
Bond issue	3 221 569	543 316
Facility agreement	-	526 579
Aircraft financing	13 321 835	8 880 333
Financial lease liability	-	3 227
<b>Total</b>	<b>16 543 405</b>	<b>9 953 455</b>
<b>Current</b>		
Bond issue	-	287 500
Facility agreement	1 473 448	2 041 351
Aircraft financing	1 567 940	996 954
Financial lease liability	-	4 582
<b>Total</b>	<b>3 041 388</b>	<b>3 330 387</b>
<b>Total borrowings</b>	<b>19 584 793</b>	<b>13 283 842</b>

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

NOK 1 000	2015	2014
USD	16 363 223	12 445 217
NOK	2 028 024	838 625
EUR	1 193 545	-
<b>Total</b>	<b>19 584 793</b>	<b>13 283 842</b>

Collateralized borrowings are detailed in [note 23](#).

#### Covenants

##### Bond issues

Minimum Equity of 1500 million

Dividend payments less than 35% of net profit

No dividends unless liquidity is above NOK 1 000 million

Minimum liquidity of NOK 500 million

##### Revolving credit facilities

There are no financial covenants on revolving credit facilities.

##### Aircraft financing

No financial covenants. All borrowings related to delivery of new 737-800 aircraft from Boeing are guaranteed by the Ex-Im Bank of the United States. The Ex-Im Bank of the United States has pledged security in the owned aircraft delivered under the Boeing contract.

There are no financial covenants related to the financial lease liabilities.

The Group has not been in breach of any covenants during 2015.

#### Fair value calculations

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

NOK 1 000	Carrying amount		Fair Value	
	2015	2014	2015	2014
Bond issue	3 221 569	543 316	3 253 120	534 071
Facility agreement	-	526 579	-	629 544
Aircraft financing	13 321 835	8 880 333	14 055 338	10 522 867
Financial lease liability	-	3 227	-	4 694
<b>Total fair value</b>	<b>16 543 405</b>	<b>9 953 455</b>	<b>17 308 458</b>	<b>11 691 176</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 are based on cash flows which are discounted using a rate based on the following assumptions:



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### 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 matured April 13, 2015. The coupon is 3M NIBOR + 5.5%.

ISIN: NO0010642200

Ticker: NAS03

Name: Norwegian Air Shuttle ASA 12/15 FRN

### Bond Issue II

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 July 3, 2017. The coupon is 3M NIBOR + 3.75%.

ISIN: NO0010713860

Ticker: NAS04

Name: Norwegian Air Shuttle ASA

### Bond Issue III

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 November 21, 2017. The coupon is 3M NIBOR + 4.0%.

ISIN: NO0010724313

Ticker: NAS05

Name: FRN Norwegian Air Shuttle ASA Senior Secured Bond Issue 2014 / 2017

### Bond Issue IV

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 May 22, 2018. The coupon is 3M NIBOR + 5.75%.

ISIN: NO0010736549

Ticker: NAS06

Name: Norwegian Air Shuttle ASA 15/18 FRN

### Bond Issue V

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%

ISIN: NO0010753437

Ticker: NAS07

Name: Norwegian Air Shuttle ASA 15/19 7.25% EUR

### 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 DVB Bank SE and BOC Aviation Limited in 2014 to cover pre-delivery financing for aircraft with delivery in 2015 and 2016. The borrowings which mature at the delivery of each aircraft in 2016 are classified as short-term borrowings and are denominated in USD.

### Aircraft financing

Fixed and floating interest rate based on LIBOR market rates and a risk premium equal to the spread at the reporting date. The spread is not entity specific, as the agreed spread is based on the overall credit risk of the financial markets in the United States. 12% of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 88% of aircraft financing is exposed to fair value risk on fixed interest rates. The borrowings mature quarterly after the delivery of the aircraft from Boeing. See [note 2](#) for further maturity analysis of borrowings. The aircraft financing is denominated in USD.

### Future minimum lease payments under financial lease liability:

NOK 1 000	2015	2014
<b>Future minimum lease payments</b>		
- No later than 1 year	-	4 548
- Between 1 and 5 years	-	4 008
- Later than 5 years	-	-
<b>Total</b>	-	8 556
Future finance charges on financial lease liability	-	747
<b>Present value of financial lease liability</b>	-	7 809

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### NOTE 23: ASSETS PLEDGED AS COLLATERALS AND GUARANTEES

#### Liabilities secured by pledge

NOK 1 000	2015	2014
Bond issue	223 462	-
Aircraft financing	14 889 775	9 877 287
Loan Facility	-	-
Facility agreement	1 473 448	2 567 930
Financial lease liability		7 809
<b>Total</b>	<b>16 586 685</b>	<b>12 453 026</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 BOC Aviation Limited and DVB Bank SE to secure the pre-delivery payments.

There was no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfilment of the lease agreement. For references to pledged asset, see [note 11](#), and for borrowings related to those asset, see [note 22](#).

The Group has not issued any guarantees for third parties.

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

NOK 1 000	2015	2014
Prepayment and aircraft	19 800 438	14 756 813
Buildings	270 708	-
Financial lease asset	-	19 234
<b>Total</b>	<b>20 071 146</b>	<b>14 776 047</b>

### NOTE 24: BANK DEPOSITS

#### Cash and cash equivalents

NOK 1 000	2015	2014
Cash in bank	2 131 708	1 786 565
Cash equivalents	322 452	224 574
<b>Total</b>	<b>2 454 160</b>	<b>2 011 139</b>

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are three months or less. At December 31, 2015, the interest terms of the main cash deposits in folio accounts are one month NIBOR – 0.25% p.a. The interest terms on restricted cash deposits in folio accounts are one month NIBOR +0.85% p.a.

Receivables from credit card companies are included in trade receivables. See [note 13](#).

#### Restricted cash

NOK 1 000	2015	2014
Guarantees for leases and credits from suppliers	454 560	411 225
Taxes withheld	57 890	64 269
<b>Total</b>	<b>512 450</b>	<b>475 494</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 ASSOCIATED COMPANIES

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

Entity	Country	Industry	Ownership interest	Carrying amount December 31, 2014	Net profit/(loss) 2015	Share issue 2015	Carrying amount December 31, 2015
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	223 594	103 441	1 092	328 127

Entity	Country	Industry	Ownership interest	Carrying amount December 31, 2013	Net profit/(loss) 2014	Share issue 2014	Carrying amount December 31, 2014
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	164 575	57 631	1 389	223 594

The associated company, Norwegian Finans Holding ASA, owns 100% of the shares in Bank Norwegian AS. Norwegian Air Shuttle ASA owns 20% of the shares in Norwegian Finans Holding ASA. 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.

The Group's share of the results and its aggregate assets and liabilities in the associated company, are as follows (NOK 1 000):

2015							
Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held	
Norwegian Finans Holding ASA	Norway	3 505 952	3 173 313	303 490	103 441	20%	

2014							
Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held	
Norwegian Finans Holding ASA	Norway	2 684 996	2 456 625	207 764	57 631	20%	

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### NOTE 26: RELATED PARTY TRANSACTIONS

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 24.6% through the controlling ownership of HBK Invest AS. The chair owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2015 or 2014, except for indirect transactions through Fornebu Næringseiendom.

The chair, 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 wholly owned subsidiary of HBK Invest AS. The leasing agreement entitles the Group to lease Okseøyveien 3 at Fornebu for ten years until 2020, with an option to extend the lease for another five years.

The parent company has received commissions from the associated company Norwegian Finans Holding ASA (Bank Norwegian) in 2015 and 2014. 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 2015 or 2014.

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):

NOK 1 000	2015	2014
<b>Sales (-) and purchases (+) of goods and services (excl VAT)</b>		
- Simonsen Vogt Wiig (legal services)	18 681	11 920
- Associate (commission and licence fee)	(127 908)	(101 720)
- Associate (interests on subordinated loan)	(3 850)	(4 137)
- Fornebu Næringseiendom (property rent)	14 088	13 454
<b>Year-end balances arising from sales/purchases of goods/services (incl VAT)</b>		
Receivables from related parties ( <a href="#">note 13</a> )		
- Associate (commission)	9 506	10 000
<b>Payables from related parties (<a href="#">note 21</a>)</b>		
- Simonsen Vogt Wiig (legal services)	1 512	74
- Fornebu Næringseiendom (property rent)	-	4 184
<b>Investment in related parties</b>		
- Associate (subordinated loan)	80 000	80 000

Transactions with subsidiaries have been eliminated on consolidation 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 (NAS) to Norwegian Air Norway (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. Trial is set to May 26, 2016. Financial exposure is considered as limited.

The Norwegian Group has since the end of 2013 continuously reorganized its operations. Consequently, The Norwegian Tax authorities have been requesting additional information regarding the transactions between Group companies and there is an ongoing process to respond and communicate with the authorities.

### NOTE 28: COMMITMENTS

In August 2007 Norwegian Air Shuttle ASA entered into a purchase agreement for 42 new Boeing 737-800 aircraft with Blended Winglets and purchase rights for additional 42 aircraft of the same model from Boeing. The order of 42 aircraft has a list price of USD 3.1 billion.

Between 2008 and 2011 the Group extended its aircraft order and exercised purchase rights for an additional 36 aircraft, bringing the total order of Boeing 737-800 to 78 aircraft.

Norwegian Air Shuttle ASA entered into a purchase agreement for three Boeing 787-8 Dreamliner aircraft in June 2011. One aircraft was delivered in 2013, one in 2014 and one in 2015. The aircraft had a (total) list price of USD 580 million.

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. The firm orders were for 22 Boeing 737-800, 100 Boeing 737 MAX8 and 100 Airbus A320neo. The agreements also include purchase rights for an additional 100 Boeing 737 MAX8 and 50 Airbus A320neo. The firm orders have an aggregated value at list price of approximately NOK 127 billion. The delivery of aircraft starts in 2016. The aircraft purchase is supported by the Export-Import Bank of the United States (Ex-Im) and European Export Credit Agencies.

In August 2015 the Group entered into a letter of intent for operational lease for two Boeing 787-9 Dreamliner with delivery in 2017. The two aircraft will be leased for a 12 year period from delivery. The 787-9 is a stretch version of the 787-8 with longer range, and with 344 seats (+18%) based on Norwegian's configuration. At December 31, 2015, the Group has 11 Boeing 787-9 Dreamliner lease orders with expected delivery from 2016 to 2018.

In October 2015 the Group entered into purchase contracts with Boeing Commercial airplanes for 19 Boeing 787-9 Dreamliner to be delivered over the years 2017 through 2019. All aircraft will be operated by Norwegian. The agreement includes purchase options for an additional 10 aircraft of the same type.

The Group presents list prices on aircraft purchase contracts. Discounts are achieved on the

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aircraft purchase contracts; hence the actual committed purchase prices are lower than the presented list prices. Actual committed purchase prices are regarded as contractual and business sensitive information.

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 aircraft on order. The agreement secures cost efficient maintenance and has a duration of 12 years.

At December 18, 2015 the Group signed an agreement to lease out 12 Airbus 320neo aircraft to airline HK Express. The 12 aircraft are scheduled to be delivered between 2016 and 2018.

