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CONFIDENTIAL

US$349,125,000

2016-1 Pass Through Trusts
NAS Enhanced Pass Through Certificates, Series 2016-1

Two classes of NAS Enhanced Pass Through Certificates, Series 2016-1, are being offered pursuant to this offering memorandum: Class A certificates (the "Class A Certificates") and Class B certificates (the "Class B Certificates," and, together with the Class A Certificates, the "Certificates"), each of which will evidence fractional undivided ownership interests in a pass through trust that will own equipment notes secured by Aircraft (as defined below). One or more additional junior classes of NAS Enhanced Pass Through Certificates, Series 2016-1 may be offered after the date of this offering memorandum. A separate trust (each, a "Trust") will be established for each class of Certificates that is issued. This offering is being made in connection with the financing of aircraft previously delivered or to be delivered by The Boeing Company (the "Manufacturer") to Torefjorden DAC (the "Owner" or the "Lessor"), as follows: (a) three new Boeing 737-800 aircraft delivered between March and April 2016 (each, a "Pre-Owned Aircraft"), (b) one new Boeing 737-800 aircraft scheduled to be delivered on May 12, 2016 (the "May Delivery Aircraft" and, together with the Pre-Owned Aircraft, the "Owned Aircraft") and (c) six out of ten new Boeing 737-800 aircraft scheduled to be delivered between the Issuance Date (as defined below) and December 2016 (each of those six, a "New Delivery Aircraft" and, together with the Owned Aircraft, the "Aircraft"). Torefjorden DAC is a wholly-owned Irish subsidiary of Arctic Aviation Assets Limited ("Arctic"), itself a wholly-owned Irish subsidiary of Norwegian Air Shuttle ASA ("NAS" or "Norwegian Air Shuttle"). The proceeds from the sale of the Certificates will be paid to and held by the New York branch of Natixis (the "Depositary") as deposits ("Deposits") pending their application towards the purchase by the Trusts of notes (each, an "Equipment Note") issued by the Owner in connection with its acquisition of each New Delivery Aircraft or the refinancing of each Owned Aircraft. Each Aircraft will be leased by the Owner to Norwegian Air International Limited ("NAIL" or the "Lessee"), a wholly-owned Irish subsidiary of NAS under a twelve-year operating lease (each, a "Lease"). Rent payable by NAIL in respect of each leased Aircraft will be sufficient to cover scheduled principal and interest owed by the Owner under the related Equipment Notes. Payment received by each Trust in respect of the Equipment Notes held by it will be passed through to the holders of Certificates issued by such Trust. Although the Certificates do not represent interests in, and are not obligations of, NAS, NAS will absolutely and unconditionally guarantee NAIL's obligations to the Owner in respect of each Lease, and the Owner's obligations to the Trusts under the Equipment Notes.

Interest on the Equipment Notes will be payable semi-annually on November 10 and May 10 of each year, commencing on the later of November 10, 2016 and the first such date after issuance thereof. Principal of the Equipment Notes will be payable semi-annually in installments on November 10 and May 10 of each year, commencing on May 10, 2017.

The Class A Certificates will generally rank senior to the Class B Certificates and to any class of additional junior certificates. The Class B Certificates will generally rank junior to the Class A Certificates and will generally rank senior to any class of additional junior certificates. Any additional junior class of certificates will generally rank junior to the Certificates.

Natixis, acting through its New York branch, will provide a liquidity facility for each of the Class A Certificates and Class B Certificates, in each case in an amount sufficient to make three consecutive semi-annual interest payments on the related class of Certificates. Any additional junior class of certificates will not have the benefit of a liquidity facility.

The Certificates will not be listed on any securities exchange.

Investing in the Certificates involves a high degree of risk. See "Risk Factors" beginning on page 29 in this offering memorandum.

Certificates	Face Amount	Interest Rate	Final Expected Distribution Date	Price to Investors(1)
Class A	US$274,315,000	4.875%	May 10, 2028	100%
Class B	US$ 74,810,000	7.500%	November 10, 2023	97.883%

(1) Plus accrued interest, if any, from the date of issuance.

The Initial Purchaser (as defined herein) will purchase all of the Class A Certificates and Class B Certificates, if any are purchased. The Initial Purchaser expects to deliver the Class A Certificates and Class B Certificates to purchasers through the facilities of The Depository Trust Company ("DTC") and its direct and indirect participants, including Euroclear Bank S.A./N.V. and Clearstream Banking S.A., Luxemburg against payment on or about May 18, 2016 (the "Issuance Date").

The Certificates have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Accordingly, the Certificates are being offered and sold only to persons reasonably believed to be qualified institutional buyers ("QIBs"), as such term is defined in Rule 144A under the Securities Act ("Rule 144A"), and to investors who are not U.S. persons, as such term is defined in Regulation S under the Securities Act ("Regulation S"), in transactions outside the United States pursuant to Regulation S. Prospective purchasers that are U.S. persons (as such term is defined in Regulation S) or that are located in the United States are hereby notified that the seller of the Certificates may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Sole Structuring Agent, Global Coordinator and Bookrunner

MORGAN STANLEY

May 6, 2016

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You should rely only on the information contained in this offering memorandum. None of NAS, NAIL, Arctic, the Owner, any Trust or the Initial Purchaser (as defined herein) has authorized any person (including any dealer, salesman or broker) to provide you with any information or represent anything about NAS, NAIL, Arctic, the Owner, the Trusts, the Initial Purchaser or this offering that is not contained in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by NAS, NAIL, Arctic, the Owner, the Trusts or the Initial Purchaser. You should assume that the information contained in this offering memorandum is accurate only as of the date hereof or as of such other date as is otherwise stated to be provided, and that it is subject to change, completion or amendment without notice. Neither the delivery of this offering memorandum at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set out in this offering memorandum or in the business or affairs of NAS since the date of this offering memorandum.

This offering memorandum is being provided on a confidential basis (1) within the United States, to "qualified institutional buyers" as defined in Rule 144A under the Securities Act, and (2) outside the United States, to persons who are not "U.S. persons" as defined in Rule 902 of Regulation S, in each case for informational use solely in connection with their consideration of the purchase of the Certificates. You

may not reproduce or distribute this offering memorandum, in whole or in part, and you may not disclose any of the contents of this offering memorandum or use any information herein for any purpose other than considering the purchase of the Certificates. You agree to the foregoing by accepting delivery of this offering memorandum.

Morgan Stanley & Co. LLC (the "Initial Purchaser" or "Morgan Stanley") makes no representation or warranty, express or implied, as to the accuracy or completeness of information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchaser.

In accordance with Article 405 of Regulation (EU) No. 575/2013 and Article 51 of Regulation (EU) No. 231/2013 (which, in each case, does not take into account any corresponding national measures) certain entities may acquire the credit risk of a securitization if the originator, sponsor or original lender thereof has explicitly disclosed that it will retain, on an on-going basis, a material net economic interest in the securitization of not less than 5% (the "**EU Risk Retention Requirement**").

NAS has considered, and obtained legal advice as to, the applicability of the EU Risk Retention Requirement to this offering. Although the matter is not free from doubt, a view may be taken that an investment in the Certificates should not constitute a "securitization position" due to, among other things, its payment obligations under the Leases.

However, investors should be aware that the regulatory capital treatment of any investment in the Certificates will be determined by the investor's regulator and the relevant provisions of national law. Although market participants have, in consultations relating to the EU Risk Retention Requirement, requested guidance on the structures captured by the definitions, no definitive guidance has been forthcoming. Therefore, uncertainty remains as to which structures would be considered to be "securitizations."

Investors in the Certificates are responsible for analyzing their own regulatory position and should not rely on NAS' interpretation set out above. Investors should consult their regulator should they require guidance in relation to the regulatory capital treatment that their regulator would apply to an investment in the Certificates.

NOTICE TO INVESTORS

NAS is furnishing this offering memorandum on a confidential basis in connection with an offering that is not subject to or is exempt from the registration requirements of the Securities Act, and applicable state securities laws solely to allow a prospective, qualified investor to consider purchasing the Certificates. Delivery of this offering memorandum to any other person or any reproduction of this offering memorandum, in whole or in part, without the prior consent of NAS and the Initial Purchaser, is prohibited. The information contained in this offering memorandum has been provided by NAS and other sources identified in this offering memorandum.

The Certificates described in this offering memorandum have not been registered with, recommended by or approved by the United States Securities and Exchange Commission (the "SEC"), or any other federal, state or foreign securities commission or regulatory authority, nor has the SEC or any such state or foreign securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

You must comply with all applicable laws and regulations in connection with the distribution of this offering memorandum and the offer or sale of the Certificates. See "*Transfer Restrictions*." You are not to construe the contents of this offering memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Certificates. None of NAS, the Trusts or the Initial Purchaser is making any representation to you regarding the legality of an investment in the Certificates by you under applicable laws. In making an investment decision regarding the Certificates offered by this offering memorandum, you must rely on your own examination of NAS and the Trusts and the terms of this offering, including, without limitation, the merits and risks involved. This offering is being made on the basis of this offering memorandum. Any decision to purchase Certificates in this offering must be based solely on the information contained in this offering memorandum. This offering memorandum is being provided on a confidential basis (1) to QIBs in reliance on Rule 144A and (2) to non-U.S. Persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S, in each case, for informational use solely in connection with their consideration of the purchase of the Certificates.

The delivery of the Certificates is expected to be made against payment therefor on or about May 18, 2016, which will be the ninth business day following the date of pricing of the Class A Certificates, and the eighth business day following the date of pricing of the Class B Certificates. Under Rule 15c6-1 under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), trades in the secondary market generally are required to settle in three business days, (such settlement cycle being referred to as T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Certificates on a day prior to the third business day before the date of initial delivery of the Certificates will be required to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Certificates who wish to trade Certificates during the period described above should consult their own adviser.

This offering memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request to the Initial Purchaser. All summaries are qualified in their entirety by this reference.

In making your investment decision, you will be deemed to have made certain acknowledgements, representations and agreements as set forth in this offering memorandum under the caption "*Transfer Restrictions*." The Certificates are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state and foreign securities laws pursuant to registration or exemption therefrom. See "*Transfer Restrictions*." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

No person is authorized in connection with any offering made by this offering memorandum to give any information or to make any representation not contained in this offering memorandum, and, if given or made, any other information or representation must not be relied upon as having been authorized by NAS, the Trusts or the Initial Purchaser. The information contained in this offering memorandum is as of the date hereof or as of the date it is otherwise stated to be provided, and is subject to change, completion or amendment without notice. Neither the delivery of this offering memorandum at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set forth in this offering memorandum or in NAS' affairs since the date hereof.

NAS reserves the right to withdraw this offering at any time. This offering is subject to the terms described in this offering memorandum and the pass through trust agreements relating to the Certificates.

This offering memorandum does not constitute an offer to sell the Certificates to, or a solicitation of an offer to buy the Certificates from, any person in any jurisdiction where it is unlawful to make such an offer or solicitation.

The distribution of this offering memorandum and the offer and sale of the Certificates may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum or any of the Certificates come must inform themselves about, and observe, any such restrictions. You must comply with all applicable laws and regulations (including obtaining required consents, approvals and permissions) in any jurisdiction in which you possess or distribute this offering memorandum or in which you purchase, offer or sell the Certificates. None of NAS, NAIL, Arctic, the Owner, the Trusts or the Initial Purchaser has any responsibility therefor. See "*Transfer Restrictions*."

This offering memorandum and any other material in relation to the Certificates described herein are only being distributed to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). The Certificates are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Certificates will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The Certificates will be available in book-entry form only. Certificates sold pursuant to this offering memorandum will be issued in the form of one or more global certificates, which will be deposited with, or on behalf of, DTC, and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global certificates will be shown on and transfers of the global certificates will be effected only through records maintained by DTC and its participants. After the initial issuance of the global certificates, Certificates in certificated form will be issued in exchange for the global certificates only as set forth in the pass through trust agreement governing the Certificates.

In connection with this offering, the Initial Purchaser may engage in transactions that stabilize, maintain or otherwise affect the price of the Certificates at levels that might not otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued at any time.

NOTICE TO NORWEGIAN INVESTORS

This offering memorandum has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of June 29, 2007. Accordingly, neither this offering memorandum nor any other offering material relating to the Certificates constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The Certificates may not be offered or sold, directly or indirectly, in Norway except:

(a) in respect of an offer of Certificates addressed to investors subject to a minimum purchase of Certificates for a total consideration of not less than the equivalent of EUR 100,000 per investor, or in minimum denominations of at least the equivalent of EUR 100,000;

(b) to "professional investors," as defined in section 7-1 of the Norwegian Securities Regulation of June 29, 2007 no. 876;

(c) to fewer than 150 natural or legal persons in the Norwegian securities market (other than "professional investors," as defined in section 7-1 of the Norwegian Securities Regulation of June 29, 2007 no. 876);

(d) in any other circumstances provided that no such offer of Certificates shall result in a requirement for the registration, or the publication by NAS or the Initial Purchaser of a prospectus pursuant to the Norwegian Securities Trading Act of June 29, 2007.

In no circumstances may an offer of Certificates be made in the Norwegian market without the Certificates being registered in the Norwegian Central Securities Depository in dematerialized form, to the extent such Certificates shall be registered to the Norwegian Securities Registry Act (Norwegian: Verdipapirregisterloven, 2002) and its regulations.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

This offering memorandum has been prepared on the basis that all offers of Certificates will be made pursuant to a 100,000 euro minimum denomination exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of Certificates, which are the subject of the offering contemplated in this offering memorandum, should only do so in circumstances in which no obligation arises for NAS or the Initial Purchaser to produce a prospectus for such offer. Neither NAS nor the Initial Purchaser has authorized, nor do they authorize, the making of any offer of Certificates through any financial intermediary, other than offers made by the Initial Purchaser, which constitute the final placement of Certificates contemplated in this offering memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates that are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is qualified as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchaser nominated by NAS for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Certificates shall require NAS or the Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Certificates to the public" in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 Prospectus Directive Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 Prospectus Directive Amending Directive**" means Directive 2010/73/EU.

NOTICE TO CANADIAN INVESTORS

The Certificates may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Certificates must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Initial Purchaser is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

CERTAIN VOLCKER RULE CONSIDERATIONS

The Trusts, NAIL and the Owner are not now, and immediately following the issuance of the Certificates pursuant to the Trust Agreement will not be, "covered funds" for purposes of regulations adopted under Section 13 of the United States Bank Holding Company Act of 1956, as amended (commonly known as the "**Volcker Rule**"). In reaching this conclusion, although other statutory or regulatory exemptions under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"), may be available, the Trusts are relying on the exemption from registration set forth in Section 3(c)(5) under the Investment Company Act, and NAIL and the Owner are each relying on the determination that it does not come within the definition of "investment company" under Section 3(a)(1)(C) under the Investment Company Act.

ENFORCEMENT OF JUDGMENTS

Norwegian Air International Limited ("**NAIL**") is an Irish private company limited by shares. All of its directors and executive officers are resident outside the United States, and a substantial portion of its assets and the assets of such persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons or to enforce against them in U.S. courts judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.

Ireland

NAIL has been advised by its Irish solicitors, Matheson, that there is doubt as to enforceability in the Irish courts, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the federal securities law of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Ireland. The enforceability of any judgment in Ireland will depend on the particular facts of the case in effect at the time.

In general, any judgment obtained against NAIL (or any other Irish company) in any U.S. court (a "**U.S. Judgment**") should be recognized and enforced by the courts of Ireland subject to first obtaining by way of a new action an order from the Irish courts which would be granted on proper proof of the U.S. Judgment without any retrial or examination of the merits of the case provided that:

- the U.S. Judgment is for a definite sum of money and is final and conclusive;
- the court in the relevant U.S. State had competent jurisdiction;
- the U.S. Judgment has not been obtained or alleged to have been obtained by fraud;
- procedural rules of the court giving the U.S. Judgment have been observed;
- the U.S. Judgment is not contrary to public policy or natural or constitutional justice;
- the U.S. Judgment is not inconsistent with a judgment of the courts of Ireland in relation to the same matter;
- the Irish courts have jurisdiction over the matter; and
- enforcement proceedings are instituted in Ireland by way of the new action within six years of the date of the U.S. Judgment.

A contractual provision conferring or imposing a remedy or an obligation consequent upon default may not be enforceable if it were construed by an Irish court as being a penalty, particularly if it involved enforcing an additional pecuniary remedy (such as a default or overdue interest) referable to such default and which does not constitute a genuine and reasonable pre-estimate of the damage likely to be suffered as a result of the default in payment of the amount in question or the termination in question; further, recovery may be limited by laws requiring mitigation of loss suffered.

An Irish court may refuse to give effect to any provision in an agreement for the payment of expenses in respect of the costs of enforcement (actual or attempted) or unsuccessful litigation brought before an Irish court where such court has itself made an order for costs.

An Irish court may not give effect to an indemnity to the extent it is in respect of legal costs incurred by an unsuccessful litigant or to provisions requiring parties to negotiate (even in good faith).

Norway

NAS has been advised by its Norwegian solicitors, Simonsen Vogt Wigg AS, with respect to the enforceability in Norwegian courts, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States. Norwegian courts will, as a general rule, not recognize or enforce judgments rendered by a foreign court unless Norway has entered into a bilateral or multilateral treaty with the relevant country or countries regarding the recognition and enforcement of judgments and subject to the provisions of section 19-16 of the Norwegian Dispute Act of 2005 No. 90 (*Tvisteloven*) (the "**Dispute Act**"). Due to the Lugano Conventions on the Recognition of Judgments in Civil and Commercial Matters (the "**Lugano Convention**"), Norwegian courts will recognize as a valid judgment, and enforce, any final civil judgment obtained in a foreign court in a state that is a party to the Lugano Convention, without a further reexamination of the merits of the case. The exceptions stated in the Lugano Convention itself will apply. The United States is not a party to the Lugano Convention. As of the date of this offering memorandum, there is no such treaty between the United States and Norway in place.

If there is no treaty between Norway and the relevant jurisdiction regarding the recognition and enforcement of judgments, or the relevant treaty is not applicable, a judgment rendered by a foreign court (*e.g.,* the courts of United States) may nevertheless be recognized and enforced in Norway without further reexamination of the merits of the case if the foreign proceedings and the judgment itself fulfill the conditions stated in the Norwegian Enforcement Act of 1992 No. 86 (*Tvangsfullbyrdelsesloven*) and the Dispute Act. Such conditions can include:

- the respective parties thereto have submitted the matter in dispute in writing to a court or tribunal in the agreed jurisdiction,
- there is no other mandatory venue for such dispute,
- such judgment obtained is final and enforceable in and pursuant to the laws of the country where it was issued, and
- the acceptance and enforcement of the judgment shall not be in conflict with Norwegian mandatory laws or public policy.

Where a Norwegian party has accepted the jurisdiction of a foreign court in a written agreement, any judgment rendered pursuant to that agreement will be enforceable in Norway in accordance with the provisions of sections 4-6 and 19-16 of the Dispute Act.

PRESENTATION OF INFORMATION

Presentation of Financial Information

This offering memorandum includes (i) the audited consolidated financial statements of Norwegian Air Shuttle ASA ("**NAS**") and its subsidiaries as of and for the years ended December 31, 2013 (the "**2013 Audited Financial Statements**"), December 31, 2014 (the "**2014 Audited Financial Statements**"), and December 31, 2015 (the "**2015 Audited Financial Statements**" and, together with the 2013 Audited Financial Statements and the 2014 Audited Financial Statements, the "**Audited Financial Statements**"); and (ii) the unaudited condensed consolidated financial statements of NAS and its subsidiaries as of and for the quarters ended March 31, 2015 and March 31, 2016 (the "**Unaudited Interim Financial Statements**" and, together with the Audited Financial Statements, the "**Financial Statements**"). Unless otherwise specified, all references to "**NOK**" are to the Norwegian Krone, the lawful currency of The Kingdom of Norway, references to "**$**," "**US$**," "**U.S. dollars**", "**USD**" or "**dollars**" are to United States dollars, the lawful currency of the United States of America, and references to "**EUR**" are to euros, the common currency of eighteen members of the European Union (the "**EU**"), including Ireland.

The Audited Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**"). The Unaudited Interim Financial Statements have been prepared in accordance with rules and regulations of the Oslo Stock Exchange and International Financial Reporting Standard (IAS) 34, *Interim Financial Reporting* ("**IAS 34**"). The Financial Statements are presented in NOK. NAS' functional currency is the NOK. Each subsidiary in the consolidated group determines its own functional currency, and items included in that entity's financial statements are measured in that functional currency. For consolidation purposes, the results and financial position of each entity with a functional currency other than NOK are translated to NOK using the closing exchange rate on the reporting date of each month. Income and expenses for each income statement are translated using the average exchange rate for the period. See note 1.4 to the 2015 Audited Financial Statements.

Certain figures in this offering memorandum have been subject to rounding adjustments. Accordingly, in certain instances, (i) the sum or percentage change of such numbers may not conform exactly with the total figure given and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly with the total figure given for that column or row.

This offering memorandum contains translations of certain NOK amounts into U.S. dollars solely for the convenience of the reader. These translations should not be construed as representations that the NOK amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated as of the dates mentioned herein or at any other rate. Unless otherwise indicated, U.S. dollar amounts in this offering memorandum have been translated from NOK at the March 31, 2016 exchange rate of NOK 8.27 to US$1.00, as published by Bloomberg. See "*Exchange Rate Information*" for information regarding the rates of exchange between NOK and the U.S. dollar for the periods specified therein.

Presentation of Information in Unaudited Interim Financial Statements

The unaudited condensed consolidated income statement and statement of financial position of NAS and its consolidated subsidiaries have historically been presented in a format that differs from the format used in the audited annual financial statements of the same entities. The presentation used in interim financial statements (including the Unaudited Interim Financial Statements included elsewhere in this offering memorandum) makes it easier for the reader to understand how the several non-IFRS metrics used by management are derived. To enhance the reader's ability to compare annual figures to the figures corresponding to the quarters ended March 31, 2015 and March 31, 2016, the tables included under *"Summary Financial and Operating Data"* have disaggregated several figures that are presented in condensed form in the Unaudited Interim Financial Statements included on pages F-2 to F-7, and footnotes have been added to clarify how these line items may be reconciled with the comparable line items in the Audited Financial Statements.

Non-IFRS Financial Measures

This offering memorandum contains non-IFRS measures and ratios, including EBT, Adjusted EBIT, Adjusted EBITDA and Adjusted EBITDAR that are not required by, or presented in accordance with, IFRS. Norwegian presents non-IFRS measures because it believes that they may enhance an investor's understanding of Norwegian's performance and because they are frequently used by securities analysts, investors and other parties interested in the evaluation of similar companies.

The Non-IFRS measures referred to above are computed as follows:

(i) EBT,

a. as presented in respect of periods covered by the Audited Financial Statements, equals profit (loss) for the year *plus* income tax expense (income) (also referred to as profit (loss) before tax); and

b. as presented in respects of periods covered by the Unaudited Interim Financial Statements, equals net profit (loss) *plus* income tax expense (income);

(ii) Adjusted EBIT,

a. as presented in respect of periods covered by the Audited Financial Statements, equals operating profit (*i.e.,* profit (loss) before tax *plus* net financial items (which consists of interest income, interest expense, net foreign exchange gain (loss), appreciation cash equivalents, fair value adjustment on long-term deposits and other financial items), *plus* share of profit (loss) from associated company); and

b. as presented in respect of periods covered by the Unaudited Interim Financial Statements equals operating profit (*i.e.,* profit (loss) before tax *plus* profit /loss from associated company *plus* net financial items (which consists of interest income, interest expense and other financial income (expense));

(iii) Adjusted EBITDA,

a. as presented in respect of periods covered by the Audited Financial Statements, equals Adjusted EBIT *plus* depreciation, amortization and impairment;

b. as presented in respect of periods covered by the Unaudited Interim Financial Statement, equals operating profit before depreciation and amortization (*i.e.,* Adjusted EBIT *plus* depreciation and amortization); and

(iv) Adjusted EBITDAR,

a. as presented in respect of periods covered by the Audited Financial Statements, equals Adjusted EBITDA *plus* aircraft leases; and

b. as presented in respect of periods covered by the Unaudited Interim Financial Statements, equals operating profit before leasing, depreciation and amortization (*i.e.,* Adjusted EBITDA *plus* leasing).

Non-IFRS measures and ratios such as EBT, Adjusted EBIT, Adjusted EBITDA, and Adjusted EBITDAR are not measurements of financial performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider EBT, Adjusted EBIT, Adjusted EBITDA and Adjusted EBITDAR as alternatives to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of Norwegian's operating performance, (b) cash flows from operating, investing and financing activities as a measure of Norwegian's ability to meet its cash needs, or (c) any other measures of performance under generally accepted accounting principles. The non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the operating results of Norwegian as reported under IFRS. Some of these limitations are:

- they do not reflect Norwegian's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, Norwegian's working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on outstanding debt;
- although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will generally need to be replaced in the future and such non-IFRS measures do not reflect any cash requirements that would be required for such replacements; and
- some of the items eliminated in the calculation of such non-IFRS measures reflect cash payments that were made, or will in the future be made.

For a reconciliation of the non-IFRS measures defined above to the most directly comparable IFRS measure, please see "*Summary Financial and Operating Data—Other Data*".

In addition, consistent with industry practice, Norwegian's management uses a variety of non-IFRS metrics to measure and perform comparative analysis of the company's performance across reporting periods. "ASK" (available seat kilometer) is a measure of production (*i.e.,* available capacity), which Norwegian's management uses to evaluate cost and revenues on a per-unit basis. ASK (an operating metric, not an accounting term) is obtained by multiplying the number of seats available for transportation of passengers during a period, multiplied by the number of kilometers flown during the same period. Dividing specified operating cost items incurred during a period by the ASK for the same period, Norwegian determines its "unit cost" or cost per available seat kilometer ("**CASK**"), a non-IFRS metric. For purposes of the computation of CASK, Norwegian measures operating cost using operating expenses before depreciation, amortization and impairment (when the computation is made in respect of periods covered by the Audited Financial Statements), and operating expenses before depreciation and amortization (when the computation is made in respect of periods covered by the Unaudited Interim Financial Statements). In addition, as IFRS recognizes gains and losses from economic hedges (*i.e.,* not subject to hedge accounting) under operating expenses ("other losses/gains"), Norwegian also excludes this item from operating expenses for the computation of CASK to better reflect the actual cost development. The following table presents a reconciliation of operating expense, as shown on Norwegian's Financial Statements, to CASK for the periods indicated:

	Year ended December 31,			Quarter Ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
Total operating expenses[(1)(2)]	14,609.9	20,950.6	22,143.4	4,756.7	5,855.1
Depreciation amortization and impairment[(1)(3)]	529.8	748.1	1,133.3	220.4	288.4
Other losses/(gains)-net[(1)]	(502.1)	583.8	474.2	(2.6)	527.9
Adjusted operating expenses	14,582.2	19,618.7	20,535.9	3,748.1	4,172.7
ASK (million)	34,318	46,479	49,028	10,056	11,803
CASK (Unit cost)(NOK)	**0.42**	**0.42**	**0.42**	**0.45**	**0.43**

(1) Expressed in NOK 1,000,000.

(2) For the quarters ended March 31, 2015 and March 31, 2016, the figures presented in this line item include, in addition to the line item "Total operating expenses" from the Unaudited Interim Financial Statements, the line items "Leasing" and "Depreciation and amortization."

(3) In the Unaudited Interim Financial Statements this line item is identified as "Depreciation and amortization."

When the operating expenses are further adjusted to disregard the cost of fuel (historically, one of the most volatile components of operating expenses in the airline industry), the resulting metric is CASK excluding fuel. The following table shows the reconciliation of operating expenses, as shown on Norwegian's Financial Statements, to CASK excluding fuel for the same periods:

	Year ended December 31,			Quarter Ended March 31,	
	2013	2014	2015	2015	2016
Total operating expenses[(1)(2)]	14,609.9	20,950.6	22,143.4	4,756.7	5,855.1
Aviation fuel[(1)]	4,707.2	6,321.1	5,184.5	1,024.5	860.8
Depreciation amortization and impairment[(1)(3)]	529.8	748.1	1,133.3	220.4	288.4
Other losses/(gains)-net[(1)]	(502.1)	583.8	474.2	(2.6)	527.9
Further adjusted operating expenses	9,875.0	13,297.6	15,351.5	2,723.6	3,220.9
ASK (million)	34,318	46,479	49,028	10,056	11,803
CASK excluding fuel (NOK)	**0.29**	**0.29**	**0.31**	**0.35**	**0.35**

(1) Expressed in NOK 1,000,000.

(2) For the quarters ended March 31, 2015 and March 31, 2016, the figures presented in this line item include, in addition to the line item "Total operating expenses" from the Unaudited Interim Financial Statements, the line items "Leasing" and "Depreciation and amortization."

(3) In the Unaudited Interim Financial Statements, this line item is identified as "Depreciation and amortization."

"**RPK**" (revenue passenger kilometers) measures actual passenger traffic and is obtained by multiplying the number of occupied seats flown during a period by the number of kilometers flown in the same period. "**Load factor**," which is obtained by dividing RPK by ASK, measures the percentage of utilization of available seats during the period. Two frequently used non-IFRS metrics designed to quantify ticket revenue generated per seat/kilometer flown are average ticket revenue per available seat kilometer ("**RASK**") and yield. RASK is obtained by dividing total passenger ticket revenues (*i.e.*, passenger transport) during a period by the ASK for the same period, while "**yield**" is obtained by dividing total passenger ticket revenues (*i.e.*, passenger transport) by RPK for the same period. Because RASK reflects the load factor for the period, Norwegian's management finds it to be a more helpful tool in analyzing Norwegian's ticket revenues. The following table shows the reconciliation of passenger ticket revenue, as shown on Norwegian's Financial Statements, to RASK for the periods indicated:

	Year ended December 31,			Quarter Ended March 31,	
	2013	2014	2015	2015	2016
Passenger transport[(1)]	13,381.5	16,254.6	18,505.8	3,220.7	3,970.9
ASK (million)	34,318	46,479	49,028	10,056	11,803
RASK (Unit revenue) (NOK)	**0.39**	**0.35**	**0.38**	**0.32**	**0.34**

(1) Expressed in NOK 1,000,000.

Industry Data

Unless otherwise indicated, all industry data and statistics included in this offering memorandum are estimates or forecasts contained in or derived from industry sources that NAS believes to be reliable. Industry data and statistics are inherently predictive and are not necessarily reflective of actual market conditions, and NAS has not independently verified such data. Such statistics may be based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products (*e.g.*, aircraft type) and transactions should be included in the relevant markets. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods, (iii) the underlying information is based on a mix of public and privately obtained information, and (iv) different assumptions were used in compiling the data.

Market statistics included in this offering memorandum should be viewed with caution, and no representation or warranty is given by any person, including NAS, NAIL, Arctic, the Owner or the Initial Purchaser, as to their accuracy or completeness, or the assumptions relied upon therein.

Rounding

Percentages and certain U.S. dollar amounts contained in this offering memorandum have been rounded for ease of presentation. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

GLOSSARY

The following terms, as used in this offering memorandum, have the meanings set forth below.

Performance-related Measurements:

"available seat kilometers" or "ASKs"	The number of seats made available for sale, multiplied by the kilometers flown.
"block hours"	The time elapsed from when the parking brakes are released at the gate of origin until they are set at the gate of destination.
"CASK" or "unit cost"	The cost per available seat kilometer, computed as operating expenses before depreciation and amortization and hedging gains or losses (Adjusted EBITDA level) divided by ASK.
"revenue passenger kilometers" or "RPKs"	The number of passengers carried, multiplied by the number of kilometers flown.
"Load Factor"	RPKs expressed as a percentage of ASKs.

Other:

"NAS" or "Norwegian Air Shuttle"	Norwegian Air Shuttle ASA, the parent company of the Norwegian group.
"NFH"	Norwegian Finans Holding ASA, a public limited liability company incorporated in Norway and through which NAS holds its 20% ownership interest in Bank Norwegian.
"Norwegian"	Norwegian Air Shuttle ASA and its consolidated subsidiaries.
"Owner"	Torefjorden DAC, a designated activity company incorporated in Ireland.

Certain Consolidated Subsidiaries of NAS:

"Arctic"	Arctic Aviation Assets Limited, a private company limited by shares incorporated in Ireland.
"Cabin Services"	Cabin Services Norge AS, a limited liability company incorporated in Norway, together with Cabin Services Denmark Aps, a limited liability company incorporated in Denmark.

"Cargo"	Norwegian Cargo AS, a limited liability company incorporated in Norway.
"Holidays"	Norwegian Holidays AS, a limited liability company incorporated in Norway.
"NAB"	Norwegian Brand Limited, a private company limited by shares incorporated in Ireland.
"NAIL"	Norwegian Air International Limited, a private company limited by shares incorporated in Ireland.
"NAN"	Norwegian Air Norway AS, a limited liability company incorporated in Norway.
"NARH"	Norwegian Air Resources Holding Limited, a limited liability company incorporated in Ireland.
"NAS SAB"	Norwegian Air Shuttle Sweden AB, a limited liability company incorporated in Sweden.
"NLH"	Norwegian Long Haul AS, a limited liability company incorporated in Norway and the parent company of Norwegian Red Handling Spain S.L., a sociedad limitada incorporated in Spain.
"NAUK"	Norwegian Air UK Limited, a limited liability company incorporated in England and Wales.

Please refer to Appendix I for an index of all defined terms used in this offering memorandum.

EXCHANGE RATE INFORMATION

The Audited Financial Statements included in this offering memorandum are presented in Norwegian Krone ("**NOK**"). Set forth below, for the periods and dates indicated, are the period average, high, low and end exchange rates as published by Bloomberg expressed as NOK per US$1.00.

	NOK per US$1.00			
	High	**Low**	**Average(1)**	**Period End**
Year				
2011	6.0246	5.2257	5.5657	5.9758
2012	6.1427	5.5588	5.7854	5.5588
2013	6.2532	5.4462	5.9158	6.0622
2014	7.4907	5.8862	6.3736	7.4881
2015	8.8531	7.3087	8.1394	8.8531
Month				
January 2016	8.9709	8.6268	8.8232	8.7072
February 2016	8.7184	8.5003	8.6103	8.6893
March 2016	8.6916	8.2680	8.4766	8.2680
April 2016	8.3446	8.0694	8.2128	8.0694

(1) In the case of annual figures, the average of the exchange rates on the last business day of each month during the relevant period; in the case of monthly figures, the average of the exchange rates for each business day during the relevant period.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements that are or may constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Such statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" or other similar expressions. Forward-looking statements, including statements about Norwegian's beliefs and expectations, are not statements of historical facts. These statements are based on current plans, estimates and projections, and, therefore, you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to:

- factors described in this offering memorandum under the heading "Risk Factors";
- Norwegian's ability to service its debt and fund its working capital requirements;
- future demand for passenger air service in the markets that Norwegian services;
- the maintenance of relationships with customers;
- the state of the economy in Norway and globally, and its impact on the airline industry;
- the effects of competition;
- future terrorist incidents or related activities affecting the airline industry;
- future outbreaks of diseases, or spread of already existing diseases, affecting traveling behavior;
- natural disasters affecting traveling behavior;
- the relative values of the different functional currencies of the Norwegian companies;
- the effects of inflation;
- competitive pressures on pricing;
- Norwegian's capital expenditure plans;
- changes in labor costs, maintenance costs, and insurance premiums;
- the price and availability of fuel;
- cyclical and seasonal fluctuations in Norwegian's operating results;
- defects or mechanical problems with Norwegian's aircraft;
- Norwegian's ability to successfully implement its growth strategy;
- increases in interest rates; and
- changes in laws or regulations, including laws or regulations related to access to routes in which Norwegian operates.

Norwegian undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

CRA REGULATION

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies (the "**CRA Regulation**") unless the rating is provided by a credit rating agency operating in the European Community before June 7, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Each of Moody's Investor Service, Inc. ("**Moody's**") and Fitch Ratings, Inc. ("**Fitch**" and, together with Moody's, the "**Rating Agencies**") is a credit rating agency established and operating in the European Union and registered under the CRA Regulation.

SUMMARY

The following summary highlights selected information included elsewhere in this offering memorandum relating to Norwegian, the Trusts and the Certificates. This summary does not contain all of the information that you should consider before investing in the Certificates. Before investing in the Certificates, you should read this entire offering memorandum carefully, including Norwegian's financial statements and the notes thereto and the section of this offering memorandum entitled "Risk Factors."

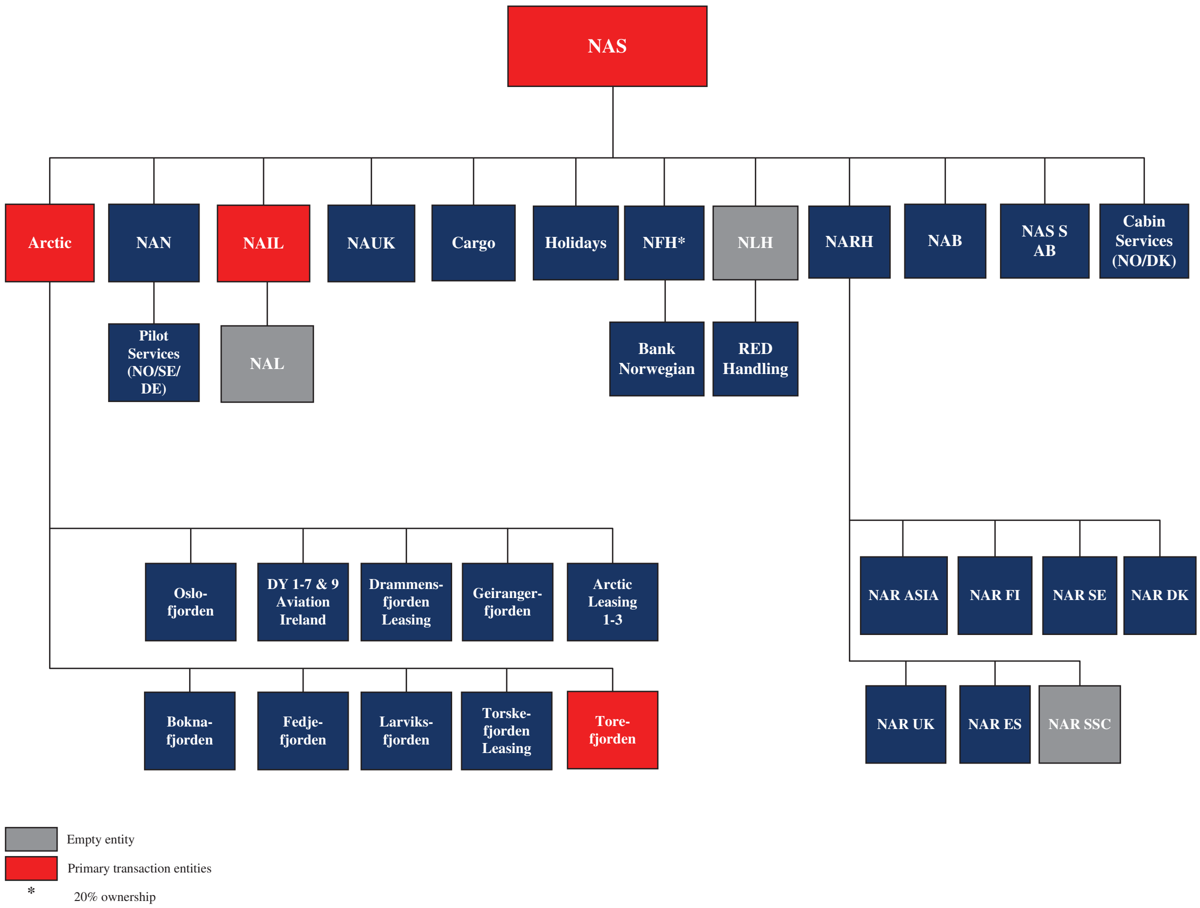
The Company

Norwegian is currently the third largest low-cost carrier in Europe and the sixth largest low-cost carrier in the world, as measured by seat kilometers, according to OAG Aviation Worldwide Schedules Analyser. Since its transformation into a low-cost airline operator in 2002, Norwegian has evolved from a six-aircraft domestic carrier in Norway, to a major international airline that, at December 31, 2015, operated a 99 aircraft fleet on 447 routes to 138 destinations over four continents. Having established a strong presence in Europe, in 2013 Norwegian expanded its operations to include long-haul flights from its bases in the U.S. and Asia into Europe and from the U.K. bases to the U.S. and Asia. While short-haul operations continued to provide most of Norwegian's revenues during 2015, Norwegian's long-term objective is to become the global low-cost airline preferred by leisure travelers.

Norwegian's vision is "everyone should afford to fly." To implement this vision, Norwegian seeks to give everybody the opportunity to travel by air at competitive, low fares and with a high-quality travel experience based on operational excellence and a helpful, friendly service. Accordingly, in addition to expanding its long-haul business by making market share gains from existing long-haul air carriers, Norwegian also expects to achieve growth by expanding the long-haul market itself to include travelers that may previously have chosen not to fly at all.

In addition, through its 20% ownership interest in Norwegian Finans Holding ASA ("**NFH**"), Norwegian owns 20% of Bank Norwegian AS ("**Bank Norwegian**"), an online bank which, in cooperation with a wholly-owned subsidiary of Norwegian, operates NAS' customer loyalty program, Norwegian Rewards.

The following chart shows the organizational structure of the Norwegian group as of the date of this offering memorandum:



Competitive Strengths

Norwegian's primary competitive strengths include its flexibility and adaptability as it continues to grow into a global airline. This flexibility is reflected in Norwegian's young fleet, large and unique orderbook, well-known brand and efficient business operations. Norwegian's fleet has an average age of 3.6 years, which is relatively young compared to that of other low-cost carriers and significantly younger than that of legacy carriers. Norwegian believes that this approach provides two key benefits: lower aircraft maintenance costs and the ability to stay at the forefront of environmental developments with a higher percentage of environmentally friendly aircraft in the fleet. Norwegian has a large and unique orderbook comprised of 36 Boeing 737-800s, 100 Boeing 737-MAX8s, 19 Boeing 787-9 Dreamliners, and 100 Airbus A320neos. Norwegian also has several purchase rights and options for various aircraft models from Boeing and Airbus S.A.S. ("**Airbus**"). This large orderbook provides Norwegian with the opportunity to continue its expansion as a global airline with the ability to simultaneously dispatch flights to a wide range of different regions across the world. In Scandinavia, Norwegian has become one of the best known airlines, with only one main competitor. With the large Scandinavian market share as a base for growth, Norwegian is now expanding its market share throughout Europe. Finally, Norwegian uses many methods to ensure that its operations are as cost-efficient as possible, such as (i) operating mostly direct flights, rather than routing through a hub; (ii) directing utilization of the fleet depending on varied demand during different times of the day, days of the week, and seasons; and (iii) maximizing aircraft utilization by decreasing turnaround time and increasing the number of block hours for each aircraft.

Strategy

Norwegian's goal is to become the global low-cost airline preferred by leisure travelers. This objective is being pursued through four key strategies:

- *Expansion of long-haul offerings,* which is essential to Norwegian's goal to evolve from its origins as a regional airline in Northern Europe to a truly global air carrier. See "*Description of Business—Flight Operations—Traffic Development*" for a discussion of how the operations of Norwegian have evolved in the last two years. Norwegian further expects to increase its long-haul offering during 2016 with the addition of several new routes to Boston and to Paris, and the establishment of a crew base in Rome.
- *Continued expansion of its fleet of brand-new aircraft* is another critical strategy to the achievement of Norwegian's goal of becoming the top global low cost airline for leisure travelers. To this end, Norwegian expects to continue building the most modern aircraft fleet available in the industry over the next several years. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" for a discussion of Norwegian's commitments regarding fleet expansion.
- *Continued improvements to its cost-efficient business model*. Significant components of this model are (i) the selection of the most cost-efficient aircraft available for the specific routes to be served; (ii) Norwegian's dynamic route planning model that takes into account seasonal variations in traffic demand to optimize the utilization of its fleet; (iii) the strategic location of its crew bases, allowing Norwegian to operate flights into smaller and less populated areas, better compete with other low-cost airlines, and offering opportunities for Norwegian to achieve competitive wages and benefits while maintaining the high quality of its crews that customers expect; and (iv) the reorganization of Norwegian's subsidiaries, which is expected to be completed in the next two years.
- *Enhancing the quality of its customers' experience.* Norwegian intends to continue to implement and explore additional measures to ensure that its customers' flight experiences increase the likelihood that they will use Norwegian's services in their future travels. At the same time, Norwegian seeks to increase the demand for its services, not only by gaining customers from its competitors, but also by opening new markets and helping to create the accompanying demand with offerings that no other low-cost airline currently has available, particularly on long-haul routes.

Recent Developments

On April 5, 2016, NFH, the parent company of Bank Norwegian completed a private placement among certain of its existing shareholders (including NAS) of six million newly issued shares at a per-share price of NOK 50 (the "**Restricted Private Placement**"). The Restricted Private Placement was approved by the shareholders of NFH at their annual meeting on April 27, 2016, at which time the shareholders also approved (i) a subsequent remedial offering (the "**Remedial Offering**") of shares to shareholders of NFH who were not invited to participate in the Restricted Private Placement, designed to ensure that such shareholders have the opportunity to retain their respective pro rata ownership share in NFH, and (ii) certain amendments to NFH's organizational documents in anticipation of a listing of the shares of NFH on the Oslo Stock Exchange during the second quarter of 2016. It is expected that, after giving effect to the completion of the Restricted Private Placement and the Remedial Offering, Norwegian's ownership interest in NFH will remain at 20%.

In accordance with the U.S.-EU Open Skies agreement, in 2013, NAIL applied to the U.S. Department of Transportation ("**DoT**") for a permit (a "**Foreign Air Carrier Permit**") to operate long-haul flights to the U.S. As of the date of this offering memorandum, approval of NAIL's application for a Foreign Air Carrier Permit to operate flights to the U.S. continues to be delayed; however on April 15, 2016, the DoT indicated that it had tentatively found that NAIL should be issued such permit. The DoT has directed interested parties to show cause why this tentative decision should not be made final. See "*Risk Factors—Regulatory Risks—Norwegian is* *dependent on governmental authorizations in order to operate its aircraft on international routes, and any failure to obtain authorization or cancellation of such authorizations could have a material adverse effect on Norwegian's business, financial condition and results of operations.*"

The Owner

Torefjorden DAC (the "**Owner**") is a designated activity company incorporated under the laws of Ireland for the sole purpose of acquiring the Aircraft and entering into the transactions described in this offering memorandum in connection with the financing of the purchase price of each Aircraft. The Owner is a wholly-owned subsidiary of Arctic Aviation Assets Limited ("**Arctic**"), a private company limited by shares incorporated under the laws of Ireland and, itself, a wholly-owned subsidiary of NAS. The registered office of the Owner is at 70 Sir John Rogerson's Quay, Dublin 2, Ireland.

For the purpose of financing or refinancing the purchase price of each Aircraft, the Owner will issue and sell Equipment Notes to the relevant Trust as described elsewhere in this offering memorandum. Each Trust, in turn, will raise funds to pay for the purchase price of the Equipment Notes acquired by it by issuing and selling the Certificates. The portion of the purchase price of each Aircraft not financed through the sale of Certificates will be funded by the Owner with the proceeds from an additional capital contribution by Arctic, or a subordinated loan from NAS or any affiliate of NAS.

Arctic will pledge to the subordination agent under the Intercreditor Agreement (as defined herein) (such entity, the "**Subordination Agent**" and, in its capacity as pledgee under the Owner Share Mortgage and the Owner Sub-Debt Pledge, each as defined below, the "**Pledgee**") as collateral securing the Owner's obligations under the Equipment Notes, all of its shares in the Owner pursuant to a mortgage agreement governed by Irish law (the "**Owner Share Mortgage**"). In addition, if NAS or an affiliate of NAS extends a subordinated loan to the Owner, as described above, to fund the portion of the purchase price of an Aircraft not financed through the sale of Certificates, such lender will pledge to the Pledgee all of its rights to such subordinated indebtedness of the Owner (such pledges, collectively, the "**Owner Sub-Debt Pledge**").

Summary of Terms of Certificates

	Class A Certificates	Class B Certificates
Aggregate Face Amount	US$274,315,000	US$74,810,000
Interest Rate	4.875%	7.500%
Initial Loan to Aircraft Value (cumulative)[(1)]	55.1%	69.3%
Highest Loan to Aircraft Value (cumulative)[(2)]	55.1%	69.3%
Expected Principal Distribution Window (in years)	1.0 to 12.0	1.0 to 7.5
Initial Average Life (in years from Issuance Date)	9.0	5.5
Regular Distribution Dates	May 10, November 10	May 10, November 10
Final Expected Distribution Date	May 10, 2028	November 10, 2023
Final Legal Maturity Date	November 10, 2029	May 10, 2025
Minimum Denomination	$200,000 and integral multiples of $1,000 in excess thereof	$200,000 and integral multiples of $1,000 in excess thereof
Liquidity Facility Coverage	three consecutive semi-annual interest payments	three consecutive semi-annual interest payments

(1) These percentages are determined as of May 10, 2017, the first Regular Distribution Date (as defined herein) after all Aircraft are expected to have been financed pursuant to this offering. In calculating these percentages, NAS has assumed that the refinancing of all Owned Aircraft and the financings of all New

Delivery Aircraft that it selects to finance hereunder and delivery of all such New Delivery Aircraft are completed prior to December 31, 2016, that the maximum principal amount of Equipment Notes is issued and that the aggregate appraised value of all Aircraft is US$486,042,000 as of such date. The appraised value is only an estimate and reflects certain assumptions. See "*Description of the Aircraft and the Appraisals—The Appraisals*."

(2) See "*—Loan to Aircraft Value Ratios.*"

The Equipment Notes, the Leases and the Aircraft

The proceeds of this offering will be used by the Trusts to purchase Equipment Notes from the Owner with respect to the Aircraft. The Owner will use the proceeds from the sale of the Equipment Notes to finance or refinance a portion of the acquisition price of the Aircraft. Each Aircraft will be leased by the Owner to NAIL under a separate Lease. The aggregate scheduled rent payments with respect to each Aircraft will be sufficient to permit the Owner to make scheduled principal and interest payments due on the relevant Equipment Notes, which will be passed through by the Trusts to the Certificateholders (as defined herein). The Equipment Notes will be listed on the Global Exchange Market of the Irish Stock Exchange.

The Aircraft to be financed pursuant to this offering will consist of: (a) three new Boeing 737-800 aircraft delivered between March and April 2016 (each, a "**Pre-Owned Aircraft**"), (b) one new Boeing 737-800 aircraft scheduled to be delivered on May 12, 2016 (the "**May Delivery Aircraft**" and, together with the Pre-Owned Aircraft, the "**Owned Aircraft**") and (c) six out of ten new Boeing 737-800 aircraft scheduled to be delivered between the Issuance Date and December 2016 (each of those six, a "**New Delivery Aircraft**" and, together with the Owned Aircraft, the "**Aircraft**"). See "*Description of the Aircraft and the Appraisals—The Appraisals*" for a description of the Owned Aircraft and the ten aircraft from which NAS will select the six New Delivery Aircraft, which will be financed with the proceeds of this offering. The purchase agreements to acquire the New Delivery Aircraft from Boeing have been entered into by Arctic or BOC Aviation (Cayman) Limited ("**BOCA**"). On or prior to the delivery of each New Delivery Aircraft by the Manufacturer, Arctic or BOCA, as applicable, will assign its right to take title to such Aircraft to the Owner. The Owned Aircraft are expected to be refinanced with the proceeds from the sale of the Equipment Notes promptly after the closing of this offering.

Set forth below is certain information about the Equipment Notes expected to be held in the Trusts and the Aircraft expected to secure the Equipment Notes (assuming, for the purposes of the chart below, that the first six Boeing 737-800 aircraft of the ten new Boeing 737-800 aircraft from which NAS may choose are financed hereunder):

Aircraft Type	Registration Number(1)	Manufacturer's Serial Number(1)	Actual or Expected Month of Delivery(1)	Initial Principal Amount of Equipment Notes (U.S. dollars)	Appraised Value(2) (U.S. dollars)	Latest Equipment Note Maturity Date
Boeing 737-800	EI-FJK	42072	March 2016	$ 34,720,000	$ 49,600,000	May 10, 2028
Boeing 737-800	EI-FJL	42073	March 2016	34,720,000	49,600,000	May 10, 2028
Boeing 737-800	EI-FJM	42074	April 2016	34,895,000	49,850,000	May 10, 2028
Boeing 737-800	EI-FJN	41152	May 2016	34,895,000	49,850,000	May 10, 2028
Boeing 737-800	EI-FJO	42076	May 2016	34,895,000	49,850,000	May 10, 2028
Boeing 737-800	EI-FJP	42077	June 2016	34,895,000	49,850,000	May 10, 2028
Boeing 737-800	EI-FJS	41153	June 2016	34,895,000	49,850,000	May 10, 2028
Boeing 737-800	EI-FJT	42079	August 2016	35,070,000	50,100,000	May 10, 2028
Boeing 737-800	EI-FJU	42273	August 2016	35,070,000	50,100,000	May 10, 2028
Boeing 737-800	EI-FJV	42080	September 2016	35,070,000	50,100,000	May 10, 2028
				$349,125,000	$498,750,000	

(1) The indicated registration number, manufacturer's serial number and delivery month for each New Delivery Aircraft reflect NAS' current expectations, but they may differ from the actual aircraft financed with the proceeds of this offering. The deadline for purposes of financing an Aircraft pursuant to this offering is March 31, 2017 (or later under certain circumstances). The financing of each New Delivery Aircraft with a portion of the proceeds of this offering will be effected at the time of delivery of such New Delivery Aircraft to the Owner by the Manufacturer. The actual delivery date for the May Delivery Aircraft or any New Delivery Aircraft by the Manufacturer to the Owner may be subject to delay or acceleration. See "*Description of the Aircraft and the Appraisals—Timing of Financing the Aircraft*." NAS has certain rights to substitute other aircraft if the scheduled delivery date of the May Delivery Aircraft or any New Delivery Aircraft is delayed for more than 45 days after the month scheduled for delivery, provided that such 45-day period for such New Delivery Aircraft may be extended once by the Owner by written notice to the parties to the Note Purchase Agreement (as defined herein). See "*Description of the Aircraft and the Appraisals—Substitute Aircraft*." The refinancing of the Owned Aircraft with the proceeds from this offering is expected to take place promptly after the closing of this offering.

(2) The appraised value of each Aircraft set forth above is the lesser of the average and median values of such Aircraft as appraised by three independent appraisal and consulting firms: Aircraft Information Services, Inc. ("**AISI**"), BK Associates, Inc. ("**BK**"), and Morten Beyer & Agnew ("**mba**" and, together with AISI and BK, the "**Appraisers**"). These appraisals indicate appraised base value, projected as of the scheduled delivery month of the applicable Aircraft. These appraisals are based upon varying assumptions (which may not reflect current market conditions) and methodologies. An appraisal is only an estimate of value and should not be relied upon as a measure of realizable value. See "*Risk Factors—Risks Relating to the Certificates and the Offering—The Appraisals are only estimates of Aircraft value*" and "*Description of the Aircraft and the Appraisals—The Appraisals*."

Loan to Aircraft Value Ratios

The following table sets forth loan to Aircraft value ratios ("**LTVs**") for the Class A Certificates and Class B Certificates as of May 10, 2017, the first Regular Distribution Date after all Aircraft are expected to have been financed pursuant to this offering, and each Regular Distribution Date thereafter. The LTVs for the Class A Certificates and Class B Certificates for the period prior to December 31, 2016 are not meaningful, because during such period all of the Equipment Notes expected to be acquired by the Trusts and all of the Aircraft expected to be financed thereby will not be included in the calculation. The table should not be considered a forecast or prediction of expected or likely LTVs but simply a mathematical calculation based on one set of assumptions. See "*Risk Factors—Risks Relating to the Certificates and the Offering—The Appraisals are only estimates of Aircraft value*."

Regular Distribution Date	Assumed Aggregate Aircraft Value[1] (U.S. dollars)	Outstanding Balance (U.S. dollars)		LTV (%)	
		Class A Certificates[2]	Class B Certificates[2]	Class A Certificates[3]	Class B Certificates[3]
May 10, 2017	486,042,000	267,807,065	69,112,500	55.1%	69.3%
November 10, 2017	478,560,750	261,301,630	66,262,500	54.6%	68.4%
May 10, 2018	471,079,500	254,796,196	63,412,500	54.1%	67.5%
November 10, 2018	463,598,250	248,290,761	60,562,500	53.6%	66.6%
May 10, 2019	456,117,000	241,785,326	57,712,500	53.0%	65.7%
November 10, 2019	448,635,750	235,279,891	54,862,500	52.4%	64.7%
May 10, 2020	441,154,500	228,774,457	52,012,500	51.9%	63.6%
November 10, 2020	433,673,250	222,269,022	49,162,500	51.3%	62.6%
May 10, 2021	426,192,000	215,763,587	46,312,500	50.6%	61.5%
November 10, 2021	418,710,750	209,258,152	43,462,500	50.0%	60.4%
May 10, 2022	411,229,500	202,752,717	40,612,500	49.3%	59.2%
November 10, 2022	403,748,250	196,247,283	37,762,500	48.6%	58.0%
May 10, 2023	396,267,000	189,741,848	34,912,500	47.9%	56.7%
November 10, 2023	388,785,750	183,236,413	-	47.1%	-
May 10, 2024	381,304,500	176,730,978	-	46.3%	-
November 10, 2024	373,823,250	170,225,543	-	45.5%	-
May 10, 2025	366,342,000	163,720,109	-	44.7%	-
November 10, 2025	358,860,750	157,214,674	-	43.8%	-
May 10, 2026	351,379,500	150,709,239	-	42.9%	-
November 10, 2026	343,898,250	144,203,804	-	41.9%	-
May 10, 2027	336,417,000	137,698,370	-	40.9%	-
November 10, 2027	328,935,750	131,192,935	-	39.9%	-
May 10, 2028	321,454,500	-	-	-	-

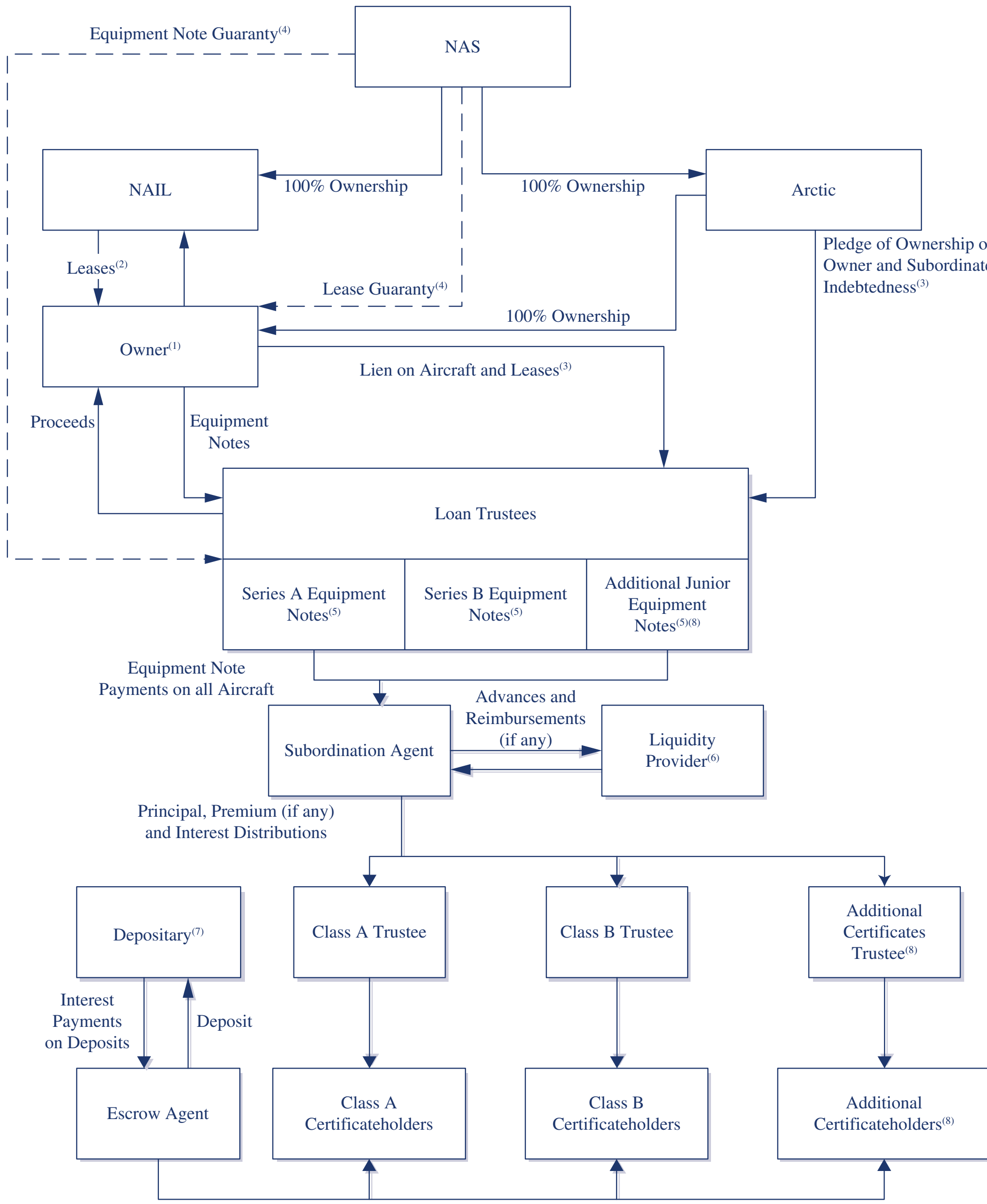
(1) NAS has assumed that all Aircraft will be financed under this offering prior to December 31, 2016, and that the appraised value of each Aircraft, determined as described under "*—The Equipment Notes, the Leases and the Aircraft*," declines from that of the initial appraised value of such Aircraft by approximately 3% per year after the year of delivery of such Aircraft from the Manufacturer, in each case prior to the final expected Regular Distribution Date. Other rates or methods of depreciation may result in materially different LTVs. There can be no assurance that the depreciation rate and method used for purposes of the table will occur or predict the actual future value of any Aircraft. See "*Risk Factors—Risks Relating to the Certificates and the Offering—The Appraisals are only estimates of Aircraft value*."

(2) In calculating the outstanding balances of each class of Certificates, NAS has assumed that the Trusts will acquire the Equipment Notes in respect of all of the Aircraft. Outstanding balances as of each Regular Distribution Date are shown after giving effect to distributions expected to be made on such Regular Distribution Date.

(3) The LTVs for each class of Certificates were obtained for each Regular Distribution Date by dividing (i) the expected outstanding pool balance of such class of Certificates (together, in the case of Class B Certificates, with the expected outstanding pool balance of the Class A Certificates) after giving effect to the distributions expected to be made on such Regular Distribution Date, by (ii) the assumed value of all of the Aircraft on such date based on the assumptions described above. For purposes of these calculations, it has been assumed that the New Delivery Aircraft financed hereunder will be the six New Delivery Aircraft listed together with the Owned Aircraft in the table on page 5 above. The outstanding balances and LTVs of each class of Certificates will change if, among other things, any Equipment Notes are redeemed or purchased, a Substitute Aircraft is financed in lieu of any Aircraft to be financed pursuant to this offering, the Trusts acquire Equipment Notes with respect to other aircraft from which NAS may choose or the Trusts do not acquire Equipment Notes with respect to all of the Aircraft.

Cash Flow Structure

The following is a diagram of the structure of the offering of the Certificates and certain cash flows.



(1) The Owner will use the proceeds from the sale of the Equipment Notes to partially fund or refinance the acquisition of each Aircraft. For more information, see "*—The Owner*" and "*—The Equipment Notes, the Leases and the Aircraft.*"

(2) Each Aircraft will be subject to a Lease. The rent payments under each Lease will be sufficient to pay in full when due all amounts of scheduled principal and interest required to be paid by the Owner in respect of the relevant Equipment Notes.

(3) The Equipment Notes issued with respect to each Aircraft will be secured by a mortgage over such Aircraft from the Owner and an assignment of its rights under the related Lease. In addition, Arctic will pledge its shares in the Owner and NAS and any affiliate of NAS that provides financing to the Owner in respect of the portion of the purchase price of each Aircraft not funded with proceeds from the sale of Certificates will also pledge their respective rights under such loan arrangements as security for amounts due under the Equipment Notes.

(4) NAS will irrevocably and unconditionally guarantee (i) the Lessee's obligations under the Leases, and (ii) the Owner's obligations under the Equipment Notes and all other Operative Agreements.

(5) Each Series of Equipment Notes issued with respect to each Aircraft will be issued under a separate Indenture.

(6) The Liquidity Facility for each of the Class A Certificates and the Class B Certificates will be sufficient to allow the related Trustee to draw up to three consecutive semi-annual interest payments with respect to such class of Certificates. The Liquidity Facilities will not cover interest on the Deposits.

(7) The proceeds of the sale of each class of Certificates will initially be held in escrow and deposited with the Depositary, pending financing or refinancing of each Aircraft. The Depositary will pay interest on each Deposit in an amount equal to the interest accrued on the face amount of the Certificates issued in respect of such Deposit at the rate *per annum* equal to the interest rate applicable to such Certificates. Each Trust will withdraw funds from the Deposits relating to such Trust, including, in the case of the Class B Trust, the Aggregate Accretion Amount in respect of any Deposit so withdrawn, to purchase Equipment Notes from time to time as each Aircraft is financed or refinanced. The scheduled payments of interest on the Equipment Notes and on the Deposits relating to a Trust, taken together, will be sufficient to pay accrued interest on the outstanding Certificates of such Trust. If any funds remain as Deposits with respect to a Trust at the Delivery Period Termination Date (as defined herein), such funds will be withdrawn by the Escrow Agent and distributed to the holders of the Certificates issued by such Trust, together with accrued and unpaid interest thereon including, in the case of the Class B Certificates, the Aggregate Accretion Amount. No interest will accrue with respect to the Deposits after they have been fully withdrawn.

"**Aggregate Accretion Amount**" means with respect to any Deposit the sum of all Accretion Amounts with respect to such Deposit.

"**Accretion Amount**" means for any Deposit made with proceeds from the issuance of Class B Certificates for any Calculation Period an amount equal to the excess of the amount equal to interest on the Base Amount for such Calculation Period at the rate of 8.00% per annum (computed on the basis of a 360-day year of twelve 30-day months) over the amount of interest (other than interest constituting Aggregate Accretion Amounts) accrued in respect of such Deposit for such Calculation Period.

"**Base Amount**" for any Deposit for any Calculation Period shall be the original amount of such Deposit plus the Accretion Amount for each Calculation Period for such Deposit ending on or before the commencement of such Calculation Period.

"**Calculation Period**" for any Deposit shall mean each period commencing on (and including) the initial date of such Deposit and ending on (but excluding) the first to occur of the next Regular Distribution Date, date of a withdrawal to purchase Equipment Notes, final withdrawal, a replacement withdrawal or an event of loss withdrawal in each case with respect to such Deposit and in the case of any Deposit for which a Calculation Period ends on a Regular Distribution Date that is not the date of a withdrawal to purchase Equipment Notes, final withdrawal, a replacement withdrawal or an event of loss withdrawal with respect thereto, each period commencing on (and including) such Regular Distribution Date and ending on (but excluding) the first to occur of the next Regular Distribution Date or date of a withdrawal to purchase Equipment Notes, final withdrawal, a replacement withdrawal or an event of loss withdrawal, as applicable, with respect thereto until the date of a withdrawal to purchase Equipment Notes, final withdrawal, a replacement withdrawal or an event of loss withdrawal, as applicable, with respect thereto.

(8) One or more classes of Additional Certificates may be offered at any time after the date of this offering memorandum. A corresponding subordinated class of additional Equipment Notes will be issued in connection with the offering of such Additional Certificates.

THE OFFERING

This summary highlights information presented in detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the Certificates. You should carefully read this entire offering memorandum before investing in the Certificates, including "Description of the Certificates."

Certificates Offered	NAS Enhanced Pass Through Certificates, Series 2016-1, Class A NAS Enhanced Pass Through Certificates, Series 2016-1, Class B Each class of Certificates will represent a fractional undivided interest in the related Trust. One or more additional junior classes of Additional Certificates may be offered after the date of this offering memorandum.
Use of Proceeds	The proceeds from the sale of the Certificates of each Trust will initially be delivered in escrow by the Initial Purchaser to the Escrow Agent and deposited by the Escrow Agent with the Depositary (each such deposit, a "**Deposit**"), pending financing or refinancing of each Aircraft under its related Indenture. Each Trust will withdraw funds from the Deposits relating to such Trust, including, in the case of the Class B Trust, the Aggregate Accretion Amount, to acquire Equipment Notes as Aircraft are delivered or refinanced and subjected to the related Indenture. The proceeds from the issuance of the Equipment Notes with respect to each Owned Aircraft will be used by the Owner for the repayment of the loan described under "*Use of Proceeds*." The proceeds from the issuance of the Equipment Notes with respect to each New Delivery Aircraft will be used by the Owner to fund a portion of the acquisition price of such Aircraft when such Aircraft is delivered. The portion of the purchase price of each Aircraft not financed through the sale of Certificates will be funded by the Owner with the proceeds from an additional capital contribution by Arctic, or a subordinated loan from NAS or an affiliate of NAS. Each Aircraft will be leased by the Owner to the Lessee. See "*Use of Proceeds*."
Owner	Torefjorden DAC, an Irish designated activity company and wholly-owned subsidiary of Arctic.
Lessor	The Owner.
Lessee	Norwegian Air International Limited ("**NAIL**"), an Irish private company limited by shares. Each lease entered into by the Lessee will benefit from a guaranty from NAS (each, a "**Lease Guarantee**").

Permitted Sublessees	Permitted Sublessees include: • Norwegian Air Shuttle ASA (“**NAS**”); • Norwegian Air UK Limited (“**NAUK**”), a company incorporated under the laws of England and Wales; • any other subsidiary of NAS organized in a permitted jurisdiction; and • any other commercial passenger airline operator organized in a permitted jurisdiction.
Subordination Agent, Trustee, Paying Agent and Loan Trustee	Wilmington Trust Company.
Escrow Agent	Wilmington Trust, National Association.
Depositary	Natixis, acting through its New York Branch.
Liquidity Provider for the Class A Certificates and Class B Certificates	Natixis, acting through its New York Branch.
Trust Property	The property of each Trust will include: • subject to the Intercreditor Agreement, the Equipment Notes acquired by such Trust prior to the Delivery Period Termination Date, all monies at any time paid thereon and all monies due and to become due thereunder; • the rights of such Trust to acquire the related series of Equipment Notes under the Note Purchase Agreement; • the rights of such Trust under the applicable Escrow Agreement to request the Escrow Agent to withdraw from the Depositary funds sufficient to enable such Trust to purchase the related series of Equipment Notes upon the financing of an Aircraft under the related Indenture prior to the Delivery Period Termination Date; • the rights of such Trust under the Intercreditor Agreement (including all monies receivable in respect of such rights); • all monies receivable under the separate Liquidity Facility for such Trust; and • funds from time to time deposited with the applicable Trustee in accounts relating to such Trust.
Regular Distribution Dates	May 10 and November 10 of each year, beginning on November 10, 2016.
Record Dates	With respect to each Regular Distribution Date, the 15th day preceding such Regular Distribution Date.
Distributions	The Trustee of each Trust will distribute payments of principal, Make-Whole Amount (if any) and interest received on the Equipment Notes held in such Trust to the holders of the Certificates of such Trust, subject to the subordination provisions set forth in the Intercreditor Agreement.

Subject to the subordination provisions set forth in the Intercreditor Agreement,

- payments of principal of and interest on the Equipment Notes when due ("**Scheduled Payments**") will be distributed on the applicable Regular Distribution Dates; and
- payments other than Scheduled Payments in respect of any Equipment Note, including payments resulting from a redemption or sale of an Equipment Note, will be distributed on a "**Special Distribution Date**" after not less than 15 days' notice to the Certificateholders.

See "*—Escrowed Funds*" and "*—Unused Escrowed Funds*" below for a description of various distributions relating to the Deposits under certain circumstances.

Intercreditor Agreement . . . . The Trustees, the Liquidity Providers and the Subordination Agent will enter into the Intercreditor Agreement. The Intercreditor Agreement prescribes how payments made on Equipment Notes held by the Subordination Agent and made under each Liquidity Facility will be distributed. The Intercreditor Agreement also sets forth agreements among the Trustees and the Liquidity Providers relating to who will control the exercise of remedies under the Equipment Notes, the Indentures and other security documents.

Subordination . . . . Under the Intercreditor Agreement, after payment of certain fees and expenses, distributions on the Certificates generally will be made in the following order:

- *First*, to the holders of the Class A Certificates to make distributions in respect of interest on the Class A Certificates;
- *Second*, to the holders of the Class B Certificates to make distributions in respect of interest on the Eligible B Pool Balance;
- *Third*, if any Additional Certificates have been issued, to the holders of Additional Certificates to make distributions in respect of interest on the applicable Additional Certificate Pool Balance;
- *Fourth*, to the holders of the Class A Certificates to make distributions in respect of the Pool Balance of the Class A Certificates;
- *Fifth*, to the holders of the Class B Certificates to make distributions in respect of interest on the Pool Balance of the Class B Certificates not previously distributed under clause "Second" above;
- *Sixth*, to the holders of the Class B Certificates to make distributions in respect of the Pool Balance of the Class B Certificates;

- *Seventh*, if any Additional Certificates have been issued, to the holders of the Additional Certificates to make distributions in respect of interest on the Pool Balance of the Additional Certificates not previously distributed under clause "Third" above; and
- *Eighth*, if any Additional Certificates have been issued, to the holders of the Additional Certificates to make distributions in respect of the Pool Balance of the Additional Certificates.

Certain distributions to the Liquidity Providers will be made prior to distributions on the Class A Certificates and Class B Certificates. See "*Description of the Intercreditor Agreement—Priority of Distributions*."

Control of Loan Trustee . . . . The holders of at least a majority of the outstanding principal amount of Equipment Notes issued under each Indenture will be entitled to direct the Loan Trustee under such Indenture and the related security documents in taking action as long as no Indenture Event of Default (as defined in the Indentures) is continuing thereunder. The holders of at least a majority of the outstanding principal amount of the Equipment Notes issued under all Indentures will be entitled to direct the Pledgee under the Owner Share Mortgage and under the Owner Sub-Debt Pledge in taking action so long as no Indenture Event of Default is continuing. If an Indenture Event of Default is continuing under an Indenture, subject to certain conditions, the Controlling Party will be entitled to direct (i) the Loan Trustee under such Indenture (including in exercising remedies, such as accelerating the related Equipment Notes or causing the Loan Trustee to foreclose the lien on the Aircraft securing such Equipment Notes) and (ii) the Pledgee under the Owner Share Mortgage and the Owner Sub-Debt Pledge (including in exercising remedies, such as enforcing the lien on the collateral thereunder).

The "**Controlling Party**" will be:

- if Final Distributions have not been paid in full to the holders of the Class A Certificates, the Class A Trustee;
- if Final Distributions have been paid in full to the holders of the Class A Certificates, but not to the holders of the Class B Certificates, the Class B Trustee;
- if any Additional Certificates have been issued, if Final Distributions have been paid in full to the holders of the of Class A Certificates and Class B Certificates, the trustee under the Additional Certificates Trust (the "**Additional Certificates Trustee**"); and
- under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider with the greatest amount owed to it.

Limitation on Sale of Aircraft or Equipment Notes	In exercising remedies during the 9 months after the earlier of (a) the acceleration of the Equipment Notes issued pursuant to any Indenture and (b) the occurrence of an insolvency proceeding where NAIL or NAS is a debtor, the Controlling Party may not, without the consent of each Trustee (other than the Trustee of any Trust all of the Certificates of which are held or beneficially owned by NAS, NAIL, Arctic, the Owner or any of their affiliates) (i) direct the sale of such Equipment Notes or the Aircraft subject to the lien of such Indenture for less than certain specified minimum amounts, (ii) adjust the amount and payment dates of rent by NAIL under the Leases if the discounted present value of such rent, after giving effect to any such adjustment, would fall below certain specified minimum amounts, or (iii) direct the sale of any collateral subject to the Owner Share Mortgage or the Owner Sub-Debt Pledge for less than certain specified minimum amounts.
Right to Purchase Other Classes of Certificates	If NAS, NAIL or the Owner becomes subject to an insolvency proceeding, and certain other circumstances then exist, • the Class B Certificateholders (other than NAS, NAIL, Arctic, the Owner or any of their affiliates) will have the right to purchase all, but not less than all, of the Class A Certificates; and • if any Additional Certificates have been issued, holders (other than NAS, NAIL, Arctic, the Owner or any of their affiliates) of such class of Additional Certificates will have the right to purchase all, but not less than all, of the Class A Certificates and Class B Certificates and, if applicable, any previously or concurrently issued class of Additional Certificates ranking senior in right of payment to such class of Additional Certificates. The purchase price, in each case described above, will be the outstanding Pool Balance of the applicable class of Certificates plus accrued and undistributed interest, without any premium, but including any other amounts then due and payable to the Certificateholders of such class.
Liquidity Facilities	Under the Liquidity Facility for each of the Class A Trust and Class B Trust, the applicable Liquidity Provider is required, if necessary, to make advances in an aggregate amount sufficient to pay interest on the applicable Certificates on up to three successive semi-annual Regular Distribution Dates at the applicable interest rate for such Certificates. Drawings under the Liquidity Facilities cannot be used to pay any amount in respect of the

	Certificates other than such interest and will not cover interest payable on amounts held in escrow as Deposits with the Depositary. See "*Description of the Liquidity Facilities*" for a description of the terms of the Liquidity Facilities, including the threshold rating requirements applicable to the Liquidity Providers.
	Additional Certificates, if issued, will not have the benefit of a liquidity facility.
	Notwithstanding the subordination provisions under the Intercreditor Agreement, the holders of the Certificates to be issued by the Class A Trust or the Class B Trust will be entitled to receive and retain the proceeds of drawings under the Liquidity Facility for such Trust.
	Upon each drawing under any Liquidity Facility to pay interest distributions in respect of the applicable Certificates, the Subordination Agent will be obligated to reimburse the applicable Liquidity Provider for the amount of such drawing, together with interest on such drawing. Such reimbursement obligation and all interest, fees and other amounts owing to the Liquidity Provider under each Liquidity Facility and certain other agreements will rank equally with comparable obligations relating to the other Liquidity Facility and will rank senior to all Certificates in right of payment.
Escrowed Funds	Funds in escrow for the Certificateholders of each Trust will be held by the Depositary as deposits (the "**Deposits**") relating to such Trust. Subject to certain conditions, each Trustee may withdraw these funds from time to time to purchase Equipment Notes in respect of an Aircraft prior to the Delivery Period Termination Date. On each Regular Distribution Date, the Depositary will pay interest on each Deposit in an amount equal to the interest accrued on the face amount of the Certificates issued in respect of such Deposit at the rate *per annum* equal to the interest rate applicable to such Certificates. In addition, in the case of the Deposits relating to the Class B Trust, the Depositary shall also pay additional interest in an amount equal to the Aggregate Accretion Amount to purchase Equipment Notes, or to a replacement Depositary on a replacement withdrawal, or to certificateholders on a final withdrawal or an event of loss withdrawal, as applicable. The Deposits relating to each Trust and interest paid thereon will not be subject to the subordination provisions under the Intercreditor Agreement. The Deposits cannot be used to pay any other amount in respect of the Certificates. See "*Description of the Deposit Agreements*" for a description of the terms of the deposit arrangements, including the threshold rating requirements applicable to the Depositary.
Unused Escrowed Funds	Under certain circumstances, less than all of the Deposits held in escrow may have been used to purchase Equipment Notes to be issued with respect to the Aircraft by March 31, 2017, the deadline established for purposes

of this offering (provided that, if a labor strike occurs at Boeing prior to such date, such date will be extended with respect to the remaining Aircraft by the number of days that such strike continued in effect, but not more than 60 days and excluding any period of a strike at Boeing after all Aircraft shall have been financed pursuant to this offering) (March 31, 2017 or such extended date, the "**Delivery Period Termination Date**"). This could occur because of delays in the delivery of Aircraft or other reasons. See "*Description of the Certificates—Obligation to Purchase Equipment Notes*." If any funds remain as Deposits after the Delivery Period Termination Date, such remaining funds will be withdrawn by the Escrow Agent, together with, in the case of Deposits made with proceeds from the issuance of Class B Certificates and related Escrow Receipts, the Aggregate Accretion Amount, and distributed by the Paying Agent, with all other accrued and unpaid interest, but without any premium, to the Certificateholders of such Trust on a date no earlier than 15 days after the Paying Agent has received notice of the event requiring such distribution or, under certain circumstances, such remaining funds will be automatically returned by the Depositary to the Paying Agent on the date falling 15 days after the Delivery Period Termination Date, and the Paying Agent will distribute such funds to such Certificateholders as promptly as practicable thereafter. In addition, if any of certain specified trigger events occurs prior to the Delivery Period Termination Date, any Deposits held in escrow will also be withdrawn, together with, in the case of Deposits made with proceeds from the issuance of Class B Certificates and related Escrow Receipts, the Aggregate Accretion Amount, and distributed to the applicable Certificateholders. See "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*." If any of certain events of loss occurs with respect to an Aircraft before such Aircraft is financed pursuant to this offering, any Deposits relating to such Aircraft held in escrow with respect to each Trust will be similarly withdrawn, together with, in the case of Deposits made with proceeds from the issuance of Class B Certificates and related Escrow Receipts, the Aggregate Accretion Amount, and distributed to the Certificateholders of such Trust. See "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*."

Obligation to Purchase Equipment Notes . . . . The Trustees, the Owner, and NAIL, as Lessee, will enter into the Note Purchase Agreement. On and subject to the terms of the Note Purchase Agreement and the forms of financing and lease agreements attached to the Note

	Purchase Agreement, the Trustees, the Owner and NAIL will be obligated to take the following action prior to the Delivery Period Termination Date: (i) the Trustees will be obligated to purchase the Equipment Notes issued with respect to each Aircraft; (ii) the Owner will be obligated to issue Equipment Notes pursuant to secured debt financing agreements and to purchase the applicable Aircraft with the proceeds of the related Equipment Notes issued by it; (iii) NAIL will be obligated to enter into a lease for such Aircraft from the Owner; and (iv) the Owner will (a) receive an additional capital contribution from or will issue additional shares to Arctic, or (b) receive a fully subordinated loan from NAS or an affiliate of NAS for the corresponding amounts, to fund the portion of the purchase price of each Aircraft not funded from receipts of sales of initial Equipment Notes. The actual financing and lease agreements may be modified in any material respect from the forms attached to the Note Purchase Agreement so long as the Owner obtains written confirmation from each Rating Agency to the effect that the use of such modified financing and lease agreements will not result in a withdrawal, suspension or downgrading of the rating of each class of Certificates then rated by such Rating Agency and that remains outstanding. The terms of such financing and lease agreements also must in any event comply with the Required Terms set forth in the Note Purchase Agreement. In addition, the Owner, subject to certain exceptions, is obligated to certify to the Trustees that any substantive modifications do not materially and adversely affect the Certificateholders or any Liquidity Provider. Under the Note Purchase Agreement, the Trustees will not be obligated to purchase Equipment Notes to be issued with respect to any Aircraft not yet financed if any of certain specified trigger events occurs or certain specified conditions are not met. The Trustees will have no right or obligation to purchase the Equipment Notes to be issued with respect to any Aircraft after the Delivery Period Termination Date. See "*Description of the Certificates—Obligation to Purchase Equipment Notes*."
Possible Issuance of Additional Certificates and Refinancing Certificates	Under certain circumstances, on or after the date of this offering memorandum, Additional Certificates, which will evidence fractional undivided ownership interests in equipment notes secured by the Aircraft, may be issued. If Additional Certificates are issued, holders of Additional Certificates will have the right to purchase all of the Class A Certificates and the Class B Certificates in the circumstances described above under "*—Right to Purchase Other Classes of Certificates*."

	Consummation of any such issuance of Additional Certificates will be subject to satisfaction of certain conditions, including receipt of confirmation from the Rating Agencies to the effect that it will not result in a withdrawal, suspension or downgrading of the rating of any class of Certificates that remains outstanding. In addition, regardless of whether Additional Certificates have been issued, the Owner may elect to redeem and re-issue Series B Equipment Notes and/or Additional Equipment Notes, if issued, in respect of all, but not less than all, of the Aircraft. In such case, the Owner will fund the refinancing of such Equipment Notes through the sale of pass through trust certificates issued by a corresponding pass through trust. See "*Possible Issuance of Additional Certificates and Refinancing Certificates*."
Leases	The Owner will lease each Aircraft owned by it to NAIL pursuant to a separate operating lease for such Aircraft (each, a "**Lease**"). The payment obligations of NAIL under each Lease will be (i) sufficient to discharge the corresponding payment obligations of the Owner in respect of the Equipment Notes issued in respect of the related Aircraft, and (ii) irrevocably and unconditionally guaranteed by NAS. Such amounts will not be sufficient to pay principal, premium, if any, and interest on any Equipment Notes becoming due as a result of prepayment or acceleration prior to its stated maturity, except if each Equipment Note comes due as a result of a Total Loss with respect to the related Aircraft. The terms of the Leases may not vary from the Required Terms set forth in the form of Lease attached to the Note Purchase Agreement. In addition, if the Lessor wishes to modify the terms of the Leases (other than the Required Terms) from such form, the Lessor (*i.e.,* the Owner) must certify to the Trustees that any substantive modifications to the terms of the Leases would not materially and adversely affect the Certificateholders, and must also obtain written confirmation from the Rating Agencies to the effect that if the Leases are modified in any material respect from the forms attached to the Note Purchase Agreement, the modification will not cause a withdrawal, suspension or downgrading of the rating of any class of Certificates.
Permitted Assignments	The Lessee will be authorized to assign its rights and obligations under the Lease with respect to the Aircraft, provided that certain conditions are satisfied, including: • the transferee is NAS or NAUK; • if the Lease is assigned to NAUK, NAS has affirmed its obligations under the Lease Guarantee;

- if the Lease is assigned to NAS and subsequently assigned, a new Lease Guarantee is provided by NAS in connection with such subsequent assignment; and
- the transferee assumes all duties and obligations of the Lessee under all Financing Agreements.

Permitted Subleases . . . . The Lessee will be authorized to enter into sublease agreements with respect to the Aircraft, provided that certain conditions are satisfied, including:

- the sublessee is a Permitted Sublessee;
- the sublease may not extend beyond the termination date of the original Lease;
- the sublease is expressly subject to and subordinate to the corresponding Lease and will not prevent the Loan Trustee or the Owner from reacquiring possession of the relevant Aircraft when required under the transaction documents;
- the Lessee's rights under the sublease are assigned to the Loan Trustee as security for the obligations of the Owner under the corresponding Indenture;
- the sublessee has no right to further sublease the Aircraft; and
- The Lessee will remain primarily liable for its obligations under the relevant Lease.

Equipment Notes

(a) Owner . . . . The Owner is an Irish special purpose designated activity company whose assets will include (i) title to each Aircraft to be financed or refinanced by the offering described in this offering memorandum, and (ii) its rights as Lessor under each Lease of an Aircraft owned by such Owner, including the right to receive rent payments thereunder. Under a separate Indenture for each Aircraft, the Owner will issue Series A Equipment Notes and Series B Equipment Notes with respect to each Aircraft it owns, which will be acquired by the Class A Trust and the Class B Trust, respectively. Each Trust will pay for the issue price of the Equipment Note acquired with respect to an Aircraft by causing the Escrow Agent to withdraw from the Depositary the amount of the related Deposit together with, in the case of Deposits of proceeds from the issuance of Class B Certificates and related Escrow Receipts, the Aggregate Accretion Amount. The Owner may also issue junior Equipment Notes in connection with the issuance of Additional Certificates. See "*—Possible Issuance of Additional Certificates and Refinancing Certificates.*"

The payments in U.S. dollars required to be made by NAIL under each Lease will be sufficient to pay in full when due payment obligations with respect to the related Equipment

Notes and the Indenture, as the same may become due at scheduled maturity or following a Total Loss. Such amounts will not be sufficient to pay principal, premium, if any, and interest on any Equipment Notes becoming due as a result of prepayment or acceleration prior to its stated maturity, except if each Equipment Note comes due as a result of a Total Loss with respect to the related Aircraft.

The Owner's board of directors (the "**Board**") will contain at least one Independent Director. All decisions, actions and questions arising at any meeting of the Board shall be decided by a majority of votes, provided always that such majority includes the vote of the Independent Director. An "**Independent Director**" means a person that: (i) is not at the time of his or her appointment; (ii) is not at any time when such person is serving as an independent director; and (iii) has not been for the five years prior to his or her appointment as an independent director, an employee, contractor or consultant of, or the beneficial holder (directly or indirectly) of any ownership interest in NAS, Arctic, the Owner, the Lessee, or any of their affiliates, provided however, that any such person may serve as an independent director of Arctic and any other company that is an affiliate of Arctic, the Lessee, the Owner or NAS.

(b) Interest . . . . The Equipment Notes held in each Trust will accrue interest at the rate *per annum* applicable to the Certificates issued by such Trust set forth on the cover page of this offering memorandum. Interest on the issued and outstanding Equipment Notes will be payable on May 10 and November 10 of each year, commencing on the later of November 10, 2016 and the first such date after issuance thereof, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(c) Principal . . . . Principal payments on the issued and outstanding Series A Equipment Notes and in respect of the Series B Equipment Notes are scheduled to be paid in specified amounts on May 10 and November 10 in each year, commencing for both Series on May 10, 2017.

(d) Mandatory Redemption . . . . If a Total Loss (as defined herein) occurs with respect to any Aircraft, or the Lease with respect to an Aircraft is otherwise terminated early, all of the Equipment Notes issued with respect to such Aircraft will be redeemed. The redemption price in such case will be the unpaid principal amount of such Equipment Notes to be redeemed, together with accrued but unpaid interest, plus (except in the case of a termination due to Total Loss or illegality) a Make-Whole Amount.

(e) Optional Redemption . . . . The Owner may redeem all, but not less than all, of the Equipment Notes with respect to an Aircraft at any time prior to maturity, provided that the outstanding Equipment

	Notes with respect to all other Aircraft are simultaneously redeemed. The redemption price will be the unpaid principal amount of such Equipment Notes, together with accrued but unpaid interest, plus Make-Whole Amount, if any. In addition, the Owner may elect to redeem all of the Series B Equipment Notes or any series of Additional Equipment Notes, if issued, in connection with a refinancing of such series, in each case, plus a Make-Whole Amount, if any.
(f) Security	*Security for Equipment Notes*. The Equipment Notes will be secured by substantially all of the assets of the Owner except Excluded Payments, including an assignment by way of security over the Owner's interests in the related Leases (including an assignment of the right to receive certain insurance proceeds), as well as a New York law-governed aircraft mortgage over all Aircraft. *Owner Share Mortgage*. The issued share capital of the Owner will be mortgaged by Arctic to secure the Owner's obligations under the Equipment Notes. *Owner Sub-Debt Pledge*. Any debt issued by the Owner to NAS or any of its affiliates (including any intercompany loan between the Owner and Arctic) will be assigned by way of a security assignment by NAS or any of its affiliates, as applicable, to secure the Owner's obligations under the Equipment Notes.
(g) Equipment Notes Guaranty	The Owner's obligations under the Equipment Notes and all other Operative Agreements will be irrevocably and unconditionally guaranteed by NAS (the "**Notes Guaranty**").
(h) Cross-Collateralization	The Equipment Notes will be cross-collateralized. This means that any proceeds from the exercise of remedies following an Event of Default with respect to an Aircraft will be available to cover shortfalls then due under the outstanding Equipment Notes issued with respect to the other Aircraft. In the absence of any such shortfall, excess proceeds will be held as additional collateral for such other Equipment Notes.
(i) Cross-Default.	There will be cross-default provisions among all the Indentures and there will be cross-default provisions among all the Leases. A Lease Event of Default will also constitute an Indenture Event of Default and vice versa. A failure of NAS to perform its obligations under the Notes Guaranty will also constitute a default under the Lease Guarantee and, therefore, a Lease Event of Default. See "*Description of the Leases—Certain Provisions of the Leases—Events of Default*" and "*Description of the Equipment Notes—Indenture Events of Default, Notice and Waiver*."

(j) Cape Town; IDERA	The Cape Town Treaty has been adopted in Ireland, but the Irish Government has not yet issued an order to give effect to Alternative A. See "*Risk Factors—Risks Relating to the Certificates and the Offering*." The "international interests" constituted by the aircraft mortgage and Lease for each Aircraft, together with the "assignment" of "associated rights" constituted by the lessor deed of assignment and, to the extent applicable, the lessee deed of assignment and the interest created under the bill of sale will be registered with the International Registry when each relevant document becomes effective in the following order: (i) Aircraft Mortgage, (ii) Lease, and (iii) Lessor Security Assignment. An "IDERA" (irrevocable deregistration and export request authorization) for each Aircraft executed by NAIL naming the Loan Trustee as the authorized party will be submitted to (such submission to be acknowledged by) the IAA. See "*Risk Factors—Risks Relating to the Certificates and the Offering*."
Certain United States Tax Considerations	Neither Trust will be treated as a corporation or other entity taxable as a corporation for United States federal income tax purposes. Each U.S. person acquiring an interest in Certificates generally should report on its federal income tax return its pro rata share of income from the relevant Deposits and income from the Equipment Notes and other property held by the relevant Trust. Prospective investors in the Certificates should carefully consider the tax consequences of investing in the Certificates. See "*Certain Irish and Other Jurisdiction Tax Considerations*," "*Certain U.S. Federal Income Tax Considerations*" and "*Certain Delaware Taxes*."
Certain United States ERISA Considerations	Each person who acquires a Certificate will be deemed to have (i) represented that either: (a) no employee benefit plan assets have been used to purchase or hold such Certificate or any interest therein or (b) the purchase and holding of such Certificate or any interest therein is exempt from the prohibited transaction restrictions of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and the United States Internal Revenue Code of 1986 (the "**Code**") pursuant to one or more prohibited transaction statutory or administrative exemptions and (ii) directed the corresponding Trust to invest in the assets held in the Trust pursuant to the terms and conditions described herein and directed that it otherwise be administered according to those terms and conditions. See "*Certain U.S. ERISA Considerations*."

Rating of the Certificates	It is a condition to the issuance of the Certificates that they be rated by the Rating Agencies not less than the ratings set forth below:

Certificates	Fitch	Moody's
Class A	A	Baa3
Class B	BB-	Ba3

A rating is not a recommendation to purchase, hold or sell Certificates, because such rating does not address market price or suitability for a particular investor. There can be no assurance that such ratings will not be lowered or withdrawn by either or both of Fitch and Moody's. See "*Risk Factors—Risks Relating to the Certificates and the Offering— The rating of the Certificates is not a recommendation to buy and may be lowered or withdrawn in the future.*"

Threshold Rating for the Depositary

Long-Term Fitch	Short-Term Moody's
A-	P-1

Depositary Rating	The Depositary meets the Depositary Threshold Rating requirement.

Threshold Rating for the Liquidity Provider for the Class A Trust and Class B Trust

Long-Term Fitch	Long-Term Moody's
BBB	Baa2

Liquidity Provider Rating	The Liquidity Provider meets the Threshold Rating requirement.
Governing Law	The Certificates, the Indentures, the Equipment Notes and the Notes Guaranty will be governed by the laws of the State of New York. The Leases, the Lease Guarantees and associated security agreements will be governed by English law. The Owner Share Mortgage and the Owner Sub-Debt Pledge will be governed by Irish law.
Transfer Restrictions	The Certificates have not been registered under the Securities Act or any U.S. state securities laws or the securities laws of any other jurisdiction. Accordingly, the Certificates may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws and in compliance with applicable securities laws of any other jurisdiction. The Certificates are not transferable except in accordance with the restrictions described in this offering memorandum. See "*Transfer Restrictions*."

SUMMARY FINANCIAL AND OPERATING DATA

The summary consolidated annual financial information set forth below as of December 31, 2013, 2014 and 2015 and for the years then ended has been derived from the Audited Financial Statements, which are prepared in accordance with IFRS. The summary consolidated interim financial information set forth below as of March 31, 2015 and March 31, 2016 and for the quarters then ended has been derived from the Unaudited Interim Financial Statements, which are prepared in accordance with IAS 34. See "*Presentation of Information—Presentation of Financial Information*."

The information below should be read in conjunction with the Audited Financial Statements, and notes thereto, included elsewhere in this offering memorandum, and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Solely for the convenience of the reader, NOK amounts as at and for the year ended December 31, 2015 and as at and for the quarter ended March 31, 2016 have been translated into U.S. dollars at the exchange rate in effect as of March 31, 2016, as reported by Bloomberg of NOK 8.27 to US$1.00. Presentation of this information should not be construed as implying that the criteria used follow the criteria established in International Financial Reporting Standard (IAS No. 21), "*The Effects of Changes in Foreign Exchange Rates*." See "*Exchange Rate Information*."

The unaudited condensed consolidated income statement and statement of financial position of NAS and its consolidated subsidiaries have historically been presented in a format that differs from the format used in the preparation of the audited annual financial statements of the same entities. The presentation used in interim financial statements (including the Unaudited Interim Financial Statements in this offering memorandum) makes it easier for the reader to understand how the several non-IFRS metrics used by management are derived. To enhance the reader's ability to compare annual figures to the figures corresponding to the quarters ended March 31, 2015 and March 31, 2016, the tables that follow have disaggregated several figures that are presented in condensed form in the Unaudited Interim Financial Statements on pages F-2 to F-7, and footnotes have been added to clarify how these line items may be reconciled with the comparable line items in the Audited Financial Statements.

Income Statement Data:

	Year Ended December 31,				Quarter Ended March 31,		
	2013	2014	2015	2015	2015	2016	2016
	(NOK 1,000,000)			(USD 1,000,000)	(NOK 1,000,000)		(USD 1,000,000)
Revenues	15,511.2	19,540.0	22,483.5	2,718.7	4,034.3	4,960.3	599.8
Other income	68.3	—	7.6	0.9	—	0.3	0.0
Total operating revenues and income[(1)]	**15,579.5**	**19,540.0**	**22,491,1**	**2,719.6**	**4,034.3**	**4,960.6**	599.8
Operational expenses[(2)]	11,370.6	15,360.1	15,839.0	1,915.2	3,402.0	3,742.6	452.6
Payroll[(3)]	2,478.3	3,209.0	3,433.7	415.2	796.6	924.6	111.8
Depreciation, amortization and impairment[(4)]	529.8	748.1	1,133.3	137.0	220.4	288.4	27.6
Other operating expenses[(5)]	733.3	1,049.6	1,263.2	152.7	340.3	371.7	44.9
Other losses/(gains)-net[(5)]	(502.1)	583.8	474.2	57.3	(2.6)	527.9	63.8
Total operating expenses[(6)]	**14,609.9**	**20,950.6**	**22,143.4**	**2,677.6**	**4,756.7**	**5,855.2**	708.0
Operating profit	**969.7**	**(1,410.5)**	**347.8**	**42.1**	**(722.4)**	**(894.5)**	(108.2)
Interest income[(7)]	149.7	196.3	74.2	9.0	12.9	12.8	1.5
Interest expense[(8)]	(256.7)	(447.2)	(463.3)	(56.0)	(104.4)	(161.4)	(19.5)
Net foreign exchange (loss) or gain[(9)]	(472.9)	(36.9)	26.5	3.2	15.8	17.9	2.2
Appreciation cash equivalents[(9)]	24.6	17.6	(2.1)	(0.3)	1.3	(1.9)	(0.2)
Fair value adjustment long term deposits[(9)]	2.7	1.2	—	—	—	—	—
Other financial items[(9)]	(26.2)	(5.0)	(11.4)	(1.4)	(1.7)	(0.6)	(0.1)
Net financial items	**(578.9)**	**(274.1)**	**(376.2)**	**(45.5)**	**(76.1)**	**(133.1)**	**(16.1)**
Share of profit (loss) from associated company[(10)]	46.6	57.6	103.4	12.5	22.1	35.8	4.3
Profit/(loss) before tax	**437.4**	**(1,627.0)**	**75.0**	**9.1**	**(776.4)**	(991.9)	(119.9)
Income tax expense (income)	115.8	(557.3)	(171.1)	(20.7)	(238.2)	(191.9)	(23.2)
Profit (loss) for the period[(11)]	**321.6**	**(1,069.8)**	**246.2**	**29.8**	**(538.3)**	**(800.0)**	**(96.7)**

(1) In the Unaudited Interim Financial Statements, this line item is identified as "Total operating revenue".

(2) In the Unaudited Interim Financial Statements, this line item is presented as two separate items: "Operational expenses" and "Leasing". The corresponding figures for these two items have been added in this table for the columns corresponding to the quarters ended March 31, 2015 and March 31, 2016, to facilitate comparability.

(3) In the Unaudited Interim Financial Statements, this line item is identified as "Payroll and other personnel expenses".

(4) In the Unaudited Interim Financial Statements, this line item is identified as "Depreciation and amortization".

(5) In the Unaudited Interim Financial Statements, this line item includes amounts that, in the Audited Financial Statements, are separately presented as "Other losses/(gains)-net". For purposes of this table, the corresponding figures have been disaggregated for the columns corresponding to the quarters ended March 31, 2015 and March 31, 2016, to facilitate comparability.

(6) In the Unaudited Interim Financial Statements the line item "Total operating expenses" does not include aircraft lease expenses or depreciation, amortization and impairment expenses, both of which are presented separately as "Leasing" and "Depreciation and amortization", respectively, but are included in Total operating expenses in the Audited Financial Statements. To facilitate comparability, the figures for the

quarters ended March 31, 2015 and March 31, 2016 aggregate the corresponding figures for Total operating expenses, Leasing and Depreciation and amortization in the Unaudited Interim Financial Statements.

(7) In the Unaudited Interim Financial Statements, this line item includes amounts that, in the Audited Financial Statements, are separately presented as "Appreciation cash equivalents". For purposes of this table, the corresponding figures have been disaggregated for the columns corresponding to the quarters ended March 31, 2015 and March 31, 2016, to facilitate comparability.

(8) In the Audited Financial Statements, this line item includes amortized interest. Although the Unaudited Interim Financial Statements do not present that figure in this line item, it has been included in this table to facilitate comparability.

(9) These items are not separately presented in the Unaudited Interim Financial Statements, which instead include a line item ("Other financial income (expense)") not included in the Audited Financial Statements. For purposes of comparability, financial items corresponding to the quarters ended March 31, 2015 and March 31, 2016, have been re-characterized for purposes of their presentation in this table.

(10) In the Unaudited Interim Financial Statements, this line item is identified as "Profit/Loss from associated company".

(11) In the Unaudited Interim Financial Statements, this line item is identified as "Net profit (loss)".