In December 2015 the Group signed an agreement with OSM Aviation to form a stronger global partnership in employment and management of aviation crew. Norwegian Air Resources Holding is acquiring 50% of OSM Aviation which in turn will acquire a 49% stake in Norwegian's resourcing companies in Spain, Finland and the UK. The closing of the agreement is subject to The European Commission approval under the EU Merger Regulation. The transaction is expected to close by the end of Q1 2016.

### NOTE 29: EVENTS AFTER THE REPORTING DATE

On 26 January 2016, Norwegian announced a new charter agreement for summer 2016 to continue its cooperation with TUI Nordic, TUI UK, Thomas Cook Northern Europe and Nazar Nordic to fly their customers from the Nordics and the UK to various summer destinations including the Balearics, the Greek Isles and the Canaries. The total value of the contracts is approximately NOK 500 million, NOK 100 million more than previous year, and include more than 2 200 flights.

An arrangement for pre-delivery payment financing (PDP) of fifty Airbus 320 Neo aircraft scheduled for delivery in 2016 to 2019 was finalized at the end of January 2016. The facility covers PDP financing for deliveries until the end of 2019 and is structured as a revolving credit facility. These deliveries in the next four years are key to the Norwegian group's future growth plans, and the PDP financing facility is a milestone in Norwegian's ongoing program for financing direct-buy aircraft.

On February 2, 2016, a long-term financing of six Boeing 737 800 aircraft was completed. The financing is structured as a private placement directed to institutional investors in the US market.

In February 2016, Norwegian reached an agreement with cabin crew in Norway and Denmark. The new collective agreements are for a two-year period.

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# FINANCIAL STATEMENTS FOR THE PARENT COMPANY

## INCOME STATEMENT

NOK 1 000	Note	2015	2014
Revenues	<a href="#">3</a>	17 738 257	17 038 761
Other income	<a href="#">3</a>	1 110 795	1 286 778
<b>Total operating revenues and income</b>		<b>18 849 052</b>	<b>18 325 539</b>
Operational expenses	<a href="#">4</a>	14 844 337	15 263 929
Payroll	<a href="#">5, 6</a>	2 640 489	1 957 096
Depreciation, amortization and impairment	<a href="#">9, 10</a>	262 748	216 263
Other operating expenses	<a href="#">4a</a>	1 165 532	847 442
Other losses/(gains) - net	<a href="#">19</a>	772 281	558 964
<b>Total operating expenses</b>		<b>19 685 387</b>	<b>18 843 694</b>
<b>Operating profit</b>		<b>(836 335)</b>	<b>(518 155)</b>
<b>Net financial items</b>	<a href="#">7</a>	<b>(154 488)</b>	<b>(5 279)</b>
<b>Profit (loss) before tax</b>		<b>(990 823)</b>	<b>(523 434)</b>
<b>Income tax expense (income)</b>	<a href="#">8</a>	<b>(128 634)</b>	<b>(664 351)</b>
<b>Profit (loss) for the year</b>		<b>(862 189)</b>	<b>140 917</b>
Basic earnings per share		<b>(24.47)</b>	4.01
Diluted earnings per share		<b>(24.22)</b>	3.94
<b>Profit attributable to:</b>			
Owners of the Company		<b>(862 189)</b>	140 917

## STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	Note	2015	2014
Profit for the year		<b>(862 189)</b>	140 917
<b>Reversible income and losses:</b>			
Available-for-sale financial assets	<a href="#">19</a>	1 042 307	514 499
<b>Total comprehensive income for the period</b>		<b>180 118</b>	<b>655 416</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>180 118</b>	655 416

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## STATEMENT OF FINANCIAL POSITION AT DECEMBER 31

NOK 1 000	Note	2015	2014	January 1, 2014
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	<a href="#">9</a>	199 630	199 957	225 270
Deferred tax asset	<a href="#">8</a>	517 823	345 134	-
Aircraft, parts and installations on leased aircraft	<a href="#">10</a>	178 448	297 887	376 353
Equipment and fixtures	<a href="#">10</a>	73 500	76 491	70 743
Buildings	<a href="#">10</a>	285 674	252 236	14 966
Financial lease asset	<a href="#">10</a>	-	19 234	21 242
Prepayment to aircraft manufacturers	<a href="#">10</a>	-	-	2 514 882
Financial assets available for sale	<a href="#">19, 24</a>	1 807 709	764 309	247 264
Investments in subsidiaries	<a href="#">23</a>	6 115 829	5 565 569	3 467 902
Financial lease receivable	<a href="#">25</a>	5 737 716	5 475 375	5 990 471
Other receivables	<a href="#">12</a>	4 829 550	1 777 693	199 036
<b>Total non-current assets</b>		<b>19 745 878</b>	<b>14 773 885</b>	<b>13 128 130</b>
<b>Current assets</b>				
Inventory	<a href="#">13</a>	86 009	70 383	67 982
Trade and other receivables	<a href="#">12</a>	2 895 761	4 269 406	2 369 569
Derivative financial instruments	<a href="#">2, 19</a>	-	-	11 158
Financial assets available for sale	<a href="#">2, 19</a>	-	-	37 389
Cash and cash equivalents	<a href="#">21</a>	1 629 711	1 770 877	1 946 668
<b>Total current assets</b>		<b>4 611 480</b>	<b>6 110 665</b>	<b>4 432 765</b>
<b>Total assets</b>		<b>24 357 358</b>	<b>20 884 550</b>	<b>17 560 896</b>

NOK 1 000	Note	2015	2014	January 1, 2014
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	<a href="#">14</a>	3 576	3 516	3 516
Share premium		1 231 631	1 093 549	1 093 549
Other paid-in equity		94 328	87 187	72 711
Other reserves		1 557 964	515 657	2 191 617
Retained earnings		3 337 713	4 199 902	1 868 546
<b>Total equity</b>		<b>6 225 211</b>	<b>5 899 811</b>	<b>5 229 939</b>
<b>Non-current liabilities</b>				
Pension obligation	<a href="#">15</a>	-	-	-
Provision for periodic maintenance	<a href="#">17</a>	815 639	563 940	412 737
Deferred tax	<a href="#">8</a>	-	-	518 638
Borrowings	<a href="#">22</a>	8 113 004	5 205 593	5 736 896
Financial lease liability	<a href="#">22</a>	-	3 227	6 860
<b>Total non-current liabilities</b>		<b>8 928 643</b>	<b>5 772 760</b>	<b>6 675 130</b>
<b>Current liabilities</b>				
Short term part of borrowings	<a href="#">22</a>	721 106	899 473	768 401
Trade and other payables	<a href="#">18</a>	4 873 504	5 728 885	2 858 796
Air traffic settlement liabilities		2 807 411	2 124 662	2 028 630
Derivative financial instruments	<a href="#">2, 19</a>	801 483	458 958	-
<b>Total short term liabilities</b>		<b>9 203 504</b>	<b>9 211 978</b>	<b>5 655 827</b>
<b>Total liabilities</b>		<b>18 132 147</b>	<b>14 984 739</b>	<b>12 330 956</b>
<b>Total equity and liabilities</b>		<b>24 357 358</b>	<b>20 884 550</b>	<b>17 560 896</b>

Fornebu, March 16, 2016

Bjørn H. Kise  
(Chair)

Liv Berstad  
(Deputy chair)

Christian Fredrik Stray  
(Director)

Ada Kjeseth  
(Director)

Kenneth Utsikt  
(Director,  
employee representative)

Linda Olsen  
(Director,  
employee representative)

Thor Espen Bråten  
(Director,  
employee representative)

Bjørn Kjos  
(Chief Executive Officer)



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**STATEMENT OF CHANGES IN EQUITY**

<i>NOK 1 000</i>	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	Total equity
<b>Equity at December 31 2013</b>	3 516	1 093 548	72 711	1 169 775	1 158	1 867 389	<b>3 038 322</b>
Transition to simplified IFRS at January 1, 2014	-	-	-	-	-	2 191 617	<b>2 191 617</b>
<b>Equity January 1, 2014</b>	3 516	1 093 548	72 711	1 169 775	1 158	4 059 006	<b>5 229 939</b>
Net profit for the year	-	-	-	-	-	140 917	<b>140 917</b>
Available for sale financial assets	-	-	-	-	514 499	-	<b>514 499</b>
<b>Comprehensive income 2014</b>	-	-	-	-	514 499	140 917	<b>655 416</b>
Equity change on employee options	-	-	14 477	14 477	-	-	<b>14 477</b>
<b>Transactions with owners</b>	-	-	14 477	14 477	-	-	<b>14 477</b>
<b>Equity December 31, 2014</b>	3 516	1 093 548	87 187	1 184 252	515 657	4 199 902	<b>5 899 811</b>
Net profit for the year	-	-	-	-	-	(862 189)	<b>(862 189)</b>
Available for sale financial assets	-	-	-	-	1 042 307	-	<b>1 042 307</b>
<b>Comprehensive income 2015</b>	-	-	-	-	1 042 307	(862 189)	<b>180 118</b>
Share issue	60	138 082	-	138 142	-	-	<b>138 142</b>
Equity change on employee options	-	-	7 141	7 141	-	-	<b>7 141</b>
<b>Transactions with owners</b>	60	138 082	7 141	145 283	-	-	<b>145 283</b>
<b>Equity December 31, 2015</b>	3 576	1 231 631	94 328	1 329 535	1 557 964	3 337 713	<b>6 225 212</b>



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## CASH FLOW STATEMENT

<i>NOK 1 000</i>	<i>Note</i>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>			
Profit (loss) before tax		<b>(990 823)</b>	(523 434)
Taxes paid	<a href="#">8</a>	<b>(44 055)</b>	(201 395)
Depreciation, amortization and write-down	<a href="#">9, 10</a>	<b>262 748</b>	216 263
Compensation expense for employee options	<a href="#">16</a>	<b>7 141</b>	14 477
Fair value (gains)/losses on financial assets	<a href="#">19</a>	<b>348 558</b>	489 476
Financial items	<a href="#">7</a>	<b>154 488</b>	(5 279)
Interest received	<a href="#">7</a>	<b>437 727</b>	264 712
Change in inventories, accounts receivable and accounts payable		<b>502 637</b>	184 515
Change in air traffic settlement liabilities		<b>682 748</b>	96 032
Change in other current assets and current liabilities		<b>(2 887 952)</b>	1 319 061
<b>Net cash flow from operating activities</b>		<b>(1 526 784)</b>	1 854 428
<b>Cash flows from investing activities:</b>			
Prepayments aircraft purchase	<a href="#">10</a>	-	(1 236 650)
Purchase of tangible assets	<a href="#">10</a>	<b>(108 510)</b>	(328 648)
Purchase of intangible assets	<a href="#">9</a>	<b>(45 685)</b>	(24 847)
Payment to subsidiaries		-	(133 158)
Payment to associates	<a href="#">24</a>	<b>(1 092)</b>	-
<b>Net cash flow from investing activities</b>		<b>(155 287)</b>	(1 723 303)
<b>Cash flows from financial activities:</b>			
Proceeds from long term debt	<a href="#">22</a>	<b>3 021 450</b>	1 132 063
Payment of long term debt	<a href="#">22</a>	<b>(1 283 074)</b>	(1 206 379)
Interest on borrowings		<b>(302 063)</b>	(232 600)
Transaction cost		<b>(16 394)</b>	-
Paid-in equity		<b>138 142</b>	-
<b>Net cash flow from financial activities</b>		<b>1 558 061</b>	(306 915)
Foreign exchange effect on cash		<b>(17 157)</b>	-
Net change in cash and cash equivalents		<b>(141 166)</b>	(175 791)
Cash and cash equivalents at January 1		<b>1 770 877</b>	1 946 668
<b>Cash and cash equivalents at December 31</b>	<a href="#">21</a>	<b>1 629 711</b>	1 770 877



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# NOTES TO 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 ASA 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 December 31, 2015 were authorized for issue by the Board of Directors on March 16, 2016.

The financial statement 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 January 21, 2008. This is the Company's first annual financial statements prepared in accordance with simplified IFRS. The date of transition is January 1, 2014. The effects of the transition are shown in [note 28](#).

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 re-

ferred 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

Ownership interests in subsidiaries are presented 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: REVENUES

Other income amounts to NOK 1 110.8 million (2014: NOK 1 286.8 million) and include gains from sale of assets ([note 28](#)).

NOK 1 000	2015	2014
<b>By activity:</b>		
Passenger transport	14 541 499	14 132 196
Ancillary revenue	2 470 609	2 266 039
Other revenues	726 149	640 525
<b>Total revenues</b>	<b>17 738 257</b>	<b>17 038 761</b>
<b>By geographic market:</b>		
Domestic	4 256 284	3 623 583
International	13 481 973	13 415 177
<b>Total revenues</b>	<b>17 738 257</b>	<b>17 038 761</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.

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## NOTE 04: OPERATIONAL EXPENSES

NOK 1 000	2015	2014
Sales and distribution expenses	579 078	473 261
Aviation fuel	3 932 293	5 239 961
Aircraft leases	4 121 673	4 309 944
Airport charges	2 542 273	2 546 410
Handling charges	1 686 074	1 503 521
Technical maintenance expenses	1 524 071	787 976
Other operating expenses	458 874	402 856
<b>Total</b>	<b>14 844 337</b>	<b>15 263 929</b>

Aircraft lease expenses includes wet-lease costs.

## NOTE 04A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 1 165.5 million (2014: NOK 847.4 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.

## NOTE 05: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

NOK 1 000	2015	2014
Wages and salaries	2 373 798	1 274 871
Social security tax	81 491	134 820
Pension expenses	48 557	60 002
Employee stock options	7 141	14 477
Other benefits	129 502	472 927
<b>Total</b>	<b>2 640 489</b>	<b>1 957 096</b>

In 2015, NOK 7.1 million (2014: NOK 14.5 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](#)).

	2015	2014
Number of man-labor years	2 357	2 820

## NOTE 06: REMUNERATION TO 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.

### Auditor remuneration:

NOK 1 000	2015	2014
Audit fee	1 680	890
Other audit related services	196	226
Tax advisory	-	46
Other services	2 072	2 520
<b>Total</b>	<b>3 948</b>	<b>3 683</b>

All amounts stated exclude VAT.

## NOTE 07: NET FINANCIAL ITEMS

NOK 1 000	2015	2014
Interest income	439 849	155 128
Interest expense	(388 990)	(332 856)
Net foreign exchange loss or gain	(1 367)	(37 096)
Appreciation cash equivalents	(2 122)	17 589
Impairment of investment in subsidiaries	(198 448)	-
Fair value adjustment long term deposits	-	1 219
Other financial items	(3 410)	190 736
<b>Net financial items</b>	<b>(154 488)</b>	<b>(5 279)</b>

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### NOTE 08: TAXES

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

NOK 1 000	2015	2014
Tax payable	-	199 421
Tax paid in current year on current year income	-	-
Adjustments from previous year	41 778	(423 943)
Change in deferred tax	(170 411)	(439 828)
<b>Income tax expense</b>	<b>(128 634)</b>	<b>(664 351)</b>

Adjustments from previous years consists of both taxes paid in 2015 related to earlier years tax assessments, and changes in deferred tax from previous years.

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

NOK 1 000	2015	2014
Profit before tax	(990 823)	(523 434)
Expected tax expense using nominal tax rate (27%)	(267 522)	(141 327)
<b>Tax effect of the following items:</b>		
Non deductible expenses/income	55 781	3 402
Adjustments from previous year	41 778	(224 522)
Tax rate outside Norway other than 27%	-	-
Change in tax rate in Norway to 25%	41 426	-
Other items	(96)	(301 903)
<b>Tax expense</b>	<b>(128 634)</b>	<b>(664 351)</b>
Effective tax rate	12.98%	126.92%

### Deferred tax

NOK 1 000	Assets 2015	Liabilities 2015	Assets 2014	Liabilities 2014
Intangible assets	-	-	-	-
Tangible assets	(6 201)	-	18 174	-
Long term receivables and borrowings in foreign currency	-	-	-	-
Inventories	15 979	-	12 160	-
Receivables	4 757	-	3 607	-
Financial instruments	200 371	-	123 919	-
Derferred gains/losses	(33 846)	-	(43 093)	-
Other accruals	198 424	-	28 131	-
Pensions	-	-	-	-
Other temporary differences	(41 445)	-	(224 284)	-
Loss carried forward	179 785	-	426 520	-
<b>Gross deferred tax assets and liabilities</b>	<b>517 823</b>	<b>-</b>	<b>345 134</b>	<b>-</b>

#### Reconciliation of deferred tax assets and liabilities

NOK 1 000	Assets 2015	Liabilities 2015	Assets 2014	Liabilities 2014
Recognized at January 1	345 134	-	-	(518 638)
Charged/credited to the income statement	170 411	-	(78 810)	518 638
Adjustment from previous year	2 278	-	423 943	-
<b>Recognized at December 31</b>	<b>517 823</b>	<b>-</b>	<b>345 134</b>	<b>-</b>

Deferred tax asset is 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 January 1, 2014	328 816	94 157	33 867	456 839
Additions	31 716	-	-	31 716
Disposals	-	-	(6 869)	(6 869)
<b>Acquisition cost at December 31, 2014</b>	<b>360 532</b>	<b>94 157</b>	<b>26 998</b>	<b>481 686</b>
Acquisition cost at January 1, 2015	360 532	94 157	26 998	481 686
Additions	45 685	-	-	45 685
<b>Acquisition cost at December 31, 2015</b>	<b>406 216</b>	<b>94 157</b>	<b>26 998</b>	<b>527 371</b>
Accumulated amortization and write-down at January 1, 2014	226 977	-	4 591	231 569
Amortization in 2014	50 160	-	-	50 160
<b>Accumulated amortization and write-down at December 31, 2014</b>	<b>277 137</b>	<b>-</b>	<b>4 591</b>	<b>281 729</b>
Accumulated amortization and write-down at January 1, 2015	277 137	-	4 591	281 729
Amortization in 2015	46 012	-	-	46 012
<b>Accumulated amortization and write-down at December 31, 2015</b>	<b>323 149</b>	<b>-</b>	<b>4 591</b>	<b>327 740</b>
<b>Book value at December 31, 2014</b>	<b>83 394</b>	<b>94 157</b>	<b>22 406</b>	<b>199 957</b>
<b>Book value at December 31, 2015</b>	<b>83 067</b>	<b>94 157</b>	<b>22 406</b>	<b>199 630</b>
Economic life	3-5 years	Indefinite	Indefinite	
Amortization plan	Linear	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 Norwegian Air Shuttle Sweden AB on July 31, 2007. 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 2015, or in 2014.

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 ap-

plied 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 discount rate is 7.4% (2014: 6.2%) 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 5% 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 2015.

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## NOTE 10: TANGIBLE ASSETS

NOK 1 000	Buildings	Aircraft	Prepayment Boeing contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at January 1, 2014	14 966	858 030	2 514 882	177 730	34 607	3 600 216
Additions	239 883	656 070	-	34 231	-	930 184
Disposals	-	(619 975)	(2 514 882)	-	-	(3 134 857)
<b>Acquisition cost at December 31, 2014</b>	<b>254 849</b>	<b>894 126</b>	<b>-</b>	<b>211 961</b>	<b>34 607</b>	<b>1 395 542</b>
Acquisition cost at January 1, 2015	254 849	894 126	-	211 961	34 607	1 395 542
Additions	38 995	54 788	-	32 797	-	126 580
Disposals	-	-	-	-	(34 607)	(34 607)
<b>Acquisition cost at December 31, 2015</b>	<b>293 845</b>	<b>948 914</b>	<b>-</b>	<b>244 758</b>	<b>-</b>	<b>1 487 516</b>
Accumulated depreciation at January 1, 2014	-	481 676	-	106 987	13 365	602 029
Depreciation	2 613	133 000	-	28 482	2 008	166 104
Depreciation on disposals	-	(18 437)	-	-	-	(18 437)
<b>Accumulated depreciation at December 31, 2014</b>	<b>2 613</b>	<b>596 239</b>	<b>-</b>	<b>135 470</b>	<b>15 374</b>	<b>749 695</b>
Accumulated depreciation at January 1, 2015	2 613	596 239	-	135 470	15 374	749 695
Depreciation	5 557	174 228	-	35 788	1 163	216 737
Depreciation on disposals	-	-	-	-	(16 537)	(16 537)
<b>Accumulated depreciation at December 31, 2015</b>	<b>8 171</b>	<b>770 466</b>	<b>-</b>	<b>171 258</b>	<b>-</b>	<b>949 895</b>
<b>Book value at December 31, 2014</b>	<b>252 236</b>	<b>297 888</b>	<b>-</b>	<b>76 491</b>	<b>19 233</b>	<b>645 847</b>
<b>Book value at December 31, 2015</b>	<b>285 674</b>	<b>178 448</b>	<b>-</b>	<b>73 500</b>	<b>-</b>	<b>537 621</b>
Economic life	See below	See below	See below	See below	4-20 years	
Depreciation plan	See below	See below	None	Linear	Linear	
Residual value	See below	See below	See below	See below	MNOK 0	

At December 31, 2015, the Company operated a total of 72 aircraft, 23 were leased under operational leases from external lessors, while 45 were leased under internal operating leases, and 4 were owned. For comparison, the Company operated 60 aircraft at December 31, 2014, 20 were leased under operational leases from external lessors and 40 were leased under operational leases from internal Group Companies. In addition, the Company had 1 (34) wet lease aircraft from subsidiary Norwegian Air Norway AS at year end 2015.

### Aircraft

Aircraft consist of purchased aircraft. The Company owns 4 aircraft per December 31, 2015 (2014: 5 aircraft) and the total residual value for these aircraft was NOK 4.1 million (2014: NOK 79.4 million). The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy is 25 years on all the 737 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

### 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 leases, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2015 and 2014 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% of the acquisition cost is calculated as residual value.

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### Buildings

Buildings consist of three 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. In 2014, a new hangar at Oslo Airport Gardermoen was constructed. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. 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.

### Prepayments to aircraft manufacturers

In 2007, the Company entered a purchase contract of 42 new 737-800 aircraft with Boeing Commercial Airplanes, 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 Company entered a purchase contract with Icelandair for the right to acquire three Boeing 787-8 Dreamliner aircraft, which Icelandair had on order with Boeing Commercial Airplanes. In January 2012, the Company entered additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, whereof 222 were firm orders.