Statement of Financial Position Data:

	At December 31,				At March 31,		
	2013	2014	2015	2015	2015	2016	2016
	(NOK 1,000,000)			(USD 1,000,000)	(NOK 1,000,000)		(USD 1,000,000)
Cash and cash equivalents	2,166.1	2,011.1	2,454.2	296.8	1,615.4	3,189.8	385.7
Trade and other receivables[1]	1,623.1	2,173.5	2,550.7	308.4	2,916.7	3,080.1	372.4
Inventory	74.1	82.9	104.1	12.6	81.1	100.0	12.1
Other current assets	48.5	—	—	—	—	—	—
Total current assets	**3,911.9**	**4,267.5**	**5,109.0**	**617.8**	**4,613.2**	**6,369.8**	**770.2**
Aircraft, parts and installations on leased aircraft[2]	7,526.7	12,527.9	18,507.7	2,237.9	14,237.5	19,056.6	2,304.3
Prepayment to aircraft manufacturers[2]	2,514.9	4,102.7	5,939.3	718.2	5,373.2	5,274.0	637.7
Other non-current assets	809.3	1,808.2	2,078.1	251.3	2,138.1	2,283.0	276.1
Total non-current assets	**10,850.9**	**18,438.8**	**26,525.1**	**3,207.4**	**21,748.8**	**26,613.6**	**3,218.1**
Total assets	**14,762.7**	**22,706.3**	**31,634.1**	**3,825.2**	**26,362.0**	**32,983.4**	**3,988.3**
Total short-term liabilities	5,284.6	9,437.4	10,733.0	1,297.8	12,339.1	13,420.0	1,622.7
Total non-current liabilities	6,728.3	11,160.7	17,935.8	2,168.8	12,146.6	17,577.9	2,125.5
Total liabilities	**12,012.9**	**20,598.1**	**28,668.8**	**3,466.6**	**24,485.8**	**30,998.0**	**3,748.2**
Share capital (including premium and other paid-in equity)[3]	1,169.8	1,184.3	1,329.6	160.8	1,187.2	1,330.0	160.8
Other reserves[4]	(11.1)	455.1	876.2	105.9	737.4	696.0	84.2
Retained earnings[4]	1,591.1	468.9	759.6	91.9	(48.3)	(40.5)	(4.9)
Total equity	**2,749.8**	**2,108.3**	**2,965.3**	**358.6**	**1,876.3**	**1,985.5**	**240.1**
Total liabilities and equity	**14,762.7**	**22,706.3**	**31,634.1**	**3,825.2**	**26,362.0**	**32,983.4**	**3,988.3**

(1) In the Unaudited Interim Financial Statements, this line item is identified as "Receivables".

(2) In the Unaudited Interim Financial Statements, this line item is included in "Tangible fixed assets", a line item that also includes equipment and fixtures and buildings. For purposes of this table, the correspondent figures have been disaggregated for the columns corresponding to March 31, 2015 and March 31, 2016, to facilitate comparability.

(3) In the Unaudited Interim Financial Statements, this line item is identified as "Paid-in capital".

(4) In the Unaudited Financial Statements, these two line items are combined into "Other equity". For purposes of this table, the corresponding figures have been disaggregated for the columns corresponding to March 31, 2015 and March 31, 2016, to facilitate comparability.

Other Data:

	Year Ended December 31,				Quarter Ended March 31,		
	2013	2014	2015	2015	2015	2016	2016
	(NOK 1,000,000)			(USD 1,000,000)	(NOK 1,000,000)		(USD 1,000,000)
Adjusted EBITDAR(1)	2,783.9	1,183.5	3,694.3	446.7	68.4	62.6	7.7
Adjusted EBITDA(1)	1,499.5	(662.4)	1,481.1	179.1	(502.0)	(606.1)	(73.3)
Adjusted EBIT(1)	969.7	(1,410.5)	347.8	42.1	(722.4)	(894.5)	(108.2)
EBT(1)	437.4	(1,627.0)	75.0	9.1	(776.5)	(991.9)	(119.9)

(1) The following is a reconciliation of profit (loss) for the period to each of the non-IFRS measures presented:

	Year Ended December 31,			Quarter Ended March 31,	
	2013	2014	2015	2015	2016
	(NOK 1,000,000)			(NOK 1,000,000)	
Profit (loss) for the period(1)	**321.6**	**(1,069.8)**	**246.2**	**(538.3)**	**(800.0)**
Income tax expense (income)	115.8	(557.3)	(171.1)	(238.2)	(191.9)
EBT	**437.4**	**(1,627.0)**	**75.0**	**(776.5)**	**(991.9)**
Net financial items	578.9	274.1	376.2	76.1	133.1
Share of (profit) loss from associated company(2)	(46.6)	(57.6)	(103.4)	(22.1)	(35.8)
Adjusted EBIT	**969.7**	**(1,410.5)**	**347.8**	**(722.4)**	**(894.5)**
Depreciation, amortization and impairment(3)	529.8	748.1	1,133.3	220.4	288.4
Adjusted EBITDA	**1,499.5**	**(662.4)**	**1,481.1**	**(502.0)**	**(606.1)**
Aircraft leases(4)	1,284.4	1,845.9	2,213.3	570.4	668.7
Adjusted EBITDAR	**2,783.9**	**1,183.5**	**3,694.3**	**68.4**	**62.6**

(1) In the Unaudited Interim Financial Statements, this line item is identified as "Net profit (loss)".
(2) In the Unaudited Interim Financial Statements, this line item is identified as "Profit/Loss from associated company".
(3) In the Unaudited Interim Financial Statements, this line item is identified as "Depreciation and amortization".
(4) In the Unaudited Interim Financial Statements, this line item is identified as "Leasing".

Operating Data:

	Year Ended December 31,			Quarter Ended March 31,	
	2013	2014	2015	2015	2016
ASKs (million)	34,318	46,479	49,028	10,056	11,803
RPKs (million)	26,881	37,615	42,284	8,344	10,050
Load Factor	78.3%	80.9%	86.2%	83.0%	85.1%
Passengers (million)	20.7	24.0	25.8	4.96	5.82
Internet sales	80%	82%	77%	82%	76%
Number of routes (operated during the year/quarter)	391	402	447	407	447
Number of destinations (at year/quarter end)	125	130	138	130	138
Number of aircraft (at year/quarter end)	85	95	99	97	109

RISK FACTORS

An investment in the Certificates involves certain risks. You should carefully consider the risks described below, as well as the other information included in this offering memorandum, before making an investment decision. Norwegian's business, financial condition or results of operations, or the value and other attributes of the Certificates, including the collateral securing the Certificates, could be materially adversely affected by any of these risks, as well as other risks of which NAS is not currently aware or which it currently deems to be immaterial. The market price of the Certificates could decline due to any of these risks or other factors, and you may lose all or part of your investment.

Risks Relating to the Business of Norwegian

The successful implementation of Norwegian's business plan depends on its ability to continue raising significant amounts of capital over the next several years and there is no assurance that it will be able to do so.

In its last two fiscal years, Norwegian's borrowings have increased from NOK 6,512 million at December 31, 2013, to NOK 19,585 million at December 31, 2015, a 201% increase related mainly to Norwegian's aggressive expansion of its fleet with the efficient, state-of-the art aircraft necessary for the successful implementation of its long-term business strategy. Norwegian's ability to make scheduled payments on its current indebtedness and other fixed financial commitments (including leases of aircraft) will depend on, among other things, its future operating performance and its ability to refinance its indebtedness, if necessary.

In addition, between 2016 and 2017, Norwegian is scheduled to take delivery of 55 new purchased aircraft (including the Aircraft), and between 2018 and 2020, 130 additional new aircraft are expected to be delivered. In accordance with airline industry market practice, aircraft orders are not fully financed. The financing for many of the future deliveries will be obtained on a periodic basis, the size and timing of which will depend on the schedule of aircraft delivery, market conditions and other factors. Accordingly, these additions to Norwegian's fleet will result in significant liquidity demands that Norwegian expects to be able to meet by using a variety of capital raising strategies. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."*

Norwegian has historically utilized traditional secured lending facilities supported by the Export-Import Bank of the United States as one of its primary funding sources in relation to aircraft acquisitions in addition to bank financings, capital market debt instruments and sale and leaseback arrangements. In principle, Norwegian's free cash reserves may also be used to cover its purchasing obligations. The availability of each of these funding sources at a given time is, to a large extent, subject to economic, financial, competitive, political, regulatory, operational and other contingencies, many of which are beyond Norwegian's control. There can be no assurance that Norwegian will be able to generate sufficient cash from its operations to pay its debt and lease obligations in the future, to refinance its indebtedness, if and when needed, or to otherwise meet the capital requirements of its current fleet expansion program. Norwegian's inability to timely and on reasonable terms satisfy its liquidity demands would have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Capacity constraints at airports or an inability to acquire and maintain airport slots or governmental approvals of traffic and over-flight rights may have a material adverse effect on Norwegian's business, financial condition or results of operations.

Air traffic to or from a specified destination is limited by the airport infrastructure conditions at that destination and the availability, at a cost consistent with Norwegian's low cost strategy, of an adequate number of slots for aircraft arrivals and departures. Conditions that delay, limit, or defer Norwegian's access to airports or slot positions that Norwegian already serves or wishes to serve in the future, will represent barriers to Norwegian's growth strategy. Changes in the terms and conditions of Norwegian's access to such facilities or an increase in the costs involved as a result of expiry or termination of its contracts may have an adverse effect on Norwegian's earnings. Airports might also introduce limitations on operational hours, noise levels, use of runways, or total numbers of daily departures. These types of restrictions might adversely affect Norwegian's ability to service these airports or improve the range of services it provides at these airports.

The price and availability of over-flight rights, which allow airlines to fly over individual countries or territories, as well as the cost of traffic charges, such as arrival, departure and navigation charges, affect Norwegian's business operations to a material extent. Increases in the prices of these charges and over-flight rights and/or absence of the availability of such rights may have a material adverse effect on Norwegian's business.

The occurrence of operating restrictions and increased costs of the types described above may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian's business, financial condition and results of operations may be adversely affected by an inability to secure on time deliveries of the most cost efficient aircraft in the future.

The strategy of Norwegian and its future growth is underpinned by its fleet renewal program and access to the most cost efficient aircraft. Although Norwegian has significant aircraft orders in place, these deliveries may be delayed and future growth depends on Norwegian's ability to place further orders and access its suppliers' available delivery slots. There can be no assurance that Norwegian will be able to acquire the most cost efficient aircraft at the right time or in the right quantity, and this may have a material adverse effect on Norwegian's business, financial condition and results of operations and future prospects and thereby, on the Owner's ability to fulfill its obligations under the Equipment Notes as well as the market price and value of the Certificates.

Further, Norwegian has secured a competitive advantage based on its current young fleet of cost efficient aircraft. There can be no assurance that Norwegian will be able to retain this competitive advantage if new technological advances result in newer generations of aircraft that Norwegian may not be fully positioned to take advantage of. If this occurs, it could undermine Norwegian's cost effectiveness vis-à-vis competitors and may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian's dependence on third-party suppliers has increased in recent years, exposing it to quality and availability issues and/or unexpected costs associated with third-party suppliers that may have a material adverse effect on Norwegian's business, financial condition or results of operations.

Norwegian's business is dependent upon its ability to secure goods and services from a number of third-party suppliers. Norwegian has entered into agreements with third-party suppliers to provide for services such as catering, ground handling, aircraft maintenance, passenger handling, aircraft handling, baggage service and ticket counter space. An interruption in the provision of goods or services from any of these suppliers or any inability to renew these agreements or renegotiate contracts with other providers at comparable prices could have a material adverse effect on Norwegian's ability to continue operations with the same level of cost efficiency. Such interruptions may arise as a result of a wide range of causes, many of which are beyond Norwegian's control. Similarly, the efficiency, timeliness and quality of contract performance by third-party providers are largely beyond Norwegian's direct control and, if these are inadequate, the reputation and performance of Norwegian could be materially and adversely affected.

The occurrence of any of the above may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian may not achieve its goals in future negotiations regarding the terms of collective labor agreements of its unionized work groups, exposing it to the risk of strikes and other work-related disruptions.

Most of Norwegian's employees are unionized. While Norwegian was able to negotiate a new collective labor agreement with its pilot union in March 2015, and has collective labor agreements in place with all employee groups, there can be no assurance that Norwegian's future agreements with labor unions can be negotiated to the long-term benefit of Norwegian or that the outcome of new negotiations, mediations or arbitrations will be on terms consistent with Norwegian's expectations or comparable to agreements entered into by other airlines. If Norwegian is unable to reach an agreement with any of its unionized work groups in future negotiations regarding the terms of their collective labor agreements or if additional segments of Norwegian's workforce become unionized, the likelihood of work interruptions or stoppages may increase.

In March 2015, Norwegian experienced a strike in connection with negotiations with its unions. The strike lasted 11 days and resulted in a decrease of 190,000 passengers in Norway and Sweden as compared with the same period the preceding year, impacting approximately 2,000 flights, based on Norwegian's estimates. In addition, Norwegian estimates that the strike resulted in losses and extra costs to Norwegian of approximately NOK 350 million, of which NOK 120 million was related to lost revenue and NOK 110 million was related to extra costs to cater for passengers impacted by the strike.

The labor union representing Norwegian's pilots, Parat, has filed a suit against Norwegian claiming that NAS, as a parent company, has employer obligations towards the employees hired by its subsidiaries in other Scandinavian countries in which Norwegian operates. A decision upholding Parat's claims is not expected to have a financial impact beyond the reporting period in which any re-organizational measures may need to be adopted if required by such decision, but could potentially undermine Norwegian's ability to mitigate the effect of future strikes by relying on employees of subsidiaries not affected by the labor disruptions. The suit is expected to be heard by the end of June 2016.

Strikes and other labor related disputes arising from the relationship between Norwegian and groups within its labor force may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian is dependent on the uninterrupted operation of its information technology systems and may incur increased costs in an effort to minimize those risks.

Norwegian has become increasingly dependent on information technology initiatives to reduce costs and to enhance customer service in order to compete in the current business environment. It depends on automated information systems and technology, including its computerized airline reservation system, its flight operations system, its website, its telecommunication systems and other automated systems. Thus, the performance and the reliability of information technology are critical to Norwegian's ability to attract and retain customers and for Norwegian's ability to compete effectively and implement its commercial strategy. In addition, Norwegian's innovative SafetyNet reporting system is an essential technological tool to support its plan to operate with the best practices in operational safety. These initiatives and the development of information system solutions require continuous investment, which could result in increased costs for Norwegian's business.

In addition, any internal error or failure or any external interruption in the information technology infrastructure Norwegian depends on, such as power, telecommunications or the internet, may disrupt its information technology network. Any individual, sustained or repeated failure of information technology could impact Norwegian's customer service and result in increased costs. Norwegian's information technology systems and related data may be vulnerable to a variety of sources of interruption due to events beyond its control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. Although Norwegian regularly updates and improves its information security and situation-management preparedness for serious disruptions to information systems and telecommunications, these measures may not be adequate or implemented properly so as to prevent a business disruption.

Risks of the types described above relating to the operation of Norwegian's information technology systems and the costs of maintaining and updating these systems may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Possible litigation and arbitration proceedings may have a material adverse effect on Norwegian.

Norwegian is involved in a variety of litigation and arbitration proceedings from time to time. Many of these disputes relate to claims arising in the ordinary course of business including litigation relating to service interruption, flight delays, lost or damaged luggage, flight accidents and personal injury claims. There can be no assurance as to the outcome of any of these proceedings and Norwegian's reputation could be harmed even if a favorable judgment is received by the claimant. More importantly, a decision against Norwegian may have a material adverse effect on Norwegian's business, financial condition, results of operations and future prospects and thereby, or the Owner's ability to fulfill its obligations under the Equipment Notes as well as the market price and value of the Certificates.

For more information on the risks associated with labor litigation, please see "*—Norwegian may not achieve its goals in future negotiations regarding the terms of collective labor agreements of its unionized work groups, exposing it to the risk of strikes and other work-related disruptions.*"

Norwegian is exposed to the residual value risk and also to the impairment of the value of the aircraft it owns during the ownership period.

When acquiring an aircraft, Norwegian enters into an agreement with the manufacturer to purchase the aircraft. The decision whether to own or sell and leaseback the aircraft with a financing party is typically taken prior to the expected delivery of the aircraft. As of December 31, 2015, Norwegian operated 12.5% of the aircraft in its fleet through sale and leaseback arrangements. If Norwegian elects to own an aircraft, it will be exposed to fluctuations in the value of the aircraft in the second-hand market, which may have an adverse effect on Norwegian's financial condition and results of operations should the value of the aircraft be impaired. A decrease in second-hand prices for the aircraft Norwegian owns or factors that delay Norwegian's planned disposal of these aircraft may involve risks for Norwegian, especially to the extent that Norwegian wishes or needs to rely on the sales proceeds of aircraft to discharge debts relating to the financing of such aircraft. Currency fluctuations and negative developments in general market conditions may also decrease the market value of Norwegian's owned fleet.

A decline in the value of aircraft owned by Norwegian or in market conditions for second-hand aircraft of the type operated by Norwegian may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

The financing methods that Norwegian uses to acquire its aircraft may require repossession of such aircraft by the lenders in the event of a default under the related financing documents.

The acquisition of Norwegian's aircraft has been financed through various methods, such as Ex-Im Bank supported credit facilities. In the event of a default under any of these facilities, Norwegian's aircraft may be subject to repossession by the lender. Furthermore, some of these credit facilities contain cross-default and cross-collateralization provisions, which could result in certain lenders having a right to repossess the aircraft financed by them upon the occurrence and continuation of an event of default, and the expiration of any agreed upon grace period, under another credit facility. Repossession of an aircraft under these circumstances would put Norwegian in a position where it is unable to operate such aircraft, which could have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

A negative development in Norwegian's third party leasing operations might impair Norwegian's ability to employ its entire fleet, which may have a material adverse effect on Norwegian.

As of December 31, 2015, Norwegian's firm aircraft purchase orders totaled 255 aircraft, and an additional 11 Boeing 787 Dreamliners (each, a "Dreamliner") are expected to be delivered on operating leases between 2016 and 2018. Although Norwegian expects to utilize the aircraft in its order book for its own operations when these aircraft become available for delivery, the development of Norwegian's future growth or strategic preferences may make it desirable to lease a part of its future deliveries to third parties. As an example, on December 18, 2015, Arctic announced that it has signed an agreement to lease 12 Airbus A320neo aircraft to Hong Kong Express Airways for a period of twelve years from each delivery. The 12 aircraft have scheduled deliveries in 2016, 2017 and 2018. Future negative market conditions in general or in the leasing market in particular may inhibit Norwegian's ability to lease aircraft to third parties, which will limit Norwegian's operating flexibility and could result in other costs if not all of the aircraft in its order book are required at the time of delivery, which in turn may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

A failure by Norwegian to implement its fleet renewal strategy may adversely affect Norwegian's business, financial condition and results of operations.

The core of Norwegian's strategy is to become the preferred supplier of air travel in its selected markets through attracting customers and stimulating markets by offering competitive low fares and a high quality travel experience based on low operating costs, operational excellence and a helpful friendly service.

Norwegian's investments are focused on ensuring that it maintains a low unit cost and competitive low fares, and fleet acquisitions in the coming years are aimed at improving Norwegian's competitive position. However, there can be no assurance that Norwegian will continue to have access to the bank or capital markets in order to finance these investments as planned, that there will not be any delays in deliveries by aircraft manufacturers and that, when made, these investments would allow Norwegian to grow its traffic as planned.

If changes were to occur in consumer preferences, perceptions, spending patterns or demographic trends with regard to travelling to and from its destinations, these changes could also affect Norwegian's business and the success of its strategy. In addition, Norwegian's strategy could be affected by a number of factors outside of Norwegian's control, such as reversals or delays in the opening of foreign markets, exchange controls, currency and political risks, taxation and changes in international government regulation of Norwegian's operations, including the inability to obtain or retain needed authorizations for accessing certain routes and/or airport slots.

A failure by Norwegian to implement its strategy or the occurrence of any of the above risks may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

A failure to meet the challenges arising from its growth strategy could harm Norwegian's business.

The successful implementation of Norwegian's growth strategy is critical in order for its business to achieve economies of scale, sustain and increase its profitability, gain a larger market share and secure its position within the airline industry. Expansion requires Norwegian to invest in a substantial amount of resources, including additional skilled personnel, equipment and facilities even before the new services commence, as well as significant time commitments of senior management. An inability to hire and retain skilled personnel or to secure the required equipment and facilities efficiently and cost-effectively may affect Norwegian's ability to achieve its growth strategy. In addition, increasing the number of its destinations and expanding its services may strain Norwegian's existing management resources and operational, financial and management information systems, including its online reservation system, to the point that they may no longer be adequate to support its operations, requiring Norwegian to make significant expenditures in these areas. Norwegian expects that it will need to develop a larger management team and further financial, operational and management controls, reporting systems and procedures to accommodate future growth. There can be no assurance that Norwegian will be able to expand its management team or develop these controls, systems or procedures on a timely basis, and the failure to do so could have a material adverse effect on its business, financial condition and results of operations. In addition, as Norwegian expands into geographic areas where it may have limited operating experience, it may encounter operating, marketing, financial and legal challenges that are different from those it encounters in its existing markets, which could have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian may not be successful in increasing fares to cover rising business costs.

The success of Norwegian's low-fare business model depends on its ability to control costs so as to deliver low fares while at the same time earning a profit. Norwegian has limited control over certain of its costs, including fuel costs, aviation insurance, airport and related infrastructure taxes, the cost of meeting changing regulatory requirements and its cost to access capital or financing. In addition, the compensation and benefit costs applicable to a significant portion of Norwegian's employees are established by the terms of its collective bargaining agreements, which will be subject to renegotiation over time. Norwegian already has comparatively low operating costs, but if the costs listed above rise and Norwegian is unable to further reduce its other operating costs or generate additional revenues, operating profits are likely to fall. An inability to control operating costs or, alternatively, increase fares while maintaining passenger traffic levels, may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian is exposed to cash flow and fair value interest rate risk, both of which could adversely affect its financial position and results of operations.

Norwegian is subject to the effects of interest rate fluctuations on its floating rate financing arrangements and aircraft leases. Norwegian's floating interest rate borrowings consist of unsecured bond issues, its revolving credit facility, aircraft financings, loan facilities and financial lease liabilities. As a result of these variable rate borrowings, an increase in market interest rates would cause an increase in the amount of Norwegian's interest payments and could have a material adverse effect on the results of operations of Norwegian.

Norwegian is also subject to fair value interest rate risk on its fixed interest rate financing arrangements, which include its Ex-Im supported aircraft financing facilities. Norwegian's long-term borrowings are denominated in USD and NOK.

Accordingly, an increase in market interest rates may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian is exposed to tax-related risks that may have a material adverse effect on Norwegian's business, financial condition or results of operations.

Norwegian believes that it conducts its business, including transactions between group companies, in Scandinavia and its other countries of operation, in accordance with applicable tax laws and treaties and the requirements of tax authorities in these countries. However, tax authorities in Norway and other relevant countries could have conflicting views on the application of these tax rules by Norwegian. Norwegian's prior, present or future tax position may change as a result of the decisions of tax authorities or changes in laws and regulations, possibly with retroactive effect, which may have a material adverse effect on Norwegian's business, financial condition, results of operations and future prospects and thereby, on the Owner's ability to fulfill its obligations under the Equipment Notes.

The introduction of taxes on travel in various jurisdictions could also damage Norwegian's ability to grow. For example, the U.K. government levies an Air Passenger Duty of £13 per short-haul passenger and £71 per long-haul passenger. The Norwegian government has recently put forward a proposal to introduce an environmental aircraft passenger tax of approximately NOK 80 per passenger per flight beginning on April 1, 2016. Norwegian understands that this tax is proposed to apply to both domestic flights and international flights to and from Norway. However, the government has stated that the details of the design of the tax will have to be determined by the Norwegian Parliament. Currently, there is debate as to the effects of this proposed tax and particularly its effect on the number of domestic flights between less densely populated areas in Norway. If this tax is introduced, but not applied equally to all airlines operating in Norway, it could put Norwegian at a disadvantage compared to other airlines. Since 2011, other countries, including Germany, Austria, Morocco and Italy, have introduced per-passenger taxes or have introduced legislation to implement such taxes and other governments may consider doing so in the future. Any such taxes may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian is dependent on its capability to attract, train and retain qualified airline personnel.

Norwegian is dependent on qualified airline personnel, such as pilots, cabin crew and employees with qualifications in aircraft maintenance, information technology and sales. The implementation of Norwegian's growth strategy will require hiring of new personnel and there can be no assurance that Norwegian will be able to retain employees in key positions or recruit a sufficient number of new employees with appropriate technical qualifications at a cost which enables Norwegian to remain competitive.

Norwegian has been challenged on its labor practices, such as hiring-in and transfer of employees between companies, by unions and other industry participants, such as competitors, which could be damaging to Norwegian's reputation as an employer and may have an adverse impact on Norwegian's capability to attract and retain airline personnel in the future. Moreover, should these practices prove objectionable or impermissible in one or more jurisdictions where Norwegian operates, Norwegian's growth strategy may be adversely affected.

An inability to retain or recruit sufficient qualified employees at a competitive cost may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Any deterioration in brand image or consumer confidence in the Norwegian brand may adversely affect Norwegian's ability to market its services and attract and retain customers.

As part of its overall business model, Norwegian relies on positive brand recognition, among other factors, to attract customers. Any deterioration in brand image or consumer confidence in its brand might adversely affect Norwegian's ability to market its services and attract and retain customers, which in turn may have a material adverse effect on Norwegian's business, financial condition, results of operations and future prospects and thereby, on the Owner's ability to fulfill its obligations under the Equipment Notes as well as the market price and value of the Certificates.

Norwegian is also dependent on the continued acceptance of low-fare airlines generally. Accidents or other safety-related incidents involving some of Norwegian's low-fare competitors have had a negative impact on the public's acceptance of such airlines. Any adverse event potentially relating to the safety or reliability of low-fare airlines (including accidents or negative reports from regulatory authorities) could negatively impact the public's perception of, and confidence in, low-fare airlines like Norwegian, and may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian relies on maintaining high aircraft utilization rates to maximise its revenue, which makes Norwegian vulnerable to delays.

A significant element of Norwegian's business model is high utilization of its aircraft to generate more revenue. High aircraft utilization rates are achieved by keeping the number of "block hours," *i.e*., the hours from take-off to landing, including taxi time, as high as possible to enable Norwegian to fly more hours on average each day. High block hours are achieved by reducing turnaround time at airports, including the amount of ground time for loading and unloading, cleaning, refuelling, crew changes and necessary maintenance. As a result of its high aircraft utilization, Norwegian is exposed to, and adversely affected by, delays and flight cancellations caused by various factors, many of which may be beyond Norwegian's control, including air traffic congestion, processing delays on the ground, adverse weather conditions, industrial action by air traffic controllers, delays or non-performance by third-party service providers and unscheduled maintenance. A delay or cancellation of one flight could affect Norwegian's other flight operations by resulting in delays or cancellations of other Norwegian flights. If Norwegian's flights become subject to regular or severe delays or cancellations, its reputation may suffer and its customers may choose to fly with other airlines in the future. These adverse effects may be further exacerbated to the extent Norwegian is required to make refunds and provide assistance to passengers for flight delays. Lower aircraft utilization rates may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

The airline industry is particularly sensitive to changes in economic conditions. Continued adverse economic conditions or a reoccurrence of such conditions in the markets in which Norwegian operates would negatively impact Norwegian's business, results of operations and financial condition.

Norwegian's business and the airline industry in general are affected by many economic changes beyond Norwegian's control, including, among others: changes and volatility in general economic conditions, including the severity and duration of any downturn in the European or global economy and financial markets; changes in consumer preferences, perceptions, spending patterns or demographic trends, including any increased preference for higher-fare carriers offering greater levels of amenities, and reduced preferences for low-fare carriers offering more basic transportation, during better economic times; higher levels of unemployment and varying levels of disposable or discretionary income; depressed housing and stock market prices; and lower levels of actual or perceived consumer confidence.

These factors can adversely affect Norwegian's results of operations, its ability to obtain financing on acceptable terms and its liquidity. Unfavorable general economic conditions, such as higher unemployment rates, a constrained credit market, housing-related pressures and increased focus on reducing business operating costs can reduce spending for price-sensitive leisure and business travel. For many travelers, in particular the price-sensitive travelers Norwegian serves, air transportation is a discretionary purchase that they may reduce or eliminate from their spending in difficult economic times. Unfavorable economic conditions could also adversely affect Norwegian's ability to raise prices to counteract increased fuel, labor or other costs. Any of these macroeconomic factors may have a material adverse effect on Norwegian's business, financial condition, results of operations and future prospects and thereby on the Owner's ability to fulfill its obligations under the Equipment Notes as well as the market price and value of the Certificates.

Airlines that operate in Europe, such as Norwegian, also have exposure to the Eurozone periphery. Any further recession in European economies may adversely affect the number of airline passengers overall for Norwegian and other air carriers operating in the region, which may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Competition in the airline industry is intense, and current or new market entrants could disrupt Norwegian's competitive environment.

Norwegian operates within a highly competitive industry. Norwegian's competitive environment may be disrupted as current or new entrants and/or alliances expand, airlines consolidate, or alliances and/or joint businesses gain competitive advantage over Norwegian's business. Norwegian is exposed to competition on direct itineraries between individual cities as well as on one-stop connecting itineraries as passengers can choose from a number of different connection options, especially in the long-haul markets. Within the Nordic market, SAS and Finnair are Norwegian's main competitors. Within the European short-haul markets, Norwegian competes with a number of traditional flag carriers as well as low-fare and charter airlines, such as Lufthansa, SAS, British Airways, Ryanair, Air Berlin and easyJet. Within the long-haul market to Asia and the U.S., Norwegian mainly competes with a number of traditional flag carriers, such as Lufthansa, Air France, KLM, British Airways, Finnair, Thai Airways and other Middle Eastern and Asian carriers.

The airline industry is highly susceptible to price discounting, in part because airlines incur very low marginal costs for providing service to passengers occupying otherwise unsold seats. Both low-fare and traditional airlines sometimes offer low fares in direct competition with Norwegian across a significant proportion of Norwegian's route network as a result of the liberalization of the EU air transport market and greater public acceptance of the low-fare model. The recent decrease in jet fuel prices may enable other airlines with unhedged fuel costs to pass through fuel savings in the spot markets via lower fares. Continued low jet fuel prices may lead to increased price competition and may encourage new market entrants in the short to medium term. In local markets, airlines also face competition from other sources of transportation, such as trains, buses, marine vessels and cars. In its business segment, Norwegian may also face competition from alternatives to business travel such as videoconferencing and other methods of electronic communication as these technologies continue to develop and become more widely used.

Increasing competition may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian is subject to cyber security risks and may incur increased costs in an effort to minimize or respond to those risks.

Norwegian conducts and is increasing its ticket sales over the internet, which requires the secure transmission of confidential customer information. More generally, Norwegian's business employs a variety of systems and websites that allow for the secure storage and transmission of proprietary or confidential information regarding its customers, employees, suppliers and others, including personal identification information, or credit card data. Security breaches could expose Norwegian to a risk of loss or misuse of this information, litigation and potential liability. Although Norwegian takes steps to secure its systems and data, and although multiple parties review and approve the security configurations and management processes of these systems, the security measures implemented by Norwegian and its IT service providers may not be effective, and its systems may nevertheless be vulnerable to theft, loss, damage and interruption from unauthorized access or security breaches, cyber-attacks, computer viruses or other malicious events. Norwegian may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Attacks may be targeted at Norwegian, its customers and suppliers, or others who have entrusted Norwegian with information. In addition, attacks not targeted at Norwegian, but targeted solely at suppliers, may cause disruption to its computer systems or a breach of the data that Norwegian maintains on customers, employees, suppliers and others.

Actual or anticipated attacks may cause Norwegian to incur increased costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants, or costs incurred in connection with the notifications to employees, suppliers or the general public as part of Norwegian's notification obligations to the various governments that regulate its business. Advances in computer capabilities, new technological developments or other changes may result in the breach or compromise of the technology used by Norwegian to protect its transaction or other data. Norwegian's reputation, brand and financial condition could be adversely affected if, as a result of a significant cyber event or other security issues, its operations are disrupted or shut down; its confidential, proprietary information is stolen or disclosed; it incurs costs or is required to pay fines in connection with stolen customer, employee or other confidential information; it must dedicate significant resources to system repairs or increase cyber security protection; or it otherwise incurs significant litigation or other costs.

Norwegian's processing of personal data could also give rise to liabilities as a result of governmental regulation. In the processing of its customer transactions, Norwegian receives, processes, transmits and stores a large volume of identifiable personal data, including financial data such as credit card information. The collection of this data is increasingly subject to legislation and regulation that is typically intended to protect the privacy of personal data that is collected, processed and transmitted. More generally, Norwegian relies on consumer confidence in the security of its information technology systems, including the website from which Norwegian sells the majority of its tickets. If Norwegian is unable to comply with existing privacy obligations or if legislation or regulations are expanded to require changes in Norwegian's security or online sales practices, this may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian faces risks related to unauthorized use of information from its website.

So-called "screenscraper" websites may gain unauthorized access to Norwegian's website and booking system, extract flight and pricing information and display it on their own websites for sale to customers at prices which may include hidden intermediary fees on top of Norwegian's fares. The activities of screenscraper websites could lead to a reduction in the number of customers who book directly on Norwegian's website and consequently to a reduction in Norwegian's ancillary revenue stream. Also, price-sensitive customers may be lost to Norwegian once they are presented by a screenscraper website with a Norwegian fare inflated by the screenscraper's intermediary fee, particularly those customers in the segment of the market to which Norwegian is aiming to bring affordable air travel for the first time. This could also adversely affect Norwegian's reputation as a low-fare airline, which may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

If the amount of ticket sales made through third-party internet travel intermediaries increases significantly, Norwegian may experience difficulty in maintaining consumer loyalty to its brand.

Norwegian derives a portion of its business from internet travel intermediaries, most of which devote equal space and attention to all of the airlines included on their websites. These parties generally sell and market Norwegian's services on a non-exclusive basis. Norwegian's competitors may offer such agents higher commissions and incentives to encourage them to recommend other flights over ours.

In addition, various websites publish user reviews based upon personal testimonies, including photos that have not been vetted or verified. Although Norwegian monitors online reviews of its services through a number of sites, there is little control over the way in which services are portrayed through these third-party sites. If sales made through travel intermediaries increase significantly and consumers develop stronger loyalties to these intermediaries than to Norwegian's brand, Norwegian may experience a decline in customer loyalty and repeat business and consequently, the financial condition and results of operations of Norwegian could be harmed, which could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian is exposed to risks associated with jet fuel prices.

Norwegian's financial results are affected by the evolution of the market price of jet fuel, as fuel costs are the single largest cost item for Norwegian. Jet fuel costs represented 23.4% and 14.7% of Norwegian's operating costs during the year ended December 31, 2015 and the quarter ended March 31, 2016, respectively.

Jet fuel prices are subject to numerous factors including, but not limited to, the level of economic activity, the rate of economic growth, political events, trading activity, weather (such as hurricanes along the U.S. Gulf Coast), refinery outages or maintenance, and the coordinated pricing decisions of producer cartels such as the Organization of Petroleum Exporting Countries. In accordance with the Assembly of the International Civil Aviation Organization ("**ICAO**") policy since the 1950s, jet fuel for international commercial aviation is untaxed. Introduction of new taxes on jet fuel would lead to a substantial increase in the industry's jet fuel costs. In 2013, the ICAO agreed on a roadmap for developing a global market-based mechanism ("**MBM**") to tackle aviation emissions. The global MBM is to be finalized at the next ICAO Assembly in 2016 and implemented by 2020. Over the past few years, there have been discussions at the EU level and within EU member states about whether existing tax exemptions for jet fuel should be reviewed. The European Commission published a White Book in 2001 covering fair and efficient price setting in the transportation sector, which proposed a review of the current tax exemptions. A reduction in, or an elimination of, these exemptions would lead to a substantial increase in Norwegian's jet fuel costs.

The impact of jet fuel price fluctuations may be mitigated by the hedges in use by Norwegian at a point in time, and Norwegian has generally hedged fuel purchases to some extent. Despite any hedging undertaken, the operating results of Norwegian can be materially affected by changes in the price and availability of jet fuel. Moreover, to the extent Norwegian has hedged its exposure to jet fuel price increases, it will be unable to participate fully in the economic benefits to the extent that jet fuel prices decrease, which could adversely impact Norwegian's short-term cost effectiveness relative to airlines able to take direct advantage of lower jet fuel costs. Alternatively, if jet fuel prices increase and hedging is not in place, or otherwise is unsuccessful in protecting Norwegian against price increases, Norwegian may be exposed to a competitive disadvantage relative to airlines that have successfully hedged their fuel cost. An inability to take advantage of decreasing jet fuel costs or to successfully hedge increasing jet fuel costs could have a material adverse impact on the financial condition and results of operations of Norwegian and, thereby, on the Owner's ability to fulfill its obligations under the Equipment Notes as well as the market price and value of the Certificates.

Norwegian may also seek to reduce the impact of unhedged jet fuel price increases on its results by passing such costs on to passengers in the form of fuel surcharges. However, due to the one to two month time lag between any increase in the price of jet fuel and the corresponding increase in fares, surcharges do not fully protect against sudden changes in fuel prices. Further, such surcharges may also have a negative effect on passenger revenues if higher surcharges cause passenger demand to decline. Accordingly, fuel surcharges may not fully offset a material adverse impact on Norwegian's business, financial condition and results of operations due to significant increases in the price of jet fuel.

Norwegian is currently able to obtain adequate supplies of jet fuel, but it is impossible to predict future availability. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning jet fuel production, transportation or marketing, changes in jet fuel production capacity, environmental concerns and other unpredictable events may result in unexpected fuel supply shortages and fuel price increases in the future.

The price, hedging status, taxation and availability of supply of jet fuel may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Airline insurance may become too difficult or expensive to obtain, which could expose Norwegian to substantial loss and may have a material adverse effect on its financial condition and results of operations.

Norwegian insures assets to reduce the risk of major economic damage. The insurance obtained by Norwegian covers a range of risks, including all-risk coverage for damage to Norwegian's aircraft fleet, spare parts and other technical equipment, as well as liability exposure associated with airline operations.

The airline industry generally is exposed to the risk that insurance coverage for aviation-related risks will become too expensive or too difficult to obtain. For example, terrorist attacks or acts of sabotage, especially if they were to be directed against air traffic, or the occurrence of other incidents such as a natural or man-made disaster, could result in insurance coverage for aviation risks becoming more expensive or certain risks becoming uninsurable, or both.

If insurers and re-insurers exclude coverage for certain risks or if coverage is unavailable on commercially reasonable terms, Norwegian may be unable to insure itself fully against certain risks that may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Exchange rate fluctuations may affect Norwegian's financial condition or results of operations.

Fluctuations in exchange rates, particularly between the Norwegian Krone and the U.S. dollar and between the Norwegian Krone and the euro, may have a material adverse effect on Norwegian's results of operations. Norwegian's foreign exchange risk mainly arises from fuel purchases, aircraft maintenance costs, aircraft leasing payments and sales revenue denominated in foreign currencies. Norwegian's largest investments, including the acquisition of aircraft and their spare parts, are also mainly made in U.S. dollars. Certain significant operating expenses, including fuel costs and aircraft leasing costs, are also U.S. dollar-denominated. Despite Norwegian's use of foreign exchange hedging, at any given time, Norwegian may not have sufficient derivatives in place to provide adequate protection against foreign exchange losses. Exposure to foreign exchange risk and/or the inability to successfully hedge these risks may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

The market price of derivatives that Norwegian uses to offset market fluctuations may change significantly.

Norwegian seeks to mitigate the effects of market fluctuations in currency, interest rate and jet fuel positions through the use of derivative instruments, according to the risk management principles provided by its Board of Directors.

The aim of Norwegian's hedging policy is to mitigate the volatility of its financial results caused by market price fluctuations. In normal market conditions, Norwegian has generally achieved this objective. However, in certain circumstances, such as those that prevailed in 2008 and 2009, the market price of the derivatives may change substantially and Norwegian may suffer substantial hedging losses. Incurrence of such hedging losses may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Insufficient access to capital may threaten Norwegian's capacity to grow, execute its business model and generate future financial returns.

Norwegian's growth strategy requires access to significant levels of financial liquidity. If cash flow from operations and cash on hand are insufficient, Norwegian may not be able to obtain, on a timely basis, sufficient funds on terms acceptable to Norwegian in order to maintain adequate liquidity and to finance the operating and capital expenditures necessary to support its business strategy. Failure to generate sufficient funds, whether from operations or additional debt or equity financings, may require Norwegian to delay or abandon some or all of its anticipated expenditures or to modify its growth strategy. Further, the ability of competitors to raise money more easily or on more favorable terms could create a competitive disadvantage for Norwegian.

Insufficient access to bank and capital market financing may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Weather conditions, epidemics, pandemics or natural disasters can adversely affect the airline industry.

Weather conditions may result in substantial additional costs or loss of revenue. Inclement weather can lead to flight cancellations, delays and costs associated with aircraft de-icing, increased waiting times, additional heating for cabins as well as increased fuel consumption due to cold weather.

Outbreaks of epidemics or pandemics can adversely affect the demand for air travel and have a significant impact on Norwegian's operations. As a result of outbreaks of this type, Norwegian may have to cancel or reduce the number of its flights to affected destinations. Should Norwegian's aircraft be involved in the spreading of diseases, it may also lead to claims for damages from its customers.

Norwegian is also exposed to potential significant losses in the event of major natural disasters. For example, nearly all European air traffic was affected by the ash cloud that followed the volcanic eruption in Iceland between April and May 2010. Such unexpected external shocks can rapidly affect the demand for air travel and adversely affect Norwegian's ability to operate its aircraft. While Norwegian has plans of action to minimize the operational impacts on air travel from various external disruptive factors affecting the demand for air travel and its ability to conduct its flight operations, these measures may not be sufficient in the event that such circumstances arise.

Adverse consequences from weather conditions, epidemics, pandemics or natural disasters may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Military conflicts or the threat of such conflicts, as well as social and economic conditions in their aftermath, may have a material adverse effect on Norwegian's business.

Military conflict in Eastern Europe, the Middle East, Afghanistan, Syria or elsewhere, may have a significant adverse impact on the airline industry's ability to operate in certain areas, as well as the demand for air travel in such areas. The adverse consequences of such conflicts, or the threat of such conflicts, include reduced demand for air travel, limitations on the availability of insurance coverage, increased costs associated with security precautions, and flight restrictions over war zones. It can be expensive or impossible to insure against many of these risks. These risks may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian's maintenance costs will increase as its fleet ages, and Norwegian will periodically incur substantial maintenance costs due to the maintenance schedules of its aircraft fleet.

As of December 31, 2015, the average age of Norwegian's aircraft was approximately 3.6 years. Norwegian's relatively new aircraft require less maintenance now than they will in the future and its overall fleet will require more maintenance as it ages. Norwegian's maintenance and repair expenses for each of its aircraft will be incurred at approximately the same intervals. Moreover, because Norwegian's current fleet is being acquired over a relatively short period, significant maintenance that is scheduled on each of these aircraft will occur at roughly the same time, meaning that Norwegian will incur its most expensive scheduled maintenance obligations, known as heavy maintenance, around the same time. These more significant maintenance activities result in out-of-service periods during which aircraft are dedicated to maintenance activities and unavailable to fly revenue service. Norwegian expects scheduled and unscheduled aircraft maintenance expenses to increase as a percentage of its revenue over the next several years. Any significant increase in maintenance and repair expenses would have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Airlines are subject to operational disruptions and interruptions that adversely impact their business.

Operational disruptions and interruptions range from delays to cancelled flights and impose extra costs on airlines and adversely impact passengers. Reasons for such disruptions and interruptions, many of which are beyond Norwegian's control, include technology failures, difficult ground and weather conditions, accidents, industrial action, air traffic congestion, delays or non-performance by third party service providers and unscheduled maintenance. Disruptions to Norwegian's operations may harm Norwegian's brand and reputation, and result in refund demands and requests for passenger assistance, all of which could have a material adverse effect on Norwegian's business, financial condition and results of operations and future prospects and, thereby, on the Owner's ability to fulfill its obligations under the Equipment Notes as well as the market price and value of the Certificates.

In 2013 and 2014, Norwegian experienced extensive operational and technical problems relating to the delivery and phase-in of its new Dreamliner aircraft, which led to extraordinary costs relating to short-term renting of supplemental aircraft with crew, reimbursements for food, drink and hotels for passengers, and the reimbursements of tickets and costs to such passengers. Norwegian estimates that the aggregate losses from the second quarter of 2013 to the second quarter of 2014 resulting from these operational and technical problems amounted to approximately NOK 465 million. The occurrence of issues relating to the delivery and phase-in of further aircraft may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian is exposed to the risk of significant losses from aviation accidents involving its operations, including plane crashes, and other disasters, and Norwegian's insurance coverage may not be adequate in such circumstances.

Norwegian is exposed to potential significant losses in the event that any of its aircraft are lost or involved in an accident, terrorist attack or other disaster, including significant costs related to passenger claims, repairs or replacement of a damaged aircraft and its temporary or permanent loss from service. While Norwegian is insured against these occurrences, the amount of insurance coverage available to Norwegian upon the occurrence of such an event may not be adequate to cover the resulting losses and Norwegian may otherwise be exposed to significant losses as a result of any such event in the future, both financial and reputational. Any such event involving Norwegian could cause a substantial increase in Norwegian's insurance premiums. Airline insurance may also become too difficult or expensive to obtain, and there are limitations or exclusions of certain risks in the coverage of insurance.

Moreover, any aircraft accident or incident, even if fully insured, could create a public perception that Norwegian is less safe or reliable than other airlines, which could cause passengers to lose confidence in Norwegian and switch to other airlines or other means of transportation. Passengers could also lose confidence in Norwegian even if an airline other than Norwegian were to suffer such loss or damage. A loss of passenger confidence in Norwegian or in the aircraft industry in general could have a material adverse effect on Norwegian's business.

The occurrence of any of the above may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Terrorist attacks, or the threat of such attacks, could result in a material adverse effect on the airline industry.

The terrorist attacks in the United States on September 11, 2001 involving commercial aircraft severely and adversely impacted the prospects for the airline industry through reduced demand and higher security costs. In addition, for a certain period in the immediate aftermath of these attacks, insurers stopped providing coverage against certain risks relating to acts of war and other hostilities and/or substantially increased premiums for renewed coverage, while at the same time greatly reducing the amount of coverage provided. Further terrorist attacks, or the threat of such attacks, especially if they are directed against air traffic, occur in markets that are significant to Norwegian, or if they substantially affect the overall volume of air traffic in Europe and/or crude oil prices (and therefore the prices for aviation fuel), could materially and adversely affect Norwegian and the airline industry.

Terrorist attacks and terrorist activity also cause uncertainty in the minds of the travelling public. The threat or occurrence of a major terrorist attack could have a material adverse effect on passenger demand for air travel. Future security-related costs or complications may disrupt Norwegian's business and affect passengers' propensity to travel and, by reducing demand for Norwegian's services, may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian's revenue and profits are susceptible to seasonal fluctuations and cyclical changes.

Demand for Norwegian's services by passengers, in particular leisure travelers, varies over the course of the year, which causes Norwegian's quarterly results to fluctuate. During the winter months, Norwegian's revenues are typically lower than in the rest of the year, which is generally reflected in lower operating results in the first and fourth quarters, compared to higher passenger numbers in the second and third quarters. As a result of these quarterly fluctuations, the level of Norwegian's aircraft utilization and profitability fluctuates during the year. Globally, the airline industry is sensitive to cyclical changes in the economic environment, and demand for Norwegian's services varies over the course of an economic cycle.

Seasonal fluctuations and cyclical changes may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

High fixed costs mean that revenues in the airline industry are vulnerable to relatively small changes in the number of passengers and/or the fares paid.

Although the split between variable and fixed costs has changed over time, the airline industry is generally characterized by high fixed costs and by revenues that exhibit substantially greater elasticity than costs. Each flight has certain fixed costs, including costs for the use of airport infrastructure and services; take-off, landing and air traffic control fees as well as other air traffic charges; maintenance, financing, lease and fuel costs; depreciation expenses; and general labor costs. By contrast, the revenue generated by a flight is variable and is directly related to the number of passengers carried and the fare structure of the flight. A relatively small change in a carrier's unit revenues by ASK, whether caused by load factor changes or yield fluctuations, can have a significant effect on the profitability of the carrier for that flight.

As a result of its high level of fixed costs, should Norwegian be required to reduce overall capacity or the number of flights operated, it may not be able to correspondingly reduce its overall costs in the short term and may be required to incur significant restructuring costs, which may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Regulatory Risks

Norwegian is dependent on governmental authorizations in order to operate its aircraft on international routes, and any failure to obtain authorization or cancellation of such authorizations could have a material adverse effect on Norwegian's business, financial condition and results of operations.

Norwegian operates routes within Scandinavia, Europe and internationally. Norwegian is dependent on government licenses and authorizations to operate within these markets, and any cancellation of such licenses and authorizations or inability to obtain additional licenses might have a material adverse effect on Norwegian's business, financial condition and results of operations. Currently, Norwegian operates flights in and out of the U.S. through NAS (which has a Norwegian "**Air Operator's Certificate**" or "**AOC**"), which it is able to do because Norway, as an EEA member state, is entitled to access the operational rights granted under the EU-US 2007 Open Skies Agreement. Norwegian subsequently determined that it would have broader traffic rights for its long-haul operation to develop and expand its route network to non-U.S. destinations (such as South America, South Africa and the Far East) if it conducted its long-haul operations through its Irish operating subsidiary, NAIL. Accordingly, in December 2013, Norwegian applied to the DoT for a Foreign Air Carrier Permit for NAIL to operate flights to the U.S. The application has been met with resistance from U.S. competitors and unions and the permit has not yet been granted to NAIL; however, on April 15, 2016, the DoT announced that it had tentatively found that NAIL should be issued the Foreign Air Carrier Permit applied for, and directed interested parties to show cause why this tentative decision should not be made final. In December 2015, Norwegian applied to the U.S. Department of Transportation for a Foreign Air Carrier Permit for NAUK to operate flights to the U.S. and that application, which has produced similar resistance in the U.S. airline industry, is pending before the DoT. If neither of these applications is granted on a permanent basis, Norwegian will likely continue to conduct its long-haul operations to the U.S. through NAS and its long-haul operations to the rest of the world through either NAIL or NAUK; the ability to expand long-haul operations might be impacted, and the cost of conducting such long-haul operations through two operators would be higher (in the short term) under this arrangement than if Norwegian were able to concentrate these operations in one operator, which may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian may incur additional costs as a result of the European Court of Justice ruling on passenger compensation for delayed flights.

The European Court of Justice confirmed in October 2012 its previous ruling from 2009 that passengers whose flights have been delayed for at least three hours may be entitled to standardized compensation, unless the delay is caused by extraordinary circumstances, such as unsafe weather conditions, air-traffic control strikes/delays, unexpected flight safety shortcomings, sabotage, aircraft manufacturing defects, security risks, or political instability. The ruling may increase the compensation payable to passengers and thereby result in additional costs for Norwegian. In 2013, the European Commission adopted a proposal for a Regulation of the European Parliament and of the European Council amending Regulation (EC) 261/2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, and Regulation (EC) 2027/97 on air carrier liability in respect of the carriage of passengers and their baggage by air. The regulation calls for compensation of EUR 250, EUR 400, or EUR 600 per passenger, depending on the length of the flight. The proposal is subject to the ordinary legislative procedure of the EU, which requires the approval from both the European Parliament and the Council. In February 2014, the European Commission and Parliament agreed on, inter alia, new time limits regarding the right to care, complaint handling and right to information. However, the legislative process is still ongoing.

In the event that the ruling is implemented, Norwegian may be subject to increased passenger compensation claims or complaints in the future, which may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

The EU Regulation on over-the-counter ("OTC") derivatives, central counterparties and trade repositories may limit the ability of Norwegian to enter into derivatives transactions to manage its risk exposure, which could have a material adverse effect on Norwegian's business, financial condition and results of operations.

On July 12, 2012 the EU adopted a Regulation no 648/2012/EU on OTC derivatives, central counterparties and trade repositories (known as "**EMIR**"), which entered into force in October 2012. EMIR has not yet been adopted by Norwegian law, but might still impact Norwegian parties dealing with EU counterparties. For certain types of counterparties, EMIR includes the obligation to centrally clear certain classes of OTC derivative contracts, including certain interest rate, credit, equity and foreign-exchange derivatives, through Central Clearing Counterparties or apply risk mitigation techniques when they are not centrally cleared. The specific OTC derivatives that must be cleared are not defined by the regulation itself, but are to be specified by the European Securities Markets Authority ("**ESMA**"). ESMA is in the process of defining the scope of the OTC clearing obligation and the clearing obligation for certain classes of interest rate swaps denominated in euros, U.S. dollars and pounds sterling will come into force for certain counterparties starting in June 2016 and will also be implemented for such classes of interest rate swaps for other categories of counterparty between December 2016 and December 2018. The timing for the clearing obligation to apply to certain other classes of OTC derivatives has yet to be finalized.

In general, inclusion of derivatives contracts within the scope of EMIR's central clearing obligations is expected to increase the cost and operational burden of entering into such contracts to users, such as Norwegian. To the extent that Norwegian is considered a type of counterparty upon which the clearing obligation would be imposed, the inclusion of OTC derivatives contracts used by Norwegian within the scope of EMIR may have an adverse effect on Norwegian's business, financial condition, results of operations and future prospects and thereby, on the Owner's ability to fulfill its obligations under the Equipment Notes as well as the market price and value of the Certificates.

Future application of restrictions on noise pollution, greenhouse gas emissions and other environmental laws and regulations may have an adverse effect on Norwegian's operations.

Airlines can have their activities restricted as a result of the application of noise control regulations. Noise control regulations typically concentrate on the level of noise produced by the aircraft and its impact on the environment, especially in areas close to airports. Permits may, for example, include restrictions on night flights to meet the imposed noise level requirements. Any such restrictions could affect Norwegian's night time operations.

Norwegian is subject to increasingly stringent laws, regulations and ordinances in the various jurisdictions in which it operates relating to the protection of the environment, including those relating to emissions to the air, discharges to surface and subsurface waters, safe drinking water and the management of hazardous substances, oils and waste materials. Compliance with environmental laws and regulations can require significant expenditures and any future regulatory developments could adversely affect operations and increase operating costs for Norwegian.

Although environmental liability issues (such as soil contamination liabilities) are primarily covered by airports, airlines may be subject to direct or indirect environmental liabilities and incur additional costs. Inadvertent environmental damage might occur in the form of leaks of harmful or hazardous substances that could contaminate real estate or pollute waterways or groundwater. Such contamination or pollution could result not only in possible fines or other public law sanctions, but also in considerable costs for removal, restoration and disposal, as well as further liability risks. Public knowledge of such environmental damage caused by Norwegian could also damage its reputation. Airlines may also be subject to additional costs in the case of changes in the European Emissions Trading Scheme ("**EU ETS**"). The direct costs of emissions trading in the coming years may increase due to potential changes to the current EU ETS model.

Financial or operational compliance burdens with environmental regulations or costs or consequences of the remediation of environmental damage attributed to Norwegian may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

The adoption of new regional, national and international regulations, or the revision of existing regulations, could have a material adverse effect on Norwegian's business, financial condition and results of operations.

Laws and regulations, as well as international bilateral and multilateral treaties, regulate the activities of airlines. These regulations relate to, among other things, security, safety, licensing, and competition. While the impact of such regulations decreased with de-regulation of the airline industry in the European market, existing or additional laws, regulations and treaties may be adopted or amended, which may adversely impact Norwegian's business, financial condition and results of operations. Regulations can impose costs on Norwegian either directly if fees are levied or indirectly due to compliance costs, which Norwegian may not be able to pass on to passengers and, as a result, could have an adverse effect on Norwegian's business, financial condition, results of operations and future prospects and thereby, on the Owner's ability to fulfill its obligations under the Equipment Notes as well as the market price and value of the Certificates.

The DoT has broad authority over airlines to prevent unfair and deceptive practices and has used this jurisdiction to issue numerous airline regulations, including rules and fines relating to airline advertising, pricing, baggage compensation, denied boarding compensation and tarmac delayed flights. The DoT frequently considers the adoption of new regulations, such as rules relating to congestion-based landing fees at airports and limits on, or increased disclosure of ancillary passenger fees. For example, in June 2014, the DoT issued a notice of proposed rulemaking to further enhance passenger protections that addresses several areas of regulation, including post-purchase ticket increases, ancillary fee disclosures and code-share data reporting and disclosure. Compliance with existing requirements drives administrative, legal and operational costs and subjects Norwegian to potential fines, and any new regulatory requirements issued by the DoT may increase Norwegian's compliance costs, reduce its revenues and materially adversely affect its business.

Future changes in member states in the EU might have a material adverse effect on Norwegian's business, financial condition and results of operations.

On November 13, 2015, Norwegian's newly incorporated United Kingdom ("**U.K.**") subsidiary, NAUK, was granted an operating license by the U.K. Civil Aviation Authority (the "**CAA**"). This license entitles NAUK to operate on most routes within the EEA and enables it to take advantage of the U.K.'s bilateral air transport agreements with a number of countries to which Norwegian does not currently operate flights, offering a number of potential new markets and destinations, including Asia, South America and South Africa, and supporting Norwegian's further international expansion. Should the U.K. vote to leave the EU, and subsequently leave the EU, even though Norwegian has (through NAIL) an operating license in Ireland, such an action might impair Norwegian's ability to grow as anticipated from its U.K. base, and may have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes, NAIL's ability to make payments on the Leases and NAS' ability to fulfill its guarantee obligations, thereby leading to losses by investors in the Certificates.

Norwegian's international activities increase the compliance risks associated with economic and trade sanctions imposed by the U.S., the EU and other jurisdictions.

Norwegian's international operations could expose it to trade and economic sanctions or other restrictions imposed by the U.S. or other governments or organizations, including Norway, the United Nations, the EU and their member countries. In particular, the U.S. Department of the Treasury's Office of Foreign Assets Control administers certain laws and regulations that impose restrictions upon U.S. companies and persons and, in come contexts, foreign entities and persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such sanctions laws and regulations.

Norwegian continuously monitors developments in the U.S., EU and other jurisdictions that maintain sanctions programs, including developments in the implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could affect Norwegian's ability to do business in countries that are subject to sanctions or may subject Norwegian to fines or other adverse outcomes by the issuing body. Therefore, to the extent regulatory bodies in Norway, or other regulatory entities to which Norwegian may be subject, expand or modify these sanctions, it may have a material adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Norwegian must comply with bribery and privacy laws.

Although Norwegian attempts to mitigate any risk associated with bribery or privacy laws with its internal code of conduct, Norwegian is exposed to the risk of individual employees' or groups of employees' unethical behavior resulting in fines or losses. Norwegian must comply with regulations relating to privacy and bribery in the jurisdictions in which it operates, and any mishandling of customer information or allegations of bribery may result in the imposition of criminal sanctions imposed on those who have committed such misconduct and would likely cause reputational damage to Norwegian, which may have a material adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Risks Relating to Macroeconomic Conditions

Uncertain global economic and financial market conditions could adversely affect Norwegian's business, results of operations, financial condition, liquidity, and capital resources.

During the last few years the uncertain global economic and financial market conditions have had an adverse effect on general business conditions. Despite the measures taken by various governmental and regulatory authorities as well as central banks around the world, the economic situation remains unstable. In addition, increases in geopolitical tensions and resulting sanctions or similar measures, such as the sanctions imposed by the EU against Russia due to the events in Crimea and retaliatory export limitations imposed by Russia towards the EU, may have a material adverse effect on the economic climate. Such geopolitical tensions may also limit or disrupt Norwegian's supplies of fuel or other inputs.

Reduction in the demand for passenger flights due to slowing or non-existent economic growth in Norwegian's main markets constitutes a risk for Norwegian's revenue growth. Further, slowing economic growth in some economies may reduce demand for air travel, which could affect the achievement of Norwegian's goal of becoming a global airline.

Future demand is dependent on sustained consumer and business confidence in Norwegian's key markets. If capacity growth exceeds market growth, Norwegian may experience yield pressure. Low yield stimulates new demand, which would grow the market further and require a reduction in the cost level that for Norwegian must maintain in order to maintain its current profitability levels.

The fluctuation of interest rates may also have an adverse effect on business conditions. On December 16, 2015, the United States Federal Reserve (the "**Federal Reserve**") announced a decision to raise short-term interest rates by a quarter of a percentage point. Though the Federal Reserve indicated in March 2016 that it is going to slow its plans for further rate hikes, a rise in interest rates may adversely affect Norwegian by increasing the effective interest rate on its floating rate borrowings, and by increasing the cost of future financing.

Norwegian's liquidity and access to financing may be affected by further changes in the global financial markets or international sanctions. In addition, Norwegian's capital resources may not be sufficient to satisfy its business and liquidity needs. The occurrence of such macroeconomic events could adversely affect Norwegian's asset values, future cost of debt and access to bank and capital market financing, which may, in turn, have a significant adverse effect on the financial condition and results of operations of Norwegian and could potentially impair the Owner's ability to make the payments on the Equipment Notes thereby leading to losses by investors in the Certificates.

Risks Relating to the Certificates and the Offering

The Certificates may not be a suitable investment for all investors.

Each potential investor in the Certificates must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, and the merits and risks of investing in the Certificates. Each such potential investor should review the risks described in this offering memorandum.

The Certificates are not direct obligations of NAS.

NAS will have no obligations under and will not guarantee obligations under the Certificates. The Certificates will represent limited recourse obligations of the Trusts payable only from the cash flows of the Equipment Notes, and to a certain extent, availability under the Liquidity Facilities. The Equipment Notes to be held by the Trusts will be the obligations of the Owner and will benefit from the Notes Guaranty from NAS. Although NAIL's payment obligations under each of the Leases (as guaranteed by NAS under the related Lease Guarantee) are expected to be sufficient to enable the Owner or NAS to fulfill their respective obligations under the Equipment Notes and the Notes Guaranty, holders of Certificates will not have any direct recourse against NAS for payments on the Certificates. In the event that NAIL is unable to meet its obligations under the Leases, the Owner will be unable to make payments on the Equipment Notes that can be passed through to the Certificateholders.

NAIL is the sole lessee of the Aircraft and payments on the Certificates are dependent on NAIL fulfilling its obligations under the Leases or NAS fulfilling its obligations under the Lease Guarantees or the Notes Guaranty.

NAIL is the sole lessee of the Aircraft. The Owner is dependent on NAIL meeting its obligations under the Leases or NAS meeting its obligations under the Lease Guarantees or the Notes Guaranty in order for the Owner to fulfill its obligations to make payments on the Equipment Notes that can be passed through by the Trustees to Certificateholders. Payments under a Lease will not be sufficient to pay principal, premium, if any, and interest on the related Equipment Notes becoming due as a result of prepayment or acceleration of such Equipment Notes prior to stated maturity, except if such Equipment Notes become due as a result of a Total Loss with respect to the related Aircraft. The only other committed source of liquidity for payments on the Certificates is provided under the Liquidity Facilities, which are limited in amount to three successive interest payments on the Certificates. Accordingly, any event that has a material adverse effect on NAIL or NAS or their ability to perform their respective obligations under the Leases, the Lease Guarantees or the Notes Guaranty or to make payments thereunder will materially and adversely impact the Owner's ability to make payments on the Equipment Notes that can be passed through to Certificateholders.

The Leases will be obligations of NAIL, subject to the Lease Guarantees provided by NAS, and not of any of NAS' other subsidiaries.

Although NAIL will be obligated to make rent payments under the Leases and NAS will guarantee these obligations under the Lease Guarantees, none of NAS' other subsidiaries is required to become an obligor with respect to, or a guarantor of, NAIL's or NAS' obligations thereunder. Certificateholders should not expect any of NAS' other subsidiaries or affiliates to participate in making payments in respect of the Leases. Accordingly, any event that has a material adverse effect on NAIL or NAS or their ability to perform their respective obligations under the Leases, the Lease Guarantees or the Notes Guaranty or to make payments thereunder will materially adversely impact the Owner's ability to make payments on the Equipment Notes that can be passed through to the Certificateholders.

The Appraisals are only estimates of Aircraft value.

Three independent appraisal and consulting firms have prepared appraisals of the Aircraft. Letters summarizing these appraisals are annexed to this offering memorandum as Appendix II. The appraisals are based on varying assumptions and methodologies, which differ among the appraisers, and were prepared without physical inspection of the Aircraft. Appraisals that are based on other assumptions and methodologies may result in valuations that are materially different from those contained in such appraisals. See "*Description of the Aircraft and the Appraisals—The Appraisals*."

An appraisal is only an estimate of value. It does not indicate the price at which an Aircraft may be purchased from the Aircraft manufacturer, nor should an appraisal be relied upon as a measure of realizable value. The proceeds realized upon a sale of any Aircraft may be less than its appraised value. In particular, the appraisals of the Aircraft are estimates of values as of delivery dates, most of which are in the future. The value of an Aircraft if remedies are exercised under the applicable Indenture will depend on market and economic conditions, the supply of similar aircraft, the availability of buyers, the condition of the Aircraft and other factors. Accordingly, there can be no assurance that the proceeds realized upon any such exercise of remedies would be sufficient to satisfy in full payments due to the Certificateholders on the Certificates.

The Class B Certificates and the Series B Equipment Notes will be issued at a discount to their face amount, which may result in consequences under bankruptcy law.

If a bankruptcy case is commenced by or against the Owner or NAS in respect of the Series B Equipment Notes under bankruptcy law prior to the maturity dates of the Series B Equipment Notes, the claim of a holder of the Series B Equipment Notes, and correspondingly amounts available for distribution to the Certificateholders, may be limited to an amount equal to the sum of the issue price (as determined under applicable bankruptcy law) and that portion of the discount (as determined under applicable bankruptcy law) that is not deemed to constitute "unmatured interest" (or a similar amount) for purposes of such bankruptcy law. Any discount that had not amortized as of the date of any such bankruptcy filing could constitute "unmatured interest" (or a similar amount) for purposes of bankruptcy law. Accordingly, the Trustees as holders of the Series B Equipment Notes, and correspondingly the Class B Certificateholders, under these circumstances may receive a lesser amount than they would be entitled to under the terms of the applicable Indentures, even if sufficient funds from the disposition of Collateral or otherwise are available. In addition, the issuance of the Class B Certificates and the Series B Equipment Notes at a discount may also limit the ability to recover such amounts in any proceedings before the courts of Ireland.

Certificateholders of Class B Certificates are expected to be subject to the original issue discount rules for U.S. federal income tax purposes.

Certificateholders of Class B Certificates are expected to be subject to the original issue discount ("**OID**") rules for U.S. federal income tax purposes. The Class B Certificates will be issued at a discount to their face amount and an individual or entity subject to U.S. federal income tax that holds Class B Certificates generally will be required to include accrued OID in income on a constant yield to maturity basis before receiving cash with respect to the income. Because the Certificateholders of Class B Certificates should be treated as owning pro rata interests in the relevant underlying Deposits and Series B Equipment Notes for U.S. federal income tax purposes, OID should be determined separately with respect to the underlying Deposits and Series B Equipment Notes. The amount and timing of OID to be included in income by such a Certificateholder therefore may differ from that which would accrue on a debt instrument having terms comparable to the terms of the Class B Certificates. The Class B Trust intends to take the position that the overall amount of OID should be accrued over the weighted average life of the Class B Certificates and to report accordingly. The application of the OID rules to instruments like the Class B Certificates and the underlying Deposits and Series B Equipment Notes is unclear and the Internal Revenue Service may disagree with the OID reported by the Class B Trust and Certificateholders of Class B Certificates and may successfully assert that such Certificateholders are required to recognize income in different amounts and at different times. Certificateholders of Class B Certificates should consult their own tax advisors regarding the application of the OID rules to their ownership of Escrow Receipts and Class B Certificates. For further discussion of the computation and reporting of OID, see "*Certain U.S. Federal Income Tax Considerations*" below.

Failure to perform maintenance responsibilities may deteriorate the value of the Aircraft.

The Leases that NAIL will enter into for each Aircraft provide that it is responsible for the maintenance, service, repair and overhaul of the Aircraft. If NAIL fails to adequately perform these responsibilities and NAS does not support these obligations under the Lease Guarantees, the Aircraft may be deemed not to be airworthy which will likely reduce the value of the Aircraft. Even if the Aircraft remain airworthy, failure by NAIL or NAS under the Lease Guarantees to fulfill its maintenance, service, repair, and overhaul obligations may reduce the value of the Aircraft. In addition, the value of the Aircraft may deteriorate even if NAIL fulfills its maintenance responsibilities. As a result, it is possible that upon liquidation, there will be fewer proceeds than anticipated to repay the holders of Equipment Notes. See "*Description of the Leases—Certain Provisions of the Leases—Maintenance*." An inability on the part of the Owner to make payments on the Equipment Notes will accordingly reduce the amounts that can be passed through to Certificateholders.

Inadequate levels of insurance may result in insufficient proceeds to repay holders of related Equipment Notes.

To the extent described in the Leases, NAIL must maintain, among others, comprehensive airline liability and all-risk aircraft hull insurance on the Aircraft. In addition, under certain circumstances NAIL is permitted to replace Aircraft that have been damaged or destroyed using the insurance proceeds received in respect of such Aircraft. However, inflation, changes in ordinances, environmental considerations and other factors may make the insurance proceeds insufficient to repair or replace Aircraft if they are damaged or destroyed. In addition, if NAIL fails to maintain adequate levels of insurance and NAS does not support this obligation under the applicable Lease Guarantee, the proceeds that could be obtained upon a Total Loss of an Aircraft may be insufficient to repay the related Equipment Notes. See "*Description of the Leases—Certain Provisions of the Leases—Insurances*." An inability on the part of the Owner to make payments on the Equipment Notes will correspondingly reduce the amounts that can be passed through to the Certificateholders.

Payments to Certificateholders will be subordinated to certain amounts payable to other parties.

Under the Intercreditor Agreement, each Liquidity Provider will receive payment of all amounts owed to it, including reimbursement of drawings made to pay interest on the Class A Certificates and the Class B Certificates, before the holders of any class of Certificates receive any funds. In addition, the Subordination Agent and the Trustees will receive certain payments before the holders of any class of Certificates receive distributions.

Payments of principal on the Certificates are subordinated to payments of interest on the Certificates, subject to certain limitations and certain other payments. Consequently, a payment default under any Equipment Note or a Triggering Event may cause the distribution of interest on the Certificates or such other amounts to be made from payments received with respect to principal on one or more series of Equipment Notes. If this occurs, the interest accruing on the remaining Equipment Notes may be less than the amount of interest expected to be distributed on the remaining Certificates. This is because the interest on the Certificates may be based on a Pool Balance that exceeds the outstanding principal balance of the remaining Equipment Notes. As a result of this possible interest shortfall, the holders of the Certificates may not receive the full amount expected after a payment default under any Equipment Note even if all Equipment Notes are eventually paid in full. See "*Description of the Intercreditor Agreement—Priority of Distributions*."

Payments on the Class B Certificates are effectively subordinated to payments on the Class A Certificates.

Payments on the Series B Equipment Notes are subordinated in right of payment to the prior payment of the Series A Equipment Notes to the extent and in the manner specified in the Intercreditor Agreement. As a result, the priority of distributions after the occurrence of certain events of default may require that distributions that would otherwise have been made on the Series B Equipment Notes be made on the Series A Equipment Notes, with the consequences that monies that would have otherwise been passed through to the holders of the Class B Certificates are instead passed through to the holders of the Class A Certificates.

Certain Certificateholders may not participate in controlling the exercise of remedies in a default scenario.

If an Indenture Event of Default is continuing, subject to certain conditions, the Loan Trustee under such Indenture will be directed by the Controlling Party in exercising remedies under such Indenture, including accelerating the applicable Equipment Notes or foreclosing the lien on the Aircraft or other collateral securing such Equipment Notes. See "*Description of the Certificates—Indenture Events of Default and Certain Rights Upon an Indenture Event of Default*."

The Controlling Party will be:

- The Class A Trustee;
- Upon payment of final distributions to the holders of Class A Certificates, the Class B Trustee;
- If any Additional Certificates have been issued, upon payment of final distributions to the holders of Class B Certificates, the Additional Certificates Trustee; and
- Under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider with the largest amount owed to it.

As a result of the foregoing, if the Trustee for a class of Certificates is not the Controlling Party with respect to an Indenture, the Certificateholders of that Class will have no rights to participate in directing the exercise of remedies under such Indenture, and the decision made with respect to the exercise of remedies may not be consistent with their best interest.

The exercise of remedies over Equipment Notes may result in shortfalls without further recourse.

During the continuation of any Indenture Event of Default under an Indenture, the Equipment Notes issued under such Indenture may be sold in the exercise of remedies with respect to that Indenture, subject to certain limitations. See "*Description of the Intercreditor Agreement—Intercreditor Rights—Limitation on Exercise of Remedies*." The market for Equipment Notes during any Indenture Event of Default may be very limited, and there can be no assurance as to the price at which they could be sold. If any Equipment Notes are sold for less than their outstanding principal amount, certain Certificateholders will receive a smaller amount of principal distributions under the relevant Indenture than anticipated and will not have any claim for the shortfall against NAS, NAIL, Arctic, the Owner, any Liquidity Provider, any Loan Trustee or any Trustee.

It may be difficult and expensive to repossess and exercise other self-help remedies with respect to an Aircraft.

NAIL may sublease the Aircraft (which may also entail a change in the jurisdiction of registration) to affiliates or third parties, subject to restrictions in the Leases and the Participation Agreements. It may be difficult, time-consuming and expensive for a Loan Trustee to exercise repossession rights in respect of an Aircraft. Additional difficulties may exist if a sublessee is the subject of a bankruptcy, insolvency, or similar event.

Self-help remedies are available in Ireland; however, it is likely that a court order will be needed to obtain possession of the Aircraft where possession is not given by NAIL when requested by Owner or Loan Trustee.

Under Irish law, there is no automatic right to enter upon any land or buildings where an Aircraft is situated. The Owner or Loan Trustee will need to obtain the consent of the owner of the land where the Aircraft is located or, if that is refused, an order of the Irish High Court. Where it is not possible to recover possession of the Aircraft using a self-help remedy, it would be usual to obtain a court order directing the lessee or the person in possession of the Aircraft to surrender possession of same. It will be necessary to ensure that NAIL is in default under its Lease before self-help remedies are instituted as, otherwise, any attempt at repossession may breach quiet enjoyment rights of NAIL, and the Owner or Loan Trustee could be liable in damages for loss incurred by NAIL in the event that the repossession is not justifiable. See "*Description of the Leases—Ability to Repossess the Aircraft and Irish Insolvency Law*."

In addition, NAIL may be required to pay outstanding mechanics liens, hangar keepers' liens, airport charges, and navigation fees and other amounts secured by liens on the repossessed Aircraft. Moreover, NAIL or the Loan Trustees may be subject to delays and additional expense in taking possession of an Aircraft from any third-party maintenance provider, including if it must arrange alternative means to have the maintenance work completed, if such third-party maintenance provider is the subject of a bankruptcy, examinership, reorganization, insolvency or similar event, which could result in a reduced value of the Aircraft and fewer proceeds to repay the holders of the Equipment Notes.

Upon repossession of an Aircraft, the Aircraft may need to be stored and insured. The costs of storage and insurance can be significant, and the incurrence of such costs could ultimately result in fewer proceeds to repay the holders of the Equipment Notes. In addition, at the time of foreclosing on the lien on the Aircraft under the related Indenture, an airframe subject to such Indenture might not be equipped with engines subject to the same Indenture. In these circumstances, NAIL will be required to reinstall the engines subject to such Indenture on the relevant airframe as soon as practicable. If NAIL fails to transfer title to engines not owned by it that are attached to repossessed Aircraft, it could be difficult, expensive and time-consuming to assemble an Aircraft consisting of an Airframe and Engines subject to the related Indenture.

In the event of a repossession through self-help or otherwise, any of the foregoing stipulations may impair the value of the Aircraft or make it more time-consuming and difficult to realize the value of the Aircraft. As such, the ability of the Certificateholders to realize the full value of their investment in the Certificates upon exercise of repossession rights many be significantly and adversely affected.

Certain liens may have priority over the interests of the relevant Loan Trustees under the Indentures.

There will be no geographic restrictions on NAIL's ability to operate the Aircraft. The extent to which the Loan Trustee's lien would be recognized in an Aircraft if such Aircraft were located in certain countries is uncertain. There are many jurisdictions in the world that have not ratified the Cape Town Treaty, and the Aircraft may be located in any such jurisdiction from time to time. The Cape Town Treaty provides that, subject to certain exceptions, a registered "international interest" has priority over a subsequently registered interest and over an unregistered interest for purposes of the law of those jurisdictions that have ratified the Cape Town Treaty. Some jurisdictions may allow for other liens or third party rights, such as attachments for the satisfaction of unpaid Eurocontrol charges or similar liens under the laws of different jurisdictions in which Norwegian operates, to have priority over a Loan Trustee's security interest in an Aircraft. As a result, the benefits of the Loan Trustee's security interest in an Aircraft may be less than they would be if the Aircraft were located or registered in Ireland, which may likewise affect the ability of the Certificateholders to realize the full value of their investment in the Certificates in such circumstances.

Enforcement of an IDERA may be difficult.

The exercise of the Loan Trustee as the "authorized party" under each IDERA in respect of the Aircraft to be lodged with the IAA is subject to (i) compliance with the requirements of Aeronautical Notice A102 of June 21, 2009 issued by the Irish Aviation Authority (which, among other things, requires that the Loan Trustee (or its agent) have physical control over the relevant Aircraft; (ii) all applicable fees and charges due and owing to the IAA in respect of the Aircraft having been discharged; (iii) compliance with applicable safety laws and regulations and (iv) no court order having been issued prohibiting the deregistration of the Aircraft. There can be no assurance that the Loan Trustee will be able to satisfy these requirements. If the Loan Trustee fails to do so, it will be unable to deregister the Aircraft and this may affect the Loan Trustee's ability to assist the Certificateholders in recovering the value of their investment with respect to such Aircraft.

Enforcement of a judgment against NAIL, the Owner or NAS in a jurisdiction different from that in which the judgment was rendered is subject to contingencies and uncertainties that could delay or negate the benefits expected to be derived from the judgment.

The agreements setting forth the rights of the Trustees against the Owner and NAS and the rights of the Owner against NAIL and NAS contain governing law and submission to jurisdiction clauses designed to reduce the likelihood that any commercial dispute between the parties arising out of the breach of alleged breach by one of them of its obligations to the other may be compounded by their additional differences of opinion regarding the appropriate venue for the resolution of their dispute. Assuming the enforceability of such clauses, for example, any litigation involving NAS' obligations under the Lease Guarantees would be expected to be decided in London, and any litigation concerning NAS' obligations under the Notes Guaranty would be expected to be decided in New York.

It is not certain, however, that the benefits of a judgment rendered against NAS in New York under the Loan Guaranty, or in London under the Lease Guarantees, could necessarily be achieved by enforcement of that judgment in New York or London, respectively. If at the time of enforcement, for example, NAS had no assets, or not sufficient assets, in New York, or London, as applicable, it may be desirable to seek enforcement of the judgment in the jurisdiction where NAS' assets are then located and can be seized. International recognition of judgments is not automatic. See *"Enforcement of Judgments"* for a discussion of the factors relevant to the enforcement of a foreign judgment in Norway. If at the time of enforcement of a New York or English judgment in Norway there is a dispute about whether such judgment meets the requirements of Norwegian law, the party seeking enforcement (one of the Trustees, for example) may not be able to realize the full extent of the benefits expected to be derived from the judgment, or may see such realization delayed. In such circumstances, the rights of the Certificateholders would necessarily be adversely affected.

Similar considerations could adversely affect the cross-border enforcement of a judgment against the Owner or NAIL for breach of their respective obligations under the Equipment Notes and the Leases.

Due to the multi-jurisdictional operation of NAIL and the Aircraft owned by the Owner, there is a risk that the Center of Main Interests ("COMI") of either entity may be determined to be outside of Ireland.

Council Regulation (EC) 1346/2000 (the "**EU Insolvency Regulation**") regulates cross-border insolvency within the member states and is also in force in Norway. In particular, the EU Insolvency Regulation provides that the Courts of the member state in which a debtor's COMI is situated are the jurisdiction where the predominant insolvency proceedings would be opened. Insolvency proceedings include examinership in Ireland and administration in England. If a court were to determine that the proper COMI is a jurisdiction outside of Ireland, the insolvency proceedings of NAIL or the Owner, as applicable, may be opened in that jurisdiction. Such proceedings may be governed by the legal regime of that jurisdiction and may result in different treatment of a creditor when compared with the laws of Ireland. It is not possible to predict the impact of the insolvency laws of another jurisdiction on the payment of amounts due under the Leases and the Equipment Notes and the ability of the Owner or the Loan Trustee to exercise remedies under the Leases and the Indentures, as the case may be.

Alternative A of the Cape Town Convention is not in effect in Ireland. Whether and when it will come into effect in Ireland is uncertain, as is the effect it might have on the examinership regime.

The State Airports (Shannon Group) Act 2014 came into force in Ireland on 27 July 2014 (the "**State Airports Act**"), with the result that the Cape Town Treaty has been adopted in Ireland. Section 53 of the State Airports Act empowers the Irish Minister for Transport to make an order to give effect to Article XI (Alternative A) of the Aviation Protocol to the Cape Town Convention. However, the Irish Minister for Transport has not exercised this power to date. While there have been indications this power may be exercised, there can be no assurance that Alternative A will be implemented or what form such implementation will take. If it is exercised, the interaction between Alternative A as it may come into effect and the existing Irish examinership regime is uncertain. There is no jurisprudence in Ireland that would indicate how the Cape Town Treaty provisions expected to be adopted by Ireland will be interpreted, applied or enforced by Irish courts or any other courts or regulators which may have jurisdiction. There can be no assurance that any court interpreting the Irish Cape Town Treaty provisions together with the Irish examinership regime (and Alternative A, if implemented) as it applies to the Equipment Notes and the Leases will interpret these laws as then in effect in a manner that maximizes the benefits of these laws for the Certificateholders. Any interpretation of these laws in a manner that does not maximize the benefits thereunder for the Certificateholders may materially adversely affect the Loan Trustee's ability to exercise its remedies under the related Indenture and Equipment Notes, which may in turn materially adversely affect the Trustee's ability to enforce or collect payments on the Equipment Notes that can be passed through to Certificateholders.

The Notes Guaranty and the Lease Guarantees may be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may adversely affect its validity and enforceability.

NAS will provide the Lease Guarantees and the Notes Guaranty (collectively, the "**Guarantees**"). See "*Description of the Equipment Notes—Notes Guaranty*," "*Description of the Leases—Lease Guarantee*," and "*Enforcement of Judgments*."

The Guarantees and the enforcement thereof are subject to certain generally available defenses under Norwegian law, and the validity and enforceability of the terms of the Guarantees may be limited by applicable Norwegian bankruptcy, insolvency, moratorium, composition or other laws affecting creditor's rights generally, or other similar laws relating to enforcement of creditors' rights generally. See "*Certain Norwegian Insolvency and Other Legal Matters*" for a description of these possible validity and enforcement issues.

Where any obligation under the Guarantee is to be performed in a jurisdiction other than Norway, the Guarantee may not be enforceable under Norwegian law to the extent that such performance would be illegal or contrary to public policy under the laws of any such jurisdiction. In such circumstances, should the Owner be unable to meet its obligations under the Equipment Notes, the Certificateholders may not be able to fully recover the value of their investment in the Certificates.

Enforcement of security against NAIL or the Owner will be subject to certain Irish law limitations.

Irish insolvency law provides a number of limitations on the enforcement of creditors' rights, including the possibility of an examinership. A key factor of an examinership is a period of 70 days (with a possible extension of 30 days and such further period as the Irish High Court may allow) during which the debtor, such as NAIL or the Owner, is protected from its creditors and in certain circumstances the claims of creditors may be impaired in the following ways. In the case of an examinership of NAIL, (i) the exercise of certain rights of the secured creditors would be suspended for the applicable protection period and (ii) rents in arrears may be reduced. In the case of an examinership of the Owner (w) the debt owed by the Owner to the holders of the Equipment Notes may be written down; (x) the examiner may seek to set aside any negative pledge in the Equipment Notes or Indenture to enable the examiner to borrow to fund the Owner during the protection period; (y) if a scheme of arrangement is not approved and the Owner subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Owner) will take priority over the amounts payable by the Owner under the Equipment Notes; and (z) during the period of protection, payments on the Equipment Notes could be deferred. See "*Certain Irish Insolvency and Other Legal Matters—Examinership*."

Any application of Irish insolvency law during an examinership by NAIL or the Owner in an adverse manner may materially adversely affect the ability of the Loan Trustee to exercise its remedies under the related Indenture and Equipment Notes, which may in return materially adversely affect the Trustee's ability to enforce or collect payments on the Equipment Notes that can be passed through to Certificateholders.

Recourse against the Owner is limited and payments by NAIL under the Leases and NAS under the Lease Guarantees and Notes Guaranty may not be sufficient to pay all of their obligations.

The Owner is a special purpose company whose sole assets will consist of the Aircraft owned by it, rights under the applicable Lease and rights under the related transaction documents. The transaction documents will limit the Owner's ability to conduct any activity other than owning and leasing its Aircraft, the other activities contemplated by the transaction documents and activities incidental thereto. If the Owner has unanticipated liabilities for taxes or other claims that are not paid by NAS and NAS does not support the Owner's obligations in respect of the Equipment Notes under the Notes Guaranty, payments under the Leases may be insufficient for the Owner to pay all amounts due in respect of the Equipment Notes. Upon the occurrence of an Indenture Event of Default under the Equipment Notes, the Controlling Party will be entitled to direct the relevant Loan Trustee in the exercise of all remedies under the applicable Indenture, including foreclosure on the Aircraft, the repossession of such Aircraft from NAIL under the related Lease and any subsequent re-lease of such Aircraft. Recourse against the Owner for its obligations under the transaction documents is, as a practical matter, limited to amounts payable to such Owner under the transaction documents and the collateral securing the Equipment Notes with respect to the Aircraft owned by it. If NAIL fails to make payments under any Lease in full when due, and such payment is not made by NAS under the related Lease Guarantee and NAS does not support the Owner's obligations in respect of the Equipment Notes under the Notes Guaranty, the Owner may not have sufficient funds to pay all of its obligations under the applicable Equipment Notes and the other transaction documents.

The Certificates will not provide any protection against highly leveraged or extraordinary transactions, including acquisitions and other business combinations.

NAS may, from time to time, analyze opportunities presented by various types of transactions, and it may conduct its business in a manner that could cause the market price or liquidity of the Certificates to decline, have a material adverse effect on its financial condition or the credit rating of the Certificates or otherwise restrict or impair its ability to pay amounts due under the Equipment Notes and/or the related agreements. The Certificates, the Equipment Notes and the underlying agreements will not contain any financial or other covenants or "event risk" provisions protecting the Certificateholders in the event of a highly leveraged or other extraordinary transaction, including an acquisition or other business combination, affecting NAS, any member of the Norwegian group or any of their affiliates. The occurrence of any such event could have a material adverse effect on the value of the Certificates.

There are no restrictive covenants in the transaction documents relating to NAS' ability to incur future indebtedness.

The Certificates, the Equipment Notes, the Leases, the Notes Guaranty, the Lease Guarantees and the other underlying agreements will not (i) require NAS to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity and therefore do not protect Certificateholders in the event that NAS experiences significant adverse changes in its financial condition or results of operations, (ii) limit its ability to incur additional indebtedness or (iii) restrict its ability to pledge its assets. In light of the absence of such restrictions, NAS may conduct its business in a manner that may cause the market price of the Certificates to decline or otherwise restrict or impair its ability to pay amounts due under the Notes Guaranty, the Lease Guarantee and/or the related agreements.

Under certain circumstances principal on the Certificates could be prepaid without premium, including the return of escrowed funds if they are not used to buy Equipment Notes by the Aircraft delivery deadline.

Under certain circumstances, all of the funds held in escrow as Deposits may not be used to purchase Equipment Notes by the deadline established for purposes of this offering. See "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*." If any funds remain as Deposits with respect to any Trust after such deadline, they will be withdrawn by the Escrow Agent for such Trust and distributed, with accrued and unpaid interest but without any premium, to the Certificateholders of such Trust. In addition, if a Total Loss occurs with respect to an Aircraft or certain illegality events occur or in certain other circumstances described in this offering memorandum, the Certificates could be redeemed, with accrued and unpaid interest (but without premium or Make-Whole Amount in the event a Total Loss or certain illegality events occur) to the Certificateholders. If any of these circumstances were to occur, the Certificateholders will not receive the full amount expected in connection with their investment in the Certificates. See "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*."

The Equipment Notes may be subject to redemption.

The Owner may redeem all, but not less than all, of the Equipment Notes with respect to an Aircraft at any time prior to maturity, provided that all outstanding Equipment Notes with respect to all other Aircraft are simultaneously redeemed. The redemption price will be the unpaid principal amount of the Equipment Notes, together with accrued but unpaid interest, plus a Make-Whole Amount, if any. In addition, NAS may elect to cause the Owner to redeem all of the Series B Equipment Notes or any series of Additional Equipment Notes, if issued, in connection with a refinancing of such Series, in each case, plus a Make-Whole Amount, if any. If any of these circumstances were to occur, you would not receive the full amount expected in connection with your investment in the Certificates and it may not be possible for you to reinvest proceeds at an effective interest rate as high as the interest rate on the Certificates. See "*Description of the Equipment Notes— Redemption.*"

In addition, if (i) a Total Loss occurs with respect to an Aircraft, (ii) certain illegality events occur, (iii) general insurance practice changes in a way that would render the insurance insufficient to protect the interests of the Owner and the Loan Trustee, and the Owner, the Loan Trustee and the Lessee are unable to agree to the terms of any change in the Owner's insurance requirements, (iv) not resulting from an act or omission of the Lessee, the Lessee's air carrier certificate or an Aircraft's registration ceases to be in effect or (v) the Lease with respect to an Aircraft is otherwise terminated early, then the relevant Equipment Notes will be redeemed, with accrued and unpaid interest, plus (except in the case of clauses (i) or (ii) above) a Make-Whole Amount. See "*Description of the Equipment Notes— Redemption.*"

If any of these circumstances were to occur, you would not receive the full amount expected in connection with your investment in the Certificates and it may not be possible for you to reinvest proceeds at an effective interest rate as high as the interest rate on the Certificates. See "*Description of the Equipment Notes— Redemption.*"

Holders of the Certificates are exposed to the credit risk of the Depositary during the prefunding period.

The holders of the Certificates may suffer losses or delays in repayment if the Depositary fails to pay when due the Deposits or accrued interest thereon for any reason, including by reason of the insolvency of the Depositary. NAS is not required to indemnify against any failure on the part of the Depositary to repay the Deposits or accrued interest thereon in full on a timely basis.

Holders of the Certificates will not be entitled to registration or similar rights. Norwegian does not currently intend to register the Certificates under applicable securities laws, and there are restrictions on your ability to transfer or resell the Certificates.

The Certificates are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable U.S. state, Norwegian, EU, Irish and foreign securities laws and Norwegian does not currently intend to register the Certificates or to offer to exchange the Certificates for Certificates registered under the Securities Act. The holders of the Certificates will not be entitled to require Norwegian to register the Certificates for resale or otherwise and Norwegian does not intend on undertaking any such registration. Therefore, you may transfer or resell the Certificates in the U.S. only in a transaction exempt from the registration requirements of the Securities Act, applicable U.S. state securities laws and applicable Norwegian, Irish and other foreign securities laws. As a result, you may be required to bear the risk of your investment for an indefinite period of time. See "*Transfer Restrictions*."

There may be a limited market for resale of Certificates.

Prior to the offering, there has been no market for the Certificates. The Initial Purchaser is not required to make a market in the Certificates and any market-making activity may be discontinued at any time without notice at the sole discretion of each Initial Purchaser. A secondary market for the Certificates may not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your Certificates. If an active market does not develop, the market price and liquidity of the Certificates may be adversely affected. The Escrow Receipts may not be assigned or transferred separately from the Certificates and the Certificates may not be assigned or transferred separately from the Escrow Receipts.

The liquidity of, and trading market for, the Certificates may also be adversely affected by general declines in the markets or by declines in the market for similar securities. Such declines may adversely affect such liquidity and trading markets independent of NAS' financial performance and prospects.

The rating of the Certificates is not a recommendation to buy and may be lowered or withdrawn in the future.

Several rating agencies were approached in connection with the preparation for the offering. It is a condition to the issuance of the Class A Certificates and Class B Certificates that they be rated not lower than "A" and "BB-," respectively, by Fitch, and not lower than "Baa3" and "Ba3," respectively, by Moody's. A rating is not a recommendation to purchase, hold or sell Certificates, because such rating does not address market price or suitability for a particular investor. A rating may not remain for any given period of time and may be lowered or withdrawn entirely by the Rating Agency if in their judgment circumstances in the future (including, if applicable, the downgrading of NAS, the Depositary or the Liquidity Providers) so warrant. Any decline in the rating of the Certificates could have a material adverse effect on the price of or the outstanding trading market for the Certificates.

The rating of the Certificates is based primarily on the default risk of the Equipment Notes and the Depositary, the availability of the Liquidity Facilities for the benefit of holders of the Certificates, the collateral value provided by the Aircraft and the cross-collateralization provisions applicable to the Indentures. These ratings address the likelihood of timely payment of interest (at the stated interest rate and without any premium) when due on the Certificates and the ultimate payment of principal distributable under the Certificates by the

Final Legal Distribution Date. The ratings do not address the possibility of certain defaults, redemptions or other circumstances, which could result in the payment of the outstanding face amount of the Certificates prior to the final expected Distribution Date, and no assurance can be given that other rating agencies would have assigned similar ratings to the Certificates.

You may face foreign exchange risks by investing in the Certificates.

The Certificates will be denominated and payable in U.S. dollars. If you measure your investment returns by reference to a currency other than that of the Certificates you purchase, an investment in the Certificates entails foreign exchange-related risks, including possible significant changes in the value of the U.S. dollar relative to the currency by reference to which you measure your investment returns because of economic, political and other factors over which NAS has no control. Depreciation of the U.S. dollar against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Certificates below their stated interest rates and could result in a loss to you when the return on the Certificates is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Certificates and you should consult with your own tax advisors regarding any such tax consequences.

The Certificates will initially be held in book-entry form and therefore you must rely on the procedures of DTC to exercise any rights and remedies.

Unless and until definitive Certificates are issued in exchange for book-entry interests in the Certificates, owners of the book-entry interests will not be considered owners or holders of Certificates. Instead, a nominee of DTC will be the sole registered holder of the Certificates.

Payments of amounts owing in respect of the Global Certificates (including principal, premium (if any), interest on the Equipment Notes or interest on the Deposits) will be distributed by the relevant Trustee or Paying Agent, as applicable. The relevant Trustee or Paying Agent, as applicable, will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Unlike holders of the Certificates themselves, owners of book-entry interests will not have the direct right to act upon solicitations for consents or requests for waivers or other actions from holders of the Certificates. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC or, if applicable, from a participant. Neither NAS nor any Owner can confirm that procedures implemented for the granting of such proxies will be sufficient to enable Certificateholders to vote on any requested actions on a timely basis.

The lack of physical certificates could also:

- result in payment delays on Certificates because the relevant Trustee or Paying Agent, as applicable, will be sending distributions on the Certificates to DTC instead of directly to Certificateholders;
- make it difficult for Certificateholders to pledge their Certificates if physical certificates are required by the party demanding the pledge; and
- hinder the ability of Certificateholders to resell their Certificates because some investors may be unwilling to buy Certificates that are not in physical form.

USE OF PROCEEDS

Except as described below, the proceeds from the sale of the Certificates of each Trust being offered hereby will be deposited with the Depositary pending their application towards the funding of the Equipment Notes issued by the Owner. Each Trust will withdraw funds from the Deposits relating to such Trust to acquire Equipment Notes as New Delivery Aircraft are delivered and Owned Aircraft are refinanced and, in each case, subjected to the related Indenture. The Equipment Notes will be full recourse obligations of the Owner and obligations thereunder will be fully guaranteed by NAS.

The proceeds from the Equipment Notes issued with respect to the New Delivery Aircraft, together with the proceeds from additional capital contributions from Arctic, or subordinated loans from NAS or an affiliate of NAS, will be used by the Owner to fund the purchase of the relevant New Delivery Aircraft as such New Delivery Aircraft are delivered.

A portion of the proceeds from the Certificates will be used for the purchase of Equipment Notes issued with respect to the Owned Aircraft. The proceeds from the Equipment Notes issued with respect to the Pre-Owned Aircraft will be used by the Owner for the repayment, promptly after the closing of this offering, of the bridge loan described below. The proceeds from the Equipment Notes issued with respect to the May Delivery Aircraft will be used by the Owner for the refinancing of the May Delivery Aircraft, which was separately funded by Norwegian.

Pursuant to a Facility Agreement, dated as of March 22, 2016, by and among Morgan Stanley Senior Funding, Inc. ("**MSSF**"), Torefjorden, NAS and Wilmington Trust Company (the "**Bridge Loan**"), MSSF agreed to provide up to US$110 million financing for the purchase of the three Pre-Owned Aircraft delivered between March and April 2016. The Bridge Loan matures on September 22, 2016, and is secured by liens on the Pre-Owned Aircraft.

CAPITALIZATION

The following table sets forth the total cash and total capitalization of Norwegian (i) on a historical basis as of March 31, 2016, (ii) on a *pro forma*, adjusted basis to give effect to the tap issuance of NOK 175 million in additional unsecured bonds in April 2016, and (iii) on a *pro forma* further adjusted basis to give effect to the issuance of the Equipment Notes in connection with the issuance of the Certificates and the use of proceeds therefrom.

	At March 31, 2016			
	Actual	Adjusted *Pro Forma*[(1)]	Further Adjusted[(2)] *Pro Forma*	Further Adjusted[(2)] *Pro Forma*
	(NOK 1,000,000)			(USD 1,000,000)[(3)]
Cash and cash equivalents	3,189.8	3,364.8	3,364.8	385.7
Borrowings				
Current:				
Revolving credit facility	834.7	834.7	834.7	100.9
Aircraft financing	2,065.3	2,065.3	2,065.3	249.7
Total current borrowings	2,900.0	2,900.0	2,900.0	350.7
Non current:				
Equipment notes	—	—	2,887.3	349.1
Bond issue	3,199.0	3,374.0	3,374.0	408.0
Revolving credit facility	57.0	57.0	57.0	6.9
Aircraft financing	12,937.4	12,937.4	12,937.4	1,564.4
Total non current borrowings	16,193.4	16,368.4	19,255.7	2,328.4
Total borrowings	19,093.4	19,268.4	22,155.7	2,679.0
Total equity	1,985.5	1,985.5	1,985.5	240.1
Total capitalization	**21,078.9**	**21,253.9**	**24,141.2**	**2,919.1**

(1) Adjusted to give effect to the tap issuance of NOK 175 million in additional unsecured bonds in April 2016.

(2) Adjusted to give effect to the issuance and sale of the Equipment Notes.

(3) The NOK "Further Adjusted" *pro forma* amounts as of March 31, 2016 have been converted into dollars using the exchange rate of US$1= NOK 8.27, as reported by Bloomberg for such date. See "*Exchange Rates*." This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this offering memorandum as a statement that the amounts in NOK currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in NOK have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates.

Except as disclosed in this offering memorandum, there has been no material change in Norwegian's capitalization since March 31, 2016. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources*."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Financial Statements, and notes thereto, included elsewhere in this offering memorandum.

Overview

Norwegian's revenues derive from the operation of its low-cost passenger travel business. Geographically, revenues are characterized as domestic when they arise from the operation of routes within a single country (irrespective of the particular country) or international (all non-domestic flights). Depending on the type of activity or service from which they originate, revenues are classified as passenger revenues, ancillary revenues and other revenues. Passenger revenues arise from the sale of air transportation services to leisure and business travelers. Ancillary revenues arise from the sale of ticket-related products and services, such as excess baggage, seating fees and flexibility options, onboard sales and movie rentals, and from the forfeiture of the ticket price by no-show customers (who are not entitled to replacement flights or refunds). Other revenues include revenue from the sale of commercial cargo services and third-party products, from the sale of holiday packages to customers through the company's website, gain from sale of assets and other income. In addition, through its 20% ownership interest in Norwegian Finans Holding ASA, Norwegian owns 20% of Bank Norwegian, an online bank which, in cooperation with a wholly-owned subsidiary of Norwegian, operates NAS' customer loyalty program, Norwegian Rewards. Results from the Bank Norwegian investment are presented separately on Norwegian's consolidated income statement.

During the quarter ended March 31, 2016, Norwegian reduced short-term borrowings by approximately NOK 1 billion, strengthened its working capital position, and had operating revenues of NOK 4,960.6 million, a 23% increase from operating revenue for the quarter ended March 31, 2015. However, losses from forward jet-fuel contracts, together with the adverse effects of foreign currency exchange rate movements, led to a net loss for the quarter of NOK 800.0 million, as compared to a net loss of NOK 538.3 million for the quarter ended March 31, 2015. Norwegian carried 5.82 million passengers during the first quarter of 2016, as compared to 4.96 million in the same quarter of 2015, a 17% increase.

During the quarter, long-haul operations continued to be increasingly important to Norwegian, as passengers from the Nordics and Europe in general are beginning to connect with increasing frequency from short-haul to long-haul and vice-versa, and the share of passengers booking flights from outside Scandinavia exceeded 40% for the first time. Also, increasing numbers of business passengers are choosing to travel with Norwegian, and the company entered into several key agreements during the first quarter of 2016, including a four-year contract with the Norwegian army, a two-year contract with the Norwegian Labor and Welfare Administration, and a three-year contract with the Norwegian health care system. During the quarter, Norwegian launched long-haul routes between the U.S. (New York, Los Angeles and Fort Lauderdale) and Paris, and took delivery of five Boeing 737-800s (including the Owned Aircraft) and one Boeing 787-9 Dreamliner.

For the year ended December 31, 2015, Norwegian had revenues of NOK 22,483.5 million, an increase of 15.1% with respect to the year ended December 31, 2014, and a profit for the year of NOK 246.2 million, as compared to a loss for the year of NOK 1,069.8 million for 2014. During the year, Norwegian's long-haul operations and international routes became increasingly important contributors to Norwegian's financial results. Norwegian's strongest growth in terms of passengers was at London Gatwick, where it operates both long- and short-haul routes, followed by Spain and the U.S., where it operates only short-haul and long-haul routes, respectively.

A total of 25.8 million passengers travelled with Norwegian during 2015, an increase of 7% with respect to 2014. Production (measured by ASK) increased from 46,479 million in 2014 to 49,028 million in 2015, a 5% increase, while passenger traffic (measured by RPK) went from 37,615 million in 2014 to 42,284 million in 2015, a 12% increase. As a result of these changes, load factor increased from 80.9% in 2014 to 86% in 2015.

At the end of 2015, Norwegian's total fleet comprised 99 aircraft, including aircraft in maintenance but excluding wetleased aircraft. Norwegian utilized every operational aircraft on average 11.55 block hours per day during 2015, compared to 11.50 in 2014. During 2015, the share of internet sales was 77%, a 5 percentage point decrease with respect to 2014.