## NOTE 11: LEASING

The lease agreements on the Boeing 737 aircraft last between three and ten years from the date of agreement, with some extension options. From 2002 to 2013, 66 aircraft were delivered. In 2014, 13 aircraft were delivered, including sale leaseback. In 2015, five intercompany leased aircraft were delivered. Renegotiations have resulted in the extension of some of the shorter leases. In 2015, three (2014: three) aircraft were redelivered to the lessor or novated to other Group companies.

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

NOK 1 000	Nominal value 2015				Nominal value 2014			
	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within one year	2 789 751	168	42 494	2 832 414	1 346 953	3 776	49 061	1 399 790
Between 1 and 5 years	12 870 583	196	70 663	12 941 442	7 644 752	3 707	86 187	7 734 646
After 5 years	6 994 787	-	-	6 994 787	7 701 146	-	26 736	7 727 882

The aircraft's minimum lease payments consist of ordinary lease payments, contractual payments for maintenance reserves and expensed deferred lease payments resulting from non-interest bearing deposits paid at inception of the lease agreement. Aircraft leases committed through

On December 1 2014, the Company transferred the purchase rights, including the prepayments to aircraft manufacturers to its subsidiary Arctic Aviation Assets Ltd in Ireland. The prepayments are transferred at book value, as the contracts and prepayments do not have stand-alone market value.

### Financial lease assets

The Company entered 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 2015 and 2014, 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 8](#) for details.

For information regarding assets pledged as collateral, see [note 20](#).

Leasing costs expensed on aircraft lease within operational expenses was NOK 2 654.8 million in 2015 (2014: NOK 1 676.2 million).

In addition, the Company leases one (2014: 11) car and 30 (2014: 35) 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 2014 was NOK 57.6 million (2014: NOK 56.2 million).

letter of intent are not included in the table above. Only aircraft leases for aircraft operated by the Company is included above. 29 of the leases are leased from internal Group Companies. For the Company's leasing commitments on behalf of other Group Companies, see [note 25](#).

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**NOTE 12: RECEIVABLES**

**Specification of receivables:**

<i>NOK 1 000</i>	2015	2014
Trade receivables	587 690	259 205
Intercompany receivables	5 065 175	3 806 013
Credit card receivables	1 102 244	936 024
Deposits	450 462	357 146
Deferred leasing costs	35 962	35 962
Reimbursements claims maintenance costs	67 299	228 750
Other claims	97 712	69 623
<b>Trade and other receivables</b>	<b>7 406 544</b>	<b>5 692 723</b>
Prepaid costs	104 151	198 962
Public duty	151 055	94 566
Prepayments to employees	5 141	2 910
Prepaid rent	58 419	57 939
<b>Prepayments</b>	<b>318 766</b>	<b>354 376</b>
<b>Total</b>	<b>7 725 310</b>	<b>6 047 099</b>

**Due dates:**

<i>NOK 1 000</i>	2015	2014
Within one year	2 895 761	4 269 406
After 1 year	4 829 550	1 777 693
<b>Total</b>	<b>7 725 310</b>	<b>6 047 099</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.

**NOTE 13: INVENTORIES**

<i>NOK 1 000</i>	2015	2014
Consumables	72 811	57 185
Parts for heavy maintenance	13 198	13 198
<b>Total</b>	<b>86 009</b>	<b>70 383</b>

In 2015 and 2014, the Group removed parts from aircraft engines in relation to heavy maintenances. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2015 were NOK 33.9 million (2014: NOK 28.7 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 48.6 million in 2015 (2014: NOK 60.0 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 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 plans 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.

**NOTE 16: OPTIONS**

Refer to [note 17](#) in the Group's consolidated financial statements.

**NOTE 17: PROVISIONS**

The Company pays 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. 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 December 31, 2015 the Company had NOK 815.7 million (2014: NOK 563.9 million) in provision for maintenance reserves. Parts of the periodic maintenances will be conducted in 2016, and NOK 86.2 million (2015: NOK 83.8 million) is classified as short term liability for periodic maintenances. The short term part of periodic maintenance is estimated based on planned maintenances in 2016.





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**NOTE 18: TRADE AND OTHER PAYABLES**

NOK 1 000	2015	2014
Accrued vacation pay	56 674	63 448
Accrued airport and transportation taxes	59 571	123 070
Accrued expenses	694 939	855 804
Trade payables	478 330	832 035
Intercompany liabilities	3 147 912	3 560 913
Payables to related party (note 27)	1 512	74
Public duties	48 432	35 186
Short term provisions for MRC (note 19)	86 174	83 756
Other short term provisions	299 960	174 599
<b>Total</b>	<b>4 873 504</b>	<b>5 728 885</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:

2015:	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
NOK 1 000				
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	1 807 709	1 807 709
Trade and other receivables*	7 406 544	-	-	7 406 544
Cash and cash equivalents	1 629 711	-	-	1 629 711
<b>Total</b>	<b>9 036 255</b>	<b>-</b>	<b>1 807 709</b>	<b>10 843 964</b>

\*) Prepayments not included in trade and other receivables 318 766.

2014:	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
NOK 1 000				
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	764 309	764 309
Trade and other receivables *)	5 692 723	-	-	5 692 723
Cash and cash equivalents	1 770 877	-	-	1 770 877
<b>Total</b>	<b>7 463 599</b>	<b>-</b>	<b>764 309</b>	<b>8 227 909</b>

\*) Prepayments not included in trade and other receivables 354 376.

2015:	Loans and receivables	Fair value through profit or loss	Other financial liabilities	Total
NOK 1 000				
<b>Liabilities per balance sheet</b>				
Borrowings	-	-	8 834 110	8 834 110
Derivative financial instruments	801 483	-	-	801 483
Trade and other payables*	-	-	4 825 071	4 825 071
<b>Total</b>	<b>801 483</b>	<b>-</b>	<b>13 659 182</b>	<b>14 460 665</b>

\*) Public duties not included in trade and other payables 48 432.

2014:	Loans and receivables	Fair value through profit or loss	Other financial liabilities	Total
NOK 1 000				
<b>Liabilities per balance sheet</b>				
Borrowings	-	-	6 105 066	6 105 066
Derivative financial instruments	458 958	-	-	458 958
Trade and other payables*	-	-	5 693 700	5 693 700
<b>Total</b>	<b>458 958</b>	<b>-</b>	<b>11 798 766</b>	<b>12 257 723</b>

\*) Public duties not included in trade and other payables 35 186.

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### Credit quality of financial asset:

<i>NOK 1 000</i>	2015	2014
<b>Trade receivables</b>		
Counterparties with external credit rating A or better	1 102 244	936 024
Counterparties without external credit rating	6 304 301	4 756 699
<b>Total trade receivables</b>	<b>7 406 544</b>	<b>5 692 723</b>

<i>NOK 1 000</i>	2015	2014
<b>Cash and cash equivalents</b>		
A+ or better	1 307 259	1 546 303
BBB +	322 452	224 574
<b>Total cash and cash equivalents</b>	<b>1 629 711</b>	<b>1 770 877</b>

### Available-for sale financial assets:

<i>NOK 1 000</i>	2015	2014
January 1	764 309	258 422
Additions	1 092	1 389
Sale	-	(10 000)
Net gains/(losses) recognized in comprehensive income	1 042 307	514 499
Net gains/(losses) recognized in profit and loss	-	-
<b>December 31</b>	<b>1 807 709</b>	<b>764 309</b>
Non-current portion	1 807 709	764 309

Available for sale financial assets includes the Company's share of the associate company Norwegian Finans Holding. For information regarding associate company, please refer to [note 24](#).

Other investments included in available-for-sale financial assets at December 31, 2015 is an investment in unlisted equity instrument in Silver Pensjonsforsikring and an investment in a listed bond issue in Bank Norwegian. The investment in Forth Moment Fund managed by Warren Capital AS, was sold in 2014. The fair value of available for sale financial assets for 2015 is NOK 82.7 million (2014: NOK 82.7 million).

### Derivative financial instruments:

<i>NOK 1 000</i>	Assets		Liabilities	
	Short term	Long term	Short term	Long term
<b>December 31, 2015</b>				
Foreign exchange hedges fair value	-	-	1 443	-
Jet-fuel contracts	-	-	800 041	-
<b>Total financial instruments</b>	-	-	<b>801 483</b>	-

<i>NOK 1 000</i>	Assets		Liabilities	
	Short term	Long term	Short term	Long term
<b>December 31, 2014</b>				
Foreign exchange hedges fair value	-	-	354	-
Jet-fuel contracts	-	-	458 604	-
<b>Total financial instruments</b>	-	-	<b>458 958</b>	-

Trading derivatives are classified as current assets or liabilities.

### Forward foreign currency contracts

The fair value of the outstanding forward foreign currency contracts at December 31, 2015 were NOK – 1.4 million (2014: NOK – 0.4 million). On December 31, 2015, the Group had forward foreign currency contracts to secure DKK 140 million, SEK 150 million, PLN 3 million and GBP 5 million (2014: USD 35 million, DKK 125 million, SEK 125 million and GBP 2 million).

### Forward commodities contracts

Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at December 31, 2015 were NOK – 800.0 million (2014: NOK – 458.6 million). As of December 31, 2015, the Group had secured 752 000 tons of Jet-fuel through forward contracts that matures in the period January 2016 – December 2017.

### Other losses/(gains) – net

<i>NOK 1 000</i>	2015	2014
Net losses/(gains) on financial assets at fair value through profit or loss	1 013 248	489 476
- Foreign exchange (gains)/losses on operating activities	(240 967)	69 488
<b>Net losses/(gains)</b>	<b>772 281</b>	<b>558 964</b>

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## NOTE 20: ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

NOK 1 000	2015	2014
<b>Liabilities secured by pledge</b>		
Aircraft financing	5 612 541	5 266 441
Bond issue	225 000	225 000
Financial lease liability	-	7 809
<b>Total</b>	<b>5 837 541</b>	<b>5 499 249</b>

During 2013 and 2014, the Company transferred several of its owned aircraft to its fully owned asset company. Norwegian Air Shuttle ASA carries the financial obligation towards external financing institutions, with security in the aircraft transferred. For information regarding the intercompany transfer of aircraft, see [note 27](#).

There is no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfilment of the lease agreement. For references to pledged asset, see [note 10](#) and for borrowings related to those asset, see [note 22](#).

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

NOK 1 000	2015	2014
Prepayment and aircraft*	-	-
Hangar	270 708	-
Financial lease asset	-	19 234
<b>Total</b>	<b>270 708</b>	<b>19 234</b>

\*) In 2014, aircraft owned by subsidiary Group Arctic Aviation Assets Ltd are pledged as collateral for aircraft financing.

## NOTE 21: BANK DEPOSITS

NOK 1 000	2015	2014
Cash in bank	1 307 259	1 546 303
Cash equivalents	322 452	224 574
<b>Total</b>	<b>1 629 711</b>	<b>1 770 877</b>

### Restricted cash items are:

Guarantees for leases and credits from suppliers	454 560	220 423
Taxes withheld	25 194	24 414
<b>Total restricted cash</b>	<b>479 754</b>	<b>244 837</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 December 31, 2015

NOK 1 000	Nominal value	Unamortised transaction cost	Book value	Effective interest rate
Bond issue	3 252 375	(30 806)	3 221 569	6.5%
Aircraft financing	5 760 425	(147 884)	5 612 541	2.2%
<b>Total</b>	<b>9 012 800</b>	<b>(178 690)</b>	<b>8 834 110</b>	

### Nominal value at December 31, 2014

NOK 1 000	Nominal value	Unamortised transaction cost	Book value	Effective interest rate
Bond issue	835 500	(4 684)	830 816	6.4%
Aircraft financing	5 465 745	(199 304)	5 266 441	2.9%
Financial lease liability	7 809	-	7 809	4.4%
<b>Total</b>	<b>6 309 054</b>	<b>(203 988)</b>	<b>6 105 066</b>	

### Classification of borrowings

NOK 1 000	2015	2014
<b>Non-current</b>		
Bond issue	3 221 569	543 316
Aircraft financing	4 891 435	4 659 050
Financial lease liability	-	3 227
<b>Total</b>	<b>8 113 004</b>	<b>5 205 593</b>
<b>Current</b>		
Bond issue	-	287 500
Aircraft financing	721 106	607 391
Financial lease liability	-	4 582
<b>Total</b>	<b>721 106</b>	<b>899 473</b>
<b>Total borrowings</b>	<b>8 834 110</b>	<b>6 105 066</b>

Collateralized borrowings are detailed in [note 20](#).



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### Covenants

#### Bond issues

Minimum Equity of NOK 1 500 million

Dividend payments less than 35% of net profit

No dividends unless liquidity is above NOK 1 000 million

Minimum liquidity of NOK 500 million

#### Aircraft financing

No financial covenants. All borrowings related to delivery of new 737-800 aircraft from Boeing are guaranteed by the Ex-Im Bank of the United States. The Ex-Im Bank of the United States has pledged security in the owned aircraft delivered under the Boeing contract.

There are no financial covenants related to the financial lease liabilities.

The Company has not been in breach of any covenants during 2015.

### 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 December 31, 2015</b>				
Borrowings	720 950	1 770 950	4 365 226	2 155 674
Financial lease liability	-	-	-	-
<b>Total liabilities</b>	<b>720 950</b>	<b>1 770 950</b>	<b>4 365 226</b>	<b>2 155 674</b>

<i>NOK 1 000</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At December 31, 2014</b>				
Borrowings	895 851	1 764 703	1 825 054	1 815 637
Financial lease liability	2 756	5 053	-	-
<b>Total liabilities</b>	<b>898 607</b>	<b>1 769 755</b>	<b>1 825 054</b>	<b>1 815 637</b>

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## NOTE 23: INVESTMENTS IN SUBSIDIARIES

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Shuttle Sweden AB	August 31, 2007	Stockholm, Sweden	20 000	100%
Call Norwegian AS	January 14, 2008	Fornebu, Norway	1 000 000	100%
Norwegian Holiday AS	August 4, 2008	Fornebu, Norway	100	100%
Norwegian Long Haul AS	January 1, 2012	Fornebu, Norway	20 000	100%
Norwegian Red Handling Spain S.L.	June 11, 2015	Madrid, Spain	3 000	100%
Norwegian Air Norway AS	May 28, 2013	Fornebu, Norway	155	100%
Pilot Services Sweden AB	August 30, 2013	Stockholm, Sweden	50 000	100%
Pilot Services Norway AS	November 11, 2014	Fornebu, Norway	30	100%
Pilot Services Denmark Aps	February 20, 2015	Copenhagen, Denmark	497	100%
Norwegian Cargo AS	April 16, 2013	Fornebu, Norway	100 000	100%
Norwegian Brand Limited	December 9, 2013	Dublin, Ireland	151 711 820	100%
Arctic Aviation Assets Limited	August 9, 2013	Dublin, Ireland	479 603 659	100%
Oslofjorden Limited	August 22, 2013	Dublin, Ireland	1	100%
Drammensfjorden Leasing Limited	September 24, 2013	Dublin, Ireland	1	100%
Geirangerfjorden Limited	November 26, 2013	Dublin, Ireland	1	100%
Boknafjorden Limited	March 14, 2014	Dublin, Ireland	1	100%
DY1 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY2 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY3 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY4 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY5 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY6 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY7 Aviation Ireland Limited	August 2, 2013	Dublin, Ireland	1	100%
DY9 Aviation Ireland Limited	November 27, 2014	Dublin, Ireland	1	100%
Fedjefjorden Limited	June 23, 2015	Dublin, Ireland	1	100%
Larviksfjorden Limited	September 4, 2015	Dublin, Ireland	1	100%
Torskefjorden Limited	April 23, 2015	Dublin, Ireland	1	100%
Torefjorden Limited	November 12, 2015	Dublin, Ireland	1	100%
Norwegian Air International Limited	April 3, 2013	Dublin, Ireland	171 449 337	100%
Norwegian Air Resources Holding Limited	September 20, 2013	Dublin, Ireland	1	100%
Norwegian Air Resources Sweden AB	August 28, 2013	St.holm Arl., Sweden	50 000	100%
Norwegian Resources Denmark ApS	September 5, 2013	Hellerup, Danmark	80 000	100%
Norwegian Air Resources Technical AB	February 7, 2014	St.holm Arl., Sweden	50 000	100%
Norwegian Air Resources Spain S.L	October 6, 2014	Madrid, Spain	1	100%
AB Norwegian Air Resources Finland Ltd	June 14, 2011	Helsinki, Finland	200	100%
Norwegian Air Resources Asia PTE Limited	November 29, 2012	Singapore, Singapore	10 000	100%
Norwegian Air Resources UK Limited	February 27, 2015	Gatwick Airport, UK	1 000	100%
Cabin Services Norge AS	January 27, 2014	Fornebu, Norway	30	100%
Cabin Services Denmark Aps	February 20, 2014	Hellerup, Danmark	50	100%
Norwegian Air Resources SSC AS	November 15, 2012	Fornebu, Norway	30	100%
Norwegian Air UK Limited	December 18, 2015	London, UK	8 999 998	100%

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## NOTE 24: INVESTMENT IN ASSOCIATES

Norwegian Air Shuttle ASA has the following investments in associates:

NOK 1 000	Country	Industry	Ownership interest	Carrying amount	
				31.12.2015	31.12.2014
<b>Entity:</b>					
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	1 725 019	681 620

The associated company, Norwegian Finans Holding ASA, owns 100% of the shares in Bank Norwegian AS. Norwegian Air Shuttle ASA owns 20% of the shares in Norwegian Finans Holding ASA. Norwegian Finans Holding's shares are publicly traded on the OTC marketplace at Oslo Stock Exchange. The company is situated in Oslo, Norway. The investment is accounted for as financial instrument according to IFRS 39, classified as available-for-sale (note 19). The carrying amount is equivalent to market value based on last trade on December 31, 2015.

## 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 December 31, 2015	Short term		Long term	
Receivables	596	340	10 206	550
Payables	(2 473)	755)	(674)	156)
<b>Intercompany balances December 31, 2014</b>				
Short term				
Long term				
Receivables	2 350	152	6 931	236
Payables	(3 218)	869)	(342)	044)
<b>Intercompany sales (-) and Purchases (+)</b>				
2015				
2014				
Sales and financial revenue	(1 425 534)		(1 014 332)	
Purchases and financial expenses	5 704 621		5 307 668	
Dividend	-		-	

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 24.6% through the controlling ownership of HBK Invest AS. This ownership share is the actual shareholding, and may deviate from the official shareholder register, as HBK Invest has entered into a security agreement with Nordea and Danske Bank. Under this agreement, these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligation. The chair of the Board owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2015 or 2014, except for indirect transactions through Fornebu Næringseiendom AS.

The chair 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 Invest AS. The leasing agreement entitles the Company to lease Oksenøyveien 3 at Fornebu for ten years until 2020, 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 2015 and 2014. 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 2015 or 2014.

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

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

<i>NOK 1 000</i>	2015	2014
<b>Sales (-) and purchases (+) of goods and services (excl VAT)</b>		
- Simonsen Vogt Wiig (legal services)	17 471	11 920
- Associate (commission and licence fee)	(118 402)	(90 904)
- Associate (interests on subordinated loan)	(3 850)	(4 137)
- Fornebu Næringseiendom (property rent)	14 088	13 454
<b>Year-end balances arising from sales/purchases of goods/ services (incl VAT):</b>		
<b>Receivables from related parties (note 13)</b>		
- Associate (commission)	-	10 000
<b>Payables from related parties (note 21)</b>		
- Simonsen Vogt Wiig (legal services)	1 512	74
- Fornebu Næringseiendom (property rent)	-	4 184
<b>Investment in related parties</b>		
- Associate (subordinated loan)	80 000	80 000

### NOTE 26: CONTINGENCIES AND LEGAL CLAIMS

In 2013, pilots employed in Norwegian Air Shuttle ASA was transferred to the wholly owned subsidiary Norwegian Air Norway AS. In 2014, the employment was transferred from Norwegian Air Norway AS to local national resourcing entities for pilots. In 2014, the cabin crew employed in Norwegian Air Shuttle ASA was transferred to wholly owned crew subsidiaries in Norway and Denmark respectively. In 2015, crew and pilots have through their respective labor unions raised claims that the Company primarily, and Norwegian Air Norway AS alternatively shall be considered economic employer. The case is set to be heard on May 26. Financial exposure is considered limited.

The Norwegian Group has since the end of 2013 continuously reorganized its operations. Consequently, The Norwegian Tax authorities have been requesting additional information regarding the transactions between Group companies and there is an ongoing process to respond and communicate with the authorities.

### 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 Ltd in Ireland.

In December 2014, the Company transferred the aircraft purchase contracts to its subsidiary Arctic Aviation Assets Ltd, the 100% 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 Ltd 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: TRANSITION TO IFRS

The financial statement 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 January 21, 2008. This is the Company's first annual financial statements prepared in accordance with simplified IFRS. The date of transition is January 1, 2014.

The comparative financial statements for 2014 have been restated to reflect the effects of changes from Norwegian Generally Accepted Accounting Principles (NGAAP) to IFRS, and the tables below show the effects on equity, net income and statement of financial position for 2014.