Punctuality, the percentage of flights departing on schedule, was 82% in 2015, as compared to 85% in 2014. Regularity, the percentage of scheduled flights actually taking place, was 98.5% in 2015, as compared to 99.7% in 2014. Operating performance during 2015 was adversely impacted by an 11-day pilot strike in Scandinavia during the first quarter, as a result of which approximately 2,000 flights were cancelled, and by the introduction of new handling agents into service.

Other highlights of 2015 include:

- The launch of domestic routes in Spain and winter routes between the continental U.S. and the Caribbean;
- The addition of 11 new aircraft to Norwegian's fleet as follows: ten Boeing 737-800s and one Boeing 787-8 Dreamliner;
- The placement of orders for 19 new Boeing 787-9 Dreamliners;
- The addition of approximately 750,000 new members to the Norwegian Reward frequent flyer program; and
- The receipt of *SkyTrax* awards as the world's best long-haul low-cost airline and the best low-cost airline in Europe for the third consecutive year, and the *Passenger Choice Award* as the "Best in Region: Europe" for the second consecutive year.

Current Operating Environment; Trends Disclosure

Norwegian expects the operating environment to continue to be challenging over the next several years. Increased competition, the threat of terrorism and the erection of barriers to entry with respect to certain geographical markets are some of the challenges that Norwegian expects to encounter as it continues to pursue its business strategy centered on the development of a strong long-haul presence in the global markets.

When it entered the long-haul travel business in 2014, Norwegian took the low-cost carrier model to new markets that, until then, had been predominantly serviced by traditional "legacy carriers." Some of these legacy carriers have longer operating histories and, particularly in the case of U.S. legacy carriers, have been able to consolidate, attain market dominance through international alliances that are exempt from the restrictions normally imposed by antitrust laws, and operate with high levels of profitability. Other competitors in this field, particularly the carriers based in the Persian Gulf region, have access to financial and other support from their national governments, which also has an adverse effect on competition. All of these competitors are financially stronger than Norwegian and their stronger market presence could potentially hinder or make significantly more costly the implementation of Norwegian's goal of becoming a major participant in global long-haul routes.

Terrorist activity has the potential to disproportionately disrupt leisure travel to affected destinations. As the recent examples in Egypt, Turkey and France show, tourism tends to decrease significantly in the aftermath of terrorist attacks. Because the leisure travel segment is the primary target of Norwegian's marketing efforts, the company is particularly vulnerable to traffic declines relating to terrorist activities in any of the tourist destinations it services. Although the company has a history of being able to redeploy its fleet in response to changing market conditions, to do so in the context of the company's increased presence in the long-haul travel business may be more costly and complicated.

The increased resurgence in Europe and the U.S. of nationalist movements adverse to cross-border free trade is another development that could potentially impair Norwegian's ability to successfully implement its business plans. The company's recent experience with the DoT in the U.S. is an example of regulatory barriers that delay or frustrate Norwegian's ability to pursue its business strategies. As Norwegian's presence in the global long-haul markets becomes more significant, it is likely that local competitors and associated lobbying groups threatened by the high-quality services and low cost model offered by Norwegian will increase their calls for local regulators to help them delay or prevent Norwegian from entering into new markets. These challenges, even if ultimately unsuccessful, inevitably divert company resources that could otherwise be more efficiently used in furtherance of Norwegian's commercial goals.

Significant Accounting Policies and Critical Accounting Estimates and Judgments

Passenger revenue is recognized when the air transportation services have been provided. The value of tickets sold but not used at a reporting date is shown on the statement of financial position as air traffic settlement liabilities. Amounts paid by "no show" customers are recognized as revenue when the booked flight has departed. Certain ancillary revenues are recognized at the same time as the related passenger revenue (*e.g.,* special seating fees); other revenues are earned immediately and are recognized at the time of purchase (*e.g.,* flexibility options). Other revenues comprise third party revenues (*e.g.,* wet leases), cargo and revenue from business activities in subsidiaries that are not airlines. Other revenues are recognized when the services have been provided, fees are reliably measurable, collections are probable and other significant obligations have been fulfilled. Norwegian's other significant accounting policies and critical accounting estimates and judgments are summarized in note 1 to the 2015 Audited Financial Statements.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the resulting reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors deemed at the time by management to be reasonable under the circumstances. Actual results typically vary from these estimates. Estimates and assumptions are reviewed on an ongoing basis.

Results of Operations

The following table sets forth certain income statement data for the years ended December 31, 2013, 2014 and 2015, and for the quarters ended March 31, 2015 and March 31, 2016:

	Year ended December 31,			Quarter Ended March 31,	
	2013	2014	2015	2015	2016
		(NOK 1,000,000)		(NOK 1,000,000)	
Revenues	15,511.2	19,540.0	22,483.5	4,034.3	4,960.3
Other income	68.3	—	7.6	—	0.3
Total operating revenues and income[1]	**15,579.5**	**19,540.0**	**22,491.1**	**4,034.3**	**4,960.6**
Operational expenses[2]	11,370.6	15,360.1	15,839.0	3,402.0	3,742.6
Payroll[3]	2,478.3	3,209.0	3,433.7	796.6	924.6
Depreciation, amortization and impairment[4]	529.8	748.1	1,133.3	220.4	288.4
Other operating expenses[5]	733.3	1,049.6	1,263.2	340.3	371.7
Other losses/(gains)-net[5]	(502.1)	583.8	474.2	(2.6)	527.9
Total operating expenses[6]	**14,609.9**	**20,950.6**	**22,143.4**	**4,756.7**	**5,855.2**
Operating profit	**969.7**	**(1,410.5)**	**347.8**	**(722.4)**	**(894.5)**
Interest income[7]	149.7	196.3	74.2	12.9	12.8
Interest expense[8]	(256.7)	(447.2)	(463.3)	(104.4)	(161.4)
Net foreign exchange (loss) or gain[9]	(472.9)	(36.9)	26.5	15.8	17.9
Appreciation cash equivalents[9]	24.6	17.6	(2.1)	1.3	(1.9)
Fair value adjustment long term deposits[9]	2.7	1.2	—	—	—
Other financial items[9]	(26.2)	(5.0)	(11.4)	(1.7)	(0.6)
Net financial items	**(578.9)**	**(274.1)**	**(376.2)**	**(76.1)**	**(133.1)**
Share of profit (loss) from associated company[10]	46.6	57.6	103.4	22.1	35.8
Profit/(loss) before tax	**437.4**	**1,627.0**	**75.0**	**(776.4)**	**(991.9)**
Income tax expense (income)	115.8	(557.3)	(171.1)	(238.2)	(191.9)
Profit/(loss) for the period[11]	**321.6**	**(1,069.8)**	**246.2**	**(538.3)**	**(800.0)**

(1) In the Unaudited Interim Financial Statements, this line item is identified as “Total operating revenue”.

(2) In the Unaudited Interim Financial Statements, this line item is presented as two separate items: “Operational expenses” and “Leasing”. The corresponding figures for these two items have been added in this table for the columns corresponding to the quarters ended March 31, 2015 and March 31, 2016, to facilitate comparability.

(3) In the Unaudited Interim Financial Statements, this line item is identified as “Payroll and other personnel expenses”.

(4) In the Unaudited Interim Financial Statements, this line item is identified as “Depreciation and amortization”.

(5) In the Unaudited Interim Financial Statements, this line item includes amounts that, in the Audited Financial Statements, are separately presented as “Other losses/(gains)-net”. For purposes of this table, the corresponding figures have been disaggregated for the columns corresponding to the quarters ended March 31, 2015 and March 31, 2016, to facilitate comparability.

(6) In the Unaudited Interim Financial Statements the line item “Total operating expenses” does not include aircraft lease expenses or depreciation, amortization and impairment expenses, both of which are presented separately as “Leasing” and “Depreciation and amortization”, respectively, but are included in Total Operating Expenses in the Audited Financial Statements. To facilitate comparability, the figures for the quarters ended March 31, 2015 and March 31, 2016 aggregate the corresponding figures for Total operating expenses, Leasing and Depreciation and amortization in the Unaudited Interim Financial Statements.

(7) In the Unaudited Interim Financial Statements, this line item includes amounts that, in the Audited Financial Statements, are separately presented as "Appreciation cash equivalents". For purposes of this table, the corresponding figures have been disaggregated for the columns corresponding to the quarters ended March 31, 2015 and March 31, 2016, to facilitate comparability.

(8) In the Audited Financial Statements, this line item includes amortized interest. Although the Unaudited Interim Financial Statements do not present that figure in this line item, it has been included in this table to facilitate comparability.

(9) These items are not separately presented in the Unaudited Interim Financial Statements, which instead include a line item ("Other financial income (expense)") not included in the Audited Financial Statements. For purposes of comparability, financial items corresponding to the quarters ended March 31, 2015 and March 31, 2016, have been re-characterized for purposes of their presentation in this table.

(10) In the Unaudited Interim Financial Statements, this line item is identified as "Profit/Loss from associated company".

(11) In the Unaudited Interim Financial Statements, this line item is identified as "Net Profit (loss)".

Quarter ended March 31, 2016, compared to quarter ended March 31, 2015

Revenues

During the quarter ended March 31, 2016, revenues increased by NOK 926.3 million, or 23%, to NOK 4,960.6 million from NOK 4,034.3 million for the quarter ended March 31, 2015. The increase was primarily related to a growth in passenger revenues, resulting from an early Easter in 2016 and Norwegian's rapidly expanding international traffic. Norwegian's domestic revenue during the first quarter of 2016 grew by NOK 148.3 million or 15.1%, as compared to the domestic revenue during the same period in 2015; in contrast, international revenue grew from NOK 3,052.9 million in the quarter ended March 31, 2015 to NOK 3,830.9 million for the same period in 2016, or a 25.5% increase.

The following table shows revenues by activity for the quarters ended March 31, 2015 and 2016:

	Quarter Ended March 31,	
	2015	**2016**
	(NOK 1,000,000)	
Passenger revenue	3,220.7	3,970.9
Ancillary passenger revenue	676.4	801.6
Other revenue	137.2	188.1
Total operating revenue	**4,034.3**	**4,960.6**

The NOK 750.2 million, or 23.3%, increase in revenues from passenger transport, from NOK 3,220.7 million for the quarter ended March 31, 2015, to NOK 3,970.9 million for the quarter ended March 31, 2016, was a direct result of a 17% increase in the number of passengers during the quarter, coupled with a higher load factor (85%, as compared to 83% in the first quarter of 2015) and a 20% increase in passenger traffic, as measured by RPK, which rose from 8,344 million for the quarter ended March 31, 2015, to 10,050 million for the quarter ended March 31, 2016.

The increased traffic was also responsible for the 18.5% increase in ancillary passenger revenue (from NOK 676.4 million for the quarter ended March 31, 2015, to NOK 801.6 million for the quarter ended March 31, 2016). Similarly, the 37.1% increase in other revenue (from NOK 137.2 million for the quarter ended March 31, 2015, to NOK 188.1 million for the quarter ended March 31, 2016) reflects an increase in freight revenues, commissions and third-party products.

As a result of these improvements, RASK for the quarter ended March 31, 2016 was NOK 0.34, up 6.3% from its March 31, 2015 value of NOK 0.32.

Operating expenses

Operating expenses increased by NOK 1,098.4 million, or 23.1%, to NOK 5,855.2 million for the quarter ended March 31, 2016, from NOK 4,756.7 million for the quarter ended March 31, 2015. The following table shows certain operational expenses that are components of the operating expenses of Norwegian for the quarters ended March 31, 2015 and 2016:

	Quarter Ended March 31,	
	2015	2016
	(NOK 1,000,000)	
Sales and distribution expenses	136.0	199.4
Aviation fuel	1,024.5	860.8
Aircraft leases	570.4	668.7
Airport charges	570.6	684.6
Handling charges	511.5	599.7
Technical maintenance expenses	364.9	407.6
Other flight operation expenses	232.8	336.5

Some factors that contributed to the increases in the expenses in the table above are as follows:

- the 46.6% increase in sales and distribution expenses, which reflects increased credit card commissions from sales in international markets and increased sales through travel agents;
- the 17.2% increase in aircraft leases, which reflects the non-recurrent use of wet leases while some of Norwegian's aircrafts were transferred within the group;
- the 17.2% increase in handling charges and 20.0% increase in airport charges, which reflect both the depreciation of the NOK against the USD and the EUR, and the expanded operations of the company in more expensive international airports with a higher load factor; and
- the 44.5% increase in other flight operation expenses, including de-icing, insurance and training, meals and housing for crew, which reflects increases in external training for pilots and international expansion.

These increases were partially offset by a 16% decrease in aviation fuel expense. In addition, although technical maintenance costs increased by 11.7%, the unit cost for technical maintenance decreased by 5% due to increased production and an increased share of owned aircraft in the fleet.

Although personnel expenses increased by 16%, from NOK 796.6 million for the quarter ended March 31, 2015 to NOK 924.3 million for the quarter ended March 31, 2016, the unit cost for personnel expenses decreased by 1% due to increased capacity and increased sector length from the international bases.

Depreciation and amortization expenses increased by 30.9% from NOK 220.4 million for the quarter ended March 31, 2015 to NOK 288.4 million for the quarter ended March 31, 2016 due to the increased number of owned aircraft in the fleet.

General and administrative expenses increased by 7.8% from NOK 331.5 million for the quarter ended March 31, 2015 to NOK 357.3 million for the quarter ended March 31, 2016 due to the introduction of new markets, products, and international bases, and an increase in expenses to enhance the Norwegian Reward customer loyalty program.

Other losses/(gains)

Losses from foreign currency contracts, forward fuel contracts and the non-cash negative effect of foreign currency exchange variations on working capital totaled NOK 527.9 million during the quarter ended March 31, 2016 and were a major contributor to the overall negative result for the period.

Financial items

Net financial items expense increased by NOK 57.0 million, or 74.9%, from NOK 76.1 million for the quarter ended March 31, 2015, to NOK 133.1 million for the quarter ended March 31, 2016. The increase was mainly the result of an increase in interest expense (from NOK 78.2 million for the quarter ended March 31, 2015, to NOK 132.1 million for the quarter ended March 31, 2016), a reduction in interest income (from NOK 14.0 million for the quarter ended March 31, 2015, to NOK 12.8 million for the quarter ended March 31, 2016) and an increase in other financial expenses (from NOK 11.9 million for the quarter ended March 31, 2015, to NOK 13.9 million for the quarter ended March 31, 2016).

Share of profit from associated company

Profits from Norwegian's investment in Bank Norwegian increased by NOK 13.7 million, or 62%, from NOK 22.1 million for the quarter ended March 31, 2015, to NOK 35.8 million for the quarter ended March 31, 2016.

Profit (loss) for the quarter

As a result of the foregoing, after giving effect to income tax credits for NOK 191.9 million for the quarter ended March 31, 2016 (as compared to an income tax credit of NOK 238.2 million for the quarter ended March 31, 2015), Norwegian ended the first quarter of 2016 with a net loss of NOK 800.0 million, as compared to a net loss of NOK 538.3 million for the quarter ended March 31, 2015.

Year ended December 31, 2015, compared to year ended December 31, 2014

Revenues

Despite an eleven-day pilot strike in Scandinavia in March 2015 (which Norwegian estimates resulted in the loss of approximately 190,000 passengers), during the year ended December 31, 2015, revenues increased by NOK 2,943.5 million, or 15.1%, to NOK 22,483.5 million from NOK 19,540.0 million for the year ended December 31, 2014. The increase was primarily related to the continued increase in international revenues, which grew from NOK 14,948.1 million in the year ended December 31, 2014 (or 76.5% of total revenues) to NOK 17,704.2 million for the year ended December 31, 2015 (or 78.7% of total revenues). This growth was mainly the result of the expansion in long-haul operations between Europe and the U.S. and between Europe and Asia.

The following table shows revenues by activity for the years ended December 31, 2014 and 2015:

	Year ended December 31,	
	2014	2015
	(NOK 1,000,000)	
Passenger transport	16,254.6	18,505.8
Ancillary revenue	2,727.4	3,275.3
Other revenues	558.0	702.5
Total operating revenues	**19,540.0**	**22,483.5**

The NOK 2,251.1 million, or 13.8%, increase in revenues from passenger transport, from NOK 16,254.6 million for the year ended December 31, 2014, to NOK 18,505.8 million for the year ended December 31, 2015, is directly related to the 12% increase in passenger traffic, as measured by RPK, which went from 37,615 million in the year ended December 31, 2014, to 42,284 million for year ended December 31, 2015. The increase in revenue was also the result of a higher occupancy rate, as measured by load factor, which increased from 81% in the year ended December 31, 2014, to 86% for the year ended December 31, 2015, and the increase in fleet size, which went from 95 aircraft at December 31, 2014, to 99 aircraft at December 31, 2015.

The 20.1% increase in ancillary revenues (from NOK 2,727.4 million for the year ended December 31, 2014, to NOK 3,275.3 million for the year ended December 31, 2015) exceeds both the 7% increase in passengers moved (from 24.0 million in the year ended December 31, 2014, to 25.75 million in the year ended December 31, 2015) and the 5% increase in production (which, as measured by ASK went from 46,479 million in 2014 to 49,028 million in 2015), and reflects the fact that passengers are buying more services in addition to the basic transportation covered by the ticket fare. Similarly, the 25.9% increase in other revenues (from NOK 558.0 million for the year ended December 31, 2014, to NOK 702.5 million for the year ended December 31, 2015), exceeds Norwegian's organic growth and reflects an increase in freight revenues, sales of technical services to third parties, and commissions from Bank Norwegian and hotel and car rental partners.

RASK for 2015 was NOK 0.38, up 8.6% from its 2014 value of NOK 0.35, but still below its 2013 or 2012 levels (respectively, NOK 0.39 and NOK 0.43), which reflects the decrease in RASK caused by the increase in average sector length flown (from 1,338 km in the year ended December 31, 2014 to 1,407 km in the year ended December 31, 2015), offset by the significant increase in load factor from 80.9% in 2014 to 86.2% in 2015.

Operating expenses

Operating expenses increased by NOK 1,192.8 million, or 5.7%, to NOK 22,143.4 million for the year ended December 31, 2015, from NOK 20,950.6 million for the year ended December 31, 2014. The following table shows the items of operational expenses that are a component of the operating expenses of Norwegian for the years ended December 31, 2014 and 2015:

	Year ended December 31,	
	2014	**2015**
	(NOK 1,000,000)	
Sales and distribution expenses	469.1	612.3
Aviation fuel	6,321.1	5,184.5
Aircraft leases	1,845.9	2,213.3
Airport charges	2,723.9	2,949.3
Handling charges	1,854.8	2,336.8
Technical maintenance expenses	1,290.0	1,716.5
Other aircraft expenses	855.2	826.4
Total operational expenses	**15,360.1**	**15,839.0**

Two developments beyond Norwegian's control had a significant impact on the evolution of Norwegian's operational expenses between 2014 and 2015 as shown in the table above. First, the depreciation of the NOK against the USD (18.2% during the year, from NOK 7.49 to 1 USD at December 31, 2014 to NOK 8.85 to 1 USD at December 31, 2015) and, to a lesser extent, against the EUR (6.4% during the year, from NOK 9.04 to 1 EUR at December 31, 2014, to NOK 9.62 to 1 EUR at December 31, 2015) resulted in greater year-on-year absolute and percentage increases in the expenses expressed in NOK than would have been the case if the figures were presented in the currency in which most of the expenses were actually incurred (mainly USD). Second, the decline in the price of aviation fuel during the year, which significantly ameliorated the adverse effect of the NOK depreciation. In addition, certain other factors contributed to the increase of the following operational expenses: (i) the increase in sales and distribution expenses (NOK 143.2 million, or 30.5%, from NOK 469.1 million for the year ended December 31, 2014, to NOK 612.3 million for the year ended December 31, 2015) reflects higher credit card commission sales and increased sales through travel agents; (ii) the increase in aircraft leases (NOK 367.3 million, or 19.9%, from NOK 1,845.9 million for the year ended December 31, 2014, to NOK 2,213.3 million for the year ended December 31, 2015) was due in part to the use of wetlease aircraft during the strike in 2015; (iii) the increase in handling charges (NOK 481.9 million, or 26.0%, from NOK 1,854.8 million for the year ended December 31, 2014, to NOK 2,336.8 million for the year ended December 31, 2015) was partly due to the introduction of larger aircraft, increased handling at more expensive airports, a higher load factor and passenger refunds from irregularities; and (iv) the increase in technical maintenance expenses

(NOK 426.5 million, or 33.1%, from NOK 1,290.0 million for the year ended December 31, 2014, to NOK 1,716.5 million for the year ended December 31, 2015) was partly due to increased expenses for engine overhaul.

Payroll expenses increased by NOK 224.7 million, or 7.0%, from NOK 3,209.0 million for the year ended December 31, 2014, to NOK 3,433.7 million for the year ended December 31, 2015. The increase was largely related to increases in wages and salaries (from NOK 1,480.8 million for the year ended December 31, 2014, to NOK 1,598.9 million for the year ended December 31, 2015, an increase of 8.0%), pension expenses (from NOK 213.4 million for the year ended December 31, 2014, to NOK 230.3 million for the year ended December 31, 2015, an increase of 7.9%), and hired crew personnel (from NOK 1,087.8 million for the year ended December 31, 2014, to NOK 1,140.8 million for the year ended December 31, 2015, an increase of 4.9%), partially offset by a reduction in the expense related to employee stock options (from NOK 14.5 million for the year ended December 31, 2014, to NOK 7.1 million for the year ended December 31, 2015, a 50.7% reduction). The increased expenses from new hired personnel were associated with the opening or expansion of new bases in Spain and the United States.

Depreciation, amortization and impairment expenses increased by NOK 385.1 million, or 51.5%, from NOK 748.1 million for the year ended December 31, 2014, to NOK 1,133.3 million for the year ended December 31, 2015. The increase reflects, primarily, the NOK 379.4 million increase in depreciation of aircraft, parts and installations on leased aircraft (from NOK 662.9 million for the year ended December 31, 2014, to NOK 1,042.2 million for the year ended December 31, 2015, a 57.2% increase) as a result of the increased number of owned aircraft in the fleet and additional depreciation from reduced residual values of Boeing 737-300 aircraft.

Other operating expenses increased by NOK 213.6 million, or 20.4%, from NOK 1,049.6 million for the year ended December 31, 2014, to NOK 1,263.2 million for the year ended December 31, 2015. Other operating expenses are related to the operation of IT and other systems, marketing, back office, consultants and other costs not directly attributable to the operation of the aircraft fleet and related airline specific costs. The increase in 2015 with respect to 2014 reflects Norwegian's entry into new markets, the introduction of new products, and the establishment of new international bases throughout 2015.

Other losses (net) for the year ended December 31, 2015, were NOK 474.2 million, as compared to a net loss of NOK 583.8 million for the year ended December 31, 2014. The loss was mainly the result of unrealized mark-to-market fuel hedging losses in the amount of NOK 800.0 million, partially offset by foreign exchange gains on operating activities.

Financial items

Net financial items expense increased by NOK 102.0 million, or 37.2%, from NOK 274.1 million for the year ended December 31, 2014, to NOK 376.2 million for the year ended December 31, 2015. The increase was mainly the result of lower interest income (which went from NOK 196.3 million for the year ended December 31, 2014, to NOK 74.2 million for the year ended December 31, 2015, a 62.2% decrease), partially offset by net gains on foreign exchange.

Share of profit from associated company

Profits from Norwegian's investment in Bank Norwegian increased by NOK 45.8 million, or 79.5%, from NOK 57.6 million for the year ended December 31, 2014, to NOK 103.4 million for the year ended December 31, 2015.

Profit (loss) for the year

As a result of the foregoing, after giving effect to income tax credits for NOK 171.1 million for the year ended December 31, 2015 (as compared to an income tax credit of NOK 557.3 million for the year ended December 31, 2014), Norwegian ended fiscal year 2015 with a profit for the year of NOK 246.2 million, as compared to a loss for the year of NOK 1,069.8 million for the year ended December 31, 2014.

Year ended December 31, 2014, compared to year ended December 31, 2013

Revenues

Revenues increased by NOK 4,028.8 million, or 26.0%, to NOK 19,540.0 million for the year ended December 31, 2014, from NOK 15,511.2 million for the year ended December 31, 2013. The increase was primarily related to the increase in international revenues, which, mainly as a result of the commencement of long-haul operations between Europe and the U.S. and Europe and Asia, grew from NOK 11,156.5 million in the year ended December 31, 2013 (or 71.9% of total revenues) to NOK 14,948.1 million for the year ended December 31, 2014 (or 76.5% of total revenues).

The following table shows revenues by activity for the years ended December 31, 2013 and 2014:

	Year ended December 31,	
	2013	2014
	(NOK 1,000,000)	
Passenger transport	13,381.5	16,254.6
Ancillary revenue	1,757.9	2,727.4
Other revenues	371.9	558.0
Total operating revenues	**15,511.2**	**19,540.0**

The NOK 2,873.2 million, or 21.5%, increase in revenues from passenger transport, from NOK 13,381.5 million for the year ended December 31, 2013, to NOK 16,254.6 million for the year ended December 31, 2014, is directly related to strong production growth enabled by the delivery of 18 new aircraft delivered during 2014 (14 Boeing 737-800s and 4 Boeing 787-8 Dreamliners) and the resulting expansion of the international route network. As a result of these fleet additions, production (measured by ASK) increased to 46,479 million in the year ended December 31, 2014, from 34,318 million for the year ended December 31, 2013, a 35.4% increase. Traffic (measured by RPK) increased to 37,615 million during the year ended December 31, 2014, from 26,881 million in the year ended December 31, 2013, a 39.9% increase that was driven primarily by an increase in average distance per passenger during 2014 that resulted from the increase in long-haul routes. Reflecting these increases, the load factor rose from 78.3% in 2013 to 80.9% in 2014.

The increases in ancillary revenues (55.2%, from NOK 1,757.9 million for the year ended December 31, 2013, to NOK 2,727.4 million for the year ended December 31, 2014) and other revenues (50.0%, from NOK 371.9 million for the year ended December 31, 2013, to NOK 558.0 million for the year ended December 31, 2014) are the result of an increase in passengers moved (from 20.7 million in the year ended December 31, 2013, to 24.0 million in the year ended December 31, 2014), combined with the increase in production discussed above.

RASK for 2014 was NOK 0.35, down 10.2% from its 2013 value of NOK 0.39. The decrease is due to the increases in flying distance and the start-up of new routes, which take time to achieve a steady level of revenue generation.

Operating expenses

Operating expenses increased by NOK 6,340.7 million, or 43.4%, to NOK 20,950.6 million for the year ended December 31, 2014, from NOK 14,609.9 million for the year ended December 31, 2013. The following table shows the items of operational expenses that are a component of the operating expenses of Norwegian for the years ended December 31, 2013 and 2014:

	Year ended December 31,	
	2013	**2014**
	(NOK 1,000,000)	
Sales and distribution expenses	339.4	469.1
Aviation fuel	4,707.2	6,321.1
Aircraft leases	1,284.4	1,845.9
Airport charges	2,182.6	2,723.9
Handling charges	1,339.4	1,854.8
Technical maintenance expenses	927.8	1,290.0
Other aircraft expenses	589.7	855.2
Total operational expenses	**11,370.6**	**15,360.1**

The production increase of 35% during 2014 (measured by ASK) had a significant impact on the growth of operations during the year. In addition, certain operating expenses were affected by the following factors: (i) increases in aviation fuel expense (NOK 1,613.9 million, or 34.3%, from NOK 4,707.2 million for the year ended December 31, 2013, to NOK 6,321.1 million for the year ended December 31, 2014) were partly due to the depreciation of NOK against USD; (ii) the increase in aircraft leases (NOK 561.5 million, or 43.7%, from NOK 1,284.4 million for the year ended December 31, 2013, to NOK 1,845.9 million for the year ended December 31, 2014) was due in part to the use of wet lease aircraft in international operations and the introduction of the Boeing 787-8 Dreamliner in the fleet; (iii) the increased handling charges (NOK 515.4 million, or 38.5%, from NOK 1,339.4 million for the year ended December 31, 2013, to NOK 1,854.8 million for the year ended December 31, 2014) are partly due to the introduction of larger aircraft; (iv) increases in technical maintenance expenses (NOK 362.2 million, or 39.0%, from NOK 927.8 million for the year ended December 31, 2013, to NOK 1,290.0 million for the year ended December 31, 2014) were partially due to technical maintenance for the Boeing 787-8 Dreamliner; and (v) increased other aircraft expenses (NOK 265.5 million, or 45.0%, from NOK 589.7 million for the year ended December 31, 2013, to NOK 855.2 million for the year ended December 31, 2014) are due in part to increased costs for meals and housing for hired crew.

Payroll expenses increased by NOK 730.7 million, or 29.5%, from NOK 2,478.3 million for the year ended December 31, 2013, to NOK 3,209.0 million for the year ended December 31, 2014. The increase was largely related to the expanded operations of Norwegian during 2014, and lower-than-usual pension expenses in 2013 due to a one-time reversal of a NOK 187.4 million provision in connection with the closing of Norwegian's defined benefit plan on December 31, 2012. See note 19 to the 2013 Audited Financial Statements.

Depreciation, amortization and impairment expenses increased by NOK 218.3 million, or 41.2%, from NOK 529.8 million for the year ended December 31, 2013, to NOK 748.1 million for the year ended December 31, 2014. The increase reflects a higher depreciation expense primarily due to the acquisition of 18 new aircraft by Norwegian during the period.

Other operating expenses increased by NOK 316.3 million, or 43.1%, from NOK 733.3 million for the year ended December 31, 2013, to NOK 1,049.6 million for the year ended December 31, 2014. Other operating expenses are related to the operation of IT and other systems, marketing, back office, consultants and other costs not directly attributable to the operation of the aircraft fleet and related airline specific costs. The increase in 2014 with respect to 2013 reflects Norwegian's expansion in operations.

Other losses/(gains)-net for the year ended December 31, 2014, were NOK 583.8 million, as compared to a net gain of NOK 502.1 million for the year ended December 31, 2013. The loss was mainly the result of losses in fuel hedging contracts during the fourth quarter of 2014, partially offset by gains on foreign currency and working capital in foreign currency.

Financial items

Net financial items expense decreased by NOK 304.7 million, or 52.6%, from NOK 578.9 million for the year ended December 31, 2013, to NOK 274.1 million for the year ended December 31, 2014. The decrease was mainly the result of lower losses in foreign exchange (which fell from NOK 472.9 million in the year ended December 31, 2013, to NOK 36.9 million for the year ended December 31, 2014, a 92.2% reduction), partially offset by an increase in interest expense primarily due to the financing of the 18 new aircraft acquired by Norwegian during the period. Interest cost in the amount of NOK 144.6 million in respect of prepayments on purchase contracts with aircraft manufacturers was capitalized in 2014, as compared to NOK 86.0 million in 2013.

Share of profit from associated company

Profits from Norwegian's investment in Bank Norwegian increased by NOK 11.0 million, or 23.7%, from NOK 46.6 million for the year ended December 31, 2013, to NOK 57.6 million for the year ended December 31, 2014.

Profit (loss) for the year

As a result of the foregoing, after giving effect to income tax credits for NOK 557.3 million for the year ended December 31, 2014 (as compared to an income tax expense of NOK 115.8 million for the year ended December 31, 2013), Norwegian ended fiscal year 2014 with a loss for the year of NOK 1,069.8 million, as compared to a profit for the year of NOK 321.6 million for the year ended December 31, 2013.

Liquidity and Capital Resources

Norwegian's liquidity needs arise primarily from the funding demands of its ongoing operations, debt service, capital commitments and contractual and other obligations (including pension funding obligations). Norwegian's management monitors rolling forecasts of Norwegian's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. Norwegian's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor liquidity ratios against internal and external regulatory requirements' and maintaining debt financing plans.

Norwegian manages its liquidity needs through a variety of strategies that include seeking to maximize cash from operations and entering into secured and unsecured borrowings, including capital markets transactions. The following table presents the condensed consolidated financial position of Norwegian at March 31, 2015 and 2016:

	At March 31,	
	2015	**2016**
	(NOK 1,000,000)	
Cash and cash equivalents	1,615.4	3,189.8
Receivables	2,916.7	3,080.1
Inventory	81.1	100.0
Other current assets	—	—
Total current assets	**4,613.2**	**6,369.8**
Aircraft, parts and installations on leased aircraft(1)	14,237.5	19,056.6
Prepayment to aircraft manufacturers(1)	5,373.2	5,274.0
Other non-current assets	2,138.1	2,283.0
Total non-current assets	21,748.8	26,613.6
Total assets	**26,362.0**	**32,983.4**
Total short-term liabilities	12,339.1	13,420.0
Total non-current liabilities	12,146.6	17,577.9
Total liabilities	**24,485.8**	**30,998.0**
Paid-in Capital	1,187.2	1,330.0
Other reserves(2)	737.4	696.0
Retained earnings(2)	(48.3)	(40.5)
Total equity	**1,876.3**	**1,985.5**
Total liabilities and equity	26,362.0	32,983.4

(1) In the Unaudited Interim Financial Statements, this line item is included in "tangible fixed assets", a line item that also includes equipment and fixtures and buildings. For purposes of this table, the corresponding figures have been disaggregated for the columns corresponding to March 31, 2015 and March 31, 2016, to facilitate comparability.

(2) In the Unaudited Financial Statements, these two line items are combined into "Other equity". For purposes of this table, the correspondent figures have been disaggregated for the columns corresponding to March 31, 2015 and March 31, 2016, to facilitate comparability.

The primary causes for the 25.1% increase in total assets, from NOK 26,362.0 million at March 31, 2015 to NOK 32,983.4 million at March 31, 2016 was the NOK 4,819.1 million, or 33.8% increase in aircraft, parts and installations on leased aircraft, from NOK 14,237.5 million at March 31, 2016, to NOK 19,056.6 million at March 31, 2016, as a result of the delivery of five new Boeing 737-800s (including the Owned Aircraft).

Norwegian's short-term borrowings at March 31, 2016, equaled NOK 2,900.0 million, a decrease of NOK 1,022 million, or 26.1%, from NOK 3,922.0 million at March 31, 2015, mainly as a result of a decrease in the balance outstanding under the revolving credit facility (from NOK 2,546.2 million at March 31, 2015, to NOK 834.7 million at March 31, 2016) partially offset by an increase in aircraft financing (from NOK 1,088.4 million at March 31, 2015, to NOK 2,065.3 million at March 31, 2016). Current liabilities increased during the first quarter of 2016, from NOK 2,954.7 million on March 31, 2015, to NOK 3,551.6 million as of March 31, 2016.

The following table presents the condensed consolidated financial position of Norwegian as at December 31, 2014 and 2015:

	At December 31,	
	2014	2015
	(NOK 1,000,000)	
Cash and cash equivalents	2,011.1	2,454.2
Trade and other receivables	2,173.5	2,550.7
Inventory	82.9	104.1
Other current assets	—	—
Total current assets	**4,267.5**	**5,109.0**
Aircraft, parts and installations on leased aircraft	12,527.9	18,507.7
Prepayment to aircraft manufacturers	4,102.7	5,939.3
Other non-current assets	1,808.2	2,078.1
Total non-current assets	18,438.8	26,525.1
Total assets	**22,706.3**	**31,634.1**
Total short-term liabilities	9,437.4	10,733.0
Total non-current liabilities	11,160.7	17,935.8
Total liabilities	**20,598.1**	**28,668.8**
Share capital (including premium and other paid-in equity)	1,184.3	1,329.6
Other reserves	455.1	876.2
Retained earnings	468.9	759.6
Total equity	2,108.3	2,965.3
Total liabilities and equity	**22,706.3**	**31,634.1**

The primary cause for the NOK 8,927.8 million, or 39.3%, increase in total assets during 2015 (from NOK 22,706.3 million at December 31, 2014, to NOK 31,634.1 million at December 31, 2015) was the acquisition during the period of 10 Boeing 787-8 and one Boeing 787 Dreamliner aircraft, which resulted in an increase in the book value of aircraft, parts and installations on leased aircraft of NOK 5,979.8 million, or 47.7% (from NOK 12,527.9 million to NOK 18,507.7 million). The second largest contributor to the increase in total assets during the year was the increase in pre-payments to Boeing, which went from NOK 4,102.7 million at the end of 2014 to NOK 5,939.3 million at December 31, 2015 (a NOK 1,836.6 million, or 44.8% increase). The majority of Norwegian's aircraft are accounted for in USD by Arctic. Accordingly, the values set forth above include the effect of currency translations.

Norwegian's interest-bearing liabilities (*i.e.,* borrowings, including short-term part thereof) at December 31, 2015 equaled NOK 19,584.8 million and consisted of financing for aircraft acquisitions amounting to NOK 14,889.8 million, five bond issuances with a net book value of NOK 3,221.6 million, and NOK 1,473.4 million due under a facility agreement entered into to finance pre-delivery obligations. During 2015, Norwegian sold at book value de-icing equipment acquired in 2009 under a finance lease arrangement pursuant to which it recorded a financial lease liability of NOK 7.8 million at December 31, 2014.

Working capital

The following table presents Norwegian's working capital position at March 31, 2015 and 2016:

	At March 31,	
	2015	2016
	(NOK 1,000,000)	
Assets		
Cash and cash equivalents	1,615.4	3,189.8
Other current assets[1]	2,997.8	3,180.1
Current assets	**4,613.2**	**6,369.8**
Liabilities		
Current liabilities	2,954.7	3,551.6
Short term borrowings	3,922.0	2,900.0
Air traffic settlement liabilities	5,462.4	6,968.5
Total short-term liabilities	**12,339.1**	**13,420.0**
Net working capital	**(7,725.9)**	**(7,050.2)**

(1) Includes "Inventory" and "Receivables", as presented in the Unaudited Interim Financial Statements.

The negative capital working position of NOK 7,050.2 million at March 31, 2016, represents an improvement in capital working position of NOK 675.7 million, or 8.7%, from the negative capital working position at March 31, 2015, and is mainly the result of an increase in cash and cash equivalents, from NOK 1,615.4 million to NOK 3,189.8 million, or 97.5% and the reduction in short-term borrowings referred to above.

The following table presents Norwegian's working capital position at December 31, 2014 and 2015:

	At December 31,	
	2014	2015
	(NOK 1,000,000)	
Cash and cash equivalents	2,011.1	2,454.2
Trade and other receivables	2,173.5	2,550.7
Inventory	82.9	104.1
Current assets	**4,267.5**	**5,109.0**
Short-term part of borrowings	3,330.4	3,041.4
Trade and other payables	2,680.4	2,862.6
Air traffic settlement liabilities	2,965.4	4,014.4
Other short term liabilities	461.2	814.6
Total short term liabilities	**9,437.4**	**10,733.0**
Net working capital	**(5,169.9)**	**(5,624.0)**

The negative working capital of NOK 5,624.0 million at December 31, 2015, represents an increase of NOK 454.1 million, or 8.8%, with respect to the negative working capital position at the end of 2014, and is largely the result of an increase in air traffic settlement liabilities (*i.e.,* unexpired tickets purchased but not yet used) which went from NOK 2,965.4 million at December 31, 2014, to NOK 4,014.4 million at December 31, 2015. This increase in air traffic settlement liabilities offset positive working capital developments during the year, which arose from increases in cash and cash equivalents and trade receivables as a result of increased production and higher revenues, and decreases in long term liabilities. Additional contributions to the increase in short term liabilities resulted from the reduced mark-to-market value of financial derivative instruments (fuel hedging) and increased liabilities to Norwegian Rewards loyalty program members.

Capital Resources

As at December 31, 2015, Norwegian had outstanding purchase commitments with Boeing for the purchase of 36 Boeing 737-800 aircraft, 100 Boeing 737 Max 8 aircraft, and 19 Boeing 787-9 Dreamliner aircraft. At the same date, Norwegian had outstanding commitments with Airbus for the purchase of 100 Airbus A320neo aircraft. The following table summarizes the anticipated delivery dates for these outstanding orders:

Aircraft	2016	2017-2018	2019 and after	Total
Boeing 737-800	17	19	—	36
Boeing 737 Max 8	—	12	88	100
Boeing 787 Dreamliners	—	9	10	19
Airbus A320neo	4	18	78	100
Boeing 787-9 Dreamliners (operating lease)	4	7	—	11
Total	**25**	**65**	**176**	**266**

Norwegian has entered into credit facility agreements with DVB Bank SE and BOCA to cover pre-delivery financing obligations for aircraft with delivery dates in 2016. At December 31, 2015, the outstanding balance under these facility agreements was NOK 1,473.4 million. These borrowings are denominated in USD and mature at the delivery date of each financed aircraft. In addition, in January 2016, Norwegian entered into a revolving credit facility arrangement for pre-delivery payment financing of fifty Airbus A320neo aircraft to be delivered between 2016 and 2019, and in February 2016, long-term financing of six Boeing 737-800 aircraft was secured through a private placement among institutional investors in the U.S. market. In addition, in April 2016 Norwegian completed a tap issue of NOK 175 million of its unsecured bonds maturing in 2017. After giving effect to the tap issuance, Norwegian's outstanding obligations under the bond equal NOK 1,000 million.

The following table summarizes Norwegian's anticipated capital expenditure for the years 2016 to 2018:

USD 1,000,000	2016	2017	2018
Capital Expenditures	1,100	2,000	2,000

Consolidated cash flow movements

The following table summarizes Norwegian's cash flows for the years ended December 31, 2013, 2014 and 2015, and for the quarters ended March 31, 2015 and 2016:

	Year ended December 31,			Quarter Ended March 31,	
	2013	2014	2015	2015	2016
	(NOK 1,000,000)			(NOK 1,000,000)	
Net cash flow from operating activities	2,378.9	287.1	2,356.7	995.5	2,007.3
Net cash flow from investing activities	(2,127.8)	(4,931.4)	(5,189.2)	(1,597.0)	(1,666.3)
Net cash flow from financial activities	184.2	4,478.4	3,282.3	196.2	375.0
Net change in cash and cash equivalents(1)	435.2	(155.0)	443.0	(395.7)	735.6

(1) Includes foreign exchange effect on cash in the amount of NOK .035 million, NOK 10.9 million and NOK (6.8) million for the years 2013, 2014 and 2015, respectively, and NOK 9.7 million and NOK 19.7 million for the first quarters of 2015 and 2016, respectively.

Quarter ended March 31, 2016, compared to quarter ended March 31, 2015

Net cash flow from operating activities

Cash inflow from operating activities increased by NOK 1,011.8 million, or 101.6%, from NOK 995.5 million during the quarter ended March 31, 2015, to NOK 2,007.3 million for the quarter ended March 31, 2016. The increase was mainly the result of a NOK 926.3 million increase in total operating revenues during the first quarter of 2016, as compared to the same period in 2015.

Net cash from investing activities

Cash outflow from investing activities increased by NOK 69.3 million, or 4.3%, from NOK 1,597.0 million during the quarter ended March 31, 2015, to NOK 1,666.3 million during the quarter ended March 31, 2016. The modest increase reflects the similar level of investment in purchases of aircraft during the first quarter of 2016 as compared with the same period in 2015.

Net cash from financing activities

Cash inflow from financing activities increased by NOK 178.8 million, or 91.1%, from NOK 196.2 million in the quarter ended March 31, 2015 to NOK 375.0 million in the quarter ended March 31, 2016. Proceeds from financings of aircraft and pre-delivery payment financing were partially offset by repayments on borrowings and financing costs in the quarter.

Year ended December 31, 2015, compared to year ended December 31, 2014

Net cash flow from operating activities

Cash inflow from operating activities increased by NOK 2,069.6 million, or 720.9%, from NOK 287.1 million for the year ended December 31, 2014, to NOK 2,356.7 million for the year ended December 31, 2015. The increase is mainly the effect of a loss before tax of NOK 1,627.0 million in the year ended December 31, 2014, and a profit before tax of NOK 75.0 million in the year ended December 31, 2015.

Net cash flow from investing activities

Cash outflow from investing activities increased by NOK 257.8 million, or 5.2%, from NOK 4,931.4 million for the year ended December 31, 2014, to NOK 5,189.2 million for the year ended December 31, 2015. The increase was mainly due to prepayments to aircraft manufacturers and investments in new aircraft.

Net cash flow from financing activities

Cash inflow from financing activities decreased by NOK 1,196.1 million, or 26.7%, from NOK 4,478.4 million for the year ended December 31, 2014, to NOK 3,282.3 million for the year ended December 31, 2015. The decrease is the result of lower proceeds from long-term debt during 2015 (NOK 5,553.6 million, as compared to NOK 6,061.0 million in 2014), higher payments of long-term debt (NOK 1,827.5 million for the year ended December 31, 2015, as compared to NOK 1,259.3 million for the year ended December 31, 2014), and higher payments of interest on borrowings (NOK 581.9 million for the year ended December 31, 2015, as compared to NOK 323.2 million for the year ended December 31, 2014), partially offset by an equity issuance in the amount of NOK 138.1 million during the year ended December 31, 2015.

Year ended December 31, 2014, compared to year ended December 31, 2013

Net cash flow from operating activities

Cash inflow from operating activities decreased by NOK 2,091.8 million, or 87.9%, from NOK 2,378.9 million for the year ended December 31, 2013, to NOK 287.1 million for the year ended December 31, 2014. The decrease is mainly the effect of the change from a profit before tax of NOK 437.4 million for the year ended December 31, 2013, to a loss before tax of NOK 1,627.0 million for the year ended December 31, 2014.

Net cash flow from investing activities

Cash outflow from investing activities increased by NOK 2,803.6 million, or 131.8%, from NOK 2,127.8 million for the year ended December 31, 2013, to NOK 4,931.4 million for the year ended December 31, 2014. The increase was mainly due to increased interest expense related to the financing of 18 new aircraft acquired by Norwegian during 2014.

Net cash flow from financing activities

Cash inflow from financing activities increased by NOK 4,294.3 million, or 2,331.6%, from NOK 184.2 million for the year ended December 31, 2013, to NOK 4,478.4 million for the year ended December 31, 2014. The increase is mainly the result of increased proceeds from long-term debt to finance the acquisition of 18 new aircraft during the year ended December 31, 2014 (NOK 6,061.0 million, as compared to NOK 2,309.7 million for the year ended December 31, 2013), coupled with lower repayments of long-term debt (NOK 1,259.3 million for the year ended December 31, 2014, as compared to NOK 1,829.7 million for the year ended December 31, 2013).

Contractual Obligations

The following table summarizes the maturity profile of Norwegian's financial liabilities as of December 31, 2015. This table does not give effect to the issuance of the Equipment Notes and the Certificates that are being offered hereby.

	Payments due by period				
	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years	Total
	(NOK 1,000,000)				
Borrowings[(1)]	2,984.7	2,592.4	6,863.0	7,640.7	20,080.8
Derivative contracts – payments[(2)]	782.5	—	—	—	782.5
Trade and other payables[(3)]	2,862.6	—	—	—	2,862.6
Interest on borrowings[(4)]	594.9	538.0	1,201.8	843.4	3,178.1

(1) Includes outstanding bonds, pre-delivery financing and aircraft financings.
(2) Includes obligations under hedging arrangements.
(3) Public duties included in trade and other payables.
(4) Calculated interest on borrowings.

Off-Balance Sheet Arrangements

Norwegian's primary off-balance sheet liabilities are in respect of its operating leases, the payment requirements of which are summarized in the table under *"—Contractual Obligations"* above. For additional information regarding Norwegian's operating lease liabilities, see note 12 to the 2015 Audited Financial Statements.

In addition, in the ordinary course of its business, Norwegian enters into indemnity or guaranty arrangements with third parties that may result in liabilities not reflected in Norwegian's Audited Financial Statements. Norwegian does not believe that any such guaranty or indemnity arrangements will have a significant impact on its financial condition or results of operations.

Market Risk Management

Norwegian's business is exposed to market risks primarily arising from fluctuations in aircraft fuel prices, currency exchange rates and interest rates. For a discussion of other risks that may affect Norwegian's business and results of operations, please refer to note 02 to the 2015 Audited Financial Statements.

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 Norwegian'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.

Fuel price

Jet fuel prices are highly volatile, and subject to sudden and wide fluctuations in response to actual or anticipated developments involving, among others, changes in macro-economic or weather conditions, natural disasters, and geo-political events, see "*Risk Factors—Risks Relating to the Business of Norwegian—Norwegian is exposed to risks associated with jet fuel prices*." More recently, technological advances in the retrieving of underground fossil fuels, coupled with continued levels of production by traditional petroleum producers, have resulted in depressed crude oil prices. Expenses for jet fuel represent a substantial part of Norwegian's operating costs, and fluctuations in the jet fuel prices have a significant influence on its projected cash flows. The objective of Norwegian's jet fuel price risk management policy is to safeguard against significant and sudden increases in jet fuel prices while retaining access to price reductions. Norwegian manages jet fuel price risk using fuel derivatives. Management has a mandate to hedge up to 100% of its expected consumption over the next 12 months with forward commodity contracts. These derivative contracts affect the financial statements through unrealized gains/losses from jet-fuel prices. At December 31, 2015, Norwegian held forward contracts totaling 752,000 tons of jet fuel, equaling approximately 50% of the estimated fuel consumption in 2016 and 20% of the estimated fuel consumption in 2017.

Foreign currency exchange rate fluctuations

As indicated elsewhere in this offering memorandum, NAS and each of its subsidiaries determines its own functional currency, and items included in that entity's financial statements are measured in that functional currency. For consolidation purposes, the results and financial position of all of Norwegian's entities that have a functional currency other than NOK are translated to NOK using the closing rate at the reporting date at the end of each month. Income and expenses for each income statement are translated using the average exchange rate for the period, on the assumption that this approach provides a reasonable approximation for estimating actual exchange rates. Fluctuations in the exchange rates between NOK and the different functional currencies have the potential to affect Norwegian's results of operations. In addition, irrespective of an entity's functional currency, many significant expenses (*e.g.* jet fuel, debt service) are denominated in USD or EUR. The realization of revenues in one currency while expense payments are due in another currency creates a second source of risk exposure for Norwegian to foreign exchange rate fluctuations. In 2013, seeking to reduce exposure to the NOK/USD exchange rate, Norwegian transferred a substantial part of its fleet to Arctic, which was newly formed in Ireland, and uses USD as its functional currency. See *"Description of Business—Corporate Structure."*

To reduce currency risk, Norwegian has a mandate to hedge up to 100% of the foreign currency exposure for the following 12 months. At December 31, 2015, Norwegian had entered into forward foreign currency contracts to secure 140 million Danish Krone, 150 million Swedish Krona, 3 million Polish Zloty and 5 million Great British Pounds ("**GBP**"). For quantitative illustrations of the hypothetical effects of 1% variations of the NOK/USD, NOK/EUR, and NOK/GBP exchange rates during 2015, please refer to note 2.2 to the 2015 Audited Financial Statements. In addition, the expansion of operations in the U.S., and the resulting revenues denominated in U.S. dollars, may operate as a natural hedge regarding Norwegian's exposure to the devaluation of its other functional currencies against the U.S. dollar.

Hedging gains and losses according to IFRS are recognized under operating expenses ("other losses/(gains)") while foreign currency gains and losses from translation of U.S. dollar-denominated borrowings are recognized under financial items ("Net foreign exchange (loss) or gain").

Interest rate risk

Given its substantial amount of interest-bearing indebtedness, Norwegian has significant exposure to changes in interest rates. Norwegian's cash flow interest rate risk arises from its cash and cash equivalent holdings, and its floating interest rate borrowings. The floating interest rate borrowings of Norwegian include its unsecured bond issues, aircraft and pre-delivery payment financings, loan facilities and finance lease liabilities. In addition, borrowings that accrue interest at fixed rates expose Norwegian to fair value interest rate risk. Fixed interest rate borrowings of Norwegian include aircraft financings guaranteed by the Ex-Im Bank of the United States. As of December 31, 2015, 6% of Norwegian's aircraft financing debt was exposed to cash flow interest rate risk with quarterly re-pricing dates, and 94% of its aircraft financing debt was exposed to fair value interest rate risk. For a quantitative illustration of the hypothetical effect of a 1% interest rate fluctuation on Norwegian's financial results for the year 2015, please refer to note 2.3 to the 2015 Audited Financial Statements.

As of the date of this offering memorandum, Norwegian does not have any hedging agreements in place in respect of its interest rate exposure.

DESCRIPTION OF BUSINESS

Overview

Norwegian is currently the third largest low-cost carrier in Europe and the sixth largest low-cost carrier in the world, as measured by seat kilometers, according to OAG. Since its transformation into a low-cost airline operator in 2002, Norwegian has evolved from a six-aircraft domestic carrier in Norway to a major international airline that, at December 31, 2015, operated a 99 aircraft fleet on 447 routes to 138 destinations over four continents. Having established a strong presence in Europe, in 2013 Norwegian expanded its operations to include long-haul flights from its bases in the U.S. and Asia into Europe and from the U.K. bases to the U.S. and Asia. While short-haul operations continued to provide most of Norwegian's revenues during 2015, Norwegian's long-term objective is to become the global low-cost airline preferred by leisure travelers.

Norwegian's vision is "everyone should afford to fly." To implement this vision, Norwegian seeks to give everybody the opportunity to travel by air at competitive, low fares and with a high-quality travel experience based on operational excellence and a helpful, friendly service. A measure of Norwegian's success in pursuing this goal was the receipt in 2015 of *SkyTrax* awards as the Best Low-Cost Airline in Europe (for the third consecutive year) and the World's Best Long-Haul Low-Cost Airline, and the *Passenger Choice* award as the "Best in Region: Europe" (for the second year in a row). Accordingly, in addition to expanding its long-haul business by making market share gains from existing long-haul air carriers, Norwegian also expects to achieve growth by expanding the long-haul market itself to include travelers that may previously have chosen not to fly at all.

A critical component of Norwegian's business model is its reliance on its state-of-the-art, environmentally sensitive fleet of efficient aircraft that as of December 31, 2015 had an average age of 3.6 years and in 2014 earned the designation as the most-fuel efficient transatlantic airline by The International Council on Clean Transportation.

In addition to its commercial airline business, Norwegian owns, through its 20% ownership interest in Norwegian Finans Holding ASA, a 20% ownership interest in Bank Norwegian AS, an online bank, and, through its wholly-owned subsidiary, Arctic, has entered into an agreement to lease to Hong Kong Express 12 Airbus A320neo expected to be delivered between 2016 and 2018.

During the three-month period ended March 31, 2016, Norwegian had total operating revenue of NOK 4,960.6 million, Adjusted EBITDAR of NOK 62.6 million and a net loss of NOK 800 million, as compared to total operating revenue of NOK 4,034.3, Adjusted EBITDAR of NOK 68.4 million and a net loss of NOK 538.3 million for the three-month period ended March 31, 2015.

During the year ended December 31, 2015, Norwegian carried 25.8 million passengers. In addition, during the year ended December 31, 2015, Norwegian generated total operating revenues and income of NOK 22,491.1 million, Adjusted EBITDAR of NOK 3,694.3 million and operating profit of NOK 347.8 million as compared to total operating revenues and income of NOK 19,540.0 million, Adjusted EBITDAR of NOK 1,183.5 million and an operating loss of NOK 1,410.5 million in the year ended December 31, 2014. Norwegian's total number of full-time-equivalent employees ("**FTEs**") was approximately 4,600 as of December 31, 2015.

Formation, History and Development

Norwegian was established in 1993 and, until 2002, operated as a subcontractor for the regional activities of Braathens S.A.F.E. on the west coast of Norway with a fleet of Fokker F-50 aircraft. In September 2002, following SAS' acquisition of Braathens S.A.F.E and the termination of Norwegian's west coast operations, Norwegian started its own low-cost operation flying domestic routes in Norway with a fleet of six Boeing 737-300 aircraft.

In 2003, Norwegian's shares were listed for trading on the Oslo Børs following its successful NOK 250 million initial public offering. Shortly thereafter, Norwegian entered into codeshare agreements with FlyNordic and Sterling, two Scandinavian airlines respectively based in Stockholm and Copenhagen. The codeshare agreement with FlyNordic involved the Stockholm-Oslo route and the agreement with Sterling involved thirteen European routes from Norway. These arrangements helped Norwegian achieve revenue growth of 63% in 2005, finishing the year in profit for the first time with annual revenue to NOK 1,972 million.

In the following years Norwegian focused on expanding its operations by launching several new European bases. First, Norwegian established a Polish subsidiary and base in Warsaw, commencing service from Warsaw to five European cities. In 2007, Norwegian acquired FlyNordic from Finnair, thereby strengthening its position in the Nordic and European markets by establishing a base in Stockholm. In the same year, Norwegian ordered 42 new Boeing 737-800s, a type of aircraft considerably more environmentally friendly than those in Norwegian's fleet at the time, and made a 20% investment in Bank Norwegian, which enabled the company to launch its Norwegian Reward frequent flyer program that allows customers to pay for flights with CashPoints earned by using the Bank Norwegian credit card.

The first Boeing 737-800s were delivered to Norwegian in 2008 and allowed the company to reduce fuel consumption and emissions by more than 20%, while at the same time increasing passenger capacity from 148 to 186 and 189 seats. In the same year, Norwegian launched a new base at Rygge, outside Oslo, with 14 routes in service and, following the bankruptcy of Sterling, entered the Danish market through a Copenhagen base that serviced 39 new routes by the end of 2009. During the same period, Norwegian broadened its offering of on-board services with the introduction of Call Norwegian, a mobile phone company that targets Norwegian's customer base with offerings of in-flight mobile phone and internet services and airport WiFi.

During 2010 and 2011, Norwegian expanded its operations by ordering 30 additional Boeing 737-800s, purchasing three Boeing 787-8 Dreamliners, leasing an additional Dreamliner, opening a new base at Helsinki Airport, and launching 2 domestic routes and 11 international routes in and from Finland. In 2011, Norwegian began offering in-flight WiFi on European routes, and by the end of 2012 the entire fleet of Boeing 737-800s was connected with WiFi.

In 2011, Norwegian was voted the third best airline in Northern Europe and the third best low-cost airline in Europe, according to a *SkyTrax* survey.

In 2012, Norwegian placed one of the largest aircraft orders in European aviation history, ordering 22 more Boeing 737-800s, 100 Boeing 737 MAX8s (with 100 purchase rights) and 100 Airbus A320neo (with 50 options), and further securing an additional two Boeing 787-8 Dreamliners for its long-haul operations.

In 2013, Norwegian began its long-haul operations, by establishing crew bases in New York, Fort Lauderdale, Madrid and Barcelona, and launching its Oslo-New York, Oslo-Bangkok, Fort Lauderdale-Copenhagen, Fort Lauderdale-Oslo, Fort Lauderdale-Stockholm and Bergen-New York routes, all operated with the Dreamliner.

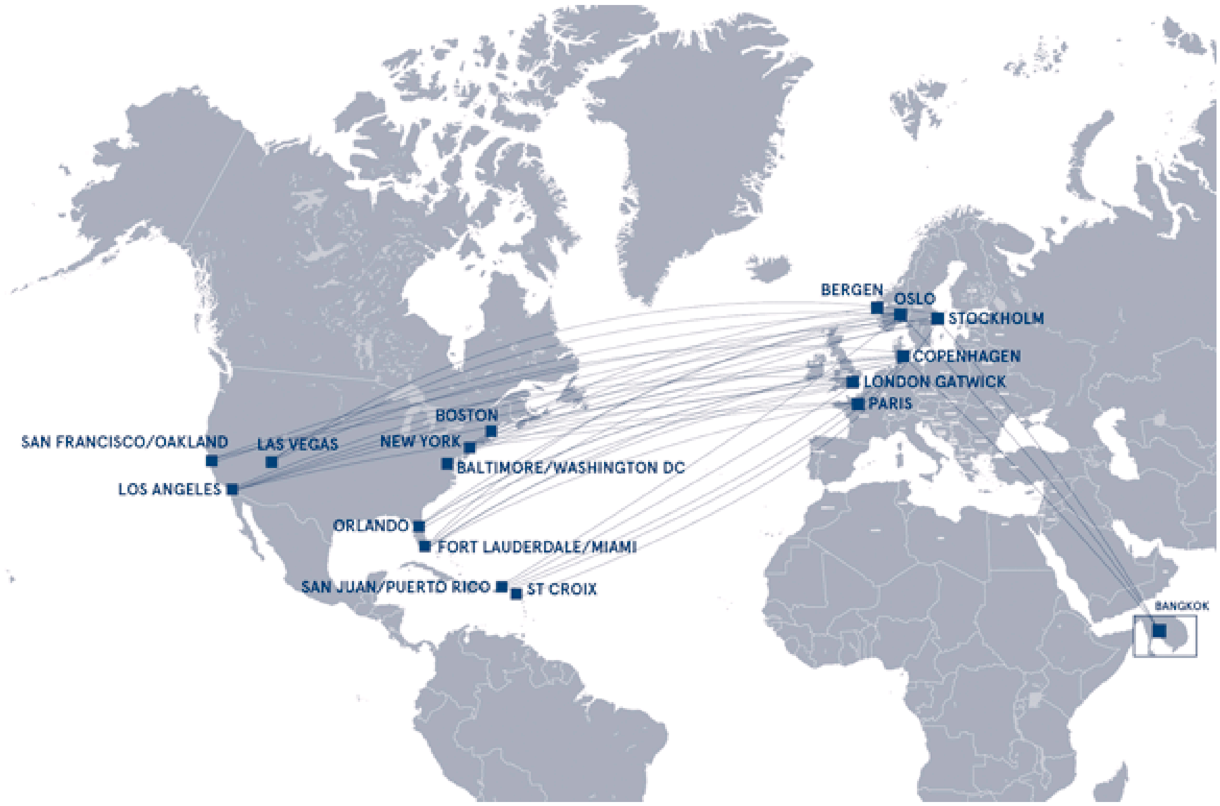
In connection with the commencement and development of its long-haul operations, Norwegian began the reorganization of its corporate structure in 2013, and has obtained an Irish AOC for NAIL, which is based in Dublin, and an English AOC for NAUK, which is based in London, at Gatwick airport (see "—*Corporate Structure*" below).

During 2015, Norwegian launched several new routes, including domestic routes in Spain, winter routes in the Caribbean and direct flights from London to Boston.

At December 31, 2015, 8 Dreamliners served Norwegian's long distance operations and 91 Boeing 737-800s were used on short-haul routes. See "—*Fleet*" below.

During the first quarter of 2016, Norwegian launched new long-haul routes between Paris and the United States and took delivery of five new Boeing 737-800s (including the Owned Aircraft) and one Boeing 787-9 Dreamliner.

The following is a route map of Norwegian's long-haul operations:



Corporate Structure

The Norwegian group consists of the publicly traded parent company, Norwegian Air Shuttle, and its directly or indirectly wholly-owned subsidiaries in Norway, Sweden, Denmark, Finland, Ireland, Spain, Singapore and the U.K. Norwegian Air Shuttle shares are traded publicly on the Oslo Stock Exchange. In 2013, Norwegian began reorganization of its operations, creating several new entities to facilitate its international growth and obtain necessary traffic rights. A key consideration has been to build a structure that maintains Norwegian's flexibility and adaptability with regards to flight operations, aircraft utilization, and expansion of services, while growing and entering new markets. Operations are separated into a commercial airline group with the required AOCs, an asset group, a resource group, and other activities including branding and marketing.

Norwegian Air Shuttle is the parent company of the group and its head office is at "Diamanten," Fornebu, outside Oslo, Norway.

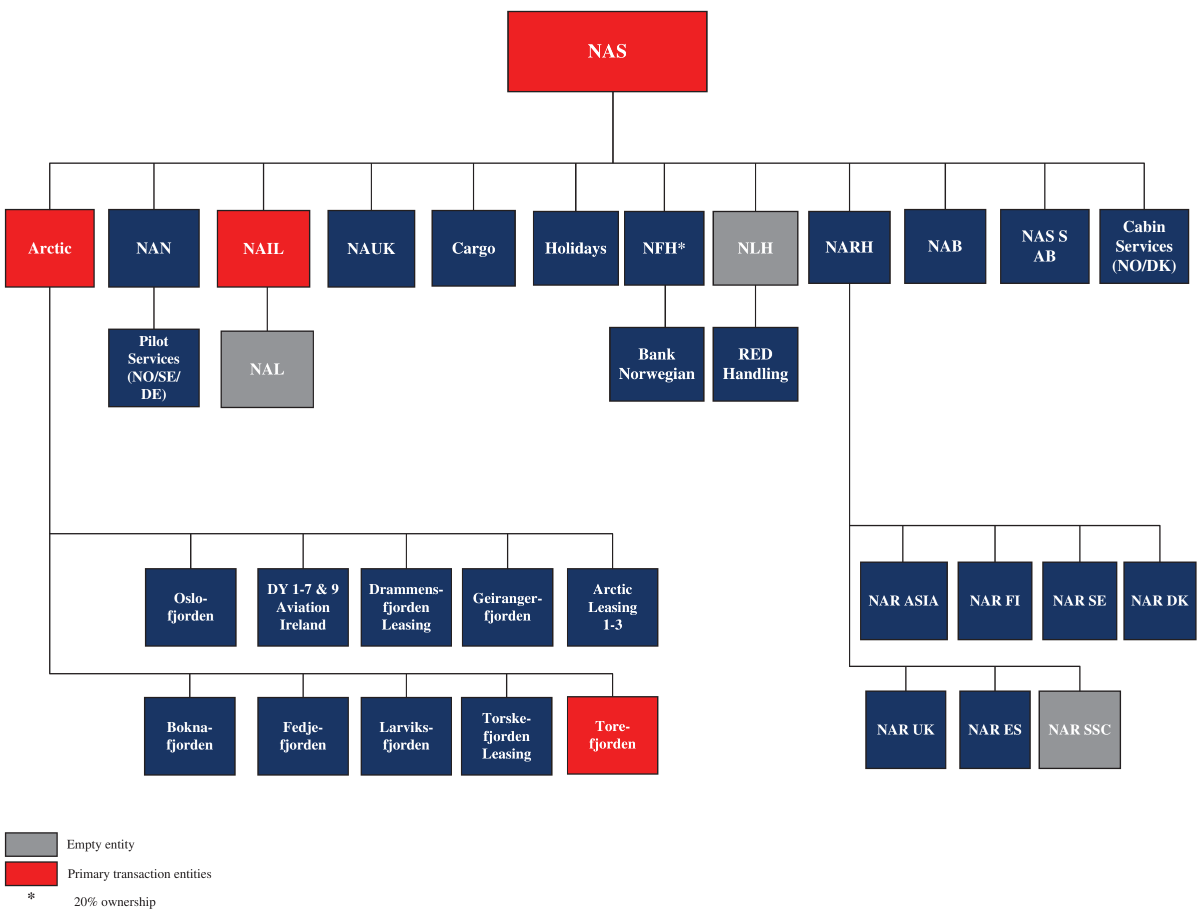
The group's commercial airline activities are distributed among the parent company, NAS, which holds a Norwegian AOC, and wholly-owned subsidiaries NAIL, which holds an Irish AOC, NAN, which holds a Norwegian AOC, and NAUK, which holds a U.K. AOC. NAS operates routes from Scandinavian bases and from bases in London Gatwick, Helsinki, Madrid, Barcelona, Malaga, Alicante, Las Palmas, Tenerife, Bangkok, New York and Fort Lauderdale. NAIL currently operates routes from bases in Spain, Finland, and the U.K. NAN's purpose is to operate flight operations as a wet lease provider. Although NAUK, as Norwegian's newest operating entity, does not yet operate any flights, its creation positions Norwegian to benefit from greater flexibility in its growth. In addition to its application for a U.S. Foreign Air Carrier Permit, NAUK will provide Norwegian with more access to the large London market, and open up the possibility of additional routes in the future. Further, by maintaining both NAIL and NAUK, Norwegian can increase or decrease operations of either subsidiary as necessary to accommodate the needs of the airline over time.

Norwegian's asset companies are organized in a group of subsidiaries based in Dublin, Ireland, and headed by Arctic. Norwegian's aircraft purchase contracts, the ownership of its aircraft and its aircraft leases have been transferred to Arctic and its subsidiaries (including the Owner).

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

Norwegian also established several other subsidiaries in various business areas: Norwegian Brand, Ltd. was established in Ireland to maintain Norwegian's brand and marketing activities; Norwegian Cargo AS was established in Norway to carry out Norwegian's commercial cargo activities; Norwegian Holidays AS was established in Norway to provide holiday packages to customers through online booking; and Norwegian Finans Holding ASA was established to hold shares in Bank Norwegian, in cooperation with which the loyalty program Norwegian Reward is run.

The following chart shows the corporate structure of Norwegian Air Shuttle and its subsidiaries:



Business Strategy

Norwegian's goal is to become the global low-cost airline preferred by leisure travelers. This objective is being pursued through the following four key strategies:

- Continued expansion of long-haul offerings;
- Continued expansion of its state-of-the-art, environmentally sensitive fleet of efficient aircraft;
- Continued focus on the development and implementation of low cost operational and corporate structures; and
- Continued commitment to top quality service to customers.

Expansion of long-haul offerings

The strengthening of long-haul operations is essential to Norwegian's goal to evolve from its origins as a regional airline in Northern Europe to a truly global air carrier. Norwegian launched its long-haul operations at the end of May 2013, and since then, the average sector length of its flights has increased from 1,168 kilometers in 2013, to 1,338 kilometers in 2014 and to 1,407 kilometers in 2015. See "*—Flight Operations—Traffic Development*" for a discussion of how the short- and long-haul operations of Norwegian have evolved in the last two years. Norwegian further expects to increase its long-haul offering during 2016 with the addition of several new routes to Boston and to Paris, and the establishment of a crew base in Rome.

Fleet expansion

The continued expansion of Norwegian's fleet of brand-new aircraft is critical to its goal of becoming the top global low cost airline for leisure travelers. To this end, Norwegian expects to continue building the most modern aircraft fleet available in the industry over the next several years. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" for a discussion of Norwegian's commitments regarding fleet expansion.

As it has done throughout its operating history, Norwegian expects to continue to utilize each type of aircraft for the routes it can service most efficiently. For its traditional short-haul operation in Europe and Northern Africa, Norwegian expects to continue to rely on its Boeing 737-800s and 737-MAX8s and Airbus A320neo aircraft. For its expanded long-haul operation, Norwegian expects to rely on the Boeing 787 Dreamliner, which has exceeded the company's expectations in terms of cost-efficiency and customer comfort in the last two years. As of the date of this offering memorandum, Norwegian has commitments to acquire 36 Boeing 737-800 aircraft, 100 Boeing 737-MAX8 aircraft, 100 Airbus A320neo aircraft and 19 Boeing 787 Dreamliners between 2016 and 2022. For more information, see "*—Fleet*."

Cost efficient business model

Norwegian supports its low fare business offering by operating a highly cost-efficient business model. A significant component of this model is the selection of the most cost-efficient aircraft available for the specific routes to be served.

In addition, Norwegian implements a dynamic route planning model that takes into account seasonal variations in traffic demand to optimize the utilization of its fleet by, for example, operating high-RASK business routes during peak hours and lower-RASK leisure routes during midday off-peak hours, replacing business routes with leisure routes during the mid-summer period, operating flights at nighttime during peak seasons, and otherwise optimizing its fleet resources. During late 2015 and early 2016, Norwegian added new flights from Boston, New York and Washington to the French Caribbean based on its route planning model. The high load factor made possible by this business model leads to lower per-passenger cost and maximizes Norwegian's return on its fleet investment. Norwegian also continuously works to optimize utilization of the fleet by focusing on improving turnaround time for flights and ensuring that there are good connections between Norwegian's long-haul and short-haul offerings.

A further element of Norwegian's cost efficient business model is the strategic location of its crew bases. By establishing new long-haul crew bases in large catchment areas such as New York, Fort Lauderdale, Bangkok and London (rather than in Oslo, Stockholm or Copenhagen), Norwegian can operate flights into smaller and less populated areas, while maximizing both crew and aircraft utilization, as is the case for the flights to the French Caribbean referred to above. Similarly, establishing new bases in selected locations in Europe allows Norwegian to better compete with other low-cost airlines and to broaden its market presence by, for example, adding non-stop routes from Barcelona and Las Palmas to smaller cities in the Nordics or routes from Gatwick, London, to destinations on the European Continent. In addition, recruitment at Norwegian's new bases takes place in the local market, often offering opportunities for Norwegian to achieve competitive wages and benefits while maintaining the high quality of its crews that customers expect.

Another key element in sustaining Norwegian's cost efficient business model is the corporate restructuring of its operations described above, which is expected to be completed in the next two years. By focusing specialized lines of business activities in dedicated subsidiary groups, Norwegian expects to reap the benefits of the associated synergies and thereby lower its overall cost structure. See "*—Corporate Structure*" above.

Service to customers

Norwegian intends to continue to implement and explore additional measures to ensure that its customers' flight experiences increase the likelihood that they will use Norwegian's services in their future travels. As part of this effort, Norwegian will continue to focus on increasing the punctuality and reliability of its flights, the addition of new on-board services, such as Norwegian's offering of free Wi-Fi on all short-haul flights, the proper training and supervision of its personnel, and other measures that may enhance the passenger's flying experience.

At the same time, Norwegian seeks to increase the demand for its services, not only by gaining customers from its competitors, but also by opening new markets and helping to create the accompanying demand with offerings that no other low cost airline currently has available, particularly on long-haul routes. When adding new capacity, particularly in markets with low awareness of the Norwegian brand, Norwegian actively uses lower-than-normal fares to attract new customers in an attempt to establish itself as a future leading candidate for travel plans. Management has found that enabling customers to experience the quality of service provided on Norwegian flights yields significantly better results than many other forms of marketing, including display advertisements or television commercials.

Competitive Strengths

Norwegian's primary competitive strengths include its flexibility and adaptability as it continues to grow into a global airline. This flexibility is reflected in Norwegian's young fleet, large and unique orderbook, well-known brand and efficient business operations. These are the characteristics that Norwegian believes will lead it to become a top global low-cost air carrier.

Young fleet

Norwegian's fleet has an average age of 3.6 years, which is relatively young compared to that of other low-cost carriers and significantly younger than that of legacy carriers. Norwegian keeps the fleet young through a plan of continuous aircraft renewal. Norwegian believes that this approach provides two key benefits: lower aircraft maintenance costs and the ability to stay at the forefront of environmental developments with a higher percentage of environmentally friendly aircraft in the fleet.

Although any airline will have maintenance costs related to keeping up a fleet of aircraft, Norwegian's young fleet allows it to keep maintenance costs as low as possible. During the year ended December 31, 2015, Norwegian's fleet technical maintenance expenses of NOK 1,716.5 million made up 7.8% of its total operating expenses of NOK 22,143.4 million, which is significantly lower than airlines with older fleets.

Because Norwegian uses a very modern fleet, it is consistently using the most environmentally friendly aircraft on the market. Norwegian believes that this is a benefit in several ways. First, it promotes Norwegian's brand to be a leader in the aviation industry with regards to reducing emissions. Second, it helps Norwegian to reduce fuel consumption, which further drives down Norwegian's operating costs.

Large orderbook

Norwegian has a large and unique orderbook comprised of 36 Boeing 737-800s, 100 Boeing 737-MAX8s, 19 Boeing 787-9 Dreamliners and 100 Airbus A320neos. Norwegian also has several purchase rights and options for various Boeing and Airbus aircraft.

This large orderbook provides Norwegian with the opportunity to continue its expansion as a global airline with the ability to simultaneously dispatch flights to a wide range of different regions across the world. Further, the variety of airplanes that Norwegian has on order enables it to adjust its fleet in various ways depending on the evolving needs of the airline as it grows. While other airlines may see Norwegian's growth and attempt to replicate the model, Norwegian's large orderbook positions it ahead of competitors in terms of fleet and fleet capability because it already has the means to achieve that flexibility and growth.

Well-known brand

In Scandinavia, Norwegian has become one of the best known airlines, with only one main competitor. With the large Scandinavian market share as a base for growth, Norwegian is now expanding its market share throughout Europe. Further, Norwegian believes its plan for attracting customers in new markets will allow it to become a well-known and trusted brand globally. When Norwegian enters new markets, the airline aims to capture the attention of new customers through low fares, and then use the opportunity to develop loyalty through exposure to Norwegian's high levels of customer service.

Cost-efficient operations

Norwegian uses many methods to ensure that its operations are as cost-efficient as possible. First, Norwegian's flights are mostly direct, rather than routed through a hub. This cuts down on the fuel costs and seat kilometers needed to complete one journey. Second, Norwegian's route planning model cuts down on costs by directing utilization of the fleet depending on varied demand during different times of the day, days of the week and seasons. Third, Norwegian's business model seeks to maximize aircraft utilization by decreasing turnaround time and increasing the number of block hours for each aircraft. See "*Risk Factors—Risks Relating to the Business of Norwegian—Norwegian relies on maintaining high aircraft utilization rates to maximise its revenue, which makes Norwegian vulnerable to delays.*"

Fleet

Norwegian's fleet consists of owned or leased modern and environmentally friendly aircraft. Continuous fleet renewal has become an integral part of Norwegian's business model. As of December 31, 2015, Norwegian was operating 99 aircraft, of which 91 were Boeing 737-800s and 8 were Boeing 787-8 Dreamliners. Four Boeing 737-300s were not in operation as of that date and are currently for sale. Two leased Boeing 737-800s were not in operation as of that date and were redelivered to their lessors in early January 2016.

During 2015, Norwegian ordered 19 additional Boeing 787-9 Dreamliners, the first four of which are expected to be delivered in 2017. The agreement is the largest single order of Boeing 787-9s in Europe and includes purchase options for an additional ten aircraft of the same type. The goal of the agreement is to further strengthen Norwegian's long-haul operations, as, when all current orders have been delivered, Norwegian's long-haul fleet will include 38 Dreamliners.

The following table sets forth certain information regarding the composition of Norwegian's operating fleet as of December 31, 2015:

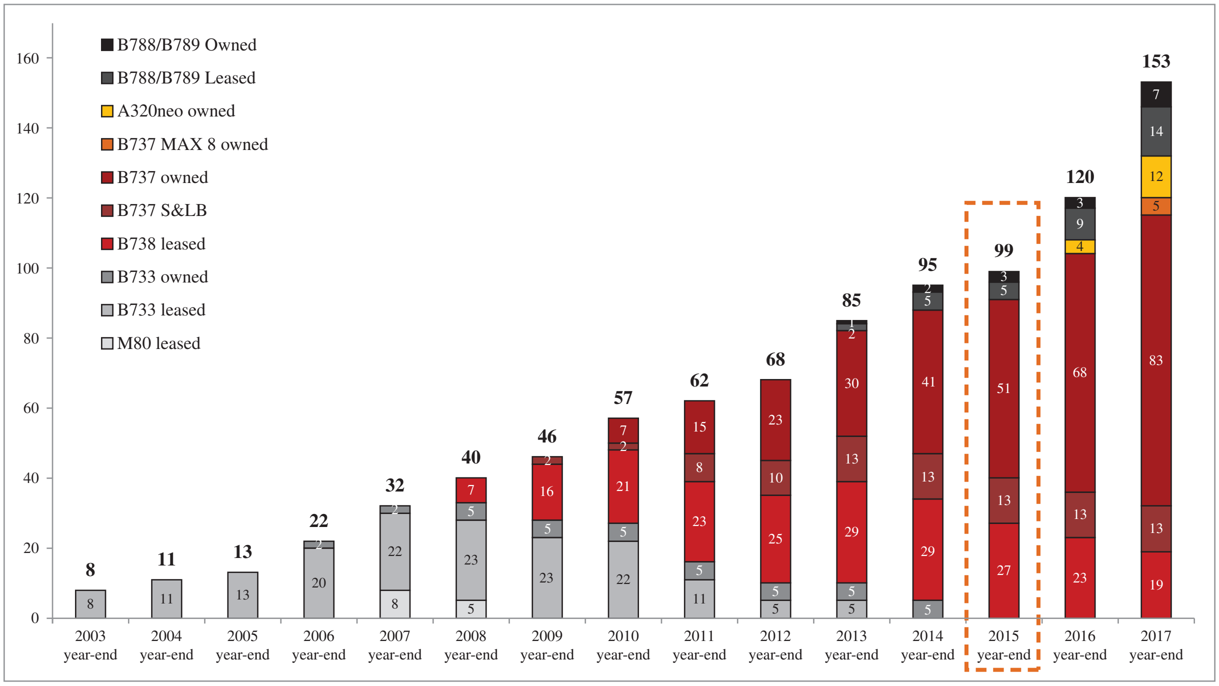
Aircraft	On-Balance Sheet	Operating Leases	Total December 31, 2015
Boeing 737-800	51	40	91
Boeing 787-8	3	5	8
Total	**58**	**47**	**99**

As of December 31, 2015, Norwegian had firm commitments to acquire 255 additional aircraft: 36 Boeing 737-800s, 100 Boeing 787 MAX8s, 100 Airbus A320neos and 19 Boeing 787-9 Dreamliners. In addition to the 19 Dreamliners on order from Boeing, Norwegian will also acquire 11 Dreamliners through operating leases. The table below shows the expected timeline of deliveries, over the next five years, of aircraft excluding purchase options. For a description of the financing arrangements entered or expected to be entered into by Norwegian in connection with the financing of its to-be-delivered aircraft, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*."

Aircraft	2016	2017-2018	2019 and after	Total
Boeing 737-800	17	19	—	36
Boeing 737 Max 8	—	12	88	100
Boeing 787 Dreamliners	—	9	10	19
Airbus A320neo	4	18	78	100
Boeing 787-9 Dreamliners (operating lease)	4	7	—	11
Total	**25**	**65**	**176**	**266**

In addition to Norwegian's firm commitments, it has purchase options for a total of 160 new aircraft: 100 Boeing 737MAX aircraft, 10 Boeing 787-9 Dreamliners and 50 Airbus A320neos.

The following chart illustrates the growth of Norwegian's fleet:



The following is a short description of the different types of aircraft in Norwegian's fleet:

Boeing 737-800

The Boeing 737-800 is a short-haul single-aisle aircraft that entered service in 1998 and is still in production. Today's fleet has both a 189- and 186-seat configuration, both of which are included in Norwegian's fleet. Future deliveries will feature 189 Recaro seats that increase the passengers' overall legroom, Boeing SKY Interior and in-flight WiFi. All Boeing 737-800 have performance enhancing winglets installed.

The Boeing 737-800 aircraft serve all short-haul routes in Norwegian's network, due to their high efficiency. These aircraft are typically allocated to high-density routes and longer short-haul routes to North Africa, the Canary Islands and Dubai.

Boeing 787 Dreamliner

The Boeing 787 Dreamliner is a twin-aisle aircraft with high passenger comfort, low operating costs and reduced emissions. The aircraft is the most environmentally friendly option available, with 20% less emissions than comparable aircraft. In addition to its operational benefits, the Boeing 787 Dreamliner features a number of innovations that cater to passenger preferences, such as larger windows and a quieter cabin. In conventional aircraft, cabin pressure is set to simulate an altitude of 2,400 meters, whereas in the Boeing 787 Dreamliner, cabin pressure is set at 1,800 meters, which reduces typical jet lag symptoms such as headaches and muscle pain.

All long-haul routes serviced by Norwegian fly the Dreamliner. Since the beginning of Norwegian's long-haul operations in 2013, Dreamliners have carried more than two million Norwegian passengers.

Boeing 737 MAX8

When it enters service in 2017, the Boeing 737-MAX8 will be among the most environmentally friendly aircraft available, reducing fuel per seat by 20% compared to the Boeing 737-800, according to Boeing. The Boeing 737-MAX8 also has a longer range than the Boeing 737-800. The new aircraft is projected to improve operational reliability and on-time performance as well as to reduce maintenance and other technical costs.

Airbus A320neo

The A320-200neo ("neo" standing for "new engine option") is an updated version of the A320-200, which is part of the world's best-selling single-aisle aircraft family. The Airbus A320neo is also projected to have significantly reduced maintenance costs, more passenger space and a quieter cabin. Norwegian has been granted the right to lease out the Airbus A320neo aircraft in the same manner as a leasing company and has entered into an agreement to lease 12 of the first Airbus A320neos in its order book to Hong Kong Express Airways, but retains the flexibility to introduce the aircraft type into its fleet when it makes operational sense to do so.

Maintenance

The Boeing 737 fleet is currently operated by NAS and its fully owned subsidiary NAIL. The Boeing 787 fleet is currently operated by NAS. Each of NAS, NAIL and NAUK has its own AOC and is subject to the regulatory oversight of the Norwegian Civil Aviation Authority *(Luftfartstilsynet),* the Irish Aviation Authority ("**IAA**") and the CAA, respectively.

NAS manages its maintenance operations from its technical bases at Oslo Airport, Gardermoen. NAIL manages its maintenance operations from different locations, including Helsinki, Madrid, and Barcelona.

Line maintenance for Norwegian's Boeing 737 fleet is performed by NAS' repair stations at Oslo Airport Gardermoen, Stavanger Airport Sola, Bergen Airport Flesland, Trondheim Airport Værnes, Stockholm Arlanda Airport and Copenhagen Airport Kastrup. All of these stations are approved by the European Aviation Safety Agency ("**EASA**"). Line maintenance for the Boeing 737 fleet is contracted to other EASA Part145-approved repair stations outside Scandinavia. Continuing airworthiness activities for the Boeing 787 fleet are sub-contracted to Boeing Fleet Technical Management. Control and oversight of the activities is performed by NAS' maintenance operations.

Major airframe and engine maintenance is performed by external maintenance and repair organizations approved by EASA and by the applicable national aviation authorities. Airframe maintenance for Norwegian's Boeing 737 fleet is currently carried out by ATC Lasham in the UK, and Lufthansa Technik and Aeroplex of Central Europe in Budapest, Hungary. Engine and component workshop maintenance is undertaken by Lufthansa Technik, MTU and Boeing.

NAS has entered into extensive maintenance agreements with the manufacturers of the airframe and the engine for the Boeing 787-8 fleet, and all airframe maintenance for these aircraft is performed by Boeing under the "Boeing Gold Care" maintenance and reliability program. In the same way, Rolls Royce is performing the engine maintenance on the engines of the Boeing 787-8 fleet in accordance with its "Total Care Program."

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. Each operator 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.

Flight Operations

Overview

Norwegian holds four AOCs. An AOC is an operational and technical approval issued by a country's civil aviation authority that grants the holder the right to conduct commercial flights. The Norwegian Civil Aviation Authority has granted AOCs to NAS and NAN. Norwegian has also been granted an Irish AOC for its subsidiary NAIL, which is based in Dublin.

On November 13, 2015, Norwegian was granted an AOC for NAUK from the CAA. This new addition enables Norwegian to grow its European operations and, in particular, to establish long haul routes from Gatwick Airport to Asia, South America and Africa.

In accordance with the U.S.-EU Open Skies agreement, in 2013, NAIL applied to the DoT for a Foreign Air Carrier Permit to operate long-haul flights to the U.S. and in late 2015, NAUK applied to the DoT for a Foreign Air Carrier Permit to operate long-haul flights to the U.S. The DoT has not yet approved either of Norwegian's applications and has experienced opposition from certain U.S. airlines and other industry players; however on April 15, 2016, the DoT announced that it had tentatively found that NAIL should be issued the foreign air carrier permit applied for, and directed interested parties to show cause why this tentative decision should not be made final. Pending final approval of one or both of these DoT applications, Norwegian is continuing to operate flights to the U.S. through NAS. See "*Risk Factors—Regulatory Risks—Norwegian is dependent on governmental authorizations to operate its aircraft on international routes, and any failure to obtain authorization or cancellation of such authorizations could have a material adverse effect on Norwegian's business, financial condition and results of operations.*"

Traffic Development

The total number of passengers flown by Norwegian in 2015 was 25.8 million compared to 24.0 million in 2014, an increase of 7.1%. In 2015, total passenger traffic (RPK) increased by 12% compared to 2014, total capacity (ASK) increased by 5% from 2014, and the load factor was 86%, up 5 percentage points from 2014. The increase in passenger traffic, ASK and load factor is primarily driven by the establishment of new European short-haul bases and long-haul operations to North America and Southeast Asia. During 2015, Norwegian utilized each operational aircraft on average 11.33 block hours per day, as compared to 11.30 block hours per day during 2014.

Competition

There is intense competition among airlines in all market sectors and geographic regions in which Norwegian operates. Airlines compete principally in terms of price, service, frequency of service, size of network, on time performance, safety, brand recognition, passenger loyalty and other service-related issues. Norwegian competes with a number of other airlines, principally SAS on domestic routes in Norway and Sweden, and numerous network and low-cost carriers, including Delta Air Lines, American Airlines, United Airlines, Air France, KLM, British Airways and Ryanair, on international routes to and from points in Europe and the U.S. Many of these competitors are larger companies, have greater resources, and enjoy stronger brand recognition internationally.

There are several factors that Norwegian believes will allow it to be successful in its increasingly competitive market. First, Norwegian's young fleet is more environmentally friendly than the fleets of most of Norwegian's competitors, which allows for lower fuel and maintenance costs. Second, Norwegian believes it has developed a strategy for entering new markets that will also aid its success in capturing market share ahead of its competitors. By entering markets with low fares and giving new customers an opportunity to become acquainted with Norwegian's high level of service, Norwegian believes it is able to build stronger brand recognition in new markets.

In February 2016, Norwegian joined Airlines for Europe, a new association for European airlines that aims to reduce costs and improve the regulatory environment for its members. As of March 31, 2016, the other member airlines are Air France-KLM, easyJet, Finnair, IAG International Airlines Group (the holding company for Aer Lingus, British Airways, Iberia and Vueling), Lufthansa Group and Ryanair. By participating in this association, Norwegian will have a voice in framing the environment within which it operates, which Norwegian believes will allow for greater flexibility in pursuing and adjusting its business strategies.

Marketing

Internet bookings have made up a very substantial portion of Norwegian's ticket sales over the past decade, but as Norwegian's brand continues to grow and expand into new markets, there has been an increase in the percent of ticket sales from other sources, such as travel agencies or tour organizations. In 2013, Norwegian Brand Ltd. was established in Ireland with the intention of developing Norwegian's brand and marketing activities. Norwegian's experience has demonstrated that, by focusing on maintaining a strong brand as the airline enters new markets, it is able to achieve continued growth of sales through these other channels.

Frequent Flyer Program

Norwegian has implemented a customer loyalty program, Norwegian Rewards, which it operates in cooperation with Bank Norwegian, pursuant to which customers earn "CashPoints" in the following circumstances:

- Bank Norwegian customers: 1% of the payment is earned on all purchases. CashPoints are also earned on all low fare and full flex tickets purchased from NAS using the Bank Norwegian credit card. Customers earn 5% and 20% of the purchase price of these transactions, respectively, except for tickets for long distance and domestic travel in Norway and Sweden, for which the customer earns 2% on low fare tickets and 10% on full flex tickets.
- NAS "My Reward Customer": 2% on all low fare tickets and 10% on all full flex tickets.
- Corporate Reward Customer: 3% on all low fare tickets and 7% on all full flex tickets.
- Customers earn CashPoints with selected merchants that are in cooperation with Norwegian Reward. CashPoints can be earned on purchases in the range of 2% - 20%.

Customer CashPoints gained from purchased airline tickets are recognized as a liability on Norwegian's statement of financial position and deducted from the value of the purchase at the date of purchase. The customer CashPoints liability is derecognized from Norwegian's statement of financial position and recognized as income when customers utilize their CashPoints.

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

CashPoints are valid throughout the year in which they are earned, plus two years. Unused CashPoints after this period are derecognized from the statement of financial position. The liability is measured at fair value and classified as short term, as available statistics indicate that customer CashPoints are typically utilized within one year. Hence the carrying value of the liability is estimated as the fair value of the liability.

Facilities

Norwegian does not own any material real estate property. See note 11 to the 2015 Audited Financial Statements.

Labor Relations

Norwegian believes that all of its employees have 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's declarations and conventions. As such, no employee of Norwegian 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. Equality must be guaranteed between men and women in terms of employment, working conditions, career opportunities and remuneration. Norwegian has a long-term focus on creating an attractive workplace for employees. An important factor of success is maintaining a workforce of highly motivated and skilled employees and leaders. Norwegian aims to offer unique opportunities to employees and foster a corporate culture that helps it attract and retain the best people in the industry, regardless of who they are, and where the business is located. Creating effective arenas for learning and professional development at all levels of the organization is a priority for Norwegian.

At the end of 2015 Norwegian employed approximately 4,600 FTEs, including apprentices and hired staff, compared to approximately 4,300 FTEs at the end of 2014. The increase was planned and has taken place in line with the expansion of the route network.

Norwegian's successful apprentice program in Travel & Tourism continued in 2015 with apprentices from both Norway and Sweden. The program, which will celebrate its ten-year anniversary in 2016, is officially accredited by the Norwegian Educational Authorities and at year end 2015 it was comprised of just under 100 apprentices. The program runs over a two to three year period, depending on the apprentices' educational background, and has year-round rolling admissions. Further intake is planned for 2016 and the program is continuously being developed.

At graduation, the apprentices have successfully completed modules in Sales & Marketing, Customer Support & Booking and Ground Handling and have had at least one international assignment over an extended period of time. Additionally, they have spent time flying as cabin crew members across Scandinavia and Europe. Norwegian's apprentices had a perfect pass rate in 2015. The labor unions are actively included in the planning of the apprentices' curriculum.

Norwegian's human resources policy is intended to be equitable, neutral and non-discriminatory, regardless of ethnicity and national background, gender, sexual orientation, religion or age.

Norwegian has strived for gender equality in a male-dominated industry since its inception in 2002. As of December 31, 2015, 47% of the employees were women and 53% were men. Norwegian strives to equalize gender roles throughout various positions that were traditionally male-dominated, such as the positions of pilot, engineer and technician, and those that were more traditionally female-dominated, such as positions as part of the cabin crew. The board of directors comprises more than 40% women.

Norwegian actively monitors Health, Safety and the Environment ("**HSE**") indicators, corporate health insurance policies and continuing cooperation with protective services to improve health and reduce incidences of sickness leave.

A number of key HSE activities are conducted in compliance with labor laws and corporate guidelines, such as risk assessments, audits, handling of safety reports, work environment surveys and following up with group processes on base meetings both for crew and technical staff. Activities also include participation in environmental resources management and in several other HSE-related projects. Information about HSE is also provided in connection with the training of crew, pilots and technical staff.

Norwegian also participates in organizations such as AKAN (a workplace advisory center for issues relating to alcohol, drugs and addictive gambling and gaming) and other work environment committees and safety representative meetings.

NAS is a member of NHO Aviation, which is a member of NHO (Confederation of Norwegian Enterprise). A 2015 collective salary review was conducted by NHO through local collective bargaining with most unions. Moderate changes in wages and efficiency were achieved with these unions.

Norwegian hires crewmembers where they are based, which benefits Norwegian, its employees and the local communities. It increases efficiency and ensures that crewmembers are protected by the full range of labor and employment laws of their home base country. To attract and retain qualified crew, Norwegian offers fully competitive wages in the markets in which it operates. Globally, the majority of Norwegian's crewmembers participate in unions under the collective bargaining laws of their respective countries.

Employee Group	Union	Number of members (Dec. 31, 2015)	Current agreements expire on:
Cabin Crew	Norwegian Cabin Union (No/Dk)	Total: 888 No: 715 Dk: 173	New period agreed on for April 1st 2016-March 31st 2018
FD Crew	Norwegian Pilot Union (No/Sv/Dk)	Total: 571 No: 390 Sv: 88 Dk: 93	March 31st 2017
Technicians	NFO (No) NFK (local)	115 22	March 31st 2016 March 31st 2016
Engineers	NITO (No)	7	March 31st 2016 and running
Office Employees	Handel & Kontor (No) Lederne (No)	145 70	March 31st 2016 and running March 31st 2016
Logistics & Stock	Fellesforbundet (No)	15	March 31st 2016 and running
Technical & Engineers	FLT (No)	9	March 31st 2016 and running

In March 2015, Norwegian's pilots had an eleven day strike that caused Norwegian's flights to be grounded during that period. For more information, see "*Risk Factors—Norwegian may not achieve its goals in future negotiations regarding the terms of collective labor agreements of its unionized work groups, exposing it to the risk of strikes and other work-related disruptions.*"

Agreement with OSM

In December 2015, Norwegian signed an agreement to form a global partnership with OSM Aviation in employment and management of aviation crew. OSM Aviation offers permanent employment and competitive working conditions for crew members, and currently employs more than 1,000 Norwegian crew members. OSM also provides recruitment, training, crew management, and in-flight services.

Pensions

The company operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

Fuel

Expenses for jet-fuel represent a substantial part of Norwegian's operating costs, and fluctuations in jet fuel prices influence projected cash flows, see "*Risk Factors—Norwegian is exposed to risks associated with jet fuel prices.*" The objective of Norwegian's jet-fuel price risk management policy is to safeguard against significant and sudden increases in jet-fuel prices while retaining access to price reductions. Norwegian manages jet-fuel price risk using fuel derivatives. Norwegian's management has a mandate from its Board of Directors to hedge up to 100% of its expected jet fuel consumption over the next 12 months with forward commodity contracts.

Norwegian currently holds a variety of 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, Norwegian 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.

Safety Record

The safety of Norwegian's customers and employees is key to its business. Safe operations in the air and on the ground are Norwegian's paramount priorities. No serious accidents have occurred to date, to either passengers or crew involving aircraft operations since Norwegian was founded in 1993, a record that Norwegian intends to maintain. See "*Risk Factors—Risks Relating to the Business of Norwegian—Any deterioration in brand image or consumer confidence in the Norwegian brand may adversely affect Norwegian's ability to market its services and attract and retain customers.*"

Norwegian has safety departments, which are an integrated part of Norwegian's safety management system ("**SMS**"). The safety and compliance departments are independent and report directly to the accountable manager. Their main tasks are to proactively promote safety throughout the organization. All manuals, procedures and routines are designed to comply with all applicable safety standards.

Safety is covered in the crew training programs, together with training in security related issues. The civil aviation authorities approve all programs, examinations and qualification requirements.

Norwegian's aircraft are subject to a stringent maintenance program based on the manufacturers' recommendations and current rules and regulations.

In October 2014, Norwegian was granted regulatory approval for use of Norwegian's SMS across all its airlines. This achievement confirms that each Norwegian AOC is fully aligned with industry best practice and cutting edge developments in safety management. NAS has an SMS with oversight from the Norwegian Civil Aviation Authority, whereas NAIL and NAUK each has its own SMS with oversight from the IAA and the U.K. CAA, respectively.

In order to comply with European and international SMS requirements, Norwegian was required to implement a number of organizational changes, such as a new safety organization, with a new approach to safety that is no longer limited to just flight safety. Norwegian's safety practices now embrace safety across the entire group, making every staff member part of the safety strategy. Each person, manager and department has the responsibility to report safety hazards, occurrences and issues via the SafetyNet reporting system, helping to identify risks that can be managed, thereby preventing expensive incidents and accidents.

Norwegian will continue to focus on safety and encourage a healthy internal reporting of errors in order to actively promote an atmosphere where any employee can openly discuss errors of commission or omission, process improvements and system corrections without the fear of reprisal. The safety department will work to dismantle the silos that can develop between departments and approach safety in a holistic manner involving all employees. Such activities are essential to secure an effective SMS, where each department considers not just their own risk, but also the risk that their plans and activities will have on other departments. Risk assessments will therefore become a standard process. This holistic approach will introduce a cohesive process to Norwegian's workflow, which will reduce safety risk, and also reduce costs through better planning and communication.

In 2014 Norwegian started the deployment of a new IT system in order to enable the measurement of its risk exposure in real time and to foresee potential risks. This software is now in the testing/calibration phase and Norwegian expects it to greatly enhance risk awareness amongst its management and staff. This initiative will work in conjunction with Norwegian's SafetyNet reporting system and the flight data monitoring program to provide cutting edge risk awareness technology. Automatic collection and collation of data from the entire organization, combined with logical processing of current and historical data, provides a view of future risk. By analyzing key data and trends over time, Norwegian can uncover areas that need additional attention and understand the effect of corrective measures taken, enabling potential deviations to be corrected before they occur.

Norwegian also aims to identify hazards in its workspaces and proactively manage associated risks to a level called "as low as reasonably practicably." Norwegian also actively engages in international safety research projects, exchanging data with key players in the aviation industry and striving to follow the industry best practices.

Insurance

Norwegian is exposed to potential catastrophic losses that may be incurred in the event of an aircraft accident or terrorist incident. Any such accident or incident could involve costs related to the repair or replacement of a damaged aircraft and its consequent temporary or permanent loss from service. In addition, an accident or incident could result in significant legal claims against Norwegian from injured passengers and others who experienced injury or property damage as a result of the accident or incident, including ground victims. Norwegian maintains insurance in respect of each of its aircraft covering loss or damage to aircraft whilst in the air and on the ground, and in respect of spare engines and parts, in each case for customary amounts and against risks to the fullest extent available in the leading international insurance markets. Norwegian also maintains third party liability cover to the fullest extent available in the leading international insurance markets.

There can be no assurance that the amount of such coverage will not need to be increased, that insurance premiums will not increase significantly or that Norwegian will not be forced to bear substantial losses from accidents.

For more information, see "*Risk Factors—Risks Relating to the Business of Norwegian—Airline insurance may become too difficult or expensive to obtain, which could expose Norwegian to substantial loss and may have a material adverse effect on its financial condition and results of operations.*"

Legal Proceedings

Norwegian is involved in a variety of litigation and arbitration proceedings from time to time. Many of these disputes relate to claims arising in the ordinary course of business including, but not limited to, litigation relating to service interruption, flight delays, lost or damaged luggage, flight accidents and personal injury claims. For further information on Norwegian's legal proceedings, see "*Risk Factors—Risks Relating to the Business of Norwegian—Possible litigation and arbitration proceedings may have a material adverse effect on Norwegian*" above.

Government Regulation

The air transportation industry has historically been, and continues to be, subject to significant governmental regulation both internationally and domestically. NAS is licensed as an airline by the Norwegian Civil Aviation Authority, NAIL is licensed as an airline by the IAA, and NAUK is licensed as an airline by the CAA. Each airline is subject to the regulatory framework in the jurisdiction in which it is licensed, along with international regulations of jurisdictions to which it provides service, including the U.S. and EU regulations.

EU regulatory framework

The European Aviation Safety Agency. EASA is an agency of the EU that has been given specific regulatory and executive tasks in the field of aviation safety. EASA was established through Regulation (EC) No. 1592/2002 of the European Parliament and the Council of July 15, 2002, repealed by Basic

Regulation (EC) 216-2008. The purpose of EASA is to draw-up common standards to ensure the highest levels of safety, oversee their uniform application across Europe and promote them at the global level. The EASA formally started its work on September 28, 2003, taking over the responsibility for regulating airworthiness, maintenance and air crew issues within the EU member states.

European Commission. The European Commission is in the process of introducing an updated legislative package to its "single European sky policy," called "SES2+," which would lead to changes to air traffic management and control within the EU. The "single European sky policy" currently consists of the Framework Regulation (Reg. (EC) No. 549/2004) plus three technical regulations on the provision of air navigation services, organization and use of the airspace and the inter-operability of the European air traffic management network. These regulations were amended by the so-called "Single European Sky II" regulation (EU Regulation 1070/09), which focused on air traffic control performance and extended the authority of EASA to include Airports and Air Traffic Management. The objective of the policy is to enhance safety standards and the overall efficiency of air traffic in Europe, as well as to reduce the cost of air traffic control services.

On September 6, 2005, the European Commission announced new guidelines on the financing of airports and start-up aid to airlines by regional airports based on its February 2004 finding in the Charleroi case, a decision that the EU Court of First Instance annulled in December 2008. The guidelines only applied to publicly-owned regional airports, and placed restrictions on the incentives that these airports can offer airlines to deliver traffic. In April 2014, the European Commission published final revised guidelines that better reflect the commercial reality of the liberalized air transport market, but still place restrictions on the incentives public airports can offer to airlines delivering traffic, when compared with the commercial freedom available to private airports.

The EU also adopted legislation on airport charges (EU Directive 2009/12), which was originally intended to address abusive pricing at monopoly airports. However, the legislation includes all European airports with over five million passengers per year.

The EU also passed legislation calling for increased transparency in airline fares, which requires the inclusion of all mandatory taxes, fees, and charges in advertised prices.

International regulatory framework

The regulatory system for international air transport is based upon the general principle that each State has sovereignty over its territory and its air space and has the right to control the operation of air services over its territory. As a consequence, international air transport rights are based primarily on traffic rights, i.e. rights to overfly a certain territory or to land at a specific destination, granted by individual states to other states in bilateral air service or air traffic agreements. The other states, in turn, grant the rights they have received in bilateral agreements to their local air carriers. In addition to bilateral traffic rights, some traffic rights are directly granted in horizontal and multilateral agreements, such as the U.S.-EU Open Skies Agreement.

Non-scheduled flights, such as charter flights, are subject to the restrictions imposed by individual states. Air carriers generally obtain traffic rights for non-scheduled flights from the relevant foreign states.

The International Civil Aviation Organization ("**ICAO**"), a specialized agency of the United Nations (the "**UN**"), has developed standards and recommended practices covering a wide range of matters, including aircraft operations, personnel licensing, security, accident investigations, navigation services, airport design and operation and environmental protection.

The International Air Transport Association ("**IATA**"), the international trade organization of airlines with 240 members, provides a forum for the coordination of fares on international routes and for international cooperation in areas such as technical safety, security, navigation services, flight operations and the development of communication standards and administrative procedures.

U.S. DoT and FAA

The two primary regulatory U.S. authorities overseeing air transportation to, from and within the United States are the DoT and the Federal Aviation Administration ("**FAA**"). The DoT has jurisdiction over economic issues affecting air transportation, such as licensing and route authorizations, including the authority to issue foreign air carrier permits and exemptions authorizing foreign airlines to provide foreign air transportation to and from the U.S. The DoT also has jurisdiction over other economic issues including unfair and deceptive practices, unfair methods of competition, and consumer protection requirements, including advertising and sales practices, baggage liability, denied boarding compensation and disabled passenger transportation, among other areas. The DoT promulgated consumer protection rules that became effective in 2011 and 2012 imposing requirements on airlines, including foreign airlines, with respect to advertising, disclosure of fares and fees and handling of disabled passengers, at the airport and on board the aircraft, among other areas. The DoT proposed additional consumer protection rules in 2014 that, if enacted, would require airlines to disclose through all points of sale the fees for certain basic ancillary services associated with the air transportation consumers are buying or considering buying. Such rules may be implemented in 2016.

The FAA is responsible for regulating and overseeing matters relating to air carrier safety, flight operations, including airline operating certificates, aircraft certification and maintenance and other matters affecting air safety. Foreign airlines are required to obtain FAA Operations Specifications under 14 CFR Part 129.

Norwegian's U.S. operations have attracted significant attention from the U.S. legacy carriers, as Norwegian is the first low-cost foreign airline to make significant inroads in the transatlantic market, which is dominated by three major U.S. airlines and their respective alliances, offering affordable nonstop flights to the flying public. Norwegian offers a high quality low-cost point-to-point service which bypasses time-consuming and expensive layovers at "alliance" hubs such as Frankfurt, London, Paris, Amsterdam and Copenhagen. As of the date of this offering memorandum, the DoT continues to delay approving NAIL's application for a Foreign Air Carrier Permit to operate flights to the U.S., although on April 15, 2016, the DoT indicated that it had tentatively found that NAIL should be issued such permit. In spite of that finding, the DoT directed interested parties to show cause why this tentative decision should not be made final. NAS has access to more expansive traffic rights to many long-haul destinations in Asia, Africa and South America operating under its EU AOC (in the case of NAIL, from Ireland, or in the case of NAUK, from the U.K.). Until NAIL or NAUK are authorized to fly to the U.S., Norwegian will conduct its long-haul operations to the U.S. through NAS and will conduct its other long-haul operations through either NAIL or NAUK with their EU AOCs.

Environmental Consciousness

Norwegian is committed to actively engaging in and supporting a sustainable environmental policy, and to continuing to reduce emissions from aviation. Flight operations are inherently dependent on fossil fuels and also generate noise. However, Norwegian's current aircraft fleet operates well within the levels and restrictions imposed by national and international regulations. By renewing its fleet, Norwegian contributes to reducing emissions. Norwegian has one of Europe's most modern and environmentally friendly fleets with an average age of 3.6 years at December 31, 2015. In 2014, Norwegian carried out its first ever flight with biofuel. 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 is aiming to help make aviation carbon neutral by 2050.

Norwegian also undertakes a variety of other measures to minimize its environmental impact:

- Green approaches, or "Continuous Descent Approaches," are designed to reduce overall emissions during the final stages of the flight.

- All of Norwegian's Boeing 737-800 aircraft are fitted with winglets, a tailfin-like extension of each wingtip that reduces drag. The effect is reduction in fuel consumption, as the same lift and speed is created with less engine thrust.
- Norwegian is committed to keeping aircraft weights to a minimum, thereby reducing emissions.
- Norwegian offers more direct flights compared to traditional network carriers, which often route passengers via a hub. Hubbing increases the seat kilometers and the number of fuel-intensive take offs and landings needed to complete a journey, compared to Norwegian's mostly direct flights.
- Norwegian completes a special engine wash on each aircraft 2-3 times per year. This, combined with aircraft washing, decreases fuel consumption, and thus reduces carbon emissions.

Norwegian's load factor has increased from 77.4% in 2010 to 86.2% in 2015, which makes Norwegian's operations more environmentally sustainable, as emissions per passenger are lower. The company's emissions per passenger kilometer are well below the industry average and less than many forms of land and sea-based transportation.

It is the perception of the board of directors that Norwegian has complied with all requirements and recommendations with regard to its impact on the external environment, and that it takes all possible steps to minimize emissions and other negative effects on the environment.

Humanitarian Work

Norwegian has entered into a partnership with the humanitarian organization UNICEF through a so-called Signature Partnership, which is the highest form of partnership that UNICEF Norway offers corporate clients. It is a highly successful co-operation that has been running since 2007.

UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. UNICEF insists that the survival, protection, and development of children are universal development imperatives that are integral to human progress.

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

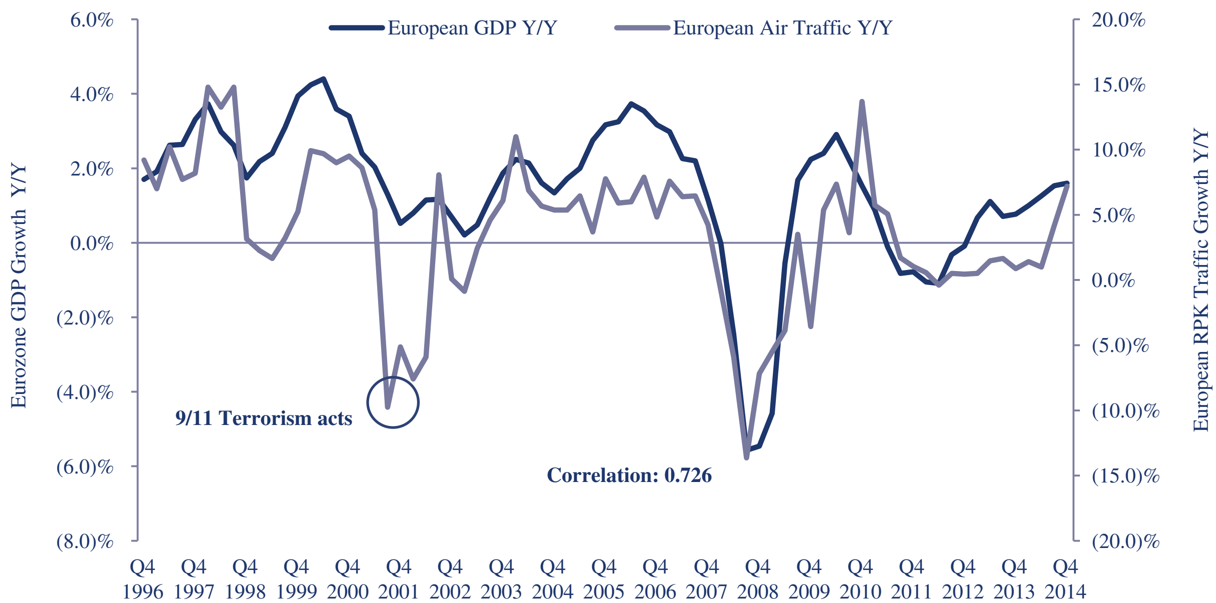
- In 2014, Norwegian filled an aircraft full of emergency aid together with UNICEF Norway and headed to the Central African Republic. Norwegian's CEO described it as "Norwegian's most important flight during 2014."
- In 2013, Norwegian donated NOK 1 from each water bottle sold on board to UNICEF's important work. Norwegian's passengers bought 1.3 million water bottles throughout the year, and therefore contributed with NOK 1.3 million to the world's children.
- Norwegian has its tenth anniversary in 2012 and marked the day with a grand jubilee concert at Fornebu. The concert proceeds of NOK 1 million were donated to UNICEF.

INDUSTRY OVERVIEW

Key Trends Affecting Air Travel

The airline industry has benefited from structural long-term growth in demand for air travel. The growth of air travel has historically been closely linked to economic growth and air travel has become a preferred method of transport for a wide spectrum of travel needs, such as tourism and business. Due to the central role that air travel plays in modern economies, the economic performance of the industry correlates closely with both global GDP and world trade. Between 1996 and 2014, European RPK traffic growth and Eurozone GDP growth displayed a correlation of 0.726.

Multiplier effect: EU air traffic has grown at 2.5x GDP over last 17 years



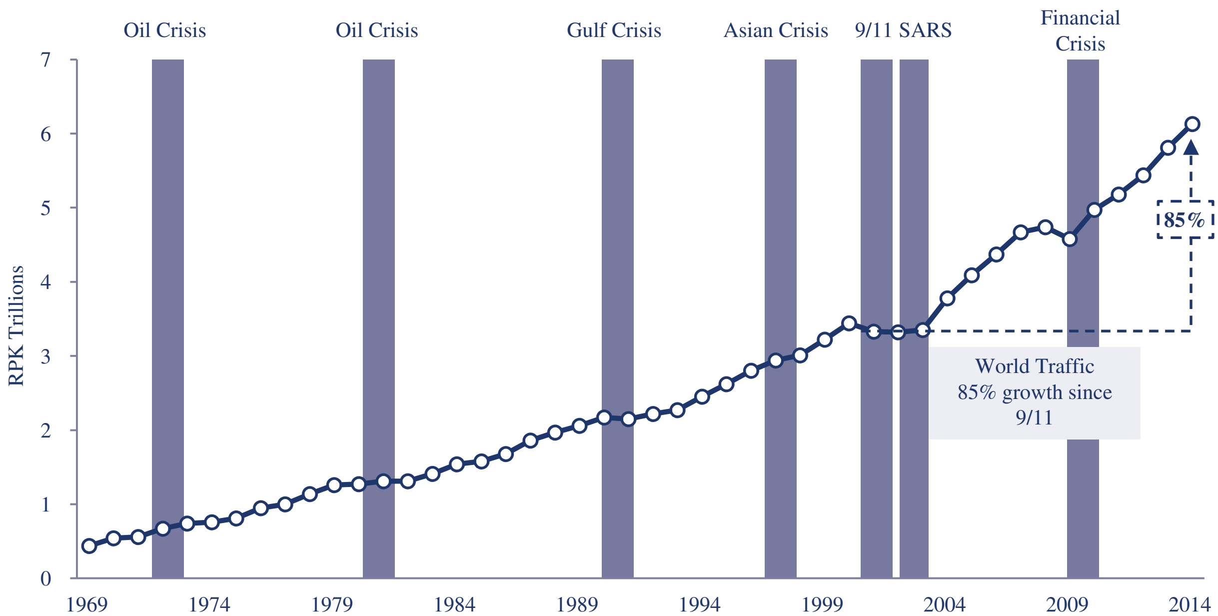
Source: Morgan Stanley Research, Datastream, AEA

With the exception of temporary shocks and external disruptions (such as oil crises, terror attacks or disease outbreaks), the airline industry has grown steadily over the last 30 years. According to Airbus, global air traffic as measured by RPK has quadrupled between 1984 and 2014 and, between 2004 and 2014, global traffic as measured by RPK has grown by 62%, a compound annual growth rate ("**CAGR**") of 4.9% over the ten-year period. According to IATA's 2014 Annual Review, the number of air passengers globally has increased from 39.5 million in 1952 to approximately 3.3 billion in 2014, representing a CAGR of 7.4%.

Shocks such as the terror attacks on September 11, 2001 have only interrupted growth very briefly with quick recoveries and sustained rebound periods. More recently, following a challenging period between 2001 and 2003, brought on by the terror attacks on September 11, 2001 and the subsequent SARS epidemic, the airline industry performed strongly between 2003 and 2008, with 2008 global RPK growing at a CAGR of 8.1% over this period. Likewise, after a brief decline in 2009 of 1.2% in global RPK following the financial crisis in 2010, the industry surpassed the milestone global passenger number of 2.5 billion passengers for the first time, with the number of global passengers for the year reaching 2.7 billion passengers. Since then, global RPK has grown in excess of 5% each year.

This continuous growth in air traffic has also been aided by significant technological advances in the industry, such as the widespread use of passenger jet aircraft commencing in the early 1960s, with newer generations of more capable and efficient aircraft enabling longer operating ranges, better fuel efficiency, enhanced safety features, larger capacity and lower maintenance costs evolving steadily since the introduction of the passenger jet aircraft.

Global Air Traffic Evolution



Source: ICAO, Airbus

Although the industry is considered to have reached a healthy level of maturity, industry analysts see considerable room for further growth. IATA expects RPK growth rates of 6.7% and 6.9% per annum in 2015 and 2016, respectively. According to Airbus, the global RPK level of 6.2 trillion as of 2014 is expected to increase by 145% and grow to reach 15.2 trillion by 2034 (a CAGR of 4.6%). Boeing projects total RPKs to grow at a CAGR of 4.9% over the same period. These forecasts are based on multiple assumptions, including expectations for future global GDP growth, increased demand from emerging markets and continued liberalization of travel regulations and restrictions. For the period from 2015 to 2034, Airbus expects an RPK CAGR of 5.8% for emerging and developing economies and 3.8% for advanced economies including Western Europe, North America and Japan. IATA forecasts global passenger numbers of 3.5 billion and 3.8 billion for 2015 and 2016, respectively.

Overview of the European Airline Market

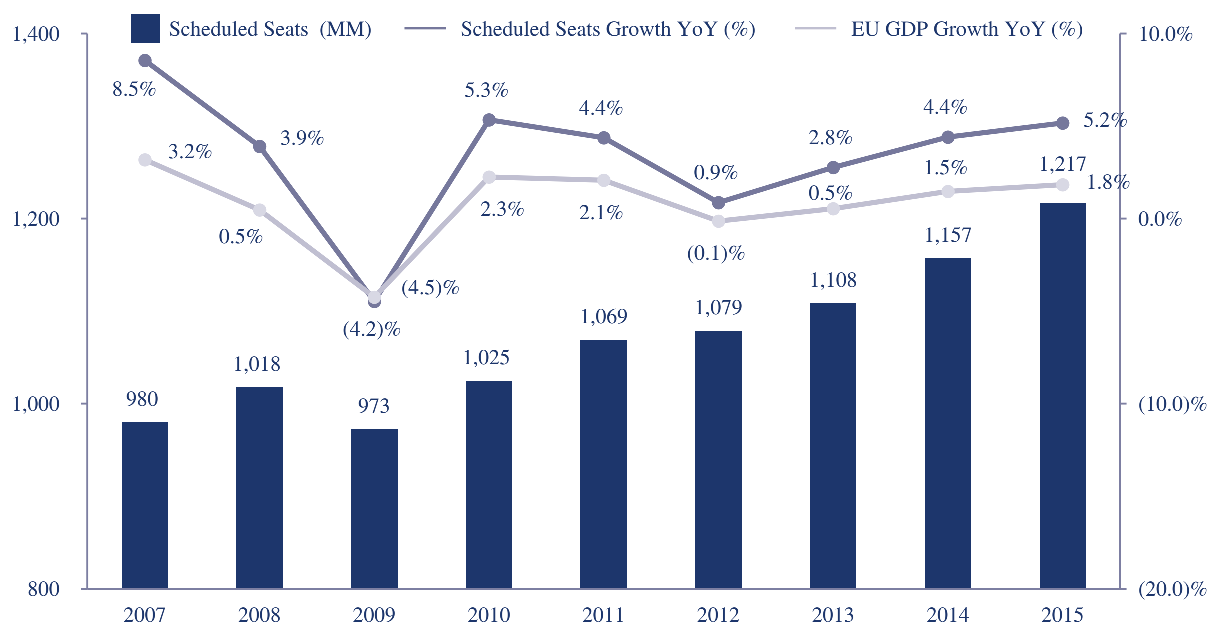
The airline industry in Europe has been subject to extensive changes in its economic, political and regulatory environments. The liberalization of EU air transport regulation in the 1990s has been a key catalyst for the opening of the European air travel market, which had previously been dominated by a small number of government-owned flag carriers and had been subject to considerable route restrictions. Gradual deregulation stimulated competition in the airline industry significantly and prompted the sharp growth of low cost carriers ("**LCCs**"). Key steps of the deregulation process for European airlines included the opening of intra-EU international routes in 1992 (extended to Norway, Iceland and Liechtenstein in 1995) and the opening of domestic routes in 1997. As a result, airlines within the EEA were permitted to serve any European route without restrictions on price or capacity. In addition, the EU has established agreements with a number of third-party countries such as the United Arab Emirates, as well as full "open-skies" agreements with countries such as the

United States, Israel and countries in the Balkan region, Georgia and Moldova. These “open skies” agreements have progressively liberalized air markets, ultimately allowing any number of carriers to operate services on any route without restrictions on price or capacity.

In 2014, the total market size for commercial passenger air travel in Europe was approximately EUR 110 billion, with 544 million passengers taking intra-EU flights. Taking into account all flights that either started or ended in Europe, the European air travel market comprised 865 million passengers in 2014, of which 28% of passengers were domestic and 72% were international. Marketline predicts that the European airline industry will grow to EUR 152 billion by 2019, which reflects a projected CAGR of 6.6% for the period from 2014 to 2019.

Like global air traffic, European air traffic was affected adversely by the financial crisis in 2008 and 2009. From 2010 until the present day, European air traffic has rebounded and has produced persistent growth, both by building new capacity and attracting additional demand. RPK growth was firmly positive between 2010 and 2014 and outperformed European GDP growth consistently. Most recently, the strong growth rates of LCCs as well as the contribution of Eastern European and Turkish carriers have contributed to a return to strong growth levels on a scheduled seats basis, including a 5.2% growth in 2015. For the 2015-2034 period, Airbus expects an RPK CAGR of 3.6% for airlines domiciled in Europe, which equates to 21% of global RPK in 2034 as compared to 25% in 2014, while Boeing forecasts an annual RPK growth of 3.8% over the next 20 years.

Air Traffic Growth in Europe (by Scheduled Seats)

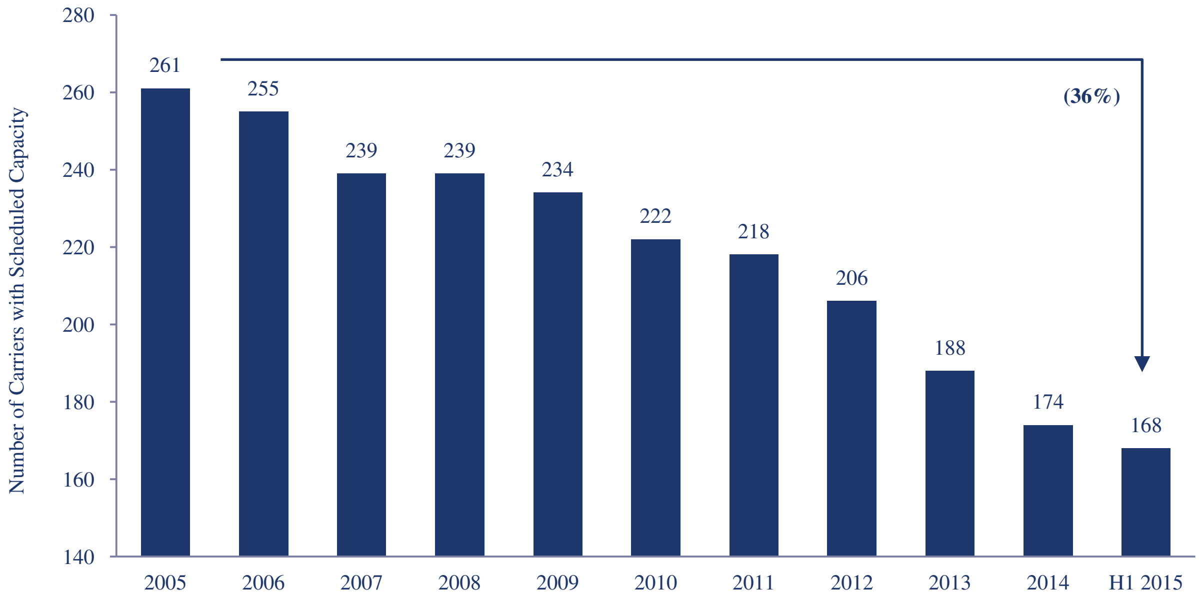


Source: Wall Street Research, Datastream, AEA, Boeing

European Airline Competitive Landscape

The European airline industry is fragmented with 168 airlines operating in the 28 EU member states as of mid-2015, a significant decrease compared to the 261 airlines operating scheduled services in 2005, a reduction of approximately 36%.

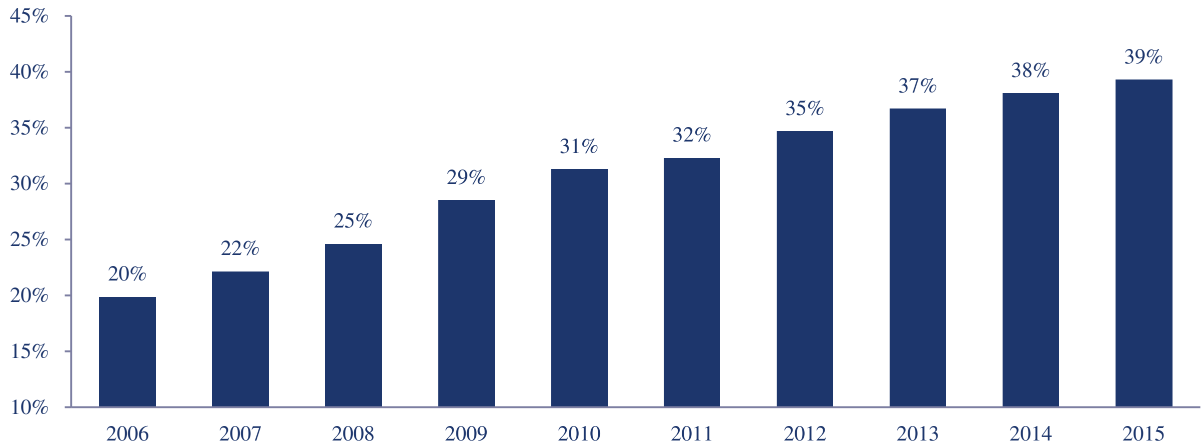
Number of European Carriers—Historical Evolution



Source: Morgan Stanley Equity Research, OAG

In recent years, legacy carriers have been progressively losing market share to LCCs, such as Norwegian, Ryanair, easyJet and Wizz Air. In 2015, LCCs accounted for an estimated 39% of total scheduled seats of European airlines. The number of available seats on European LCC flights has grown steeply between 2006 and 2015 at a CAGR of 11.2%, while legacy carriers stagnated at a CAGR of -0.1% based on available seats. The shift in market share in favor of LCCs is generally attributed to LCC cost advantages in labor, administrative and other operating expenses. In addition, the internet has made air travel accessible to a much larger customer base, as increasing numbers of customers have gained access to airline offerings and to direct flight bookings (rather than via travel agents). LCCs have thus (i) created a new customer base by enticing price-sensitive travelers to fly who would otherwise have traveled differently or not at all and (ii) taken market share from legacy carriers by offering an alternative business model and lower fares on similar routes.

LCCs share of total scheduled seats in Europe



Source: OAG

Norwegian's main competitors are SAS Scandinavian Airlines ("**SAS**"), Ryanair and easyJet. SAS is the flag carrier of Norway, Sweden and Denmark with hub operations at Oslo Gardermoen, Stockholm and Copenhagen airports. Due to the regional focus on Scandinavia, SAS is Norwegian's main competitor in the Scandinavian market, with a direct route overlap of approximately 30%. By passenger numbers in 2014, SAS remains the largest Scandinavian airline, although Norwegian has been closing this gap in recent years. Norwegian has been gaining market share from SAS by virtue of a significantly lower cost base translating into more competitive fares. In 2014, Norwegian was the third-largest European LCC behind the market leaders Ryanair and easyJet by number of passengers (Ryanair: 81.7 million; easyJet: 64.8 million; Norwegian: 24.0 million). However, the route overlap with Ryanair and easyJet is limited given their decentralized point-to-point business models and different geographical focus. Ryanair and easyJet focus largely on the UK, whereas Norwegian also focuses on Scandinavia and Spain. Unlike Norwegian and easyJet, Ryanair operates an "ultra low-cost" business model cutting non-essential parts of the product to an absolute minimum. As part of this strategy, Ryanair avoids the most attractive and thus most expensive European airports and serves secondary and regional airports instead. Norwegian and easyJet accept a slightly higher cost base in order to offer an enhanced customer experience, but differ significantly in regional focus. In 2014, Ryanair had the lowest unit cost as measured by CASK of all European LCCs with Norwegian in second, holding a unit cost advantage over easyJet after a period of sustained cost cutting (Ryanair: $0.039; Norwegian: $0.051; easyJet: $0.067)[1].

European LCCs have traditionally focused on short- and medium-haul flights as key parts of their business model. In 2013, Norwegian was the first European LCC to launch long-haul routes to North America, the Middle East and Asia. These long-haul services emulate the traditional LCC characteristics with a homogeneous, fuel-efficient fleet, no-frills services and competitive low fares. European LCC competitors, particularly Ryanair, have also considered a move into long-haul, but would have to order wide-body aircraft before being able to do so, and otherwise adapt their business model and fleet in a cost-efficient manner. Globally, LCC long-haul services are not unprecedented (for example, the Canadian LCC Westjet will launch services to London Gatwick in 2016), but have been rare in that they require a different investment focus.

1 Exchange rates as of March 31, 2016 (USD/EUR 1.139; USD/GBP 1.440; USD/NOK 0.121). Ryanair reports in EUR, easyJet in GBP and Norwegian in NOK.

DIRECTORS

The board of directors of Norwegian Air Shuttle ASA consists of seven members, three of whom are representatives of the company's employees. The name and principal occupation of each current member of the board of directors are set forth below. Each such individual has been a director of NAS since the dates set forth opposite the respective name.

Name	Principal Occupation	Director Since
Bjørn H. Kise	Lawyer	1993
Liv Berstad	Economist	2005
Ada Kjeseth	Economist	2015
Christian Fredrik Stray	Biomedical engineer	2015
Linda Olsen	Customer Relations Manager	2009
Thor Espen Bråten	Airline pilot	2009
Kenneth Utsikt	Cabin crew administrator	2009

A short biography of each board member is set forth below.

Chairman of the Board—Bjørn H. Kise

Mr. Kise has a Law Degree from the University of Oslo and has over 25 years of experience of legal practice with the law firm Simonsen Vogt Wiig AS, where he is also a partner. He is (since 1997) admitted to the Supreme Court of Norway. Mr. Kise is one of the founding partners of Norwegian Air Shuttle ASA and has been the Chairman of the Board since 2009. He was also the Chairman 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.

Board Member—Liv Berstad

Liv Berstad is a Business economist from the Norwegian School of Management (BI) and is today the Managing Director for the clothing company KappAhl in Norway. Ms. Berstad has extensive experience in retail trade in the Nordic region, mainly from construction material, fashion and cosmetics. She joined KappAhl as its financing manager in 1990 and in 1996 she was made Managing Director. Ms. Berstad also holds directorships in Expert ASA.

Board Member—Ada Kjeseth

Ada Kjeseth was educated at The Norwegian School of Economics and has been CEO of Tekas Shipping AS since 2006. She has also been CEO and is now Executive Chairman of Tekas AS, a family investment company. She has held various leading roles as Managing Director, CEO and CFO in companies such as Visma Services ASA, Visma Services Norway AS, ØkonomiPartner AS and AS Nevi. Ms. Kjeseth has extensive experience serving on several boards of directors. She is Chairman of the Board of OBOS Skadeforsikring AS and TEKAS AS and Director of the Board of Bertel O. Steen Holding AS and Raget AS.

Board Member—Christian Fredrik Stray

Christian Fredrik Stray holds a Bachelor of Science in Biomedical Engineering & Pre-Medical studies and an executive MBA from ESCP-EAP (Paris) and the Norwegian School of Management (BI). He is founder of and has been interim CEO of Apriori Consulting since 2015, where he is currently leading the development of two new Norwegian medtech companies (HyPro AS and Joint Biomed AS). Prior to joining Apriori Consulting he spent several years with global medical device company, Biomet. From 2008 until 2011, he held the position of Managing Director of Biomet Norge, and from 2011 until 2014, he was Regional Vice President of Biomet Nordic. Mr. Stray holds and has held several board positions for companies both in Norway and Scandinavia at large, primarily within the medical industry.

Board Member, Employee representative—Linda Olsen

Linda Olsen joined Norwegian in February 2006 after studying tourism management in Australia. She is a legal office assistant and currently works as a senior advisor in Customer Relations. Ms. Olsen is also a board member of HK, a union started in cooperation with the Norwegian Union for Commerce and Office Employees.

Board Member, Employee representative—Thor Espen Bråten

Mr. Bråten joined Norwegian in 2005 and works as an airline captain. He received his airline pilot training in Norway and Sweden. Mr. 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 in aircraft acquisitions and lease and aircraft remarketing.

Board Member, Employee representative—Kenneth Utsikt

Kenneth Utsikt is cabin crew administrator at Norwegian. He has worked for Norwegian since 2004 and was the leader of the Norwegian Cabin Union from 2009-2012. He has also served as an elected official 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.

OFFICERS

The name, position held and date of appointment of each of the officers of NAS as of the date hereof are set forth below.

Name	Position	Position held since
Bjørn Kjos	Chief Executive Officer	2002
Frode E. Foss	Chief Financial Officer	2002
Geir Steiro	Chief Operational Officer	2013
Anne-Sissel Skånvik	Chief Communications Officer	2009
Thomas Ramdahl	Chief Commercial Officer	2014
Gunnar Martinsen	Chief Human Resources Officer	2002
Frode Berg	Chief Legal Officer	2013
Dag Skage	Chief Information Officer	2014
Edward Thorstad	Chief Customer Officer	2015
Tore K. Jenssen	CEO Norwegian Air International Ltd. and Arctic Aviation Assets	2015
Asgeir Nyseth	CEO Norwegian Air UK Ltd.	2015

A short biography of each officer is set forth below.

Bjørn Kjos

Mr. Kjos is a law graduate of the University of Oslo. He was a fighter pilot in the Norwegian 334 squadron for six years. Mr. Kjos has 20 years' experience in legal practice and was admitted to the Supreme Court in 1993. He is one of the founding partners of Norwegian Air Shuttle and was the Chairman of the Board between1993 and 1996. Mr. Kjos was also Chairman during the start-up period of the Boeing 737 operation from June through September 2002.

Frode E. Foss

Mr. Foss is a Master of Business Administration graduate and holds a Master of Science Degree in Finance from the University of Wyoming in the U.S. He received his Financial Analyst charter in 2002 (CFA). Mr. Foss has eight years' experience in auditing and management consulting services with Arthur Andersen and Ernst & Young. Mr. Foss is a member of the Board of Directors of Norwegian Finans Holding ASA (Bank Norwegian).

Geir Steiro

Geir Steiro has a degree in mechanical engineering, is a certified aircraft mechanic and has completed several management courses. He has worked in the technical department of several airlines, and has held several managerial positions. Mr. Steiro began working for Norwegian in 2013 as Technical Director, and was shortly after appointed COO, taking over the responsibility for the company's Boeing 737 operation. Before he came to Norwegian, Mr. Steiro worked at Aker Solutions Subsea AS, and has previous experience from NSB Persontog and SAS.

Anne-Sissel Skånvik

Anne-Sissel Skånvik has more than 30 years of experience working in corporate communications and journalism. She holds a Master's degree in political science from the University of Oslo and also has a degree in journalism. Ms. Skånvik was the Deputy Director General in The Ministry of Finance of Norway between1996 and 2004, and has worked as a journalist for many years for various Norwegian newspapers. Ms. Skånvik joined Norwegian in 2009 and came to Norwegian from a position as Senior Vice President in Telenor ASA, where she was responsible for corporate communications and governmental relations.

Thomas Ramdahl

Thomas Ramdahl has a bachelor's degree from the Norwegian Business School (BI). He has extensive experience in the aviation industry. Mr. Ramdahl has been Norwegian's Director of Network Development and part of the company's commercial management team since 2008, before becoming Chief Commercial Officer. He has previously worked for SAS and Braathens, where he held positions in Revenue Management, Route Management and Charter.

Gunnar Martinsen

Gunnar Martinsen was part of the start-up team of Norwegian in 1993 and joined Norwegian in 2002 as Senior Vice President of Human Resources and Organizational Development. Mr. Martinsen has extensive experience in organizational development and human resources from several industries, among others as a management consultant. Prior to his position with Norwegian, he has held human resources leadership roles in different companies, such as Busy Bee of Norway and Radisson SAS. He has a degree from the Norwegian Business School (BI). Mr. Martinsen is also a member of the Supervisory Council at Bank Norwegian.

Frode Berg, Chief Legal Officer

Frode 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. He has practiced as a lawyer since 1997 and has been a partner at the law firm of Simonsen Vogt Wiig since 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.

Dag Skage, Chief Information Officer

Dag Skage has a Master's of Science in Business from the Norwegian Business School (BI) and a Master's of Management in IT management and project management. Mr. Skage has extensive experience in the consulting industry, particularly related to the areas of IT management, portfolio management, sourcing and change management. Prior to assuming the position as IT Director at Norwegian, he was a Director in Ernst & Young's IT consulting department. He also has previous consulting and management experience from, among others, BearingPoint and Andersen Business Consulting.

Edward Thorstad

Edward Thorstad is Chief Customer Officer at Norwegian. He has been part of commercial management and has led Norwegian's Customer Services department since 2005. Mr. Thorstad has extensive experience in the aviation industry, having previously worked for Delta Air Lines where he helped build Delta's European call center in London. He has a Bachelor degree from University College, London.

Tore K. Jenssen

Tore Jenssen has a Master's Degree in Business (siviløkonom) from Bodø Graduate School of Business. He is CEO of NAIL and CEO of Arctic. 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, a position he still holds today, in addition to CEO of NAIL. Before he started his career at Norwegian, he worked for Grilstad AS.

Asgeir Nyseth

Mr. Nyseth attended officer training school and technical education at the Norwegian Air Force. 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 started as Norwegian's Chief Operational Officer in 2006 and CEO of Norwegian's long-haul operation in 2013.

DESCRIPTION OF THE CERTIFICATES

The following summary describes the material terms of the Certificates. The summary does not purport to be complete and makes use of terms defined in, and is qualified in its entirety by reference to, all of the provisions of the Basic Agreement, the Certificates, the Trust Supplements, the Liquidity Facilities, the Deposit Agreements, the Escrow Agreements, the Note Purchase Agreement and the Intercreditor Agreement. Except as otherwise indicated, the following summary relates to each of the Trusts and the Certificates issued by each Trust.

General

Each Certificate will represent a fractional undivided interest in one of two NAS Pass Through Trusts, Series 2016-1: the "**Class A Trust**" and the "**Class B Trust**" (collectively, the "**Trusts**"). The Trusts will be formed pursuant to a pass through trust agreement between the Owner and Wilmington Trust Company, as trustee, to be dated as of the Issuance Date (the "**Basic Agreement**"), and two separate supplements thereto (each, a "**Trust Supplement**" and, together with the Basic Agreement, collectively, the "**Pass Through Trust Agreements**"). The trustee under the Class A Trust and the Class B Trust is referred to herein, respectively, as the "**Class A Trustee**" and the "**Class B Trustee**" (collectively, the "**Trustees**"). The Certificates to be issued by the Class A Trust and the Class B Trust are referred to herein, respectively, as the "**Class A Certificates**" and the "**Class B Certificates**." The Class A Trust will purchase all of the Series A Equipment Notes and the Class B Trust will purchase all of the Series B Equipment Notes. The holders of the Class A Certificates and the Class B Certificates are referred to herein, respectively, as the "**Class A Certificateholders**" and the "**Class B Certificateholders**" (collectively, the "**Certificateholders**"). Assuming all of the Equipment Notes expected to be issued with respect to the Aircraft are issued, the sum of the initial principal balance of the Equipment Notes held by each Trust will equal the initial aggregate face amount of the Certificates issued by such Trust.

Each Certificate will represent a fractional undivided interest in the related Trust created by the Basic Agreement and the applicable Trust Supplement pursuant to which such Certificate is issued. The property of each Trust (the "**Trust Property**") will consist of:

- subject to the Intercreditor Agreement, the Equipment Notes acquired by such Trust on or prior to the Delivery Period Termination Date, all monies at any time paid thereon and all monies due and to become due thereunder;
- the rights of such Trust to acquire the related series of Equipment Notes under the Note Purchase Agreement;
- the rights of such Trust under the applicable Escrow Agreement to request the Escrow Agent to withdraw from the Depositary funds sufficient to enable such Trust to purchase the related series of Equipment Notes upon the financing of an Aircraft under the related Indenture on or prior to the Delivery Period Termination Date;
- the rights of such Trust under the Intercreditor Agreement (including all rights to receive monies receivable in respect of such rights);
- all monies receivable under the separate Liquidity Facility for such Trust (there will be no liquidity facility for any trust in connection with any Additional Certificates); and
- funds from time to time deposited with the applicable Trustee in accounts relating to such Trust. (Trust Supplements, Section 1.01)

The Certificates represent fractional undivided interests in the respective Trusts only, and all payments and distributions thereon will be made only from the Trust Property of the related Trust. (Basic Agreement, Sections 2.01 and 3.09; Trust Supplements, Section 3.01) The Certificates do not represent indebtedness of the Trusts, and references in this offering memorandum to interest accruing on the Certificates are included for purposes of computation only. (Basic Agreement, Section 3.09; Trust Supplements, Section 3.01) The Certificates do not represent an interest in or obligation of the Owner, NAIL, NAS, the Trustees, the Subordination Agent, any of the Loan Trustees or any affiliate of any thereof except as otherwise expressly provided in the Basic Agreement, in the Intercreditor Agreement or any other related document. Each Certificateholder, by its acceptance of a Certificate, agrees to look solely to the income and proceeds from the Trust Property of the related Trust for payments and distributions on such Certificate. (Basic Agreement, Section 3.09)

Pursuant to the Escrow Agreement applicable to each Trust, the Certificateholders of such Trust, as holders of the Escrow Receipts affixed to each Certificate issued by such Trust, are entitled to certain rights with respect to the Deposits relating to such Trust. Accordingly, any transfer of a Certificate will have the effect of transferring the corresponding rights with respect to the Deposits, and rights with respect to the Deposits may not be separately transferred by the Certificateholders. (Escrow Agreements, Section 1.03) In addition, the Certificates and the related Escrow Receipts may not be separately assigned or transferred. Rights with respect to the Deposits and the Escrow Agreement relating to a Trust, except for the right to direct withdrawals for the purchase of related Equipment Notes, will not constitute Trust Property. (Trust Supplements, Section 1.01) Payments to the Certificateholders in respect of the Deposits and the Escrow Receipts relating to a Trust will constitute payments to such Certificateholders solely in their capacity as holders of the related Escrow Receipts.

The Certificates of each Trust will be issued in fully registered form only and will be subject to the provisions described below under "*—Book-Entry; Delivery and Form*." The Certificates will be issued only in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof, except that one Certificate of each class may be issued in a different denomination. (Trust Supplements, Section 4.01(a))

Payments and Distributions

The following description of distributions on the Certificates should be read in conjunction with the description of the Intercreditor Agreement because the Intercreditor Agreement may alter the following provisions in a default situation. See "*—Subordination*" and "*Description of the Intercreditor Agreement*."

Payments of interest on the Deposits with respect to each Trust and payments of principal, Make-Whole Amount (if any) and interest on the Equipment Notes or with respect to other Trust Property held in each Trust will be distributed by the Paying Agent (in the case of Deposits) or by the Trustee (in the case of Trust Property of such Trust) to Certificateholders of such Trust on the date receipt of such payment is confirmed, except in the case of certain types of Special Payments.

May 10 and November 10 of each year are referred to herein as "**Regular Distribution Dates**" (each Regular Distribution Date or Special Distribution Date (as defined below), a "**Distribution Date**").

Interest

The Deposits held with respect to each Trust will accrue interest as described under "*Description of the Deposit Agreements*." The Equipment Notes held in each Trust will accrue interest at the rate per annum applicable to each class of Certificates to be issued by such Trust, payable on each Regular Distribution Date commencing on the first Regular Distribution Date after the later of November 10, 2016, and the date on which the respective Equipment Notes are issued, except as described under "*Description of the Equipment Notes—Redemption*."

The rate per annum applicable to each class of Certificates is set forth on the cover page of this offering memorandum. The interest rate applicable to each class of Certificates, as shown on the cover page of this offering memorandum, is referred to as the "**Stated Interest Rate**" for such Trust. Interest payments will be distributed to Certificateholders of such Trust on each Regular Distribution Date until the final Distribution Date for such Trust, subject to the Intercreditor Agreement. Interest on the Deposits and on the Equipment Notes will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

Distributions of interest on the Class A Certificates and Class B Certificates will each be supported by a separate Liquidity Facility to be provided by the applicable Liquidity Provider for the benefit of the holders of such Certificates, each of which is expected to provide an aggregate amount sufficient to distribute interest on the Pool Balance thereof at the Stated Interest Rate for such Certificates on up to three successive semi-annual Regular Distribution Dates (without regard to any future distributions of principal on such Certificates), except that no Liquidity Facility will cover interest payable by the Depositary on the Deposits. The Liquidity Facility for any class of Certificates does not provide for drawings thereunder to pay for principal or Make-Whole Amount (if any) with respect to such Certificates, any interest with respect to such Certificates in excess of the Stated Interest Rate therefor, or, notwithstanding the subordination provisions of the Intercreditor Agreement, principal, interest, or Make-Whole Amount (if any) with respect to the Certificates of any other class. Therefore, only the holders of the Class A Certificates and Class B Certificates will be entitled to receive and retain the proceeds of drawings under the applicable Liquidity Facility. See "*Description of the Liquidity Facilities*." Additional Certificates, if any, will not have the benefit of a liquidity facility.

Principal

Payments of principal on the issued and outstanding Series A Equipment Notes and Series B Equipment Notes are scheduled to be made in specified amounts on May 10 and November 10 in each year, commencing for both series on May 10, 2017, and ending on May 10, 2028 in the case of the Series A Equipment Notes and November 10, 2023 in the case of the Series B Equipment Notes.

Distributions

Payments of interest on the Deposits (other than as part of any withdrawals described in "*Description of the Deposit Agreements*") and payments of interest on or principal of the Equipment Notes (including drawings made under a Liquidity Facility in respect of a shortfall of interest payable on any Certificate) scheduled to be made on a Regular Distribution Date are referred to herein as "**Scheduled Payments**.") See "*Description of the Equipment Notes—Principal and Interest Payments*." The "**Final Legal Distribution Date**" for the Class A Certificates is November 10, 2029 and for the Class B Certificates is May 10, 2025.

The Paying Agent with respect to each Escrow Agreement will distribute on each Regular Distribution Date to the Certificateholders of the Trust to which such Escrow Agreement relates all Scheduled Payments received in respect of the related Deposits, the receipt of which is confirmed by the Paying Agent on such Regular Distribution Date. Subject to the Intercreditor Agreement, on each Regular Distribution Date, the Trustee of each Trust will distribute to the Certificateholders of such Trust all Scheduled Payments received in respect of the Equipment Notes held on behalf of such Trust, the receipt of which is confirmed by such Trustee on such Regular Distribution Date. Each Certificateholder of each Trust will be entitled to receive its proportionate share, based upon its fractional interest in such Trust, of any distribution in respect of Scheduled Payments of interest on Deposits relating to such Trust, and, subject to the Intercreditor Agreement, each Certificateholder of each Trust will be entitled to receive its proportionate share, based upon its fractional interest in such Trust, of any distribution in respect of Scheduled Payments of principal of or interest on the Equipment Notes held on behalf of such Trust. Each such distribution of Scheduled Payments will be made by the applicable Paying Agent or the applicable Trustee, as the case may be, to the Certificateholders of record of the relevant Trust on the record date applicable to such Scheduled Payment (generally, 15 days prior to each Regular Distribution Date), subject to certain exceptions. (Basic Agreement, Sections 1.01 and 4.02(a); Escrow Agreements, Section 2.03(a)) If a Scheduled Payment is not received by the applicable Paying Agent or the applicable Trustee, as the case may be, on a Regular Distribution Date but is received within five days thereafter, it will be distributed on the date received to such holders of record. If it is received after such five-day period, it will be treated as a Special Payment and distributed as described below. (Intercreditor Agreement, Section 1.01; Escrow Agreements, Section 2.03(d))

Any payment in respect of, or any proceeds of, any Equipment Note or the collateral under any Indenture (which will not include Excluded Payments), the Owner Share Mortgage, the Owner Sub-Debt Pledge or other security document (the "**Collateral**") other than a Scheduled Payment (each, a "**Special Payment**") will be distributed on, in the case of an early redemption or a purchase of any Equipment Note, the date of such early redemption or purchase (which will be a Business Day), and otherwise on the Business Day specified for distribution of such Special Payment pursuant to a notice delivered by each Trustee (as described below) as soon as practicable after the Trustee has received notice of such Special Payment, or has received the funds for such Special Payment (each, a "**Special Distribution Date**"). Any such distribution will be subject to the Intercreditor Agreement. (Basic Agreement, Sections 4.02(b) and (c); Trust Supplements, Section 7.01(d))

"**Excluded Payments**" means, with respect to any Aircraft and the related Lease and the aircraft related agreements, (i) indemnity or similar payments (whether or not payable as supplemental rent) paid or payable by the Lessee under such Lease or aircraft related agreements or related documents to the indemnitee or other payee entitled thereto pursuant to such Lease or aircraft related agreements, (ii) proceeds of public liability insurance in respect of such Aircraft payable as a result of insurance claims made, or losses suffered, by the indemnitee or payee entitled thereto, (iii) proceeds of insurance maintained with respect to such Aircraft by the Lessee or any affiliate of the Lessee and not required under the related Lease or under the Indenture or any other Financing Agreement, (iv) any interest paid or payable on any amounts described in clauses (i) through (iii) of this definition and (v) the proceeds from the enforcement by the Owner or other indemnitee or payee of the payment of any amount described in clauses (i) through (iv) of this definition, in each case however, only to the extent (A) such amount is in respect of a claim personal to the applicable Person and is not necessary to restore the value of the Collateral and (B) such payments or proceeds are payable to the Owner (or any related indemnitee), the Lessee or any of their respective affiliates.

Any Deposits withdrawn because a Triggering Event occurs, and any unused Deposits remaining as of the Delivery Period Termination Date, will be distributed, together with accrued and unpaid interest thereon, but without any premium (each, also a "**Special Payment**"), on a date no earlier than 15 days after the Paying Agent has received notice of the event requiring such distribution (also, a "**Special Distribution Date**"). However, if the day scheduled for such withdrawal is within 10 days before or after a Regular Distribution Date, the Escrow Agent will request that such withdrawal be made on such Regular Distribution Date. Any such distribution will not be subject to the Intercreditor Agreement. (Escrow Agreements, Sections 1.02(f), 2.03(b) and 2.06)

"**Triggering Event**" means (i) the occurrence of an Indenture Event of Default under all of the Indentures resulting in a PTC Event of Default with respect to the most senior class of Certificates then outstanding, (ii) the acceleration of all of the outstanding Series A Equipment Notes and Series B Equipment Notes and Additional Equipment Notes, if issued, or (iii) certain bankruptcy or insolvency events involving NAS or the Lessee. (Intercreditor Agreement, Section 1.01)

Any Deposits withdrawn because an Aircraft suffers a Delivery Period Total Loss (or an event that would constitute such a Delivery Period Total Loss but for the requirement that notice be given or time elapse or both) before such Aircraft is financed pursuant to this offering will be distributed, together with accrued and unpaid interest thereon, but without any premium (each, also a "**Special Payment**"), on a date no earlier than 15 days after the Paying Agent has received notice of the event requiring such distribution (also, a "**Special Distribution Date**"). Any such distribution will not be subject to the Intercreditor Agreement. (Escrow Agreements, Sections 1.02(e), 2.03(b) and 2.07)

Each Paying Agent, in the case of the Deposits, and each Trustee, in the case of the Trust Property, will mail a notice to the Certificateholders of the applicable Trust stating the scheduled Special Distribution Date, the related record date, the amount of the Special Payment and, in the case of a distribution under the applicable Pass Through Trust Agreement, the reason for the Special Payment. In the case of a redemption or purchase of the Equipment Notes held in the related Trust or any withdrawal or return of Deposits described under "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*," such notice will be mailed not less than 15 days prior to the date such Special Payment is scheduled to be distributed, and in the case of any other Special Payment, such notice will be mailed as soon as practicable after the Trustee has confirmed that it has received funds for such Special Payment. (Basic Agreement, Section 4.02(c); Trust Supplements, Section 7.01(d); Escrow Agreements, Sections 2.06 and 2.07) Each distribution of a Special Payment, other than a Final Distribution, on a Special Distribution Date for any Trust will be made by the Paying Agent or the Trustee, as applicable, to the Certificateholders of record of such Trust on the record date applicable to such Special Payment. (Basic Agreement, Section 4.02(b); Escrow Agreements, Section 2.03(b)) See "*—Indenture Events of Default and Certain Rights Upon an Indenture Event of Default*" and "*Description of the Equipment Notes—Redemption*."

Each Pass Through Trust Agreement requires that the Trustee establish and maintain, for the related Trust and for the benefit of the Certificateholders of such Trust, one or more non-interest bearing accounts (the "**Certificate Account**") for the deposit of payments representing Scheduled Payments received by such Trustee. (Basic Agreement, Section 4.01) Each Pass Through Trust Agreement requires that the Trustee establish and maintain, for the related Trust and for the benefit of the Certificateholders of such Trust, one or more accounts (the "**Special Payments Account**") for the deposit of payments representing Special Payments received by such Trustee, which will be non-interest bearing except in certain limited circumstances where the Trustee may invest amounts in such account in certain Permitted Investments. (Basic Agreement, Section 4.01 and Section 4.04; Trust Supplements, Section 7.01(c)) Pursuant to the terms of each Pass Through Trust Agreement, the Trustee is required to deposit any Scheduled Payments relating to the applicable Trust received by it in the Certificate Account of such Trust and to deposit any Special Payments received by it in the Special Payments Account of such Trust. (Basic Agreement, Section 4.01; Trust Supplements, Section 7.01(c)) All amounts so deposited will be distributed by the Trustee on a Regular Distribution Date or a Special Distribution Date, as appropriate. (Basic Agreement, Section 4.02)

Each Escrow Agreement requires that the Paying Agent establish and maintain, for the benefit of the applicable Receiptholders, an account (the "**Paying Agent Account**"), which will be non-interest bearing, and the Paying Agent is under no obligation to invest any amounts held in the Paying Agent Account. (Escrow Agreements, Section 2.02) Pursuant to the terms of the Deposit Agreements, the Depositary agrees to pay interest payable on Deposits and amounts withdrawn from the Deposits as described under "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*," in accordance with the applicable Deposit Agreement, directly into the related Paying Agent Account. (Deposit Agreements, Section 4) All amounts so deposited in the Paying Agent Accounts will be distributed by the Paying Agent on a Regular Distribution Date or Special Distribution Date, as appropriate. See "*Description of the Deposit Agreements*."

The Final Distribution for each Trust will be made only upon presentation and surrender of the Certificates for such Trust at the office or agency of the Trustee specified in the notice given by the Trustee of such Final Distribution. (Basic Agreement, Section 11.01) See "*—Termination of the Trusts*" below. Distributions in respect of Certificates issued in global form will be made as described in "*—Book-Entry; Delivery and Form*" below.

If any Regular Distribution Date or Special Distribution Date is not a Business Day, distributions scheduled to be made on such Regular Distribution Date or Special Distribution Date will be made on the next succeeding Business Day and interest will not be added for such additional period. (Basic Agreement, Section 12.12; Trust Supplements, Sections 3.02(c) and 3.02(d))

"**Business Day**" means, with respect to Certificates of any class, any day (a) other than a Saturday, a Sunday or a day on which commercial banks are required or authorized to close in New York, New York; Dublin, Ireland; London, United Kingdom; Oslo, Norway; or Wilmington, Delaware; or, so long as any Certificate of such class is outstanding, the city and state in which the Trustee, the Subordination Agent or any related Loan Trustee maintains its corporate trust office or receives and disburses funds, and (b) solely with respect to drawings under any Liquidity Facility, which is also a "Business Day" as defined in such Liquidity Facility. (Intercreditor Agreement, Section 1.01)

Subordination

The Certificates are subject to subordination terms set forth in the Intercreditor Agreement. See "*Description of the Intercreditor Agreement—Priority of Distributions*."

Pool Factors

The "**Pool Balance**" of the Certificates issued by any Trust indicates, as of any date, the original aggregate face amount of the Certificates of such Trust less the aggregate amount of all distributions made as of such date in respect of the Certificates of such Trust or in respect of the Deposits relating to such Trust, other than distributions made in respect of interest or Make-Whole Amount or reimbursement of any costs and expenses incurred in connection therewith. The Pool Balance of the Certificates issued by any Trust as of any date will be computed after giving effect to any distribution with respect to unused Deposits, payment of principal, if any, on the Equipment Notes or payment with respect to other Trust Property held in such Trust and the distribution thereof to be made on such date. (Trust Supplements, Section 1.01; Intercreditor Agreement, Section 1.01)

The "**Pool Factor**" for each Trust as of any Distribution Date is the quotient (rounded to the seventh decimal place) computed by dividing (i) the Pool Balance of such Trust by (ii) the original aggregate face amount of the Certificates of such Trust. The Pool Factor for each Trust as of any Distribution Date will be computed after giving effect to any distribution with respect to unused Deposits, payment of principal, if any, on the Equipment Notes or payments with respect to other Trust Property held in such Trust and the distribution thereof to be made on that date. (Trust Supplements, Section 1.01) The Pool Factor of each Trust will be 1.0000000 on the Issuance Date; thereafter, the Pool Factor for each Trust will decline as described herein to reflect reductions in the Pool Balance of such Trust. The amount of a Certificateholder's *pro rata* share of the Pool Balance of a Trust can be determined by multiplying the original denomination of the Certificateholder's Certificate of such Trust by the Pool Factor for such Trust as of the applicable Distribution Date. Notice of the Pool Factor and the Pool Balance for each Trust will be mailed to Certificateholders of such Trust on each Distribution Date. (Trust Supplements, Section 5.01(a))

The following table sets forth the expected aggregate principal amortization schedule (the "**Assumed Amortization Schedule**") for the Equipment Notes held in each Trust and the resulting Pool Factors with respect to such Trust, assuming that each Aircraft has been subjected to an Indenture on or prior to December 31, 2016 and all of the related Equipment Notes with respect to such Aircraft have been acquired by such Trust by such date. The actual aggregate principal amortization schedule applicable to a Trust and the resulting Pool Factors with respect to such Trust may differ from the Assumed Amortization Schedule because the scheduled distribution of principal payments for any Trust may be affected if, among other things, any Equipment Notes held in such Trust are redeemed or purchased, if the original principal amount of any Equipment Notes held in such Trust is less than the assumed original principal amount, if a default in payment on any Equipment Note occurs, if a Substitute Aircraft (as defined below) is financed in lieu of any Aircraft to be financed pursuant to this offering, if such Trust acquires Equipment Notes with respect to other aircraft from which the Owner may choose or if any Aircraft is not subjected to an Indenture and the related Equipment Notes are not acquired by such Trust.

	Class A		Class B	
Date	**Scheduled Principal Payments**	**Expected Pool Factor**	**Scheduled Principal Payments**	**Expected Pool Factor**
At Issuance	$ 0.00	1.0000000	$ 0.00	1.0000000
November 10, 2016	0.00	1.0000000	0.00	1.0000000
May 10, 2017	6,507,934.78	0.9762757	5,697,499.99	0.9238404
November 10, 2017	6,505,434.81	0.9525605	2,850,000.01	0.8857439
May 10, 2018	6,505,434.76	0.9288453	2,850,000.00	0.8476474
November 10, 2018	6,505,434.79	0.9051301	2,850,000.03	0.8095509
May 10, 2019	6,505,434.77	0.8814149	2,849,999.97	0.7714544
November 10, 2019	6,505,434.79	0.8576997	2,850,000.03	0.7333578
May 10, 2020	6,505,434.78	0.8339845	2,849,999.95	0.6952613
November 10, 2020	6,505,434.79	0.8102693	2,850,000.03	0.6571648
May 10, 2021	6,505,434.76	0.7865541	2,850,000.01	0.6190683
November 10, 2021	6,505,434.79	0.7628389	2,849,999.95	0.5809718
May 10, 2022	6,505,434.79	0.7391237	2,850,000.03	0.5428753
November 10, 2022	6,505,434.77	0.7154085	2,850,000.01	0.5047788
May 10, 2023	6,505,434.79	0.6916933	2,849,999.99	0.4666823
November 10, 2023	6,505,434.80	0.6679781	34,912,500.00	0.0000000
May 10, 2024	6,505,434.78	0.6442629	0.00	0.0000000
November 10, 2024	6,505,434.78	0.6205477	0.00	0.0000000
May 10, 2025	6,505,434.76	0.5968325	0.00	0.0000000
November 10, 2025	6,505,434.80	0.5731173	0.00	0.0000000
May 10, 2026	6,505,434.75	0.5494021	0.00	0.0000000
November 10, 2026	6,505,434.79	0.5256869	0.00	0.0000000
May 10, 2027	6,505,434.78	0.5019717	0.00	0.0000000
November 10, 2027	6,505,434.79	0.4782565	0.00	0.0000000
May 10, 2028	131,192,934.80	0.0000000	0.00	0.0000000

If the Pool Factor and Pool Balance of a Trust differ from the Assumed Amortization Schedule for such Trust, notice thereof will be provided to the Certificateholders of such Trust as described hereafter. The Pool Factor and Pool Balance of each Trust will be recomputed if there has been an early redemption, purchase or default in the payment of principal or interest in respect of one or more of the Equipment Notes held in a Trust, as described in "*—Indenture Events of Default and Certain Rights Upon an Indenture Event of Default*," "*Possible Issuance of Additional Certificates and Refinancing Certificates*" and "*Description of the Equipment Notes—Redemption*," or a special distribution of unused Deposits attributable to (a) the occurrence of a Delivery Period Total Loss (or an event that would constitute such a Delivery Period Total Loss but for the requirement that notice be given or time elapse or both) with respect to an Aircraft before such Aircraft is financed pursuant to this offering, (b) the occurrence of a Triggering Event or (c) unused Deposits remaining after the Delivery

Period Termination Date, in each case as described in "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*." If the aggregate principal payments scheduled for a Regular Distribution Date prior to the Delivery Period Termination Date will not be as set forth in the Assumed Amortization Schedule for a Trust, notice thereof will be mailed to the Certificateholders of such Trust by no later than the 15th day prior to such Regular Distribution Date. Promptly following (i) the Delivery Period Termination Date or, if applicable, the date any unused Deposits are withdrawn following the Delivery Period Termination Date, if there has been, on or prior to such date, (x) any change in the Pool Factor and the scheduled payments from the Assumed Amortization Schedule or (y) any such redemption, purchase, default or special distribution and (ii) the date of any such redemption, purchase, default or special distribution occurring after the Delivery Period Termination Date or, if applicable the date any unused Deposits are withdrawn following the Delivery Period Termination Date, the Pool Factor, Pool Balance and expected principal payment schedule of each Trust will be recomputed after giving effect thereto and notice thereof will be mailed to the Certificateholders of such Trust. (Trust Supplements, Sections 5.01(c) and 5.01(d)) See "*—Reports to Certificateholders*," "*—Purchase Rights of Certificateholders*," and "*Description of the Deposit Agreements*."

Reports to Certificateholders

On each Distribution Date, the applicable Trustee will include with each distribution by it of a Scheduled Payment or Special Payment to the Certificateholders of the related Trust a statement, giving effect to such distribution to be made on such Distribution Date, setting forth the following information (per $1,000 aggregate principal amount of Certificates as to items (2), (3), (4) and (5) below):

(1) the aggregate amount of funds distributed on such Distribution Date under the related Pass Through Trust Agreement and under the related Escrow Agreement, indicating the amount, if any, allocable to each source, including any portion thereof paid by the applicable Liquidity Provider;

(2) the amount of such distribution under the related Pass Through Trust Agreement allocable to principal and the amount allocable to Make-Whole Amount (if any);

(3) the amount of such distribution under the related Pass Through Trust Agreement allocable to interest, indicating any portion thereof paid by the applicable Liquidity Provider;

(4) the amount of such distribution under the related Escrow Agreement allocable to interest, if any;

(5) the amount of such distribution under the related Escrow Agreement allocable to unused Deposits, if any; and

(6) the Pool Balance and the Pool Factor for such Trust. (Trust Supplements, Section 5.01)

As long as the Certificates are registered in the name of The Depository Trust Company ("**DTC**") or its nominee (including Cede & Co. ("**Cede**")) on the record date prior to each Distribution Date, the applicable Trustee will request that DTC post on its Internet bulletin board a securities position listing setting forth the names of all DTC Participants reflected on DTC's books as holding interests in the applicable Certificates on such record date. On each Distribution Date, the applicable Trustee will mail to each such DTC Participant the statement described above and will make available additional copies as requested by such DTC Participant for forwarding to Certificate Owners. (Trust Supplements, Section 5.01(a))

In addition, after the end of each calendar year, the applicable Trustee will furnish to each person who at any time during the preceding calendar year was a Certificateholder of record a report containing the sum of the amounts determined pursuant to clauses (1), (2), (3), (4) and (5) above with respect to the applicable Trust for such calendar year or, if such person was a Certificateholder during only a portion of such calendar year, for the applicable portion of such calendar year, and such other items as are readily available to such Trustee and that a Certificateholder reasonably requests as necessary for the purpose of such Certificateholder's preparation of its U.S. federal income tax returns or foreign income tax returns. (Trust Supplements, Section 5.01(b)) Such report and such other items will be prepared on the basis of information supplied to the applicable Trustee by the DTC

Participants and will be delivered by such Trustee to such DTC Participants to be available for forwarding by such DTC Participants to Certificateholders. (Trust Supplements, Section 5.01(b))

At such time, if any, as Certificates are issued in the form of Definitive Certificates, the applicable Trustee will prepare and deliver the information described above to each Certificateholder of record of the applicable Trust as the name and period of record ownership of such Certificateholder appears on the records of the registrar of the applicable Certificates.

Indenture Events of Default and Certain Rights Upon an Indenture Event of Default

Since the Equipment Notes issued under an Indenture will be held in more than one Trust, a continuing Indenture Event of Default would affect the Equipment Notes held by each such Trust. See "*Description of the Equipment Notes—Indenture Events of Default, Notice and Waiver*" for a list of Indenture Events of Default.

Upon the occurrence and during the continuation of an Indenture Event of Default under an Indenture, the Controlling Party may direct the Loan Trustee under such Indenture to accelerate the Equipment Notes issued thereunder and may direct the Loan Trustee under such Indenture in the exercise of remedies thereunder and may sell all (but not less than all) of such Equipment Notes or foreclose and sell the Collateral under such Indenture to any person, subject to certain limitations. See "*Description of the Intercreditor Agreement—Intercreditor Rights—Limitation on Exercise of Remedies*." The proceeds of any such sale will be distributed pursuant to the provisions of the Intercreditor Agreement. Any such proceeds so distributed to any Trustee upon any such sale will be deposited in the applicable Special Payments Account and will be distributed to the Certificateholders of the applicable Trust on a Special Distribution Date. (Basic Agreement, Sections 4.01 and 4.02; Trust Supplements, Sections 7.01(c) and 7.01(d))

The market for Aircraft or Equipment Notes during the continuation of any Indenture Event of Default may be limited and there can be no assurance as to whether they could be sold or the price at which they could be sold. If any Equipment Notes are sold for less than their outstanding principal amount, certain Certificateholders will receive a smaller amount of principal distributions than anticipated and will not have any claim for the shortfall against the Owner, NAIL or NAS, any Liquidity Provider or any Trustee. Neither the Trustee of the Trust holding such Equipment Notes nor the Certificateholders of such Trust, furthermore, could take action with respect to any remaining Equipment Notes held in such Trust as long as no Indenture Event of Default existed with respect thereto.

Any amount, other than Scheduled Payments received on a Regular Distribution Date or within five days thereafter, distributed to the Trustee of any Trust by the Subordination Agent on account of the Equipment Notes or other Trust Property held in such Trust following an Indenture Event of Default under any Indenture will be deposited in the Special Payments Account for such Trust and will be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Basic Agreement, Section 4.02(b); Trust Supplements, Sections 1.01 and 7.01(c); Intercreditor Agreement, Sections 1.01 and 2.04)

Any funds representing payments received with respect to any defaulted Equipment Notes, or the proceeds from the sale of any Equipment Notes, held by the Trustee in the Special Payments Account for such Trust will, to the extent practicable, be invested and reinvested by such Trustee in certain Permitted Investments pending the distribution of such funds on a Special Distribution Date. (Basic Agreement, Section 4.04) "**Permitted Investments**" are defined as obligations of the United States or agencies or instrumentalities thereof the payment of which is backed by the full faith and credit of the United States and which mature in not more than 60 days after they are acquired or such lesser time as is required for the distribution of any Special Payments on a Special Distribution Date. (Basic Agreement, Section 1.01)

Each Pass Through Trust Agreement provides that the Trustee of the related Trust will, within 90 days after the occurrence of a default (as defined below) known to it, notify the Certificateholders of such Trust by mail of such default, unless such default has been cured or waived; *provided* that, (i) in the case of defaults not relating to the payment of money, such Trustee will not give notice until the earlier of the time at which such default becomes an Indenture Event of Default and the expiration of 60 days from the occurrence of such default, and (ii) except in the case of default in a payment of principal, Make-Whole Amount (if any), or interest on any of the Equipment Notes held in such Trust, the applicable Trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of such Certificateholders. (Basic Agreement, Section 7.02) For the purpose of the provision described in this paragraph only, the term "default" with respect to a Trust means an event that is, or after notice or lapse of time or both would become, an event of default with respect to such Trust or a Triggering Event under the Intercreditor Agreement, and the term "event of default" with respect to a Trust means an Indenture Event of Default under any Indenture pursuant to which Equipment Notes held by such Trust were issued.

Each Pass Through Trust Agreement contains a provision entitling the Trustee of the related Trust, subject to the duty of such Trustee during a default to act with the required standard of care, to be offered reasonable security or indemnity by the holders of the Certificates of such Trust before proceeding to exercise any right or power under such Pass Through Trust Agreement or the Intercreditor Agreement at the request of such Certificateholders. (Basic Agreement, Section 7.03(e))

Subject to certain qualifications set forth in each Pass Through Trust Agreement and to certain limitations set forth in the Intercreditor Agreement, the Certificateholders of each Trust holding Certificates evidencing fractional undivided interests aggregating not less than a majority in interest in such Trust will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to such Trust or pursuant to the terms of the Intercreditor Agreement or the applicable Liquidity Facility, or exercising any trust or power conferred on such Trustee under such Pass Through Trust Agreement, the Intercreditor Agreement, or such Liquidity Facility, including any right of such Trustee as Controlling Party under the Intercreditor Agreement or as a Noteholder. (Basic Agreement, Section 6.04) See "*Description of the Intercreditor Agreement— Intercreditor Rights—Controlling Party*."

Subject to the Intercreditor Agreement, the holders of the Certificates of a Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust may on behalf of the holders of all of the Certificates of such Trust waive any past Indenture Event of Default or default under the related Pass Through Trust Agreement and its consequences or, if the Trustee of such Trust is the Controlling Party, may direct such Trustee to so instruct the applicable Loan Trustee; *provided*, *however*, that the consent of each holder of a Certificate of a Trust is required to waive (i) a default in the deposit of any Scheduled Payment or Special Payment or in the distribution thereof, (ii) a default in payment of the principal, Make-Whole Amount (if any) or interest with respect to any of the Equipment Notes held in such Trust or (iii) a default in respect of any covenant or provision of the related Pass Through Trust Agreement that cannot be modified or amended without the consent of each Certificateholder of such Trust affected thereby. (Basic Agreement, Section 6.05) Each Indenture will provide that, with certain exceptions, the holders of the majority in aggregate unpaid principal amount of the Equipment Notes issued thereunder may on behalf of all such holders waive any past default or Indenture Event of Default thereunder. Notwithstanding such provisions of the Indentures, pursuant to the Intercreditor Agreement only the Controlling Party will be entitled to waive any such past default or Indenture Event of Default. See "*Description of the Intercreditor Agreement— Intercreditor Rights—Controlling Party*."

If the same institution acts as Trustee of multiple Trusts, such Trustee could be faced with a potential conflict of interest upon an Indenture Event of Default. In such event, each Trustee has indicated that it would resign as Trustee of one or all such Trusts, and a successor trustee would be appointed in accordance with the terms of the applicable Pass Through Trust Agreement. Wilmington Trust Company will be the initial Trustee under each Trust. (Basic Agreement, Sections 7.08 and 7.09)

Purchase Rights of Certificateholders

After the occurrence and during the continuation of a Certificate Buy-Out Event, with ten days' prior written irrevocable notice to the Class A Trustee, the Class B Trustee and each other Class B Certificateholder, each Class B Certificateholder (other than NAS, NAIL, Arctic, the Owner or any of their affiliates) will have the right (the "**Class B Buyout Right**") to purchase all, but not less than all, of the Class A Certificates on the third Business Day next following the expiry of such ten-day notice period.

If any Additional Certificates have been issued, the holders of such Additional Certificates (other than NAS, NAIL, Arctic, the Owner or any of their affiliates) will have the right, regardless of the exercise of purchase rights by any Class B Certificateholder or, if any Additional Certificates have been issued, any holder of a more senior class of Additional Certificates, to purchase all but not less than all of the Class A Certificates and Class B Certificates and, if applicable, any other class of Additional Certificates ranking senior in right of payment to any such class of Additional Certificates. See "*Possible Issuance of Additional Certificates and Refinancing Certificates*."

If Refinancing Certificates are issued, holders of such Refinancing Certificates will have the same right (subject to the same terms and conditions) to purchase Certificates as the holders of the Certificates that such Refinancing Certificates refinanced. See "*Possible Issuance of Additional Certificates and Refinancing Certificates.*"

In each case, the purchase price will be equal to the Pool Balance of the relevant class or classes of Certificates plus accrued and unpaid interest thereon to the date of purchase, without any premium, but including any other amounts then due and payable to the Certificateholders of such class or classes under the related Pass Through Trust Agreement, the Intercreditor Agreement, the related Escrow Agreement, any Equipment Note held as part of the related Trust Property or the related Indenture, Participation Agreement and Lease or on or in respect of such Certificates; *provided*, *however*, that if such purchase occurs after (i) a record date specified in the related Escrow Agreement relating to the distribution of unused Deposits and/or accrued and unpaid interest on Deposits and prior to or on the related distribution date under such Escrow Agreement, such purchase price will be reduced by the aggregate amount of unused Deposits and/or interest to be distributed under such Escrow Agreement (which deducted amounts will remain distributable to, and may be retained by, the Certificateholders of such class or classes as of such record date), or (ii) the record date under the related Pass Through Trust Agreement relating to any Distribution Date, such purchase price will be reduced by the amount to be distributed thereunder on such related Distribution Date (which deducted amounts will remain distributable to, and may be retained by, the Certificateholders of such class or classes as of such record date). Such purchase right may be exercised by any Certificateholder of the class or classes entitled to such right.

In each case, if prior to the end of the ten-day notice period, any other Certificateholder(s) of the same class notifies the purchasing Certificateholder that such other Certificateholder(s) want(s) to participate in such purchase, then such other Certificateholder(s) (other than NAS, NAIL, Arctic, the Owner or any of their affiliates) may join with the purchasing Certificateholder to purchase the applicable senior Certificates *pro rata* based on the interest in the Trust with respect to such class held by each purchasing Certificateholder of such class. Upon consummation of such a purchase, no other Certificateholder of the same class as the purchasing Certificateholder will have the right to purchase the Certificates of the applicable class or classes during the continuance of such Certificate Buy-Out Event.

If NAS, NAIL, Arctic, the Owner or any of their affiliates is a Certificateholder, it will not have the purchase rights described above. (Trust Supplements, Section 6.01)

A "**Certificate Buy-Out Event**" means that either a Lessee Bankruptcy Event has occurred and is continuing or an Indenture Event of Default relating to the bankruptcy or insolvency of the Owner has occurred and is continuing and either of the following events has occurred: (A)(1) the 60-day period from the occurrence of such Lessee Bankruptcy Event or such Indenture Event of Default has expired (the "**60-Day Period**") and

(2) NAS , NAIL or the Owner or an applicable reorganization administrator has not cured all defaults under all of the Indentures and all of the Leases (other than a default constituted by the occurrence of such Lessee Bankruptcy Event or such Indenture Event of Default) and agreed to perform all future obligations under all of the Indentures and all of the Leases, as the case may be, or if it has done so, thereafter an Indenture Event of Default or a Lease Event of Default (other than a default constituted by the occurrence of such Lessee Bankruptcy Event or such Indenture Event of Default) shall have occurred and be continuing or (B) if prior to the expiry of the 60-Day Period, NAIL or the Owner will have abandoned any Aircraft. (Intercreditor Agreement, Section 1.01)

PTC Event of Default

A Pass Through Certificate Event of Default (a "**PTC Event of Default**") with respect to each Pass Through Trust Agreement and the related class of Certificates means the failure to distribute within ten Business Days after the applicable Distribution Date either:

(1) the outstanding Pool Balance of such class of Certificates on the Final Legal Distribution Date for such class; or

(2) interest scheduled for distribution on such class of Certificates on any Distribution Date (unless the Subordination Agent has made an Interest Drawing, or a withdrawal from the Cash Collateral Account for such class of Certificates, in an aggregate amount sufficient to pay such interest and has distributed such amount to the Trustee entitled thereto). (Intercreditor Agreement, Section 1.01)

Any failure to make expected principal distributions with respect to any class of Certificates on any Regular Distribution Date (other than the Final Legal Distribution Date) will not constitute a PTC Event of Default with respect to such Certificates.

A PTC Event of Default with respect to the most senior outstanding class of Certificates resulting from an Indenture Event of Default under all Indentures will constitute a Triggering Event.

Merger, Consolidation and Transfer of Assets

The Owner will be prohibited from consolidating with or merging into any other person or conveying, transferring or, except as contemplated by the Leases and the Indentures to which it is a party, conveying, transferring or leasing any of its assets to any other person, except for leasing its Aircraft under the Leases to which it is a party and such other conveyances, transfers or leases permitted by the Operative Agreements. (Note Purchase Agreement, Section 4(a)(iii))

NAIL will be prohibited from consolidating with or merging into any other entity where NAIL is not the surviving entity or conveying, transferring, or leasing substantially all of its assets as an entirety to any other entity unless:

- immediately prior to such transaction and immediately after giving effect to such transaction, no Indenture Event of Default shall have occurred or be continuing;
- the successor or transferee entity is organized and validly existing under the laws of (x) Ireland, Norway or the United Kingdom or any territory thereof or (y) United States or any state thereof or the District of Columbia and, in the case of clause (y), such successor or transferee shall be a United States certificated air carrier, if and so long as such status is a condition of entitlement to the benefits of Section 1110 of the U.S. Bankruptcy Reform Act of 1978, as amended, with respect to the Leases or the Aircraft; and
- the successor or transferee entity expressly assumes all of the obligations of NAIL contained in the Note Purchase Agreement, the Participation Agreements and the Leases.

- upon any consolidation or merger, or any conveyance, transfer or lease of substantially all of the assets of NAIL as an entirety, any successor entity formed by such consolidation or into which NAIL is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, NAIL under the Note Purchase Agreement and the other Financing Agreements with the same effect as if such successor entity had been named as NAIL in the Note Purchase Agreement and the other Financing Agreements.
- each Loan Trustee, each of the Pass Through Trustees, the Subordination Agent, the Escrow Agent and the Paying Agent may request an officer's certificate and an opinion of counsel of NAIL (or such successor entity) as conclusive evidence that any such consolidation, merger, conveyance, transfer or lease, and any such assumption, complies with the provisions of the Note Purchase Agreement and the Participation Agreement.

(Note Purchase Agreement, Section 4(b)(ii); Participation Agreement, Section 6.03(e)(iii))

NAS will at all times maintain its corporate existence except as permitted below:

(1) NAS will not consolidate with or merge into any other entity under circumstances where NAS is not the surviving entity or convey, transfer or lease substantially all of its assets as an entirety to any Person unless such entity will execute and deliver to the Pass Through Trustees, the Subordination Agent, the Escrow Agent and the Paying Agent an agreement in form and substance reasonably satisfactory to them containing an assumption by such successor entity of the due and punctual performance and observance of each covenant and condition of NAS under the Operative Agreements to which NAS is a party.

(2) Upon any consolidation or merger, or any conveyance, transfer of lease of substantially all of the assets of NAS as an entirety, any successor entity formed by such consolidation or into which NAS is merged or to which such conveyance, transfer or lease is made, shall succeed to and be submitted for, and may exercise every right and power of, NAS under the Notes Guaranty with the same effect as if such successor Person had been named as the Guarantor under the Notes Guaranty and the Operative Agreements.

(3) The Loan Trustee, each of the Pass Through Trustees and the Subordination Agent, the Escrow Agent and the Paying Agent may request an officer's certificate and an opinion of counsel of NAS (or such successor Person) as conclusive evidence that any such consolidation, merger, conveyance, transfer of lease, and any such assumption, complies with the provisions of the Notes Guaranty.

(Notes Guaranty, Section 4(h))

The Basic Agreement, the Trust Supplements, the Note Purchase Agreement, the Indentures, the Participation Agreements and the Leases will not contain any covenants or provisions that may afford any Trustee or any Certificateholder protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change in control of NAS or its affiliates.

Modification of the Pass Through Trust Agreements and Certain Other Agreements

Each Pass Through Trust Agreement contains provisions permitting the Owner and the Trustee thereof to enter into one or more agreements supplemental to such Pass Through Trust Agreement or, at the request of the Owner, execute amendments or agreements supplemental to the related Deposit Agreement, the related Escrow Agreement, the Intercreditor Agreement, the Note Purchase Agreement, any Participation Agreement, any Liquidity Facility or Guarantee, without the consent of the holders of any of the Certificates of such Trust, to, among other things:

- add to NAS or the Owner's covenants for the benefit of holders of any Certificates or surrender any right or power conferred upon NAS or the Owner in such Pass Through Trust Agreement, the

Intercreditor Agreement, the Note Purchase Agreement, any Participation Agreement, any Liquidity Facility, or any Guarantee;

- cure any ambiguity or correct any mistake or inconsistency contained in any Certificates, the Basic Agreement, any related Trust Supplement, the related Deposit Agreement, the related Escrow Agreement, the Intercreditor Agreement, the Note Purchase Agreement, any Participation Agreement, any Liquidity Facility or any Guarantee;
- make or modify any other provision with respect to matters or questions arising under any Certificates, the Basic Agreement, any related Trust Supplement, the related Deposit Agreement, the related Escrow Agreement, the Intercreditor Agreement, the Note Purchase Agreement, any Participation Agreement, any Liquidity Facility or any Guarantee, as the Owner may deem necessary or desirable and that will not materially adversely affect the interests of the holders of the related Certificates;
- comply with any requirements of any applicable law, rules or regulations of any exchange or quotation system on which any Certificates are listed (or to facilitate any listing of any Certificates on any exchange or quotation system) or any requirement of DTC or like depositary or of any regulatory body;
- (i) evidence and provide for a successor Trustee under such Pass Through Trust Agreement, the related Deposit Agreement, the related Escrow Agreement, the Intercreditor Agreement, the Note Purchase Agreement, any Participation Agreement, any Indenture or any Liquidity Facility, (ii) evidence the substitution of a Liquidity Provider with a replacement liquidity provider or to provide for any Replacement Facility, all as provided in the Intercreditor Agreement, (iii) evidence the substitution of the Depositary with a replacement depositary or provide for a replacement deposit agreement, all as provided in the Note Purchase Agreement, (iv) evidence and provide for a successor Escrow Agent or Paying Agent under the related Escrow Agreement or (v) add to or change any of the provisions of such Pass Through Trust Agreement, the related Deposit Agreement, the related Escrow Agreement, the Intercreditor Agreement, the Note Purchase Agreement, any Participation Agreement or any Liquidity Facility, as necessary to provide for or facilitate the administration of the Trust under such Pass Through Trust Agreement by more than one trustee or to provide multiple liquidity facilities for one or more Trusts;
- provide certain information to the Trustee as required in such Pass Through Trust Agreement;
- add to or change any provision of any Certificates, the Basic Agreement or any Trust Supplement to facilitate or provide for the issuance of such Certificates in global form in addition to or in place of Certificates in certificated form;
- provide for the delivery of any agreement supplemental to such Pass Through Trust Agreement or any Certificates in or by means of any computerized, electronic or other medium, including by computer diskette;
- correct or supplement the description of any property constituting property of such Trust;
- modify, eliminate or add to the provisions of the Basic Agreement, any Trust Supplement, the Note Purchase Agreement, any Indenture, any Lease or any Participation Agreement to reflect the substitution of a substitute aircraft for any Aircraft;
- give effect to the transfer of the Lessee's rights and obligations to a Lessee Transferee (as defined in the Lease) pursuant to the Lease; or
- make any other amendments or modifications to such Pass Through Trust Agreement; provided that such amendments or modifications will only apply to Certificates of one or more class to be hereafter issued;

provided, *however*, that, except to the extent otherwise provided in the supplemental agreement, unless there shall have been obtained from each Rating Agency written confirmation to the effect that such supplemental agreement would not result in a reduction of the rating for any class of Certificates below the then current rating of such class of Certificates or a withdrawal or suspension of the rating of any class of Certificates, the Owner shall provide the applicable Trustee with an opinion of counsel to the effect that such supplemental agreement will not cause the related Trust to be treated as other than a grantor trust for U.S. federal income tax purposes, unless an Indenture Event of Default shall have occurred and be continuing, in which case such opinion shall be to the effect that such supplemental agreement will not cause the applicable Trust to become an association taxable as a corporation for U.S. federal income tax purposes. (Basic Agreement, Section 9.01; Trust Supplements, Section 8.02)

Each Pass Through Trust Agreement also contains provisions permitting the Owner and the related Trustee to enter into one or more agreements supplemental to such Pass Through Trust Agreement or any other Pass Through Trust Agreements, the related Deposit Agreement, the related Escrow Agreement, the Intercreditor Agreement, the Note Purchase Agreement, any Certificate, any Participation Agreement, any Liquidity Facility or any Guarantee or any other operative agreement with respect to any Aircraft or any Liquidity Facility, without the consent of the Certificateholders of the related Trust, to provide for the issuance of Additional Certificates or any Refinancing Certificates, the formation of related trusts, the purchase by such trusts of the related Equipment Notes, the establishment of certain matters with respect to such Additional Certificates or Refinancing Certificates, and other matters incidental thereto or as otherwise contemplated by the Basic Agreement, all as provided in, and subject to certain terms and conditions set forth in, the Note Purchase Agreement and the Intercreditor Agreement. (Trust Supplements, Section 8.02) See "*Possible Issuance of Additional Certificates and Refinancing Certificates*."

Each Pass Through Trust Agreement also contains provisions permitting the execution, with the consent of the holders of the Certificates of the related Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust, of supplemental agreements adding any provisions to or changing or eliminating any of the provisions of such Pass Through Trust Agreement, the related Deposit Agreement, the related Escrow Agreement, the Intercreditor Agreement, the Note Purchase Agreement, any Guaranty or any Liquidity Facility, to the extent applicable to such Certificateholders, or modifying the rights of such Certificateholders under such Pass Through Trust Agreement, the related Deposit Agreement, the related Escrow Agreement, the Intercreditor Agreement, the Note Purchase Agreement, any Guarantee or any Liquidity Facility, except that no such supplemental agreement may, without the consent of the holder of each outstanding Certificate adversely affected thereby:

- reduce in any manner the amount of, or delay the timing of, any receipt by the related Trustee (or, with respect to the Deposits, the Receiptholders) of payments on the Equipment Notes held in such Trust, or distributions in respect of any Certificate of such Trust (or, with respect to the Deposits, payments upon the Deposits), or change the date or place of any payment of any such Certificate or change the coin or currency in which any such Certificate is payable, or impair the right of any Certificateholder of such Trust to institute suit for the enforcement of any such payment or distribution when due;
- permit the disposition of any Equipment Note held in such Trust or otherwise deprive such Certificateholder of the benefit of the ownership of the Equipment Notes in such Trust, except as provided in such Pass Through Trust Agreement, the Intercreditor Agreement or any applicable Liquidity Facility;
- alter the priority of distributions specified in the Intercreditor Agreement in a manner materially adverse to the interests of any holders of any outstanding Certificates;
- modify certain amendment provisions in such Pass Through Trust Agreement, except to increase the percentage of the aggregate fractional undivided interests of the related Trust provided for in such Pass Through Trust Agreement, the consent of the Certificateholders of which is required for any such supplemental agreement provided for in such Pass Through Trust Agreement, or to provide that certain other provisions of such Pass Through Trust Agreement cannot be modified or waived without the consent of the Certificateholder of each Certificate of such class affected thereby; or
- cause any Trust to become an association taxable as a corporation for U.S. federal income tax purposes. (Basic Agreement, Section 9.02; Trust Supplements, Section 8.03)

Notwithstanding any other provision, no amendment or modification of the buyout rights described in "—*Purchase Rights of Certificateholders*" shall be effective unless the Trustee of each class of Certificates affected by such amendment or modification shall have consented thereto. (Trust Supplements, Section 8.04)

If a Trustee, as holder (or beneficial owner through the Subordination Agent) of any Equipment Note in trust for the benefit of the Certificateholders of the relevant Trust or as Controlling Party under the Intercreditor Agreement, receives (directly or indirectly through the Subordination Agent) a request for a consent to any amendment, modification, waiver or supplement under any Indenture, any Participation Agreement, any Lease, any Equipment Note, the Note Purchase Agreement, any Guaranty or certain other related documents, then subject to the provisions described above in respect of modifications for which consent of such Certificateholders is not required, such Trustee will forthwith send a notice of such proposed amendment, modification, waiver or supplement to each Certificateholder of the relevant Trust registered on the register of such Trust as of the date of such notice. Such Trustee will request from the Certificateholders of such Trust a direction as to:

- whether or not to take or refrain from taking (or direct the Subordination Agent to take or refrain from taking) any action that a holder of such Equipment Note or the Controlling Party has the option to direct;
- whether or not to give or execute (or direct the Subordination Agent to give or execute) any waivers, consents, amendments, modifications or supplements as such a Noteholder or as Controlling Party; and
- how to vote (or direct the Subordination Agent to vote) any such Equipment Note if a vote has been called for with respect thereto. (Basic Agreement, Section 10.01; Intercreditor Agreement, Section 8.01(b))

Provided such a request for Certificateholder direction shall have been made, in directing any action or casting any vote or giving any consent as the holder of any Equipment Note (or in directing the Subordination Agent in any of the foregoing):

- other than as Controlling Party, such Trustee shall vote for or give consent to any such action with respect to such Equipment Note in the same proportion as that of (x) the aggregate face amount of all Certificates actually voted in favor of or for giving consent to such action by such direction of Certificateholders to (y) the aggregate face amount of all outstanding Certificates of such Trust.
- as the Controlling Party, such Trustee shall vote as directed in such Certificateholder direction by the Certificateholders evidencing fractional undivided interests aggregating not less than a majority in interest in such Trust. (Basic Agreement, Section 10.01)

For purposes of the immediately preceding paragraph, a Certificate is deemed "actually voted" if the Certificateholder thereof has delivered to the applicable Trustee an instrument evidencing such Certificateholder's consent to such direction prior to one Business Day before such Trustee directs such action or casts such vote or gives such consent. Notwithstanding the foregoing, but subject to certain rights of the Certificateholders under the relevant Pass Through Trust Agreement and subject to the Intercreditor Agreement, such Trustee may, in its own discretion and at its own direction, consent and notify the relevant Loan Trustee of such consent (or direct the Subordination Agent to consent and notify the relevant Loan Trustee of such consent) to any amendment, modification, waiver or supplement under any related Indenture, Participation Agreement, Lease, Equipment Note, Guaranty, the Note Purchase Agreement or certain other related documents, if an Indenture Event of Default under any Indenture has occurred and is continuing, or if such amendment, modification, waiver or supplement will not materially adversely affect the interests of such Certificateholders. (Basic Agreement, Section 10.01)

Pursuant to the Intercreditor Agreement, with respect to any Indenture at any given time, the Loan Trustee under such Indenture will be directed by the Subordination Agent (as directed by the respective Trustees or by the Controlling Party, as applicable) in taking, or refraining from taking, any action thereunder or under any security document or with respect to the Equipment Notes issued under such Indenture that are held by the

Subordination Agent as the property of the relevant Trust, and the Subordination Agent will be directed by the respective Trustees or by the Controlling Party, as applicable, in taking, or refraining from taking, any action under the Owner Share Mortgage or the Owner Sub-Debt Mortgage. Any Trustee acting as Controlling Party will direct the Subordination Agent as such Trustee is directed by Certificateholders evidencing fractional undivided interests aggregating not less than a majority in interest in the relevant Trust. (Intercreditor Agreement, Sections 2.06 and 8.01(b)) Notwithstanding the foregoing, without the consent of each Liquidity Provider and each affected Certificateholder holding Certificates representing a fractional undivided interest in the Equipment Notes under the applicable Indenture held by the Subordination Agent (or in the case of the Owner Share Mortgage and the Owner Sub-Debt Mortgage, by each affected Certificateholder), among other things, no amendment, supplement, modification, consent or waiver of or relating to such Indenture, any related Equipment Note, Participation Agreement, Lease or other related document will: (i) reduce the principal amount of, Make-Whole Amount, if any, or interest on, any Equipment Note under such Indenture; (ii) change the date on which any principal amount of, Make-Whole Amount, if any, or interest on any Equipment Note under such Indenture, is due or payable; (iii) create any lien with respect to the Collateral subject to such Indenture or other security document prior to or pari passu with the lien thereon under such Indenture or other security document except such as are permitted thereby; or (iv) reduce the percentage of the outstanding principal amount of the Equipment Notes under such Indenture the consent of whose holders is required for any supplemental agreement, or the consent of whose holders is required for any waiver of compliance with certain provisions of such Indenture or of certain defaults thereunder or their consequences provided for in such Indenture. In addition, without the consent of each Certificateholder, no such amendment, modification, consent or waiver will, among other things, deprive any Certificateholder of the benefit of the lien of any Indenture on the related Collateral, except as provided in connection with the exercise of remedies under such Indenture. (Intercreditor Agreement, Section 8.01(b)) See "*—Indenture Events of Default and Certain Rights Upon an Indenture Event of Default*" for a description of the rights of the Certificateholders of each Trust to direct the respective Trustees.

Obligation to Purchase Equipment Notes

The Trustees will be obligated to purchase the Equipment Notes issued with respect to each Aircraft prior to the Delivery Period Termination Date, subject to the terms and conditions of a note purchase agreement (the "**Note Purchase Agreement**") to be entered into by NAIL, the Owner, the Trustees, the Subordination Agent, the Escrow Agent, and the Paying Agent and the forms of financing and lease agreements attached to the Note Purchase Agreement. On and subject to the terms and conditions of the Note Purchase Agreement and such forms of financing and lease agreements, the relevant parties are obligated to enter into a secured debt instrument relating to the financing and leasing of each Aircraft, including compliance with the Required Terms described below and the satisfaction of certain other conditions, including the delivery of specified legal opinions.

The description of such financing and lease agreements in this offering memorandum is based on the forms of such agreements attached to the Note Purchase Agreement. However, the terms of the financing and lease agreements actually entered into may differ from the forms of such agreements and, consequently, may differ from the description of such agreements contained in this offering memorandum. See "*Description of the Equipment Notes*." Although such changes are permitted under the Note Purchase Agreement, the Owner must obtain written confirmation from each Rating Agency to the effect that the use of financing and lease agreements modified in any material respect from the forms attached to the Note Purchase Agreement will not result in a withdrawal, suspension or downgrading of the rating of each class of Certificates then rated by such Rating Agency and that remains outstanding. The terms of such financing and lease agreements must also comply with the Required Terms. In addition, the Owner, subject to certain exceptions, is obligated to certify to the Trustees that any substantive modifications do not materially and adversely affect the Certificateholders or any Liquidity Provider.

Under the Note Purchase Agreement, the Trustees will not be obligated to purchase the Equipment Notes to be issued with respect to any Aircraft not yet financed if a Triggering Event has occurred or certain specified conditions are not met. In addition, if a Delivery Period Total Loss (or an event that would constitute such a Delivery Period Total Loss but for the requirement that notice be given or time elapse or both) occurs with respect to an Aircraft before such Aircraft is financed pursuant to this offering, the Trustees will not be obligated to purchase the Equipment Notes to be issued with respect to such Aircraft. The Trustees will have no right or obligation to purchase the Equipment Notes to be issued with respect to any Aircraft after the Delivery Period Termination Date.

The "**Required Terms**," as defined in the Note Purchase Agreement, mandate that:

(1) The original principal amount and principal amortization schedule for each series of Equipment Notes issued with respect to each Aircraft shall be as set forth in the table for that Aircraft included in Appendix IV (provided that if any Equipment Note is issued on or after any date scheduled for a principal payment in the applicable amortization table included in Appendix IV, the original principal amount of such Equipment Note will be reduced by the aggregate principal amount scheduled for payment on or prior to such issuance date and the principal amortization schedule for such Equipment Note will commence on the first scheduled principal payment date in such schedule occurring after the issuance of such Equipment Note).

(2) The interest rate applicable to each series of Equipment Notes at all times will be equal to the interest rate applicable to the Certificates issued by the corresponding Trust.

(3) The payment dates for the Equipment Notes must be May 10 and November 10.

(4) (a) The past due rate in the Indentures, (b) the Make-Whole Amount payable under the Indentures, (c) the provisions relating to the redemption of Equipment Notes in the Indentures and (d) the indemnification of the Loan Trustees, the Subordination Agent, the Liquidity Providers, the Trustees and the Escrow Agent with respect to certain claims, expenses and liabilities, in each case will be provided as set forth, as applicable, in the Note Purchase Agreement, in the form of Indenture attached as an exhibit to the Note Purchase Agreement (the "**Indenture Form**"), the form of Participation Agreement attached as an exhibit to the Note Purchase Agreement (the "**Participation Agreement Form**"), or the form of Lease attached as an exhibit to the Note Purchase Agreement (the "**Lease Form**").

(5) The amounts payable under the all-risk aircraft hull insurance maintained with respect to each Aircraft must be not less than $50,270,000, subject to certain rights of self-insurance.

(6) In the case of the Indenture Form, modifications are prohibited in any material adverse respect to (i) the granting clause of the Indenture Form so as to deprive the holders of Equipment Notes under all of the Indentures of the security interests granted thereby or to eliminate the obligations intended to be secured thereby, (ii) certain provisions relating to the issuance, redemption, payments, and ranking of the Equipment Notes (including the obligation to pay the Make-Whole Amount in certain circumstances), (iii) certain provisions regarding Indenture Events of Default (including the relevant cross-defaults among Indentures) and remedies relating thereto, (iv) certain provisions relating to claims, actions, third-party beneficiaries and voting, (v) the definition of "Make-Whole Amount" and (vi) the provision that New York law will govern the Indentures; and

(7) In the case of the Lease Form, modifications are prohibited to certain provisions regarding NAIL's obligations (i) to pay rent, (ii) under certain provisions relating to possession of the Aircraft, (ii) to preserve the interests of the relevant Loan Trustee with respect to subleasing and re-registration of the Aircraft in a jurisdiction, (iii) under certain provisions relating to the total loss of the Aircraft and (iv) to maintain or cause to be maintained hull insurance covering the Aircraft, (v) certain provisions relating to early termination of the Lease (vi) certain provisions relating to the consequences of an Indenture Event of Default, and (vii) modifications which would alter the provision that English law will govern the Lease.

(8) In the case of the Participation Agreement Form, modifications in any material adverse respect are prohibited with respect to (i) certain conditions to the obligations of the Trustees to purchase the Equipment Notes issued with respect to an Aircraft involving good title to such Aircraft and obtaining a certificate of airworthiness with respect to such Aircraft, (ii) the provisions restricting transfers of Equipment Notes, (iii) certain provisions relating to UCC filings, representations and warranties, taxes, filings or third-party beneficiaries, (iv) certain provisions requiring the delivery of legal opinions,

(v) the provision that New York law will govern the Participation Agreements, and (vi) certain provisions regarding maintenance of corporate existence and mergers with respect to the Owner and the Lessee.

Notwithstanding the foregoing, the Indenture Form, the Participation Agreement Form or the Lease Form may be modified to the extent required for the successive redemption of the Series B Equipment Notes (or any Additional Equipment Notes) and issuance of Refinancing Equipment Notes or the issuance of any Additional Equipment Notes or the issuance of pass through certificates by any pass through trust that acquires such Refinancing Equipment Notes or Additional Equipment Notes, as applicable, or to provide for any credit support for any pass through certificates relating to any such Refinancing Equipment Notes or Additional Equipment Notes, as applicable, in each case as provided in the Note Purchase Agreement. In addition, the Indenture Form, the Participation Agreement Form or the Lease Form may be modified to the extent required to correct or supplement any such provision which may be defective or to cure any ambiguity or correct any mistake, *provided* that any such action shall not materially adversely affect the interests of the Trustees, the Subordination Agent, the Liquidity Providers, the relevant Loan Trustee, the Owner or the Certificateholders.

Termination of the Trusts

With respect to each Trust, the obligations of the Owner and the Trustee of such Trust will terminate upon the distribution to the Certificateholders of such Trust and to such Trustee of all amounts required to be distributed to them pursuant to the applicable Pass Through Trust Agreement and the disposition of all property held in such Trust. The applicable Trustee will mail to each Certificateholder of such Trust notice of the termination of such Trust not earlier than 60 days and not later than 15 days preceding such final distribution, notice of the termination of such Trust, the amount of the proposed final payment, the proposed date for the distribution of such final payment for such Trust and certain other information. The Final Distribution to any Certificateholder of such Trust will be made only upon surrender of such Certificateholder's Certificates at the office or agency of the applicable Trustee specified in such notice of termination. (Basic Agreement, Section 11.01)

In the event that all of the Certificateholders of such Trust do not surrender their Certificates issued by such Trust for cancellation within six months after the date specified in such written notice, the Trustee of such Trust will give a second written notice to the remaining Certificateholders of such Trust to surrender such Certificates for cancellation and receive the final distribution. No additional interest will accrue with respect to such Certificates after the Distribution Date specified in the first written notice. In the event that any money held by the Trustee of such Trust for the payment of distributions on the Certificates issued by such Trust remains unclaimed for two years (or such lesser time as such Trustee shall be satisfied, after sixty days' notice from the Owner, is one month prior to the escheat period provided under applicable law) after the final distribution date with respect thereto, such Trustee will pay to each Loan Trustee the appropriate amount of money relating to such Loan Trustee for distribution as provided in the applicable Indenture, Participation Agreement or certain related documents and will give written notice thereof to the Owner. (Basic Agreement, Section 11.01)

The Trustees

The Trustee of each Trust initially will be Wilmington Trust Company. Each Trustee's address is 1100 North Market Street, Wilmington, Delaware 19890-1605, Attention: Corporate Trust Administration.

With certain exceptions, the Trustees make no representations as to the validity or sufficiency of the Basic Agreement, the Trust Supplements, the Certificates, the Equipment Notes, the Indentures, the Intercreditor Agreement, the Participation Agreements, the Leases, any Liquidity Facility, the Note Purchase Agreement, the Deposit Agreements, the Escrow Agreements or other related documents. (Basic Agreement, Sections 7.04 and 7.15; Trust Supplements, Sections 7.03 and 7.04) The Trustee of any Trust will not be liable to the Certificateholders of such Trust for any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in face amount of outstanding Certificates of such Trust. (Basic Agreement, Section 7.03(h)) Subject to certain provisions, no Trustee will be under any obligation to exercise any of its rights or powers under any Pass Through Trust Agreement at the request of any holders of Certificates issued thereunder unless there has been offered to such Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by such Trustee in exercising such rights or powers. (Basic Agreement, Section 7.03(e)) Each Pass Through Trust Agreement provides that the applicable Trustee (and any related agent or affiliate in their respective individual or any other capacity) may acquire and hold Certificates issued thereunder and, subject to certain conditions, may otherwise deal with the Owner and its affiliates with the same rights it would have if it were not such Trustee, agent or affiliate. (Basic Agreement, Section 7.05)

Book-Entry; Delivery and Form

On the Issuance Date, the Class A Certificates and the Class B Certificates will be represented by one or more fully registered global certificates of the applicable class. Each global certificate will be deposited with the related Trustee as custodian for DTC and registered in the name of Cede & Co, as nominee of DTC. Except in the limited circumstances described below, owners of beneficial interests in global certificates will not be entitled to receive physical delivery of Definitive Certificates. Except under the limited circumstances described below under "—*Physical Certificates*", the Certificates will not be issuable in bearer form.

Certificates sold in reliance on Rule 144A will initially be represented by permanent global certificates in fully registered form without interest coupons (each, a "**Restricted Global Certificate**") and will be deposited with the Trustee as a custodian for DTC and registered in the name of a nominee of Cede. Certificates sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by temporary global certificates in fully registered form without interest coupons (each, a "**Temporary Regulation S Global Certificate**") and will be deposited with the Trustee as custodian for DTC and registered in the name of Cede. Each Temporary Regulation S Global Certificate will be exchangeable for a single permanent global certificate (each, a "**Regulation S Global Certificate**") after the expiration of the "distribution compliance period" (as defined in Regulation S) and the certification required by Regulation S. Prior to such time, a beneficial interest in the Temporary Regulation S Global Certificate may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate only upon receipt by the Trustee of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A. Beneficial interests in a Restricted Global Certificate may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Certificate whether before, on or after such time, only upon receipt by the Trustee of a written certification to the effect that such transfer is being made in accordance with Regulation S.