#### Equity:

<i>NOK 1 000</i>	Note	December 31, 2015	December 31, 2014
<b>Equity NGAAP</b>	<u>1</u>	2 145 815	3 038 322
Deemed cost shares in subsidiaries at transition date	<u>2</u>	2 160 231	2 160 231
Fair value of transactions with Group Companies	<u>3</u>	1 098 076	-
Adjustment for Fair value of Associated company	<u>4</u>	458 026	-
Adjustment of Goodwill		37 663	31 386
<b>Equity IFRS</b>		5 899 811	5 229 939

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**Income statement 2014:**

NOK 1 000	Note	NGAAP	Adjustments	IFRS
Revenues		17 038 761	-	17 038 761
Other income	<a href="#">2</a>	188 702	1 098 076	1 286 778
<b>Total operating revenues and income</b>		<b>17 227 463</b>	<b>1 098 076</b>	<b>18 325 539</b>
Operational expenses		15 263 929	-	15 263 929
Payroll		1 957 096	-	1 957 096
Depreciation, amortization and impairment	<a href="#">4</a>	222 540	(6 277)	216 263
Other operating expenses		847 442	-	847 442
Other losses/(gains) - net		558 964	-	558 964
<b>Total operating expenses</b>		<b>18 849 971</b>	<b>(6 277)</b>	<b>18 843 694</b>
<b>Operating profit</b>		<b>(1 622 508)</b>	<b>1 104 353</b>	<b>(518 155)</b>
Net financial items		(5 279)	-	(5 279)
Share of profit (loss) from associates	<a href="#">3</a>	57 631	(57 631)	-
<b>Profit (loss) before tax</b>		<b>(1 570 156)</b>	<b>1 046 722</b>	<b>(523 434)</b>
Income tax expense (income)		(664 351)	-	(664 351)
<b>Profit (loss) for the year</b>		<b>(905 805)</b>	<b>1 046 722</b>	<b>140 917</b>

**Statement of comprehensive income 2014:**

NOK 1 000	Note	NGAAP	Adjustments	IFRS
<b>Profit for the year</b>		<b>(905 805)</b>	<b>-</b>	<b>140 917</b>
<b>Reversible income and losses:</b>				
Available-for-sale financial assets	<a href="#">3</a>	-	514 499	514 499
<b>Total comprehensive income for the period</b>		<b>(905 805)</b>	<b>514 499</b>	<b>655 416</b>

**Statement of financial position December 31, 2014:**

NOK 1 000	Note	NGAAP	Adjustments	IFRS
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	<a href="#">4</a>	162 294	37 663	199 957
Deferred tax asset		345 134	-	345 134
Aircraft, parts and installations on leased aircraft		297 887	-	297 887
Equipment and fixtures		76 491	-	76 491
Buildings		252 236	-	252 236
Financial lease asset		19 234	-	19 234
Prepayment to aircraft manufacturers		-	-	-
Financial assets available for sale	<a href="#">3</a>	82 689	681 620	764 309
Investment in associate	<a href="#">3</a>	223 594	(223 594)	-
Investments in subsidiaries	<a href="#">1, 2</a>	2 745 290	2 820 279	5 565 569
Financial lease receivable		5 475 375	-	5 475 375
Other receivables <sup>1</sup>		1 777 693	-	1 777 693
<b>Total non-current assets</b>		<b>11 457 918</b>	<b>3 315 968</b>	<b>14 773 885</b>
<b>Current assets</b>				
Inventory		70 383	-	70 383
Trade and other receivables <sup>1</sup>	<a href="#">1, 2</a>	3 949 312	320 094	4 269 406
Cash and cash equivalents		1 770 877	-	1 770 877
<b>Total current assets</b>		<b>5 790 571</b>	<b>320 094</b>	<b>6 110 665</b>
<b>Total assets</b>		<b>17 248 489</b>	<b>3 636 061</b>	<b>20 884 550</b>

<sup>1)</sup> Includes reclassification in NGAAP statement, of intercompany receivable in the amount of NOK 1 455 million from short-term to long-term receivables.



## PARENT COMPANY FINANCIAL STATEMENT

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### Statement of financial position 2014 (continued):

NOK 1 000	Note	NGAAP	Adjustments	IFRS
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		3 516	-	3 516
Share premium		1 093 549	-	1 093 549
Other paid-in equity		87 187	-	87 187
Other reserves		-	515 657	515 657
Retained earnings		961 563	3 238 339	4 199 902
<b>Total equity</b>		<b>2 145 815</b>	<b>3 753 996</b>	<b>5 899 811</b>
<b>Non-current liabilities</b>				
Provision for periodic maintenance		563 940	-	563 940
Deferred tax		-	-	-
Borrowings		5 205 593	-	5 205 593
Financial lease liability		3 227	-	3 227
<b>Total non-current liabilities</b>		<b>5 772 760</b>	<b>-</b>	<b>5 772 760</b>
<b>Short term liabilities</b>				
Short-term part of borrowings		899 473	-	899 473
Trade and other payables	1	5 846 820	(117 934)	5 728 885
Air traffic settlement liabilities		2 124 663	-	2 124 663
Derivative financial instruments		458 958	-	458 958
Tax payable		-	-	-
<b>Total short term liabilities</b>		<b>9 329 913</b>	<b>(117 934)</b>	<b>9 211 979</b>
<b>Total liabilities</b>		<b>15 102 674</b>	<b>(117 934)</b>	<b>14 984 740</b>
<b>Total equity and liabilities</b>		<b>17 248 489</b>	<b>3 636 062</b>	<b>20 884 551</b>

### Explanatory notes to the transition tables

#### Note 1 – Deemed cost shares in subsidiaries

Shares in subsidiaries were measured at the lower of historical cost and fair value according to NGAAP. For first-time adoption of IFRS, an entity may choose to measure its investments in subsidiaries at deemed cost (IFRS 1.D15). The deemed cost is either the fair value of the investments at the entity's date of transition to IFRS or the previous NGAAP carrying amount. The Company has elected to measure the investments at fair value, which consequently increases the Company's equity with NOK 2 160 million at transition date.

#### Note 2 – Fair value recognition of sale to subsidiaries

In 2014, the Company sold several assets to its subsidiaries in Ireland, hereunder several owned aircraft and the aircraft purchase contracts. See [note 28](#) in the consolidated financial statements for further information regarding the purchase contracts.

The transactions was performed at arms-length terms and an independent valuation of fair

value was done. According to NGAAP, the transaction was accounted for at continuity method, whereas any gains and losses over book value was unrecognized in the financial statements. In the IFRS restated financial statements, the Company has recognized the fair value of the transactions with Group companies. The effect in the income statement in 2014 is a gain on sale of assets, recognized in other income, of NOK 1 098 million in 2014. Transaction settlement was equity contribution and sellers credit, and consequently, investments in subsidiaries, trade and other receivables and trade and other payables are increased/decreased respectively.

#### Note 3 – Fair value recognition of investment in associates

According to NGAAP, investments in associates are accounted for according to the equity method. According to IFRS, investments in associates may be accounted for at fair value, if the fair value can be reliably measured. The shares in the associated Norwegian Finans Holding ASA was listed on the OTC list at the Oslo Stock exchange in June 2014. On IFRS transition date at January 1, 2014, the shares were unlisted, and the fair value of the holdings at transition date is the Group's share of the Company's equity at book value. Later measurement are following traded market price. The investment is classified as financial asset available for sale, according to IFRS 39, and changes in fair value is recognized in other comprehensive income.

#### Note 4 – Adjustment of Goodwill

Under NGAAP, goodwill is amortized over the economic life of the asset. Norwegian Air Shuttle ASA has recognized goodwill related to the acquisition of Nordic Airlink Holding AB in 2007. According to IFRS, goodwill is not amortized but tested for impairment. In the IFRS restated financial statements as per January 1, 2014, the Company has applied retrospective business combination according to IFRS 3. The restated business combination results in Goodwill recognized at the same value as at acquisition date, and as such, the accumulated amortization, in the amount of NOK 31.4 million under NGAAP is reversed. Goodwill is subsequently impairment tested. The impairment test did not result in any impairment loss at January 1, 2014 nor at December 31, 2014. In the restated IFRS Income Statement for 2014, amortization for 2014 under NGAAP principles (NOK 6.3 million) has been reversed.

### NOTE 29: EVENTS AFTER THE REPORTING DATE

On January 26, 2016, Norwegian announced a new charter agreement for the summer 2016, to continue its cooperation with TUI Nordic, TUI UK, Thomas Cook Northern Europe and Nazar Nordic to fly their customers from the Nordics and the UK to various summer destinations including the Balearics, the Greek Isles and the Canaries. The total value of the contracts is approximately NOK 500 million, NOK 100 million more than previous year, and include more than 2 200 flights.

In February 2016, Norwegian reached an agreement with cabin crew in Norway and Denmark. The new collective agreements are for a two-year period.



# AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA:

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Air Shuttle ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the statement of financial position as at December 31, 2015, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9 for the Company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial

statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion on the financial statements for the parent company*

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norwegian Air Shuttle ASA as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

#### *Opinion on the financial statements for the Group*

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Norwegian Air Shuttle ASA as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

### Report on Other Legal and Regulatory Requirements

#### *Opinion on the Board of Directors' report and the 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 concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the loss 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, March 16, 2016  
 Deloitte AS

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

*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



## CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE

**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 following report was carried at the Board meeting on March 16, 2016.

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 communication with the com-

munities 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 2015 was MNOK 2 965 equivalent to an equity ratio of nine 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 July 2014, November 2014, May 2015 and December 2015 restricts dividend payments, and repurchase of shares (except for the benefit of the employees and/or management and/or directors for any Group Company) until maturity of the last bond in December 2019.

### Board authorizations

As a consequence of Norwegian's high growth rate, competitive position and associated need for flexibility, the general meeting has granted the Board a two year authorization to increase the Company's share capital by 10 per cent. This mandate can be used for utilization of commercial opportunities and as an instrument to execute the

employee incentive program. The mandate granted to the Board is limited to a total of 3 516 213 shares and is valid until May 2017.

The general meeting has granted the Board of Directors a mandate to acquire treasury shares for a period of 18 months reckoned from the date of the general meeting's resolution. Further, it is in keeping with applicable corporate governance policies that such authorisations are valued by the general meeting on an annual basis. The mandate granted to the Board is limited to a total of 3 516 213 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.

### Trading in treasury shares

Share buy-back transactions are generally carried out via stock exchanges. Buy-backs of treasury shares are carried out at market prices. Employee share allocations are granted at a discount to market value. Norwegian did not purchase or sell any of its own shares in 2015.

### Transactions with related parties

Material transactions between the Group and key stakeholders, in particular the shareholders, the members of the Board



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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 Simonson VogtWiig, who is the legal advisor to Norwegian Air Shuttle ASA. Norwegian has leased its head office from Fornebu Næringsseierdom 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 transactions 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 employees. 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 2015 decided that "An extraordinary general meeting may be called with fourteen days' notice if the Board decides that the shareholders may attend the general meeting with the aid of electronic devices, cf. Section 5-8a of the public Limited Companies Act". The shareholders' deadline for the notice of their intended presence is three days before the general meeting, and the shareholders may be present and vote by proxy. 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 conducted by the Chair. 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 2016.

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 was elected by the annual general meeting on May 14, 2014 and consist of;

- Geir Tjetland, *Portfolio Manager Skagen Fondene*.
- Inga Lise Len Moldestad, *Deputy Chief Executive Officer Holberg Fondsforvaltning AS*.
- Sven Fermann Hermansen, *Pilot and shareholder in the Company*.

None of the members of the Election committee represents 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 employee representatives 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 was 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

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3. Equity and Dividends
4. Equal Treatment of Shareholders and Transactions with Close Associates
5. Freely Negotiated Shares
6. General Meetings
7. Election Committee
8. Corporate assembly and Board of Directors, composition and independence
9. The Work of the Board of Directors
10. Risk Management and Internal Control
11. Remuneration of the Board of Directors
12. Remuneration of executive personnel
13. Information and Communications
14. Takeovers
15. Auditor

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 one 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 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 oper-

ational 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 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.

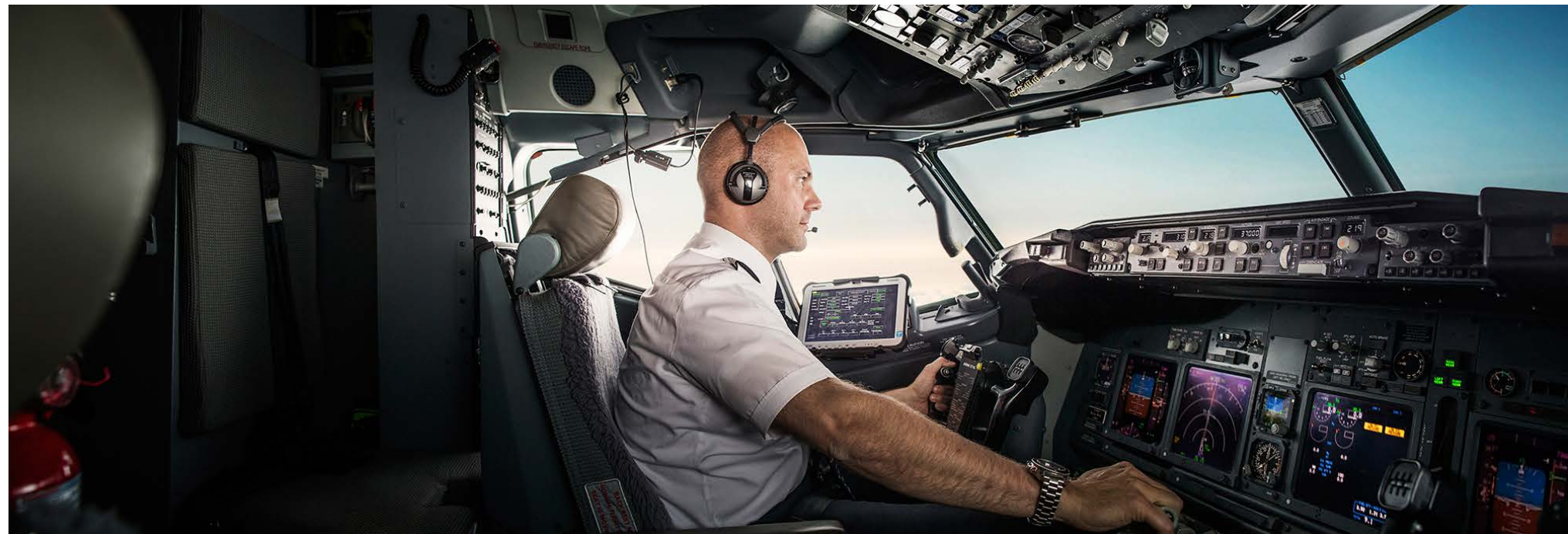
A financial calendar is prepared and published on the Group's website and is also distributed in accordance with the rules of the Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange.

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 infor-

**CORPORATE GOVERNANCE**

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mation 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 once a year.

The Auditor participates in the meetings of the Board of Directors that deal with the annual accounts. At these meetings the Au-

ditor 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.

**BOARD AND MANAGEMENT**

**The Board of Directors**

Bjørn H Kise

Liv Berstad

Ada Kjeseth

Christian Fredrik Stray

Thor Espen Bråten

Linda Olsen

Kenneth Utsikt

**The Management team**

Bjørn Kjos

Frode E. Foss

Asgeir Nyseth

Geir Steiro

Anne-Sissel Skånvik

Thomas Ramdahl

Gunnar Martinsen

Frode Berg

Dag Skage

Tore Jenssen

Edward Thorstad

# THE BOARD OF DIRECTORS



**Bjørn H Kise**  
*Chair*

Mr Bjørn H Kise (born 1950) has more than 25 years of experience of legal practice with the law firm Vogt Wiig AS where he is also a partner. He is (since 1997) admitted to the Supreme Court. Mr Kise has a Law Degree from the University of Oslo. 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 in the period 1996–2002. Mr Kise also holds a number of board appointments in large and medium-sized companies in Norway and abroad. As of December 31, 2015, Mr Kise holds 723 901 shares in the Company and has no stock options. He is a Norwegian citizen. He has been elected for the period 2014–2016 and he represents Norwegian's principal shareholder HBK Invest AS.



**Liv Berstad**  
*Deputy chair*

Ms Liv Berstad (born 1961) is today the Managing Director for the clothing company KappAhl in Norway. Ms Berstad has extensive experience from retail trade in the Nordic region, mainly from construction material, fashion and cosmetics. She joined KappAhl as their Financing Manager in 1990 and in 1996 she was made the Managing Director. She is a Business economist from BI Norwegian School of Management and has been a Board member since 2005. Ms Berstad also holds directorships at Expert. As of December 31, 2015, Ms Berstad holds no shares in the Company and has no stock options. She is a Norwegian citizen. She is elected for the period 2015–2017 and is an independent board member.



**Ada Kjeseth**  
*Director*

Ms Ada Kjeseth (born 1949) has been CEO of Tekas Shipping AS since 2006. She has also been CEO and is now executive chair of Tekas AS, a family investment company, and has held various leading roles as managing director, CEO and CFO in companies like Visma Services ASA, Visma Services Norway AS, ØkonomiPartner AS and AS Nevi. Ms Kjeseth was educated at The Norwegian School of Economics. Ms Kjeseth has extensive experience from several boards. She is chair of the Board of OBOS Skadeforsikring AS and TEKAS AS and member of the Board of Bertel O. Steen Holding AS and Raget AS. As of December 31, 2015, Ms Kjeseth holds no shares in the Company and has no stock options. She is a Norwegian citizen. She has been elected for the period 2015–2017 and is an independent board member.



**Christian Fredrik Stray**  
*Director*

Mr Christian Fredrik Stray (born 1978) is founder and has been CEO of Apriori Consulting since 2015 where he is currently developing two new Norwegian medtech companies (HyPro AS and Joint Biomed AS) as interim CEO. Prior to this he has several years of experience from the global medical device company Biomet. From 2008–2011 he held the position as managing director of Biomet Norge and from 2011–2014 as regional vice president of Biomet Nordic. Mr Stray holds a Bachelor of Science in Biomedical Engineering & Pre Med and an executive MBA from ESCP-EAP (Paris) and the Norwegian School of Management (BI). Mr Stray has and has had several board appointments for companies both in Norway and Scandinavia primarily within the medical industry. As of December 31, 2015, Mr Stray holds no shares in the Company and has no stock options. He is a Norwegian citizen. He has been elected for the period 2015–2017 and is an independent board member.

**Changes in the Board of Directors:**

Ms Benedicte Schilbred Fasmer and Mr Ola Krohn-Fagervoll were replaced by Ms Ada Kjeseth and Mr Christian Fredrik Stray at the Annual General Meeting in May 2015.

## BOARD AND MANAGEMENT

### The Board of Directors

Bjørn H Kise

Liv Berstad

Ada Kjeseth

Christian Fredrik Stray

Thor Espen Bråten

Linda Olsen

Kenneth Utsikt

### The Management team

Bjørn Kjos

Frode E. Foss

Asgeir Nyseth

Geir Steiro

Anne-Sissel Skånvik

Thomas Ramdahl

Gunnar Martinsen

Frode Berg

Dag Skage

Tore Jenssen

Edward Thorstad



**Thor Espen Bråten**  
*Director, employee representative*

Mr Thor Espen Bråten (born 1959) joined Norwegian in 2005 and works as a captain. Bråten has held management positions ranging from base manager to managing director for a number of regional and international airlines. He also has extensive experience from aircraft acquisitions lease and aircraft remarketing. He received his airline pilot training in Norway and Sweden. Mr Bråten has been an employee representative since 2009. As of December 31, 2015, Mr Bråten holds 738 shares in the Company and has no stock options. He is a Norwegian citizen. He has been elected for the period 2012-2014, but will stay until new employee representatives have been elected. Mr Bråten is an independent board member.



**Linda Olsen**  
*Director, employee representative*

Ms Linda Olsen (born 1985) joined Norwegian in February 2006 and is currently senior advisor and team leader for escalated cases in customer relations. Ms Olsen is a legal office assistant and has studied tourism management in Australia. Ms Olsen is also on the Board of HK, a union started in cooperation with the Norwegian Union for Commerce and Office Employees and she has been an employee representative since 2009. As of December 31, 2015, Ms Olsen holds no shares in the Company and has no stock options. She is a Norwegian citizen. She has been elected for the period 2012-2014, but will stay until new employee representatives have been elected. Ms Olsen is an independent board member.



**Kenneth Utsikt**  
*Director, employee representative*

Mr Kenneth Utsikt (born 1976) is cabin crew administrator in Norwegian. He has worked for Norwegian since 2004 and was the leader for Norwegian Cabin Union from 2009-2012. He has been elected in Enebakk municipality since 1999 and has held numerous local positions as a politician. Prior to joining Norwegian. Mr Utsikt worked in the service industry. Mr Utsikt has been an employee representative since 2009. As of December 31, 2015, Mr Utsikt holds 451 shares in the Company and has no stock options. He is a Norwegian citizen. He has been elected for the period 2012-2014, but will stay until new employee representatives have been elected. Mr Utsikt is an independent board member.



**BOARD AND MANAGEMENT**

**The Board of Directors**

- Bjørn H Kise
- Liv Berstad
- Ada Kjeseth
- Christian Fredrik Stray
- Thor Espen Bråten
- Linda Olsen
- Kenneth Utsikt

**The Management team**

- Bjørn Kjos
- Frode E. Foss
- Asgeir Nyseth
- Geir Steiro
- Anne-Sissel Skånvik
- Thomas Ramdahl
- Gunnar Martinsen
- Frode Berg
- Dag Skage
- Tore Jenssen
- Edward Thorstad

# THE MANAGEMENT TEAM



**The top management at Norwegian Group consists of representatives from our Scandinavian and international operations.**

**Changes in the Group management:**  
 The Group management was expanded during 2015 to include Mr Tore Jenssen (CEO Norwegian Air International Ltd. as well as Chief Operating Officer for Arctic Aviation Assets Ltd.) and Mr Edward Thorstad (Chief Customer Officer).

**Bjørn Kjos**  
*Chief Executive Officer*  
 Mr Bjørn Kjos (born 1946) has been the Chief Executive Officer of Norwegian 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. He was granted the right of audience in the Supreme Court in 1993. Mr Kjos was a fighter pilot in the 334 squadron for six years and is a law graduate from the University of Oslo. As of December 31, 2015, he holds 7 443 315 shares in the Company and has no stock-options. Mr Kjos is a Norwegian citizen.

**Frode E. Foss**  
*Chief Financial Officer*  
 Mr Frode E Foss (born 1968) has been the Chief Financial Officer of Norwegian since he joined the Company in its start-up year in 2002 and is a member of the Board of Directors of Norwegian Finance Holding ASA (Bank Norwegian). Mr Foss has eight years of experience from auditing and management consulting services with Arthur Andersen and Ernst & Young. He is a Master of Business Administration graduate and holds a Masters of Science Degree in Finance from the University of Wyoming, USA. He received his Financial Analyst charter in 2002 (CFA). As of December 31, 2015, he holds 35 000 shares in the Company and has no stock-options. Mr Foss is a Norwegian citizen.

**Asgeir Nyseth**  
*CEO Norwegian UK Ltd.*  
 Mr Asgeir Nyseth (born 1957) 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 aeronautics engineer from both Lufttransport and Scandinavian Airlines. He was the Technical Director of Lufttransport for a period of three years and was made the CEO of Lufttransport in 2000. Mr Nyseth conducted officer training school and technical education at the Norwegian Air Force. As of December 31, 2015, he holds 12 342 shares in the Company and has no stock-options. Mr Nyseth is a Norwegian citizen.