Any beneficial interest in a Regulation S Global Certificate or a Restricted Global Certificate (each, a "**Global Certificate**") that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate or a Regulation S Global Certificate, respectively, will, upon transfer, cease to be an interest in the type of Global Certificate previously held and become an interest in the other type of Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other type of Global Certificate for as long as it remains such an interest.

The Global Certificates (and any Certificates issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the Pass Through Trust Agreement and will bear the legend regarding such restrictions set forth under the heading "*Transfer Restrictions*" herein. Subject to such restrictions, QIBs or non-U.S. purchasers may elect to take physical delivery of their certificates (each, a "**Certificated Security**") instead of holding their interests through the Global Certificates (and which are then ineligible to trade through DTC) (collectively referred to herein as the "**Non-Global Purchasers**"). Upon the transfer to a QIB of any Certificated Security initially issued to a Non-Global Purchaser, such Certificated Security will, unless the transferee requests otherwise or the Global Certificates have previously been exchanged in whole for

Certificated Securities, be exchanged for an interest in the Global Certificates. For a description of the restrictions on transfer of Certificated Securities and any interest in the Global Certificates, see "*Transfer Restrictions*" and "*Plan of Distribution*."

The Global Certificates

The Owner expects that, pursuant to procedures established by DTC, (i) upon the issuance of the Global Certificates, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Certificates to the respective accounts of persons who have accounts with such depositary and (ii) ownership of beneficial interests in the Global Certificates will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of such DTC Participants (with respect to interests of persons other than DTC Participants). Such accounts initially will be designated by or on behalf of the Initial Purchaser. Ownership of beneficial interests in the Global Certificates will be limited to DTC Participants or persons who hold interests through DTC Participants. The laws of some states require that certain purchasers of securities take physical delivery of such securities. Such limits and such laws may limit the market for beneficial interests in the Global Certificates.

So long as DTC, or its nominee, is the registered owner or holder of the Global Certificates, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Certificates represented by such Global Certificates for all purposes under the Pass Through Trust Agreements. No beneficial owner of an interest in the Global Certificates will be able to transfer that interest except in accordance with DTC's procedures, in addition to those provided for under the Pass Through Trust Agreements. Unless and until definitive Certificates are issued under the limited circumstances described below under "*—Physical Certificates*," all references to actions by Certificateholders shall refer to actions taken by DTC upon instructions from DTC Participants, and all references herein to distributions, notices, reports and statements to Certificateholders shall refer, as the case may be, to distributions, notices, reports and statements to DTC or Cede, as the registered holder of such Certificates, or to DTC Participants for distribution to Certificateholders in accordance with DTC procedures.

Payments of the principal of, premium, if any, and interest on the Global Certificates will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Owner, the Trustees or the Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

The Owner expects that DTC or its nominee, upon receipt of any payment of principal, premium, if any, or interest on the Global Certificates, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Certificates as shown on the records of DTC or its nominee. The Owner also expects that payments by participants to owners of beneficial interests in the Global Certificates held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way through DTC's same-day funds system in accordance with DTC rules and will be settled in same-day funds. If a holder requires physical delivery of a certificated security for any reason, such holder must transfer its interest in a Global Certificate, in accordance with the normal procedures of DTC and with the procedures set forth in the applicable Pass Through Trust Agreement. DTC has advised the Owner that it will take any action permitted to be taken by a holder of Certificates (including the presentation of Certificates for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in the Global Certificates are credited and only in respect of such portion of the aggregate principal amount of Certificates as to which such participant or participants has or have given such direction.

DTC has advised the Owner as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants ("**DTC Participants**") and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("**indirect participants**").

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. Neither the Owner nor any Trustee will have any responsibility or liability for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Physical Certificates

Physical Certificates will be issued in paper form to Certificateholders or their nominees, rather than to DTC or its nominee, only if:

- DTC advises the applicable Trustee in writing that DTC is no longer willing or able to discharge properly its responsibilities as depository with respect to such Certificates and a successor depositary is not appointed by such Trustee within 90 days of such notice; or
- after the occurrence of an Indenture Event of Default under any Indenture pursuant to which Equipment Notes held by the Trust were issued, Certificateholders owning at least a majority in fractional undivided interests in the Trust advise the Trustee, the Owner and DTC through DTC Participants that the continuation of a book-entry system through DTC or a successor to DTC is no longer in the Certificateholders' best interest. Neither the Owner nor any Trustee will be liable if the Owner or such Trustee is unable to locate a qualified successor clearing system. (Trust Supplements, Section 4.05(b))

Upon the occurrence of any of the events described in the two subparagraphs above, the applicable Trustee will notify all Certificateholders through DTC Participants of the occurrence of such event and the availability of physical Certificates. Upon surrender by DTC of the global Certificates and receipt of instructions for re-registration, the Trustee will re-issue the Certificates as physical Certificates to the applicable Certificateholders.

In the case of the physical Certificates that are issued, the Trustee or the Paying Agent will make distributions with respect to such Certificates directly to holders in whose names the physical Certificates were registered at the close of business on the applicable record date. Except for the final payment to be made with respect to a Certificate, the applicable Trustee or Paying Agent will make distributions by check mailed to the addresses of the registered holders as they appear on the register maintained by such Trustee. The applicable Trustee or Paying Agent will make the final payment with respect to any such Certificate only upon presentation and surrender of the applicable Certificate at the office or agency specified in the notice of final distribution to Certificateholders.

Physical Certificates will be freely transferable and exchangeable at the office of the applicable Trustee upon compliance with the requirements set forth in the applicable Pass Through Trust Agreement. Neither the applicable Trustee nor any transfer or exchange agent will impose a service charge for any registration of transfer or exchange. However, the applicable Trustee or transfer or exchange agent will require payment of a sum sufficient to cover any tax or other governmental charge attributable to a transfer or exchange.

DESCRIPTION OF THE DEPOSIT AGREEMENTS

The following summary describes certain material terms of the Deposit Agreements, as well as certain related provisions of the Escrow Agreements and the Note Purchase Agreement. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Deposit Agreements and the related provisions of the Escrow Agreements and the Note Purchase Agreement. The provisions of the Deposit Agreements are substantially identical except as otherwise indicated.

General

Under the Escrow Agreements, the Escrow Agent with respect to each Trust will enter into a separate Deposit Agreement with the Depositary (each, a "**Deposit Agreement**"). (Escrow Agreements, Section 1.02(a)) Pursuant to the Deposit Agreements, the Depositary will establish separate accounts into which the proceeds of the offering attributable to Certificates of the applicable Trust will be deposited (each, a "**Deposit**" and, collectively, the "**Deposits**") on behalf of the Escrow Agent for the applicable Trust. (Deposit Agreements, Section 1.2) For each Trust, there will be a separate Deposit for each Aircraft that is to be financed in this offering. Pursuant to the Deposit Agreements, except as described below under "*—Other Withdrawals and Return of Deposits*," on each Regular Distribution Date, the Depositary under each Deposit Agreement will pay as interest on each Deposit to the Paying Agent on behalf of the Escrow Agent, for distribution to the applicable Certificateholders, an amount equal to the interest accrued on the face amounts of the Certificates issued in respect of such Deposit during the relevant interest period at a rate per annum equal to the Stated Interest Rate applicable to such Certificates. In addition, in the case of the Deposits relating to the Class B Trust, the Depositary will pay to the Paying Agent on behalf of the Escrow Agent to purchase Equipment Notes, or to a replacement Depositary on a replacement withdrawal, or to certificateholders on a final withdrawal or an event of loss withdrawal, as applicable, additional interest in an amount equal to the Aggregate Accretion Amount. (Deposit Agreements, Section 2.2) The Deposits and interest paid thereon will not be subject to the subordination provisions of the Intercreditor Agreement and will not be available to pay any other amount in respect of the Certificates.

"**Aggregate Accretion Amount**" means with respect to any Deposit the sum of all Accretion Amounts with respect to such Deposit.

"**Accretion Amount**" means for any Deposit made with proceeds from the issuance of Class B Certificates for any Calculation Period an amount equal to the excess of the amount equal to interest on the Base Amount for such Calculation Period at the rate of 8.00% per annum (computed on the basis of a 360-day year of twelve 30-day months) over the amount of interest (other than interest constituting Aggregate Accretion Amounts) accrued in respect of such Deposit for such Calculation Period.

"**Base Amount**" for any Deposit for any Calculation Period shall be the original amount of such Deposit plus the Accretion Amount for each Calculation Period for such Deposit ending on or before the commencement of such Calculation Period.

"**Calculation Period**" for any Deposit shall mean each period commencing on (and including) the initial date of such Deposit and ending on (but excluding) the first to occur of the next Regular Distribution Date, date of a withdrawal to purchase Equipment Notes, final withdrawal, a replacement withdrawal or an event of loss withdrawal in each case with respect to such Deposit and in the case of any Deposit for which a Calculation Period ends on a Regular Distribution Date that is not the date of a withdrawal to purchase Equipment Notes, final withdrawal, a replacement withdrawal or an event of loss withdrawal with respect thereto, each period commencing on (and including) such Regular Distribution Date and ending on (but excluding) the first to occur of the next Regular Distribution Date or date of a withdrawal to purchase Equipment Notes, final withdrawal, a replacement withdrawal or an event of loss withdrawal, as applicable, with respect thereto until the date of a withdrawal to purchase Equipment Notes, final withdrawal, a replacement withdrawal or an event of loss withdrawal, as applicable, with respect thereto.

Withdrawal of Deposits to Purchase Equipment Notes

Upon the financing of an Aircraft under the related Indenture prior to the Delivery Period Termination Date, the Trustee of each Trust will request the applicable Escrow Agent relating to such Trust to withdraw from the Deposit corresponding to such Trust funds which, together with the Aggregate Accretion Amount in the case of Deposits of proceeds from the issuance of Class B Certificates and the related Escrow Receipts, will be sufficient to enable the Trustee of such Trust to purchase the Equipment Notes of the series applicable to such Trust issued with respect to such Aircraft. (Note Purchase Agreement, Sections 1(b) and 1(d); Escrow Agreements, Section 1.02(c)) Any portion of any Deposit so withdrawn that is not used to purchase such Equipment Notes will be re-deposited by the Escrow Agent or each Trustee on behalf of the Escrow Agent into a new account with the Depositary (each such deposit, also a "**Deposit**"). (Deposit Agreements, Section 2.4; Escrow Agreements, Section 1.06) Except as described below under "*—Other Withdrawals and Return of Deposits*," the Depositary will pay accrued but unpaid interest (other than, in the case of the Deposits related to the Class B Trust, interest representing the Aggregate Accretion Amount) on all Deposits withdrawn to purchase Equipment Notes on the next Regular Distribution Date to the Paying Agent, on behalf of the applicable Escrow Agent, for distribution to the Certificateholders. (Deposit Agreements, Sections 2.2 and 4; Escrow Agreements, Section 2.03(a))

Other Withdrawals and Return of Deposits

The Trustees' obligations to purchase Equipment Notes to be issued with respect to each Aircraft are subject to satisfaction of certain conditions at the time of the financing of such Aircraft under the related Indenture, as set forth in the Note Purchase Agreement and the related Participation Agreement. See "*Description of the Certificates—Obligation to Purchase Equipment Notes*." Since such Aircraft are expected to be subjected to the financing of this offering from time to time prior to the Delivery Period Termination Date, no assurance can be given that all such conditions will be satisfied with respect to each such Aircraft prior to the Delivery Period Termination Date. Moreover, because the New Delivery Aircraft will be newly manufactured, their delivery as scheduled is subject to delays in the manufacturing process and to the Manufacturer's right to postpone deliveries under its agreement with Arctic or BOCA. See "*Description of the Aircraft and the Appraisals—Timing of Financing the Aircraft*." If any funds remain as Deposits with respect to any Trust as of the Delivery Period Termination Date, such remaining funds will be withdrawn by the Escrow Agent and distributed by the Paying Agent, together with accrued and unpaid interest thereon including, in the case of Deposits with respect to the Class B Trust, the Aggregate Accretion Amount, but without any premium, to the Certificateholders of such Trust on a date no earlier than 15 days after the Paying Agent has received notice of the event requiring such distribution. If the day scheduled for such withdrawal is within 10 days before or after a Regular Distribution Date, the Escrow Agent will request that such withdrawal be made on such Regular Distribution Date. Moreover, in certain circumstances, any funds held as Deposits will be returned by the Depositary to the Paying Agent automatically on the date falling 15 days after March 31, 2017 (*provided* that, if a labor strike occurs at Boeing prior to such date, such date will be extended by the number of days that such strike continued in effect, but not more than 60 days and excluding any period of a strike at Boeing after all Aircraft shall have been financed pursuant to this offering) (March 31, 2017 or such extended date, the "**Delivery Period Termination Date**"), and the Paying Agent will distribute such funds together with, in the case of Deposits in respect of the Class B Trust, the Aggregate Accretion Amount, to the applicable Certificateholders as promptly as practicable thereafter. The obligation to purchase Equipment Notes to be issued with respect to any Aircraft not yet financed pursuant to this offering will terminate on the Delivery Period Termination Date. (Deposit Agreements, Sections 2.3(b)(i) and 4; Escrow Agreements, Sections 1.02(f) and 2.03(b); Note Purchase Agreement, Section 2)

If a Delivery Period Total Loss (or an event that would constitute such a Delivery Period Total Loss but for the requirement that notice be given or time elapse or both) occurs with respect to an Aircraft before such Aircraft is financed pursuant to this offering, the Owner will give notice of such event to each Trustee and such Trustee will submit a withdrawal certificate to the applicable Escrow Agent, and any funds in any Deposit with respect to such Aircraft will be withdrawn by such Escrow Agent and distributed by the related Paying Agent, together with accrued and unpaid interest thereon, including, in the case of Deposits with respect to the Class B Trust, the Aggregate Accretion Amount, but without any premium, to the Certificateholders of the related Trust on a date not earlier than 15 days after such Paying Agent has received notice of the event requiring such distribution. (Note Purchase Agreement, Section 1(k); Deposit Agreements, Section 2.3(b)(iii); Escrow Agreements, Sections 2.03(b) and 2.07) Once the Owner delivers a notice described in the preceding sentence, the Trustees will have no obligation to purchase Equipment Notes with respect to such Aircraft. (Note Purchase Agreement, Section 2(c))

"**Delivery Period Total Loss**" means, with respect to an Aircraft prior to being financed pursuant to this offering, one of several events that would constitute a Total Loss of an Aircraft if such Aircraft were financed under the Indentures.

If a Triggering Event occurs prior to the Delivery Period Termination Date any funds remaining in Deposits will be withdrawn by the Escrow Agent for the applicable Trust and distributed by the Paying Agent for such Trust, together with accrued and unpaid interest thereon, including, in the case of Deposits with respect to the Class B Trust, the Aggregate Accretion Amount, but without any premium, to the Certificateholders of such Trust on a date no earlier than 15 days after the Paying Agent has received notice of such Triggering Event, but, if the day scheduled for such withdrawal is within 10 days before or after a Regular Distribution Date, such Escrow Agent will request such withdrawal be made on such Regular Distribution Date. (Escrow Agreements, Section 1.02(f)) The obligation to purchase the Equipment Notes to be issued with respect to any Aircraft not yet financed pursuant to this offering will terminate on the date such Triggering Event occurs. (Deposit Agreements, Section 2.3(b)(i); Escrow Agreements, Sections 2.03(b) and 2.06; Note Purchase Agreement, Section 2)

Replacement of Depositary

If the Depositary's short-term senior unsecured debt rating by Moody's or long-term issuer default rating by Fitch falls below the Depositary Threshold Rating, then the Owner must, within 35 days of the occurrence of such event, replace the Depositary with a new depositary bank meeting the requirements set forth below (the "**Replacement Depositary**"). (Note Purchase Agreement, Section 5(a))

"**Depositary Threshold Rating**" means (i) in the case of Fitch, a long-term issuer default rating of A- and (ii) in the case of Moody's, a short-term senior unsecured debt rating of P-1.

Any Replacement Depositary may either be (a) one that meets the Depositary Threshold Rating or (b) one that does not meet the Depositary Threshold Rating, so long as, in the case of either of the immediately preceding clauses (a) and (b), the Owner shall have received a written confirmation from each Rating Agency with respect to each Class of Certificates then rated by such Rating Agency to the effect that the replacement of the Depositary with the Replacement Depositary will not result in a withdrawal, suspension or reduction of the ratings for each class of Certificates rated by such Rating Agency below the then current rating for such Certificates (before the downgrading of such rating as a result of the downgrading of the Depositary below the applicable Depositary Threshold Rating). (Note Purchase Agreement, Section 5(c)(i))

At any time during the period prior to the Delivery Period Termination Date (including after the occurrence of a downgrade event described above), the Owner may replace the Depositary with a Replacement Depositary. (Note Purchase Agreement, Section 5(a)) There can be no assurance that at the time of a downgrade event described above, there will be an institution willing to replace the downgraded Depositary or that each Rating Agency will provide the ratings confirmation described in the immediately preceding paragraph.

Upon satisfaction of the conditions for replacement of the Depositary with a Replacement Depositary set forth in the Note Purchase Agreement, the Escrow Agent for each Trust will request, upon at least 5 Business Days' notice, the following withdrawals:

- with respect to all Deposits of such Trust then held by the Depositary being replaced, withdrawal of (1) the entire amount of such Deposits together with (2) all accrued and unpaid interest on such Deposits to but excluding the date of such withdrawal, which funds will be paid by the Depositary being replaced over to such Replacement Depositary; and

- with respect to all Deposits of such Trust, if any, previously withdrawn in connection with the purchase of the related Equipment Notes, as described in "*—Withdrawal of Deposits to Purchase Equipment Notes,*" withdrawal of all accrued and unpaid interest on such Deposits to but excluding the date of the applicable withdrawal in connection with the purchase of such Equipment Notes, which funds will be paid by the Depositary being replaced to the Paying Agent Account of such Trust and, upon the confirmation by the Paying Agent of receipt in such Paying Agent Account of such amounts, the Paying Agent will distribute such amounts to the Certificateholders of such Trust on the immediately succeeding Regular Distribution Date and, until such Regular Distribution Date, the amounts will be held in such Paying Agent Account. (Note Purchase Agreement, Section 5(d); Escrow Agreements, Sections 1.02(d) and 2.03(c))

Limitation on Damages

The Deposit Agreements provide that in no event shall the Depositary be responsible or liable for special, indirect, punitive, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit, whether or not foreseeable) suffered by the Escrow Agent of each Trust or any of the Receiptholders in connection with the Deposit Agreements or the transactions contemplated or any relationships established by the Deposit Agreements irrespective of whether the Depositary has been advised of the likelihood of such loss or damage and regardless of the form of action. (Deposit Agreements, Section 17)

Depositary

Natixis, acting through its New York Branch, will act as depositary (the "**Depositary**"). Natixis is a French public limited corporation (*société anonyme*) with a board of directors. Natixis is a credit institution licensed as a bank in France. The New York Branch of Natixis is licensed by the Superintendent of Financial Services of the State of New York to conduct a banking business as a branch of a foreign bank.

Natixis currently has long- and short-term credit ratings of A and F-1 from Fitch, and of A2 and P-1 from Moody's.

Natixis is the corporate, investment and financial services arm of Groupe BPCE, the second largest banking group in France. Natixis had €500 billion of consolidated assets and €19.2 billion equity capital group share as of December 31, 2015. Excluding exceptional items to reported data, Natixis had net revenues of €2,244 million for the quarter ended December 31, 2015.

Natixis is listed on the Paris stock exchange. Its primary shareholder is Groupe BPCE, which holds 71.18% of its share capital (excluding treasury shares). The remainder is publicly traded. Natixis' registered office is at 30, avenue Pierre Mendès France, 75013 Paris, France.

Natixis will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to Corporate Secretary, NATIXIS, 1251 Avenue of the Americas, New York, New York 10020; telephone (212) 872-5000.

The Depositary meets the Depositary Threshold Rating.

DESCRIPTION OF THE ESCROW AGREEMENTS

The following summary describes certain material terms of the escrow and paying agent agreements (the "**Escrow Agreements**"), as well as certain related provisions of the Deposit Agreements and the Note Purchase Agreement. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Escrow Agreements and the related provisions of the Deposit Agreements and the Note Purchase Agreement. The provisions of the Escrow Agreements are substantially identical except as otherwise indicated.

General

Wilmington Trust, National Association, as escrow agent in respect of each Trust (the "**Escrow Agent**"), Wilmington Trust Company, as paying agent on behalf of each Escrow Agent (the "**Paying Agent**"), each Trustee and the Initial Purchaser will enter into a separate Escrow Agreement for the benefit of the Certificateholders of each Trust as holders of the Escrow Receipts affixed thereto (in such capacity, a "**Receiptholder**"). The cash proceeds of the offering of the Certificates of each Trust will be deposited on behalf of the Escrow Agent (for the benefit of the Receiptholders) with the Depositary as Deposits relating to such Trust. (Escrow Agreements, Section 1.03; Deposit Agreements, Section 2.1) The Escrow Agent will permit the Trustee of the related Trust to cause funds to be withdrawn from such Deposits together with, in the case of Deposits related to the Class B Trust, the Aggregate Accretion Amount, to allow such Trustee to purchase the related Equipment Notes pursuant to the Note Purchase Agreement and the related Participation Agreement or in connection with special distributions under certain circumstances as described under "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*." (Escrow Agreements, Section 1.02(c)-(f)) In addition, pursuant to the terms of the Deposit Agreements, the Depositary agrees to pay accrued interest on each Deposit in an amount equal to the interest accrued on the face amount of the Certificates issued in respect of such Deposit at the rate *per annum* equal to the interest rate applicable to such Certificates. (Deposit Agreements, Section 2.2)

Each Escrow Agreement requires that the Paying Agent establish and maintain, for the benefit of the Receiptholders of each Trust, the Paying Agent Account for such Trust, which will be non-interest bearing, and the Paying Agent is under no obligation to invest any amounts held in such Paying Agent Account. (Escrow Agreements, Section 2.02) Pursuant to the Deposit Agreements, the Depositary agrees to pay funds released from the related Deposits and accrued interest, including, in the case of Deposits of proceeds from the issuance of Class B Certificates and related Escrow Receipts, and the Aggregate Accretion Amount directly into such Paying Agent Account, except for amounts withdrawn to purchase any related Equipment Notes as described under "*Description of the Deposit Agreements—Withdrawal of Deposits to Purchase Equipment Notes*" and amounts paid to a Replacement Depositary as described under "*Description of the Deposit Agreements—Replacement of Depositary*." (Deposit Agreements, Section 4) The Paying Agent will distribute amounts deposited into the Paying Agent Account for the related Trust to the Certificateholders of such Trust as further described herein. See "*Description of the Certificates—Payments and Distributions*" and "*Description of the Deposit Agreements*."

Upon receipt by the Depositary of cash proceeds from this offering, the Escrow Agent will issue one or more escrow receipts ("**Escrow Receipts**") which will be affixed by the related Trustee to each Certificate. Each Escrow Receipt evidences the related Receiptholder's interest in amounts from time to time deposited into the Paying Agent Account and is limited in recourse to amounts deposited into such account. An Escrow Receipt may not be assigned or transferred except in connection with the assignment or transfer of the Certificate to which it is affixed. Each Escrow Receipt will be registered by the Escrow Agent in the same name and manner as the Certificate to which it is affixed. (Escrow Agreements, Sections 1.03 and 1.04) Because the Escrow Receipts will be affixed to the Certificates, distributions to the Receiptholders on the Escrow Receipts are sometimes referred to in this offering memorandum, for convenience, as distributions to the Certificateholders.

Each Escrow Agreement provides that each Receiptholder will have the right (individually and without the need for any other action of any person, including the Escrow Agent or any other Receiptholder), upon any default in the payment of interest on the Deposits when due by the Depositary in accordance with the applicable Deposit Agreement, or upon any default in the payment of any final withdrawal, replacement withdrawal or event of loss withdrawal when due by the Depositary in accordance with the terms of the applicable Deposit Agreement and Escrow Agreement, to proceed directly against the Depositary by making a demand to the Depositary for the portion of such payment that would have been distributed to such Receiptholder pursuant to such Escrow Agreement or by bringing suit to enforce payment of such portion. The Escrow Agent will notify Receiptholders in the event of a default in any such payment and will promptly forward to Receiptholders upon receipt copies of all written communications relating to any payments due to the Receiptholders in respect of the Deposits. (Escrow Agreements, Sections 9 and 16)

Certain Modifications of the Escrow Agreements and Note Purchase Agreement

The Note Purchase Agreement contains provisions requiring the Trustees, the Escrow Agent and the Paying Agent, at the Owner's request, to enter into amendments to, among other agreements, the Escrow Agreements and the Note Purchase Agreement as may be necessary or desirable:

- if any Additional Equipment Notes are to be issued or Series B Equipment Notes or any Additional Equipment Notes are to be refinanced or have matured and are paid in full and new equipment notes with the same series designation as that of the redeemed or matured and fully paid Equipment Notes are to be issued, to give effect to such issuance of Additional Equipment Notes or refinancing or reissuance of Series B Equipment Notes or any Additional Equipment Notes and the issuance of pass through certificates by any pass through trust that acquires any such new equipment notes or Additional Equipment Notes, as applicable, and to make related changes (including to provide for any prefunding mechanism) and to provide for credit support (including a liquidity facility) for any such pass through certificates; and
- if the Depositary is to be replaced, to give effect to the replacement of the Depositary with the Replacement Depositary and the replacement of the Deposit Agreements with replacement deposit agreements. (Note Purchase Agreement, Sections 4(a)(v) and 5(e))

In each case described immediately above, no requests (other than the Owner's request) or consents (including no consent of any Certificateholder) will be required for such amendments.

Each Escrow Agreement contains provisions requiring the Escrow Agent and the Paying Agent, upon request of the related Trustee and without any consent of the Certificateholders, to enter into an amendment to the Escrow Agreements or the Note Purchase Agreement, among other things, for the following purposes:

- to correct or supplement any provision in the Escrow Agreements or the Note Purchase Agreement which may be defective or inconsistent with any other provision in the Escrow Agreements or the Note Purchase Agreement or to cure any ambiguity or correct any mistake;
- to modify any other provision with respect to matters or questions arising under the Escrow Agreements or the Note Purchase Agreement; provided that any such action will not materially adversely affect the Certificateholders;
- to comply with any requirement of applicable law, or the rules or regulations of any exchange or quotation system on which the Equipment Notes are listed or any regulatory body;
- to evidence and provide for the acceptance of appointment under the Escrow Agreements or the Note Purchase Agreement of a successor Escrow Agent, successor Paying Agent or successor Trustee; or
- for any purposes described in the first paragraph under "*Description of the Certificates—Modification of the Pass Through Trust Agreements and Certain Other Agreements.*" (Escrow Agreements, Section 8)

The Escrow Agent

Wilmington Trust, National Association will be the Escrow Agent under each Escrow Agreement. The Escrow Agent's address is Wilmington Trust, National Association, 1100 North Market Street, Wilmington, Delaware 19890-1605, Attention: Corporate Trust Administration.

The Paying Agent

Wilmington Trust Company will be the Paying Agent under each Escrow Agreement. The Paying Agent's address is Wilmington Trust Company, 1100 North Market Street, Wilmington, Delaware 19890-1605, Attention: Corporate Trust Administration.

DESCRIPTION OF THE LIQUIDITY FACILITIES

The following summary describes certain material terms of the Liquidity Facilities and certain provisions of the Intercreditor Agreement relating to the Liquidity Facilities. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Liquidity Facilities and the Intercreditor Agreement. The provisions of the Liquidity Facilities are substantially identical except as otherwise indicated.

General

The liquidity provider for each of the Class A Trust and Class B Trust (each, a "**Liquidity Provider**") will enter into a separate revolving credit agreement (each, a "**Liquidity Facility**") with the Subordination Agent with respect to each of the Class A Trust and Class B Trust. Under each Liquidity Facility, the related Liquidity Provider will be required, if necessary, to make one or more advances ("**Interest Drawings**") to the Subordination Agent in an aggregate amount sufficient to pay interest on the Pool Balance of the related class of Certificates on up to three successive semi-annual Regular Distribution Dates (without regard to any expected future payments of principal on such Certificates) at the Stated Interest Rate for such Certificates (other than any amount of interest that was due and payable on such class of Certificates on such Regular Distribution Date but that remains unpaid due to the Depositary's failure to pay any amount of interest accrued on that date). If interest payment defaults occur which exceed the amount covered by and available under the Liquidity Facility for the Class A or Class B Trust, the Certificateholders of such Trust will bear their allocable share of the deficiencies to the extent that there are no other sources of funds. The initial Liquidity Provider with respect to each of the Class A Trust and Class B Trust may be replaced by one or more other entities with respect to any of such Trusts under certain circumstances. Therefore, the Liquidity Provider for each Trust may differ. Additional Certificates, if issued, will not have the benefit of a liquidity facility.

Drawings

The aggregate amount available under the Liquidity Facility for each applicable Trust at May 10, 2017 (the first Regular Distribution Date that occurs after all Aircraft are expected to have been financed pursuant to this offering), that all Aircraft have been financed and that all interest and principal due on or prior to such Regular Distribution Date is paid, will be:

Trust	Available Amount
Class A	$19,583,392
Class B	$ 7,775,157

Except as otherwise provided below, the Liquidity Facility for each Trust will enable the Subordination Agent to make Interest Drawings thereunder on any Regular Distribution Date in order to make interest distributions then scheduled for the Certificates of such Trust at the Stated Interest Rate for such Trust to the extent that the amount, if any, available to the Subordination Agent on such Regular Distribution Date is not sufficient to pay such interest. The maximum amount available to be drawn under the Liquidity Facility with respect to any Trust on any Regular Distribution Date to fund any shortfall of interest on Certificates of such Trust will not exceed the then Maximum Available Commitment under such Liquidity Facility. The "**Maximum Available Commitment**" at any time under each Liquidity Facility is an amount equal to the then Maximum Commitment of such Liquidity Facility less the aggregate amount of each Interest Drawing outstanding under such Liquidity Facility at such time; *provided* that, following a Downgrade Drawing (subject to the reinstatement of the obligations of any applicable Liquidity Provider if any such Liquidity Provider has at least the applicable minimum Long-Term Rating specified for each Rating Agency in the definition of "Threshold Rating" at any time after the occurrence of a Downgrade Event and so notifies the Subordination Agent), a Special Termination Drawing, a Final Drawing or a Non-Extension Drawing under Liquidity Facility, the Maximum Available Commitment under such Liquidity Facility shall be zero.

"**Maximum Commitment**" means for the Liquidity Facility for the Class A Trust and the Class B Trust initially $20,059,285 and $8,416,125, respectively, as the same may be reduced from time to time as described below.

"**Required Amount**" means, with respect to each Liquidity Facility or the Cash Collateral Account for any class of Certificates, for any day, the sum of the aggregate amount of interest, calculated at the rate per annum equal to the Stated Interest Rate for the related class of Certificates on the basis of a 360-day year comprised of twelve 30-day months, that would be distributable on such class of Certificates on each of the three successive semi-annual Regular Distribution Dates immediately following such day or, if such day is a Regular Distribution Date, on such day and the two succeeding semi-annual Regular Distribution Dates, in each case, calculated on the basis of the Pool Balance of such class of Certificates on such day and without regard to expected future distributions of principal on such class of Certificates.

The Liquidity Facility for any applicable class of Certificates does not provide for drawings thereunder to pay for principal of, or Make-Whole Amount on, the Certificates of such class or any interest with respect to the Certificates of such class in excess of the Stated Interest Rate for such Certificates or for more than three semi-annual installments of interest or to pay principal of, or interest on, or Make-Whole Amount with respect to, the Certificates of any other class. (Liquidity Facilities, Section 2.02; Intercreditor Agreement, Section 3.05) In addition, the Liquidity Facility with respect to each Trust does not provide for drawings thereunder to pay any amounts payable with respect to the Deposits relating to such Trust.

Each payment by a Liquidity Provider for a Trust will reduce by the same amount the Maximum Available Commitment under the related Liquidity Facility, subject to reinstatement as hereinafter described. With respect to any Interest Drawing, upon reimbursement of the applicable Liquidity Provider in full or in part for the amount of such Interest Drawing plus accrued interest thereon, the Maximum Available Commitment under the applicable Liquidity Facility will be reinstated by the amount reimbursed but not to exceed the Maximum Amount of the applicable Liquidity Facility; provided, however, that the Maximum Available Commitment of such Liquidity Facility will not be so reinstated at any time if (i) a Liquidity Event of Default has occurred and is continuing and less than 65% of the then aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes or (ii) a Final Drawing, Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing shall have occurred with respect to such Liquidity Facility. With respect to any other drawings under such Liquidity Facility, amounts available to be drawn thereunder are not subject to reinstatement. (Liquidity Facilities, Section 2.02(a); Intercreditor Agreement, Section 3.05(g)) On each date on which the Pool Balance for a Trust shall have been reduced, the Maximum Commitment of the Liquidity Facility for such Trust will be automatically reduced to an amount equal to the then Required Amount. (Liquidity Facilities, Section 2.04; Intercreditor Agreement, Section 3.05(j))

"**Performing Equipment Note**" means an Equipment Note issued pursuant to an Indenture with respect to which no payment default has occurred and is continuing (without giving effect to any acceleration); provided, that in the event of a bankruptcy, reorganization or insolvency proceeding under the laws of Ireland in which the Lessee is a debtor, any payment default during the 60-Day Period shall not be taken into consideration until the expiration of such period. (Intercreditor Agreement, Section 1.01)

Replacement of Liquidity Facilities

If at any time a Liquidity Provider is downgraded, or any applicable rating of a Liquidity Provider is suspended or withdrawn, by any Rating Agency such that after such downgrading, suspension or withdrawal such Liquidity Provider does not have the minimum Long-Term Rating or the minimum Short-Term Rating, if applicable, specified for such Rating Agency in the definition of "Threshold Rating" as the applicable Threshold Rating for such Rating Agency (any such downgrading, suspension or withdrawal, a "**Downgrade Event**"), then such Liquidity Facility may be replaced with a Replacement Facility. If such Liquidity Facility is not so replaced with a Replacement Facility within 35 days of the occurrence of such Downgrade Event (or, if earlier, the expiration date of such Liquidity Facility), the Subordination Agent will draw the then Maximum Available

Commitment under such Liquidity Facility (the "**Downgrade Drawing**"), unless no later than 35 days after the occurrence of such Downgrade Event (or, if earlier, the expiration date of such Liquidity Facility), the Rating Agency (whose downgrading, suspension or withdrawal of such Liquidity Provider resulted in the occurrence of such Downgrade Event) provides a written confirmation to the effect that such downgrading, suspension or withdrawal will not result in a downgrading, withdrawal or suspension of the ratings by such Rating Agency of the related class of Certificates. The Subordination Agent will deposit the proceeds of any Downgrade Drawing into a cash collateral account (the "**Cash Collateral Account**") for the applicable class of Certificates and will use these proceeds for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under such Liquidity Facility would be used. If at any time after the occurrence of a Downgrade Event with respect to a Liquidity Provider, such Liquidity Provider has at least the applicable minimum Long-Term Rating specified for each Rating Agency in the definition of "Threshold Rating" and so notifies the Subordination Agent and the Owner, amounts on deposit in the Cash Collateral Account that have not been applied to the payment of interest will be reimbursed to such Liquidity Provider and any applied amount of any related Downgrade Drawing shall be converted to an Interest Drawing and the obligations of such Liquidity Provider under the related Liquidity Facility shall be reinstated to the extent of such amounts which have been reimbursed to such Liquidity Provider. For the avoidance of doubt, the foregoing requirements shall apply to each occurrence of a Downgrade Event with respect to a Liquidity Provider, regardless of whether or not one or more Downgrade Events have occurred prior thereto and whether or not any confirmation by a Rating Agency specified in the foregoing requirements has been obtained with respect to any prior occurrence of a Downgrade Event. If a qualified Replacement Facility is subsequently provided, the balance of the Cash Collateral Account will be repaid to the replaced Liquidity Provider until all Liquidity Obligations owed to such replaced Liquidity Provider shall have been paid in full, and any remaining amount shall be dependent on the Collections Account (Liquidity Facilities, Sections 2.02(b) and 2.06(d); Intercreditor Agreement, Sections 3.05(c), (e) and (f))

"**Long-Term Rating**" means, for any entity: (a) in the case of Moody's, the long-term senior unsecured debt rating of such entity and (b) in the case of Fitch, the long-term issuer credit rating of such entity.

A "**Replacement Facility**" for any Liquidity Facility will mean an irrevocable revolving credit agreement (or agreements) in substantially the form of the replaced Liquidity Facility, including reinstatement provisions, or in such other form (which may include a letter of credit, surety bond, financial insurance policy or guaranty, or any combination thereof) as will permit the Rating Agency to confirm in writing their respective ratings then in effect for the Certificates with respect to which such Liquidity Facility was issued (before downgrading of such ratings, if any, as a result of the downgrading of the related Liquidity Provider), in a face amount (or in an aggregate face amount) equal to the amount sufficient to pay interest on the Pool Balance of the Certificates of the applicable Trust (at the Stated Interest Rate for such Certificates, and without regard to expected future principal distributions) on the three successive semi-annual Regular Distribution Dates following the date of replacement of such Liquidity Facility (or, if such date of replacement is a Regular Distribution Date, on such date of replacement and the two succeeding semi-annual Regular Distribution Dates) and issued by an entity (or entities) having the minimum Long-Term Rating from each Rating Agency designated in the definition of "Threshold Rating" as the applicable Threshold Rating for such Rating Agency. (Intercreditor Agreement, Section 1.01) The provider of any Replacement Facility will have the same rights (including, without limitation, priority distribution rights and rights as "**Controlling Party**") under the Intercreditor Agreement as the replaced Liquidity Provider. (Intercreditor Agreement, Section 3.05(e))

The Liquidity Facility for each of the Class A Trust and Class B Trust provides that the applicable Liquidity Provider's obligations thereunder will expire on the earliest of:

(1) the earlier of (a) the anniversary of the Issuance Date immediately following the date on which the applicable Liquidity Provider has provided a Non-Extension Notice and (b) the 15th day after the Final Legal Distribution Date of the applicable Certificates;

(2) the date on which the Subordination Agent delivers to such Liquidity Provider a certification that all of the Certificates of such Trust have been paid in full or provision has been made for such payment;

(3) the date on which the Subordination Agent delivers to such Liquidity Provider a certification that a Replacement Facility has been substituted for such Liquidity Facility;

(4) the fifth Business Day following receipt by the Subordination Agent of a Termination Notice from such Liquidity Provider (see "—*Liquidity Events of Default*"); and

(5) the date on which no amount is or may (including by reason of reinstatement) become available for drawing under such Liquidity Facility. (Liquidity Facilities, Section 1.01)

"**Threshold Rating**" means, with respect to the Liquidity Provider for the Class A Trust, a Long-Term Rating of BBB as determined by Fitch and a Long-Term Rating of Baa2 as determined by Moody's and, with respect to the Liquidity Provider for the Class B Trust, a Long-Term Rating of BBB as determined by Fitch and a Long-Term Rating of Baa2 as determined by Moody's. (Intercreditor Agreement, Section 1.01)

Each Liquidity Facility provides that, in the event that before the 25th day prior to any anniversary of the Issuance Date that is prior to the 15th day after the Final Legal Distribution Date of the applicable Certificates, the related Liquidity Provider shall have notified the Subordination Agent that such Liquidity Facility will not be extended beyond the immediately following anniversary date of the Issuance Date (the "**Non-Extension Notice**") and such Liquidity Provider is not replaced by such 25th day, the Subordination Agent shall request a drawing in full up to the then Maximum Available Commitment under such Liquidity Facility (the "**Non-Extension Drawing**"). (Liquidity Facilities, Sections 2.02(b)(i) and 2.10) The Subordination Agent will deposit the proceeds of the Non-Extension Drawing into the Cash Collateral Account for the related Certificates and will use these proceeds for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under such Liquidity Facility would be used.

Subject to certain limitations, the Owner may, at its option, arrange for a Replacement Facility at any time to replace the Liquidity Facility for any Trust (including, without limitation, any Replacement Facility described in the following sentence); *provided* that, if the initial Liquidity Provider is replaced, it shall be replaced with respect to all Liquidity Facilities under which it is the Liquidity Provider. (Intercreditor Agreement, Section 3.05(e)(i)) In addition, if a Liquidity Provider shall determine not to extend a Liquidity Facility, then such Liquidity Provider may, at its option, arrange for a Replacement Facility to replace such Liquidity Facility (i) during the period no earlier than 40 days and no later than 25 days prior to the then scheduled expiration date of such Liquidity Facility and (ii) at any time after a Non-Extension Drawing has been made under such Liquidity Facility. (Intercreditor Agreement, Section 3.05(e)(ii)) A Liquidity Provider may also arrange for a Replacement Facility to replace the related Liquidity Facility at any time after a Downgrade Drawing under such Liquidity Facility as long as the Downgrade Drawing has not been reimbursed in full to such Liquidity Provider. (Intercreditor Agreement, Section 3.05(c)(iii)) If any Replacement Facility is provided at any time after a Downgrade Drawing, a Non-Extension Drawing or a Special Termination Drawing under any Liquidity Facility, the funds with respect to such Liquidity Facility on deposit in the Cash Collateral Account for such Trust will be returned to the Liquidity Provider being replaced. (Intercreditor Agreement, Section 3.05(e))

Upon receipt by the Subordination Agent of a Termination Notice with respect to any Liquidity Facility from the relevant Liquidity Provider as described below under "—*Liquidity Events of Default*," the Subordination Agent shall request a final drawing (a "**Final Drawing**") or a special termination drawing (the "**Special Termination Drawing**"), as applicable, under such Liquidity Facility in an amount equal to the then Maximum Available Commitment thereunder. The Subordination Agent will deposit the proceeds of the Final Drawing or the Special Termination Drawing into the Cash Collateral Account for the related Certificates and will use these proceeds for the same purposes and under the same circumstances, and subject to the same conditions, as cash payments of Interest Drawings under such Liquidity Facility would be used. (Liquidity Facilities, Sections 2.02(c) and 2.02(d); Intercreditor Agreement, Sections 3.05(f), 3.05(i) and 3.05(k))

Drawings under any Liquidity Facility will be made by delivery by the Subordination Agent of a certificate in the form required by such Liquidity Facility. Upon receipt of such a certificate, the relevant Liquidity Provider is obligated to make payment of the drawing requested thereby in immediately available funds. Upon payment by the relevant Liquidity Provider of the amount specified in any drawing under any Liquidity Facility, such Liquidity Provider will be fully discharged of its obligations under such Liquidity Facility with respect to such drawing and will not thereafter be obligated to make any further payments under such Liquidity Facility in respect of such drawing to the Subordination Agent or any other person. (Liquidity Facilities, Sections 2.02(a) and 2.02(f))

Reimbursement of Drawings

The Subordination Agent must reimburse amounts drawn under any Liquidity Facility by reason of an Interest Drawing, Special Termination Drawing, Final Drawing, Downgrade Drawing or Non-Extension Drawing and pay interest thereon, but only to the extent that the Subordination Agent has funds available therefor. (Liquidity Facilities, Sections 2.05 and 2.09) See "*Description of the Intercreditor Agreement—Priority of Distributions*."

Interest Drawings and Final Drawings

Amounts drawn by reason of an Interest Drawing or Final Drawing (each, a "**Drawing**") will be immediately due and payable, together with interest on the amount of such drawing. From the date of such drawing to (but excluding) the third business day following the applicable Liquidity Provider's receipt of the notice of such Interest Drawing, interest will accrue at the Base Rate plus 3.75% per annum. Thereafter, interest will accrue at LIBOR for the applicable interest period plus 3.75% per annum. (Liquidity Facilities, Section 3.07)

"**Base Rate**" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for each day of the period for which the Base Rate is to be determined (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the applicable Liquidity Provider from three Federal funds brokers of recognized standing selected by it (and reasonably satisfactory to the Owner) plus one quarter of one percent (0.25%). (Liquidity Facilities, Section 1.01)

"**LIBOR**" means, with respect to any interest period, the interest rate per annum at which deposits in U.S. dollars are offered in the London interbank market as shown on Reuters Screen LIBOR01 (or any successor thereto) at approximately 11:00 A.M. (London time) two Business Days before the first day of such interest period, for a period comparable to such interest period, or if such rate is not available, a rate per annum determined by certain alternative methods; provided that if LIBOR as so determined with respect to any interest period would be less than 1.5% per annum, then LIBOR for such interest period shall be deemed to be 1.5% per annum. (Liquidity Facilities, Section 1.01)

If at any time, a Liquidity Provider shall have determined (which determination shall be conclusive and binding upon the Subordination Agent, absent manifest error) that, by reason of circumstances affecting the relevant interbank lending market generally, the LIBOR rate determined or to be determined for such interest period will not adequately and fairly reflect the cost to such Liquidity Provider (as conclusively certified by such Liquidity Provider, absent manifest error) of making or maintaining advances, such Liquidity Provider shall give facsimile or telephonic notice thereof (a "**Rate Determination Notice**") to the Subordination Agent. If such notice is given, then the outstanding principal amount of the LIBOR advances under the related Liquidity Facility shall be converted to Base Rate advances thereunder effective from the date of the Rate Determination Notice; provided that the rate then applicable to such Base Rate advances shall be increased by one percent (1%). Each Liquidity Provider shall withdraw a Rate Determination Notice given under the applicable Liquidity Facility when such Liquidity Provider determines that the circumstances giving rise to such Rate Determination

Notice no longer apply to such Liquidity Provider, and the Base Rate advances shall be converted to LIBOR advances effective as the first day of the next succeeding interest period after the date of such withdrawal. Each change in the Base Rate shall become effective immediately. (Liquidity Facilities, Section 3.07(g))

Downgrade Drawings, Special Termination Drawings, Non-Extension Drawings and Final Drawings

The amount drawn under any Liquidity Facility by reason of a Downgrade Drawing, a Special Termination Drawing, a Non-Extension Drawing or a Final Drawing and deposited in a Cash Collateral Account will be treated as follows:

(1) such amount will be released on any Distribution Date to the extent that such amount exceeds the Required Amount, first, to the applicable Liquidity Provider up to the amount of the Liquidity Obligations owed to it, and second, for distribution pursuant to the Intercreditor Agreement;

(2) any portion of such amount withdrawn from the Cash Collateral Account for the applicable Certificates to pay interest distributions on such Certificates will be treated in the same way as Interest Drawings; and

(3) the balance of such amount will be invested in certain specified eligible investments.

In addition, if at any time after the Subordination Agent has made a Downgrade Drawing, the applicable Liquidity Provider has at least the applicable minimum Long-Term Rating for each Rating Agency specified for such Rating Agency in the definition of "Threshold Rating" and so notifies the Subordination Agent, the Subordination Agent will withdraw the amount of such Downgrade Drawing that has not been applied as described above and reimburse such amount to such Liquidity Provider and the obligations of the applicable Liquidity Provider with respect to the related Liquidity Facility will be reinstated to the extent of such amount which has been reimbursed to such Liquidity Provider.

Any Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing under any Liquidity Facility, other than any portion thereof applied to the payment of interest distributions on the Certificates, will bear interest, (a) subject to clauses (b) and (c) below, at a rate equal to (i) in the case of a Downgrade Drawing, the investment earnings on the amounts deposited in the Cash Collateral Account on the outstanding amount from time to time of such Downgrade Drawing plus a specified margin, (ii) in the case of a Special Termination Drawing, LIBOR for the applicable interest period (or, as described in the first paragraph under "*—Reimbursement of Drawings—Interest Drawings and Final Drawings*," the Base Rate) plus a specified margin and (iii) in the case of a Non-Extension Drawing, the investment earnings on the amounts deposited in the Cash Collateral Account on the outstanding amount from time to time of such Non-Extension Drawing plus a specified margin, (b) from and after the date, if any, on which such Downgrade Drawing, Special Termination Drawing or Non-Extension Drawing is converted into a Final Drawing as described below under "*—Liquidity Events of Default*," at a rate equal to LIBOR for the applicable interest period (or, as described in the first paragraph under "*—Reimbursement of Drawings—Interest Drawings and Final Drawings*," the Base Rate) plus 3.75% per annum and (c) from and after the date, if any, on which a Special Termination Notice is given and any Downgrade Drawing or Non-Extension Drawing is converted into a Special Termination Drawing as described below under "*—Liquidity Events of Default*" at the rate applicable to Special Termination Drawings as described in clause (a)(ii) above.

Liquidity Events of Default

Events of default under the Liquidity Facility (each, a "**Liquidity Event of Default**") will consist of:

1. the acceleration of all of the Equipment Notes; or

2. a Lessee Bankruptcy Event. (Liquidity Facilities, Section 1.01)

If (i) any Liquidity Event of Default under any Liquidity Facility has occurred and is continuing and (ii) less than 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes, the applicable Liquidity Provider may, in its discretion, give a notice of termination of such Liquidity Facility (a "**Final Termination Notice**"). With respect to any Liquidity Facility, if the aggregate Pool Balance of the related class of Certificates is greater than the aggregate outstanding principal amount of the related series of Equipment Notes (other than any such series of Equipment Notes previously sold or with respect to which the Aircraft related to such series of Equipment Notes has been disposed of) at any time during the 18-month period prior to the final expected Regular Distribution Date with respect to such class of Certificates, the Liquidity Provider of such Trust may, in its discretion, give a notice of special termination of such Liquidity Facility (a "**Special Termination Notice**" and, together with the Final Termination Notice, a "**Termination Notice**"). The Termination Notice will have the following consequences:

- the related Liquidity Facility will expire on the fifth Business Day after the date on which such Termination Notice is received by the Subordination Agent;
- the Subordination Agent will promptly request, and the applicable Liquidity Provider will honor, a Final Drawing or Special Termination Drawing, as applicable, thereunder in an amount equal to the then Maximum Available Commitment thereunder;
- in the event that a Final Drawing is made, any Drawing remaining unreimbursed as of the date of termination will be automatically converted into a Final Drawing under such Liquidity Facility;
- in the event a Special Termination Notice is given, all amounts owing to the applicable Liquidity Provider will be treated as a Special Termination Drawing for the purposes set forth under "*Description of the Intercreditor Agreement—Priority of Distributions*"; and
- all amounts owing to the applicable Liquidity Provider (Liquidity Facilities, Section 6.01) will be automatically accelerated.

Notwithstanding the foregoing, the Subordination Agent will be obligated to pay amounts owing to the applicable Liquidity Provider only to the extent of funds available therefor after giving effect to the payments in accordance with the provisions set forth under "*Description of the Intercreditor Agreement—Priority of Distributions*." (Liquidity Facilities, Section 2.09) Upon the circumstances described below under "*Description of the Intercreditor Agreement—Intercreditor Rights*," a Liquidity Provider may become the Controlling Party with respect to the exercise of remedies under the Indentures. (Intercreditor Agreement, Section 2.06(c))

Liquidity Provider

The initial Liquidity Provider for each Trust will be Natixis, acting through its New York Branch.

DESCRIPTION OF THE INTERCREDITOR AGREEMENT

The following summary describes certain material provisions of the Intercreditor Agreement (the "**Intercreditor Agreement**") to be entered into among the Trustees, the Liquidity Providers and Wilmington Trust Company, as subordination agent (the "**Subordination Agent**"). The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Intercreditor Agreement.

Intercreditor Rights

General

The Equipment Notes relating to each Trust will be issued to, and registered in the name of, the Subordination Agent, as agent and trustee for the related Trustee. (Intercreditor Agreement, Section 2.01(a))

Controlling Party

Each Loan Trustee will be directed, so long as no Indenture Event of Default shall have occurred and be continuing under an Indenture and subject to certain limitations described below, in taking, or refraining from taking, any action thereunder or with respect to the Equipment Notes issued under such Indenture by the holders of at least a majority of the outstanding principal amount of the Equipment Notes issued under such Indenture, and the Subordination Agent will be directed in taking, or refraining from taking, any action under the Owner Share Mortgage or the Owner Sub-Debt Pledge by the holders of at least a majority of the outstanding principal amount of all Equipment Notes. See "*—Voting of Equipment Notes*" below. For so long as the Subordination Agent is the registered holder of the Equipment Notes, the Subordination Agent will act with respect to the preceding sentence in accordance with the directions of the Trustees for whom the Equipment Notes issued under such Indenture are held as Trust Property, to the extent constituting, in the aggregate, directions with respect to the required principal amount of Equipment Notes.

After the occurrence and during the continuance of an Indenture Event of Default under an Indenture, each Loan Trustee will be directed in taking, or refraining from taking, any action thereunder or with respect to the Equipment Notes issued under such Indenture, and the Subordination Agent will be directed in taking, or refraining from taking, any action under the Owner Share Mortgage, the Owner Sub-Debt Pledge or the other security documents, including acceleration of such Equipment Notes or foreclosing the lien on the related Aircraft with respect to which such Equipment Note was issued, by the Controlling Party, subject to the limitations described below. See "*Description of the Certificates—Indenture Events of Default and Certain Rights Upon an Indenture Event of Default*" for a description of the rights of the Certificateholders of each Trust to direct the respective Trustees. (Intercreditor Agreement, Section 2.06(a))

The "**Controlling Party**" will be:

- if Final Distributions have not been paid in full to the holders of Class A Certificates, the Class A Trustee;
- if Final Distributions have been paid in full to the holders of the Class A Certificates, but not to the holders of the Class B Certificates, the Class B Trustee;
- if any Additional Certificates have been issued and Final Distributions have been paid in full to the holders of the Class A Certificates and the Class B Certificates but not to the holders of the most senior class of Additional Certificates, the trustee for the Additional Trust related to such most senior class of Additional Certificates; and
- under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider with the greatest amount owed to it, as discussed in the next paragraph. (Intercreditor Agreement, Sections 2.06(b) and (c))

At any time after 18 months from the earliest to occur of (x) the date on which the entire available amount under any Liquidity Facility shall have been drawn (excluding a Downgrade Drawing or Non-Extension Drawing (but including a Final Drawing, a Special Termination Drawing or a Downgrade Drawing or Non-Extension Drawing that has been converted to a Final Drawing under such Liquidity Facility)) and remains unreimbursed, (y) the date on which the entire amount of any Downgrade Drawing or Non-Extension Drawing shall have been withdrawn from the relevant Cash Collateral Account to pay interest on the relevant class of Certificates and remains unreimbursed and (z) the date on which all Equipment Notes under all Indentures shall have been accelerated, the Liquidity Provider with the greatest amount of unreimbursed Liquidity Obligations due to it (so long as such Liquidity Provider has not defaulted in its obligations to make any drawing under any Liquidity Facility) will have the right to elect to become the Controlling Party with respect to any Indenture. (Intercreditor Agreement, Section 2.06(c))

For purposes of giving effect to the rights of the Controlling Party, the Trustees (other than the Controlling Party) will irrevocably agree, and the Certificateholders (other than the Certificateholders represented by the Controlling Party) will be deemed to agree by virtue of their purchase of Certificates, that the Subordination Agent, as record holder of the Equipment Notes, shall exercise its voting rights in respect of the Equipment Notes held by the Subordination Agent as directed by the Controlling Party and any vote so exercised shall be binding upon the Trustees and Certificateholders, subject to certain limitations. For a description of certain limitations on the Controlling Party's rights to exercise remedies, see "*—Limitation on Exercise of Remedies*" and "*Description of the Equipment Notes—Remedies*." (Intercreditor Agreement, Section 2.06(b))

"**Final Distributions**" means, with respect to the Certificates of any Trust on any Distribution Date, the sum of (x) the aggregate amount of all accrued and unpaid interest on such Certificates (excluding interest payable on the Deposits relating to such Trust) and (y) the Pool Balance of such Certificates as of the immediately preceding Distribution Date (less the amount of the Deposits for such class of Certificates as of such preceding Distribution Date other than any portion of such Deposits thereafter used to acquire Equipment Notes pursuant to the Note Purchase Agreement). For purposes of calculating Final Distributions with respect to the Certificates of any Trust, any Make-Whole Amount paid on the Equipment Notes held in such Trust which has not been distributed to the Certificateholders of such Trust (other than such Make-Whole Amount or a portion thereof applied to the payment of interest on the Certificates of such Trust or the reduction of the Pool Balance of such Trust) shall be added to the amount of such Final Distributions. (Intercreditor Agreement, Section 1.01)

Limitation on Exercise of Remedies

So long as any Certificates are outstanding, during the period ending on the date which is nine months after the earlier of (x) the acceleration of the Equipment Notes under any Indenture and (y) the occurrence of a Lessee Bankruptcy Event, without the consent of each Trustee (including the Additional Certificates Trustee, if Additional Certificates are then outstanding) other than the Trustee of any Trust all of the Certificates of which are held or beneficially owned by NAS, the Owner, NAIL, Arctic or its affiliates, (i) no Aircraft subject to the lien of such Indenture or such Equipment Notes may be sold in the exercise of remedies under such Indenture, if the net proceeds from such sale would be less than the Minimum Sale Price for such Aircraft or such Equipment Notes, (ii) the amount and payment dates of rent payable by NAIL under the related Lease may not be adjusted if, as a result of such adjustment, the discounted present value of such rent would be less than 80% of the discounted present value of such rentals payable by NAIL under such Lease before giving effect to such adjustment, in each case using the weighted average interest rate of the Equipment Notes issued pursuant to the related Indenture as the discount rate and (iii) the collateral under the Owner Share Mortgage or the Owner Sub-Debt Pledge may not be sold in the exercise of remedies if the net proceeds of such sale would be less than the Minimum Sale Price for such collateral. (Intercreditor Agreement, Section 4.01(a)(iii))

"**Minimum Sale Price**" means, with respect to (i) any Aircraft or the Equipment Notes issued in respect of such Aircraft, at any time, the lesser of (1) in the case of the sale of an Aircraft, 80%, or, in the case of the sale of such related Equipment Notes, 90%, of the Appraised Current Market Value of such Aircraft and (2) the sum of the aggregate Note Target Price of such Equipment Notes and an amount equal to the Excess Liquidity Obligations in respect of the Indenture under which such Equipment Notes were issued and (ii) the collateral subject to the Owner Share Mortgage and Owner Sub-Debt Pledge, at any time, 80% of the sum of the Appraised Current Market Value of the Aircraft for which the related Equipment Notes are then held by the Subordination Agent. (Intercreditor Agreement, Section 1.01)

Following the occurrence and during the continuation of an Indenture Event of Default under any Indenture, in the exercise of remedies pursuant to such Indenture and/or any other security document, the Loan Trustee under such Indenture and/or any other security document may be directed to lease the related Aircraft to any person (including NAIL) so long as the Loan Trustee in doing so acts in a "commercially reasonable" manner within the meaning of Article 9 of the Uniform Commercial Code as in effect in any applicable jurisdiction (including Sections 9-610 and 9-627 thereof). (Intercreditor Agreement, Section 4.01(a)(ii))

"**Excess Liquidity Obligations**" means, with respect to an Indenture, an amount equal to the sum of (i) the amount of fees payable to the Liquidity Provider with respect to each Liquidity Facility, multiplied by a fraction, the numerator of which is the then outstanding aggregate principal amount of the Series A Equipment Notes and Series B Equipment Notes issued under such Indenture and the denominator of which is the then outstanding aggregate principal amount of all Series A Equipment Notes and Series B Equipment Notes, (ii) interest on any Special Termination Drawing, Downgrade Drawing or Non-Extension Drawing (other than any portion of Special Termination Drawing, Downgrade Drawing or Non-Extension Drawing used to pay interest on the Certificates) payable under each Liquidity Facility in excess of investment earnings on such drawing multiplied by the fraction specified in clause (i) above, (iii) if any payment default exists and is continuing with respect to interest on any Series A Equipment Notes or Series B Equipment Notes, (a) the excess, if any, of (1) the interest on any Interest Drawing or Final Drawing (or portion of any Downgrade Drawing, Non-Extension Drawing or Special Termination Drawing that is used to pay interest on the Certificates) payable under each Liquidity Facility plus certain other amounts payable under each Liquidity Facility with respect thereto, over (2) the sum of investment earnings from any Final Drawing plus any interest at the past due rate actually payable (whether or not in fact paid) by such Owner on the overdue scheduled interest on the Series A Equipment Notes and Series B Equipment Notes in respect of which such drawing was made (or portion of Downgrade Drawing, Non-Extension Drawing or Special Termination Drawing was used to pay interest on the Certificates), multiplied by (b) a fraction, the numerator of which is the aggregate overdue amounts of interest on the Series A Equipment Notes and Series B Equipment Notes issued under such Indenture (other than interest becoming due and payable solely as a result of acceleration of any such Equipment Notes) and the denominator of which is the then aggregate overdue amounts of interest on all Series A Equipment Notes and Series B Equipment Notes (other than interest becoming due and payable solely as a result of acceleration of any such Equipment Notes), and (iv) any other amounts owed to a Liquidity Provider by the Subordination Agent as borrower under each Liquidity Facility (other than in respect of an Interest Drawing, Special Termination Drawing, or Final Drawing (or any portion of Special Termination Drawing, Downgrade Drawing or Non-Extension Drawing used to pay interest on the Certificates), multiplied by the fraction specified in clause (i) above. The foregoing definition shall be revised accordingly to reflect, if applicable, any Replacement Facility. (Indentures, Section 2.14)

"**Note Target Price**" means, for any Equipment Note issued under any Indenture: (i) the aggregate outstanding principal amount of such Equipment Note, plus (ii) the accrued and unpaid interest thereon, together with all other sums owing on or in respect of such Equipment Note (including, without limitation, enforcement costs incurred by the Subordination Agent in respect of such Equipment Note). (Intercreditor Agreement, Section 1.01)

If following certain events of bankruptcy, reorganization or insolvency with respect to the Lessee or NAS described in the Intercreditor Agreement (a "**Lessee Bankruptcy Event**") and during the pendency thereof, the Controlling Party receives a proposal from or on behalf of the Owner to restructure the financing of any one or more of the Aircraft, the Controlling Party will promptly thereafter give the Subordination Agent, each Trustee (including the Additional Trustee, if Additional Certificates are then outstanding) and each Liquidity Provider that has not made a Final Drawing notice of the material economic terms and conditions of such restructuring proposal whereupon the Subordination Agent acting on behalf of each Trustee (including the Additional Trustee, if Additional Certificates are then outstanding) will post such terms and conditions of such restructuring proposal on DTC's Internet bulletin board or make such other commercially reasonable efforts as the Subordination Agent may deem appropriate to make such terms and conditions available to all Certificateholders (including, if Additional Certificates are then outstanding, Additional Certificateholders). Thereafter, neither the Subordination Agent nor any Trustee, whether acting on instructions of the Controlling Party or otherwise, may, without the consent of each Trustee (including the Additional Certificates Trustee, if Additional Certificates are then outstanding) and each Liquidity Provider that has not made a Final Drawing, enter into any term sheet, stipulation or other agreement (a "**Restructuring Arrangement**") (whether in the form of an adequate protection stipulation, extension of any automatic stay period or otherwise) to effect any such restructuring proposal with or on behalf of the Owner unless and until the material economic terms and conditions of such restructuring proposal shall have been posted on DTC's Internet bulletin board or the Subordination Agent has made such terms and conditions available to all Certificateholders (including, if Additional Certificates are then outstanding, Additional Certificateholders) and to each Liquidity Provider that has not made a Final Drawing, for a period of not less than 15 calendar days (except that such requirement shall not apply to any such term sheet, stipulation or other agreement that is to be effective on or as of any date occurring during the 60-Day Period and that is initially effective for a period not exceeding three months from the expiry of the 60-Day Period (an "**Interim Restructuring Arrangement**")). (Intercreditor Agreement, Section 4.01(c))

In the event that any Certificateholder gives irrevocable notice of the exercise of its right to purchase all (but not less than all) of the class of Certificates represented by the then Controlling Party (as described in "*Description of the Certificates—Purchase Rights of Certificateholders*") prior to the expiry of the applicable notice period specified above, such Controlling Party may not direct the Subordination Agent or any Trustee to enter into any such restructuring proposal with respect to any of the Aircraft, unless and until such Certificateholder fails to purchase such class of Certificates on the date that it is required to make such purchase. (Intercreditor Agreement, Section 4.01(c))

Post Default Appraisals

Upon the occurrence and continuation of an Indenture Event of Default under any Indenture, the Subordination Agent will be required to obtain three desktop appraisals from the appraisers selected by the Controlling Party setting forth the current market value, current lease rate and distressed value (in each case, as defined by the International Society of Transport Aircraft Trading or any successor organization) of the Aircraft subject to such Indenture (each such appraisal, an "**Appraisal**" and the current market value appraisals being referred to herein as the "**Post Default Appraisals**"). For so long as any Indenture Event of Default shall be continuing under any Indenture, and without limiting the right of the Controlling Party to request more frequent Appraisals, the Subordination Agent will be required to obtain additional Appraisals on the date that is 364 days from the date of the most recent Appraisal or if a Lessee Bankruptcy Event shall have occurred and is continuing, on the date that is 180 days from the date of the most recent Appraisal and shall (acting on behalf of each Trustee) post such Appraisals on DTC's Internet bulletin board or make such other commercially reasonable efforts as the Subordination Agent may deem appropriate to make such Appraisals available to all Certificateholders. (Intercreditor Agreement, Section 4.01(a)(iv))

"**Appraised Current Market Value**" of any Aircraft means the lower of the average and the median of the three most recent Post Default Appraisals of such Aircraft. (Intercreditor Agreement, Section 1.01)

Priority of Distributions

All payments in respect of the Equipment Notes and certain other payments received on each Regular Distribution Date or Special Distribution Date will be promptly distributed by the Subordination Agent on such Regular Distribution Date or Special Distribution Date in the following order of priority:

- to (a) the Subordination Agent, (b) any Trustee, and (c) any Certificateholder and any Liquidity Provider to (1) the extent required to pay certain out-of-pocket costs and expenses actually incurred by (x) the Subordination Agent (or reasonably expected to be incurred by the Subordination Agent for the period ending on the next succeeding Regular Distribution Date, which shall not exceed $150,000 unless approved in writing by the Controlling Party and accompanied by evidence that such costs are actually expected to be incurred) or (y) any Trustee or Liquidity Provider, in each case for amounts of the nature described in clause (1) above actually incurred by it to the extent not previously reimbursed, or (2) to reimburse any Certificateholder or any Liquidity Provider in respect of payments made to the Subordination Agent or any Trustee in connection with the protection or realization of the value of the Equipment Notes held by the Subordination Agent or any Collateral under (and as defined in) any Indenture (collectively, the "**Administration Expenses**"), in each case pro rata on the basis of all amounts described above;
- to each Liquidity Provider (a) to the extent required to pay the accrued and unpaid Liquidity Expenses (other than amounts distributed pursuant to the above) pro rata on the basis of the amount of Liquidity Expenses owed to each Liquidity Provider or (b) in the case of a Special Payment on account of the redemption, purchase or prepayment of the Equipment Notes issued pursuant to an Indenture (an "**Equipment Note Special Payment**"), so long as no Indenture Event of Default has occurred and is continuing under any Indenture, the amount of accrued and unpaid Liquidity Expenses that are not yet overdue (excluding any expenses of the Liquidity Provider paid in accordance with clause (c)(1) of the paragraph above), multiplied by the Applicable Fraction or, if an Indenture Event of Default has occurred and is continuing, clause (a) will apply;
- to each Liquidity Provider (i)(a) to the extent required to pay interest accrued and unpaid on the Liquidity Obligations, pro rata on the basis of the amounts owed to each Liquidity Provider or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Event of Default has occurred and is continuing under any Indenture, to the extent required to pay accrued and unpaid interest then overdue on the Liquidity Obligations, plus an amount equal to the amount of accrued and unpaid interest on the Liquidity Obligations not yet overdue, multiplied by the Applicable Fraction or, if an Indenture Event of Default has occurred and is continuing, clause (a) will apply and (ii) if a Special Termination Drawing has been made under a Liquidity Facility that has not been converted into a Final Drawing, the outstanding amount of such Special Termination Drawing under such Liquidity Facility, pro rata based on the amounts owed to each Liquidity Provider;
- to (i) if applicable, unless (in the case of this clause (i) only) (x) less than 65% of the aggregate outstanding principal amount of all Equipment Notes are Performing Equipment Notes and a Liquidity Event of Default shall have occurred and be continuing under a Liquidity Facility or (y) a Final Drawing shall have occurred under a Liquidity Facility, the funding of the Cash Collateral Account with respect to such Liquidity Facility up to the Required Amount for the related class of Certificates and (ii) each Liquidity Provider to the extent required to pay the outstanding amount of all Liquidity Obligations;
- to the Subordination Agent, any Trustee or any Certificateholder to the extent required to pay certain fees, taxes, charges and other amounts payable (other than, in the case of the Subordination Agent and any Trustee, taxes imposed on compensation paid under the Intercreditor Agreement or applicable Trust Agreement;
- to the Class A Trustee (a) to the extent required to pay accrued and unpaid interest at the Stated Interest Rate on the Pool Balance of the Class A Certificates (excluding interest, if any, payable with respect to the Deposits relating to such class of Certificates) or (b) in the case of an Equipment Note Special

Payment, so long as no Indenture Event of Default has occurred and is continuing under any Indenture, to the extent required to pay any such interest that is then accrued, due and unpaid together with (without duplication) accrued and unpaid interest at the Stated Interest Rate on the outstanding principal amount of the Series A Equipment Notes held in the Class A Trust being redeemed, purchased or prepaid (excluding interest, if any, payable with respect to the Deposits relating to such Class of Certificates) or, if an Indenture Event of Default has occurred and is continuing, clause (a) will apply;

- to the Class B Trustee (a) to the extent required to pay unpaid Class B Adjusted Interest on the Class B Certificates (excluding interest, if any, payable with respect to the Deposits relating to such class of Certificates) or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Event of Default has occurred and is continuing under any Indenture, to the extent required to pay any accrued, due and unpaid Class B Adjusted Interest (excluding interest, if any, payable with respect to the Deposits relating to such class of Certificates) or, if an Indenture Event of Default has occurred and is continuing, clause (a) will apply;
- if any Additional Certificates have been issued, to the Additional Certificates Trustee (a) to the extent required to pay unpaid Additional Certificates Adjusted Interest on the Additional Certificates (excluding interest, if any, payable with respect to the Deposits relating to such class of Certificates) or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Event of Default has occurred and is continuing under any Indenture, to the extent required to pay any accrued, due and unpaid Additional Certificates Adjusted Interest (excluding interest, if any, payable with respect to the Deposits relating to such class of Certificates) or, if an Indenture Event of Default has occurred and is continuing, clause (a) will apply;
- to the Class A Trustee to the extent required to pay Expected Distributions on the Class A Certificates;
- to the Class B Trustee (a) to the extent required to pay accrued and unpaid interest at the Stated Interest Rate on the Pool Balance of the Class B Certificates (other than Class B Adjusted Interest paid above) (excluding interest, if any, payable with respect to the Deposits relating to such class of Certificates) or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Event of Default has occurred and is continuing under any Indenture, to the extent required to pay any such interest that is then accrued, due and unpaid (other than Class B Adjusted Interest paid above) together with (without duplication) accrued and unpaid interest at the Stated Interest Rate on the outstanding principal amount of the Series B Equipment Notes held in the Class B Trust and being redeemed, purchased or prepaid (excluding interest, if any, payable with respect to the Deposits relating to such Class of Certificates) or, if an Indenture Event of Default has occurred and is continuing, clause (a) will apply;
- to the Class B Trustee to the extent required to pay Expected Distributions on the Class B Certificates;
- if any Additional Certificates have been issued, to the Additional Certificates Trustee (a) to the extent required to pay accrued and unpaid interest at the Stated Interest Rate on the Pool Balance of the Additional Certificates (other than Additional Certificates Adjusted Interest paid above) (excluding interest, if any, payable with respect to the Deposits relating to such class of Certificates) or (b) in the case of an Equipment Note Special Payment, so long as no Indenture Event of Default has occurred and is continuing under any Indenture, to the extent required to pay any such interest that is then accrued, due and unpaid (other than Additional Certificates Adjusted Interest paid above) together with (without duplication) accrued and unpaid interest at the Stated Interest Rate on the outstanding principal amount of the Additional Equipment Notes held in the Additional Certificates Trust and being redeemed, purchased or prepaid (excluding interest, if any, payable with respect to the Deposits relating to such Class of Certificates) or, if an Indenture Event of Default has occurred and is continuing, clause (a) will apply; and
- if any Additional Certificates have been issued, to the Additional Certificates Trustee to the extent required to pay Expected Distributions on the Additional Certificates. (Intercreditor Agreement, Sections 2.04 and 3.02)

If one or more classes of Additional Certificates are issued, the priority of distributions in the Intercreditor Agreement may be revised such that certain obligations relating to interest on such classes of Additional Certificates may rank ahead of certain obligations with respect to the Certificates. See "*Possible Issuance of Additional Certificates and Refinancing Certificates*."

"**Applicable Fraction**" means, with respect to any Special Distribution Date, a fraction, the numerator of which shall be the amount of principal of the applicable Series A Equipment Notes and Series B Equipment Notes being redeemed, purchased or prepaid on such Special Distribution Date, and the denominator of which shall be the aggregate unpaid principal amount of all Series A Equipment Notes and Series B Equipment Notes outstanding as of such Special Distribution Date immediately before giving effect to such redemption, purchase or prepayment.

"**Liquidity Obligations**" means, with respect to each Liquidity Provider, all principal, interest, fees and other amounts owing to it under the applicable Liquidity Facility, the Indentures or the applicable fee letter. (Intercreditor Agreement, Section 1.01)

"**Liquidity Expenses**" means, with respect to each Liquidity Provider, all Liquidity Obligations other than any interest accrued thereon or the principal amount of any drawing under the applicable Liquidity Facility. (Intercreditor Agreement, Section 1.01)

"**Expected Distributions**" means, with respect to the Certificates of any Trust on any Distribution Date (the "**Current Distribution Date**"), the difference between:

- the Pool Balance of such Certificates as of the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date after the Issuance Date, the original aggregate face amount of the Certificates of such Trust), and
- the Pool Balance of such Certificates as of the Current Distribution Date calculated on the basis that (i) the principal of any Equipment Notes other than Performing Equipment Notes held in such Trust has been paid in full and such payments have been distributed to the holders of such Certificates, (ii) the principal of any Performing Equipment Notes held in such Trust has been paid when due (whether at stated maturity or upon prepayment or purchase or otherwise, but without giving effect to any acceleration of Performing Equipment Notes) and such payments have been distributed to the holders of such Certificates and (iii) the principal of any Equipment Notes formerly held in such Trust that have been sold pursuant to the Intercreditor Agreement has been paid in full and such payments have been distributed to the holders of such Certificates, without giving effect to any reduction in the Pool Balance as a result of any distribution attributable to Deposits occurring after the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date, occurring after the initial issuance of the Certificates of such Trust).

For purposes of calculating Expected Distributions with respect to the Certificates of any Trust, any Make-Whole Amount paid on the Equipment Notes held in such Trust that has not been distributed to the Certificateholders of such Trust (other than such Make-Whole Amount or a portion thereof applied to the payment of interest on the Certificates of such Trust or the reduction of the Pool Balance of such Trust) shall be added to the amount of Expected Distributions. (Intercreditor Agreement, Section 1.01)

"**Class B Adjusted Interest**" means, as of any Current Distribution Date, (I) any interest described in clause (II) of this definition accrued prior to the immediately preceding Distribution Date which remains unpaid and (II) the sum of (x) interest determined at the Stated Interest Rate for the Class B Certificates for the period commencing on, and including, the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date, the Issuance Date) and ending on, but excluding, the Current Distribution Date, on the Eligible B Pool Balance on such Distribution Date and (y) the sum of interest for each Series B Equipment Note with respect to which, or with respect to the Aircraft with respect to which such Equipment Note was issued, a disposition, distribution, sale or Deemed Disposition Event has occurred, since the immediately preceding Distribution Date (but only if no such event has previously occurred with respect to such Series B Equipment Note), determined at the Stated Interest Rate for the Class B Certificates for each day during the period commencing on, and including, the immediately preceding Distribution Date (or, if the current Distribution Date is the first Distribution Date, the Issuance Date) and ending on, but excluding, the date of the earliest of such disposition, distribution, sale or Deemed Disposition Event with respect to such Series B Equipment Note or Aircraft, as the case may be, on the principal amount of such Series B Equipment Note calculated pursuant to clause (B)(i), (ii), (iii) or (iv), as applicable, of the definition of Eligible B Pool Balance. (Intercreditor Agreement, Section 1.01)

"**Additional Certificates Adjusted Interest**" means, if any Additional Certificates have been issued, as of any Current Distribution Date, (I) any interest described in clause (II) of this definition accrued prior to the immediately preceding Distribution Date which remains unpaid and (II) the sum of (x) interest determined at the Stated Interest Rate for the Additional Certificates for the period commencing on, and including, the immediately preceding Distribution Date (or, if the Current Distribution Date is the first Distribution Date, the Issuance Date) and ending on, but excluding, the Current Distribution Date, on the Eligible Additional Certificates Pool Balance on such Distribution Date and (y) the sum of interest for each Additional Equipment Note with respect to which, or with respect to the Aircraft with respect to which such Equipment Note was issued, a disposition, distribution, sale or Deemed Disposition Event has occurred, since the immediately preceding Distribution Date (but only if no such event has previously occurred with respect to such Additional Equipment Note), determined at the Stated Interest Rate for the Additional Certificates for each day during the period commencing on, and including, the immediately preceding Distribution Date (or, if the current Distribution Date is the first Distribution Date, the Issuance Date) and ending on, but excluding, the date of the earliest of such disposition, distribution, sale or Deemed Disposition Event with respect to such Additional Equipment Note or Aircraft, as the case may be, on the principal amount of such Additional Equipment Note calculated pursuant to clause (B)(i), (ii), (iii) or (iv), as applicable, of the definition of Eligible Additional Certificates Pool Balance. (Intercreditor Agreement, Sections 1.01 and 8.01(d))

"**Eligible B Pool Balance**" means, as of any date of determination, the excess of (A) the Pool Balance of the Class B Certificates as of the immediately preceding Distribution Date (or, if such date of determination is on or before the first Distribution Date, the original aggregate face amount of the Class B Certificates) (after giving effect to payments made on such date of determination) over (B) the sum of, with respect to each Series B Equipment Note, one of the following amounts, if applicable: (i) if there has previously been a sale or disposition by the applicable Loan Trustee of the Aircraft for cash under (and as defined in) the related Indenture, the outstanding principal amount of such Series B Equipment Note that remains unpaid as of such date of determination subsequent to such sale or disposition and after giving effect to any distributions of the proceeds of such sale or disposition applied under such Indenture to the payment of such Series B Equipment Note, (ii) if there has previously been a Total Loss with respect to the applicable Aircraft to which such Series B Equipment Note relates, the outstanding principal amount of such Series B Equipment Note that remains unpaid as of such date of determination subsequent to the scheduled date of mandatory redemption of such Series B Equipment Note following such Total Loss and after giving effect to the distributions of any proceeds in respect of such Total Loss applied under such Indenture to the payment of such Series B Equipment Note, (iii) if such Series B Equipment Note has previously been sold for cash by the Subordination Agent, the excess, if any, of (x) the outstanding amount of principal and interest as of the date of such sale by the Subordination Agent of such Series B Equipment Note over (y) the purchase price received with respect to such sale of such Series B Equipment Note for cash (net of any applicable costs and expenses of such sale) or (iv) if a Deemed Disposition Event has occurred with respect to such Series B Equipment Note, the outstanding principal amount of such Series B Equipment Note; provided, however, that if more than one of the clauses (i), (ii), (iii) and (iv) is applicable to any one Series B Equipment Note, only the amount determined pursuant to the clause that first became applicable shall be counted with respect to such Series B Equipment Note. (Intercreditor Agreement, Section 1.01)

"**Eligible Additional Certificates Pool Balance**" means, if any Additional Certificates have been issued, as of any date of determination, the excess of (A) the Pool Balance of the Additional Certificates as of the immediately preceding Distribution Date (or, if such date of determination is on or before the first Distribution Date, the original aggregate face amount of the Additional Certificates) (after giving effect to payments made on such date of determination) over (B) the sum of, with respect to each Additional Equipment Note, one of the following amounts, if applicable: (i) if there has previously been a sale or disposition by the applicable Loan Trustee of the Aircraft for cash under (and as defined in) the related Indenture, the outstanding principal amount of such Additional Equipment Note that remains unpaid as of such date of determination subsequent to such sale or disposition and after giving effect to any distributions of the proceeds of such sale or disposition applied under such Indenture to the payment of such Additional Equipment Note, (ii) if there has previously been a Total Loss with respect to the applicable Aircraft to which such Additional Equipment Note relates, the outstanding principal amount of such Additional Equipment Note that remains unpaid as of such date of determination subsequent to the scheduled date of mandatory redemption of such Additional Equipment Note following such Total Loss and after giving effect to the distributions of any proceeds in respect of such Total Loss applied under such Indenture to the payment of such Additional Equipment Note, (iii) if such Additional Equipment Note has previously been sold for cash by the Subordination Agent, the excess, if any, of (x) the outstanding amount of principal and interest as of the date of such sale by the Subordination Agent of such Additional Equipment Note over (y) the purchase price received with respect to such sale of such Additional Equipment Note for cash (net of any applicable costs and expenses of such sale) or (iv) if a Deemed Disposition Event has occurred with respect to such Additional Equipment Note, the outstanding principal amount of such Additional Equipment Note; provided, however, that if more than one of the clauses (i), (ii), (iii) and (iv) is applicable to any one Additional Equipment Note, only the amount determined pursuant to the clause that first became applicable shall be counted with respect to such Additional Equipment Note. (Intercreditor Agreement, Sections 1.01 and 8.01(d))

"**Deemed Disposition Event**" means, in respect of any Equipment Note, the continuation of an Indenture Event of Default in respect of such Equipment Note without an Actual Disposition Event occurring in respect of such Equipment Note for a period of five years from the date of the occurrence of such Indenture Event of Default. (Intercreditor Agreement, Section 1.01)

"**Actual Disposition Event**" means, in respect of any Equipment Note, (i) the sale or disposition by the applicable Loan Trustee for cash of the Aircraft securing such Equipment Note, (ii) the occurrence of the mandatory redemption date for such Equipment Note following a Total Loss with respect to such Aircraft or (iii) the sale by the Subordination Agent of such Equipment Note for cash. (Intercreditor Agreement, Section 1.01)

Interest Drawings under the applicable Liquidity Facility and withdrawals from the applicable Cash Collateral Account, in respect of interest on the Certificates of the Class A Trust or the Class B Trust, as applicable, will be distributed to the Trustee for such class of Certificates, notwithstanding the priority of distributions set forth in the Intercreditor Agreement and otherwise described herein. All amounts on deposit in the Cash Collateral Account for any such Trust that are in excess of the Required Amount will be paid to the applicable Liquidity Provider. (Intercreditor Agreement, Sections 3.05(b) and 3.05(f))

Voting of Equipment Notes

In the event that the Subordination Agent, as the registered holder of any Equipment Notes, receives a request for the giving of notice or its consent to any amendment, supplement, modification, approval, consent or waiver under such Equipment Notes or the related Indenture, the related Participation Agreement, the related Lease, the related Sublease (if applicable), the Note Purchase Agreement, the Owner Share Mortgage, the Owner Sub-Debt Pledge, the other security documents or other related documents, (i) if no Indenture Event of Default shall have occurred and be continuing with respect to such Indenture, the Subordination Agent shall request directions from the Trustee(s) and shall vote or consent in accordance with such directions and (ii) if any Indenture Event of Default shall have occurred and be continuing with respect to such Indenture, the Subordination Agent will exercise its voting rights as directed by the Controlling Party, subject to certain limitations; *provided* that no such amendment, supplement, modification, approval, consent or waiver shall, without the consent of each Liquidity Provider, (i) reduce the amount of principal, interest or premium payable by the Owner under any Equipment Note, (2) change the date on which any principal amount of, Make Whole Amount, if any or interest on any Equipment Note is due or payable, and (3) create any Lien with respect to the Collateral subject to the Indenture or other security document prior to or pari passu with the lien thereon under such Indenture or security document, except as permitted thereunder. In addition, see the last paragraph under "*Description of the Certificates—Modification of the Pass Through Trust Agreements and Certain Other Agreements*" for a description of the additional Certificateholder consent requirements with respect to amendments, supplements, modifications, approvals, consents or waivers of the Indentures, Equipment Notes, Participation Agreements, Note Purchase Agreement or other related documents. (Intercreditor Agreement, Section 8.01(b))

Certain Communications with Certificateholders

Upon the occurrence of an Indenture Event of Default, the Subordination Agent shall instruct the Trustees to, and the Trustees shall, request that DTC post on its Internet bulletin board a securities position listing setting forth the names of all the parties reflected on DTC's books as holding interests in the Certificates. (Intercreditor Agreement, Section 5.01(c))

Reports

Promptly after the occurrence of a Triggering Event or an Indenture Event of Default resulting from either (A) the failure of NAIL to make payments of rent under any Lease or (B) the failure of the Owner to make payments on any Equipment Note and on every Regular Distribution Date while such Triggering Event or such Indenture Event of Default shall be continuing, the Subordination Agent will provide to the Trustees, the Liquidity Providers, the Rating Agencies and the Owner a statement setting forth the following information:

- after a Lessee Bankruptcy Event or the occurrence of certain events of bankruptcy, reorganization or insolvency of the Owner, with respect to each Aircraft, whether the 60-day period has expired and whether such Aircraft are subject to an Interim Restructuring Agreement or other agreement of the applicable creditors and the Owner or NAIL, as applicable;
- to the best of the Subordination Agent's knowledge, after requesting such information from the Owner, (i) whether the Aircraft are currently in service or parked in storage, (ii) the maintenance status of the Aircraft and (iii) location of the Engines. (Intercreditor Agreement, Section 5.01(d));
- the current Pool Balance of each class of Certificates, the Eligible B Pool Balance, if any Additional Certificates have been issued, the Additional Certificates Pool Balance, and outstanding principal amount of all Equipment Notes for all Aircraft;
- the expected amount of interest which will have accrued on the Equipment Notes and on the Certificates as of the next Regular Distribution Date;
- the amounts paid to each person on such Distribution Date pursuant to the Intercreditor Agreement;
- details of the amounts paid on such Distribution Date identified by reference to the relevant provision of the Intercreditor Agreement and the source of payment (by Aircraft and party);
- if the Subordination Agent has made a Final Drawing or a Special Termination Drawing under any Liquidity Facility;
- the amounts currently owed to each Liquidity Provider;
- the amounts drawn under each Liquidity Facility; and
- after a Lessee Bankruptcy Event, any operational reports filed by NAIL, with the bankruptcy court or other relevant court, trustee or receiver which are available to the Subordination Agent on a non-confidential basis. (Intercreditor Agreement, Section 5.01(d))

The Subordination Agent

Wilmington Trust Company will be the Subordination Agent under the Intercreditor Agreement. The Owner and its affiliates may from time to time enter into banking and trustee relationships with the Subordination Agent and its affiliates. The Subordination Agent's address is Wilmington Trust Company, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

The Subordination Agent may resign at any time, in which event a successor Subordination Agent will be appointed as provided in the Intercreditor Agreement. The Owner (unless an Indenture Event of Default has occurred and is continuing) or the Controlling Party may remove the Subordination Agent for cause as provided in the Intercreditor Agreement. In such circumstances, a successor Subordination Agent will be appointed as provided in the Intercreditor Agreement. Any resignation or removal of the Subordination Agent and appointment of a successor Subordination Agent does not become effective until acceptance of the appointment by the successor Subordination Agent. (Intercreditor Agreement, Section 7.01(a))

DESCRIPTION OF THE AIRCRAFT AND THE APPRAISALS

The Aircraft

The Aircraft to be financed, in part, pursuant to this offering will consist of (a) the Owned Aircraft, which are three new Boeing 737-800 aircraft that were delivered between March and April 2016 (the "**Pre-Owned Aircraft**") and one new Boeing 737-800 aircraft scheduled to be delivered on May 12, 2016 (the **"May Delivery Aircraft"**) and (b) the New Delivery Aircraft, which will be six out of ten new Boeing 737-800 aircraft scheduled to be delivered between May and December 2016. See "*—The Appraisals*" for a description of the Owned Aircraft and the ten new Boeing 737-800 aircraft from which NAS will select the six New Delivery Aircraft.

Arctic or BOCA, as applicable, has the right to purchase the New Delivery Aircraft from the Manufacturer and BOCA or Arctic, as applicable, will assign its right to take title to the New Delivery Aircraft to the Owner on or prior to the relevant delivery date.

The Boeing 737-800 is a short-haul single-aisle aircraft that entered service in 1998 and is still in production. Today's fleet has both a 189- and 186-seat configuration. Future deliveries to Norwegian will feature 189 seats that increase the passengers' overall legroom, Boeing SKY Interior and in-flight WiFi.

The Appraisals

The table below sets forth the appraised values of the Aircraft that may be financed with the proceeds of this offering, as determined by AISI, BK and mba. Under the Note Purchase Agreement, the following aircraft will be financed pursuant to this offering: (a) three new Boeing 737-800 aircraft delivered between March and April 2016, (b) the May Delivery Aircraft and (c) six out of ten new Boeing 737-800 aircraft, to be selected by NAS, scheduled for delivery from May to December 2016.

Aircraft Type	Registration Number[(1)]	Manufacturer's Serial Number[(1)]	Actual or Expected Month of Delivery[(1)]	Appraiser's Valuations (USD) AISI	BK	mba	Appraised Value[(2)] (USD)
Boeing 737-800	EI-FJK	42072	March 2016	$ 51,320,000	$ 49,600,000	$ 48,820,000	$ 49,600,000
Boeing 737-800	EI-FJL	42073	March 2016	51,320,000	49,600,000	48,820,000	49,600,000
Boeing 737-800	EI-FJM	42074	April 2016	51,400,000	49,850,000	48,860,000	49,850,000
Boeing 737-800	EI-FJN	41152	May 2016	51,490,000	49,850,000	48,900,000	49,850,000
Boeing 737-800	EI-FJO	42076	May 2016	51,490,000	49,850,000	48,900,000	49,850,000
Boeing 737-800	EI-FJP	42077	June 2016	51,570,000	49,850,000	48,940,000	49,850,000
Boeing 737-800	EI-FJS	41153	June 2016	51,570,000	49,850,000	48,940,000	49,850,000
Boeing 737-800	EI-FJT	42079	August 2016	52,250,000	50,100,000	49,030,000	50,100,000
Boeing 737-800	EI-FJU	42273	August 2016	52,250,000	50,100,000	49,030,000	50,100,000
Boeing 737-800	EI-FJV	42080	September 2016	52,340,000	50,100,000	49,070,000	50,100,000
Boeing 737-800	EI-FJW	42286	September 2016	52,340,000	50,100,000	49,070,000	50,100,000
Boeing 737-800	EI-FJX	42271	October 2016	52,430,000	50,350,000	49,110,000	50,350,000
Boeing 737-800	EI-FJY	42272	November 2016	52,510,000	50,350,000	49,150,000	50,350,000
Boeing 737-800	EI-FJZ	42082	December 2016	52,600,000	50,350,000	49,190,000	50,350,000
				$726,880,000	$699,900,000	$685,830,000	$699,900,000

(1) The registration number, manufacturer's serial number and delivery month for each of the New Delivery Aircraft reflect NAS' current expectations. The actual delivery date for the May Delivery Aircraft or any New Delivery Aircraft may be subject to delay or acceleration. See "—*Timing of Financing the Aircraft*" below. NAS has certain rights to substitute other aircraft if the scheduled delivery date of the May Delivery Aircraft or any New Delivery Aircraft is delayed for more than 45 days after the month scheduled for delivery, provided that such 45 day period for such Aircraft may be extended once by the Owner by written notice to the parties to the Note Purchase Agreement. See "—*Substitute Aircraft*."

(2) The appraised value of each Aircraft set forth above is the lesser of the average and median values of such Aircraft as appraised by the Appraisers.

For purposes of the foregoing chart, each of AISI, BK and mba was asked to provide its opinion as to the appraised base value of each Aircraft based on appraised base value projected as of the scheduled delivery month of the applicable Aircraft. As part of this process, all three Appraisers performed "desk top" appraisals without any physical inspection of the Aircraft. The appraisals are based on various assumptions and methodologies, which vary among the appraisals. The Appraisers have delivered letters summarizing their respective appraisals, copies of which are annexed to this offering memorandum as Appendix II. For a discussion of the assumptions and methodologies used in each of the appraisals, please refer to Appendix II.

An appraisal is only an estimate of value. It is not indicative of the price at which an Aircraft may be purchased from the Manufacturer, nor should it be relied upon as a measure of realizable value. The proceeds realized upon a sale of any Aircraft may be less than its appraised value. The value of the Aircraft in the event of the exercise of remedies under the applicable Indenture will depend on market and economic conditions, the availability of buyers, the condition of the Aircraft and other factors. Accordingly, there can be no assurance that the proceeds realized upon any such exercise of remedies with respect to the Equipment Notes and the Aircraft pursuant to the applicable Indenture would equal the appraised value of such Aircraft or be sufficient to satisfy in full payments due on such Equipment Notes or the Certificates. See "*Risk Factors—Risks Relating to the Certificates and the Offering—The Appraisals are only estimates of Aircraft value*."

Timing of Financing the Aircraft

The Owned Aircraft to be refinanced with the proceeds of this offering were delivered between March and April 2016, entered into commercial service in March and April of 2016, and are subject to liens that secure the Bridge Loan. The New Delivery Aircraft to be financed with the proceeds of this offering are scheduled for delivery under purchase agreements of BOCA and Arctic with the Manufacturer from May to December 2016. See the table above under "*—The Appraisals*" for the scheduled month of delivery of each such Aircraft. Under such purchase agreements, delivery of a New Delivery Aircraft may be delayed due to "excusable delay," which is defined to include, among other things, acts of God, war, governmental acts, strikes or other labor troubles, inability to obtain or procure materials or any other cause beyond the control of the Manufacturer and not occasioned by the Manufacturer's fault or negligence.

The Note Purchase Agreement provides that the period for financing the Aircraft under this offering (the "**Delivery Period**") will expire on March 31, 2017. If a labor strike occurs at the Manufacturer prior to the scheduled expiration of the Delivery Period, the expiration date of the Delivery Period will be extended by the number of days that such strike continued in effect, but not more than 60 days.

If the scheduled delivery date of any New Delivery Aircraft is delayed by more than 45 days after the month scheduled for delivery, the Owner has the right to replace such New Delivery Aircraft with a Substitute Aircraft (as defined below), subject to certain conditions, provided that such 45-day period for such New Delivery Aircraft may be extended once by the Owner by written notice to the parties to the Note Purchase Agreement. See "*—Substitute Aircraft*." If delivery of any such New Delivery Aircraft is delayed beyond the Delivery Period Termination Date and the Owner does not exercise its right to replace such New Delivery Aircraft with a Substitute Aircraft, there will be unused Deposits that will be distributed to Certificateholders together with accrued and unpaid interest thereon but without a premium. See "*Description of the Deposit Agreements—Other Withdrawals and Return of Deposits*."

Substitute Aircraft

If the scheduled delivery date for any New Delivery Aircraft that may be financed with the proceeds of this offering is delayed by more than 45 days after the last day of the month scheduled for delivery, provided that such 45-day period for such Aircraft may be extended once by the Owner by written notice to the parties to the Note Purchase Agreement, the Owner may identify for delivery a substitute aircraft (each, together with the substitute aircraft referred to below, a "**Substitute Aircraft**") therefor meeting the following conditions:

- A Substitute Aircraft must be of the same model as the New Delivery Aircraft being replaced.
- The Owner will be obligated to obtain written confirmation from each Rating Agency that substituting such Substitute Aircraft for the replaced New Delivery Aircraft will not result in a withdrawal, suspension or downgrading of the ratings of any class of Certificates. (Note Purchase Agreement, Section 1(h))

DESCRIPTION OF THE EQUIPMENT NOTES

The following summary describes certain material terms of the Equipment Notes. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Equipment Notes, the form of Indenture, the form of Participation Agreement, the form of Lease and the Note Purchase Agreement. Except as otherwise indicated, the following summaries relate to the Equipment Notes, the Indenture, the Participation Agreement and the Lease applicable to each Aircraft.

On and subject to the terms and conditions of the Note Purchase Agreement and the applicable Participation Agreement, Lease and Indenture, the Owner agrees to enter into a secured debt financing with respect to each Aircraft on or prior to the Delivery Period Termination Date. The Note Purchase Agreement provides for the relevant parties to enter into a Participation Agreement, a Lease and an Indenture relating to the financing of each Aircraft that are substantially in the forms attached to the Note Purchase Agreement. See "*Description of the Certificates—Obligation to Purchase Equipment Notes*." The description of the terms of the Equipment Notes in this offering memorandum is based on the forms of such agreements annexed to the Note Purchase Agreement. However, the terms of the financing and lease agreements actually entered into with respect to an Aircraft may differ from the forms of such agreements and, consequently, may differ from the description of such agreements contained in this offering memorandum. Although such changes are permitted under the Note Purchase Agreement, the Owner must obtain written confirmation from each Rating Agency to the effect that the use of financing agreements modified in any material respect from the forms attached to the Note Purchase Agreement will not result in a withdrawal, suspension or downgrading of the ratings of each class of Certificates then rated by such Rating Agency and that remains outstanding. The terms of such agreements also must in any event comply with the Required Terms. In addition, the Owner, subject to certain exceptions, is obligated to certify to the Trustees that any substantive modifications do not materially and adversely affect the Certificateholders or the Liquidity Providers. See "*Description of the Certificates—Obligation to Purchase Equipment Notes*."

General

Pursuant to the terms of a participation agreement among NAIL, the Owner, the Trustees, the Subordination Agent and the Loan Trustee with respect to each Aircraft (each, a "**Participation Agreement**"), the Trusts will purchase from the Owner the related Equipment Notes to be issued under the related Indenture. Equipment Notes will be issued in two series with respect to each Aircraft: the "**Series A Equipment Notes**" and the "**Series B Equipment Notes**," collectively, the "**Equipment Notes**"). The Owner may elect to issue one or more series of Additional Equipment Notes with respect to an Aircraft at any time (including the issuance of Additional Equipment Notes of the same series designation as previously issued Additional Equipment Notes that have been paid in full), which will be funded from sources other than this offering and will be subordinated in right of payment to the Equipment Notes. See "*Possible Issuance of Additional Certificates and Refinancing Certificates*." The Equipment Notes with respect to each Aircraft will be issued under a separate indenture and security agreement (each, an "**Indenture**") between the Owner and Wilmington Trust Company, as loan trustee thereunder (each, a "**Loan Trustee**"). The Equipment Notes issued by the Owner will be direct obligations of the Owner.

The Owner will lease each Aircraft to NAIL pursuant to a separate operating lease agreement between the Owner and NAIL (each, a "**Lease**"). Under each Lease, NAIL will be obligated to make rental and other payments to the Owner in U.S. dollars. The payments in U.S. dollars required to be made by NAIL under each Lease will be sufficient to pay in full when due payment obligations with respect to the related Equipment Notes, the Indenture and the Liquidity Facilities, as the same may become due at scheduled maturity or following a Total Loss. Such amounts will not be sufficient to pay principal, premium, if any, and interest on any Equipment Notes becoming due as a result of prepayment or acceleration prior to its stated maturity, except if each Equipment Note comes due as a result of a Total Loss with respect to the related Aircraft. See "*Risk Factors—Risks relating to the Certificates and the Offering—Recourse against the Owner is limited, and payments by NAIL under the Leases and NAS under the Lease Guarantee may not be sufficient to pay all of their obligations*."

The Equipment Notes issued with respect to the Aircraft and the Owner's obligations under Operative Agreements will be irrevocably and unconditionally guaranteed by NAS. NAIL's obligations under each Lease will be general obligations of NAIL.

The Equipment Notes will be listed on the Global Exchange Market of the Irish Stock Exchange.

Subordination

The following subordination provisions will be applicable to the Equipment Notes issued under the Indentures:

- the indebtedness evidenced by the Series B Equipment Notes issued under an Indenture will be, to the extent and in the manner provided in such Indenture, subordinate and subject in right of payment to the Series A Equipment Notes issued under such Indenture.
- if the Owner issues any series of Additional Equipment Notes under an Indenture, the indebtedness evidenced by such series of Additional Equipment Notes will be, to the extent and in the manner provided in such Indenture (as may be amended in connection with any issuance of such Additional Equipment Notes), subordinate and subject in right of payment to the Series A Equipment Notes, the Series B Equipment Notes and, if applicable, any previously or concurrently issued series of Additional Equipment Notes ranking senior to such series of Additional Equipment Notes, in each case, under such Indenture (see "*Possible Issuance of Additional Certificates and Refinancing Certificates*"); and
- the indebtedness evidenced by the Series A Equipment Notes, the Series B Equipment Notes and any Additional Equipment Notes issued under an Indenture will be, to the extent and in the manner provided in the other Indentures, subordinate and subject in right of payment under such other Indentures to the Equipment Notes issued under such other Indentures. (Indentures, Section 2.13(a))

By the acceptance of its Equipment Notes of any series issued under any Indenture, each holder of such series of Equipment Notes (each, a "**Noteholder**") will agree that:

- if such Noteholder, in its capacity as a Noteholder under such Indenture, receives any payment or distribution under such Indenture that it is not entitled to receive under the provisions of such Indenture, it will hold any amount so received in trust for the Loan Trustee under such Indenture and forthwith turn over such amount to such Loan Trustee in the form received to be applied as provided in such Indenture; and
- if such Noteholder, in its capacity as a Noteholder under any other Indenture, receives any payment or distribution in respect of Equipment Notes of any series issued under such other Indenture that it is not entitled to receive under the provisions of such other Indenture, it will hold any amount so received in trust for the Loan Trustee under such other Indenture and forthwith turn over such amount to such Loan Trustee under such other Indenture in the form received to be applied as provided in such other Indenture. (Indentures, Section 2.13(c))

By acceptance of its Equipment Notes of any series under any Indenture, each Noteholder of such series will also:

- agree to and will be bound by the subordination provisions in such Indenture;
- authorize and direct the Loan Trustees under all Indentures on such Noteholder's behalf to take any action necessary or appropriate to effectuate the subordination as provided in such Indenture; and
- it will hold appoint the Loan Trustees under all Indentures as such Noteholder's attorney-in-fact for such purpose. (Indentures, Section 2.13(a))

By virtue of the Intercreditor Agreement, all of the Equipment Notes held by the Subordination Agent will be effectively cross-subordinated. This means that payments received on a junior series of Equipment Notes issued in respect of one Aircraft may be applied in accordance with the priority of payment provisions set forth in the Intercreditor Agreement to make distributions on a more senior class of Certificates. (Intercreditor Agreement, Section 3.02)

During the existence of an Indenture Event of Default, if the Equipment Notes under the relevant Indenture have become due and payable in full as described in "—*Remedies*," then after payment in full of: *first,* the persons indemnified under "—*Indemnification*" and certain other expenses with respect to such Indenture; *second,* the Series A Equipment Notes under such Indenture; *third,* the Series B Equipment Notes under such Indenture; *fourth,* if applicable, any Additional Equipment Notes under such Indenture; any excess proceeds will be available to pay certain indemnity and expense obligations with respect to Equipment Notes issued under other Indentures and held by the Subordination Agent ("**Related Equipment Notes**"). After payment in full of such indemnity and expense obligations, any remaining excess proceeds will be available to pay any shortfalls then due in respect of Related Equipment Notes under which either (i) a default of the type described in the first clause under "—*Indenture Events of Default, Notice and Waiver*" has occurred and is continuing, whether or not the applicable grace period has expired, or (ii) an Indenture Event of Default not described in the preceding clause (i) has occurred and is continuing and either (x) the Equipment Notes under the relevant Indenture have become due and payable and the acceleration has not been rescinded or (y) the relevant Loan Trustee has notified the Owner that it intends to exercise remedies under such Indenture (see "—*Remedies*") in the following order of priority: *first,* to Series A Equipment Notes, Series B Equipment Notes and, if applicable, the Additional Equipment Notes, ratably as to each such series; and *second,* in the absence of any such shortfall, such excess proceeds, if any, will be held by the relevant Loan Trustee as additional collateral for such Related Equipment Notes (see "—*Security*"). (Indentures, Section 3.03)

Principal and Interest Payments

Subject to the provisions of the Intercreditor Agreement, interest paid on the Equipment Notes held in each Trust will be passed through to the Certificateholders of such Trust on the dates and at the rate per annum set forth on the cover page of this offering memorandum with respect to Certificates issued by such Trust until the final expected Regular Distribution Date for such Trust. Subject to the provisions of the Intercreditor Agreement, principal paid on the Equipment Notes held in each Trust will be passed through to the Certificateholders of such Trust in scheduled amounts on the dates set forth herein until the final expected Regular Distribution Date for such Trust.

Interest will be payable on the unpaid principal amount of each issued and outstanding Equipment Note at the rate applicable to such Equipment Note on May 10 and November 10 of each year, commencing on the later of November 10, 2016, and the first such date to occur after initial issuance thereof. Interest on the Equipment Notes will be computed on the basis of a 360-day year of twelve 30-day months. Overdue amounts of principal and (to the extent permitted by applicable law) Make-Whole Amount, if any, interest and any other amounts payable under each series of Equipment Notes will bear interest, payable on demand, at the interest rate that is the lesser of (i) the interest applicable to such series of Equipment Notes plus 1.0% and (ii) the maximum rate permitted by applicable law. (Indentures, Section 2.01)

Scheduled principal payments on the Series A Equipment Notes and Series B Equipment Notes will be made on May 10 and November 10 of each year, commencing on May 10, 2017, and ending on May 10, 2028 in the case of the Series A Equipment Notes and November 10, 2023, in the case of the Series B Equipment Notes. See "*Description of the Certificates—Pool Factors*" for a discussion of the scheduled payments of principal of the Equipment Notes and possible revisions thereto.

If any date scheduled for a payment of principal, Make-Whole Amount or interest with respect to the Equipment Notes is not a Business Day, such payment will be made on the next succeeding Business Day, without any additional interest.

The Owner is also required to pay under each Indenture to which it is a party such Indenture's *pro rata* share of the fees, the interest payable on drawings under each Liquidity Facility in excess of earnings on cash deposits from such drawings plus certain other amounts and certain other payments due to the Liquidity Provider under each Liquidity Facility and of compensation and certain expenses payable to the Subordination Agent. (Indentures, Section 2.14)

The date on which payments of scheduled interest and principal on any Additional Equipment Notes, if issued, will commence will be set forth in such Additional Equipment Notes.

Redemption

If (a) a Total Loss occurs with respect to an Aircraft under any Indenture, or (b) any Lease is terminated early because (i) general insurance practice changes in a way that would render the insurance insufficient to protect the interests of the Owner and the Loan Trustee, and the Lessor, the Loan Trustee and the Lessee are unable to agree to the terms of any change in the Lessor's insurance requirements, (ii) certain illegality events or circumstances occur with respect to any Lease, (iii) not resulting from an act or omission of the Lessee, the Lessee's air carrier certificate or an Aircraft's registration ceases to be in effect or (iv) any other reason other than a Lease Event of Default, the Equipment Notes issued with respect to such Aircraft will be redeemed, in whole, in each case at 100% of the unpaid principal thereof, together with all accrued and unpaid interest thereon to (but excluding) the date of redemption and all other obligations owed or then due and payable to holders of the Equipment Notes issued under such Indenture plus (except in the case of clauses (a) and (b)(ii) above) a Make-Whole Amount. (Indentures, Section 2.10)

All of the outstanding Equipment Notes issued with respect to an Aircraft may be redeemed prior to maturity at any time, at the option of the Owner; *provided* that all outstanding Equipment Notes issued with respect to all other Aircraft are simultaneously redeemed in each case at 100% of the unpaid principal thereof, together with all accrued and unpaid interest thereon to (but excluding) the date of redemption and all other obligations owed or then due and payable to holders of the Equipment Notes issued under such Indenture, plus Make Whole Amount, if any. In addition, the Owner may elect to redeem the outstanding Series B Equipment Notes or any series of Additional Equipment Notes, if issued, in connection with a re-issuance of such series. See "*Possible Issuance of Additional Certificates and Refinancing Certificates*." (Indentures, Section 2.11)

Notice of any such redemption will be given by the Loan Trustee to each holder of the Equipment Notes to be redeemed not less than 15 nor more than 60 days prior to the applicable redemption date. A notice of redemption may be revoked by written notice from the Owner to the Loan Trustee given no later than three days prior to the redemption date. (Indentures, Section 2.12(b))

"**Make-Whole Amount**" means, with respect to any Equipment Note, the amount (as determined b an independent investment banker selected by the Owner), if any, by which (i) the present value of the remaining scheduled payments of principal and interest, from the redemption date to the maturity of such Equipment Note, computed by discounting each such payment on a semi-annual basis from its respective payment date (assuming a 360-day year of twelve 30-day months) using a discounted rate equal to the Treasury Yield plus .50%, exceeds (ii) 100% of the unpaid principal thereof, together with all accrued and unpaid interest thereon to (but excluding) the date of redemption and all other obligations owed or then due and payable to holders of the Equipment Notes issued under such Indenture of such Equipment Note.

For purposes of determining the Make-Whole Amount, "**Treasury Yield**" means, at the date of determination, the interest rate (expressed as a semiannual equivalent and as a decimal rounded to the number of decimal places as appears in the interest rate applicable to the relevant Equipment Note and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Average Life Date and trading in the public securities market either as determined by interpolation between the most recent weekly average constant maturity, non-inflation-indexed series yield to maturity for two series of United States Treasury securities, trading in the public securities markets, (A) one maturing as close as possible to, but earlier than, the

Average Life Date and (B) the other maturing as close as possible to, but later than, the Average Life Date, in each case as reported in the most recent H.15(519) or, if a weekly average constant maturity, non-inflation-indexed series yield to maturity for United States Treasury securities maturing on the Average Life Date is reported in the most recent H.15(519), such weekly average yield to maturity as reported in such H.15(519). "**H.15(519)**" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System. The date of determination of a Make-Whole Amount shall be the third Business Day prior to the applicable redemption date and the "**most recent H.15(519)**" means the latest H.15(519) published prior to the close of business on the third Business Day prior to the applicable redemption date. (Indentures, Annex A).

"**Average Life Date**" for each Equipment Note to be redeemed shall be the date which follows the redemption date by a period equal to the Remaining Weighted Average Life at the redemption date of such Equipment Note. "**Remaining Weighted Average Life**" of an Equipment Note, at the redemption date of such Equipment Note, shall be the number of days equal to the quotient obtained by dividing: (i) the sum of the products obtained by multiplying (A) the amount of each then remaining installment of principal, including the payment due on the maturity date of such Equipment Note, by (B) the number of days from and including the redemption date to but excluding the scheduled payment date of such principal installment by (ii) the then unpaid principal amount of such Equipment Note. (Indentures, Annex A)

Security

Aircraft

The Equipment Notes issued under any Indenture will be secured by a security interest in, among other things, the Aircraft subject to the lien of such Indenture and each Aircraft subject to the liens of the other Indentures, as well as an assignment for security purposes to the Loan Trustee of certain of the Owner's warranty rights under its purchase agreement with Boeing. (Indentures, Granting Clause). The Equipment Notes issued with respect to each Aircraft will also be secured by:

- all hull total loss insurance proceeds with respect to such Aircraft;
- an assignment to the Loan Trustee of all of the Owner's rights and interests in each Lease, as appropriate and, in respect of certain of the Owner's rights under warranties with respect to each Aircraft, by arrangements with the manufacturer;
- an Irish law mortgage over the shares of the Owner pursuant to an Owner Share Mortgage; and
- a pledge over any indebtedness of the Owner pursuant to an Owner Sub-Debt Pledge.

Since the Equipment Notes are cross-collateralized, any proceeds from the sale of any Aircraft by the Loan Trustee or other exercise of remedies under the related Indenture following an Indenture Event of Default under such Indenture will (subject to the provisions of relevant bankruptcy and insolvency legislation) be available for application to shortfalls with respect to the Equipment Notes issued under the other Indentures and the other obligations secured by the other Indentures that are due at the time of such application, as described under "*—Subordination*" above. In the absence of any such shortfall at the time of such application, excess proceeds will be held by the Loan Trustee under such Indenture as additional collateral for the Equipment Notes issued under each of the other Indentures and will be applied to the payments in respect of the Equipment Notes issued under such other Indentures as they come due. However, if an Equipment Note ceases to be held by the Subordination Agent (as a result of sale upon the exercise of remedies by the Controlling Party or otherwise), such Equipment Note will cease to be entitled to the benefits of cross-collateralization. (Indentures, Section 3.03)

If the Equipment Notes issued under any Indenture are repaid in full in the case of a Total Loss, an illegality event with respect to an Aircraft or due to other circumstances, the lien on such Aircraft under such Indenture will be released. (Indentures, Section 10.01) At any time on or after the latest final maturity date of the Equipment Notes issued in respect of an Aircraft, if all obligations secured under all of the Indentures that are then due have been paid, the lien on such Aircraft will be released and such Aircraft will cease to be included in the collateral pool. (Indentures, Section 10.01) Once the lien on any Aircraft is released, such Aircraft will no longer secure the amounts that may be owed under any Indenture.

The Equipment Notes will be secured by substantially all of the assets of the Owner, except Excluded Payments. See "*Description of the Certificates—Principal*"

Notes Guaranty

The Owner's obligations under the Operative Agreements will be irrevocably and unconditionally guaranteed by NAS pursuant to the Notes Guaranty.

"**Operative Agreements**" means, collectively, each Pass Through Trust Agreement, the Note Purchase Agreement, each Escrow and Paying Agent Agreement, each Deposit Agreement, each Liquidity Facility, the Intercreditor Agreement, the Pledge Agreements, the Certificates and, with respect to each Aircraft in respect of which Equipment Notes shall have been issued, the Financing Agreements.

Independent Directors

The Owner's Board will contain at least one Independent Director. All decisions, actions and questions arising at any meeting of the Board shall be decided by a majority of votes, provided always that such majority includes the vote of the Independent Director. An "**Independent Director**" means a person that: (i) is not at the time of his or her appointment; (ii) is not at any time when such person is serving as an independent director; and (iii) has not been for the five years prior to his or her appointment as an independent director, an employee, contractor or consultant of, or the beneficial holder (directly or indirectly) of any ownership interest in NAS, Arctic, the Owner, the Lessee, or any of their affiliates, provided however, that any such person may serve as an independent director of Arctic and any other company that is an affiliate of Arctic, the Lessee, the Owner or NAS.

Cash

Cash, if any, held from time to time by the relevant Loan Trustee with respect to any Aircraft, including funds held as the result of a Total Loss to such Aircraft, will be invested and reinvested by such Loan Trustee, at the direction of the Owner, in investments described in the related Indenture. (Indentures, Section 5.06)

Maintenance Reserves Account

The Loan Trustee will establish and maintain on its books and records an account (the "**Maintenance Reserves Account**"). The balance from time to time in the Maintenance Reserves Account will constitute part of the Collateral under the related Indenture. The balance from time to time in the Maintenance Reserves Account will be subject to withdrawal only as provided below. All Maintenance Reserves (as defined in the Lease) will be paid into the Maintenance Reserves Account.

So long as no Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default has occurred which is continuing, funds, securities or other property standing to the credit of the Maintenance Reserves Account may be withdrawn upon the instructions of the Owner to the Loan Trustee without further consent by any other Person, and, until the Loan Trustee receives notice as provided in the Indenture or has actual knowledge that a Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default has occurred which is continuing, the Loan Trustee agrees to comply with instructions originated by the Owner, and in the manner, at the times and to the account specified by the Owner to the Loan Trustee from time to time. Until the Loan Trustee receives notice as provided in the related Indenture or has actual knowledge that a Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default has occurred which is continuing, the Loan Trustee may follow the instructions of the Owner with respect to investing in permitted investments the cash credited to the Maintenance Reserves Account. Following the receipt by the Loan Trustee of a notice as provided in the related Indenture or actual knowledge that a Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default has occurred which is continuing, until the Loan Trustee is otherwise notified as provided in the Indenture, all funds, securities or other property standing to the credit of the Maintenance Reserves Account may be withdrawn without further consent by the Owner or any other Person. (Indentures, Section 5.08)

Security Deposit Account

The Loan Trustee will establish and maintain on its books and records an account (the "**Security Deposit Account**"). The balance from time to time in the Security Deposit Account will constitute part of the Collateral. The balance from time to time in the Security Deposit Account shall be subject to withdrawal only as provided below. All Commitment Fees (as defined in the Lease) will be paid into the Security Deposit Account.

So long as no Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default has occurred which is continuing, funds, securities or other property standing to the credit of the Security Deposit Account may be withdrawn upon the instructions of the Owner to the Loan Trustee without further consent by any other Person, and, until the Loan Trustee receives notice as provided in the related Indenture or has actual knowledge that a Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default has occurred which is continuing, the Loan Trustee agrees to comply with instructions originated by the Owner, and in the manner, at the times and to the account specified by the Owner to the Loan Trustee from time to time. Until the Loan Trustee receives notice as provided in the related Indenture or has actual knowledge that a Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default has occurred which is continuing, the Loan Trustee may follow the instructions of the Owner with respect to investing in permitted investments the cash credited to the Security Deposit Account. Following the receipt by the Loan Trustee of a notice as provided in the related Indenture or actual knowledge that a Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default has occurred which is continuing, until the Loan Trustee is otherwise notified as provided in the related Indenture, all funds, securities or other property standing to the credit of the Security Deposit Account may be withdrawn by the Loan Trustee without further consent by the Owner or any other Person. (Indentures, Section 5.07)

Loan to Value Ratios of Equipment Notes

The tables in Appendix III to this offering memorandum set forth the LTVs for the Series A Equipment Notes and Series B Equipment Notes to be issued in respect of each Aircraft (assuming that all of the Aircraft listed under "*Summary—The Equipment Notes, the Leases and the Aircraft*" in this offering memorandum are financed hereunder) as of (i) December 31, 2016, assuming such Aircraft has been subjected to the related Indenture and each Trust has purchased the applicable Equipment Notes as of May 10, 2017 (the first Regular Distribution Date that occurs after all Aircraft are expected to have been financed pursuant to this offering) and (ii) each Regular Distribution Date thereafter. With respect to each Aircraft, the LTVs for any date prior to December 31, 2016 are not included because May 10, 2017 is the first Regular Distribution Date to occur after all Aircraft are expected to have been financed pursuant to this offering.

The LTVs for each Regular Distribution Date listed in the tables in Appendix III were obtained by dividing (i) the outstanding principal amount (assuming no payment default, purchase or early redemption) of such Equipment Notes, plus in the case of the Series B Equipment Notes, the outstanding balance of the Series A Equipment Notes assumed to be issued and outstanding under the relevant Indenture, determined immediately after giving effect to the payments scheduled to be made on each such Regular Distribution Date by (ii) the assumed aircraft value (the "**Assumed Aircraft Value**") on such Regular Distribution Date, calculated based on the Depreciation Assumption, of the Aircraft with respect to which such Equipment Notes were assumed to be issued and outstanding.

The tables in Appendix III are based on the assumption (the "**Depreciation Assumption**") that the Assumed Aircraft Value of each Aircraft depreciates annually by approximately 3% of the appraised value at delivery per year after the year of delivery of such Aircraft by the Manufacturer. With respect to each Aircraft, the appraised value at delivery of such Aircraft is the theoretical value that, when depreciated from the initial delivery of such Aircraft by the manufacturer in accordance with the Depreciation Assumption, results in the appraised value of such Aircraft specified under "*Summary—Equipment Notes, the Leases and the Aircraft" and "Description of the Aircraft and the Appraisals—The Appraisals*."

Other rates or methods of depreciation could result in materially different LTVs, and no assurance can be given (i) that the depreciation rate and method assumed for the purposes of the tables are the ones most likely to occur or (ii) as to the actual future value of any Aircraft. Thus, the tables should not be considered a forecast or prediction of expected or likely LTVs, but simply a mathematical calculation based on one set of assumptions. See "*Risk Factors—Risks Relating to the Certificates and the Offering—The Appraisals are only estimates of Aircraft value*."

Limitation of Liability

Except as otherwise provided in the Indentures, no Loan Trustee, in its individual capacity, will be answerable or accountable under the Indentures or under the Equipment Notes under any circumstances except, among other things, for its own willful misconduct or negligence. (Indentures, Section 6.01)

Indenture Events of Default, Notice and Waiver

"**Indenture Events of Default**" under each Indenture will include:

- the failure by the Owner to pay any interest, principal or Make-Whole Amount (if any) within 15 days after the same has become due on any Equipment Note;
- the failure by the Owner to pay any amount (other than interest, principal or Make-Whole Amount (if any)) when due under the Indenture, any Equipment Note or any other related Financing Agreement for more than 30 days after the Owner receives written notice from the Loan Trustee or any Noteholder under such Indenture;
- the occurrence and continuation of a Lease Event of Default under the related Lease;
- the failure by the Owner to perform or observe any other covenant, condition or agreement to be performed or observed by it under any related Financing Agreement that continues for a period of 60 days after the Owner receives written notice from the Loan Trustee or any Noteholder under such Indenture; provided that, if such failure is capable of being remedied, no such failure will constitute an Indenture Event of Default for a period of one year after such notice is received by the Owner so long as the Owner is diligently proceeding to remedy such failure;
- any representation or warranty made by the Owner, NAIL or NAS in the related Financing Agreements proves to have been incorrect in any material respect when made, and such incorrectness continues to be material to the transactions contemplated by the Indenture and remains unremedied for a period of 60 days after the Owner receives written notice from the Loan Trustee or any Noteholder under such Indenture; provided that, if such incorrectness is capable of being remedied, no such incorrectness will constitute an Indenture Event of Default for a period of one year after such notice is received by NAS, NAIL or the Owner so long as the Owner is diligently proceeding to remedy such incorrectness;
- the occurrence of certain events of bankruptcy, reorganization or insolvency of the Owner or Guarantor;
- the occurrence and continuation of an "Indenture Event of Default" under any other Indenture, but only if, as of any date of determination, all Equipment Notes issued and outstanding under such other Indenture are held by the Subordination Agent under the Intercreditor Agreement; or
- the occurrence and continuation of a Guarantor Default (as defined in the Notes Guaranty).

provided that notwithstanding anything to the contrary set forth in the foregoing, any failure of the Owner or the Lessee to perform or observe any covenant, condition or agreement shall not constitute an Event of Default if such failure arises by reason of an event referred to in the definition of "Total Loss" so long as the Owner and the Lessee are continuing to comply with all of the terms set forth under "*Description of the Leases—Total Loss*." (Indentures, Section 4.01)

Each Indenture provides that the holders of a majority in aggregate unpaid principal amount of the Equipment Notes outstanding under such Indenture, by written instruction to the Loan Trustee, may on behalf of all of the Noteholders waive any past default and its consequences under such Indenture, except a default in the payment of the principal of, Make-Whole Amount (if any) or interest due under any such Equipment Notes outstanding (other than with the consent of the holder thereof) or a default in respect of any covenant or provision of such Indenture that cannot be modified or amended without the consent of each such affected Noteholder. (Indentures, Section 4.05) This provision, among others, is subject to the terms of the Intercreditor Agreement.

Remedies

The exercise of remedies under the Indentures will be subject to the terms of the Intercreditor Agreement, and the following description should be read in conjunction with "*Description of the Intercreditor Agreement*."

If an Indenture Event of Default occurs and is continuing under an Indenture, the related Loan Trustee may, and upon receipt of written instructions of the holders of a majority in principal amount of the Equipment Notes then outstanding under such Indenture will, declare the principal amount of all such Equipment Notes issued thereunder immediately due and payable, together with all accrued but unpaid interest thereon (but without any Make-Whole Amount). If certain events of bankruptcy or insolvency occur with respect to the Owner, NAIL (subject to the below) or NAS, such amounts shall, subject to applicable law, become due and payable without any declaration or other act on the part of the related Loan Trustee or holders of Equipment Notes. The holders of a majority in principal amount of Equipment Notes outstanding under an Indenture may rescind any declaration of acceleration of such Equipment Notes if (i) there has been paid to or deposited with the related Loan Trustee an amount sufficient to pay all overdue installments of principal and interest on any such Equipment Notes, and all other amounts due thereunder, that have become due otherwise than by such declaration of acceleration and (ii) all other Indenture Events of Default, other than nonpayment of principal amount or interest on the Equipment Notes that have become due solely because of such acceleration, have been cured or waived; provided that no such rescission or annulment will extend to or affect any subsequent default or Indenture Event of Default or impair any right consequent thereon. (Indentures, Sections 4.02(a) and (d))

Each Indenture provides that, if an Indenture Event of Default under such Indenture has occurred and is continuing, the related Loan Trustee may exercise certain rights or remedies available to it under such Indenture or under applicable law. Such remedies include the right to take possession of the Aircraft and to sell all or any part of the Airframe or any Engine comprising the Aircraft subject to such Indenture; provided that (i) if (i) an Indenture Event of Default arises from a bankruptcy, insolvency, examinership, reorganization, liquidation, dissolution, arrangement or winding-up of the Lessee, (ii) the state of incorporation of the Lessee has adopted Cape Town Alternative A and Cape Town Alternative A is in full force and effect in such state of incorporation and (iii) the Lessee has satisfied the requirements to continued possession of the Aircraft under paragraph 7 of Cape Town Alternative A and no Indenture Event of Default (except an Indenture Event of Default described in clause (i) above) shall have occurred and be continuing, then none of the remedies provided for in the Indenture may be exercised so long as the Lessee continues to perform as provided in Cape Town Alternative A. (Indentures, Section 4.02(a)) See "*Description of the Intercreditor Agreement—Intercreditor Rights—Limitation on Exercise of Remedies*."

In certain circumstances following the bankruptcy or insolvency of the Owner, NAS or NAIL where the obligations of the Owner or NAS with respect to any Indenture exceed the value of the Collateral under such Indenture, post-petition interest may not accrue on the related Equipment Notes. In addition, to the extent that distributions are made to any Certificateholders, whether under the Intercreditor Agreement or from drawings on the Liquidity Facilities, in respect of amounts that would have been funded by post-petition interest payments on such Equipment Notes had such payments been made, there would be a shortfall between the claim allowable against the Owner or NAS in respect of such Equipment Notes after the disposition of the Collateral securing such Equipment Notes and the remaining balance of the Certificates. Such shortfall would first reduce some or all of the remaining claim against the Owner or NAS available to the Trustees for the most junior classes.

If an Indenture Event of Default under any Indenture occurs and is continuing, any sums held or received by the related Loan Trustee may be applied to reimburse such Loan Trustee for any tax, expense or other loss incurred by it and to pay any other amounts due to such Loan Trustee prior to any payments to holders of the Equipment Notes issued under such Indenture. (Indentures, Section 3.03)

"**Financing Agreements**" means, with respect to any Indenture, such Indenture, the Equipment Notes issued thereunder, the related Participation Agreement, the related Lease, the Notes Guaranty, and other transaction documents referred to in such Indenture. (Indentures, Annex A)

Modification of Indentures and Financing Agreements

Without the consent of holders of a majority in principal amount of the Equipment Notes outstanding under any Indenture, the provisions of such Indenture the related Equipment Notes, Participation Agreement and Lease may not be amended or modified, except to the extent indicated below. (Indentures, Section 9.01(a))

Any Financing Agreement and any Equipment Notes may be amended without the consent of any Noteholder or any other beneficiaries of the security under such Indenture to, among other things, (i) evidence the succession of another person to the Lessee and the assumption by any such successor of the covenants of the Lessee contained in the Operative Agreements; (ii) cure any defect or inconsistency in any Indenture, the Equipment Notes issued thereunder or any other Financing Agreement, or make any change not inconsistent with the provisions of such Indenture (*provided* that such change does not adversely affect the interests of any Noteholder in its capacity solely as Noteholder); (iii) cure any ambiguity or correct any mistake; (iv) evidence the succession of another party as the Owner or Loan Trustee in accordance with the terms of such Indenture or evidence the succession of a new trustee or securities intermediary or the removal of a trustee or securities intermediary, or facilitate the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees pursuant to such Indenture; (v) convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee of such Indenture; (vi) make any other provisions with respect to matters or questions arising under such Indenture, such Equipment Notes or the other Financing Agreements, *provided* that such action does not adversely affect the interests of any Noteholder in its capacity solely as Noteholder; (vii) correct or amplify the description of any property at any time subject to the lien of such Indenture or better assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the lien of such Indenture, or subject to the lien of such Indenture the applicable Airframe or Engines or any replacement Engine; (viii) add to the covenants of the Owner for the benefit of the Noteholders or surrender any rights or powers conferred upon the Lessee or the Owner under such Indenture; (ix) add to rights of the Noteholders; (x) to provide for the issuance of Additional Equipment Notes (and any Related Additional Equipment Notes) and for the issuance of pass through certificates issued by any pass through trust that acquires any such Series B Equipment Notes (and Related Series B Equipment Notes) or Additional Equipment Notes (and Related Additional Equipment Notes) and to make changes relating to any of the foregoing, (including, without limitation, to provide for any prefunding mechanism in connection therewith, or to provide for the relative priority of different series of Additional Equipment Notes as between such series) and to provide for any credit support for any pass through certificates relating to any such Series B Equipment Notes (and Related Series B Equipment Notes) (including, without limitation, to secure claims for fees, interest, expenses, reimbursement of advances and other obligations arising from such credit support (including, without limitation, to specify such credit support as a "Liquidity Facility" and the provider of any such credit support as a "Liquidity Provider" and, if such Liquidity Facility is to be comprised of more than one instrument, to incorporate appropriate mechanics for multiple Liquidity Facilities for a single Pass Through Trust)), provided that such Equipment Notes are issued in accordance with the Note Purchase Agreement and the Intercreditor Agreement; (xi) include on the Equipment Notes under such Indenture any legend as may be required by law or as may otherwise be necessary or advisable; (xii) comply with any applicable requirements of applicable law or of any regulatory body; (xiii) give effect to the replacement of a Liquidity Provider with a replacement liquidity provider and the replacement of a Liquidity Facility with a Replacement Facility and, if a Replacement Facility is to be comprised of more than one instrument, incorporate appropriate mechanics for multiple liquidity facilities for the applicable Trust; (xiv) give effect to the replacement of the Depositary with a

Replacement Depositary and the agreements related thereto; (xv) evidence the succession of a new escrow agent or a new paying agent under the Escrow Agreements pursuant thereto or the removal of the Escrow Agent or the Paying Agent thereunder; (xvi) provide for the issuance, in connection with a refinancing or reissuance, of Series B Equipment Notes or the issuance or successive redemption and issuance or reissuance from time to time of one or more series of Additional Equipment Notes and for the issuance of pass through certificates by any pass through trust that acquires any such Series B Equipment Notes or Additional Equipment Notes, and make changes relating to any of the foregoing (including, without limitation, to provide for any prefunding mechanism in connection therewith), and provide for any credit support for any pass through certificates relating to any such Series B Equipment Notes (including, without limitation, to secure claims for fees, interest, expenses, reimbursement of advances and other obligations arising from such credit support (including, without limitation, to specify such credit support as a "Liquidity Facility" and the provider of any such credit support as a "Liquidity Provider" and, if such Liquidity Facility is to be comprised of more than one instrument, to incorporate appropriate mechanics for multiple liquidity facilities for a single pass through trust)); or (xvii) to give effect to the transfer of the Lessee's rights and obligations to a Lessee Transferee (as defined in the Lease) pursuant to the Lease; *provided* that such Equipment Notes are issued in accordance with the Note Purchase Agreement and the Intercreditor Agreement. See "*Possible Issuance of Additional Certificates and Refinancing Certificates*." (Indentures, Section 9.01(c))

Each Indenture provides that without the consent of the holder of each Equipment Note outstanding under such Indenture affected thereby, no amendment or modification of such Indenture may, among other things: (i) reduce the principal amount of, Make-Whole Amount (if any) or interest payable on any Equipment Notes issued under such Indenture; (ii) change the date on which any principal amount of, Make-Whole Amount (if any) or interest payable on any Equipment Note is due or payable; (iii) reduce, modify or amend any indemnities in favor of the related Loan Trustee or the Noteholders; (iv) permit the creation of any lien with respect to the Collateral subject to the lien of such Indenture prior to or *pari passu* with the lien of such Indenture, except as permitted by such Indenture, or deprive any holder of an Equipment Note issued under such Indenture of the benefit of the lien of such Indenture upon the related Collateral, except as provided in connection with the exercise of remedies under such Indenture, provided that, without the consent of each holder of an affected Related Equipment Note then outstanding, no such amendment, waiver or modification of terms of, or consent under, any thereof shall modify the payment priorities after an Indenture Event of Default set forth in such Indenture or deprive any holder of a Related Equipment Note of the benefit of the lien of such Indenture upon the related Collateral, except as provided in connection with the exercise of remedies under such Indenture; or (v) reduce the percentage in principal amount of outstanding Equipment Notes issued under such Indenture required to take or approve any action under such Indenture. (Indentures, Section 9.01(b))

DESCRIPTION OF THE LEASES

Certain Provisions of the Leases

Each Aircraft will be owned by the Owner and leased to NAIL pursuant to the applicable Lease. All of the Aircraft are expected to be registered in Ireland initially.

Lease Term and Rentals

Each Aircraft will be leased to NAIL for an Original Lease Period beginning on the date on which the Aircraft is delivered to NAIL by the Owner and NAIL accepts the delivery, which, in the case of the New Delivery Aircraft, will be the date on which the Owner acquires such Aircraft, and ending on May 10, 2028 or, if such date is not a Business Day, the immediately succeeding Business Day. The expiration of each Lease is subject to extension or early termination in accordance with its terms. (Leases, Clauses 18.3, 19.2, 20.4, 21.11, 22.1, 22.3 and 24.1)

Rental under each Lease is payable by NAIL in U.S. dollars on each Rental Payment Date in respect of the corresponding Rental Period. The Rental payable on each Rental Payment Date will be in accordance with a rental schedule, divided into “Basic Rental” and “Supplemental Rental”. Each installment of Rental is required to be made available to the Owner by NAIL on the Rental Payment Date in immediately available funds settled through the New York Clearing House System or such other funds as may for the time being be customary for the settlement in New York City of international payments in U.S. dollars by SWIFT or wire transfer to the account of Torefjorden with the Loan Trustee. Such amounts will not be sufficient to pay principal, premium, if any, and interest on any Equipment Notes becoming due as a result of prepayment or acceleration prior to its stated maturity, except if each Equipment Note comes due as a result of a Total Loss with respect to the related Aircraft. (Leases, Clauses 9.1 and 12.1)

“**Rental Payment Date**” means each Regular Distribution Date.

Maintenance

Under the terms of each Lease, NAIL is obligated to, among other things, and at NAIL’s own cost, ensure that the Aircraft is serviced, repaired, maintained, overhauled, and tested by an EASA Part-145 approved maintenance facility. NAIL is obligated to, at its own cost, ensure that any Airworthiness Directive or “alert” Service Bulletin that affects the Aircraft and has a compliance date during or within 180 days after the Lease Period is completed on a timely basis. NAIL is obligated to do all things required to enable the Owner to register and maintain the registration of the Aircraft. (Leases, Clauses 15.1 and 16.1)

Possession, Subleasing and Transfer

NAIL is obligated to keep each Aircraft in its own possession, other than for overhaul, repair, modification or maintenance, unless such Aircraft is subject to a wet lease, sublease, or requisition for hire, in accordance with the terms of the Lease. (Leases, Clause 14.1)

NAIL may wet lease the Aircraft (including any aircraft, complete crew, maintenance and insurance agreement or “damp lease”) provided no Event of Default has occurred and is continuing and that the Aircraft is operated solely by regular employees of NAIL, the Aircraft continues to be covered by the required insurance and maintained in accordance with the Lease, there will be no change in the State of Registration of the Aircraft, and the wet lease does not extend beyond the expiration of the Lease. (Leases, Clause 14.2)

NAIL may not sublease the Aircraft, other than a wet lease permitted under Clause 14.2 of the Lease, unless:

- no Event of Default has occurred and is continuing;
- the sublessee is a Permitted Sublessee;
- the sublease may not extend beyond the termination date of the original Lease;
- the sublease is expressly subject to and subordinate to the corresponding Lease and will not prevent the Owner or the Loan Trustee (as applicable) from reacquiring possession of the relevant Aircraft when required under the transaction documents;
- the sublease is assigned to the Lessor as security for the obligations of the Lessee under the corresponding Lease;
- the sublessee has no right to sublease the Aircraft; and
- the Lessee will remain primarily liable for its obligations under the relevant Lease. (Leases, Clause 14.3)

"**Permitted Sublessee**" means:

(a) Norwegian Air Shuttle ASA;

(b) Norwegian Air UK Limited;

(c) any other subsidiary of Norwegian Air Shuttle ASA organized in a Permitted Jurisdiction; and

(d) any other commercial passenger airline operator organized in a Permitted Jurisdiction,

which, in each case, is a commercial passenger airline operator with all authorizations to enable it to operate the Aircraft in accordance with the requirements of this Agreement, is not subject to any insolvency or similar proceedings and is not the subject of any Sanctions.

If any government agency requisitions the Aircraft for hire during the Lease Period, leasing of the Aircraft will continue for the remainder of the Lease Period and NAIL will still be obliged to perform all obligations under the Lease other than those it is unable to perform as a consequence of the requisition for hire. (Leases, Clause 20.1)

Assignment

The Lessee will be authorized to assign its rights and obligations under the Lease with respect to the Aircraft, provided that certain conditions are satisfied, including:

(a) the transferee is NAS or NAUK;

(b) if the Lease is assigned to NAUK, NAS has affirmed its obligations under the Lease Guarantee;

(c) if the Lease is assigned to NAS and subsequently assigned, a new Lease Guarantee is provided by NAS in connection with such subsequent assignment; and

(d) the transferee assumes all duties and obligations of the Lessee under all Financing Agreements. (Leases, Clause 25.1 and Schedule 10)

Registration

NAIL is obligated to do all things required by the Owner to enable the Owner to register and maintain the registration of the Aircraft in the State of Registration. The State of Registration will be Ireland or any other jurisdiction in which the Aircraft is registered in accordance with the Lease. NAIL is not permitted to change the state in which the Aircraft is registered except in connection with a Permitted Sublease or a permitted assignment of the Lease, in each case subject to certain restrictions, including:

(a) delivery of a legal opinion as to the laws of the state of registration and, if applicable, the Cape Town Convention;

(b) the Owner being recognized as the owner of the Aircraft in the state of registration;

(c) the Loan Trustee shall have a first priority, perfected security interest in the Aircraft and the Lease and nothing under the laws of the state of registration shall prevent the practical exercise of remedies by the Loan Trustee;

(d) the insurances required to be maintained under the Lease shall remain in effect;

(e) the Permitted Sublessee or transferee shall have delivered an IDERA or de-registration power of attorney. (Leases, Clauses 14.3(c), 16.1, 16.2, 25.1 and Schedule 10)

Liens

NAIL is not permitted to grant any security over the Aircraft Assets or permit any security to exist over the Aircraft Assets, other than Permitted Liens. (Leases, Clause 13.6)

"**Permitted Lien**" means:

(a) the respective rights of the parties to the Relevant Documents as set out in the Relevant Documents;

(b) the rights of others under pooling or other agreements or arrangements to the extent expressly permitted by the terms of this Agreement;

(c) any Security over the Aircraft either (i) created by the Lessor in connection with any Finance Document or (ii) resulting from claims against the Lessor which are not related to the transactions contemplates by the Relevant Documents;

(d) liens for Taxes which are either not yet assessed or, if assessed, not yet due or being contested in good faith by appropriate proceedings (where adequate provision has been made for their payment and provided that such proceedings do not involve any material likelihood that the Aircraft will be sold, forfeited, detained, seized or lost or that any criminal liability is reasonably likely to be imposed on any Indemnitee); and

(e) liens with respect to Flight Charges, airport hangar keepers', repairers' and employees' or similar liens arising by contract or in the ordinary course of business for the payment of amounts which are either not overdue or are being contested in good faith by appropriate proceedings (where adequate provision has been made for their payment and provided that such proceedings do not involve any material likelihood that the Aircraft will be sold, forfeited, detained, seized or lost or that any criminal liability is reasonably likely to be imposed on any Indemnitee).

"**Relevant Documents**" means, collectively, the Lease, Airframe Warranty Assignment, Engine Warranty Assignment, Lessee Security Assignment, Eurocontrol Letter, Aviation Authority Letter, EU ETS Letter, IDERA, Lessee Consent, Lease Guarantee, Purchase Agreement Assignment, title transfer agreement and any other agreement or instrument that may be entered into in connection with those documents.

Replacement of Parts; Modifications

NAIL may not install or permit to be installed any engine or part on the Aircraft, other than certain permitted engines or parts, except that NAIL may install or permit the installation of an engine or part of the same manufacture and model of the removed part or engine, or an improved version if grounding the Aircraft until a permitted engine or part becomes available would have resulted in an unreasonable disruption of operation of the Aircraft, provided that certain conditions are met and that NAIL replaces the engine or part with a permitted engine or part as soon as practicable. (Leases, Clause 15.2)

NAIL may make modifications to the Aircraft, provided that the modifications (i) are made at no cost to the Owner or any Finance Party, (ii) do not diminish the value of the Aircraft and (iii) would not invalidate any Manufacturer Warranty or result in the breach of aviation authority regulations. Unless the modification is required to comply with an Airworthiness Directive or Service Bulletin, NAIL must return the Aircraft at the end of the Leasing Period in the configuration it was in on the date it was delivered by the Owner to NAIL. (Leases, Clause 15.5)

Insurances

NAIL is obligated to, at its own cost, procure that insurance is maintained in full force and effect with respect to the Aircraft at all times during the Lease Period, with insurers of recognized standing who normally participate in aviation insurance. If the insurance is not effected in the leading international insurance markets, the NAIL must procure that they are reinsured for not less than 95% of the risks insured with the reinsurers in the leading international insurance markets who are of recognized standing. (Leases, Clauses 18.1 and 18.2)

NAIL must maintain the following types of insurance: (1) Hull All Risks insurance with a deductible not exceeding $750,000; (2) Hull War and Allied Perils insurance for at least the Agreed Value, (3) All Risks insurance on all engines and parts owned by the Owner, when not installed on the Aircraft, on an agreed value basis, and (4) Aircraft Third Party, Passenger, Baggage, Cargo and Mail and Airline General Third Party Legal Liability insurance for a combined single limit of an amount not less than $600,000,000 on any one occurrence (this policy is also to cover War and Allied Risk for a minimum amount of $500,000,000). (Leases, Schedule 6, Section 1)

NAIL is obligated to ensure that all applicable legal requirements and all applicable requirements of the Manufacturer relating to insurance are complied with. NAIL must ensure that all terms and conditions of the insurance are complied with and notify the Owner and Loan Trustee if there is any breach of any of the above requirements. NAIL may take out "total loss only" insurance on the Aircraft in an amount up to $10,000,000 provided that such insurance cover will not interfere with the insurance required by the Lease, but not any other insurance or reinsurance other than that required by the Lease. NAIL must not make or permit any material modification or alteration to the insurance that is adverse to the interests of any Indemnitee. NAIL must commence renewal procedures at least 30 days before the expiration of any of the insurance, and NAIL is responsible for any deductible under the insurance. (Leases, Clause 18.4)

Total Loss

If the Airframe becomes a Total Loss during the Lease Period, the leasing of the Aircraft will be terminated as of the Total Loss Date and NAIL must pay to the Loan Trustee the Total Loss Amount, regardless of whether the Aircraft was insured or any amounts recoverable under insurance, whether any amount recoverable under insurance is enough to cover the Total Loss Amount, the cause of the Total Loss, or whether any requisition proceeds are payable. (Leases, Clauses 19.1 and 19.2)

If an Engine or Part becomes a Total Loss, NAIL must notify the Owner and Loan Trustee promptly, replace the lost engine or part, and continue to pay rental and all other sums due as if the Total Loss had not occurred. NAIL must, at its own expense, replace the lost engine or part as soon as practicable, and within 180 days of the occurrence of the loss. (Leases, Clause 19.3)

"**Total Loss**" means any of the following events in relation to the Aircraft or any Engine:

(a) its actual, constructive or agreed total loss;

(b) its destruction, damage beyond economic repair or being rendered permanently unfit for normal use for any reason;

(c) its requisition of title, confiscation, detention, forfeiture or any compulsory acquisition or seizure or requisition for hire (other than in the case of a requisition for hire for a temporary period of less than ninety (90) days by, or under the order of, any Agency (whether civil, military or de facto);

(d) its Hijacking for a period of thirty (30) consecutive days or longer;

(e) solely with respect to an Engine, the loss by the Owner of its title to that Engine resulting from the merger under applicable law of title to that Engine with title to the airframe (not being the Airframe) upon which that Engine is installed; or

(f) as a result of any law, regulation or other action by the EASA or the Aviation Authority, the use of aircraft of the same as the Aircraft in the normal course of the business of air transportation is prohibited for a period of twelve (12) consecutive months or (if, prior to the expiry of such that twelve (12) month period, all steps which the Lessee is able to take, which are necessary to permit the normal use of the Aircraft, have been taken or are being diligently pursued by the Lessee) eighteen (18) consecutive months (the "**Grounding Period**").

"**Total Loss Amount**" is equal to the aggregate of:

(a) all arrears of Rental and other amounts due but unpaid under this Agreement;

(b) the Agreed Value as at the Total Loss Date;

(c) an amount equal to the Rental that would have been payable in relation to the period from (and including) the Total Loss Date to (and including) the Total Loss Payment Date; and

(d) all losses incurred by the Lessor or any of the Finance Parties in connection with the Total Loss (including the cost of recovering Insurance Proceeds or Requisition Proceeds and of exercising or enforcing any of its rights under the Relevant Documents),

less an amount equal to (i) any Rental already received by the Lessor with respect to the period after the Total Loss Payment Date, and (ii) any Total Loss Proceeds already received by the Loss Payee.

"**Total Loss Date**" means:

(a) in the case of an actual Total Loss or destruction, damage beyond repair, or being rendered permanently unfit for normal use, the date on which that loss, destruction, damage or rendition occurs (or, if the date of loss or destruction is not known, the date on which the Aircraft was last heard of);

(b) in the case of a constructive or agreed Total Loss, the earlier of (i) the thirtieth (30th) day after the date on which notice claiming that Total Loss is issued to the Insurers or Broker, and (ii) the date on which that Total Loss is agreed by the Insurers;

(c) in the case of requisition for title, confiscation, detention, forfeiture, compulsory acquisition or seizure, the date on which such requisition for title, confiscation, detention, forfeiture, compulsory acquisition or seizure occurs;

(d) in the case of requisition for hire, the ninetieth (90th) consecutive day after the requisition commenced or, if earlier, the date on which the Insurers make payment on the basis of a Total Loss;

(e) in the case of Hijacking, the thirtieth (30th) consecutive day after the date on which the Operator lost possession of the Aircraft; or

(f) in the circumstances referred to in paragraph (f) of the definition of "Total Loss," the last day of the Grounding Period.

Events of Default

The occurrence of a Lease Event of Default entitles the Owner to terminate the leasing of the Aircraft and to recover the amounts specified in the Lease from NAIL as liquidated damages in the case of a repudiatory breach and as a liquidated sum or debt in the case of an event of default. After an Event of Default has occurred and as long as it is continuing, the Owner may suspend NAIL's right to possession of the Aircraft, retake possession of the Aircraft wherever it is located, terminate the leasing of the Aircraft by notice to NAIL, or, if Delivery has not taken place, terminate its obligation to lease the Aircraft to NAIL. (Leases, Clauses 24.1 and 24.2)

An "**Event of Default**" includes:

(a) failure by NAIL to pay Rental or any other scheduled amount payable within 3 Business Days of the due date, or to pay any unscheduled amount payable within 5 Business Days after being required by the Owner to do so in writing;

(b) failure by NAIL to procure that insurance is obtained, maintained, and kept in full force and effect, or the operation of the Aircraft outside the scope of the insurance;

(c) failure by NAIL to comply with any provision of a Relevant Document to which it is a party, and such failure continues for a period of 60 days or, if capable of being remedied and NAIL is diligently proceeding to remedy such failure, one year after notice is received by NAIL;

(d) any representation or statement made or deemed to be made by NAIL or the Guarantor in any Relevant Document or any Finance Document, or any certificate delivered by or on behalf of NAIL or the Guarantor under or in connection with any Relevant Document or any Finance Document, is or proves to have been incorrect or inaccurate in any material respect when made or deemed to be made or repeated and remains incorrect or inaccurate when discovered and shall continue for 60 days or, if curable and NAIL or the Guarantor is diligently proceeding to cure such failure, one year after receipt by NAIL or the Guarantor of written notice thereof;

(e) any Financial Indebtedness of the Lessee or the Guarantor is declared to be or otherwise becomes due and payable before its specified maturity as a result of an event of default (however described);

(f) any commitment for any Financial Indebtedness of the Lessee or the Guarantor is cancelled or suspended by a creditor of the Lessee or the Guarantor as a result of an event of default (however described);

no Event of Default will occur under paragraphs (e) or (f) above if:

(1) the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (e) and (f) above is less than the Specified Amount; or

(2) the Lessee or the Guarantor is contesting the obligation to pay, the cancellation or the suspension in good faith by appropriate proceedings and has sufficient financial resources to meet the relevant Financial Indebtedness;

(g) an event of default (however described) occurs under any Associated Lease;

(h) NAS or NAIL is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;

(i) a moratorium is declared in respect of the Lessee's or the Guarantor's indebtedness;

(j) any corporate action, legal proceedings or other procedure or step is taken in relation to:

(1) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, examinership, administration or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) of NAS or NAIL other than a solvent liquidation or reorganization on terms approved by the Lessor before the liquidation or reorganization is undertaken;

(2) a composition, compromise, assignment or arrangement with any creditor of NAS or NAIL; or

(3) the appointment of a liquidator (other than in respect of a solvent liquidation of NAS or NAIL on terms approved by the Lessor before the appointment is made), receiver, examiner, administrator, administrative receiver, compulsory manager or other similar officer in respect of NAS or NAIL or its assets,

or any analogous procedure or step is taken in any jurisdiction.;

(k) any expropriation, attachment, sequestration, distress or execution affects any asset or assets of NAS or NAIL having an aggregate value in excess of the Specified Amount and is not discharged within ten (10) Business Days;

(l) NAS or NAIL repudiates a Relevant Document or Finance Document or evidences an intention to repudiate a Relevant Document or Finance Document;

(m) the Aircraft is flown:

(1) without a valid certificate of airworthiness issued by the Aviation Authority; or

(2) without any other valid Authorization required under any applicable laws or regulations of the State of Registration (including the Aviation Authority) or any jurisdiction to, over or within which the Aircraft may be flown, the effect of which would be to invalidate the Insurances or result in the seizure, confiscation or detention of the Aircraft;

(n) as a consequence of the Lessee's act or omission, the Lessee's air carrier operating certificate or any other permit, license or certificate is lost, suspended or withdrawn, having a material adverse effect on its ability to operate its aircraft or as a commercial airline;

(o) as a consequence of the act or omission of the Lessee (other than solely as a result of an act or omission of any Finance Party), the registration of the Aircraft with the Aviation Authority is cancelled or any governmental or other Authorization required by the Lessee to enable it to perform its obligations under the Relevant Documents is withdrawn or modified and:

(1) that cancellation is not revoked within ten (10) days;

(2) the Aircraft is not grounded pending the revocation of that cancellation; and

(3) the Lessor or any Finance Party is materially and adversely affected;

(p) the Aircraft is arrested, taken in execution, forfeited or otherwise detained in exercise (or purported exercise) of any Security or other claim and the Lessee fails to procure its release within ten (10) Business Days (or any longer period that the Lessor may, in its absolute discretion, agree in writing);

(q) NAS or NAIL suspends or ceases or threatens to suspend or cease to carry on all or a substantial part of its business;

(r) the Lessee ceases to carry on its business as a commercial airline operating on either scheduled or chartered routes, where this has or is likely to have a material adverse effect on the ability of the Lessee to perform its obligations under the Relevant Documents or on the rights and interests of the Owner or the Loan Trustee;

(s) the Lessee fails to redeliver the Aircraft to the Owner on the Expiry Date in accordance with Clause 21 (Redelivery);

(t) a Guarantor Default occurs

(u) any of Lessee's Condition Subsequent fails to be satisfied in accordance with the provisions of the Lease and has not been waived by the Owner; and

(v) an Indenture Event of Default has occurred.

(Leases, Clause 23)

Early Termination

If an Illegality Event or Potential Illegality Event occurs, the Owner and NAIL must consult with each other, if either party requests it, to try to restructure the transactions in an acceptable manner. If neither party requests a consultation, or the consultation period has terminated without agreement as to the continuation or restructuring of the transactions, the Owner is entitled to written notice by NAIL either: (1) if the delivery has not occurred, to cancel the obligations of the Owner to lease, and of NAIL to take on lease, the Aircraft under the Lease; or (2) if the delivery has occurred, to terminate the Lease Period on the Illegality Termination Date, whereupon NAIL will redeliver the Aircraft to the Owner and pay the amounts in Clause 24.5 of the Lease. (Leases, Clause 22.1)

If: (a) Lessee's air carrier operating certificate or any other permit, license or certificate is lost, suspended or withdrawn, having a material adverse effect on its ability to operate its aircraft or as a commercial airline; or (b) registration of the Aircraft with the Aviation Authority is cancelled or any governmental or other Authorization required by the Lessee to enable it to perform its obligations under the Relevant Document is withdrawn or modified and:

(i) that cancellation is not revoked within ten (10) days;

(ii) the Aircraft is not grounded pending the revocation of that cancellation; and

(iii) the Lessor or any Finance Party is materially and adversely affected,

but such events in (a) or (b) above do not occur as a consequence of the Lessee's act or omission, the Lessor shall be entitled by written notice to the Lessee to terminate the Lease Period on the date notified to the Lessee in such written notice (the "**Non-Fault Termination Date**") whereupon the Lessee shall redeliver the Aircraft to the Lessor in accordance with Clause 21, and the Lessee shall pay to the Lessor the termination payments provided for under the Lease. (Leases, Clauses 22.3 and 24.5)

"**Illegality Event**" means

(a) it being or becoming impossible or unlawful under any applicable law for the Lessee or the Lessor to perform any of its material obligations or to exercise any of its material rights under any Relevant Document;

(b) any Relevant Document becoming invalid, ineffective or unenforceable, in whole or in part, or ceasing to constitute the legally valid, binding and enforceable obligations of the Parties with the result that the Lessor's or any Finance Party's interests under any Relevant Document are materially and adversely affected; or

(c) the Lessee's air carrier operating certificate or any other permit, licence or certificate is lost, suspended or withdrawn, having a material adverse effect on its ability to operate its aircraft or as a commercial airline,

in each case, as a result of an event which is not caused by and is beyond the control of the Lessee.

"**Potential Illegality Event**" means any event or circumstance which, in the Lessor's reasonable opinion, is likely to give rise to an Illegality Event.

Ability to Repossess the Aircraft and Insolvency Law

NAIL is incorporated under the laws of Ireland and has its registered office in Ireland. Article 3(1) of the EU Insolvency Regulation provides that the COMI of a debtor shall be presumed to be the place of the registered office of the debtor in the absence of proof to the contrary. On the basis that NAIL's COMI is in Ireland, any insolvency proceedings with respect to NAIL would be likely to proceed under, and be governed by, Irish insolvency law. The ability of the Owner to exercise its remedies under the Lease in the case of certain events of bankruptcy, reorganization or insolvency of NAIL, including its ability to obtain possession of the Aircraft under the applicable Lease, will likely be determined through the court process in Ireland in the case of a contractual repossession. In circumstances where the Lease is stated to be governed by English law, it will be necessary for the Irish courts to apply English law in determining any such dispute and therefore evidence will be required from a suitably qualified English lawyer with regard to the terms of the Lease and the respective parties' rights and entitlements thereunder.

The following discussion of insolvency and enforcement law, although an overview, describes generally applicable terms and principles:

- Timing of return of the Aircraft will be partially dependent on whether or not NAIL is subject to insolvency proceedings, which for the purpose of the EU Insolvency Regulation includes examination in Ireland. Other than where NAIL is in examinership in which case there would be a moratorium on the Owner exercising its rights under the Lease for a limited period of time (considered below), the Owner should be entitled to exercise its right to terminate the Lease and demand return of the Aircraft as a matter of contract law, irrespective of whether NAIL is subject to insolvency proceedings.
- If NAIL is not subject to insolvency proceedings, self-help remedies to take possession of the Aircraft under the Lease are available. In practice, the usefulness of self-help remedies will depend on several factors, including the location of the Aircraft (and the ability to access the Aircraft), and whether any third parties have liens or claims on the Aircraft.
- If NAIL is in examinership, no action may be taken by the Owner to take possession of the Aircraft during the period of protection. The protection period begins on the presentation of a petition to appoint an examiner and ends 70 days later (which period may be extended by a further 30 days or, where the court needs more time to consider the examiner's final report, such further period as the court determines). If NAIL wishes to continue to use the Aircraft during the protection period, it should most likely be required to make continued and timely payment of lease rentals under the Lease on the basis that those rental payments are treated as essential trading expenditures necessary to ensure the survival of NAIL. Failure to make such payments during the protection period, could give rise to an Event of Default under the Lease which should be immediately actionable by the Owner upon the cessation of the protection period. On the assumption that the Irish courts would deem the Aircraft to be a property of substantial value, it would not be possible for the Irish courts or the examiner in the context of any proposals for a compromise or scheme of arrangement in respect of NAIL to vary the terms of the Lease, including, but not limited to, reducing the rent reserved under the Lease.
- If court proceedings are necessary to repossess the Aircraft, it is most likely that they would have to be brought way of plenary action and therefore necessitate a full trial. Although such proceedings should be suitable for admission to the Irish Commercial Court, being a division of the Irish High Court, and therefore more likely to be dealt with in an expeditious manner, it is likely to be six to nine months before the matter is disposed of in the Commercial Court, assuming the court's order is not appealed. The exact timing of any such proceedings would depend on several factors, including the court schedule/diary, the speediness of responses/filings by each party and the arguments raised.

Taxation

All payments by NAIL under the Lease shall be made in full without any deduction or withholding unless a deduction or withholding is required by any applicable law, in which event NAIL must: (1) ensure the deduction or withholding does not exceed the minimum amount legally required; (2) pay to the Owner immediately the additional amount that would make the net amount received equal to the amount that would have been received without the deduction or withholding; (3) pay to the relevant agency the minimum amount of the deduction or withholding required by law; and (4) provide the Owner and Loan Trustee with an official receipt of the relevant agency for all amounts deducted or withheld. (Leases, Clause 12.4)

Lease Guarantee

The Lessee's obligations under each Lease will be irrevocably and unconditionally guaranteed to the Lessor and the Loan Trustee by NAS pursuant to a Lease Guarantee.

CERTAIN NORWEGIAN INSOLVENCY AND OTHER LEGAL MATTERS

Validity and enforcement of a guarantee

Defenses relating to enforcement of a guarantee under Norwegian law generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. The terms of a guarantee may be limited by provisions generally applicable under Norwegian law in respect of invalidation or revision of unfair contract terms, application of principles of good faith, fair dealing, commercial reasonableness, materiality, public policy and other similar principles. Claims under a guarantee may become statute-barred under the Norwegian statute of limitations and may become subject to the defenses of set-off or counter-claim. The validity and enforceability of the terms of a guarantee may be limited by applicable Norwegian bankruptcy, insolvency, moratorium, composition or other laws affecting creditor's rights generally, or other similar laws relating to enforcement of creditors' rights generally.

In addition, a bankruptcy estate has a statutory lien as set out in section 6-4 of the Norwegian Pledge Act of 1980 over any and all assets charged by the debtor (or a third party as security for the benefit of the debtor) at the date of the opening of the bankruptcy proceedings, for the purpose of securing recovery of the costs of the bankruptcy proceedings. The statutory lien is an absolute first priority lien in each charged asset (and charged assets that have been sold within three months before the opening of bankruptcy proceedings) up to 5% of the market value of said asset, always limited to a maximum of 700 times the applicable court fee (which is currently NOK 1,025, equaling a total maximum amount per asset of NOK 717,500). However, the statutory lien is subsidiary, meaning that it can only be exercised when the other uncharged assets are not sufficient to cover the necessary costs of the bankruptcy proceedings. Its exercise also requires a court order and it does not extend to assets that are subject to the Norwegian Financial Collateral Act.

Enforcement of the obligations under a guarantee in Norway will be subject to the mandatory provisions of the Norwegian Enforcement Act of 1992 and proceedings to enforce any obligations under any guarantee may not be commenced without an order of the relevant enforcement court.

The Norwegian Enforcement Act of June 26, 1992 provides mandatory statutory enforcement procedures and describes the different actions a claimant can take to enforce a claim or a security. Generally, all enforcement actions must be taken through the execution and enforcement authorities.

Two requirements must be met before a claimant may seek the assistance of the execution and enforcement authorities: (a) a basis for enforcement of debt (usually a court judgment or other decision of similar status) and (b) such basis for enforcement must be "enforceable," meaning that the conditions for enforcement of the guarantee in accordance with its terms must have been met.

Liability of the guarantor

Under bankruptcy or insolvency law in Norway, a court could: (i) avoid or invalidate all or a portion of NAS' obligations under the Guarantees, (ii) direct that the holders of the Equipment Notes or the Owner return any amounts paid under the Guarantees, as applicable, to NAS or to a fund for the benefit of NAS' creditors or (iii) take other action that is detrimental to the holders of the Guarantees:

- Pursuant to the Norwegian Satisfaction of Claims Act of June 8, 1984, the bankruptcy estate may be entitled to set aside or reverse transactions carried out in the three-month period (or two years, if there is a close relationship between the parties) before the commencement of the bankruptcy, such as extraordinary payments to certain creditors, security established for existing debt and transactions at under-value.
- The bankruptcy estate may also, under certain circumstances, be entitled to set aside or reverse transactions made in bad faith that favor one creditor at the expense of others or deprive the debtor of assets that may otherwise have covered the creditors' claims, in which case the time limit for challenges by the estate is increased to 10 years.

It is not possible to predict which standard a Norwegian court would apply in determining whether NAS was "insolvent" at the relevant time or that, regardless of method of valuation, such a court would not determine that NAS was insolvent on that date, or that such a court would not determine, regardless of whether or not NAS was insolvent on the date a Guarantee was issued, that payments to holders of the Equipment Notes or the Owner, as applicable, constituted extraordinary payments to certain creditors, security established for existing debt and transactions at under-value or transactions made in bad faith.

There can be no assurance as to what standard a Norwegian court will apply in making a determination of the maximum liability of NAS. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished. If a court decided that a Guarantee constituted extraordinary payments to certain creditors, security established for existing debt and transactions at under-value or transactions made in bad faith and voided such Guarantee, or held it unenforceable for any other reason, the Loan Trustee may cease to have any claim in respect of NAS and would be a creditor solely of the Owner or NAIL, as applicable. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the agreements governing the Guarantees applies, the Equipment Notes or the Leases, as applicable would be effectively subordinated to all liabilities of NAS, and if the Owner or NAIL cannot satisfy their obligations under the Equipment Notes or the Leases, as applicable, or either Guarantee is found to constitute extraordinary payments to certain creditors, security established for existing debt and transactions at under-value or transactions made in bad faith or is otherwise set aside, the Owner or NAIL may not ever repay in full any amounts outstanding under the Equipment Notes or the Leases, respectively.

Other available defenses

The Guarantees and the enforcement thereof are also subject to other available defenses under Norwegian law, including but not limited to the following:

- The terms of a guarantee may be revised or deemed fully invalid in accordance with the Norwegian Contract Act section 36 due to unfair contract terms, application of principles of good faith or fair dealing, or other invalidating rules under the Norwegian Contract Act;
- NAS did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee, and the Guarantee is deemed invalid under Norwegian company law; or
- The relevant Guarantee was held to exceed the corporate objectives of NAS, or not to be in the best interests or for the corporate benefit of NAS, and the Guarantee is deemed invalid under Norwegian company law.

CERTAIN IRISH INSOLVENCY AND OTHER LEGAL MATTERS

Center of Main Interests

If a debtor's COMI is in Ireland, the Courts of Ireland will have jurisdiction to open main insolvency proceedings in Ireland. The concept of COMI is not defined in the EU Insolvency Regulation but it has been considered in a number of key cases including Eurofood IFSC Limited 2004 IESC 45 and the Interedil decision (C-396/09). The question of where a debtor's COMI is will be tested by reference to the factual circumstances that apply to the debtor at the time the insolvency proceedings are opened. However, Article 3(1) of the EU Insolvency Regulation provides that the COMI shall be presumed to be the place of the registered office of a debtor in the absence of proof to the contrary. Other factors that are taken into account in assessing in which country a debtor has its COMI include the following: (a) where the board of directors meet and conduct the administration of the business of the debtor; (b) the country in which the debtor is tax resident; (c) the place where the debtor's employees are based; and (d) the perception of third parties and creditors as to where the debtor's COMI is. The burden of proving that a debtor's COMI is not the place in which it has its registered office rests with the party seeking to rebut the presumption. Although the transaction documents contain representations that the Owner and NAIL have their COMI in Ireland, there can be no assurance that if either NAIL or the Owner were to become subject to an insolvency proceeding, that the applicable court would determine that the COMI of NAIL or the Owner, as the case may be, would be Ireland.

Cape Town Alternative A

The State Airports Act came into force in Ireland on July 27, 2014 with the result that the Cape Town Treaty has been adopted in Ireland. Section 53 of the State Airports Act empowers the Irish Minister for Transport to make an order to give effect to Article XI (Alternative A) of the Aviation Protocol to the Cape Town Convention. It is anticipated (although the proposed order of the Irish Minister of Transport pursuant to Section 53 of the State Airports Act has not yet been published) that, the intention of such order is that an insolvent company will be given 60 days to (i) give possession of the aircraft object to the lessor or lender or (ii) cure all defaults other than a default constituted by insolvency proceedings and agree to perform all future obligations under the relevant agreements. The Irish Minister for Transport has not to date exercised the power to issue such an order. While there have been indications that this power may be exercised, there can be no assurance that Alternative A will be implemented or what form such implementation will take. If it is exercised, the interaction between Alternative A as it may come into effect and the existing Irish examinership regime described below is uncertain.

Examinership

Examinership is an Irish law statutory scheme for the rescue of a company or group of companies that is insolvent, or likely to become insolvent. It is analogous to chapter 11 bankruptcy and administration in the U.S. and U.K. respectively and is provided for in the Irish Companies Act 2014. The criteria to enter into examinership are threefold:

a) the company is, or is likely to become insolvent;

b) no step has been taken to wind up the company; and

c) there is a reasonable prospect of survival of the whole or part of the business of the company as a going concern.

The key features of examinership are:

- a period of 70 days (with a possible extension of 30 days and such further period as the Irish High Court may allow) during which the company is protected from its creditors;
- the appointment of an independent officer, the examiner, to: (i) examine the company's affairs; (ii) if possible, formulate proposals for a compromise or scheme of arrangement in relation to the company; (iii) put same before meetings of the members and creditors of the company; and (iv) seek the confirmation of the proposals by the relevant court.

Petitions for the appointment of an examiner may be presented by the company or by the directors or by a creditor or by a contingent or prospective creditor or by members of the company holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the company.

The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, the examiner may sell assets that are the subject of a fixed charge. However, if such a power is exercised, the examiner must account to the holders of the fixed charge for the amount realized and discharge the amount due to them out of the proceeds of the sale.

During the period of protection, the examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favor of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In this case, if the Loan Trustee represented the majority in number and value of claims within the secured creditor class (which should be the case having regard to the structure and the restrictions agreed to by the Owner in the terms and conditions of the Equipment Notes and in the Indenture), the Loan Trustee would be in a position to reject any proposal that is not favorable to the holders of the Equipment Notes. The Loan Trustee would also be entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the holders of the Equipment Notes, especially if such proposals included a writing down of the value of amounts due to the holders of the Equipment Notes. The primary risks if an examiner were to be appointed to the Owner are:

- the potential for a scheme of arrangement to be approved that involves the writing down of the debt owed by the Owner to the holders of the Equipment Notes as secured by the Indenture and any other security documents;
- the potential for the examiner to seek to set aside any negative pledge in the Equipment Notes or Indenture that prohibit the creation of security or the incurring of borrowings by the Owner to enable the examiner to borrow to fund the Owner during the protection period;
- in the event that a scheme of arrangement is not approved and the Owner subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Owner and approved by the Irish High Court) will take priority over the moneys and liabilities that from time to time are or may become due, owing or payable by the Owner under the Equipment Notes or under any other secured payment obligations; and
- during the period of protection, no action may be taken by creditors to enforce their rights to payment of amounts due by the company in examinership or any guarantor (in the case of the secured creditors) to enforce or realize any security granted by the Owner. Accordingly, if an examiner were to be appointed over the Owner, payments on the Equipment Notes could be deferred.

These risks have the potential to reduce the amounts due on the Equipment Notes and/or any proceeds from the exercise of remedies with respect to the collateral and thus reduce distributions on the Equipment Notes.

It is generally accepted, although not expressly provided for in the Irish Companies Act 2014, that an examiner's proposals should usually result in creditors (including secured creditors) receiving no worse an outcome than they would receive in liquidation or receivership. While a scheme of arrangement may provide for a write-down of a secured debt, the write-down should be to a level which represents fair market value as against the value of the secured assets and the scheme of arrangement must provide for immediate payment of an equivalent sum to the secured creditor. An Irish court is unlikely to confirm a scheme of arrangement if the secured creditor can establish unfair prejudice by justifying a challenge to the examiner's valuation of the secured assets.

It is helpful to note that with respect to the examinership process, the Irish courts have observed that secured creditors are entitled to enforce their security in a way that maximizes their return, and therefore to force secured creditors to accept a particular offer for an amount less than they could realize over time through a receivership (a process initiated by a secured lender) would be to treat them in an unfairly prejudicial manner and would not be permitted.

In the event that an examiner is appointed to an airline (such as NAIL), the effect of the appointment of an examiner would be to suspend the exercise of certain rights of the secured creditors, for the applicable protection period. This protection period begins on presentation of the petition to appoint an examiner and ends 70 days later (which period may be extended by a further 30 days or, where the court needs more time to consider the examiner's final report, such further period as the court determines). The protection period could potentially be longer if the decision of the court confirming a compromise or scheme or arrangement were to be appealed to a higher court such as the Irish Court of Appeal or the Irish Supreme Court. Additionally, to the extent that there are arrears of rent owing to the lessor under the lease on the date the company is placed into examinership, any such arrears can be crammed down as part of any proposals for a compromise or scheme of arrangement in respect of the company.

Under Irish law, upon an insolvency of a company that is liable to be wound up under the Irish Companies Act 2014 (including the Owner and NAIL), when applying the proceeds that may have been realized in the course of a liquidation or receivership of assets subject to security such as the security granted by the security documents described in this offering memorandum, the claims of a limited category of preferential creditors will take priority in such application of proceeds over the claims of creditors holding the security in such assets. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) that have been approved by the Irish courts.

Certain Tax Considerations

The holder of a fixed security over the book debts of an Irish tax resident company, such as the Owner and NAIL, may be required by the Irish Revenue Commissioners (the "**Revenue**"), by notice in writing from the Revenue, to pay to the Revenue sums equivalent to those that the holder received in payment of debts due to it by the company. Where the holder of the security has given notice to the Revenue of the creation of the security within 21 calendar days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issuance of the Revenue's notice to the holder of fixed security.

The Revenue may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax, whether the liabilities are due on the company's own account or as an agent or trustee. The scope of this right of the Revenue has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question. In relation to the disposal of assets of any Irish tax resident company that are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

Fixed and Floating Charges

The essence of a fixed charge is that the person creating the charge does not have liberty to deal with the assets that are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets and accordingly, if and to the extent that such liberty is given to the Owner / NAIL, any charge constituted by such security documents may operate as a floating, rather than a fixed charge. In particular, the Irish courts have held that in order to create a fixed charge on receivables, it is necessary to oblige the chargor to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the moneys standing to the credit of such account without the consent of the chargee. If a court or other authority were to determine that a charge granted by the Owner / NAIL under any security documentation is not a fixed charge, then such charge may have a weaker priority against fixed charges and a broader category of creditors, and the rights of an examiner of the Owner to deal with such property would be broader.

Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that the fixed security purported to be created by a security document would be regarded by the Irish courts as a floating charge.

Floating charges have certain weaknesses, including the following:

- they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and the chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set off;
- as discussed above, they rank after certain preferential creditors, such as claims of employees and certain taxes on winding up;
- they rank after certain insolvency remuneration expenses and liabilities;
- the examiner of a company has certain rights to deal with the property covered by the floating charge; and
- they rank after fixed charges.

Fixed and floating charges over the property and assets of a company incorporated in Ireland may be invalid in certain circumstances, for example, in the circumstances described in Sections 604 (unfair preference) and 597 (circumstances in which a floating charge is invalid) of the Irish Companies Act 2014 if the company is wound up within six months or, in the case of a floating charge only, within twelve months of the date of its creation, or if granted to a "connected person" within two years of the date of its creation. Also under Section 608 of the Irish Companies Act 2014, an Irish court may, if it deems it just and equitable, order a person to deliver property or a sum in respect of it to the liquidator, receiver or examiner of a company—where such property was disposed of (including by way of a transfer of security or mortgage) and the effect of such disposal was to perpetrate a fraud on the company, its creditors or members.

Limitations on Security

Section 74(3) of the Irish Land and Conveyancing Law Reform Act 2009 also provides that any conveyance of property made with the intention of defrauding a creditor or other person is voidable by any person thereby prejudiced (though a bona fide purchaser for value without notice is unaffected even if the intention of the transferor was fraudulent).

So far as Irish law is concerned, that the priority of a security interest over an asset such as a sum receivable or the benefit of a contract in relation to another security interest, an assignment or an attachment over the same asset (for example, the Owner Sub-Debt Pledge) would normally depend on notice of the first security interest having been received by the relevant debtor or contract party before notice of the other security interest, assignment or attachment. There will be a notice and acknowledgement of the security interest created by the Owner Sub-Debt Pledge as required by Irish law.

The Owner Share Mortgage creates an equitable mortgage only over the share assets. An equitable mortgage has certain disadvantages compared to a legal mortgage. For example, prior equitable interests will take priority over the Owner Share Mortgage. In addition searches are not capable of revealing whether any prior security interests have been created over the shares in the Owner. Stamp duty on the share transfer form may also be payable upon the enforcement of the Owner Share Mortgage and appropriate tax advice will need to be taken at such time.

POSSIBLE ISSUANCE OF ADDITIONAL CERTIFICATES AND REFINANCING CERTIFICATES

Issuance of Additional Certificates

The Owner may issue one or more additional series of equipment notes, referred to herein as the "**Additional Equipment Notes**" on the Issuance Date or at any time thereafter with respect to any Aircraft. If issued, the Additional Equipment Notes will be funded from sources other than this offering but will be issued under the same Indentures as the Series A Equipment Notes and the Series B Equipment Notes for such Aircraft. The Additional Equipment Notes issued under an Indenture will be subordinated in right of payment to the Series A Equipment Notes and the Series B Equipment Notes issued under such Indenture and may also be subordinated to other Additional Equipment Notes that rank senior in right of payment to such Additional Equipment Notes, will bear interest at a fixed rate and the scheduled payment dates will be the Regular Distribution Dates. The Owner will fund the sale of the Additional Equipment Notes through the sale of pass through certificates (the "**Additional Certificates**") issued by a related pass through trust (an "**Additional Trust**"). (Intercreditor Agreement, Section 8.01(d)) Any issuance of Additional Certificates will be made pursuant to a separate private offering memorandum. There will be no liquidity facility with respect to any Additional Certificates.

The trustee of any Additional Trust will become a party to the Intercreditor Agreement, and the Intercreditor Agreement will be amended by written agreement of the Owner and the Subordination Agent to provide for the subordination of the Additional Certificates to the Administration Expenses, the Liquidity Obligations, the Class A Certificates, the Class B Certificates and, if applicable, any other Additional Certificates that rank senior in right of payment to such Additional Certificates. The priority of distributions under the Intercreditor Agreement may be revised, however, with respect to Additional Certificates to provide for distribution of adjusted interest with respect to each issued class of Additional Certificates (calculated in a manner substantially similar to the calculation of Class B Adjusted Interest, but with respect to the applicable class of Additional Certificates) after Class B Adjusted Interest, but before Expected Distributions on the Class A Certificates (Intercreditor Agreement, Section 8.01(d))

The holders of the Additional Certificates will have the right to purchase all of the Class A Certificates and the Class B Certificates and, if applicable, any other class of Additional Certificates ranking senior in right of payment to any such class of Additional Certificates under certain circumstances after a Certificate Buy-Out Event. See "*Description of the Certificates—Purchase Rights of Certificateholders*." In addition, the trustee for the Additional Trust related to such most senior class of Additional Certificates will be the Controlling Party upon payment of Final Distributions to the holders of the Class A Certificates, the Class B Certificates, subject to the rights of the Liquidity Providers to be the Controlling Party under certain circumstances. See "*Description of the Intercreditor Agreement—Intercreditor Rights*."

Any such issuance of Additional Equipment Notes and Additional Certificates, and any such amendment of the Intercreditor Agreement (and any amendment of an Indenture in connection with such issuance) will be contingent upon each Rating Agency providing written confirmation to the effect that such actions will not result in a withdrawal, suspension or downgrading of the rating of any class of Certificates. The issuance of the Additional Certificates is conditioned on the prior issuance of the Class A Certificates and the Class B Certificates. The issuance of Additional Equipment Notes and Additional Certificates in compliance with the foregoing conditions will not require the consent of any Trustee or any holders of any class of Certificates (Intercreditor Agreement, Section 8.01(d))

If Additional Certificates are issued prior to the Delivery Period Termination Date, (a) the net proceeds thereof will be held in escrow and placed in deposit on behalf of the escrow agent with a depositary, all on terms and conditions and under documentation substantially similar to the Deposit Agreements and Escrow Agreements applicable to the net proceeds of the Class A Certificates and the Class B Certificates and (b) the Additional Equipment Notes will be issued and purchased by the Subordination Agent on behalf of the trustee of the related Additional Trust on terms and conditions and under documentation substantially similar to the Note Purchase Agreement and Participation Agreement applicable to the purchase of the Series A Equipment Notes and the Series B Equipment Notes.

Refinancing of Certificates

The Owner may redeem and re-issue Series B Equipment Notes or Additional Equipment Notes or Additional Equipment Notes, if any, then outstanding (any such re-issued Equipment Notes, the "**Refinancing Equipment Notes**") in respect of all (but not less than all) of the Aircraft secured by such refinanced equipment notes at any time after the Delivery Period Termination Date. In such case, the Owner will fund the sale of such Refinancing Equipment Notes through the sale of pass through certificates (the "**Refinancing Certificates**") issued by one or more new pass through trusts (each, a "**Refinancing Trust**").

The trustee of each Refinancing Trust will become a party to the Intercreditor Agreement and the Intercreditor Agreement will be amended by written agreement of the Owner and the Subordination Agent to provide for the subordination of the Refinancing Certificates to the Administration Expenses, the Liquidity Obligations, the Class A Certificates and, if applicable, the Class B Certificates and, if applicable, each other class of Certificates that ranks senior in right of payment to such Refinancing Certificates in the same manner that the corresponding class of refinanced Certificates was subordinated. Such issuance of Refinancing Equipment Notes and Refinancing Certificates, and any such amendment of the Intercreditor Agreement (and any amendment of an Indenture in connection with such re-issuance) is contingent upon each Rating Agency providing written confirmation to the effect that such actions will not result in a withdrawal, suspension or downgrading of the rating of any class of Certificates that remains outstanding. The issuance of Refinancing Certificates in compliance with the foregoing conditions will not require the consent of any Trustee or any holder of any class of Certificates. (Intercreditor Agreement, Section 8.01(c))

Additional Liquidity Facilities

Refinancing Certificates in respect of Class B Certificates may have the benefit of credit support similar to the Liquidity Facility for the Class B Trust or different therefrom and claims for fees, interest, expenses, reimbursement of advances and other obligations arising from such credit support may rank equally with similar claims in respect of the Liquidity Facilities, so long as the prior written consent of the Liquidity Providers shall have been obtained and each Rating Agency shall have provided written confirmation to the effect that such actions will not result in a withdrawal, suspension or downgrading of the rating of any class of Certificates then rated by such Rating Agency and that remains outstanding. (Intercreditor Agreement, Section 8.01(c)(iii))

CERTAIN IRISH AND OTHER JURISDICTION TAX CONSIDERATIONS

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposition of the Certificates. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Certificates. The summary relates only to the position of persons who are the absolute beneficial owners of the Certificates and may not apply to certain other classes of persons such as dealers in securities. The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this offering memorandum, which are subject to prospective or retroactive change. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Certificates should consult their own advisors as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Certificates including, in particular, the effect of any state or local tax laws.

General

The Issuer anticipates that the Certificates may be treated as an ownership interest in the underlying Equipment Notes for Irish tax purposes. As a result, a Certificateholder may be treated as if it holds an ownership interest in the underlying Equipment Notes for Irish tax purposes and as if it was entitled to income arising on the Equipment Notes.

Irish income tax

In general, persons who are resident in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not resident in Ireland are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish taxation on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment.

An Equipment Note issued by the Issuer may be regarded as property situated in Ireland (and hence Irish source income) on the grounds that a debt is deemed to be situated where the debtor resides. As a result, interest payable in respect of the Certificates may be considered to be Irish source income, as the Certificateholders may be treated as receiving Irish source income arising on the underlying Equipment Notes. However, the payments on the Certificates will be exempt from any Irish income tax if the underlying Equipment Notes are 'Quoted Eurobonds' that are exempt from Irish withholding tax (which is anticipated to be the case—see 'Irish withholding taxes' below) and the Certificateholder is a person that is not a resident of Ireland and is for the purposes of section 198 of the Taxes Consolidation Act 1997 (as amended) ("**TCA 1997**") regarded as being a resident of a relevant territory. A relevant territory for this purpose is a Member State of the European Communities (other than Ireland) or not being such a Member State a territory with which Ireland has entered into a double tax treaty that has the force of law or, on completion of the necessary procedures, will have the force of law and such double tax treaty contains an article dealing with interest or income from debt claims. A list of the countries with which Ireland has entered into a double tax treaty is available on www.revenue.ie.

Relief from Irish income tax may also be available under other exemptions contained in Irish tax legislation or under the specific provisions of a double tax treaty between Ireland and the country of residence of the holder of the Certificate.

If the above exemptions do not apply it is understood that there is a long standing unpublished practice whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being resident in Ireland except where such persons:

- are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- seek to claim relief and / or repayment of tax deducted at source in respect of taxed income from Irish sources; or

- are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that this practice will continue to apply.

Irish withholding taxes

In general, withholding tax (currently at the rate of 20%) must be deducted from interest payments made by an Irish company, such as the Issuer. This withholding tax could potentially arise in respect of the Certificates on the basis that the Issuer could be obliged, in certain circumstances, to deduct such withholding tax from interest payments on the underlying Equipment Notes. However, section 64 TCA 1997 provides for the payment of interest on a "Quoted Eurobond" without deduction of tax in certain circumstances. A Quoted Eurobond is defined in section 64 as a security which:

(a) is issued by a company;

(b) is quoted on a recognized stock exchange (this term is not defined but is understood to mean an exchange which is recognized in the country in which it is established such as the Irish Stock Exchange); and

(c) carries a right to interest.

There is no obligation to withhold tax on Quoted Eurobonds where:

(a) the person by or through whom the payment is made is not in Ireland, or

(b) the payment is made by or through a person in Ireland, and

  (i) the Quoted Eurobond is held in a recognized clearing system (Euroclear, Clearstream Banking SA, Clearstream Banking AG and the Depository Trust Company of New York have, amongst others, been designated as recognized clearing systems); or

  (ii) the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect.

The Issuer should not be obliged to deduct Irish withholding tax from interest payments in respect of the underlying Equipment Notes for so long as the underlying Equipment Notes remain quoted on the Irish Stock Exchange and the Paying Agent by or through whom the interest payments are made is not in Ireland.

In certain circumstances, Irish encashment tax may be required to be withheld at the standard rate (currently at the rate of 20%) from payments on the Certificates, where such payment is collected by a person in Ireland on behalf of any Certificateholder.

Irish capital gains tax

A disposal of the Certificates could be treated for Irish tax purposes as a disposal of the underlying Equipment Notes. However, a Certificateholder will not be subject to Irish taxes on capital gains arising on a disposal of the Certificates, provided that such Certificateholder is neither resident nor ordinarily resident in Ireland and such Certificateholder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Certificates are attributable.

Irish capital acquisitions tax

A gift or inheritance of the Certificates could be treated for Irish tax purposes as a gift of inheritance of the underlying Equipment Notes. As a result, if the Certificates are comprised in a gift or inheritance taken from an

Irish domiciled, resident or ordinarily resident disponer, or if the donee / successor is resident or ordinarily resident in Ireland, or if any of the Certificates are regarded as property situate in Ireland, the donee / successor may be liable to Irish capital acquisitions tax. As a result, a donee / successor may be liable to Irish capital acquisitions tax, even though neither the disponer nor the donee / successor may be domiciled, resident or ordinarily resident in Ireland at the relevant time.

Irish stamp duty

On the basis that the Certificates have been issued to raise finance to acquire, develop or lease aircraft, no Irish stamp duty will be payable on either the issue or transfer of the Certificates.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

General

The following summary describes all material generally applicable U.S. federal income tax consequences to Certificateholders of the purchase, ownership and disposition of the Class A Certificates and Class B Certificates offered pursuant to this offering memorandum. Except as otherwise specified, the summary is addressed to beneficial owners of Certificates that are citizens or residents of the United States, corporations created or organized in or under the laws of the United States or any state therein or the District of Columbia, estates the income of which is subject to U.S. federal income taxation regardless of its source, or trusts if: (a) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person ("**U.S. Certificateholders**"). If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Certificates, the U.S. federal income tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to the U.S. federal income tax consequences of the purchase, ownership, disposition and retirement of the Certificates.

This summary does not address the tax treatment of U.S. Certificateholders that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or commodities, partnerships, holders subject to the mark-to-market rules, tax-exempt entities, holders that will hold Certificates as part of a straddle or holders that have a "functional currency" other than the U.S. dollar, nor, except as otherwise specified, does it address the tax treatment of U.S. Certificateholders that do not acquire Certificates at the public offering price as part of the initial offering pursuant to this offering memorandum. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase Certificates. This summary does not describe any U.S. federal estate, gift, alternative minimum tax or Medicare net investment income tax considerations or any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States.

The summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and U.S. Treasury regulations thereunder as in effect on the date of this offering memorandum, as well as judicial and administrative interpretations thereof (in final or proposed form) available on or before such date. All of the foregoing are subject to change, which change could apply retroactively. NAS has not sought any ruling from the U.S. Internal Revenue Service (the "**IRS**") with respect to the tax consequences described below, and NAS cannot assure you that the IRS will not take contrary positions. The Trusts are not indemnified for any taxes that may be imposed upon them, and the imposition of any such taxes on the Trusts could result in a reduction in the amounts available for distribution to the Certificateholders. **Prospective investors should consult their own tax advisors with respect to the federal, state, local and foreign tax consequences to them of the purchase, ownership and disposition of the Certificates.**

Tax Status of the Trusts

Although there is no authority addressing the characterization of entities that are similar to the Trusts in all material respects, based upon an interpretation of analogous authorities and the terms of the transaction documents, all as in effect on the date hereof, each Trust will be classified for U.S. federal income tax purposes either as a grantor trust or as a partnership, and will not be treated as a corporation or publicly traded partnership taxable as a corporation, provided the "qualifying income" test described below is met. Each Trust intends to file income tax returns and report to investors on the basis that it is a grantor trust. Except as otherwise stated below, the discussion assumes that each Trust will be classified as a grantor trust. If a Trust is classified as a partnership for U.S. federal income tax purposes, it will not be classified as a publicly traded partnership taxable as a corporation provided that at least 90% of such Trust's gross income for each taxable year of its existence is "qualifying income" (which is defined to include, among other things, interest income, gain from the sale or disposition of capital assets held for the production of interest income, and income derived with respect to a business of investing in securities). Income derived by a Trust from the Equipment Notes and the Deposits will constitute qualifying income and such Trust therefore will meet the 90% test described above, assuming that such Trust operates in accordance with the terms of the Pass Through Trust Agreements and other agreements to which it is a party.

Taxation of U.S. Certificateholders Generally

Trusts Classified as Grantor Trust

Assuming that each Trust is classified as a grantor trust, a U.S. Certificateholder will be treated as owning its pro rata undivided interest in the relevant Deposits (as evidenced by Escrow Receipts) and each of the Equipment Notes held by the Trust, the Trust's contractual rights and obligations under the Note Purchase Agreement, and any other property held by the Trust. Accordingly, each U.S. Certificateholder's share of stated interest paid on the Equipment Notes and Deposits will be taxable as ordinary income, as it is paid or accrued, in accordance with such U.S. Certificateholder's method of accounting for U.S. federal income tax purposes, and a U.S. Certificateholder's share of premium, if any, paid on redemption of an Equipment Note will be treated as capital gain. In addition, if a debt instrument that a U.S. Certificateholder beneficially owns is issued with original issue discount ("**OID**"), the U.S. Certificateholder will be required to include OID in income as it accrues as described further below. Any amounts received by the Trusts under the Liquidity Facility in order to make interest payments will be treated for U.S. federal income tax purposes as having the same characteristics as the payments they replace. Because the Class B Certificates will have an initial offering price to the public that is less than their stated face amount by an amount greater than a statutorily defined de minimis amount, the related Deposits and Series B Equipment Notes will be treated as issued with OID for U.S. federal income tax purposes. The de minimis amount is generally equal to 0.25 % of the principal amount of a debt instrument multiplied by the number of complete years to maturity from its original issue date, or if the instrument provides for payments of principal before maturity, multiplied by the weighted average maturity (as determined under applicable Treasury regulations). Because a U.S. Certificateholder of Class B Certificates will be treated as owning interests in the relevant Deposits and Series B Equipment Notes (assuming the Class B Trust is classified as a grantor trust), the issue price and amount of OID should be determined separately for the Deposits and Series B Equipment Notes. For an instrument like the Class B Certificates and the related Deposits and Series B Equipment Notes, it is not entirely clear how to determine the de minimis threshold, but the discount likely exceeds the de minimis threshold based on any of the reasonable methods that may apply for calculating the de minimis amount.

If a debt instrument that a U.S. Certificateholder of a Class B Certificate beneficially owns is issued with OID, that holder generally (i) will be required to include the OID in gross income as ordinary interest income as it accrues on a constant yield to maturity basis over the term of the instrument, in advance of the receipt of the cash attributable to such OID and regardless of the holder's method of accounting for U.S. federal income tax purposes, but (ii) will not be required to recognize additional income upon the receipt of any cash payment on the instrument that is attributable to previously accrued OID that has been included in its income. The Class B Trust will take the position that the overall amount of OID should be accrued over the weighted average life of the Class B Certificates and will report accordingly. However, the application of the OID rules to instruments like the Class B Certificates and the related Deposits and Series B Equipment Notes is unclear, and the amount and timing of OID to be included in income by such a Certificateholder may differ from that which would accrue on a debt instrument having terms comparable to the terms of the Class B Certificates. The Internal Revenue Service therefore may disagree with the OID reported by the Class B Trust and U.S. Certificateholders of the Class B Certificates and may successfully assert that such holders are required to recognize income in different (and possibly greater) amounts and at different (and possibly earlier) times. Holders of Class B Certificates are urged to consult their own tax advisors regarding the application of the OID rules (including application of the de minimis exception) to their ownership of Class B Certificates and Escrow Receipts.

A Certificateholder's adjusted basis in its undivided interest in a Deposit (as evidenced by an Escrow Receipt) will be the Certificateholder's pro rata share of the amount of money deposited with respect to such Deposit increased by any attributable OID previously included in income and reduced by payments on the Deposits other than stated interest. A Certificateholder's initial basis in its undivided interest in the property held by the Trust will be the amount of money paid by the Certificateholder for the Certificate (other than amounts deposited with respect to a Deposit) allocated among the assets held by the Trust based on their relative fair market values as of the purchase date of the Certificate. A Certificateholder's adjusted basis in its undivided interest in an Equipment Note will be the Certificateholder's pro rata portion of the amount of money paid for such Equipment Note under the Note Purchase Agreement increased by any OID previously included in income with respect to the Class B Equipment Note and reduced by payments on the Equipment Note other than stated interest plus any portion of the amount paid by the Certificateholder for the Certificate allocated to the rights and obligations under the Note Purchase Agreement. For this purpose, each Trust intends to take the position that no portion of the amount paid by an initial Certificateholder will be allocated to the rights and obligations under the Note Purchase Agreement.

In certain circumstances there may be an obligation under the terms of the Equipment Notes to pay the Make-Whole Amount, or otherwise to pay amounts in excess of stated interest or principal on the Equipment Notes. See "*Description of the Equipment Notes—Redemption*." Moreover, the Series B Equipment Notes and the related Deposits will be issued at a discount, which may cause the yield on those instruments to vary depending on the timing of payments. Although the issue is not free from doubt, each Trust intends to take the position that neither the possibility of such payments nor the issuance of the Class B Certificates at a discount results in the Equipment Notes or the Deposits being treated as "contingent payment debt instruments" under applicable U.S. Treasury regulations. Norwegian's position is binding on a U.S. Certificateholder unless such holder discloses its contrary position in the manner required by the applicable Treasury regulations. However, Norwegian's position is not binding on the IRS, and if the IRS were to successfully take a contrary position, then among other things, U.S. Certificateholders might be required to accrue deemed interest income with respect to the Equipment Notes or the Deposits in taxable periods in amounts exceeding the stated interest payable and OID (if any) accrued in those periods, and to treat as ordinary income rather than capital gain any income realized on a taxable disposition of their Certificates. U.S. Certificateholders should consult their tax advisors regarding the potential application to the Equipment Notes and the Deposits of the contingent payment debt instrument rules and the consequences thereof.

In the case of a subsequent purchaser of a Certificate, such purchaser should consult its tax advisor regarding the allocation of the purchase price among the assets of the Trust and the Deposits.

A U.S. Certificateholder who is treated as purchasing an interest in an Equipment Note at a market discount (generally, at a cost less than its remaining principal amount) that exceeds a statutorily defined de minimis amount will be subject to the "market discount" rules of the Code. These rules provide, in part, that gain on the sale or other disposition of a debt instrument with a term of more than one year and partial principal payments (including partial redemptions) on such a debt instrument are treated as ordinary income to the extent of accrued but unrecognized market discount. The market discount rules also provide for deferral of interest deductions with respect to debt incurred or continued to purchase or carry a debt instrument that has market discount. A U.S. Certificateholder who purchases an interest in an Equipment Note at a premium may elect to amortize the premium as an offset to interest income on the Equipment Note under rules prescribed by the Code and U.S. Treasury regulations promulgated under the Code.

Each U.S. Certificateholder will be entitled to deduct, consistent with its method of accounting, its pro rata share of fees and expenses paid or incurred by the corresponding Trust as provided in Section 162 or 212 of the Code. Certain fees and expenses, including fees paid to the Trustee and the Liquidity Provider, will be borne by parties other than the Certificateholders. It is possible that the payments related to such fees and expenses will be treated as constructively received by the relevant Trust, in which event a U.S. Certificateholder will be required to include in income and will be entitled to deduct its pro rata share of such fees and expenses. If a U.S. Certificateholder is an individual, estate or trust, the deduction under Section 212 for such holder's share of such fees or expenses will be allowed only to the extent that all of such holder's miscellaneous itemized deductions, including such holder's share of such fees and expenses, exceed 2% of such holder's adjusted gross income. In addition, in the case of U.S. Certificateholders who are individuals, certain otherwise allowable itemized deductions will be subject generally to additional limitations on itemized deductions under applicable provisions of the Code.

Trusts Classified as Partnerships

If a Trust is classified as a partnership (and not as a publicly traded partnership taxable as a corporation) for U.S. federal income tax purposes, income or loss with respect to the assets held by the Trust will be calculated at the Trust level but the Trust itself will not be subject to U.S. federal income tax. A U.S. Certificateholder would be required to report its share of the Trust's items of income and deduction on its tax return for its taxable year within which the Trust's taxable year (which should generally be a calendar year) ends as well as income from its interest in the relevant Deposits. A U.S. Certificateholder's basis in its interest in the Trust generally would be equal to its purchase price therefor (including its share of any funds withdrawn from the Depositary and used to purchase Equipment Notes), plus its share of the Trust's net income, minus its share of any net losses of the Trust, and minus the amount of any distributions from the Trust. In the case of an original purchaser of a Certificate that is a calendar year taxpayer, income or loss generally should be the same as it would be if the Trust were classified as a grantor trust, except that income or loss would be reported on an accrual basis even if the U.S. Certificateholder otherwise uses the cash method of accounting. A subsequent purchaser, however, generally would be subject to tax on the same basis as an original holder with respect to its interest in the Trust, and would not be subject to the market discount rules or the bond premium rules during the duration of the Trust, except that it is possible that, in the case of a subsequent purchaser that purchases Certificates at a time when the total adjusted tax basis of the Trust's assets exceeds their fair market value by more than US$250,000, taxable income would be computed as if the adjusted basis of the Trust's assets were reduced by the amount of such excess.

Effect of Reallocation of Payments under the Intercreditor Agreement

In the event that any Trust (a "**Subordinated Trust**," and its related pass through certificates being "**Subordinated Certificates**") receives less than the full amount of the interest, principal or premium paid with respect to the Equipment Notes held by such trust because of the subordination of the Equipment Notes held by the Trust under the Intercreditor Agreement, the corresponding owners of beneficial interests in the Subordinated Certificates (the "**Subordinated Certificateholders**") likely would be treated for U.S. federal income tax purposes as if they had:

- received as distributions their full share of interest, principal or premium;
- paid an amount equal to their share of the amount of the shortfall to the Certificateholders with respect to whom they are subordinated (the "**Preferred Certificateholders**"); and
- retained the right to reimbursement of the amount of the shortfall to the extent of future amounts payable to them on account of the shortfall.

Under this analysis:

- Subordinated Certificateholders incurring a shortfall would be required to include as current income any interest or other income of the Subordinated Trust that was a component of the shortfall, even though that amount was in fact paid to the Preferred Certificateholders;
- any resulting loss generally would only be allowed to the Subordinated Certificateholders when their right to receive reimbursement of the shortfall becomes worthless (i.e., when it becomes clear that funds will not be available from any source to reimburse the shortfall); and
- reimbursement of the shortfall before a claim of worthlessness would not be taxable income to the Subordinated Certificateholders because the amount reimbursed would have been previously included in income.

These results should not significantly affect the inclusion of income for holders of any Class B Certificates or any additional Junior certificates (if issued), on the accrual method of accounting, but could accelerate inclusion of income to holders of such Certificates on the cash method of accounting by, in effect, placing them on the accrual method.

Under the above analysis, Preferred Certificateholders that are deemed to receive payments from the Subordinated Certificateholders probably would have the same tax treatment for such payments as they would if they had received distributions of interest, principal or premium payments (as the case may be) on the Equipment Notes. In addition, Preferred Certificateholders probably would not have a deduction or loss when reimbursement payments are made to the Subordinated Certificateholders.

Sale or Other Disposition of the Certificates

Upon the sale, exchange or other disposition of a Certificate, a U.S. Certificateholder generally will be required to allocate the amount realized on the sale, exchange or other disposition between any Deposits and related Escrow Receipts and the Equipment Notes and any other property held by the Trust based on their relative fair market values. With respect to an Equipment Note, such U.S. Certificateholder will generally recognize capital gain or loss (subject to the possible recognition of ordinary income under the market discount rules) equal to the difference between the amount realized on the disposition allocable to the Certificateholder's interest in the Equipment Note (other than any amount attributable to accrued interest on the Equipment Note not previously included in income, which will be taxable as ordinary income) and the U.S. Certificateholder's adjusted tax basis in its interest in the Equipment Note (as described above). Any such gain or loss will be long-term capital gain or loss to the extent attributable to an Equipment Note held by the Trust for more than one year. With respect to a Deposit, such U.S. Certificateholder will generally recognize capital gain or loss equal to the difference between the amount realized on the disposition allocable to the Certificateholder's interest in the Deposit (other than any amount attributable to accrued interest on the Deposit not previously included in income, which will be taxable as ordinary income) and the U.S. Certificateholder's adjusted tax basis in its interest in the Deposit (as described above). Notwithstanding the foregoing, if the Trusts are classified as partnerships, gain or loss with respect to a disposition of an interest in a Trust will be calculated and characterized by reference to the U.S. Certificateholder's adjusted tax basis and holding period for its interest in the Trust. U.S. Certificateholders should consult their tax advisors regarding the amount and character of any gain or loss recognized by such U.S. Certificateholder upon the sale, exchange or other disposition of the Certificates.

Backup Withholding

Payments made on the Certificates and proceeds from the sale of Certificates will not be subject to a backup withholding tax unless, in general, a U.S. Certificateholder fails to comply with certain reporting procedures or otherwise fails to establish an exemption from such tax under applicable provisions of the Code and U.S. Treasury regulations promulgated under the Code.

Non-U.S. Certificateholders

Subject to the discussion below, payments of principal, interest (including OID, if any, see discussion above under "Taxation of U.S. Certificateholders Generally") or premium on the Equipment Notes to, or on behalf of, any beneficial owner of a Certificate that is neither a U.S. Certificateholder nor a partnership or disregarded entity of a U.S. person, in each case for U.S. federal income tax purposes (a "**non-U.S. Certificateholder**") and any capital gain (not including any amount treated as interest) realized upon the sale, exchange, retirement or other disposition of a Certificate will not be subject to U.S. federal income or withholding taxes if (i) such non-U.S. Certificateholder's income or gain is not effectively connected with a U.S. trade or business of the holder and (ii) with respect to gain on sale, exchange, retirement or other disposition in the case of an individual, such holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition or receipt.

Payments of interest (including OID, if any) on the Deposits likely will constitute income from sources within the United States for U.S. federal income tax purposes. As such, subject to the discussions of the U.S. Foreign Account Tax Compliance Act ("**FATCA**") and backup withholding below, payments of interest on the Deposits to, or on behalf of, any beneficial owner of a Certificate that is a non-U.S. Certificateholder will not be subject to U.S. federal net income or withholding taxes if (i) such interest is not effectively connected with a U.S. trade or business of the non-U.S. Certificateholder, (ii) the non-U.S. Certificateholder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Depositary entitled to vote, (iii) the non-U.S. Certificateholder is not a bank receiving interest pursuant to a loan agreement entered into in the ordinary course of its trade or business, or a controlled foreign corporation for U.S. federal income tax purposes that is related to the Depositary, and (iv) certain certification requirements (including identification of the beneficial owner of the Certificate) are satisfied. In addition, any gain (not including any amount treated as interest) realized upon the sale, exchange, retirement or other disposition of an Escrow Receipt which evidences an interest in a Deposit by a non-U.S. Certificateholder will not be subject to U.S. federal income or withholding taxes if (i) such gain is not effectively connected with a U.S. trade or business of the non-U.S. Certificateholder and (ii) in the case of an individual, such holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition or receipt.

FATCA generally imposes a 30% withholding tax ("**FATCA Withholding**") on interest paid on, and the gross proceeds from the disposition of, debt obligations that generate U.S.-source interest paid to either (i) a foreign financial institution (an "**FFI**"), unless such institution enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities information regarding such institution's United States account holders, or is otherwise compliant with FATCA, or (ii) a foreign entity that is not a financial institution, unless such entity provides the relevant withholding agent with certification identifying any substantial U.S. owners. Under U.S. Treasury regulations and IRS guidance, FATCA Withholding generally applies to (a) payments of U.S. source interest paid on debt obligations issued (or materially modified) after June 30, 2014, (b) payments of gross proceeds from a redemption, retirement or disposition of such debt obligations after December 31, 2018, and may also apply to (c) certain "foreign pass-thru payments" (a term not yet defined) in respect of obligations that are issued after the "**grandfathering date**," which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign pass thru payment are filed with the Federal Register, or which are materially modified after the grandfathering date, but no event to foreign pass through payments made before January 1, 2019.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to these IGAs, an FFI in an IGA signatory country that complies with the requirements of the IGA and related implementing rules generally would be treated as a Reporting Financial Institution, as such term is defined in the relevant IGA (a "**Reporting FI**") not subject to FATCA Withholding on any payments it receives. Further, such a Reporting FI would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments it makes. Under an IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

Assuming NAS is, and the Owner is, operated, as expected, in a manner such that interest on the Equipment Notes will constitute income from sources outside the United States, interest (and gross proceeds) paid with respect to the Equipment Notes should not be subject to FATCA Withholding. However, it is possible that interest with respect to the Deposits paid to, or on behalf of, a non-U.S. Certificateholder will be subject to FATCA Withholding unless the non-U.S. Certificateholder establishes an exemption therefrom (because the interest likely will constitute income from sources within the United States). Investors are not indemnified for FATCA or any other U.S. withholding. Therefore and because FATCA is particularly complex and its application sometimes uncertain, prospective investors should consult with their own tax advisors regarding the implications of FATCA on and the withholding consequences of their investment in the Certificates.

Payments made on the Certificates, and proceeds from the sale of Certificates, generally will not be subject to U.S. federal backup withholding tax unless such non-U.S. Certificateholder fails to comply with certain reporting procedures or otherwise fails to establish an exemption from such tax under applicable provisions of the Code and U.S. Treasury regulations promulgated under the Code.

CERTAIN DELAWARE TAXES

The Trustee is a Delaware trust company with its corporate trust office in Delaware. In the opinion of Morris James LLP, Wilmington, Delaware, counsel to the Trustee, under currently applicable law, assuming that the Trust will not be taxable as a corporation, but, rather, will be classified as a grantor trust under subpart E, Part I of Subchapter J of the Code or as a partnership under Subchapter K of the Code, (i) the Trust will not be subject to any tax (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business tax), fee or other governmental charge under the laws of the State of Delaware or any political subdivision thereof and (ii) Certificateholders that are not residents of or otherwise subject to tax in Delaware will not be subject to any tax (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business tax), fee or other governmental charge under the laws of the State of Delaware or any political subdivision thereof as a result of purchasing, holding (including receiving payments with respect to) or selling a Certificate.