**Geir Steiro**  
*Chief Operating Officer*  
 Mr Geir Steiro (born 1957) began working for Norwegian in 2013 as Technical Director and was shortly after appointed COO taking over the responsibility for the Company's 737 operation. Before he came to Norwegian Mr Steiro worked at Aker Solutions Subsea AS and has previous experience from NSB and SAS. He has worked in the technical department of several airlines and has held several managerial positions. Mr Steiro has a degree in mechanical engineering. He is a certified aircraft mechanic and has completed several management courses. As of December 31, 2015, he holds no shares in the Company and has no stock-options. Mr Steiro is a Norwegian citizen.

**Anne-Sissel Skånvik**  
*Chief Communications Officer*  
 Ms Anne-Sissel Skånvik (born 1959) has more than 30 years of experience working with corporate communications and journalism. Ms Skånvik was the Deputy Director General in The Ministry of Finance between 1996-2004. She has years of experience from Statistics Norway (SSB) and as a journalist for various news media. She joined Norwegian in 2009 from a position as Senior Vice President at Telenor ASA where she was responsible for corporate communications and governmental relations. She has a Masters Degree in Political Science ("Cand. Polit") from the University of Oslo and a degree in journalism. As of December 31, 2015, she holds no shares in the Company and has no stock-options. Ms Skånvik is a Norwegian citizen.

## BOARD AND MANAGEMENT

### The Board of Directors

- [Bjørn H Kise](#)
- [Liv Berstad](#)
- [Ada Kjeseth](#)
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### The Management team

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- [Thomas Ramdahl](#)
- [Gunnar Martinsen](#)
- [Frode Berg](#)
- [Dag Skage](#)
- [Tore Jenssen](#)
- [Edward Thorstad](#)



**Thomas Ramdahl**  
*Chief Commercial Officer*

Mr Thomas Ramdahl (born 1971) has been Norwegian's Director of Network Development and part of the Company's commercial management team since 2008 before becoming Chief Commercial Officer in 2014. He has long and varied experience in the aviation industry and has previously worked for SAS and Braathens where he has held positions in Revenue Management, Route Management and Charter. Mr Ramdahl has a Bachelor's Degree from the Norwegian School of Business (BI). As of December 31, 2015, he holds no shares in the Company and has no stock-options. Mr Ramdahl is a Norwegian citizen.



**Gunnar Martinsen**  
*Chief Human Resources Officer*

Mr Gunnar Martinsen (born 1949) was part of the Norwegian start-up team in 1993 and joined Norwegian Air Shuttle ASA in 2002 as Senior Vice President, Human Resources and Organizational Development. Mr Martinsen has extensive experience from organizational development and human resources from several industries among others as a management consultant. Prior to his position in Norwegian he has held HR leadership roles in different companies such as Busy Bee of Norway and Radisson SAS. Mr Martinsen is Chair of the Board in Cabin Services Norway AS and Cabin Services DK Aps. He is also Member of the Supervisory Council in Bank Norwegian. Mr Martinsen has a degree from BI Norwegian School of Management. As of December 31, 2015 he holds 9 519 shares in the Company and has no stock-options. Mr Martinsen is a Norwegian citizen.



**Frode Berg**  
*Chief Legal Officer*

Mr Frode Berg (born 1968) has been Chief Legal Officer of Norwegian since February 2013. He has practiced law since 1997 and was as a partner of law firm Simonsen Vogt Wiig from 2007. As a lawyer Mr Berg's main fields have been 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 Degree in Economics from the University of Tromsø, Norway, and a Master's Degree (LL.M) from the University of Cambridge, England. As of December 31, 2015 he holds no shares in the Company and has no stock-options. Mr Berg is a Norwegian citizen.



**Dag Skage**  
*Chief Information Officer*

Mr Dag Skage (born 1972) has been Chief Information Officer at Norwegian since October 2014. Before that he was Executive Director within Ernst Young's IT advisory unit. He has also previous consulting- and management experience, including BearingPoint and Andersen Business Consulting. Mr Skage has extensive experience in the consulting industry, particularly IT management, portfolio management, sourcing- and change management. He holds a Master of Science in Business from the Norwegian Business School («BI») with additional education in IT Management and Project Management (Master of Management from the Norwegian Business School («BI»)). As of December 31, 2015 he holds no shares in the Company and has no stock-options. Mr Skage is a Norwegian citizen.



**Tore Jenssen**  
*CEO Norwegian Air International Ltd.*

Mr Tore Jenssen (born 1978) is Chief Executive Officer for our Irish airline operations (NAI) and Chief Executive Officer of our full owned asset company, Arctic Aviation Assets (AAA). He has been at Norwegian since 2007 when he was hired as cost controller for the technical department. From 2010 Mr Jenssen worked as asset manager and in 2013 he moved to Ireland and became chief operating officer for Arctic Aviation Assets Ltd., a position he still holds today as well as being Chief Executive Officer of NAI. Before he started his career at Norwegian he worked for Grilstad. Mr Jenssen has a Business Degree from Bodø Graduate School of Business. As of December 31, 2015 he holds no shares in the Company and has no stock-options. Mr Jenssen is a Norwegian citizen.



**Edward Thorstad**  
*Chief Customer Officer*

Mr Edward Thorstad (born 1969) is Chief Customer Officer at Norwegian. He has been part of commercial management and led the Norwegian's customer services department since 2005. Mr Thorstad has worked in aviation since 1996 and before that he worked for Delta Air Lines where he helped build their European contact center in London. He has a Bachelor Degree from University College, London. As of December 31, 2015 he holds 2385 shares in the Company and has no stock-options. Mr Thorstad is a British citizen.

# DEFINITIONS

## ASK

Available Seat Kilometers. Number of available seats multiplied by the distance flown.

## RPK

Revenue Passenger Kilometers. Number of occupied seats multiplied by the distance flown.

## LOAD FACTOR

RPK divided by ASK. Describes the utilization of the available seats.

## CASK

Cost per available seat kilometer is an industry-wide cost level indicator often referred to as "CASK". CASK is usually represented as operating expenses before depreciation and amortization (EBITDA level) over produced seat kilometers (ASK), also known as cash operating cost.

Norwegian hedges USD/NOK to counter foreign currency risk exposure on USD denominated borrowings translated to the prevailing currency rate at each balance sheet date. Hedge gains and losses are according to IFRS recognized under operating expenses ("other losses/ (gains)) while foreign currency gains and losses from translation of USD denominated borrowings are recognized under financial items (Net foreign exchange (loss) or gain).

For the above reason CASK excludes losses and gains from "other losses/ (gains)" to better reflect the actual cost development.

## RASK

Average ticket revenue per ASK. A measure of how much ticket revenue one single seat generates on average per kilometer flown. The RASK reflects load factor contrary to the commonly used yield which is a measure of ticket revenue per RpK.

## BLH

Block hours is the elapsed time from the parking brakes are released at the gate of the origin until they are set at the gate at the destination.

## SECTOR LENGTH

Distance from one destination to another (one way).

## EBITDAR

Earnings Before Interest, Tax, Depreciation, Amortization and Rent.

## EBITDA

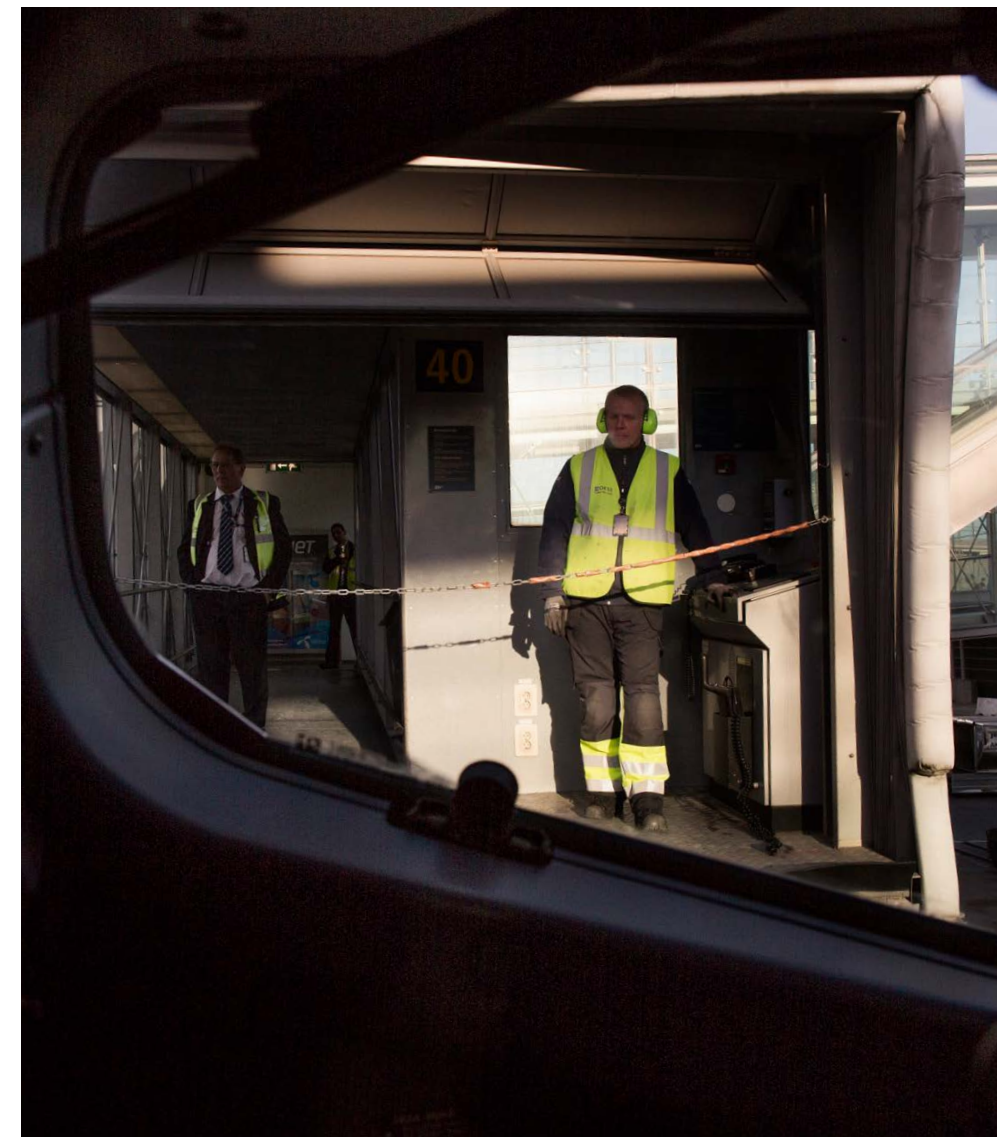
Earnings Before Interest, Taxes, Depreciation and Amortization.

## EBIT

Earnings Before Interest and Taxes. Commonly referred to as operating result.

## EBT

Earnings Before Taxes.





## Norwegian Air Shuttle ASA

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NO-1366 Lysaker

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NO-1330 Fornebu

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E-mail: [investor.relations@norwegian.com](mailto:investor.relations@norwegian.com)