Neither the Trust nor the Certificateholders will be indemnified for any state or local taxes imposed on them, and the imposition of any such taxes on the Trust could result in a reduction in the amounts available for distribution to the Certificateholders. In general, should a Certificateholder or the Trust be subject to any state or local tax which would not be imposed if the Trustee were located in a different jurisdiction in the United States, the Trustee will resign and a new Trustee in such other jurisdiction will be appointed.

CERTAIN U.S. ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on employee benefit plans subject to Title I of ERISA ("**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The U.S. Department of Labor has promulgated a regulation, 29 CFR Section 2510.3-101 (as modified by Section 3(42) of ERISA, the "**Plan Asset Regulation**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests (directly or indirectly) in a Certificate, the Plan's assets will include both the Certificate and an undivided interest in each of the underlying assets of the corresponding Trust, including the Equipment Notes held by the Trust, unless it is established that equity participation in the Trust by "**benefit plan investors**" (including but not limited to Plans and entities whose underlying assets include "**plan assets**" by reason of an employee benefit plan's investment in the entity) is not "**significant**" within the meaning of the Plan Asset Regulation. In this regard, the extent to which there is equity participation in a Trust by, or on behalf of, employee benefit plans will not be monitored. If the assets of the Trust are deemed to constitute the assets of a Plan, transactions involving the assets of the Trust could be subject to the prohibited transaction provisions of ERISA and Section 4975 of the Code unless a statutory or administrative exemption is applicable to the transaction.

In order to mitigate the possibility of such prohibited transactions and other fiduciary concerns under ERISA, each investing Plan, by acquiring such Certificates (or an interest therein), will be deemed to have directed the corresponding Trust to invest in the assets held in the Trust pursuant to the terms and conditions described herein. Any Plan purchasing the Certificates should also ensure that any statutory or administrative exemption from the prohibited transaction rules on which such Plan relies with respect to its purchase or holding of the Certificates also applies to such Plan's indirect acquisition and holding of the assets of the related Trust.

The fiduciary of a Plan that proposes to purchase and hold any Certificates should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, and (iii) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, NAS, the Owner and its affiliates, the Initial Purchaser, the Loan Trustees, the Escrow Agent, the Depositary, the Trustee and the Liquidity Provider. In addition, if one class of Certificates is purchased by a Plan and another class of Certificates is held by a party in interest or a disqualified person with respect to such Plan, the exercise by the holder of the subordinate class of Certificates of its right to purchase the senior Classes of Certificates upon the occurrence and during the continuation of a Triggering Event could be considered to constitute a prohibited transaction unless a statutory or administrative exemption were applicable. Depending, in part, on the identity of the Plan fiduciary making the decision to acquire or hold Certificates on behalf of a Plan and the circumstances under which such decision is made, Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house professional asset manager) or PTCE 90-1 (relating to investments by insurance company pooled separate accounts) (collectively, the "**Class Exemptions**") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Certificates.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Certificates to determine the need for and availability of any exemption.

Any Plan fiduciary which proposes to cause a Plan to purchase any Certificates should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Each person who acquires or accepts a Certificate or an interest therein, will be deemed by such acquisition or acceptance to have (1) represented and warranted that either: (i) no Plan assets have been used to purchase or hold such Certificate or an interest therein or (ii) the purchase and holding of such Certificate or an interest therein are exempt from the prohibited transaction restrictions of ERISA and the Code pursuant to one or more prohibited transaction statutory or administrative exemptions and (2) directed the corresponding Trust to invest in the assets held in the Trust pursuant to the terms and conditions described in the related Pass Through Trust Agreement and directed that it otherwise be administered according to those terms and conditions. In addition, if a person acquiring or accepting a Certificate or an interest therein is a governmental, church, non-U.S. or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, such person will be deemed by such acquisition or acceptance to have represented and warranted that the purchase and holding of such Certificate or an interest therein do not constitute or result in a non-exempt violation of any such substantially similar law.

PLAN OF DISTRIBUTION

NAS, the Owner, the Depositary and Morgan Stanley, as the Initial Purchaser, have entered into a purchase agreement with respect to each of the Class A and the Class B Certificates (together, the "**Purchase Agreements**"). Subject to certain conditions, the Initial Purchaser has agreed to purchase the entire face amount of the Certificates offered hereby. Each Purchase Agreement provides that the obligations of the Initial Purchaser to purchase the Certificates included in this offering are subject to the approval of legal matters by counsel and to other conditions.

The Initial Purchaser is committed to take and pay for all of the Certificates being offered, if any are taken. The initial offering price is set forth on the cover page of this offering memorandum. After the Certificates are released for sale, the Initial Purchaser may change the offering price and other selling terms. The offering of the Certificates by the Initial Purchaser is subject to receipt and acceptance and subject to the Initial Purchaser's right to reject any order in whole or in part. The Initial Purchaser may offer and sell Certificates through certain of its affiliates.

The Certificates have not been registered under the Securities Act or the securities laws of any other jurisdiction. The Initial Purchaser has agreed that it will only offer or sell the Certificates (A) to persons it reasonably believes are QIBs in reliance on Rule 144A under the Securities Act, and (B) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Terms used above have the meanings given to them by Rule 144A and Regulation S under the Securities Act.

In connection with sales outside the United States, the Initial Purchaser has agreed that it will not offer, sell or deliver the Certificates to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchaser's distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the date the Certificates are originally issued. The Initial Purchaser will send to each dealer to whom it sells such Certificates during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

In addition, with respect to Certificates initially sold pursuant to Regulation S, until 40 days after the later of the commencement of the offering or the date the Certificates are originally issued, an offer or sale of such Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

During the period from the date of the sale of the Certificates offered hereunder through and including the date of delivery and payment for the Certificates, NAS shall not, without prior written consent of the Initial Purchaser (which consent may be withheld at the sole discretion of the Initial Purchaser), directly or indirectly sell, offer, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1 under the Exchange Act, or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any equipment notes, pass through certificates, equipment trust certificates or equipment purchase certificates secured by aircraft owned by Norwegian (other than as contemplated by the Purchase Agreements); provided, however, that at the written request of the Initial Purchaser, the foregoing restriction will continue in effect following the date of delivery and payment for the Certificates until the Extended Date; and provided, further, that (A) in the event the foregoing restriction is in effect during such post-closing period, the required written consent of the Initial Purchaser will not be unreasonably withheld, and (B) in no event will such restriction prevent NAS or any of its subsidiaries from using, in connection with the acquisition of any aircraft, financing provided by the Export-Import Bank of the United States. The "**Extended Date**" refers to the earlier of (i) the 60th calendar day following the date of delivery and payment for the Certificates, and (ii) the date on which the Initial Purchaser notifies NAS that it has completed the distribution of the Certificates.

The Certificates are a new issue of securities with no established trading market. None of NAS or any of the Trusts intends to apply for the listing of the Certificates on any securities exchange. NAS has been advised by the

Initial Purchaser that the Initial Purchaser intends to make a market in the Certificates but it is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Certificates.

In connection with the offering, the Initial Purchaser may purchase and sell Certificates in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchaser of a greater number of Certificates than the Initial Purchaser is required to purchase in the offering. Covering transactions involve purchases of the Certificates in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Certificates while the offering is in progress.

These activities by the Initial Purchaser, as well as other purchases by the Initial Purchaser for its own account, may stabilize, maintain or otherwise affect the market price of the Certificates. As a result, the price of the Certificates may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchaser at any time. These transactions may be effected in the over-the-counter market or otherwise.

Selling Restrictions

European Economic Area

In relation to each Relevant Member State, each Initial Purchaser has represented and agreed that with effect from and including the Relevant Implementation Date it has not made and will not make an offer of Certificates that are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 Prospectus Directive Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant representatives nominated by NAS for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Certificates shall require NAS or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Certificates to the public” in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 Prospectus Directive Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 Prospectus Directive Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the United Kingdom Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Certificates in circumstances in which Section 21(1) of the FSMA does not apply to NAS; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Hong Kong

The Certificates may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Certificates may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates may not be circulated or distributed, nor may the Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Certificates are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Certificates under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "**Financial Instruments and Exchange Law**") and each Initial Purchaser has agreed that it will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Other

Norwegian expects that delivery of the Certificates will be made against payment therefor on or about May 18, 2016, which will be the ninth business day following the date of pricing of the Class A Certificates, and the eighth business day following the date of pricing of the Class B Certificates. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days (such settlement cycle being referred to as T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Certificates on a day prior to the third business day before the date of the initial delivery of the Certificates will be required to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Certificates who wish to trade Certificates during the period referred to above should consult their own advisor.

NAS has agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the Initial Purchaser may be required to make in that respect.

The Initial Purchaser and its affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Initial Purchaser and certain of its affiliates have, from time to time, performed, and may in the future perform, various financial advisory, investment banking, commercial banking and commercial lending services and hedging activities, including fuel hedging, for NAS and its affiliates, for which they received or will receive customary fees and reimbursement of expenses. In particular, MSSF, an affiliate of the Initial Purchaser, will receive a portion of the proceeds raised from the issuance of the Equipment Notes with respect to each Owned Aircraft for the repayment of the Bridge Loan described elsewhere in this offering memorandum.

In the ordinary course of their various business activities, the Initial Purchaser and its affiliates may make or hold, through long or short positions, a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Norwegian (directly, as collateral securing other obligations or otherwise). The Initial Purchaser and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

If the Initial Purchaser or its affiliates has a lending relationship with Norwegian, they may hedge their credit exposure to Norwegian consistent with their customary risk management policies. Typically, these hedging activities could entail entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in Norwegian's securities, including potentially the Certificates offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Certificates offered hereby.

TRANSFER RESTRICTIONS

None of the Certificates have been registered under the Securities Act and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Certificates are being offered and sold only (A) to persons reasonably believed to be QIBs in compliance with Rule 144A and (B) outside the United States to persons other than U.S. persons ("**non-U.S. purchasers**,") which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)) in reliance upon Regulation S. As used herein, the terms "United States" and "U.S. person" have the meanings given to them in Regulation S.

Each purchaser or transferee of Certificates will be deemed to have represented and agreed as follows:

(1) It is purchasing the Certificates for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (B) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above).

(2) It acknowledges that the Certificates have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

(3) It shall not resell or otherwise transfer any of such Certificates prior to (i) the first anniversary of the last date of original issuance of the Certificates (or such shorter period of time as permitted by Rule 144(d) under the Securities Act) and (ii) such later date, if any, as may be required by applicable laws, except (A) to NAS or any of its subsidiaries, (B) inside the United States to a QIB in a transaction complying with Rule 144A, (C) inside the United States to institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to the Trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of the Certificates (the form of which letter can be obtained from such trustee), (D) outside the United States in compliance with Rule 904 under the Securities Act, (E) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (F) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the Owner so requests), or (G) pursuant to an effective registration statement under the Securities Act.

(4) It agrees that it will give to each person to whom it transfers the Certificates notice of any restrictions on transfer of such Certificates.

(5) It acknowledges that prior to any proposed transfer of Certificates in certificated form or of beneficial interests in a Global Certificate (in each case other than pursuant to an effective registration statement) the holder of Certificates or the holder of beneficial interests in a Global Certificate, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the indenture.

(6) It understands that all of the Certificates will bear a legend substantially to the following effect unless otherwise agreed by the Trusts and the Owner, and by the holder thereof:

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OR ACCEPTANCE HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS CERTIFICATE IN AN OFFSHORE

TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; (2) AGREES THAT IT WILL NOT WITHIN ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS CERTIFICATE OR THE LAST DATE ON WHICH THIS CERTIFICATE WAS HELD BY TOREFJORDEN DAC, THE TRUSTEE OR ANY AFFILIATE OF ANY OF SUCH PERSONS RESELL OR OTHERWISE TRANSFER THIS CERTIFICATE EXCEPT (A) TO TOREFJORDEN DAC OR ANY OF ITS SUBSIDIARIES, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; AND (3) AGREES THAT IF IT SHOULD RESELL OR OTHERWISE TRANSFER THIS CERTIFICATE IT WILL DELIVER TO EACH PERSON TO WHOM THIS CERTIFICATE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. [IN THE CASE OF RULE 144A CERTIFICATES: IN CONNECTION WITH ANY TRANSFER OF THIS CERTIFICATE PURSUANT TO CLAUSE (B) OR (D) ABOVE WITHIN ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS CERTIFICATE OR THE LAST DATE ON WHICH THIS CERTIFICATE WAS HELD BY TOREFJORDEN DAC, THE TRUSTEE OR ANY AFFILIATE OF ANY OF SUCH PERSONS, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE AND TOREFJORDEN DAC, TOGETHER WITH SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.] AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE PASS THROUGH TRUST AGREEMENT CONTAINS A PROVISION REQUIRING THE REGISTRAR TO REFUSE TO REGISTER ANY TRANSFER OF THIS CERTIFICATE IN VIOLATION OF THE FOREGOING RESTRICTIONS.

(7) It acknowledges that the Trustee will not be required to accept for registration of transfer any Certificates acquired by it, except upon presentation of evidence satisfactory to the Owner and the Trustee that the restrictions set forth herein have been complied with.

(8) It acknowledges that the Trustee, the Owner, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the Certificates are no longer accurate, it shall promptly notify the Trustee, the Owner and the Initial Purchaser. If it is acquiring the Certificates as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

In addition, each Class B Certificate holder acknowledges and agrees that the certificates representing the Class B Certificates will bear a legend substantially to the following effect, unless otherwise agreed by the Trusts and the Owner, and by the holder thereof:

THE DEBT INSTRUMENTS UNDERLYING THIS CERTIFICATE ARE ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") FOR PURPOSES OF SECTION 1271 *ET SEQ*. OF THE CODE. FOR INFORMATION REGARDING THE ISSUE DATE, ISSUE PRICE, YIELD TO MATURITY AND THE AMOUNT OF OID, PLEASE CONTACT TOREFJORDEN DAC AT +47 458-04898.

LEGAL MATTERS

The validity of the Certificates is being passed upon for NAS by Hogan Lovells US LLP, New York, New York, and for the Initial Purchaser by Milbank, Tweed, Hadley & McCloy LLP, New York, New York. Matheson, Dublin, Ireland, as counsel to NAS, and A & L Goodbody, Dublin, Ireland, as counsel to the Initial Purchaser, will pass upon certain matters of Irish law. Advokatfirmaet Simonsen Vogt Wiig AS, Oslo, Norway, as counsel to NAS, and Advokatfirmaet Thommessen AS, Oslo, Norway, as counsel to the Initial Purchaser, will pass upon certain matters of Norwegian law. Morris James LLP, counsel for Wilmington Trust Company, as Trustee, will pass upon certain matters of Delaware law relating to the Pass Through Trust Agreements.

INDEPENDENT AUDITORS

The Audited Financial Statements included in this offering memorandum have been audited by Deloitte AS, as stated in their reports included herein.

INDEPENDENT APPRAISERS

The references to AISI, BK and mba and to their appraisal reports, each dated as of December 11, 2015, January 11, 2016 and January 8, 2016, respectively, are included herein in reliance upon the authority of each such firm as an expert with respect to the matters contained in its appraisal report. AISI's address is 1409 Peachtree Street, Suite 200, Atlanta, Georgia 30309, United States of America. BK's address is 1295 Northern Boulevard, Manhasset, New York 11030, United States of America. mba's address is 2101 Wilson Boulevard, Suite 1001, Arlington, Virginia 22201, United States of America. Each of AISI, BK and mba is certified by the International Society of Transport Aircraft Trading.

APPENDIX I—INDEX OF TERMS

APPENDIX II—APPRAISAL LETTERS

Mr. Thomas Wellen
Head of Aircraft Finance
Norwegian Air Shuttle ASA
Oksenøyveien 3 P.O.Box 115
NO-1330 Fornebu, Norway

Sight Unseen New Base Value Opinion
14 Future Delivery
Norwegian Air Shuttle Aircraft Portfolio

AISI File No.: A5S093BVO-04

Report Date: 11 December 2015
Values as of: 22 November 2015

Main Office: 1409 Peachtree Street, Suite 200, Atlanta, Georgia 30309
TEL: 404 870-AISI (2474) E-MAIL: mail@AISI.aero www.aisi.aero

11 December 2015

Mr. Thomas Wellen
Head of Aircraft Finance
Norwegian Air Shuttle ASA
Oksenøyveien 3 P.O.Box 115
NO-1330 Fornebu, Norway

Subject: AISI Sight Unseen New Base Value Appraisal for 14 Selected Norwegian Air Shuttle Future Delivery Aircraft.
AISI File number: A5S093BVO-04

Ref: (a) Email messages Morgan Stanley to AISI; 17 November – 11 December 2015

Dear Mr. Wellen:

Aircraft Information Services, Inc. (AISI) has been requested to offer our opinion of the sight unseen new base values as of 11 December 2015 in delivery date U.S. Dollars, for a portfolio of 14 future delivery B737-800 (winglet equipped) aircraft, powered by CFM56-7B26E engines, at 174,163 lbs. maximum takeoff weight as identified and defined in Table I and reference (a) above (the 'Aircraft').

1. Methodology and Definitions

The standard terms of reference for commercial aircraft value are 'base value' and 'current market value' of an 'average' aircraft. Base value is a theoretical value that assumes a hypothetical balanced market, while current market value is the value in the actual market; both assume a hypothetical average aircraft condition. All other values are derived from these values. AISI value definitions are consistent with the current definitions of the International Society of Transport Aircraft Trading (ISTAT), of 30 January 2013. AISI is a member of ISTAT and employs one ISTAT Certified Senior Appraiser and two ISTAT Certified Appraisers.

AISI defines 'base value' as that of a transaction between an equally willing and informed buyer and seller, neither under compulsion to buy or sell, for a single unit cash transaction with no hidden value or liability, with supply and demand of the sale item roughly in balance and with no event which would cause a short term change in the market. Base values are typically given for aircraft in 'new' condition, 'average half-life' condition, or 'adjusted' for an aircraft in a specifically described condition at a specific time.

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TEL: 404 870-AISI (2474) E-MAIL: mail@AISI.aero www.aisi.aero

An 'average' aircraft is an operable airworthy aircraft in average physical condition and with average accumulated flight hours and cycles, with clear title and a standard unrestricted certificate of airworthiness, and registered with an authority that does not represent a penalty to aircraft value or liquidity, with no damage history and with inventory configuration and a level of modification that is normal for its intended use and age.

Note that a stored aircraft is not an average aircraft. AISI assumes that aircraft are in average condition unless otherwise specified in this report.

AISI also assumes that airframe, engine and component parts are from the original equipment manufacturer (OEM) and that maintenance, maintenance program and essential records are sufficient to permit normal commercial operation under a strict airworthiness authority.

'Half-life' condition assumes that every component or maintenance service that has a prescribed interval that determines its service life, overhaul interval or interval between maintenance services, is at a condition that is one-half of the total interval.

An 'adjusted' appraisal reflects an adjustment from half life condition for the actual condition, utilization, life remaining or time remaining of an airframe, engine or component.

A 'new' aircraft is an aircraft with no utilization, equipped with engines, buyer furnished equipment, seller furnished equipment and other equipment typical or required for the mission for which the aircraft is designed.

It should be noted that AISI and ISTAT value definitions apply to a transaction involving a single aircraft, and that transactions involving more than one aircraft are often executed at considerable and highly variable discounts to a single aircraft price, for a variety of reasons relating to an individual buyer or seller.

AISI defines 'current market value', which is synonymous with the older term 'fair market value' as that value which reflects the actual market conditions, including short term events, whether at, above or below the base value conditions. Assumptions of a single unit sale and definitions of aircraft condition, buyer/seller qualifications and type of transaction remain unchanged from that of base value. Current market value takes into consideration the status of the economy in which the aircraft is used, the status of supply and demand for the particular aircraft type, the value of recent transactions and the opinions of informed buyers and sellers. Note that for a current market value to exist, the seller may not be under duress. Current market value assumes that there is no short term time constraint to buy or sell.

AISI defines 'distressed market value' as that value which reflects the actual market condition, including short term events, when the market for the subject aircraft is so depressed that the seller is under duress. Distressed market value assumes that there is a time constraint to sell within a period of less than 1 year. All other assumptions remain unchanged from that of 'current market value.

AISI encourages the use of base values to consider historical trends to establish a consistent baseline for long term value comparisons and future value considerations, or to consider how actual market values vary from theoretical base values. Base values are less volatile than current market values and tend to diminish regularly with time. Base values are normally inappropriate to determine near term values. AISI encourages the use of current market values to consider the probable near term value of an aircraft when the seller is not under duress. AISI encourages the use of distressed market values to consider the probable near term value of an aircraft when the seller is under duress.

No physical inspection of the Aircraft or their essential records was made by AISI for the purposes of this report, nor has any attempt been made to verify information provided to us, which is assumed to be correct and applicable to the Aircraft.

It should be noted that the values given are not directly additive, that is, the total of the given values is not the value of the fleet but rather the sum of the values of the individual aircraft if sold individually over time so as not to exceed demand.

2. Valuations

All Aircraft are certified with 180 minute ETOPs capability.

It is our considered opinion that the sight unseen new base values as of 11 December 2015 in delivery date U.S. Dollars are as follows in Table I, subject to the assumptions, definitions, and disclaimers herein.

TABLE I
AISI File A5S093BVO-04
Report Dated: 11 December 2015
Values as of: Aircraft Delivery Date

No	Type	Registration	MSN	DOM	Engine	MTOW	New Base Value Delivery Date $MUS Dollars
1	B737-800	EI-FJK	42072	Mar-16	CFM56-7B26E	174,163	51.32
2	B737-800	EI-FJL	42073	Mar-16	CFM56-7B26E	174,163	51.32
3	B737-800	EI-FJM	42074	Apr-16	CFM56-7B26E	174,163	51.40
4	B737-800	EI-FJN	41152	May-16	CFM56-7B26E	174,163	51.49
5	B737-800	EI-FJO	42076	May-16	CFM56-7B26E	174,163	51.49
6	B737-800	EI-FJP	42077	Jun-16	CFM56-7B26E	174,163	51.57
7	B737-800	TBD	41153	Jun-16	CFM56-7B26E	174,163	51.57
8	B737-800	TBD	42079	Aug-16	CFM56-7B26E	174,163	52.25
9	B737-800	TBD	42273	Aug-16	CFM56-7B26E	174,163	52.25
10	B737-800	TBD	42080	Sep-16	CFM56-7B26E	174,163	52.34
11	B737-800	TBD	42286	Sep-16	CFM56-7B26E	174,163	52.34
12	B737-800	TBD	42271	Oct-16	CFM56-7B26E	174,163	52.43
13	B737-800	TBD	42272	Nov-16	CFM56-7B26E	174,163	52.51
14	B737-800	TBD	42082	Dec-16	CFM56-7B26E	174,163	52.60
TOTALS							726.88

Unless otherwise agreed by Aircraft Information Services, Inc. (AISI) in writing, this report shall be for the sole use of the client/addressee. AISI consents to the inclusion of this appraisal report in an offering memorandum relating to a financing of the Aircraft. This report is offered as a fair and unbiased assessment of the subject aircraft. AISI has no past, present, or anticipated future interest in any of the subject aircraft. The conclusions and opinions expressed in this report are based on published information, information provided by others, reasonable interpretations and calculations thereof and are given in good faith. AISI certifies that this report has been independently prepared and it reflects AISI's conclusions and opinions, which are judgments that reflect conditions and values current at the time of this report. The values and conditions reported upon are subject to any subsequent change. AISI shall not be liable to any party for damages arising out of reliance or alleged reliance on this report, or for any party's action or failure to act as a result of reliance or alleged reliance on this report.

Sincerely,

AIRCRAFT INFORMATION SERVICES, INC.

Dave Miller
Certified Appraiser, International Society of Transport Aircraft Trading

Mark D. Halsor
Certified Appraiser, International Society of Transport Aircraft Trading

BK Associates, Inc.

1295 Northern Boulevard
Manhasset, New York 11030
(516) 365-6272 • Fax (516) 365-6287

January 11, 2016

Mr. Thomas Wellen, Head of Aircraft Finance
Norwegian Air Shuttle ASA
Oksenøyveien 3, P.O. Box 115
NO-1330 Fornebu, Norway

Dear Mr. Wellen:

In response to your request, BK Associates, Inc. is pleased to provide our opinion regarding the Base Values (BV) for 14 Boeing 737-800 aircraft delivering in 2016 to Norwegian Air Shuttle. The Aircraft are identified as "Norwegian Air Shuttle ASA 2016-1 EETC". Each of the Aircraft is further identified by type, manufacturer's serial number, engine type/variant and maximum takeoff weight in the attached Figure 1.

CONCLUSIONS

Based upon our knowledge of these aircraft types, our knowledge of the capabilities and uses to which they have been put in various parts of the world, our knowledge of the marketing of used aircraft, and our knowledge of aircraft in general, it is our opinion that the values in millions of U.S. dollars of each aircraft are as shown in Figure 1.

Values of the Aircraft reflect the new aircraft delivery maintenance configuration.

DEFINITIONS

According to the International Society of Transport Aircraft Trading's (ISTAT) definition of Base Value, to which BK Associates, Inc. subscribes, the base value is the Appraiser's opinion of the underlying economic value of an aircraft in an open, unrestricted, stable market environment with a reasonable balance of supply and demand, and assumes full consideration of its "highest and best use". An aircraft's base value is founded in the historical trend of values and in the projection of future value trends and presumes an arm's length, cash transaction between willing, able and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing. The base value normally refers to a transaction involving a single aircraft. When multiple aircraft are acquired in the same transaction, the trading price of each unit may be discounted.

For comparison purposes, it is the convention to assign "half-time" values to aircraft, which represent the value of an aircraft that is halfway between the expensive major maintenance events. The adjustments are based on industry average costs, and normally would include an adjustment for the time remaining to a "C" check, time remaining to a "D" check, time remaining to landing gear overhaul, time remaining to APU overhaul, time since heavy shop visit on the engines and for the life remaining on engine life limited parts. In this case since the Aircraft are new, the values are "full-time", which assumes that all checks and overhauls have maximum time remaining.

MARKET DISCUSSION & METHODOLOGY

For a newly delivered aircraft one can argue that, almost by definition, the base value is approximately equal to the actual selling price. Without the existence of "white tails" or finished aircraft for which there is no buyer, the very existence of a buyer and seller at the agreed price suggests the market is in balance and the purchase price is the base value. The commercial aviation market is currently in a solid position with a worldwide Revenue Passenger Mile (RPM) growth rate of 5.9 percent in 2014 and a five percent per annum growth rate predicted over the next 20 years. The mature U.S. market has a more modest growth rate, predicted at two percent per annum according to the latest FAA economic outlook. The growth in RPMs has consistently and persistently tracked the growth in world GDP. While the timing of the peaks and valleys may be offset, the average growth in traffic has been around twice the growth in GDP, and is currently at approximately 1.7 times world GDP.

In its latest forecast, Boeing forecasts that the passenger aircraft fleet will grow from 20,910 aircraft in 2013 to 42,180 in 2032. According to Boeing, 12 percent of delivery units will be small wide-bodies, nine percent will be medium wide-bodies and 70 percent will be narrow-body aircraft. Overproduction is always a concern, particularly now as we are experiencing a record backlog at 50 percent of the in-service fleet. However, Boeing believes that this will not be a concern as production will not keep pace with demand while deliveries as a percentage of fleet will remain the same at 6.5 percent over the next six to seven years.

We are also seeing some examples of up-gauging. In 2014 the domestic average aircraft size increased by two seats to 126.9 and is predicted to further increase to 137.5 seats by 2035. With regard to the single-aisle market, Boeing believes that the average seat size is 160 seats and the heart of the market still remains the Boeing 737-800 and the Airbus A320 while Airbus believes that the market is transitioning to the Boeing 737-900ER and Airbus A321 size.

We do not know the purchase price of the Aircraft but we do know that the current published Boeing list price averages $96 million for the Boeing 737-800s depending on the configuration and options. We also know that purchasers do not pay the list price and that the discount is normally at least 25 percent with much larger discounts often applied for buyers placing large orders. Recent reports indicate it is not uncommon to see discounts of 35 to 45 percent from the list price. Because of confidential actual transaction prices that some of our clients have shared with us, we are convinced a typical price for a new Boeing 737-800 aircraft is in the $49 to $51 million range. As noted in the first sentence of this section, for a new aircraft the base value is equal to the purchase price. We concluded that the base value of your new Boeing 737-800 aircraft with CFM56-7B26E engines ranges from $49.6 to $50.35 million during the term of the deliveries.

ASSUMPTIONS & DISCLAIMER

It should be understood that BK Associates, Inc. has neither inspected the Aircraft nor the related maintenance records, but has relied upon the information provided by you and in the BK Associates, Inc. database. We have assumed that all Airworthiness Directives have been complied with. Further, we have assumed, unless otherwise stated, that each Aircraft is in typical configuration for its type and has accumulated an average number of hours and cycles. Deviations from these assumptions can change significantly our opinion regarding the values.

BK Associates, Inc. has no present or contemplated future interest in the Aircraft, nor any interest that would preclude our making a fair and unbiased estimate. This appraisal represents the opinion of BK Associates, Inc. and reflects our best judgment based on the information available to us at the time of preparation and the time and budget constraints imposed by the client. It is not given as a recommendation, or as an inducement, for any financial transaction and further, BK Associates, Inc. assumes no responsibility or legal liability for any action taken or not taken by the addressee, or any other party, with regard to the appraised equipment. By accepting this appraisal, the addressee agrees that BK Associates, Inc. shall bear no such responsibility or legal liability. This appraisal is prepared for the use of the addressee and shall not be provided to other parties without the express consent of the addressee.

Sincerely,

BK ASSOCIATES, INC.

John F. Keitz
President
ISTAT Senior Certified Appraiser And Appraiser Fellow

JFK/kf
Attachment

Figure 1
Norwegian Air Shuttle ASA
2016-1 EETC

	MSN	Type	Winglets	Engine	MTOW (Lbs)	Estimated Delivery Date/Month	U.S. $ (Mils) FT BV
1	42072	737-8JP/W	Yes	CFM56-7B26E	174,163	Mar-16	49.60
2	42073	737-8JP/W	Yes	CFM56-7B26E	174,163	Mar-16	49.60
3	42074	737-8JP/W	Yes	CFM56-7B26E	174,163	Apr-16	49.85
4	41152	737-8JP/W	Yes	CFM56-7B26E	174,163	May-16	49.85
5	42076	737-8JP/W	Yes	CFM56-7B26E	174,163	May-16	49.85
6	42077	737-8JP/W	Yes	CFM56-7B26E	174,163	Jun-16	49.85
7	41153	737-8JP/W	Yes	CFM56-7B26E	174,163	Jun-16	49.85
8	42079	737-8JP/W	Yes	CFM56-7B26E	174,163	Aug-16	50.10
9	42273	737-8JP/W	Yes	CFM56-7B26E	174,163	Aug-16	50.10
10	42080	737-8JP/W	Yes	CFM56-7B26E	174,163	Sep-16	50.10
11	42286	737-8JP/W	Yes	CFM56-7B26E	174,163	Sep-16	50.10
12	42271	737-8JP/W	Yes	CFM56-7B26E	174,163	Oct-15	50.35
13	42272	737-8JP/W	Yes	CFM56-7B26E	174,163	Nov-15	50.35
14	42082	737-8JP/W	Yes	CFM56-7B26E	174,163	Dec-15	50.35
	TOTAL						**699.90**

mba | morten beyer & agnew

aviation consulting

Desktop Appraisal of:
Fourteen (14) Future Delivery Boeing 737-800 Aircraft

Client:
Norwegian Air Shuttle ASA

Date:
January 8, 2016

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ISTAT

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I. Introduction and Executive Summary

Table of Contents:

Morten Beyer & Agnew ("mba") has been retained by Norwegian Air Shuttle ASA (the "Client") to provide a Desktop Appraisal to determine the Base Value, at delivery, of fourteen (14) future delivery Boeing 737-800 aircraft, as of December 2015. The aircraft are fully identified in Section IV of this Report.

In performing this appraisal, mba relied on industry knowledge and intelligence, confidentially obtained data points, its market expertise and current analysis of market trends and conditions, along with value information from its semiannual publication Future Aircraft Values ("FAV") ***redbook*—Jet Transport PLUS, October 2015**.

Based on the information set forth in this Report, it is mba's opinion that the total Base Value at delivery of the aircraft in this portfolio is as follows and as set forth in Section IV.

	Base Value at Delivery (US$)
Fourteen (14) 737-800 Aircraft Total	**$685,830,000**

Section II of this report presents definitions of various terms, such as Current Base Value as promulgated by the Appraisal Program of the International Society of Transport Aircraft Trading (ISTAT). ISTAT is a non-profit association of management personnel from banks, leasing companies, airlines, manufacturers, brokers, and others who have a vested interest in the commercial aviation industry and who have established a technical and ethical certification program for expert appraisers.

II. Definitions

Desktop Appraisal

A desktop appraisal is one which does not include any inspection of the aircraft or review of its maintenance records. It is based upon assumed aircraft condition and maintenance status or information provided to the appraiser or from the appraiser's own database. A desktop appraisal would normally provide a value for a mid-time, mid-life aircraft (ISTAT Handbook).

Base Value

ISTAT defines Base Value as the Appraiser's opinion of the underlying economic value of an aircraft, engine, or inventory of aircraft parts/equipment (hereinafter referred to as "the asset"), in an open, unrestricted, stable market environment with a reasonable balance of supply and demand. Full consideration is assumed of its "highest and best use". An asset's Base Value is founded in the historical trend of values and in the projection of value trends and presumes an arm's-length, cash transaction between willing, able, and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing. In most cases, the Base Value of an asset assumes that the physical condition is average for an asset of its type and age. It further assumes the maintenance time/life status is at mid-time, mid-life (or benefiting from an above-average maintenance status if it is new or nearly new, as the case may be). Since Base Value pertains to a somewhat idealized asset and market combination, it may not necessarily reflect the actual current value of the asset in question, but is a nominal starting value to which adjustments may be applied to determine an actual value. Because it is related to long-term market trends, the Base Value definition is commonly applied to analyses of historical values and projections of residual values.

Qualifications

mba is a recognized provider of aircraft and aviation-related asset appraisals and inspections. mba and its principals have been providing appraisal services to the aviation industry for over 20 years; and its employees adhere to the rules and ethics set forth by the International Society of Transport Aircraft Trading ("ISTAT"). mba employs four ISTAT Certified Appraisers, one of the largest certified staff in the industry. mba's clients include most of the world's major airlines, lessors, financial institutions, and manufacturers and suppliers. mba maintains offices in North America, Europe, and Asia.

mba publishes the semiannual Future Aircraft Values ("FAV") publication *redbook*, a two-volume compendium of current and projected aircraft values for the next 20 years for over 150 types of jet, turboprop, and cargo aircraft.

mba also provides consulting services to the industry relating to operations, marketing, and management with an emphasis on financial/operational analysis, airline safety audits and certification, utilizing hands-on solutions to current situations. mba also provides expert testimony and witness support on cases involving collateral/asset disputes, bankruptcies, financial operations, safety, regulatory and maintenance concerns.

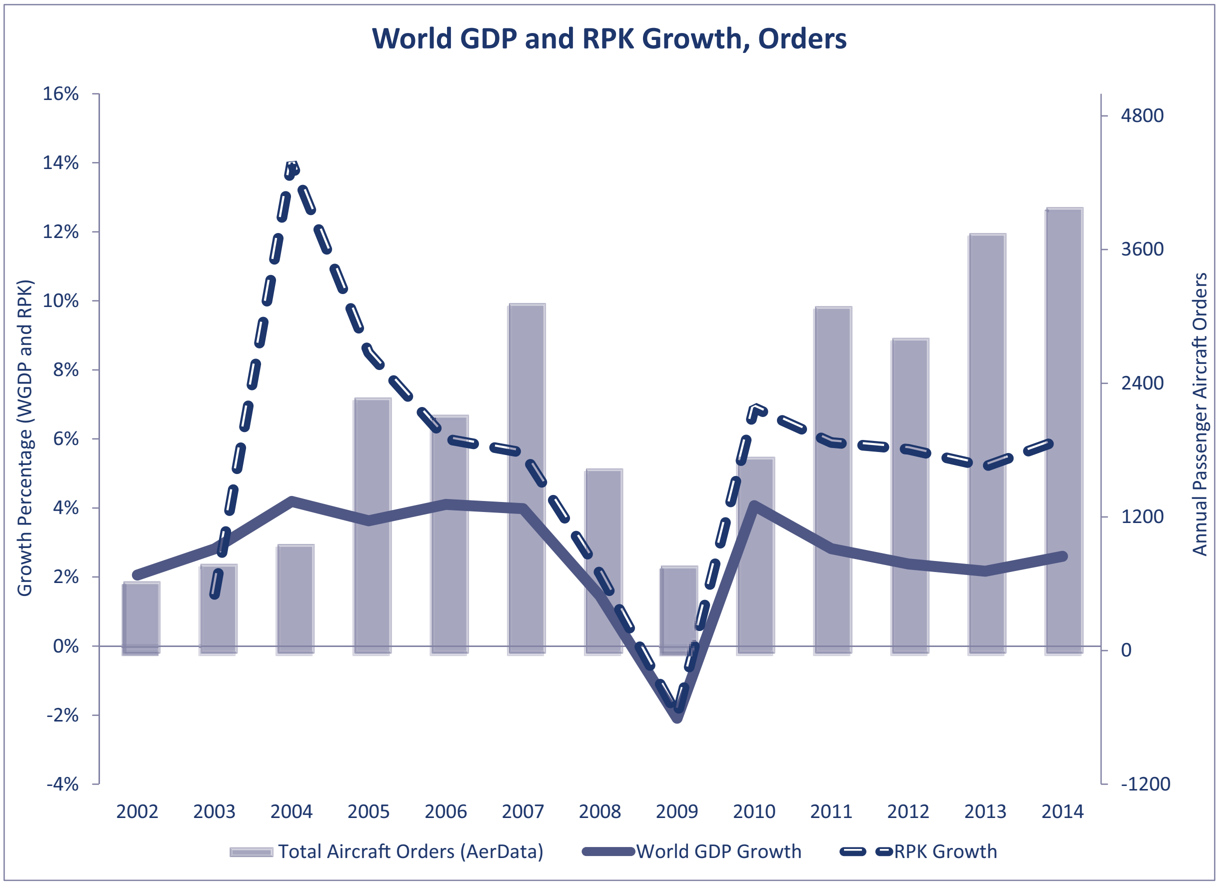
III. Current Market Conditions

General Market Observation—4th Quarter 2015

An essential consideration in any appraisal is market condition at the time the valuation is rendered. This section defines market conditions associated with this valuation. The first part of the section provides general market commentary, highlighting major factors currently influencing aircraft values. The second part of the section details mba's view of the current market situation for each aircraft type examined in this valuation.

Passenger demand and jet fuel prices are two of the most significant factors influencing commercial transport aircraft values. Increases in passenger demand have a positive impact, while variations in fuel price have a different impact depending on the technology level of the asset. There are many other considerations that drive values of a specific aircraft type and model including: age, number of operators, regional distribution, total number in use, production status and order backlog, among others.

Over the years, passenger demand has been shown to have a strong correlation with Gross Domestic Product ("GDP"). As presented in the following chart, this correlation also extends to orders for new aircraft.



Source: iata.org; AerData; worldbank.org

Underlying all of this is the historical and future predicted passenger growth of 5.0% per year by manufacturers and government agencies alike, which exceeds short-term World Bank global GDP predictions. The International Air Transport Association ("IATA") reports that global passenger traffic (RPK)[1] experienced year-on-year growth of 6.0% from Q1 2015 to Q1 2014. Year-on-year comparison of Q1 2015 illustrates a 6.3% increase in international RPKs worldwide, and an increase in domestic RPKs of 5.9% worldwide.

Global traffic growth remained strong during Q3 2015, with a traffic growth rate of 7.1% in August 2015 compared to August 2014. Total RPKs rose 6.6%, year-to-date in August 2015 compared to year-to-date in August 2014. ASKs[2] in August also increased by 5.9%, and Load Factor rose to 84.7%. Despite an economic slowdown in Asian markets, the region continued to see 7.7% growth in RPKs on Asian carriers in August 2015 compared to August 2014. IATA attributes this growth to improved economic outlooks in the Eurozone and in the North American market, providing support for travel in Asia. Middle Eastern carriers experienced the largest

[1] RPK—Revenue Passenger Kilometers

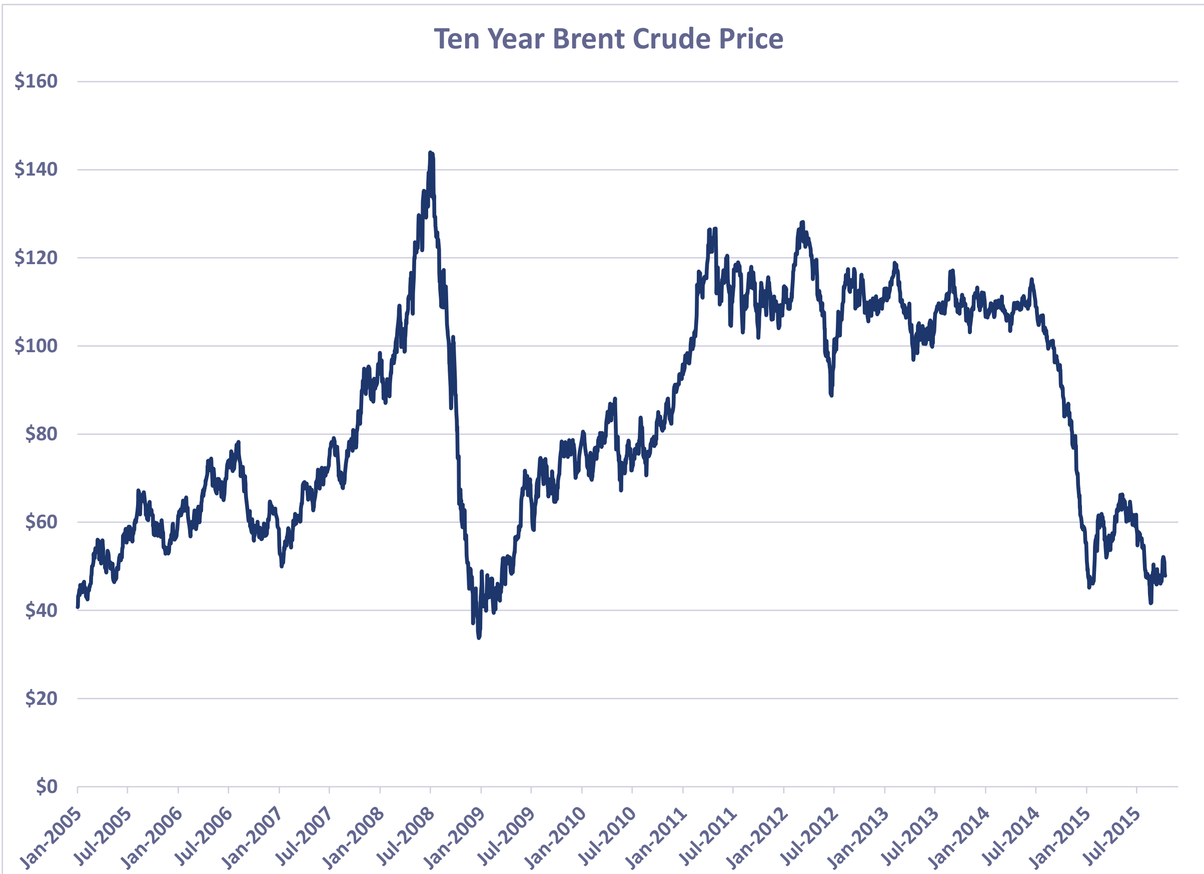
[2] ASK—Available Seat Kilometers

regional growth with a 13.7% increase in RPKs in August year-over-year. In addition, Middle Eastern carriers also saw huge growth numbers in July due to increased demand associated with the Hajj.

According to the IATA Air Freight Market Analysis, international and domestic air freight volumes increased 0.2% in August 2015 compared to August 2014. Despite the low year-over-year growth, year-to-date Freight Tonne Kilometers (“FTKs”) increased 2.6% by August 2015 compared to August 2014. The overall year-to-date growth is largely due to Middle Eastern carriers experiencing a 10.4% increase in FTK, which offset North America’s 3.3% FTK decrease, year-over-year. While export demand is expected to stabilize, there is a chance that FTKs could show regression in 2015 compared to 2014 if the current conditions due not improve.

At the end of Q3 2015, Airbus had booked 815 net orders, while Boeing had booked 461 net orders. The large variance between the two manufacturers is mainly attributed to Indigo’s order of 250 A320neo aircraft in August 2015 and Wizz Air’s order of 110 A321neos in September 2015. Over the first three quarters of 2015, Airbus delivered 446 aircraft, while Boeing delivered 580 aircraft. The current order rate is approximately 91 aircraft and 51 aircraft (widebody and narrowbody) per month for Airbus and Boeing, respectively, and steady delivery rates of approximately 50 aircraft and 64 aircraft per month for Airbus and Boeing, respectively. Boeing’s higher delivery rate is likely due to the 787 ramping up to 11 aircraft per month, while Airbus’s A350 is still only producing an average of two aircraft per month. However, with Airbus decreasing A330 production to six aircraft per month in 2016, Boeing is still likely to deliver more aircraft on average per month continuing into 2016.

In the second half of 2014, oil dropped dramatically from a range of US$100.00 to US$125.00 per barrel for Brent Crude over the past three years, to the lowest prices since 2009. Prices tumbled to approximately US$48.00 per barrel by the end of January 2015 and, despite an increase up to US$65.00 in Q2 2015, prices had fallen again to US$47.00 per barrel by the end of Q3 2015. Despite oil prices remaining below US$65.00 in 2015, there are still questions about whether this price is sustainable. Oil-price.net offers the opinion that the supply-demand balance will favor a lower plateau due to continued production for the major oil supplies and a reduction in demand worldwide. However, OPEC believes oil prices will rise back up within the next two years as oil producers are forced to cut production.



Source: Energy Information Agency, www.eia.gov

After a stable market in the beginning of 2015, Q2 and Q3 have proven comparatively unstable. China experienced the lowest GDP growth rate in Q3 2015 since 2009, despite the government's attempt to inject cash into the markets to stimulate the economy. Nearing the end of 2015, the World Trade Organization has lowered its global trade growth forecast to 2.8% for 2015 compared to the 3.3% it originally forecasted. China's economy has created rifts in other global markets such as the mining and commodities markets in Australia and Brazil, both of which have been impacted by decreased demand from the Chinese market.

U.S. markets have also been affected by investors nervous over the Chinese economy and U.S. corporate earnings. In an effort to calm the market, the Board of Governors of the Federal Reserve Board did not raise interest rates in Q3 as had been predicted, but market participants continue to anticipate a rate increase. While the Eurozone saw a 1.8% growth in GDP, the highest since Q1 2011, the uncertainty about the global economy alongside an incessant high unemployment rate and sovereign debt raises doubts over long-term growth capability (the Federal Reserve Board has now raised rates).

Another significant occurrence in the wider global economy is the reauthorization of the U.S. Export-Import Bank ("Ex-Im Bank"). The bank suffered a temporary lapse in authority for a period of over five months. This raised concerns over the impact on Boeing's financial competitiveness compared to Airbus and the potential movement of manufacturing to outside the U.S. The five months of legislative battle delayed and lost orders for American aviation manufacturers. Despite reauthorization, the Ex-Im Bank still cannot approve any transaction over US$10 million due to a lack of the required number of directors on their board. The bank must wait for the U.S. Senate to appoint new directors.

Despite the global economy being in a state of ambiguity, passenger traffic growth continued to improve in Q3 and aircraft values remained stable. Relatively low oil prices have made older aircraft, and four engine aircraft to a lesser extent, look more appealing, with operators extending the lives of their fleet and even pulling some aircraft out of the desert. Load Factors are forecast to stabilize as capacity rises due to the average size of aircraft increasing, with new aircraft deliveries forecast at around US$180 billion.

Boeing 737-800 Current Market

The 737-800 entered service with Hapag-Lloyd Flug (TUIfly) in 1998. It is a stretched version of the 737-700 and a replacement for the 737-400 Classic. Many carriers in the United States also utilized the aircraft to replace Boeing 727-200s, as well as MD-80 and MD-90 aircraft.

Overview

Positive

- Most popular member of highly successful 737NG family.
- Large operator base is geographically diverse, by number and type of operators.
- Very low percentage of existing fleet currently parked.
- Sole source engines ease remarketing to secondary operators.

Neutral

- Introduction of 737MAX variant delays clean sheet replacement, but will likely affect values of only the youngest 737-800 aircraft produced.
- May have a popular freighter conversion program in the long-term, based on successful conversions of predecessor 737-300 and -400 aircraft; however, the competing A320 may provide better freighter platform and will almost certainly beat 737-800 to market with conversion options.

Negative

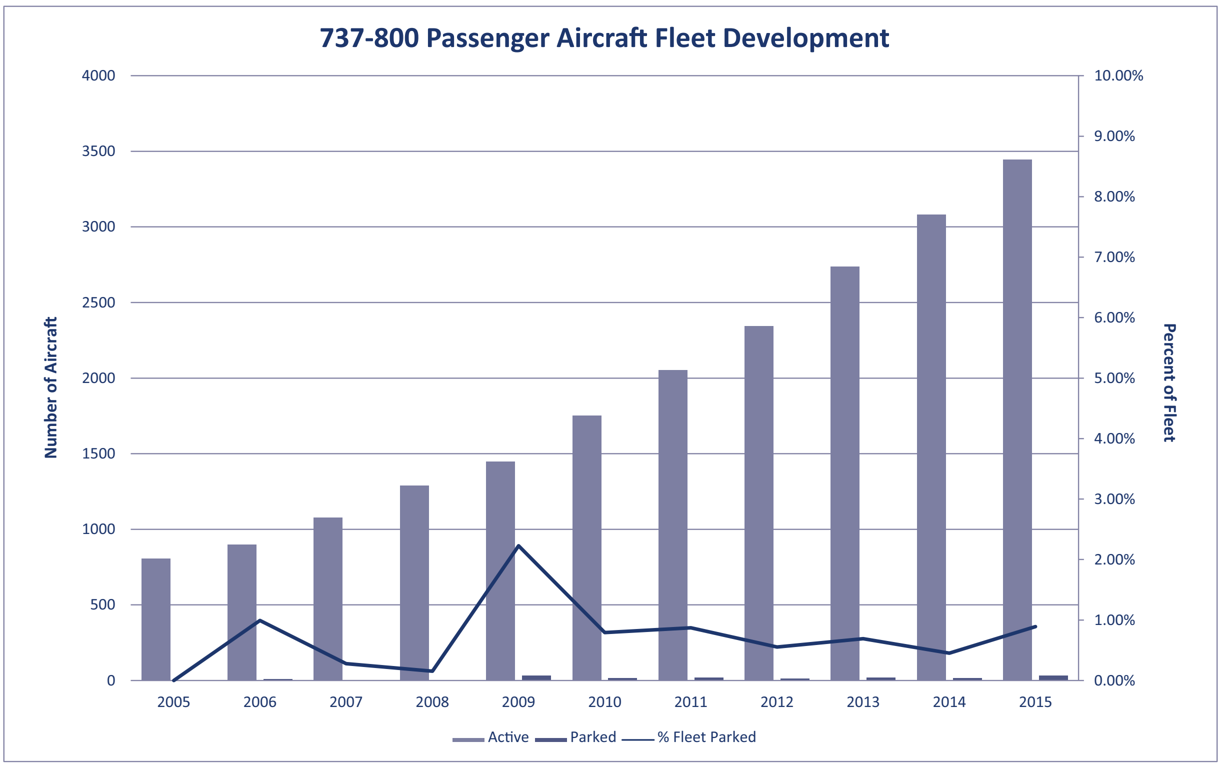
- Backlog going forward likely to fade in favor of 737MAX, due to enter service in 2017.
- Lease rates have been under pressure recently, particularly for younger vintages, as major lessors are providing inventory at low lease rental factors in order to place their aircraft. However, 737-800 lease rates appear to be holding up slightly better than those of competing A320-200.

As of October 2015, there are 3,738 active 737-800 aircraft with 190 operators.

Fleet Status	**737-800**
Net Orders	4,938
Backlog	1,159
Delivered	3,779
Destroyed/Retired	15
Not in Service/Parked	26
Active Aircraft	3,738
Number of Operators	190
Average Daily Utilization (Hrs)	9.37
Average Fleet Age (Yrs)	6.70

Source: AerData October 2015

The 737-800 fleet has grown rapidly over the past ten years, with the number of active aircraft more than quadrupling during the period. The 737-800 has also had an extremely low percentage of the existing fleet reported as parked during the same period, with the percentage of fleet parked peaking at 2.2% in 2009. The chart below depicts 737-800 fleet development by year, as of January of each year.



Source: AerData 2015

Recent Developments

In October 2015, China Southern Airlines' subsidiary, Xiamen Airlines, took delivery of its first of 44 all-economy 184-seat Boeing 737-800s. The Xiamen-based carrier is scheduled to introduce 43 more of the type between 2015 and 2017 (atwonline.com).

In September 2015, Boeing and UK leisure airline, Jet2.com, finalized an order for 27 Next Generation 737-800s, valued at approximately US$2.6 billion at current list prices (boeing.com).

In August 2015, Nok Air received the airline's first direct-purchased Next Generation 737-800. The delivery marks the first of seven Next-Generation 737-800s the airline has on order with Boeing (boeing.com).

In June 2015, GE Capital Aviation Services ("GECAS"), the aviation leasing and financing arm of GE, announced the launch of its 737-800NG passenger-to-freighter conversion program (World Airline News).

In June 2015, an Unidentified Customer ordered 17 737-800 aircraft (boeing.com).

In June 2015, Myanmar National Airlines celebrated the delivery of the airline's first Next Generation 737-800, leased from GECAS (boeing.com).

Demographics & Availability

European carrier, Ryanair, operates the largest fleet of 737-800s with 8.5% of the current total fleet. American Airlines is the second largest operator of the type with 6.9% of the total fleet.

Boeing 737-800 Passenger-Configured Aircraft
Current Fleet by Operator

Operator	In Service	Parked	Total	% of Fleet
Ryanair	317	3	320	8.5%
American Airlines	259		259	6.9%
United Airlines	129		129	3.4%
China Southern	122		122	3.2%
Hainan Airlines	113		113	3.0%
Air China	111		111	2.9%
Gol Transportes Aereos	99	1	100	2.7%
Xiamen Airlines	100		100	2.7%
Southwest Airlines	98		98	2.6%
Norwegian Air Shuttle	92		92	2.4%
Shenzhen Airlines	80		80	2.1%
Shandong Airlines	80		80	2.1%
Garuda Indonesia	77		77	2.0%
Virgin Australia	75	1	76	2.0%
Delta	73		73	1.9%
All Others	1913	21	1934	51.4%
Grand Total	**3738**	**26**	**3764**	**100.0%**

Source: AerData October 2015

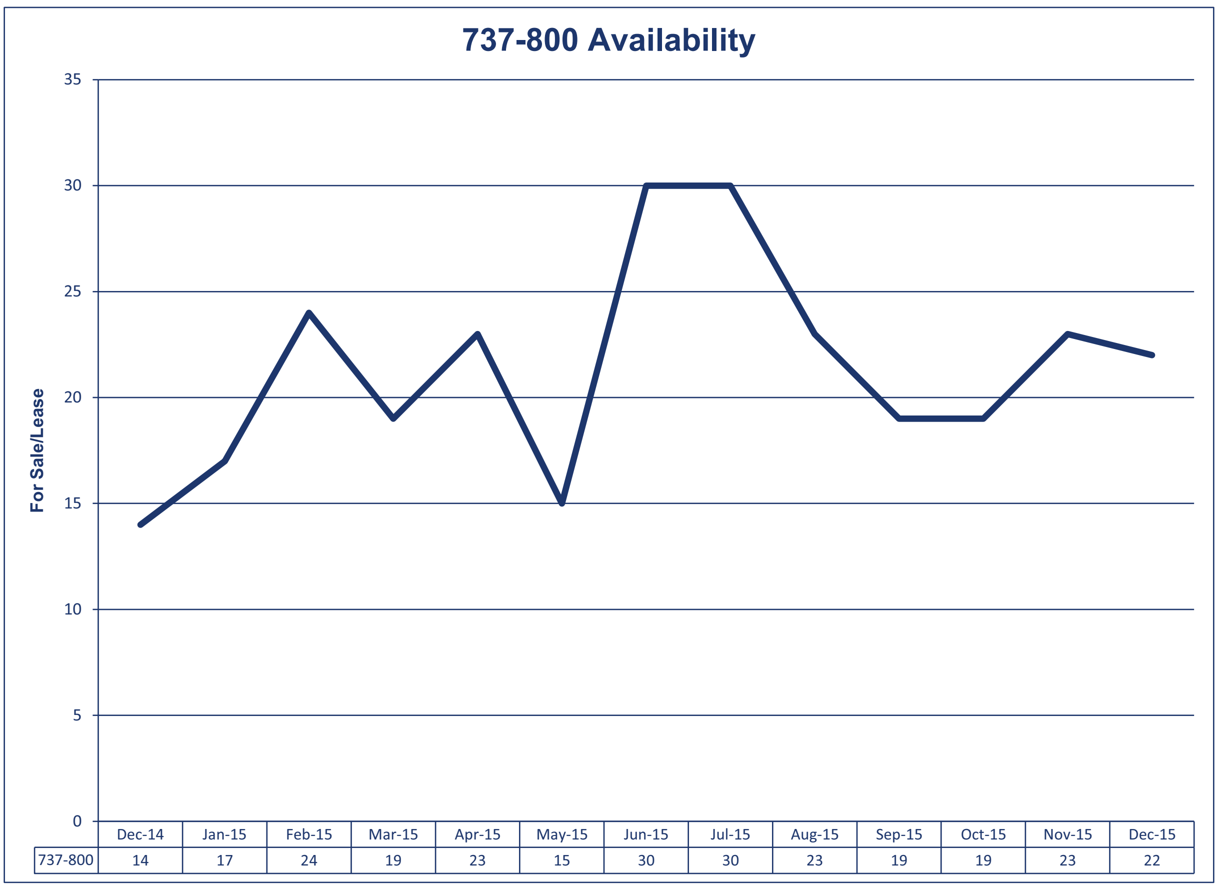
Asia is the most popular region with over one-third of the current fleet, followed closely by Europe with 27.3% of the fleet.

Boeing 737-800 Passenger-Configured Aircraft
Current Fleet by Region

Region	In Service	Parked	Total	% of Fleet
Asia	1402	10	1412	37.5%
Europe	1021	7	1028	27.3%
North America	696	5	701	18.6%
Australia and Pacific	157	1	158	4.2%
Africa	141	1	142	3.8%
South America	120	1	121	3.2%
Central America and Caribbean	103	1	104	2.8%
Middle East	97		97	2.6%
Undisclosed	1		1	0.0%
Grand Total	**3738**	**26**	**3764**	**100.0%**

Source: AerData October 2015

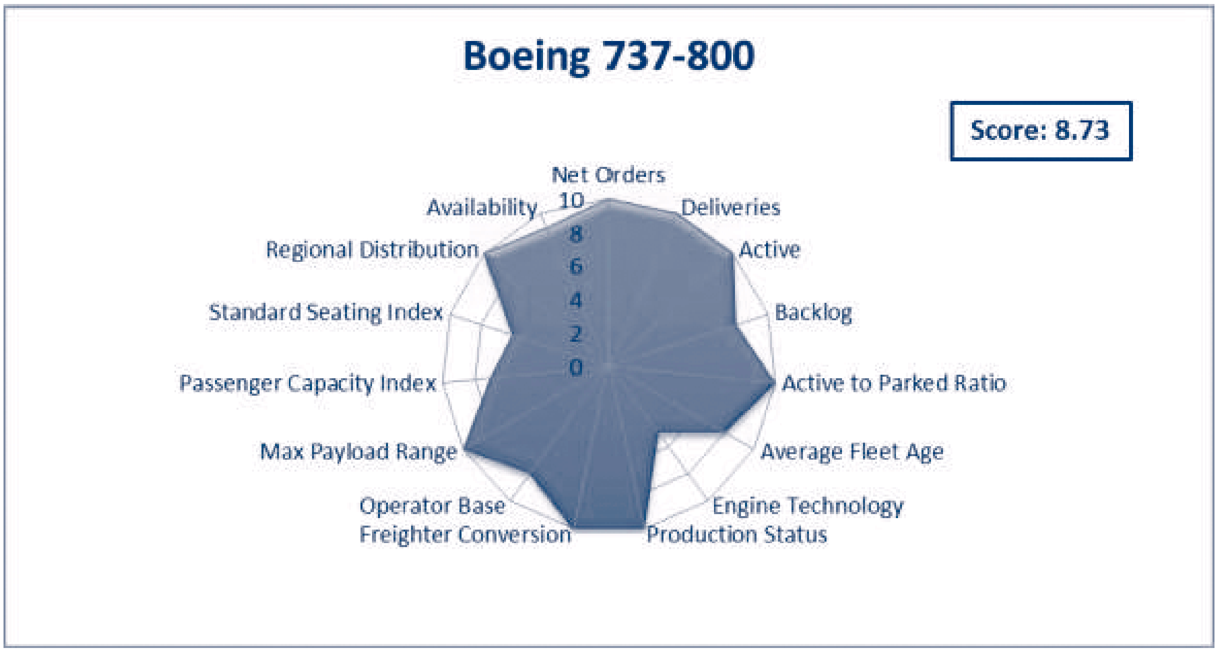
According to Airfax, as of December 2015, there are 22 Boeing 737-800 aircraft available for sale or lease.



Source: Airfax December 2014—December 2015

Aircraft Ranking

mba's Aircraft Ranking model takes into account numerous factors that affect an aircraft's market standing, on a scale specifically developed for each asset class. These ranking factors are individually weighted and compared against each other to develop mba's overall ranking score for each aircraft type, which is expressed in a scale of 1.00 to 10.00. The most prevalent aircraft configurations are used in the ranking analysis which can be further identified in mba's FAV *redbook* publication or its web based valuation service.



Source: mba FAV Jet Transport PLUS, 2nd Half 2015

Outlook

The short- to mid-term outlook for the 737-800 is quite favorable prior to the Entry Into Service of the 737MAX variants. The aircraft seems to be well positioned in terms of passenger capacity vis-à-vis the current demand in the narrowbody sector, particularly when compared to smaller aircraft such as the 737-700 and A319 which have not been as successful of late. The order book for the 737-800 remains robust, at over 1,400 units, even though many new orders being placed now favor the 737MAX variant. The long-term outlook will be shaped by the presumed success of the 737MAX. While not a true clean-sheet replacement, the modified variant represents a break in production and the last 737-800s manufactured will suffer the most from a value perspective. However, no technical obsolesence is expected for the foreseeable future as a result of the 737MAX Entry Into Service. An unknown variable at this time is the future of the 737-800 as a freighter. Boeing 737-300 and 737-400 aircraft have long been successfully converted as freighters. The values of 737-800s are currently too high to support freighter conversion. Though the aircraft from a technical perspective would likely make a good narrowbody freighter, there is plenty of much cheaper feed stock from the 737 Classic fleet, and among current production aircraft, the A320-200 will likely beat the 737-800 to the freighter conversion market, which may also reduce freighter conversion prospects for the 737-800. While the A320-200 will surely be remain a successful competitor to the 737-800, the narrowbody market has been able to handily accommodate very large fleets of both types and it is mba's expectation that this will continue into the future.

IV. Valuation

In developing the Values of the aircraft in this portfolio, mba did not inspect the aircraft or the records and documentation associated with the aircraft but relied on partial information supplied by the Client. This information was not independently verified by mba. Therefore, mba used certain assumptions that are generally accepted industry practice to calculate the value of aircraft when more detailed information is not available.

The principal assumptions for the aircraft in this portfolio are as follows:

1. The aircraft is in good overall condition;
2. The overhaul status of the airframe, engines, landing gear and other major components are the equivalent of mid-time/mid-life, or new, unless otherwise stated;
3. The historical maintenance documentation has been maintained to acceptable international standards;
4. The specifications of the aircraft are those most common for an aircraft of its type and vintage;
5. The aircraft is in a standard airline configuration;
6. The aircraft is current as to all Airworthiness Directives and Service Bulletins;
7. Its modification status is comparable to that most common for an aircraft of its type and vintage;
8. Its utilization is comparable to industry averages;
9. There is no history of accident or incident damage;
10. In the case of the Base Value, no accounting is made for lease revenues, obligations or terms of ownership unless otherwise specified; and
11. Aircraft that are less than two years old have inherent maintenance included, and are therefore not maintenance adjusted.

Aircraft Portfolio

No.	Aircraft Type	Serial Number	Registration	Manufacture Date	MTOW (lbs)	Engine Type	Operator
1	737-800	42072	EI-FJK	Mar-16	174,163	CFM56-7B26E	Norwegian
2	737-800	42073	EI-FJL	Mar-16	174,163	CFM56-7B26E	Norwegian
3	737-800	42074	EI-FJM	Apr-16	174,163	CFM56-7B26E	Norwegian
4	737-800	41152	EI-FJN	May-16	174,163	CFM56-7B26E	Norwegian
5	737-800	42076	EI-FJO	May-16	174,163	CFM56-7B26E	Norwegian
6	737-800	42077	EI-FJP	Jun-16	174,163	CFM56-7B26E	Norwegian
7	737-800	41153	[TBD]	Jun-16	174,163	CFM56-7B26E	Norwegian
8	737-800	42079	[TBD]	Aug-16	174,163	CFM56-7B26E	Norwegian
9	737-800	42273	[TBD]	Aug-16	174,163	CFM56-7B26E	Norwegian
10	737-800	42080	[TBD]	Sep-16	174,163	CFM56-7B26E	Norwegian
11	737-800	42286	[TBD]	Sep-16	174,163	CFM56-7B26E	Norwegian
12	737-800	42271	[TBD]	Oct-16	174,163	CFM56-7B26E	Norwegian
13	737-800	42272	[TBD]	Nov-16	174,163	CFM56-7B26E	Norwegian
14	737-800	42082	[TBD]	Dec-16	174,163	CFM56-7B26E	Norwegian

Portfolio Valuation
(US$ Million)

No.	Aircraft Type	Serial Number	BV w/Newness	MTOW Adj.	BV at delivery
1	737-800	42072	$48.82	$0.00	$48.82
2	737-800	42073	$48.82	$0.00	$48.82
3	737-800	42074	$48.86	$0.00	$48.86
4	737-800	41152	$48.90	$0.00	$48.90
5	737-800	42076	$48.90	$0.00	$48.90
6	737-800	42077	$48.94	$0.00	$48.94
7	737-800	41153	$48.94	$0.00	$48.94
8	737-800	42079	$49.03	$0.00	$49.03
9	737-800	42273	$49.03	$0.00	$49.03
10	737-800	42080	$49.07	$0.00	$49.07
11	737-800	42286	$49.07	$0.00	$49.07
12	737-800	42271	$49.11	$0.00	$49.11
13	737-800	42272	$49.15	$0.00	$49.15
14	737-800	42082	$49.19	$0.00	$49.19
	Total		**$685.83**	**$0.00**	**$685.83**

Legend for Portfolio Valuation -

BV /w Newness -	Base Value adjusted for Month of Build
MTOW Adj. -	Maximum Take-Off Weight Adjustment
BV at delivery -	Base Value at delivery

V. Covenants

This report has been prepared for the exclusive use of Norwegian Air Shuttle ASA and shall not be provided to other parties by mba without the express consent of Norwegian Air Shuttle ASA. mba certifies that this report has been independently prepared and that it fully and accurately reflects mba's and the signatory's opinion of the values of the subject aircraft as requested. mba further certifies that it does not have, and does not expect to have, any financial or other interest in the subject or similar aircraft and engines. Neither mba nor the signatory has provided the OEMs of the airframe or engines with pro bono or paid consulting or advice in the design or development of the assets valued herein.

This report represents the opinion of mba of the values of the subject aircraft as requested and is intended to be advisory only in nature. Therefore, mba assumes no responsibility or legal liability for any actions taken, or not taken, by Norwegian Air Shuttle ASA or any other party with regard to the subject aircraft and engine. By accepting this report, all parties agree that mba shall bear no such responsibility or legal liability.

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APPENDIX III—LOAN TO VALUE RATIOS

The following tables set forth loan to Aircraft value ratios for the Equipment Notes that may be issued in respect of each of the 10 aircraft that may be financed pursuant to this Offering, as of the Issuance Date and the Regular Distribution Dates thereafter. The loan to value ratio was obtained by dividing (i) the outstanding balance (assuming no payment default) of such Equipment Notes by (ii) the appraised value of the Aircraft securing such Equipment Notes (see "Description of the Aircraft and the Appraisals—The Appraisals"), assuming, for purposes of determining the appraised value of each Aircraft at each Regular Distribution Date that the value of each Aircraft at issuance of the Equipment Notes included in each table depreciates by approximately 3% of the initial appraised value per year after the year of delivery of such Aircraft, in each case prior to the final expected Regular Distribution Date. Other rates or methods of depreciation may result in materially different loan to Aircraft value ratios, and no assurance can be given (i) that the depreciation rates and method assumed for the purposes of the tables are the ones most likely to occur or (ii) as to the actual future value of any Aircraft. Accordingly, the tables should not be considered a forecast or prediction of expected or likely loan to Aircraft value ratios, but simply a mathematical calculation based on one set of assumptions. All amounts expressed in the following tables are in U.S. dollars.

		EI-FJK			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$49,600,000.00	$27,280,000.00	$7,440,000.00	55.0%	70.0%
November 10, 2016	48,856,000.00	27,280,000.00	7,440,000.00	55.8%	71.1%
May 10, 2017	48,112,000.00	26,468,785.59	6,830,091.48	55.0%	69.2%
November 10, 2017	47,368,000.00	25,823,317.61	6,547,783.75	54.5%	68.3%
May 10, 2018	46,624,000.00	25,177,896.84	6,265,512.14	54.0%	67.4%
November 10, 2018	45,880,000.00	24,532,525.55	5,983,278.42	53.5%	66.5%
May 10, 2019	45,136,000.00	23,887,206.18	5,701,084.49	52.9%	65.6%
November 10, 2019	44,392,000.00	23,241,941.31	5,418,932.35	52.4%	64.6%
May 10, 2020	43,648,000.00	22,596,733.73	5,136,824.19	51.8%	63.5%
November 10, 2020	42,904,000.00	21,951,586.38	4,854,762.29	51.2%	62.5%
May 10, 2021	42,160,000.00	21,306,502.44	4,572,749.15	50.5%	61.4%
November 10, 2021	41,416,000.00	20,661,485.30	4,290,787.42	49.9%	60.2%
May 10, 2022	40,672,000.00	20,016,538.59	4,008,879.94	49.2%	59.1%
November 10, 2022	39,928,000.00	19,371,666.22	3,727,029.79	48.5%	57.9%
May 10, 2023	39,184,000.00	18,726,872.40	3,445,240.27	47.8%	56.6%
November 10, 2023	38,440,000.00	18,082,161.66	0.00	47.0%	—
May 10, 2024	37,696,000.00	17,437,538.86	0.00	46.3%	—
November 10, 2024	36,952,000.00	16,793,009.29	0.00	45.4%	—
May 10, 2025	36,208,000.00	16,148,578.64	0.00	44.6%	—
November 10, 2025	35,464,000.00	15,504,253.09	0.00	43.7%	—
May 10, 2026	34,720,000.00	14,860,039.33	0.00	42.8%	—
November 10, 2026	33,976,000.00	14,215,944.64	0.00	41.8%	—
May 10, 2027	33,232,000.00	13,571,976.96	0.00	40.8%	—
November 10, 2027	32,488,000.00	12,928,144.92	0.00	39.8%	—
May 10, 2028	31,744,000.00	0.00	0.00	—	—

		EI-FJL			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$49,600,000.00	$27,280,000.00	$7,440,000.00	55.0%	70.0%
November 10, 2016	48,856,000.00	27,280,000.00	7,440,000.00	55.8%	71.1%
May 10, 2017	48,112,000.00	26,468,785.59	6,830,091.48	55.0%	69.2%
November 10, 2017	47,368,000.00	25,823,317.61	6,547,783.75	54.5%	68.3%
May 10, 2018	46,624,000.00	25,177,896.84	6,265,512.14	54.0%	67.4%
November 10, 2018	45,880,000.00	24,532,525.55	5,983,278.42	53.5%	66.5%
May 10, 2019	45,136,000.00	23,887,206.18	5,701,084.49	52.9%	65.6%
November 10, 2019	44,392,000.00	23,241,941.31	5,418,932.35	52.4%	64.6%
May 10, 2020	43,648,000.00	22,596,733.73	5,136,824.19	51.8%	63.5%
November 10, 2020	42,904,000.00	21,951,586.38	4,854,762.29	51.2%	62.5%
May 10, 2021	42,160,000.00	21,306,502.44	4,572,749.15	50.5%	61.4%
November 10, 2021	41,416,000.00	20,661,485.30	4,290,787.42	49.9%	60.2%
May 10, 2022	40,672,000.00	20,016,538.59	4,008,879.94	49.2%	59.1%
November 10, 2022	39,928,000.00	19,371,666.22	3,727,029.79	48.5%	57.9%
May 10, 2023	39,184,000.00	18,726,872.40	3,445,240.27	47.8%	56.6%
November 10, 2023	38,440,000.00	18,082,161.66	0.00	47.0%	—
May 10, 2024	37,696,000.00	17,437,538.86	0.00	46.3%	—
November 10, 2024	36,952,000.00	16,793,009.29	0.00	45.4%	—
May 10, 2025	36,208,000.00	16,148,578.64	0.00	44.6%	—
November 10, 2025	35,464,000.00	15,504,253.09	0.00	43.7%	—
May 10, 2026	34,720,000.00	14,860,039.33	0.00	42.8%	—
November 10, 2026	33,976,000.00	14,215,944.64	0.00	41.8%	—
May 10, 2027	33,232,000.00	13,571,976.96	0.00	40.8%	—
November 10, 2027	32,488,000.00	12,928,144.92	0.00	39.8%	—
May 10, 2028	31,744,000.00	0.00	0.00	—	—

		EI-FJM			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$49,850,000.00	$27,418,000.00	$7,477,000.00	55.0%	70.0%
November 10, 2016	49,102,250.00	27,418,000.00	7,477,000.00	55.8%	71.1%
May 10, 2017	48,354,500.00	26,602,196.81	6,864,517.34	55.0%	69.2%
November 10, 2017	47,606,750.00	25,953,475.46	6,580,786.69	54.5%	68.3%
May 10, 2018	46,859,000.00	25,304,801.56	6,297,092.34	54.0%	67.4%
November 10, 2018	46,111,250.00	24,656,177.39	6,013,436.07	53.5%	66.5%
May 10, 2019	45,363,500.00	24,007,605.40	5,729,819.79	52.9%	65.6%
November 10, 2019	44,615,750.00	23,359,088.20	5,446,245.52	52.4%	64.6%
May 10, 2020	43,868,000.00	22,710,628.56	5,162,715.44	51.8%	63.5%
November 10, 2020	43,120,250.00	22,062,229.46	4,879,231.86	51.2%	62.5%
May 10, 2021	42,372,500.00	21,413,894.09	4,595,797.28	50.5%	61.4%
November 10, 2021	41,624,750.00	20,765,625.85	4,312,414.37	49.9%	60.2%
May 10, 2022	40,877,000.00	20,117,428.40	4,029,085.99	49.2%	59.1%
November 10, 2022	40,129,250.00	19,469,305.67	3,745,815.22	48.5%	57.9%
May 10, 2023	39,381,500.00	18,821,261.88	3,462,605.39	47.8%	56.6%
November 10, 2023	38,633,750.00	18,173,301.58	0.00	47.0%	—
May 10, 2024	37,886,000.00	17,525,429.68	0.00	46.3%	—
November 10, 2024	37,138,250.00	16,877,651.47	0.00	45.4%	—
May 10, 2025	36,390,500.00	16,229,972.69	0.00	44.6%	—
November 10, 2025	35,642,750.00	15,582,399.52	0.00	43.7%	—
May 10, 2026	34,895,000.00	14,934,938.72	0.00	42.8%	—
November 10, 2026	34,147,250.00	14,287,597.59	0.00	41.8%	—
May 10, 2027	33,399,500.00	13,640,384.10	0.00	40.8%	—
November 10, 2027	32,651,750.00	12,993,306.94	0.00	39.8%	—
May 10, 2028	31,904,000.00	0.00	0.00	—	—

		EI-FJN			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$49,850,000.00	$27,418,000.00	$7,477,000.00	55.0%	70.0%
November 10, 2016	49,102,250.00	27,418,000.00	7,477,000.00	55.8%	71.1%
May 10, 2017	48,354,500.00	26,602,196.81	6,864,517.34	55.0%	69.2%
November 10, 2017	47,606,750.00	25,953,475.46	6,580,786.69	54.5%	68.3%
May 10, 2018	46,859,000.00	25,304,801.56	6,297,092.34	54.0%	67.4%
November 10, 2018	46,111,250.00	24,656,177.39	6,013,436.07	53.5%	66.5%
May 10, 2019	45,363,500.00	24,007,605.40	5,729,819.79	52.9%	65.6%
November 10, 2019	44,615,750.00	23,359,088.20	5,446,245.52	52.4%	64.6%
May 10, 2020	43,868,000.00	22,710,628.56	5,162,715.44	51.8%	63.5%
November 10, 2020	43,120,250.00	22,062,229.46	4,879,231.86	51.2%	62.5%
May 10, 2021	42,372,500.00	21,413,894.09	4,595,797.28	50.5%	61.4%
November 10, 2021	41,624,750.00	20,765,625.85	4,312,414.37	49.9%	60.2%
May 10, 2022	40,877,000.00	20,117,428.40	4,029,085.99	49.2%	59.1%
November 10, 2022	40,129,250.00	19,469,305.67	3,745,815.22	48.5%	57.9%
May 10, 2023	39,381,500.00	18,821,261.88	3,462,605.39	47.8%	56.6%
November 10, 2023	38,633,750.00	18,173,301.58	0.00	47.0%	—
May 10, 2024	37,886,000.00	17,525,429.68	0.00	46.3%	—
November 10, 2024	37,138,250.00	16,877,651.47	0.00	45.4%	—
May 10, 2025	36,390,500.00	16,229,972.69	0.00	44.6%	—
November 10, 2025	35,642,750.00	15,582,399.52	0.00	43.7%	—
May 10, 2026	34,895,000.00	14,934,938.72	0.00	42.8%	—
November 10, 2026	34,147,250.00	14,287,597.59	0.00	41.8%	—
May 10, 2027	33,399,500.00	13,640,384.10	0.00	40.8%	—
November 10, 2027	32,651,750.00	12,993,306.94	0.00	39.8%	—
May 10, 2028	31,904,000.00	0.00	0.00	—	—

		EI-FJO			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$49,850,000.00	$27,418,000.00	$7,477,000.00	55.0%	70.0%
November 10, 2016	49,102,250.00	27,418,000.00	7,477,000.00	55.8%	71.1%
May 10, 2017	48,354,500.00	26,602,196.81	6,864,517.34	55.0%	69.2%
November 10, 2017	47,606,750.00	25,953,475.46	6,580,786.69	54.5%	68.3%
May 10, 2018	46,859,000.00	25,304,801.56	6,297,092.34	54.0%	67.4%
November 10, 2018	46,111,250.00	24,656,177.39	6,013,436.07	53.5%	66.5%
May 10, 2019	45,363,500.00	24,007,605.40	5,729,819.79	52.9%	65.6%
November 10, 2019	44,615,750.00	23,359,088.20	5,446,245.52	52.4%	64.6%
May 10, 2020	43,868,000.00	22,710,628.56	5,162,715.44	51.8%	63.5%
November 10, 2020	43,120,250.00	22,062,229.46	4,879,231.86	51.2%	62.5%
May 10, 2021	42,372,500.00	21,413,894.09	4,595,797.28	50.5%	61.4%
November 10, 2021	41,624,750.00	20,765,625.85	4,312,414.37	49.9%	60.2%
May 10, 2022	40,877,000.00	20,117,428.40	4,029,085.99	49.2%	59.1%
November 10, 2022	40,129,250.00	19,469,305.67	3,745,815.22	48.5%	57.9%
May 10, 2023	39,381,500.00	18,821,261.88	3,462,605.39	47.8%	56.6%
November 10, 2023	38,633,750.00	18,173,301.58	0.00	47.0%	—
May 10, 2024	37,886,000.00	17,525,429.68	0.00	46.3%	—
November 10, 2024	37,138,250.00	16,877,651.47	0.00	45.4%	—
May 10, 2025	36,390,500.00	16,229,972.69	0.00	44.6%	—
November 10, 2025	35,642,750.00	15,582,399.52	0.00	43.7%	—
May 10, 2026	34,895,000.00	14,934,938.72	0.00	42.8%	—
November 10, 2026	34,147,250.00	14,287,597.59	0.00	41.8%	—
May 10, 2027	33,399,500.00	13,640,384.10	0.00	40.8%	—
November 10, 2027	32,651,750.00	12,993,306.94	0.00	39.8%	—
May 10, 2028	31,904,000.00	0.00	0.00	—	—

		EI-FJP			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$49,850,000.00	$27,418,000.00	$7,477,000.00	55.0%	70.0%
November 10, 2016	49,102,250.00	27,418,000.00	7,477,000.00	55.8%	71.1%
May 10, 2017	48,354,500.00	26,602,196.81	6,864,517.34	55.0%	69.2%
November 10, 2017	47,606,750.00	25,953,475.46	6,580,786.69	54.5%	68.3%
May 10, 2018	46,859,000.00	25,304,801.56	6,297,092.34	54.0%	67.4%
November 10, 2018	46,111,250.00	24,656,177.39	6,013,436.07	53.5%	66.5%
May 10, 2019	45,363,500.00	24,007,605.40	5,729,819.79	52.9%	65.6%
November 10, 2019	44,615,750.00	23,359,088.20	5,446,245.52	52.4%	64.6%
May 10, 2020	43,868,000.00	22,710,628.56	5,162,715.44	51.8%	63.5%
November 10, 2020	43,120,250.00	22,062,229.46	4,879,231.86	51.2%	62.5%
May 10, 2021	42,372,500.00	21,413,894.09	4,595,797.28	50.5%	61.4%
November 10, 2021	41,624,750.00	20,765,625.85	4,312,414.37	49.9%	60.2%
May 10, 2022	40,877,000.00	20,117,428.40	4,029,085.99	49.2%	59.1%
November 10, 2022	40,129,250.00	19,469,305.67	3,745,815.22	48.5%	57.9%
May 10, 2023	39,381,500.00	18,821,261.88	3,462,605.39	47.8%	56.6%
November 10, 2023	38,633,750.00	18,173,301.58	0.00	47.0%	—
May 10, 2024	37,886,000.00	17,525,429.68	0.00	46.3%	—
November 10, 2024	37,138,250.00	16,877,651.47	0.00	45.4%	—
May 10, 2025	36,390,500.00	16,229,972.69	0.00	44.6%	—
November 10, 2025	35,642,750.00	15,582,399.52	0.00	43.7%	—
May 10, 2026	34,895,000.00	14,934,938.72	0.00	42.8%	—
November 10, 2026	34,147,250.00	14,287,597.59	0.00	41.8%	—
May 10, 2027	33,399,500.00	13,640,384.10	0.00	40.8%	—
November 10, 2027	32,651,750.00	12,993,306.94	0.00	39.8%	—
May 10, 2028	31,904,000.00	0.00	0.00	—	—

		EI-FJS			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$49,850,000.00	$27,418,000.00	$7,477,000.00	55.0%	70.0%
November 10, 2016	49,102,250.00	27,418,000.00	7,477,000.00	55.8%	71.1%
May 10, 2017	48,354,500.00	27,013,570.99	6,972,336.98	55.9%	70.3%
November 10, 2017	47,606,750.00	26,361,121.68	6,685,799.25	55.4%	69.4%
May 10, 2018	46,859,000.00	25,708,601.59	6,399,207.35	54.9%	68.5%
November 10, 2018	46,111,250.00	25,056,007.30	6,112,558.65	54.3%	67.6%
May 10, 2019	45,363,500.00	24,403,335.16	5,825,850.29	53.8%	66.6%
November 10, 2019	44,615,750.00	23,750,581.29	5,539,079.25	53.2%	65.6%
May 10, 2020	43,868,000.00	23,097,741.54	5,252,242.29	52.7%	64.6%
November 10, 2020	43,120,250.00	22,444,811.47	4,965,335.95	52.1%	63.6%
May 10, 2021	42,372,500.00	21,791,786.34	4,678,356.52	51.4%	62.5%
November 10, 2021	41,624,750.00	21,138,661.04	4,391,300.00	50.8%	61.3%
May 10, 2022	40,877,000.00	20,485,430.14	4,104,162.12	50.1%	60.2%
November 10, 2022	40,129,250.00	19,832,087.76	3,816,938.30	49.4%	58.9%
May 10, 2023	39,381,500.00	19,178,627.61	3,529,623.56	48.7%	57.7%
November 10, 2023	38,633,750.00	18,525,042.90	0.00	48.0%	—
May 10, 2024	37,886,000.00	17,871,326.32	0.00	47.2%	—
November 10, 2024	37,138,250.00	17,217,469.96	0.00	46.4%	—
May 10, 2025	36,390,500.00	16,563,465.27	0.00	45.5%	—
November 10, 2025	35,642,750.00	15,909,303.01	0.00	44.6%	—
May 10, 2026	34,895,000.00	15,254,973.12	0.00	43.7%	—
November 10, 2026	34,147,250.00	14,600,464.69	0.00	42.8%	—
May 10, 2027	33,399,500.00	13,945,765.83	0.00	41.8%	—
November 10, 2027	32,651,750.00	13,290,863.59	0.00	40.7%	—
May 10, 2028	31,904,000.00	0.00	0.00	—	—

Date	Assumed Aircraft Value	EI-FJT Outstanding Balance Series A Equipment Notes	Outstanding Balance Series B Equipment Notes	Loan to Value Ratio Series A Equipment Notes	Loan to Value Ratio Series B Equipment Notes
At Issuance	$50,100,000.00	$27,555,000.00	$7,515,000.00	55.0%	70.0%
November 10, 2016	50,100,000.00	27,555,000.00	7,515,000.00	55.0%	70.0%
May 10, 2017	49,348,500.00	27,149,045.27	7,007,303.57	55.0%	69.2%
November 10, 2017	48,597,000.00	26,493,323.89	6,719,328.83	54.5%	68.3%
May 10, 2018	47,845,500.00	25,837,531.38	6,431,299.67	54.0%	67.4%
November 10, 2018	47,094,000.00	25,181,664.30	6,143,213.40	53.5%	66.5%
May 10, 2019	46,342,500.00	24,525,718.99	5,855,067.19	52.9%	65.6%
November 10, 2019	45,591,000.00	23,869,691.53	5,566,857.98	52.4%	64.6%
May 10, 2020	44,839,500.00	23,213,577.76	5,278,582.53	51.8%	63.5%
November 10, 2020	44,088,000.00	22,557,373.22	4,990,237.34	51.2%	62.5%
May 10, 2021	43,336,500.00	21,901,073.13	4,701,818.68	50.5%	61.4%
November 10, 2021	42,585,000.00	21,244,672.38	4,413,322.57	49.9%	60.3%
May 10, 2022	41,833,500.00	20,588,165.49	4,124,744.68	49.2%	59.1%
November 10, 2022	41,082,000.00	19,931,546.58	3,836,080.41	48.5%	57.9%
May 10, 2023	40,330,500.00	19,274,809.30	3,547,324.78	47.8%	56.6%
November 10, 2023	39,579,000.00	18,617,946.83	0.00	47.0%	—
May 10, 2024	38,827,500.00	17,960,951.83	0.00	46.3%	—
November 10, 2024	38,076,000.00	17,303,816.35	0.00	45.4%	—
May 10, 2025	37,324,500.00	16,646,531.80	0.00	44.6%	—
November 10, 2025	36,573,000.00	15,989,088.88	0.00	43.7%	—
May 10, 2026	35,821,500.00	15,331,477.50	0.00	42.8%	—
November 10, 2026	35,070,000.00	14,673,686.68	0.00	41.8%	—
May 10, 2027	34,318,500.00	14,015,704.48	0.00	40.8%	—
November 10, 2027	33,567,000.00	13,357,517.87	0.00	39.8%	—
May 10, 2028	32,815,500.00	0.00	0.00	—	—

		EI-FJU			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$50,100,000.00	$27,555,000.00	$7,515,000.00	55.0%	70.0%
November 10, 2016	50,100,000.00	27,555,000.00	7,515,000.00	55.0%	70.0%
May 10, 2017	49,348,500.00	27,149,045.27	7,007,303.57	55.0%	69.2%
November 10, 2017	48,597,000.00	26,493,323.89	6,719,328.83	54.5%	68.3%
May 10, 2018	47,845,500.00	25,837,531.38	6,431,299.67	54.0%	67.4%
November 10, 2018	47,094,000.00	25,181,664.30	6,143,213.40	53.5%	66.5%
May 10, 2019	46,342,500.00	24,525,718.99	5,855,067.19	52.9%	65.6%
November 10, 2019	45,591,000.00	23,869,691.53	5,566,857.98	52.4%	64.6%
May 10, 2020	44,839,500.00	23,213,577.76	5,278,582.53	51.8%	63.5%
November 10, 2020	44,088,000.00	22,557,373.22	4,990,237.34	51.2%	62.5%
May 10, 2021	43,336,500.00	21,901,073.13	4,701,818.68	50.5%	61.4%
November 10, 2021	42,585,000.00	21,244,672.38	4,413,322.57	49.9%	60.3%
May 10, 2022	41,833,500.00	20,588,165.49	4,124,744.68	49.2%	59.1%
November 10, 2022	41,082,000.00	19,931,546.58	3,836,080.41	48.5%	57.9%
May 10, 2023	40,330,500.00	19,274,809.30	3,547,324.78	47.8%	56.6%
November 10, 2023	39,579,000.00	18,617,946.83	0.00	47.0%	—
May 10, 2024	38,827,500.00	17,960,951.83	0.00	46.3%	—
November 10, 2024	38,076,000.00	17,303,816.35	0.00	45.4%	—
May 10, 2025	37,324,500.00	16,646,531.80	0.00	44.6%	—
November 10, 2025	36,573,000.00	15,989,088.88	0.00	43.7%	—
May 10, 2026	35,821,500.00	15,331,477.50	0.00	42.8%	—
November 10, 2026	35,070,000.00	14,673,686.68	0.00	41.8%	—
May 10, 2027	34,318,500.00	14,015,704.48	0.00	40.8%	—
November 10, 2027	33,567,000.00	13,357,517.87	0.00	39.8%	—
May 10, 2028	32,815,500.00	0.00	0.00	—	—

		EI-FJV			
	Assumed	Outstanding Balance		Loan to Value Ratio	
Date	Aircraft Value	Series A Equipment Notes	Series B Equipment Notes	Series A Equipment Notes	Series B Equipment Notes
At Issuance	$50,100,000.00	$27,555,000.00	$7,515,000.00	55.0%	70.0%
November 10, 2016	50,100,000.00	27,555,000.00	7,515,000.00	55.0%	70.0%
May 10, 2017	49,348,500.00	27,149,045.27	7,007,303.57	55.0%	69.2%
November 10, 2017	48,597,000.00	26,493,323.89	6,719,328.83	54.5%	68.3%
May 10, 2018	47,845,500.00	25,837,531.38	6,431,299.67	54.0%	67.4%
November 10, 2018	47,094,000.00	25,181,664.30	6,143,213.40	53.5%	66.5%
May 10, 2019	46,342,500.00	24,525,718.99	5,855,067.19	52.9%	65.6%
November 10, 2019	45,591,000.00	23,869,691.53	5,566,857.98	52.4%	64.6%
May 10, 2020	44,839,500.00	23,213,577.76	5,278,582.53	51.8%	63.5%
November 10, 2020	44,088,000.00	22,557,373.22	4,990,237.34	51.2%	62.5%
May 10, 2021	43,336,500.00	21,901,073.13	4,701,818.68	50.5%	61.4%
November 10, 2021	42,585,000.00	21,244,672.38	4,413,322.57	49.9%	60.3%
May 10, 2022	41,833,500.00	20,588,165.49	4,124,744.68	49.2%	59.1%
November 10, 2022	41,082,000.00	19,931,546.58	3,836,080.41	48.5%	57.9%
May 10, 2023	40,330,500.00	19,274,809.30	3,547,324.78	47.8%	56.6%
November 10, 2023	39,579,000.00	18,617,946.83	0.00	47.0%	—
May 10, 2024	38,827,500.00	17,960,951.83	0.00	46.3%	—
November 10, 2024	38,076,000.00	17,303,816.35	0.00	45.4%	—
May 10, 2025	37,324,500.00	16,646,531.80	0.00	44.6%	—
November 10, 2025	36,573,000.00	15,989,088.88	0.00	43.7%	—
May 10, 2026	35,821,500.00	15,331,477.50	0.00	42.8%	—
November 10, 2026	35,070,000.00	14,673,686.68	0.00	41.8%	—
May 10, 2027	34,318,500.00	14,015,704.48	0.00	40.8%	—
November 10, 2027	33,567,000.00	13,357,517.87	0.00	39.8%	—
May 10, 2028	32,815,500.00	0.00	0.00	—	—

APPENDIX IV—EQUIPMENT NOTE PRINCIPAL AMOUNTS AND AMORTIZATION SCHEDULES

The following tables set forth the original principal amount and principal amortization schedule for each series of Equipment Notes issued with respect to an Aircraft:

	EI-FJK			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,280,000.00	$7,440,000.00	$ 0.00	$ 0.00
November 10, 2016	27,280,000.00	7,440,000.00	0.00	0.00
May 10, 2017	26,468,785.59	6,830,091.48	811,214.41	609,908.52
November 10, 2017	25,823,317.61	6,547,783.75	645,467.98	282,307.73
May 10, 2018	25,177,896.84	6,265,512.14	645,420.77	282,271.61
November 10, 2018	24,532,525.55	5,983,278.42	645,371.29	282,233.72
May 10, 2019	23,887,206.18	5,701,084.49	645,319.37	282,193.93
November 10, 2019	23,241,941.31	5,418,932.35	645,264.87	282,152.14
May 10, 2020	22,596,733.73	5,136,824.19	645,207.58	282,108.16
November 10, 2020	21,951,586.38	4,854,762.29	645,147.35	282,061.90
May 10, 2021	21,306,502.44	4,572,749.15	645,083.94	282,013.14
November 10, 2021	20,661,485.30	4,290,787.42	645,017.14	281,961.73
May 10, 2022	20,016,538.59	4,008,879.94	644,946.71	281,907.48
November 10, 2022	19,371,666.22	3,727,029.79	644,872.37	281,850.15
May 10, 2023	18,726,872.40	3,445,240.27	644,793.82	281,789.52
November 10, 2023	18,082,161.66	0.00	644,710.74	3,445,240.27
May 10, 2024	17,437,538.86	0.00	644,622.80	0.00
November 10, 2024	16,793,009.29	0.00	644,529.57	0.00
May 10, 2025	16,148,578.64	0.00	644,430.65	0.00
November 10, 2025	15,504,253.09	0.00	644,325.55	0.00
May 10, 2026	14,860,039.33	0.00	644,213.76	0.00
November 10, 2026	14,215,944.64	0.00	644,094.69	0.00
May 10, 2027	13,571,976.96	0.00	643,967.68	0.00
November 10, 2027	12,928,144.92	0.00	643,832.04	0.00
May 10, 2028	0.00	0.00	12,928,144.92	0.00

	EI-FJL			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,280,000.00	$7,440,000.00	$ 0.00	$ 0.00
November 10, 2016	27,280,000.00	7,440,000.00	0.00	0.00
May 10, 2017	26,468,785.59	6,830,091.48	811,214.41	609,908.52
November 10, 2017	25,823,317.61	6,547,783.75	645,467.98	282,307.73
May 10, 2018	25,177,896.84	6,265,512.14	645,420.77	282,271.61
November 10, 2018	24,532,525.55	5,983,278.42	645,371.29	282,233.72
May 10, 2019	23,887,206.18	5,701,084.49	645,319.37	282,193.93
November 10, 2019	23,241,941.31	5,418,932.35	645,264.87	282,152.14
May 10, 2020	22,596,733.73	5,136,824.19	645,207.58	282,108.16
November 10, 2020	21,951,586.38	4,854,762.29	645,147.35	282,061.90
May 10, 2021	21,306,502.44	4,572,749.15	645,083.94	282,013.14
November 10, 2021	20,661,485.30	4,290,787.42	645,017.14	281,961.73
May 10, 2022	20,016,538.59	4,008,879.94	644,946.71	281,907.48
November 10, 2022	19,371,666.22	3,727,029.79	644,872.37	281,850.15
May 10, 2023	18,726,872.40	3,445,240.27	644,793.82	281,789.52
November 10, 2023	18,082,161.66	0.00	644,710.74	3,445,240.27
May 10, 2024	17,437,538.86	0.00	644,622.80	0.00
November 10, 2024	16,793,009.29	0.00	644,529.57	0.00
May 10, 2025	16,148,578.64	0.00	644,430.65	0.00
November 10, 2025	15,504,253.09	0.00	644,325.55	0.00
May 10, 2026	14,860,039.33	0.00	644,213.76	0.00
November 10, 2026	14,215,944.64	0.00	644,094.69	0.00
May 10, 2027	13,571,976.96	0.00	643,967.68	0.00
November 10, 2027	12,928,144.92	0.00	643,832.04	0.00
May 10, 2028	0.00	0.00	12,928,144.92	0.00

	EI-FJM			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	**Series A Equipment Note**	**Series B Equipment Note**	**Series A Equipment Note**	**Series B Equipment Note**
At Issuance	$27,418,000.00	$7,477,000.00	$ 0.00	$ 0.00
November 10, 2016	27,418,000.00	7,477,000.00	0.00	0.00
May 10, 2017	26,602,196.81	6,864,517.34	815,803.19	612,482.66
November 10, 2017	25,953,475.46	6,580,786.69	648,721.35	283,730.65
May 10, 2018	25,304,801.56	6,297,092.34	648,673.90	283,694.35
November 10, 2018	24,656,177.39	6,013,436.07	648,624.17	283,656.27
May 10, 2019	24,007,605.40	5,729,819.79	648,571.99	283,616.28
November 10, 2019	23,359,088.20	5,446,245.52	648,517.20	283,574.27
May 10, 2020	22,710,628.56	5,162,715.44	648,459.64	283,530.08
November 10, 2020	22,062,229.46	4,879,231.86	648,399.10	283,483.58
May 10, 2021	21,413,894.09	4,595,797.28	648,335.37	283,434.58
November 10, 2021	20,765,625.85	4,312,414.37	648,268.24	283,382.91
May 10, 2022	20,117,428.40	4,029,085.99	648,197.45	283,328.38
November 10, 2022	19,469,305.67	3,745,815.22	648,122.73	283,270.77
May 10, 2023	18,821,261.88	3,462,605.39	648,043.79	283,209.83
November 10, 2023	18,173,301.58	0.00	647,960.30	3,462,605.39
May 10, 2024	17,525,429.68	0.00	647,871.90	0.00
November 10, 2024	16,877,651.47	0.00	647,778.21	0.00
May 10, 2025	16,229,972.69	0.00	647,678.78	0.00
November 10, 2025	15,582,399.52	0.00	647,573.17	0.00
May 10, 2026	14,934,938.72	0.00	647,460.80	0.00
November 10, 2026	14,287,597.59	0.00	647,341.13	0.00
May 10, 2027	13,640,384.10	0.00	647,213.49	0.00
November 10, 2027	12,993,306.94	0.00	647,077.16	0.00
May 10, 2028	0.00	0.00	12,993,306.94	0.00

	EI-FJN			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,418,000.00	$7,477,000.00	$ 0.00	$ 0.00
November 10, 2016	27,418,000.00	7,477,000.00	0.00	0.00
May 10, 2017	26,602,196.81	6,864,517.34	815,803.19	612,482.66
November 10, 2017	25,953,475.46	6,580,786.69	648,721.35	283,730.65
May 10, 2018	25,304,801.56	6,297,092.34	648,673.90	283,694.35
November 10, 2018	24,656,177.39	6,013,436.07	648,624.17	283,656.27
May 10, 2019	24,007,605.40	5,729,819.79	648,571.99	283,616.28
November 10, 2019	23,359,088.20	5,446,245.52	648,517.20	283,574.27
May 10, 2020	22,710,628.56	5,162,715.44	648,459.64	283,530.08
November 10, 2020	22,062,229.46	4,879,231.86	648,399.10	283,483.58
May 10, 2021	21,413,894.09	4,595,797.28	648,335.37	283,434.58
November 10, 2021	20,765,625.85	4,312,414.37	648,268.24	283,382.91
May 10, 2022	20,117,428.40	4,029,085.99	648,197.45	283,328.38
November 10, 2022	19,469,305.67	3,745,815.22	648,122.73	283,270.77
May 10, 2023	18,821,261.88	3,462,605.39	648,043.79	283,209.83
November 10, 2023	18,173,301.58	0.00	647,960.30	3,462,605.39
May 10, 2024	17,525,429.68	0.00	647,871.90	0.00
November 10, 2024	16,877,651.47	0.00	647,778.21	0.00
May 10, 2025	16,229,972.69	0.00	647,678.78	0.00
November 10, 2025	15,582,399.52	0.00	647,573.17	0.00
May 10, 2026	14,934,938.72	0.00	647,460.80	0.00
November 10, 2026	14,287,597.59	0.00	647,341.13	0.00
May 10, 2027	13,640,384.10	0.00	647,213.49	0.00
November 10, 2027	12,993,306.94	0.00	647,077.16	0.00
May 10, 2028	0.00	0.00	12,993,306.94	0.00

	EI-FJO			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,418,000.00	$7,477,000.00	$ 0.00	$ 0.00
November 10, 2016	27,418,000.00	7,477,000.00	0.00	0.00
May 10, 2017	26,602,196.81	6,864,517.34	815,803.19	612,482.66
November 10, 2017	25,953,475.46	6,580,786.69	648,721.35	283,730.65
May 10, 2018	25,304,801.56	6,297,092.34	648,673.90	283,694.35
November 10, 2018	24,656,177.39	6,013,436.07	648,624.17	283,656.27
May 10, 2019	24,007,605.40	5,729,819.79	648,571.99	283,616.28
November 10, 2019	23,359,088.20	5,446,245.52	648,517.20	283,574.27
May 10, 2020	22,710,628.56	5,162,715.44	648,459.64	283,530.08
November 10, 2020	22,062,229.46	4,879,231.86	648,399.10	283,483.58
May 10, 2021	21,413,894.09	4,595,797.28	648,335.37	283,434.58
November 10, 2021	20,765,625.85	4,312,414.37	648,268.24	283,382.91
May 10, 2022	20,117,428.40	4,029,085.99	648,197.45	283,328.38
November 10, 2022	19,469,305.67	3,745,815.22	648,122.73	283,270.77
May 10, 2023	18,821,261.88	3,462,605.39	648,043.79	283,209.83
November 10, 2023	18,173,301.58	0.00	647,960.30	3,462,605.39
May 10, 2024	17,525,429.68	0.00	647,871.90	0.00
November 10, 2024	16,877,651.47	0.00	647,778.21	0.00
May 10, 2025	16,229,972.69	0.00	647,678.78	0.00
November 10, 2025	15,582,399.52	0.00	647,573.17	0.00
May 10, 2026	14,934,938.72	0.00	647,460.80	0.00
November 10, 2026	14,287,597.59	0.00	647,341.13	0.00
May 10, 2027	13,640,384.10	0.00	647,213.49	0.00
November 10, 2027	12,993,306.94	0.00	647,077.16	0.00
May 10, 2028	0.00	0.00	12,993,306.94	0.00

	EI-FJP			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,418,000.00	$7,477,000.00	$ 0.00	$ 0.00
November 10, 2016	27,418,000.00	7,477,000.00	0.00	0.00
May 10, 2017	26,602,196.81	6,864,517.34	815,803.19	612,482.66
November 10, 2017	25,953,475.46	6,580,786.69	648,721.35	283,730.65
May 10, 2018	25,304,801.56	6,297,092.34	648,673.90	283,694.35
November 10, 2018	24,656,177.39	6,013,436.07	648,624.17	283,656.27
May 10, 2019	24,007,605.40	5,729,819.79	648,571.99	283,616.28
November 10, 2019	23,359,088.20	5,446,245.52	648,517.20	283,574.27
May 10, 2020	22,710,628.56	5,162,715.44	648,459.64	283,530.08
November 10, 2020	22,062,229.46	4,879,231.86	648,399.10	283,483.58
May 10, 2021	21,413,894.09	4,595,797.28	648,335.37	283,434.58
November 10, 2021	20,765,625.85	4,312,414.37	648,268.24	283,382.91
May 10, 2022	20,117,428.40	4,029,085.99	648,197.45	283,328.38
November 10, 2022	19,469,305.67	3,745,815.22	648,122.73	283,270.77
May 10, 2023	18,821,261.88	3,462,605.39	648,043.79	283,209.83
November 10, 2023	18,173,301.58	0.00	647,960.30	3,462,605.39
May 10, 2024	17,525,429.68	0.00	647,871.90	0.00
November 10, 2024	16,877,651.47	0.00	647,778.21	0.00
May 10, 2025	16,229,972.69	0.00	647,678.78	0.00
November 10, 2025	15,582,399.52	0.00	647,573.17	0.00
May 10, 2026	14,934,938.72	0.00	647,460.80	0.00
November 10, 2026	14,287,597.59	0.00	647,341.13	0.00
May 10, 2027	13,640,384.10	0.00	647,213.49	0.00
November 10, 2027	12,993,306.94	0.00	647,077.16	0.00
May 10, 2028	0.00	0.00	12,993,306.94	0.00

	EI-FJS			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,418,000.00	$7,477,000.00	$ 0.00	$ 0.00
November 10, 2016	27,418,000.00	7,477,000.00	0.00	0.00
May 10, 2017	27,013,570.99	6,972,336.98	404,429.01	504,663.02
November 10, 2017	26,361,121.68	6,685,799.25	652,449.31	286,537.73
May 10, 2018	25,708,601.59	6,399,207.35	652,520.09	286,591.90
November 10, 2018	25,056,007.30	6,112,558.65	652,594.29	286,648.70
May 10, 2019	24,403,335.16	5,825,850.29	652,672.14	286,708.36
November 10, 2019	23,750,581.29	5,539,079.25	652,753.87	286,771.04
May 10, 2020	23,097,741.54	5,252,242.29	652,839.75	286,836.96
November 10, 2020	22,444,811.47	4,965,335.95	652,930.07	286,906.34
May 10, 2021	21,791,786.34	4,678,356.52	653,025.13	286,979.43
November 10, 2021	21,138,661.04	4,391,300.00	653,125.30	287,056.52
May 10, 2022	20,485,430.14	4,104,162.12	653,230.90	287,137.88
November 10, 2022	19,832,087.76	3,816,938.30	653,342.38	287,223.82
May 10, 2023	19,178,627.61	3,529,623.56	653,460.15	287,314.74
November 10, 2023	18,525,042.90	0.00	653,584.71	3,529,623.56
May 10, 2024	17,871,326.32	0.00	653,716.58	0.00
November 10, 2024	17,217,469.96	0.00	653,856.36	0.00
May 10, 2025	16,563,465.27	0.00	654,004.69	0.00
November 10, 2025	15,909,303.01	0.00	654,162.26	0.00
May 10, 2026	15,254,973.12	0.00	654,329.89	0.00
November 10, 2026	14,600,464.69	0.00	654,508.43	0.00
May 10, 2027	13,945,765.83	0.00	654,698.86	0.00
November 10, 2027	13,290,863.59	0.00	654,902.24	0.00
May 10, 2028	0.00	0.00	13,290,863.59	0.00

	EI-FJT			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,555,000.00	$7,515,000.00	$ 0.00	$ 0.00
November 10, 2016	27,555,000.00	7,515,000.00	0.00	0.00
May 10, 2017	27,149,045.27	7,007,303.57	405,954.73	507,696.43
November 10, 2017	26,493,323.89	6,719,328.83	655,721.38	287,974.74
May 10, 2018	25,837,531.38	6,431,299.67	655,792.51	288,029.16
November 10, 2018	25,181,664.30	6,143,213.40	655,867.08	288,086.27
May 10, 2019	24,525,718.99	5,855,067.19	655,945.31	288,146.21
November 10, 2019	23,869,691.53	5,566,857.98	656,027.46	288,209.21
May 10, 2020	23,213,577.76	5,278,582.53	656,113.77	288,275.45
November 10, 2020	22,557,373.22	4,990,237.34	656,204.54	288,345.19
May 10, 2021	21,901,073.13	4,701,818.68	656,300.09	288,418.66
November 10, 2021	21,244,672.38	4,413,322.57	656,400.75	288,496.11
May 10, 2022	20,588,165.49	4,124,744.68	656,506.89	288,577.89
November 10, 2022	19,931,546.58	3,836,080.41	656,618.91	288,664.27
May 10, 2023	19,274,809.30	3,547,324.78	656,737.28	288,755.63
November 10, 2023	18,617,946.83	0.00	656,862.47	3,547,324.78
May 10, 2024	17,960,951.83	0.00	656,995.00	0.00
November 10, 2024	17,303,816.35	0.00	657,135.48	0.00
May 10, 2025	16,646,531.80	0.00	657,284.55	0.00
November 10, 2025	15,989,088.88	0.00	657,442.92	0.00
May 10, 2026	15,331,477.50	0.00	657,611.38	0.00
November 10, 2026	14,673,686.68	0.00	657,790.82	0.00
May 10, 2027	14,015,704.48	0.00	657,982.20	0.00
November 10, 2027	13,357,517.87	0.00	658,186.61	0.00
May 10, 2028	0.00	0.00	13,357,517.87	0.00

	EI-FJU			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,555,000.00	$7,515,000.00	$ 0.00	$ 0.00
November 10, 2016	27,555,000.00	7,515,000.00	0.00	0.00
May 10, 2017	27,149,045.27	7,007,303.57	405,954.73	507,696.43
November 10, 2017	26,493,323.89	6,719,328.83	655,721.38	287,974.74
May 10, 2018	25,837,531.38	6,431,299.67	655,792.51	288,029.16
November 10, 2018	25,181,664.30	6,143,213.40	655,867.08	288,086.27
May 10, 2019	24,525,718.99	5,855,067.19	655,945.31	288,146.21
November 10, 2019	23,869,691.53	5,566,857.98	656,027.46	288,209.21
May 10, 2020	23,213,577.76	5,278,582.53	656,113.77	288,275.45
November 10, 2020	22,557,373.22	4,990,237.34	656,204.54	288,345.19
May 10, 2021	21,901,073.13	4,701,818.68	656,300.09	288,418.66
November 10, 2021	21,244,672.38	4,413,322.57	656,400.75	288,496.11
May 10, 2022	20,588,165.49	4,124,744.68	656,506.89	288,577.89
November 10, 2022	19,931,546.58	3,836,080.41	656,618.91	288,664.27
May 10, 2023	19,274,809.30	3,547,324.78	656,737.28	288,755.63
November 10, 2023	18,617,946.83	0.00	656,862.47	3,547,324.78
May 10, 2024	17,960,951.83	0.00	656,995.00	0.00
November 10, 2024	17,303,816.35	0.00	657,135.48	0.00
May 10, 2025	16,646,531.80	0.00	657,284.55	0.00
November 10, 2025	15,989,088.88	0.00	657,442.92	0.00
May 10, 2026	15,331,477.50	0.00	657,611.38	0.00
November 10, 2026	14,673,686.68	0.00	657,790.82	0.00
May 10, 2027	14,015,704.48	0.00	657,982.20	0.00
November 10, 2027	13,357,517.87	0.00	658,186.61	0.00
May 10, 2028	0.00	0.00	13,357,517.87	0.00

	EI-FJV			
	Equipment Note Ending Balance		Scheduled Payments of Principal	
Date	Series A Equipment Note	Series B Equipment Note	Series A Equipment Note	Series B Equipment Note
At Issuance	$27,555,000.00	$7,515,000.00	$ 0.00	$ 0.00
November 10, 2016	27,555,000.00	7,515,000.00	0.00	0.00
May 10, 2017	27,149,045.27	7,007,303.57	405,954.73	507,696.43
November 10, 2017	26,493,323.89	6,719,328.83	655,721.38	287,974.74
May 10, 2018	25,837,531.38	6,431,299.67	655,792.51	288,029.16
November 10, 2018	25,181,664.30	6,143,213.40	655,867.08	288,086.27
May 10, 2019	24,525,718.99	5,855,067.19	655,945.31	288,146.21
November 10, 2019	23,869,691.53	5,566,857.98	656,027.46	288,209.21
May 10, 2020	23,213,577.76	5,278,582.53	656,113.77	288,275.45
November 10, 2020	22,557,373.22	4,990,237.34	656,204.54	288,345.19
May 10, 2021	21,901,073.13	4,701,818.68	656,300.09	288,418.66
November 10, 2021	21,244,672.38	4,413,322.57	656,400.75	288,496.11
May 10, 2022	20,588,165.49	4,124,744.68	656,506.89	288,577.89
November 10, 2022	19,931,546.58	3,836,080.41	656,618.91	288,664.27
May 10, 2023	19,274,809.30	3,547,324.78	656,737.28	288,755.63
November 10, 2023	18,617,946.83	0.00	656,862.47	3,547,324.78
May 10, 2024	17,960,951.83	0.00	656,995.00	0.00
November 10, 2024	17,303,816.35	0.00	657,135.48	0.00
May 10, 2025	16,646,531.80	0.00	657,284.55	0.00
November 10, 2025	15,989,088.88	0.00	657,442.92	0.00
May 10, 2026	15,331,477.50	0.00	657,611.38	0.00
November 10, 2026	14,673,686.68	0.00	657,790.82	0.00
May 10, 2027	14,015,704.48	0.00	657,982.20	0.00
November 10, 2027	13,357,517.87	0.00	658,186.61	0.00
May 10, 2028	0.00	0.00	13,357,517.87	0.00

INDEX TO FINANCIAL STATEMENTS

UNAUDITED INTERIM FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

(1) The paragraphs in the Independent Auditor's Report that refer to the *Opinion on the financial statements for the parent company*, and *Other Legal and Regulatory Requirements*, refer to information not included in this offering memorandum.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

(Amounts in NOK million)	*Note*	Q1 2016	Q1 2015	Full Year 2015
Operating revenue				
Total operating revenue	*3*	**4,960.6**	4,034.3	22,491.1
Total operating revenue		**4,960.6**	4,034.3	22,491.1
Operating expenses				
Operational expenses		**3,073.9**	2,831.6	13,593.0
Payroll and other personnel expenses		**924.6**	796.6	3,433.7
Other operating expenses		**899.6**	337.7	1,770.1
Total operating expenses		**4,898.0**	3,965.9	18,796.8
Leasing		**668.7**	570.4	2,213.3
Depreciation and amortization		**288.4**	220.4	1,133.3
Operating profit		**(894.5)**	(722.4)	347.8
Financial items				
Interest income		**12.8**	14.0	76.3
Interest expense		**132.1**	78.2	349.7
Other financial income (expense)		**(13.9)**	(11.9)	(102.7)
Net financial items		**(133.1)**	(76.1)	(376.2)
Profit/Loss from associated company		**35.8**	22.1	103.4
Profit (loss) before tax		**(991.9)**	(776.5)	75.0
Income tax expense (income)		**(191.9)**	(238.2)	(171.1)
Net profit (loss)		**(800.0)**	(538.3)	246.2
Net profit attributable to:				
Owners of the parent company		**(800.0)**	(538.3)	246.2
Earnings per share (NOK)—Basic		**(22.4)**	(15.3)	7.0
Earnings per share (NOK)—Diluted		**(22.4)**	(15.0)	7.0
No. of shares at the end of the period		**35,759,639**	35,162,139	35,759,639
Average no. of shares outstanding		**35,759,639**	35,162,139	35,233,540
Average no. of shares outstanding—diluted		**35,759,639**	35,787,139	35,726,319

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	*Note*	At 31 March 2016	At 31 March 2015	At 31 Dec 2015
ASSETS				
Non-current assets				
Intangible assets		**982.2**	957.9	800.3
Tangible fixed assets		**24,694.2**	19,997.0	24,812.2
Fixed asset investments		**937.2**	793.9	910.3
Total non-current assets		**26,613.6**	21,748.8	26,522.7
Current assets				
Inventory		**100.0**	81.1	104.1
Receivables		**3,080.1**	2,916.7	2,553.1
Cash and cash equivalents		**3,189.8**	1,615.4	2,454.2
Total current assets		**6,369.8**	4,613.2	5,111.4
TOTAL ASSETS		**32,983.4**	26,362.0	31,634.1
EQUITY AND LIABILITIES				
Shareholders equity				
Paid-in capital	*7*	**1,330.0**	1,187.2	1,330.0
Other equity		**655.5**	689.1	1,634.7
Total equity		**1,985.5**	1,876.3	2,965.3
Non-current liabilities				
Other non-current liabilities		**1,379.6**	1,356.6	1,392.4
Long term borrowings	*6*	**16,198.4**	10,790.0	16,543.4
Total non-current liabilities		**17,577.9**	12,146.6	17,935.8
Short term liabilities				
Current liabilities		**3,551.6**	2,954.7	3,677.6
Short term borrowings	*6*	**2,900.0**	3,922.0	3,041.4
Air traffic settlement liabilities		**6,968.5**	5,462.4	4,014.4
Total short term liabilities		**13,420.0**	12,339.1	10,733.4
Total liabilities		**30,998.0**	24,485.8	28,669.1
TOTAL EQUITY AND LIABILITIES		**32,983.4**	26,362.0	31,634.4

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(Amounts in NOK million)	Q1 2016	Q1 2015	Full Year 2015
OPERATING ACTIVITIES			
Profit before tax	**(991.9)**	(776.5)	75.0
Paid taxes	**0.0**	0.0	(44.1)
Depreciation, amortization and impairment	**288.4**	220.4	1,133.3
Changes in air traffic settlement liabilities	**2,954.1**	2,497.0	1,049.0
Changes in accounts receivable	**(584.2)**	(598.0)	(175.3)
Other adjustments	**341.0**	(347.4)	318.7
Net cash flows from operating activities	**2,007.3**	995.5	2,356.7
INVESTMENT ACTIVITIES			
Purchases, proceeds and prepayment of tangible assets	**(1,666.3)**	(1,597.0)	(5,189.2)
Net cash flows from investing activities	**(1,666.3)**	(1,597.0)	(5,189.2)
FINANCING ACTIVITIES			
Loan proceeds	**994.5**	576.9	5,771.4
Principal repayments	**(444.4)**	(259.1)	(1,827.5)
Financing costs paid	**(175.2)**	(121.7)	(799.7)
Proceeds from issuing new shares	**0.0**	0.0	138.1
Net cash flows from financing activities	**375.0**	196.1	3,282.3
Foreign exchange effect on cash	**19.7**	9.7	(6.8)
Net change in cash and cash equivalents	**735.6**	(395.7)	443.0
Cash and cash equivalents in beginning of period	**2,454.2**	2,011.1	2,011.1
Cash and cash equivalents in end of period	**3,189.8**	1,615.4	2,454.2

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK million)	Q1 2016	Q1 2015	Full Year 2015
Net profit (loss) for the period	**(800.0)**	(538.3)	246.2
Actuarial gains and losses	**0.0**	21.0	44.5
Exchange rate differences Group	**(179.8)**	283.1	421.1
Total comprehensive income for the period	**(979.8)**	(234.2)	711.8
Profit attributable to:			
Owners of the company	**(979.8)**	(234.2)	711.8

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK million)	Q1 2016	Q1 2015	Full Year 2015
Equity—Beginning of period	**2,965.3**	2,108.3	2,108.3
Total comprehensive income for the period	**(979.8)**	(234.2)	711.8
Share issue	**0.0**	0.0	138.1
Equity change on employee options	**0.0**	2.1	7.1
Equity—End of period	**1,985.5**	1,876.3	2,965.3

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 General and accounting principles

Norwegian Air Shuttle ASA (the Group) consists of Norwegian Air Shuttle ASA and its subsidiaries. The Company is a limited liability company incorporated in Norway. The condensed consolidated interim report comprise Norwegian Air Shuttle ASA and its subsidiaries (the Group).

The consolidated financial statements of the Group for the year ended December 31, 2015 is available upon request from the company's registered office at Oksenøyveien 3, 1330 Fornebu, Norway, or at www.norwegian.com.

These condensed consolidated interim financial statements have been prepared in accordance with rules and regulations of Oslo Stock Exchange and International Financial Reporting Standard (IAS) 34 Interim Financial Reporting. They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with consolidated financial statements for the Group at December 31, 2015. These condensed interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2015.

Judgments, estimates and assumptions

The preparation of condensed consolidated interim financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended December 31, 2015.

Note 2 Risk

SENSITIVITY ANALYSIS

Unaudited

	Effect on income MNOK
1% decrease in jet fuel price	35
1% depreciation of NOK against USD	(118)
1% depreciation of NOK against EURO	(8)

The sensitivity analysis reflects the effect on operating costs in 2016 by changes in market prices and exchange rates. The effect on operating costs is annualized based on current level of production, fuel prices and exchange rates. Operational hedges are not included in the calculation of the sensitivity.

Note 3 Revenue

Passenger revenue comprise only ticket revenue, while ancillary passenger revenue is other passenger related revenue such as optional extras. Other revenue consist of revenue not directly related to passengers such as cargo, third-party products, gain from sale of assets and other income.

OPERATING REVENUE BREAKDOWN

Unaudited *(Amounts in NOK million)*	**Q1 2016**	Q1 2015	*Change*	Full Year 2015
Per activity				
Passenger revenue	**3,970.9**	3,220.7	*23.3%*	18,505.8
Ancillary passenger revenue	**801.6**	676.4	*18.5%*	3,275.3
Other revenue	**188.1**	137.2	*37.1%*	710.1
Total operating revenue	**4,960.6**	4,034.3	*23.0%*	22,491.1
				0
Per geographical market				0.0
Domestic	**1,129.7**	981.4	*15.1%*	4,786.9
International	**3,830.9**	3,052.9	*25.5%*	17,704.2
Total operating revenue	**4,960.6**	4,034.3	*23.0%*	22,491.1

Note 4 Segment information

The Executive Management team reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment on these reports.

Executive Management considers the business as one operational segment, which is low cost air passenger travel. The Group's operating profit arises from airline-related activities and the only revenue generating assets of the Group are its aircraft fleet, which is employed flexibly across the entire operation and irrespective of geographic location.

Performance is measured by Executive management based on the operating segment earnings before interest, tax, depreciation and amortization (EBITDA). Other information is measured in a manner consistent with that in the financial statements.

Note 5 Information on related parties

During the first quarter 2016 there are no changes in related parties compared to the description in Note 26 in the Annual Report for 2015. There have been no significant transactions with related parties during the first quarter 2016.

Note 6 Borrowings

Unaudited

(Amounts in NOK million)	**At 31 March 2016**		**At 31 March 2015**		**At 31 Dec 2015**	
	Long term	Short term	Long term	Short term	Long term	Short term
Bond issue	**(3,199.0)**	**0.0**	(564.3)	(287.5)	(3,221.6)	0.0
Revolving credit facility	**(57.0)**	**(834.7)**	(195.3)	(2,546.2)	0.0	(1,473.5)
Aircraft financing	**(12,937.4)**	**(2,065.3)**	(10,028.1)	(1,088.4)	(13,321.8)	(1,567.9)
Financial lease liability	**(5.0)**	**0.0**	(2.3)	0.0	0.0	0.0
Total	**(16,198.4)**	**(2,900.0)**	(10,790.0)	(3,922.0)	(16,543.4)	(3,041.4)
Total Borrowings	**(19,098.3)**		(14,712.0)		(19,584.8)	

Note 7 Shareholder information

20 Largest shareholders at March 31, 2016

	Shareholder	Country	Number of shares	Percent
1	HBK INVEST AS	NOR	8,795,873	24.6%
2	FOLKETRYGDFONDET	NOR	3,026,203	8.5%
3	SKAGEN VEKST	NOR	1,109,539	3.1%
4	VERDIPAPIRFONDET DNB NORGE (IV)	NOR	1,100,000	3.1%
5	SKAGEN KON-TIKI	NOR	1,049,080	2.9%
6	DANSKE INVEST NORSKE INSTIT. II.	NOR	891,847	2.5%
7	CLEARSTREAM BANKING S.A.	LUX	800,000	2.2%
8	VERDIPAPIRFONDET DNB NORGE SELEKTI	NOR	644,158	1.8%
9	FERD AS	NOR	545,200	1.5%
10	KLP AKSJE NORGE VPF	NOR	518,575	1.5%
11	DANSKE INVEST NORSKE AKSJER INST	NOR	486,297	1.4%
12	VERDIPAPIRFONDET DELPHI NORDEN	GBR	444,172	1.2%
13	STATOIL PENSJON	NOR	413,985	1.2%
14	DNB NOR MARKETS, AKSJEHAND/ANALYSE	NOR	375,000	1.0%
15	JP MORGAN CHASE BANK, NA	NOR	366,374	1.0%
16	DNB LIVSFORSIKRING ASA	NOR	355,000	1.0%
17	VERDIPAPIRFONDET HANDELSBANKEN	NOR	347,432	1.0%
18	DATUM AS	NOR	312,653	0.9%
19	KOMMUNAL LANDSPENSJONSKASSE	NOR	304,816	0.9%
20	SKANDINAVISKA ENSKILDA BANKEN AB	SVE	294,243	0.8%
	Top 20 shareholders		**22,180,447**	**62.0%**
	Other shareholders		13,579,192	38.0%
	Total number of shares		**35,759,639**	**100.0%**

The parent company Norwegian Air Shuttle ASA had a total of 35,759,639 shares outstanding at March 31, 2016, equal to December 31, 2015. There were a total of 12,184 shareholders at the end of the quarter.

The shareholding of HBK Invest 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.

Note 8 Contingencies and legal claims

There are no additions or changes to the information regarding contingencies or legal claims presented in note 27 to the Annual Financial Statements for 2015.

Note 9 Events after the reporting date

Norwegian Air Shuttle ASA has successfully completed a tap issue of NOK 175 million in the unsecured bond NAS04 (ISIN NO001071386.0, maturity July 3, 2017). The total nominal amount outstanding in NAS04 after the tap issue will be NOK 1,000 million. The settlement date for the tap issue is expected to be April 15, 2016. Net proceeds from the tap issue will be used for general corporate purposes.

CONSOLIDATED FINANCIAL STATEMENTS 2015

CONSOLIDATED INCOME STATEMENT 1.1 - 31.12

NOK 1 000	*Note*	2015	2014
Revenues	*4*	**22 483 544**	19 540 039
Other income	*4*	**7 603**	
Total operating revenues and income		**22 491 148**	19 540 039
Operational expenses	*5*	**15 839 048**	15 360 124
Payroll	*6, 7, 17, 18*	**3 433 703**	3 208 987
Depreciation, amortization and impairment	*10, 11*	**1 133 287**	748 138
Other operating expenses	*5a*	**1 263 185**	1 049 577
Other losses/(gains) - net	*20*	**474 150**	583 751
Total operating expenses		**22 143 372**	20 950 577
Operating profit		**347 775**	(1 410 538)
Net financial items	*8*	**(376 178)**	(274 139)
Share of profit (loss) from associated company	*25*	**103 441**	57 631
Profit (loss) before tax		**75 038**	(1 627 047)
Income tax expense (income)	*9*	**(171 114)**	(557 284)
Profit (loss) for the year		**246 152**	(1 069 763)
Basic earnings per share	*16*	**6.99**	(30.42)
Diluted earnings per share	*16*	**6.92**	(29.89)
Profit attributable to:			
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)
Non-reversible income and losses:			
Actuarial gains and losses	*18*	**44 533**	(52 493)
Total reversible income and losses		**44 533**	(52 493)
Reversible income and losses:			
Available-for-sale financial assets		**—**	(1 158)
Exchange rate differences Group		**421 093**	467 359
Total reversible income and losses		**421 093**	466 201
Total comprehensive income for the period		**711 778**	(656 054)
Total comprehensive income attributable to:			
Owners of the Company		**711 778**	(656 054)

The notes on pages F-12 to F-61 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31

NOK 1 000	*Note*	2015	2014
ASSETS			
Non-current assets			
Intangible assets	*10*	206 675	206 826
Deferred tax asset	*9*	593 626	518 915
Aircraft, parts and installations on leased aircraft	*11*	18 507 706	12 527 932
Equipment and fixtures	*11*	79 508	83 687
Buildings	*11*	285 674	252 236
Financial lease asset	*11*	—	19 234
Financial assets available for sale	*3, 20*	82 689	82 689
Investment in associate	*25*	328 127	223 594
Prepayment to aircraft manufacturers	*11*	5 939 281	4 102 664
Other receivables	*13*	501 811	421 060
Total non-current assets		26 525 096	18 438 836
Current assets			
Inventory	*14*	104 141	82 851
Trade and other receivables	*13*	2 550 716	2 173 522
Cash and cash equivalents	*24*	2 454 160	2 011 139
Total current assets		5 109 017	4 267 512
Total assets		31 634 113	22 706 348
EQUITY AND LIABILITIES			
Equity	*15*		
Share capital		**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
Total equity		**2 965 312**	2 108 251
Non-current liabilities			
Pension obligation	*18*	**134 516**	201 883
Provision for periodic maintenance	*19*	**1 177 513**	835 480
Other long term liabilities	*19*	**80 338**	—
Deferred tax	*9*	**—**	169 851
Borrowings	*22*	**16 543 405**	9 950 228
Financial lease liability	*22*	**—**	3 227
Total non-current liabilities		**17 935 772**	11 160 669
Short term liabilities			
Short term part of borrowings	*22*	**3 041 388**	3 330 387
Trade and other payables	*21*	**2 862 566**	2 680 445
Air traffic settlement liabilities		**4 014 428**	2 965 427
Derivative financial instruments	*3, 20*	**782 523**	458 958
Tax payable	*9*	**32 123**	2 210
Total short term liabilities		**10 733 029**	9 437 427
Total liabilities		**28 668 801**	20 598 096
Total equity and liabilities		**31 634 113**	22 706 348

The notes on pages F-12 to F-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)*

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**
Equity December 31, 2014	3 516	1 093 549	87 221	1 184 287	455 099	468 865	**2 108 251**
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**
Equity December 31, 2015	3 576	1 231 632	94 362	1 329 571	876 192	759 550	**2 965 312**

The notes on pages F-12 to F-61 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT 1.1 – 31.12

NOK 1 000	*Note*	2015	2014
Cash flows from operating activities:			
Profit (loss) before tax		**75 038**	(1 627 047)
Taxes paid	*9*	**(44 056)**	(202 796)
Depreciation, amortization and write-down	*10, 11*	**1 133 287**	748 138
Pension expense without cash effect		**5 480**	21 569
Profit from associated company	*26*	**(103 441)**	(57 631)
Compensation expense for employee options	*17*	**7 141**	14 477
Fair value (gains)/losses on financial assets	*20*	**474 150**	583 751
Realized effects from currency and derivative contracts		**(899 161)**	(76 246)
Financial items	*8*	**376 178**	274 139
Interest received	*8*	**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)
Net cash flow from operating activities		**2 356 707**	287 104
Cash flows from investing activities:			
Prepayments aircraft purchase	*11*	**(3 138 767)**	(2 402 406)
Purchase of tangible assets	*11*	**(2 022 951)**	(2 580 099)
Purchase of intangible assets	*10*	**(45 685)**	(31 715)
Proceeds from sales of tangible assets	*11*	**18 250**	84 222
Payment to associated company	*26*	**—**	(1 389)
Net cash flow from investing activities		**(5 189 153)**	(4 931 386)
Cash flows from financial activities:			
Proceeds from long-term debt	*22*	**5 553 592**	6 060 958
Payment of long-term debt	*22*	**(1 827 543)**	(1 259 335)
Interest on borrowings		**(581 903)**	(323 192)
Proceeds from issuing new shares		**138 142**	—
Net cash flow from financial activities		**3 282 288**	4 478 431
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
Cash and cash equivalents at December 31	*24*	**2 454 160**	2 011 139

The notes on pages F-12 to F-61 are an integral part of these consolidated financial statements.

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 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to 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 comprize Norwegian Air Shuttle ASA, and its subsidiaries, presented in note 25. Additionally, the Group has consolidated Special Purpose Vehicles (SPVs) according to IFRS 10. The SPVs are solely established for aircraft financing purposes. The Group does not own the shares in those SPVs nor does it have control over the management of those SPVs, but the Group has accepted all risks and rewards related to the assets, liabilities and operations of the SPVs.

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

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

The consideration that is transferred for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The transferred consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Acquired identifiable assets 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 components. The first aircraft component is defined as maintenance components. In accordance with official requirements, the aircraft must be maintained which means significant components must be changed after a specific number of take-offs or airborne hours. These components are identified as two heavy maintenance checks of the aircraft body, power restoration and life limited parts for the two engines on each aircraft, as well as maintenance on landing gears and APU. The maintenance and overhauls of these components occur on a defined interval, and the value is depreciated based on the number of take-offs or airborne hours until the next maintenance is conducted. Completed maintenance and overhaul are capitalized and depreciated until the next relevant maintenance and overhauls. The second aircraft component is defined as the remainder of the aircraft and depreciated over the 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 annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the 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 reallocated 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 comprize 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 occur. Gains or losses that occur from changes in the fair value of the 'available-for-sale' category are presented in equity within other comprehensive income in the period in which they occur. 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 comprizes the number of shares multiplied by their nominal value, and are classified as equity.

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

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

1.14 Liabilities

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

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

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

1.15 Provisions

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

1.16 Employee benefits

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

1.16.1 Defined benefit plans

The Group operated a defined benefit pension plan until 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 comprizes current and deferred tax. Tax is recognized in the income statement, except to the extent when it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

1.17.1 Current income tax

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

1.17.2 Deferred income tax

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

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

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

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

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

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

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

1.18 Contingent assets and liabilities

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

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

Contingent liabilities are not recognized in the annual financial statements, but significant contingent liabilities are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

1.19 Revenue recognition

Revenue comprizes 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 comprizes 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 comprizes 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 comprizes 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. Cash-Points 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 Low-Fare 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 Cash-points 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.

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 maintenance. 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 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.

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.

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**
Total	25	65	176	**266**

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).

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

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2015				
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
Total financial liabilities	7 224 707	3 130 359	8 064 867	8 484 052

*) Calculated interests on borrowings

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2014				
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
Total financial liabilities	6 862 898	3 632 373	3 633 379	4 470 371

*) 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 consolidated 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:

NOK 1 000	2015	2014
Equity	**2 965 312**	2 108 251
Total assets	**31 634 113**	22 706 348
Equity ratio	**9.4%**	9.3%

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:

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

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

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
Assets				
Financial assets at fair value through profit and loss	—	—	—	**—**
Available-for-sale financial assets	—	—	82 689	**82 689**
Total assets	—	—	82 689	**82 689**
Liabilities				
- Derivative financial liabilities	—	458 958	—	**458 958**
Total liabilities	—	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
By activity:		
Passenger transport	**18 505 762**	16 254 622
Ancillary revenue	**3 275 289**	2 727 439
Other revenues	**702 493**	557 978
Total revenues	**22 483 544**	19 540 039
By geographic market:		
Domestic	**4 779 331**	4 591 938
International	**17 704 213**	14 948 101
Total revenues	**22 483 544**	19 540 039

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
Total operational expenses	**15 839 048**	15 360 124

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.

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
Total	**3 433 703**	3 208 987

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
Denmark	**283**	331
Finland	**175**	179
Spain	**819**	599
United Kingdom	**564**	280
Ireland	**55**	12
Singapore/Bangkok	**292**	369
USA	**228**	185
Total	**4 576**	4 375

*) 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.

Total compensation year 2015:

NOK 1 000	Fee	Salary	Bonus	Other benefits[2]	Total Compensation	Pension expense[3]
The Board of Directors						
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[1]	50	—	—	—	50	—
Kenneth Utsikt[1]	50	—	—	—	50	—
Linda Olsen[1]	50	—	—	—	50	—
Benedicte Elisabeth Schillbred Fasmer (Board member until January 1, 2015)	183	—	—	—	183	—
Total Board of Directors	1 408	—	—	—	1 408	—
Executive management						
Bjørn Kjos (Chief Executive Officer)	—	2 138	—	163	2 301[a]	65
Frode Foss (Chief Financial Officer)	—	2 169	—	163	2 332[b]	79
Asgeir Nyseth (CEO Norwegian UK Ltd.)[4]	—	2 738	—	163	2 901[c]	83
Gunnar Martinsen (Chief Human Resources Officer)	—	1 512	—	180	1 692[d]	70
Anne-Sissel Skånvik (Chief Communications Officer)	—	1 515	—	152	1 667[e]	92
Frode Berg (Chief Legal Officer)	—	1 627	—	158	1 785[f]	79
Geir Steiro (Chief Operating Officer)	—	1 793	—	162	1 955[g]	83
Thomas Ramdahl (Chief Commercial Officer)	—	1 508	—	163	1 671[h]	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
Total executive management		17 837	—	1 590	19 427	795

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

Total compensation year 2014:

NOK 1 000	Fee	Salary	Bonus	Other benefits[2]	Total Compensation	Pension expense[3]
The Board of Directors						
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[1]	50	—	—	—	50	—
Kenneth Utsikt[1]	50	—	—	—	50	—
Linda Olsen[1]	50	—	—	—	50	—
Benedicte Elisabeth Schillbred Fasmer (Board member from May 2014)	—	—	—	—	—	—
Total Board of Directors	1 500	—	—	—	1 500	—
Executive management						
Bjørn Kjos (Chief Executive Officer)[4]	—	2 918	—	169	3 087	80
Frode Foss (Chief Financial Officer)	—	2 116	—	175	2 291	76
Asgeir Nyseth (CEO Norwegian UK Ltd.)[5]	—	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	—
Total executive management	—	17 473	—	1 455	18 928	775

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 excercised 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.

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
Total	**8 071**	5 216

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)
Net financial items	**(376 178)**	(274 139)

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)
Income tax expense	**(171 114)**	(557 284)

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)
Tax effect of the following items:		
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
Tax expense	**(171 114)**	(557 284)
Effective tax rate	**(228.04%)**	34.25%

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	—
Gross deferred tax assets and liabilities	**593 625**	**—**	518 915	(169 851)
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)
Recognized at December 31	**593 625**	**—**	518 915	(169 851)

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.

NOTE 10: INTANGIBLE ASSETS

NOK 1 000	Software	Goodwill	Other intangible assets: Indefinite life	Other intangible assets: Definite life	Total
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.

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**
Acquisition cost at December 31, 2014	254 849	14 625 805	4 102 664	222 207	34 607	**19 240 132**
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**
Acquisition cost at December 31, 2015	293 845	21 944 173	5 939 281	256 442	6 301	**28 507 845**
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**
Accumulated depreciation at December 31, 2014	2 613	2 097 872	—	138 521	15 373	**2 254 380**
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**
Accumulated depreciation at December 31, 2015	8 171	3 436 467	—	176 934	6 301	**3 666 071**
Book value at December 31, 2014	252 236	12 527 931	4 102 664	83 688	19 233	**16 985 752**
Book value at December 31, 2015	285 674	18 507 706	5 939 281	79 508	0	**24 812 169**
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%	

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 rotable 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 and 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).

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

	Nominal value 2015				**Nominal value 2014**			
NOK 1 000	**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
Trade and other receivables	**2 471 465**	2 179 969
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
Prepayments	**581 062**	414 614
Total	**3 052 526**	2 594 583
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
Total	**3 052 526**	2 594 583

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
Total	**3 014 269**	2 558 511

*) 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)
Balance December 31	**15 974**	31 791

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
Total	**69 348**	146 793

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
Total	**104 141**	82 851

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**
December 31, 2014	35 162 139	3 516	1 093 549	**1 097 065**
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**
December 31, 2015	35 759 639	3 576	1 231 631	**1 235 207**

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%
Total number of shares	35 759 639	100%	100%

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%
Total number of shares	35 162 139	100%	100%

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[1]
Bjørn Kise[2]	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[3]	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

1) Including shares held by related parties

2) Bjørn Kise holds 8.2% of HBK invest AS

3) 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)	—

Specification of other reserves

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

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	**246 152**	(1 069 763)
Average number of shares outstanding	**35 233 540**	35 162 139
Average number of shares and options outstanding	**35 591 045**	35 787 139
Basic earnings per share	**6.99**	(30.42)
Diluted earnings per share	**6.92**	(29.89)

	2015	2014
Average number of shares outstanding	**35 233 540**	35 162 139
Dilutional effects		
Stock options	**357 505**	625 000
Average number of shares outstanding adjusted for dilutional effects	**35 591 045**	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	**625 000**	**231.20**	625 000	231.2
Exercised	**597 500**	**231.20**	—	—
Terminated	**27 500**	**231.20**	—	—
Outstanding at the end of the period	**—**	**—**	625 000	231.2
Vested options	**—**	**—**	—	—
Weighted average fair value of options allocated in the period	**—**	**—**	—	—

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	Funded 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
Net pension expense defined benefit plans	**18 265**	83 146
Pension expense on defined contribution plans	**199 758**	110 282
Social security tax	**27 476**	19 943
Total pension expense	**245 499**	213 371

Defined benefit liability and fund

NOK 1 000	Funded 2015	Funded 2014
Change in present value of defined benefit liability:		
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)**	—
Gross pension liability December 31	**193 582**	243 243
Change in fair value of plan assets:		
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)**	—
Fair value of plan assets December 31	**59 066**	65 613
Net pension liability	**134 516**	177 630
Social security tax	**—**	24 252
Net recognized pension liability December 31	**134 516**	201 883

	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
Deficit/(surplus) in the plan	**134 516**	177 630	110 468	—	439 705
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
Opening balance	**919 237**	467 607
Charges to the income statement	**(1 148 975)**	(781 870)
Accruals	**1 493 424**	1 233 499
Closing balance	**1 263 688**	919 237
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.

NOTE 20: FINANCIAL INSTRUMENTS

Financial instruments by category:

(NOK 1 000)	2015 Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
Assets as per balance sheet				
Available-for-sale financial assets	—	—	82 689	**82 689**
Derivative financial instruments	—	—	—	**—**
Trade and other receivables*	2 471 465	—	—	**2 471 465**
Cash and cash equivalents	2 454 160	—	—	**2 454 160**
Total	4 925 625	—	82 689	**5 008 314**
*) Prepayments not included in trade and other receivables	581 062			

(NOK 1 000)	2014 Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
Assets as per balance sheet				
Available-for-sale financial assets	—	—	82 689	**82 689**
Derivative financial instruments	—	—	—	**—**
Trade and other receivables*	2 179 876	—	—	**2 179 876**
Cash and cash equivalents	2 011 139	—	—	**2 011 139**
Total	4 191 014	—	82 689	**4 273 703**
*) Prepayments not included in trade and other receivables	414 614			

NOK 1 000	2015 Fair value through profit or loss	2015 Other financial liabilities	2015 Total
Liabilities per balance sheet			
Borrowings	—	19 584 793	**19 584 793**
Derivative financial instruments	782 523	—	**782 523**
Trade and other payables*	—	2 862 446	**2 862 446**
Total	782 523	22 447 240	**23 229 763**
*) Public duties not included in trade and other payables		123 068	

NOK 1 000	2014 Fair value through profit or loss	2014 Other financial liabilities	2014 Total
Liabilities per balance sheet			
Borrowings	—	13 283 842	**13 283 842**
Derivative financial instruments	458 958	—	**458 958**
Trade and other payables*	—	2 680 312	**2 680 312**
Total	458 958	15 964 154	**16 423 112**
*) Public duties not included in trade and other payables		132 753	

See note 22 for details related to borrowings.

Credit quality of financial assets

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

NOK 1 000	2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
Forward foreign exchange contracts	**—**	**1 443**	—	354
Forward commodities contracts	**—**	**781 081**	—	458 604
Total	**—**	**782 523**	—	458 958
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

NOK 1 000	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 acitivities	**(539 098)**	94 275
Total	**474 150**	583 751

NOTE 21: TRADE AND OTHER PAYABLES

NOK 1 000	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 (note 27)	**1 512**	4 258
Public duties	**123 068**	132 753
Short-term provisions for MRC (note 19)	**86 174**	83 756
Other short-term provisions	**322 530**	254 171
Total	**2 862 566**	2 680 445

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

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%
Total	20 086 939	(502 146)	19 584 793	

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%
Total	13 615 482	(331 640)	13 283 842	

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

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**	—
Total	**19 584 793**	13 283 842

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:

	Carrying amount		Fair Value	
NOK 1 000	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
Total fair value	**16 543 405**	9 953 455	**17 308 458**	11 691 176

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:

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
Future minimum lease payments		
- No later than 1 year	—	4 548
- Between 1 and 5 years	—	4 008
- Later than 5 years	—	—
Total	—	8 556
Future finance charges on financial lease liability	—	747
Present value of financial lease liability	—	7 809

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
Total	**16 586 685**	12 453 026

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
Total	**20 071 146**	14 776 047

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
Total	**2 454 160**	2 011 139

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
Total	**512 450**	475 494

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.

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%

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 Ok-senøyveien 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
Sales (-) and purchases (+) of goods and services (excl VAT)		
- 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
Year-end balances arising from sales/purchases of goods/services (incl VAT)		
Receivables from related parties (note 13)		
- Associate (commission)	**9 506**	10 000
Payables from related parties (note 21)		
- Simonsen Vogt Wiig (legal services)	**1 512**	74
- Fornebu Næringseiendom (property rent)	**—**	4 184
Investment in related parties		
- 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 Dream-liner 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 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.

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 comprize the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprize 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 comprize 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

CONSOLIDATED FINANCIAL STATEMENTS 2014

CONSOLIDATED INCOME STATEMENT 1.1 – 31.12

NOK 1 000	Note	2014	2013
Revenues	4	**19 540 039**	15 511 218
Other income	4	**—**	68 326
Total operating revenues and income		**19 540 039**	15 579 544
Operational expenses	5	**15 360 124**	11 370 597
Payroll	6, 7, 17, 18	**3 208 987**	2 478 294
Depreciation, amortisation and impairment	10, 11	**748 138**	529 825
Other operating expenses	5a	**1 049 577**	733 319
Other losses/(gains)—net	20	**583 751**	(502 148)
Total operating expenses		**20 950 577**	14 609 886
Operating profit		**(1 410 538)**	969 658
Net financial items	8	**(274 139)**	(578 874)
Share of profit (loss) from associated company	26	**57 631**	46 597
Profit (loss) before tax		**(1 627 047)**	437 381
Income tax expense (income)	9	**(557 284)**	115 817
Profit (loss) for the year		**(1 069 763)**	321 564
Basic earnings per share	16	**(30.42)**	9.15
Diluted earnings per share	16	**(29.89)**	9.02
Profit (loss) attributable to:			
Owners of the company		**(1 069 763)**	321 564

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1—31.12

NOK 1 000	Note	2014	2013
Profit for the year		**(1 069 763)**	321 564
Reversible income and losses:			
Available-for-sale financial assets	20	**(1 158)**	1 158
Actuarial gains and losses	18	**(52 493)**	—
Exchange rate differences group		**467 359**	(2 925)
Total comprehensive income for the period		**(656 054)**	319 797
Total comprehensive income attributable to;			
Owners of the company		**(656 054)**	319 797

The notes on pages F-69 to F-119 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31.12

NOK 1 000	*Note*	**2014**	2013
ASSETS			
Non-current assets			
Intangible assets	*10*	**206 826**	225 270
Deferred tax asset	*9*	**518 915**	28 517
Aircraft, parts and installations on leased aircraft	*11*	**12 527 932**	7 526 707
Equipment and fixtures	*11*	**83 687**	72 972
Buildings	*11*	**252 236**	14 966
Financial lease asset	*11*	**19 234**	21 242
Financial assets available for sale	*3, 20*	**82 689**	82 689
Investment in associate	*26*	**223 594**	164 575
Prepayment to aircraft manufacturers	*11*	**4 102 664**	2 514 882
Other receivables	*13*	**421 060**	199 036
Total non-current assets		**18 438 836**	10 850 858
Current assets			
Inventory	*14*	**82 851**	74 135
Trade and other receivables	*13*	**2 173 522**	1 623 079
Derivative financial instruments	*3, 20*	**—**	37 389
Financial assets available for sale	*3, 20*	**—**	11 158
Cash and cash equivalents	*24*	**2 011 139**	2 166 126
Total current assets		**4 267 512**	3 911 887
Total assets		**22 706 348**	14 762 744

NOK 1 000	Note	2014	2013
EQUITY AND LIABILITIES			
Equity	*15*		
Share capital		**3 516**	3 516
Share premium		**1 093 549**	1 093 549
Other paid-in equity		**87 221**	72 744
Other reserves		**455 099**	(11 102)
Retained earnings		**468 866**	1 591 121
Total equity		**2 108 251**	2 749 829
Non-current liabilities			
Pension obligation	*18*	**201 883**	127 821
Provision for periodic maintenance	*19*	**835 480**	412 737
Deferred tax	*9*	**169 851**	443 991
Borrowings	*22*	**9 950 228**	5 736 896
Financial lease liability	*22*	**3 227**	6 860
Total non-current liabilities		**11 160 669**	6 728 304
Short term liabilities			
Short term part of borrowings	*22*	**3 330 387**	768 401
Trade and other payables	*21*	**2 680 445**	1 949 691
Air traffic settlement liabilities		**2 965 427**	2 566 519
Derivative financial instruments	*3, 20*	**458 958**	—
Tax payable	*9*	**2 211**	—
Total short term liabilities		**9 437 428**	5 284 611
Total liabilities		**20 598 097**	12 012 914
Total equity and liabilities		**22 706 348**	14 762 744

The notes on pages F-69 to F-119 are an integral part of these consolidated financial statements.

Fornebu, 25 March 2015

Bjørn H. Kise
Chair

Ola Krohn-Fagervoll
Deputy chair

Liv Berstad
Director

Thor Espen Bråten
Director
(employee representative)

Kenneth Utsikt
Director
(employee representative)

Linda Olsen
Director
(employee representative)

Bjørn Kjos
Chief executive officer

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 1 January 2013	3 516	1 093 549	63 365	1 160 431	(9 335)	1 269 557	**2 420 653**
Net profit for the year	—	—	—	—	—	321 564	**321 564**
Available for sale financial assets	—	—	—	—	1 158	—	**1 158**
Exchange rate differences group	—	—	—	—	(2 925)	—	**(2 925)**
Comprehensive income 2013	—	—	—	—	(1 767)	321 564	**319 797**
Equity change on employee options			9 379	9 379			**9 379**
Transactions with owners			9 379	9 379			**9 379**
Equity 31 December 2013	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**
Equity 31 December 2014	3 516	1 093 549	87 221	1 184 287	455 099	468 865	**2 108 251**

The notes on pages F-69 to F-119 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT 1.1—31.12

NOK 1 000	*Note*	**2014**	2013
Cash flows from operating activities:			
Profit (loss) before tax		**(1 627 047)**	437 381
Taxes paid	*9*	**(202 796)**	—
Depreciation, amortisation and write-down	*10, 11*	**748 138**	529 825
Pension expense without cash effect		**21 569**	—
Profit from associated company	*26*	**(57 631)**	(46 597)
Compensation expense for employee options	*17*	**14 477**	9 379
Losses/(gains) on disposal of tangible assets	*10*	**—**	(35 359)
Fair value (gains)/losses on financial assets	*20*	**507 505**	(226 587)
Financial items	*8*	**274 139**	578 874
Interest received	*8*	**70 471**	90 884
Change in inventories, accounts receivable and accounts payable		**193 363**	107 483
Change in air traffic settlement liabilities		**398 908**	826 754
Change in other current assets and current liabilities		**(53 994)**	106 818
Net cash flow from operating activities		**287 104**	2 378 855
Cash flows from investing activities:			
Prepayments aircraft purchase	*11*	**(2 402 406)**	(1 460 328)
Purchase of tangible assets	*11*	**(2 580 099)**	(543 159)
Purchase of intangible assets	*10*	**(31 715)**	(42 418)
Proceeds from sales of tangible assets	*11*	**84 222**	—
Proceeds from sales of financial assets	*20*	**—**	—
Proceeds from sales of investment bonds	*20*	**—**	(81 928)
Payment to associated company	*26*	**(1 389)**	—
Net cash flow from investing activities		**(4 931 386)**	(2 127 833)
Cash flows from financial activities:			
Proceeds from long term debt	*22*	**6 060 958**	2 309 721
Payment of long term debt	*22*	**(1 259 335)**	(1 829 731)
Interest on borrowings		**(323 192)**	(295 816)
Net cash flow from financial activities		**4 478 431**	184 174
Foreign exchange effect on cash		**10 864**	35
Net change in cash and cash equivalents		**(154 987)**	435 231
Cash and cash equivalents at 1 January		**2 166 126**	1 730 895
Cash and cash equivalents at 31 December	*24*	**2 011 139**	2 166 126

The notes on pages F-69 to F-119 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

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

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2014 were authorised for issue by the board of directors on 25 March 2015.

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 modifited 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 1 January 2014, have been implemented, but have not had any material impact on the group other than minor disclosure changes related to some of the standards.

- IFRS 10 'Consolidated Financial Statements'; builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The impact on the group is not material.
- IFRS 11 'Joint Arrangements'; replaces IAS 31 'Interests in Joint Ventures' and SIC-13, and removes the option to account for jointly controlled entities using proportionate consolidation, thus all such entities must be accounted for using the equity method. The impact on the group is not material.
- IFRS 12, 'Disclosures of interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The impact on the group is not material.
- IAS 27 'Separate Financial Statement' (revised as a consequence of the issuance of IFRS 10, 11 and 12). The impact on the group is not material.
- IAS 28 'Investments in Associates and Joint Ventures' (revised as a consequence of the issuance of IFRS 11 and 12). The impact on the group is not material.

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.
- Amendments to IAS 36, 'Impairment of assets,' on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the group financial statements.
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.
- IFRIC 21, 'Levies,' sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions.' The impact on the group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

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 1 January 2014, 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, except the following set out below:

- 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: amortised 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 use for risk management purposes. The standard is effective for accounting periods beginning on or after 1 January 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 recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits 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 1 January 2017 and earlier application is permitted. The group is yet to assess the impact of IFRS 15.

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 Purpose Vehicles (SPVs) according to IFRS 10. The SPVs are solely established for aircraft financing purposes. The group does not own the shares in those SPVs nor does it have control over the management of those SPVs, but the group has accepted all risks and rewards related to the assets, liabilities and operations of the SPVs.

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

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

The consideration that is transferred for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The transferred consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Acquired identifiable assets 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 recognises 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 recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intra group balances, transactions and unrealised 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 recognised 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 recognised 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 percent 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 recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognised 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 recognised unless the group has an obligation to cover any such losses. Unrealised gains on transactions between the group and its associates are eliminated in proportion to the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

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 recognised 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 recognised 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 recognised within operating profit. Foreign currency gains and losses on financing activities are recognised 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 recognised 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 derecognised. Any gain on the sale is recognised in the income statement as other income and any loss on the sale or disposal is recognised 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 recognised in profit or loss as incurred. When increased future economic benefits are the result of verified repair and maintenance work, these costs will be recognised in the statement of financial position as additions to non-current assets. Borrowing costs are capitalised 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 recognised as two components for depreciation purposes in order to consider different useful lives of the aircraft components. The first aircraft component is defined as maintenance components. In accordance with official requirements, the aircraft must be maintained which means significant components must be changed after a specific number of take-offs or airborne hours. These components are identified as two heavy maintenance checks of the aircraft body, power restoration and life limited parts for the two engines on each aircraft, as well as maintenance on landing gears and APU. The maintenances 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 capitalised and depreciated until the next relevant maintenances 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 capitalises 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 capitalised 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 recognised 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 capitalised on the basis of the costs incurred to obtain and apply the specific software. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programs are recognised 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 recognised as intangible assets. The costs of computer software developments recognised as assets are amortised 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 amortised, 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 amortisation, and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 reallocated 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 categorised 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 categorised 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 recognised on the trade-date, the date which the group commits to purchase or sell the asset. Investments are initially recognised 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 recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised 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 amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other losses/(gains)—net' of the period in which they occur. Gains or losses that occur from changes in the fair value of the 'available-for-sale' category are presented in equity within other comprehensive income in the period in which they occur. Interests on available-for-sale securities which are calculated using the effective interest method, is recognised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis or realise 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-specifitc inputs.

Impairment losses of financial assets measured at amortised 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 recognised 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 recognised in profit or loss—is removed from equity and recognised 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 recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or pro-longed 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 recognised in profit or loss—is removed from equity and recognised in profit or loss. Impairment losses recognised 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 recognised 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 2014 or 2013.

1.10 INVENTORY

Inventory of spare parts are carried at the lower of acquisition cost and net realisable value. Cost is determined using the first in-first out (FIFO) method. Obsolete inventory has been fully recognised 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 recognised initially at fair value and subsequently measured at amortised 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 recognised directly in equity net of tax.

Acquisitions of own shares are recognised 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 recognised 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 recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 PROVISIONS

Provisions are recognised 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 recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.16 EMPLOYEE BENEFITS

The group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

1.16.1 Defined benefit plans

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. The past service cost is recognised 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 recognised immediately.

The defined benefit obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised reduced by past service costs not yet recognised 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 unrecognised 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 recognised in the income statement as a defined contribution plan as the plans administrator has not allocated actuarial gains/losses to the members of the AFP pension plan as of 31 December 2014.

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 recognised as employee benefit expenses when they are due. Prepaid contributions are recognised 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 recognised 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 recognised in the income statement, except to the extent when it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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 utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised 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 realised 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 recognised 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 realise 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 recognised in the annual financial statements, but disclosed in the notes where an inflow of economic benefits is probable.

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

Contingent liabilities are not recognised 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 recognises 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 recognised) 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 recognised in the same manner as passenger revenue. Other products and services are earned at the time of purchase and immediately recognised in the income statement.

Amounts paid by 'no show' customers are recognised 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 recognised 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 recognised as revenue at the time of consumption.

1.19.4 Customer loyalty program—Norwegian Reward

The group has implemented a customer loyalty program. Customers earn ‘CashPoints’ in the following circumstances:

- Bank Norwegian Customer; 1 percent of the payment is earned on all purchases. CashPoints are also earned on all ‘low fare’ and ‘full flex’ tickets purchased from Norwegian Air Shuttle ASA and which are paid with the ‘Bank Norwegian’ credit card, with 5 percent and 20 percent of the purchase price, respectively, except for tickets for long distance and domestic travel in Norway and Sweden, which earn 2 percent on low fare tickets and 10 percent on full flex tickets.
- Norwegian Air Shuttle ASA; My Reward Customer; 2 percent on all low fare tickets and 10 percent on all full flex tickets.
- Corporate Reward Customer; 3 percent on all low fare tickets and 7 percent on all full flex tickets.
- Customers earn CashPoints with selected merchants that are in cooperation with Norwegian Reward. CashPoints can be earned on purchases in the range of 2-20 percent.

Customer CashPoints gained from purchased airline tickets are recognised as a liability in the statement of financial position and deducted from the value of the purchase at the date of purchase. The customer CashPoints liability is derecognised from the statement of financial position and recognised as income when customers utilise their CashPoints.

All other earned customer CashPoints are recognised as a liability in the statement of financial position and immediately expensed. The cash points earned with other merchants are invoiced and recognised as income in the corresponding period. When the customers use their collected CashPoints, the liability is derecognised and cash payment on the group’s services is reduced.

CashPoints are valid throughout the year, in which they were earned, plus two years. Unused CashPoints after this period are derecognised from the statement of financial position. The liability is measured at fair value and classified as short term, as available statistics as of 31 December 2013 indicate that customer CashPoints are utilised 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 recognised 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 recognised separately.

Deposits made at the inception of operating leases are carried at amortised 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 recognised 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 amortise 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 2014 (3 aircraft in 2013). All sales and lease back transactions are defined as operating leases established at fair value and any profit or loss is recognised immediately in the income statement as other income or other losses/(gains)-net.

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 maintenances. In order to estimate these conditions, the management must make assumptions regarding expected future maintenances. 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 recognised 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 recognised, 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 cashgenerating 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 minimise 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 cooperation 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. Foreign exchange risk arises from future commercial transactions, recognised 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 percent of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards. In 2013, the group transferred several aircraft from parent company Norwegian Air Shuttle ASA to newly established asset company in Ireland with USD functional currency. Hence, the group's total USD exposure has been reduced.

If NOK had weakened/strengthened by 1 percent against USD in 2014, with all other variables held constant, post-tax profit would have been NOK 7.5 higher/lower and post-tax equity effect for the year would have been NOK 24.8 million lower/higher (2012: NOK 3.1 million higher/lower), mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments, cash and cash equivalents, long term borrowings and equity in subsidiaries denominated in USD.

If NOK had weakened/strengthened by 1 percent against EUR with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 8.6 million (2013: NOK 3.8 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 percent against GBP with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 5.6 million (2013: NOK 0.1 million) higher/lower, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and cash and cash equivalents.

The group has major investments in operations in Ireland, whose net assets are exposed 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.

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 2014 had been 1 percent higher/lower with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 13.1 million (2013: NOK 9.6 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 amortised cost of floating rate borrowings, cash and cash equivalents.

The group measures borrowings at amortised 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 percent of its expected consumption over the next 12 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 unrealised gains/losses from jet-fuel prices. At 31 December 2014, the group held forward contracts totaling 299 000 tons of jet fuel, equaling approximately 27 percent of fuel consumption in 2015 and 2 percent of fuel consumption in 2016.

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 utilisation of credit limits is regularly monitored. The group's policy is to maintain credit sales at a minimum level. Sales to private customers are settled in cash or using major credit card companies.

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

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

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

2.6 LIQUIDITY RISK

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

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

The group's aircraft fleet consist of leased aircraft (note 12) and owned aircraft (note 11), whereof the group has 256 owned aircraft on firm order with future delivery. The table below shows the expected timeline of future deliveries of aircraft at 31 December 2014. 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 2015 will be financed through export guaranteed financing and the private EETC marked in the US or 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 2015-2016.

Aircraft delivery	2015	2016-2017	2018-	Total
737-800	10	34	2	**46**
737 Max 8	—	5	95	**100**
Airbus 320 neo	—	12	88	**100**
787-8 Dreamliner	1	—	—	**1**
787-9 Dreamliner	—	7	2	**9**
Total	11	58	187	**256**

The group's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2014, no aircraft were delivered and financed as sales and lease backs transactions (three in 2013).

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

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2014				
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
Total financial liabilities	6 862 898	3 632 373	3 633 379	4 470 371

*) *Calculated interests on borrowings*

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2013				
Borrowings	764 772	1 222 261	1 753 446	3 090 608
Financial lease liability	3 629	2 756	5 053	—
Derivative contracts—payments	—	—	—	—
Trade and other payables	1 949 691	—	—	—
Interest on borrowings *	194 347	176 391	308 727	228 113
Total financial liabilities	2 912 439	1 401 408	2 067 226	3 318 721

*) *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 consolidated 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 31 December were as follows:

NOK 1 000	**2014**	2013
Equity	**2 108 251**	2 749 829
Total assets	**22 706 348**	14 762 744
Equity ratio	**9.3%**	18.6%

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 maximise 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 31 December 2014:

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

The following table presents financial assets and liabilities measured at fair value at 31 December 2013:

NOK 1 000	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss	—	37 849	—	**37 849**
Available-for-sale financial assets	—	—	93 847	**93 847**
Total assets	—	37 849	93 847	**131 696**
Liabilities				
Derivative financial liabilities	—	—	—	**—**
Total liabilities	—	—	—	**—**

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

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 assets is its aircraft fleet, which is utilised 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 amortisation (EBITDA). Other information is measured in accordance with the financial statements.

The table below shows revenues from low cost air passenger travels which is split between passenger revenues, ancillary revenues and other revenues. A division of revenues from geographical markets categorises domestic revenues as all domestic routes independent of country thus domestic routes in Norway, Sweden, Denmark and Finland are included.

NOK 1 000	2014	2013
By activity:		
Passenger transport	**16 254 622**	13 381 461
Ancillary revenue	**2 727 439**	1 757 887
Other revenues	**557 978**	371 871
Total revenues	**19 540 039**	15 511 219
By geographic market:		
Domestic	**4 591 938**	4 354 734
International	**14 948 101**	11 156 484
Total revenues	**19 540 039**	15 511 218

Other income amounts to NOK 0 million (2013: NOK 68.3 million) and include gains from sales of tangible assets (note 11).

NOTE 05: OPERATING EXPENSES

NOK 1 000	2014	2013
Sales and distribution expenses	**469 111**	339 376
Aviation fuel	**6 321 053**	4 707 203
Aircraft leases	**1 845 940**	1 284 395
Airport charges	**2 723 910**	2 182 645
Handling charges	**1 854 844**	1 339 417
Technical maintenance expenses	**1 290 035**	927 820
Other aircraft expenses	**855 231**	589 742
Total operational expenses	**15 360 124**	11 370 596

NOTE 05A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 1 049.6 million (2013: NOK 733.3 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.

NOTE 06: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

NOK 1 000	2014	2013
Wages and salaries	**1 480 795**	1 404 665
Social security tax	**261 621**	256 165
Pension expenses	**213 371**	128 612
Employee stock options	**14 477**	9 379
Other benefits	**150 958**	103 784
Hired crew personnel	**1 087 764**	575 690
Total	**3 208 987**	2 478 295

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

Number of man-labour years*

	2014	2013
Norway	**1 845**	1 857
Sweden	**573**	504
Denmark	**331**	347
Finland	**179**	188
Spain	**599**	294
United Kingdom	**280**	121
Irland	**12**	—
Singapore/Bangkok	**369**	186
USA	**185**	9
Total	**4 375**	3 507

*) *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 2014 was NOK 1.5 million (2013: NOK 1.5 million). The chair of the board, Bjørn Kise, received NOK 0.5 million. (2013: NOK 0.5 million) There were no bonuses or other forms of compensation paid to the board members in 2014.

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 organisations. 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 2014 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.

Total compensation year 2014:

NOK 1 000	Fee	Salary	Bonus	Other benefits[2]	Total Compensation	Pension expense[3]
The board of directors						
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[1]	50	—	—	—	50	—
Kenneth Utsikt[1]	50	—	—	—	50	—
Linda Olsen[1]	50	—	—	—	50	—
Total board of directors	1 500	—	—	—	1 500	—
Executive management						
Bjørn Kjos (chief executive officer)[4]	—	2 918	—	169	3 087	80
Frode Foss (chief financial officer)	—	2 116	—	175	2 291	76
Asgeir Nyseth (chief operating officer, long haul)[5]	—	3 455	—	160	3 615	81
Gunnar Martinsen (senior vice president HR and organisation)	—	1 450	—	171	1 621	67
Anne-Sissel Skånvik (senior vice president corporate communications)	—	1 456	—	155	1 611	96
Per-Ivar Gjørvad (chief it officer, until 13 October)	—	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 13 October)	—	309	—	37	346	—
Total executive management	—	17 473	—	1 455	18 928	775

1) *For the employee representatives in the board of directors, only their fee for serving on the board of directors fee 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 excercised by the management in 2014.

Total compensation year 2013:

NOK 1 000	Fee	Salary	Bonus	Other benefits[2]	Total compensation	Pension expense[3]
The board of directors						
Bjørn Kise (chair)	500	—	—	—	500	—
Ola Krohn-Fagervoll (deputy chair from 5/11/2010)	300	—	—	—	300	—
Liv Berstad	275	—	—	—	275	—
Marianne Wergeland Jenssen	275	—	—	—	275	—
Thor Espen Bråthen[1]	50	—	—	—	50	—
Jeanette Vannebo[1]	50	—	—	—	50	—
Linda Olsen[1]	50	—	—	—	50	—
Total board of directors	1 500	—	—	—	1 500	—
Executive Management						
Bjørn Kjos (chief executive officer)	—	1 448	—	170	1 618	67
Frode Foss (chief financial officer)	—	1 848	—	159	2 007	84
Geir Steiro (chief operating officer, started on 1 November 2013)	—	226	—	26	252	—
Asgeir Nyseth (chief operating officer)	—	1 751	—	154	1 905	91
Gunnar Martinsen (senior vice president HR and organisation)	—	1 268	—	164	1 432	77
Anne-Sissel Skånvik (senior vice president corporate communications)	—	1 270	—	154	1 424	103
Per-Ivar Gjørvad (chief IT officer)	—	1 065	—	161	1 226	84
Frode Berg (chief legal officer, started on 11 February)	—	1 067	—	139	1 206	67
Total executive management	—	9 943	—	1 127	11 070	573

1) *For the employee representatives in the board of directors, only their fee for serving on the board of directors fee is stated.*

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

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

No share options were excercised by the management in 2013.

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.

Audit remuneration (excl. VAT)

	2014	2013	
NOK 1 000	Deloitte	Deloitte	PwC
Audit fee	1 519	400	840
Other audit related services	1 131		110
Tax advisory	46		34
Other services	2 520	640	85
Total	5 216	1 040	1 069

All amounts stated exclude VAT. The General Assembly elected Deloitte as new auditor at the General Assembly meeting in 2013, effective June 21 2013.

NOTE 08: NET FINANCIAL ITEMS

NOK 1 000	2014	2013
Interest income	**196 269**	149 658
Interest expense	**(447 241)**	(256 702)
Net foreign exchange (loss) or gain	**(36 948)**	(472 938)
Appreciation cash equivalents	**17 589**	24 593
Fair value adjustment long term deposits	**1 219**	2 669
Other financial items	**(5 027)**	(26 154)
Net financial items	**(274 139)**	(578 874)

Foreign exchange derivatives and fuel derivatives are categorised 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 recognised as other gains and losses within operating expenses.

Net foreign exchange loss of NOK 37.0 million is recognised in 2014 (2013: NOK 472.9 million loss). Forward foreign currency contracts are entered to reduce foreign currency risk from USD denominated borrowings (note 2 and 20).

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 amortised cost on borrowings. Capitalised interests reduce interest expenses (note 11).

NOTE 09: TAX

This year's tax expense consists of:

NOK 1 000	2014	2013
Tax payable	**208 538**	2
Tax paid in current year on current year income	**—**	—
Adjustments from previous year	**(317 909)**	(500)
Change in deferred tax	**(447 913)**	116 316
Income tax expence	**(557 284)**	115 817

Reconciliation from nominal to effective tax rate:

NOK 1 000	2014	2013
Profit before tax	**(1 627 047)**	437 381
Expected tax expense using nominal tax rate (27%)	**(439 303)**	122 467
Tax effect of the following items:		
Non deductible expenses/income	**(218 980)**	(12 227)
Adjustments from previous year	**(118 488)**	(500)
Tax rate outside Norway other than 27%	**94 999**	(584)
Change in tax rate in Norway to 27%	**—**	6 662
Other items	**124 487**	—
Tax expense	**(557 284)**	115 817
Effective tax rate	**34.25%**	26.48%

The following table details deferred tax assets and liabilities;

Deferred tax: **NOK 1 000**	**Assets 2014**	**Liabilities 2014**	Assets 2013	Liabilities 2013
Intangible assets	**(10 872)**	**(12 035)**	—	(6 050)
Tangible assets	**28 345**	**(157 816)**	—	(447 790)
Long term receivables and borrowings in foreign currency	**—**	**—**	—	—
Inventories	**12 160**	**—**	—	6 075
Receivables	**3 607**	**—**	—	2 612
Financial instruments	**123 919**	**—**	—	(10 095)
Deferred gains/losses	**(43 093)**	**—**	—	(16 264)
Other accruals	**28 131**	**—**	—	42 626
Pensions	**—**	**—**	—	34 512
Other temporary differences	**(53 022)**	**—**	—	(84 097)
Loss carried forward	**429 740**	**—**	28 517	34 480
Gross deferred tax assets and liabilities	**518 915**	**(169 851)**	28 517	(443 991)
Reconciliation of deferred tax assets and liabilities:				
Recognised at 1 January	**28 517**	**(443 991)**	4 293	(301 042)
Charged/credited to the income statement	**592 836**	**(144 923)**	27 064	(142 879)
Adjustment from previous year	**(130 447)**	**443 991**	—	—
Charged directly to equity	**—**	**—**	(2 839)	(70)
Translation differences	**28 008**	**(24 929)**	—	—
Recognised at 31 December	**518 915**	**(169 851)**	28 517	(443 991)

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 utilised by future taxable profits. The deferred tax liability is based on temporary differences in assets and liabilities, as well as the allocation of the purchase price of Norwegian Air Shuttle Sweden AB to fair values.

NOTE 10: INTANGIBLE ASSETS

NOK 1 000	Software	Goodwill	Other intangible assets Indefinite life	Other intangible assets Definite life	Total
Acquisition costs 1 January 2013	316 351	94 157	26 036	69 574	**506 118**
Additions	39 219	—	3 199	—	**42 418**
Disposals	—	—	—	—	**—**
Acquisition costs 31 December 2013	355 570	94 157	29 235	69 574	**548 536**
Acquisition costs 1 January 2014	355 570	94 157	29 235	69 574	**548 536**
Additions	31 715	—	—	—	**31 715**
Disposals	—	—	—	—	**—**
Acquisition costs 31 December 2014	387 285	94 157	29 235	69 574	**580 251**
Accumulated amortisation 1 January 2013	198 771	—	—	69 574	**268 345**
Amortisation	54 921	—	—	—	**54 921**
Impairment	—	—	—	—	**—**
Amortisation disposals	—	—	—	—	**—**
Accumulated amortisation 31 December 2013	253 692	—	—	69 574	**323 266**
Accumulated amortisation 1 January 2014	253 692	—	—	69 574	**323 266**
Amortisation	50 160	—	—	—	**50 160**
Impairment	—	—	—	—	**—**
Amortisation disposals	—	—	—	—	**—**
Accumulated amortisation 31 December 2014	303 852	—	—	69 574	**373 426**
Book value at 31 December 2013	101 878	94 157	29 235	—	**225 270**
Book value at 31 December 2014	83 433	94 157	29 235	—	**206 825**
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortisation plan	Straight-line	None	None	Straight-line	

Capitalised 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 amortised 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 31 July 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 amortised. 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 2013, or in 2012.

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 reinvestment 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 6.2 percent (2013: 8.7 percent) 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 percent 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 growth assumptions from budgeted production increase, no growth is incorporated in the impairment test for 2013.

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

Terminal value

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

Sensitivity

At 31 December 2014, 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 1 January 2013	9 525	6 323 271	2 844 359	160 719	34 607	**9 372 481**
Additions	5 441	519 444	1 546 334	39 297	—	**2 110 516**
Transfers	—	1 875 810	(1 875 810)	—	—	**—**
Disposals	—	(15 757)	—	(19 009)	—	**(34 766)**
Acquisition cost at 31 December 2013	14 966	8 702 767	2 514 883	181 007	34 607	**11 448 230**
Acquisition cost at 1 January 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)	—	—	**—**
Disposals	—	—	—	—	—	**—**
Foreign currency translation	—	2 460 832	203 701	606		**2 665 140**
Acquisition cost at 31 December 2014	254 849	14 625 805	4 102 664	222 207	34 607	**19 240 132**
Accumulated depreciation at 1 January 2013	—	743 513	—	102 243	10 045	**855 801**
Depreciation	—	447 012	—	24 571	3 321	**474 904**
Depreciation disposals	—	(14 465)	—	(18 779)	—	**(33 244)**
Accumulated depreciation at 31 December 2013	—	1 176 059	—	108 035	13 367	**1 297 461**
Accumulated depreciation at 1 January 2014	—	1 176 059	—	108 035	13 367	**1 297 461**
Depreciation	2 613	662 871	—	30 486	2 006	**697 977**
Depreciation disposals	—	—	—	—	—	**—**
Foreign currency translation	—	258 942	—	—	—	**258 942**
Accumulated depreciation at 31 December 2014	2 613	2 097 872	—	138 521	15 373	**2 254 380**
Book value at 31 December 2013	14 966	7 526 707	2 514 883	72 973	21 239	**10 150 769**
Book value at 31 December 2014	252 236	12 527 932	4 102 664	83 687	19 234	**16 985 752**
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%	

As at 31 December 2014, the group operated a total of 100 (2013: 85) aircraft, whereas 48 (2013: 36) were owned and 52 (2013: 49) were leased under operational leases. See note 12 for details about operational leases.

Aircraft

The group acquired 11 (2013: 7) Boeing 737-800 and 1 (2013: 1) Boeing 787-8 aircraft during 2014.

The residual value is NOK 3 686.6 million (2013: NOK 2 227.7 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 2014 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 capitalised 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 2014 and 2013 several engines on the leased aircraft were in overhaul, and replacement costs for life limited parts were capitalised 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 rotable 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 percent of the acquisition cost is calculated as residual value.

Buildings

Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the group purchased an apartment in Seattle, and in 2013 purchased and 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 Gardermoen airport 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 group entered into 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. Note 2.6 include a table showing the timeline of future deliveries.

At 31 December 2014, 43 owned and 13 sale and lease backs had been delivered (2013: 31 and 13). Until delivery of the aircraft, the group will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The group capitalises 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 144.6 million (2013: NOK 86.0 million) have been capitalised during the year. An average capitalisation rate of 4.5 percent (2013:4.8 percent) was used.

Financial lease assets

In 2009, the group entered into lease agreements concerning 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 group after the end of the lease agreement. The financial lease assets are depreciated over their 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.

Impairment of tangible assets

Tangible assets are tested for impairment if there are indicators that impairment may exist.

No impairment losses have been recognised in 2014 or 2013.

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 3 and 10 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, 9 and 3 aircraft were delivered respectively, including sale leaseback. Renegotiations have resulted in the extension of some of the shorter leases. In 2014, 3 (2013: 0) aircraft were redelivered to the lessor. Contracts for 3 of the aircraft will expire in 2015, and contracts for 7 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 1 537.1 million in 2014 (2013: NOK 1 155.7 million). Included in leasing costs are operating lease costs on aircraft from sale-and-leaseback transactions.

In addition, the group leases 11 (2013: 12) cars and 37 (2013: 11) 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 Trond-heim. Leasing costs related to cars and properties expensed in other operating expenses in 2014 was NOK 59.8 million. (2013: NOK 47.7 million).

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

	Nominal value 2014				Nominal value 2013			
NOK 1 000	**Aircraft**	**Cars**	**Property**	**Total**	Aircraft	Cars	Property	Total
Within one year	**2 548 002**	**3 776**	**51 555**	**2 603 334**	1 973 589	3 943	56 594	2 034 125
Between 1 and 5 years	**8 803 064**	**3 707**	**87 366**	**8 894 137**	6 627 441	7 476	89 323	6 724 240
After 5 years	**7 140 299**	**—**	**26 736**	**7 167 035**	6 150 864	—	16 308	6 167 172

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	2014	2013
Trade receivables	**327 071**	347 343
Credit card receivables	**942 659**	727 854
Deposits	**461 537**	183 755
Deferred leasing costs	**35 962**	29 989
Reimbursements claims maintenance costs	**379 015**	272 908
Other claims	**33 632**	23 900
Trade and other receivables	**2 179 876**	1 585 748
Prepaid costs	**202 278**	103 823
Public duty debt	**134 679**	84 325
Prepayments to employees	**5 663**	1 148
Prepaid rent	**71 994**	47 071
Prepayments	**414 614**	236 367
Total	**2 594 490**	1 822 116
Maximum credit risk	**1 648 745**	1 348 105

Due dates

NOK 1 000	2014	2013
Within one year	**2 173 430**	1 623 079
After 1 year	**421 060**	199 036
Total	**2 594 490**	1 822 116

Fair value of trade and other receivables

NOK 1 000	2014	2013
Due within one year	**2 173 430**	1 623 079
After one year *	**384 989**	169 016
Total	**2 558 418**	1 792 095

*) Discount rate 2,5 percent (2013: 2,8 percent) For receivables due within one year, fair value is equal to nominal value.

Provision for bad debt

NOK 1 000	2014	2013
Balance 1 January	**12 879**	34 981
Charged to the income statement	**16 963**	12 655
Accruals	**22 693**	10 777
Reversals	**(20 744)**	(45 534)
Balance 31 December	**31 791**	12 879

Overdue accounts receivables

NOK 1 000	2014	2013
Overdue less than 1 month	**129 885**	41 844
Overdue 1-2 months	**5 009**	4 657
Overdue 2-3 months	**819**	687
Overdue over 3 months	**11 080**	8 204
Total	**146 793**	55 391

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 31 December. Overdue accounts receivables include trade receivables and credit card receivables.

Non-interest bearing deposits are measured at amortised 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	2014	2013
Consumables	**69 653**	60 937
Parts for heavy maintenance	**13 198**	13 198
Total	**82 851**	74 135

In 2014 and 2013 the group removed stock 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 2014 were NOK 28.7 million (2013: NOK 27.6 million).

NOTE 15: EQUITY AND SHAREHOLDER INFORMATION

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

NOK 1 000	Number of shares	Ordinary shares	Share premium	Total
1 January 2013	35 162 139	3 516	1 093 549	**1 097 065**
31 December 2013	35 162 139	3 516	1 093 549	**1 097 065**
31 December 2014	35 162 139	3 516	1 093 549	**1 097 065**

All issued shares are fully paid with a par value of 0.1 NOK per share (2013: 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 467.4 million has been booked as comprehensive income at 31 December 2014 (2013: NOK -2.9 million). The translation differences arise from translating the non-Norwegian subsidiaries from functional currency to presentation currency.

Actuarial gains and losses

At December 31 2014, NOK 52.5 million in actuarial loss arising from the group defined benefit pension plan was booked directly to equity (2013: 0).

Stock option plan

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

See note 17 for further details. Total share option expense in 2013 was NOK 14.5 million (2013: NOK 9.4).

Shareholder structure

The largest shareholders at 31 December 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%
VerdipapirfondetDNB Norge (IV)	1 444 419	4.11%	4.11%
Skagen Kon-Tiki	1 048 248	2.98%	2.98%
Danske Invest Norske	888 707	2.53%	2.53%
Clearstream Banking	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 Inst	509 297	1.45%	1.45%
BNP Paribas S.A	505 000	1.44%	1.44%
JP 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%
Storebrand Norge I	304 117	0.86%	0.86%
Verdipapirfondet Handelsbanken	300 000	0.85%	0.85%
Protector Forsikring ASA	220 500	0.63%	0.63%
The Bank Of New York Mellom SA/NV	210 767	0.60%	0.60%
Other	13 918 966	39.59%	39.59%
Total number of shares	35 162 139	100%	100%

Shareholder structure

The largest shareholders at 31 December 2013 were:

	A-shares	Ownership	Voting rights
HBK Invest AS	9 499 116	27.02%	27.02%
Folketrygdfondet	2 441 393	6.94%	6.94%
Skagen Vekst	1 448 775	4.12%	4.12%
Skagen Kon-Tiki	997 061	2.84%	2.84%
Clearstream Banking	810 516	2.31%	2.31%
J.P. Morgan Chase BA	779 012	2.22%	2.22%
Danske Invest Norske	705 289	2.01%	2.01%
Verdipapirfondet DNB	692 874	1.97%	1.97%
Danske Invest Norske	491 789	1.40%	1.40%
KLP Aksje Norge VPF	476 818	1.36%	1.36%
Varma Mutual Pension	448 567	1.28%	1.28%
DNB NOR Bank ASA EGE	391 598	1.11%	1.11%
Stenshagen Invest AS	341 693	0.97%	0.97%
J.P. Morgan Chase Bank	339 396	0.97%	0.97%
State Street Bank AN	329 835	0.94%	0.94%
Dnb Livsforsikring A	289 487	0.82%	0.82%
Skandinaviska Enskilda	250 768	0.71%	0.71%
Kommunal Landspensjonskasse	250 000	0.71%	0.71%
Statoil Pensjon	248 732	0.71%	0.71%
Klp Aksje Norge Inde	245 676	0.70%	0.70%
Other	13 683 744	38.92%	38.92%
Total number of shares	35 162 139	100%	100%

The shareholding of HBK Invest at 31 December 2014 and 31 December 2013 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[1]
Bjørn Kise[2]	Chair	721 262
Ola Krohn-Fagervoll	Deputy chair	62
Liv Berstad	Board member	—
Marianne Wergeland Jenssen	Board member	800
Linda Olsen	Board member—Employee repr	—
Thor Espen Bråten	Board member—Employee repr	657
Kenneth Utsikt	Board member—Employee repr	378
Bjørn Kjos[3]	Chief executive officer	7 440 232
Frode E Foss	Chief financial officer	35 000
Asgeir Nyseth	Chief operating officer	12 342
Geir Steiro	Chief operating officer	—
Anne-Sissel Skånvik	Senior vice president corporate communications	—
Gunnar Martinsen	Senior vice president HR and organisation	9 404
Thomas Ramdahl	Chief commercial officer	—
Frode Berg	Chief legal officer	—
Dag Skage (from 1 November 2014)	Chief information officer	—

[1] *Including shares held by related parties*
[2] *Bjørn Kise holds 8.2 percent of HBK invest AS*
[3] *Bjørn Kjos holds 84.1 percent of HBK Invest AS*

Options directly or indirectly held by chief executive officer and executive management:

Name	Title	2013	Issued 2014	Outstanding 2014
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	Chief operating officer	100 000	—	100 000
Frode Berg	Chief legal officer	20 000	—	20 000
Anne-Sissel Skånvik	Senior vice president corporate communications	50 000	—	50 000
Gunnar Martinsen	Senior vice president HR and organisation	50 000	—	50 000
Thomas Ramdahl	Chief commercial officer	15 000	—	15 000
Dag Skage	Chief IT officer	—	—	—

Specification of other reserves

	Available-for sale financial assets	Translation differences	Actuarial gains and losses	**Total**
1 January 2013	—	(9 335)	—	**(9 335)**
Available for sale financial assets	1 158	—	—	**1 158**
Translation differences	—	(2 925)	—	**(1 158)**
31 December 2013	1 158	(12 260)	—	**(11 102)**
Available for sale financial assets	—	467 359	—	**467 359**
Translation differences	(1 158)	—	—	**(1 158)**
Actuarial gains and losses			(52 493)	**(52 493)**
31 December 2014	—	455 099	(52 493)	**402 607**

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)	**2014**	2013
Profit	**(1 069 763)**	321 564
Average number of shares outstanding	**35 162 139**	35 162 139
Average number of shares and options outstanding	**35 787 139**	35 651 865
Basic earnings per share	**(30.42)**	9.15
Diluted earnings per share	**(29.89)**	9.02
Average number of shares outstanding	**35 162 139**	35 162 139
Dilutional effects Stock options	**625 000**	489 726
Average number of shares outstanding adjusted for dilutional effects	**35 787 139**	35 651 865

NOTE 17: OPTIONS

In 2013, the board issued 625 000 share options to employees. The share options have an exercise price of NOK 231.2, equal to 10 percent above the weighted average share price on 20 March 2013. The share options may be exercised two years after the grant, with an exercise window of six months.

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;

	2014
Dividend (%)	0%
Expected volatility (%)	45.00%
Risk free interest (%)	1.33%
Expected lifetime (year)	2.50
Share price at grant date	216.40

There were no option grants in 2014.

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 14.5 million in 2014 (NOK 9.4 in 2013).

	2014 shares	**Weighted avg. exerc. price**	2013 shares	Weighted avg. exerc. price
Outstanding at the beginning of the period	**625 000**	**231.2**	—	0.0
Allocated	**—**	**—**	625 000	231.2
Exercised	**—**	**—**	—	0.0
Outstanding at the end of the period	**625 000**	**231.2**	625 000	231.2
Vested options	**—**	**0.0**	—	0.0
Weighted average fair value of options allocated in the period	**—**		—	

2014	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (years)	Weighted average exercise price	Vested options	Weighted average exercise price
231.2	625 000	0.5	231.2	—	—

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 percent 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 31 December 2014, NOK 2.9 million (2013: NOK 2.2 million) was expensed.

NOTE 18: PENSIONS

The group operated defined benefit plans and defined contribution plans in Norway, Denmark and Sweden. The majority of employees participated in a defined benefit plan in Norway. Nor-wegian Air Shuttle ASA closed its defined benefit plan on 1 December 2012 and all employees were transferred to the defined contribution plan. In fourth quarter 2013, the group issued a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union.

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. See note 28 for further details regarding settlement with the Norwegian Pilot Union. 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 130.2 million in 2014 (2012: NOK 36.7 million). The decrease in expenses in 2013 relates to a reversal of estimates for provisions related to the pension liability, in addition to transfer of pilot employee contracts to Norwegian Air Norway AS.

Defined benefit plan

As per 31 December 2014, 391 employees were active members (2013: 395) and 1 (2013: 0) were on pension retirement. The related pension liability is recognised at NOK 201.8 million (2013: 127.8 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 2014.

Pension expense

	2014		2013	
NOK 1 000	**Funded**	**Total**	Funded	Total
Net present value of benefits earned	**65 633**	**65 633**	80 089	80 089
Interest cost on pension liability	**6 253**	**6 253**	474	474
Return on plan assets	**(831)**	**(831)**	—	—
Administrative expenses	**296**	**296**	—	—
Recognised actuarial gains/losses	**—**	**—**	—	—
Recognised net liability—settlement	**—**	**—**	—	—
Social security tax	**11 796**	**11 796**	11 365	11 365
Net pension expense defined benefit plans	**83 146**	**83 146**	91 928	91 928
Pension expense on defined contribution plans	**—**	**110 282**	—	32 273
Social security tax	**—**	**19 943**	—	4 411
Total pension expense	**—**	**213 371**	—	128 612

Defined benefit liability and fund

NOK 1 000	2014 Funded	2014 Total	2013 Funded	2013 Total
Change in present value of defined benefit liability:				
Gross pension liability 01.01	**124 671**	**124 671**	—	—
Current service costs	**65 633**	**65 633**	11 559	11 559
Interest cost	**7 285**	**7 285**	474	474
Actuarial gains/losses	**45 654**	**45 654**	1 639	1 639
Accruals forcompensation liability	**—**	**—**	111 000	111 000
Gross pension liability 31.12	**243 243**	**243 243**	124 671	124 671
Change in fair value of plan assets:				
Fair value of pension assets 01.01	**14 204**	**14 204**	—	—
Expected return	**1 421**	**1 421**	(36)	(36)
Actuarial gains/losses	**(6 839)**	**(6 839)**	2 106	2 106
Administrative expenses	**(296)**	**(296)**	—	—
Contributions paid	**57 124**	**57 124**	12 134	12 134
Fair value of plan assets 31.12	**65 613**	**65 613**	14 204	14 204
Net pension liability	**177 630**	**177 630**	110 468	110 468
Unrecognised actuarial gains/losses	**—**	**—**	—	—
Social security tax	**24 252**	**24 252**	17 353	17 353
Net recognised pension liability 31.12	**201 883**	**201 883**	127 821	127 821

	2014	2013
Actual return on pension funds*	**4.40%**	5.70%
Expected contribution to be paid next year (NOK 1000)	**80 422**	85 938

*) *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 percent.

	2014	2013
Discount rate	**2.30%**	4.10%
Expected return on pension funds	**2.30%**	4.10%
Wage adjustments	**2.50%**	3.50%
Increase of social security base amount (G)	**2.50%**	3.50%
Future pension increase	**0.00%**	0.60%
Average turnover	**2-8%**	2-10%

The groups pension fund is invested in the following instruments:

	2014	2013
Equity	**7.2%**	6.8%
Alternative investments	**4.0%**	3.5%
Bonds	**15.3%**	17.0%
Money market funds	**23.5%**	22.0%
Hold-to maturity bonds	**32.6%**	35.2%
Real estate	**14.2%**	14.3%
Various	**3.3%**	1.1%

The table shows actual distribution of plan assets at 31 December 2014 and 2013.

Historical information

(NOK 1 000)	2014	2013	2012	2011	2010
Present value of defined benefit obligation	**243 243**	124 671	—	955 334	686 588
Fair value of plan assets	**65 613**	14 204	—	515 629	401 877
Deficit/(surplus) in the plan	**177 630**	110 468	—	439 705	284 711
Experience adjustments on plan liabilities	**45 654**	—	—	108 905	81 092
Experience adjustments on plan assets	**6 839**	—	—	28 702	2 130

NOTE 19: PROVISIONS

Periodic maintenance on leased Boeing 737 aircraft.

(NOK 1 000)	2014	2013
Opening balance	**467 607**	198 749
Charges to the income statement	**(781 870)**	(528 498)
Accruals	**1 233 499**	797 355
Closing balance	**919 237**	467 607
Classified as short term liabilities	**83 756**	54 869
Classified as long term provision	**835 480**	412 737

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 maintenances of aircraft, both regularly as well as at the expiration of the leasing period. The overhauls and maintenances 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 maintenances 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 maintenances and mandatory maintenances. The estimated costs of overhauls and maintenances 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 percent would increase the MRC additional provisions with approximately NOK 4.7 million (2013: NOK 3.8 million)

Parts of the periodic maintenances will be conducted in 2015, and NOK 83.8 million is classified as a short term liability for periodic maintenances (2013: NOK 54.9 million). The short term part of periodic maintenance is estimated based on the planned maintenances in 2015.

Pension cost

(NOK 1 000)	2014	2013
Opening balance	**—**	187 394
Reversals	**—**	(187 394)
Accruals	**—**	—
Closing balance	**—**	—
Classified as short term liabilities	**—**	—
Classified as long term provision	**—**	—

The group's defined benefit plan was closed 1 December 2012 and a new defined contribution plan was issued to all employees, in 2013, according to agreement with labour unions, a new defined benefit plan was issued to certain employees (see note 18). Provisions for pension cost at 31 December 2012 consisted of estimated conversion costs, non-forfeiture value to employees and potential legal claims (see note 28). The provision was reversed in 2013.

NOTE 20: FINANCIAL INSTRUMENTS

(NOK 1 000)	December 31, 2014 Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
Assets as per balance sheet				
Available-for-sale financial assets	—	—	82 689	**82 689**
Derivative financial instruments	—	—	—	**—**
Trade and other receivables*	2 179 876	—	—	**2 179 876**
Cash and cash equivalents	2 011 139	—	—	**2 011 139**
Total	4 191 014	—	82 689	**4 273 703**
*) Prepayments not included in trade and other receivables	414 614			

(NOK 1 000)	December 31, 2013 Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
Assets as per balance sheet				
Available-for-sale financial assets	—	—	93 847	**93 847**
Derivative financial instruments	—	37 389	—	**37 389**
Trade and other receivables*	1 585 748	—	—	**1 585 748**
Cash and cash equivalents	2 166 126	—	—	**2 166 126**
Total	3 751 874	37 389	93 847	**3 883 110**
*) Prepayments not included in trade and other receivables				**236 367**

NOK 1 000	December 31, 2014 Fair value through profit or loss	Other financial liabilities	Total
Liabilities per balance sheet			
Borrowings	—	13 283 842	**13 283 842**
Derivative financial instruments	458 958	—	**458 958**
Trade and other payables*	—	2 680 312	**2 680 312**
Total	458 958	15 964 154	**16 423 112**
*) Public duties not included in trade and other payables		132 753	

NOK 1 000	December 31, 2013 Fair value through profit or loss	Other financial liabilities	Total
Liabilities per balance sheet			
Borrowings	—	6 512 156	**6 512 156**
Derivative financial instruments	—	—	**—**
Trade and other payables*	—	1 816 371	**1 816 371**
Total	—	8 328 527	**8 328 527**
*) Public duties not included in trade and other payables			**133 323**

See note 22 for details related to borrowings.

Credit quality of financial assets

NOK 1 000	2014	2013
Trade receivables		
Counterparties with external credit rating	—	—
A or better	**942 659**	727 854
Counterparties without external credit rating	**1 237 217**	857 894
Total trade receivables	**2 179 876**	1 585 748
Cash and cash equivalents		
A+ or better	**1 786 565**	1 330 950
BBB +	**224 574**	835 176
Total cash and cash equivalents	**2 011 139**	2 166 126
Derivative financial assets		
A+ or better	—	37 389
Total derivative and financial assets	—	37 389
Available-for sale financial assets		
January 1st	**93 846**	12 861
Additions	—	80 985
Sale	**(11 158)**	—
31 December	**82 688**	93 846
Non-current portion	**82 688**	82 689
Current portion	—	11 158

Available-for-sale financial assets at 31 December 2014 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

	2014		2013	
NOK 1 000	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	—	**354**	37 389	—
Forward commodities contracts	—	**458 604**	—	—
Total	—	**458 958**	37 389	—
Current portion	—	**458 958**	37 389	—

Trading derivatives are classified as current assets or liabilities.

The total amount from derivatives amounts to a loss of NOK 489.5 million (2013: gain of NOK 227.7 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 31 December 2014 were NOK – 0.4 million (2013: NOK 37.9 million). At 31 December 2014, the group had forward foreign currency contracts to secure USD 35 million (2013: USD 830 million).

Forward commodities contracts

Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at 31 December 2014 were NOK—458.6 million (2013: NOK 0). As of 31 December 2014, the group had secured 299 000 tons of jet fuel through forward contracts that matures in the period January 2015—March 2016.

Other losses/gains—net

NOK 1 000	2014	2013
Net losses/(gains) on financial assets at fair value through profit or loss	**489 476**	(227 745)
Foreign exchange losses/(gains) on operating acitivities	**94 275**	(274 403)
Total	**583 751**	(502 148)

NOTE 21: TRADE AND OTHER PAYABLES

NOK 1 000	2014	2013
Accrued vacation pay	**171 825**	158 874
Accrued airport and transportation taxes	**134 909**	168 845
Accrued expenses	**1 009 847**	708 643
Trade payables	**888 926**	632 921
Payables to related party (note 27)	**4 258**	5 518
Public duties	**132 753**	133 323
Short term provisions for MRC (note 19)	**83 756**	54 869
Other short term provisions	**254 171**	86 699
Total	**2 680 445**	1 949 691

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

NOTE 22: BORROWINGS

Nominal value at 31 December 2014

NOK 1 000	Nominal value	Unamortised 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%
Total	13 615 482	(331 640)	13 283 842	

Nominal value at 31 December 2013

NOK 1 000	Nominal value	Unamortised transaction cost	Book value	Effective interest rate
Bond issue	600 000	(6 129)	593 871	6.9%
Facility agreement	148 673	(1 587)	147 086	8.6%
Aircraft financing	6 012 987	(323 240)	5 689 747	3.3%
Loan facility	70 978	—	70 978	3.5%
Financial lease liability	10 475	—	10 475	4.9%
Total	6 843 113	(330 956)	6 512 156	

Effective interest rate during 2014, recognised as financial items (note 8) and capitalised borrowing costs (note 11), is 4.5 percent (2013: 4.8 percent)

Classification of borrowings

NOK 1 000	2014	2013
Non-current		
Bond issue	**543 316**	593 871
Facility agreement	**526 579**	—
Aircraft financing	**8 880 333**	5 143 039
Financial lease liability	**3 227**	6 845
Total	**9 953 455**	5 743 755
Current		
Bond issue	**287 500**	—
Facility agreement	**2 041 351**	147 086
Aircraft financing	**996 954**	546 708
Loan facility	**—**	70 978
Financial lease liability	**4 582**	3 629
Total	**3 330 387**	768 401
Total borrowings	**13 283 842**	6 512 156

The carrying amounts of the group's borrowings are denominated in the following currencies;

NOK 1 000	2014	2013
USD	**12 445 217**	5 836 832
NOK	**838 625**	675 324

Collateralised borrowings are detailed in note 23.

Covenants

Bond issues

Minimum Equity of NOK 1500 million
Dividend payments less than 35 percent of net profit
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 2014.

Fair value calculations

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

NOK 1 000	Carrying amount 2014	2013	Fair Value 2014	2013
Bond issue	**543 316**	593 871	**534 071**	600 760
Facility agreement	**526 579**	—	**629 544**	—
Aircraft financing	**8 880 333**	5 143 039	**10 522 867**	6 020 579
Financial lease liability	**3 227**	6 845	**4 694**	9 060
Total fair value	**9 953 455**	5 743 755	**11 691 176**	6 630 400

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:

Bond Issue I

Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is an unsecured bond issue denominated in NOK and matures 13 April 2015. The coupon is NIBOR + 5.5 percent.

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 3 July 2017. The coupon is NIBOR + 3.75 percent.

ISIN: NO0010713860
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 groups newly built hangar at OSL, is denominated in NOK and matures 21 November 2017. The coupon is NIBOR + 4.0 percent.

ISIN: NO0010724313
Name: FRN Norwegian Air Shuttle ASA Senior Secured Bond Issue 2014 / 2017

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 2015 are classified as short term borrowings and are denominated in USD.

Aircraft financing

Fixed and floating interest rate based on LIBOR 7Y 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. 8 percent of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 92 percent 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.

Financial lease liability

The liability is de facto secured in the financial lease asset, as the rights and obligations of the leased asset is returned to the lessor if the lease agreement is not fulfilled.

The discount rates used to calculate the fair value of the financial lease liability equals the risk free interest rate and spread related to the loan facility in 2014 and 2013 as this loan facility regarded the best estimate for credit spread on financial lease liability. The financial lease liability is denominated in NOK.

Future minimum lease payments under financial lease liability

NOK 1 000	2014	2013
Future minimum lease payments		
- No later than 1 year	**4 548**	3 406
- Between 1 and 5 years	**4 008**	8 389
- Later than 5 years	**—**	—
Total	**8 556**	11 794
Future finance charges on financial lease liability	**747**	1 320
Present value of financial lease liability	**7 809**	10 475

NOTE 23: ASSETS PLEDGED AS COLLATERALS AND GUARANTEES

Liabilities secured by pledge

NOK 1 000	2014	2013
Aircraft financing	**9 877 287**	5 689 747
Loan Facility	**—**	70 978
Facility agreement	**2 567 930**	147 086
Financial lease liability	**7 809**	10 475
Total	**12 453 026**	5 918 285

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 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 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	2014	2013
Cash depot	—	—
Prepayment and aircraft	**14 756 813**	9 915 393
Financial lease asset	**19 234**	21 242
Total	**14 776 047**	9 936 635

NOTE 24: BANK DEPOSITS

Cash and cash equivalents

NOK 1 000	2014	2013
Cash in bank	**1 786 565**	1 330 950
Cash equivalents	**224 574**	835 176
Total	**2 011 139**	2 166 126

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are 3 months or less. At 31 December 2014, the interest terms of the cash deposits in folio accounts are 1 month NIBOR—0.25 percent p.a. The interest terms on restricted cash deposits in folio accounts are 1 month NIBOR +0.85 percent p.a.

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

Restricted cash

NOK 1 000	2014	2013
Guarantees for leases and credits from suppliers	**411 225**	219 391
Taxes withheld	**64 269**	60 107
Total	**475 494**	279 498

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.

NOTE 25: INVESTMENTS IN SUBSIDIARIES

Norwegian Air Shuttle Sweden AB

The subsidiary was purchased on 31 July 2007 and the group controls 100 percent of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was NOK 199.8 million. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary supplies the crew and provides technical services. Transactions between the parent company and the Swedish subsidiary during 2014 consisted of the supply of personnel. On 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian Air Shuttle ASA through the purchase of assets.

Call Norwegian AS

On 14 January 2008 the group established Call Norwegian AS, and the group controls 100 percent of the shares. The company had no activity in 2014.

Norwegian Holiday AS

On 15 July 2008 the group established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and in 2013 the company changed name to Norwegian Holidays AS. The company's purpose is to provide holiday packages to end customers. The group controls 100 percent of the shares.

Norwegian Long Haul AS

On 1 January 2012, the group established Norwegian Long Haul AS, and controls 100 percent of the shares. The company is incorporated in Norway and was established for the purpose of operating the group's long haul destinations with Boeing 787-8 Dreamliner aircraft. In 2013 and during 2014, the group's long haul business was transferred to the groups subsidiary in Ireland.

Arctic Aviation Assets Ltd

Arctic Aviation Assets Ltd, incorporated in Ireland, was established on 9 August 2013, with the purpose of administering the groups aircraft assets. The group controls 100 percent of the shares. The company owns 100 percent of the shares in the owner- and leasing companies designated for the groups aircraft assets.

Norwegian Air International Ltd

On 3 April 2013 Norwegian Air International Ltd, which is incorporated in Ireland, was established with the purpose of operating the groups long haul activities. The group controls 100 percent of the shares.

Norwegian Assets Ltd

On 16 December 2013 Norwegian Asset Ltd, which is incorporated in Ireland, was established with the purpose of operating the groups long haul activities. The group controls 100 percent of the shares.

Norwegian Air Norway AS

On 28 May 2013 Norwegian Air Norway AS, which is incorporated in Norway, was established. The company's purpose is to operate parts of the groups flight operations as wet lease provider.

Norwegian Cargo AS

On 16 April 2013 Norwegian Cargo AS, which is incorporated in Norway, was established. The group controls 100 percent of the shares. The company is established with the purpose of commercially administer the group's Cargo activities.

Norwegian Air Resources Holding Ltd

On 20 September 2013 Norwegian Air Resources Holding Ltd, which is incorporated in Ireland, was established. The company operates as holding company for the group's resource subsidiaries, providing operating personnel to the groups airline activities.

Norwegian Brand Ltd

On 9 December 2013 Norwegian Brand Ltd, which is incorporated in Ireland, was established. The company will maintain the group's overall brand and IP management activities.

AB Norwegian Air Resources Finland Ltd

On 14 June 2011, Ab Norwegian Air Shuttle Finland Ltd, which is incorporated in Finland, was established. In 2013 the company changed name to Norwegian Air Resources Finland AB. The company hires and employs crew in the group's resource structure.

Norwegian Air Resources Technical AB

On 7 February 2013, Norwegian Air Resources International AB which is incorporated in Sweden was established. The company changed name in 2014 to Norwegian Air Resources Technical AB. The company had no activity in 2014.

Norwegian Air Resources Sweden AB

On 28 August 2013, Norwegian Air Resources Sweden AB which is incorporated in Sweden, was established. The company has had no activity in 2014.

Norwegian Air Resources Spain S.L

On 6 October 2014, Norwegian Air Resources Spain S.L, which is incorporated in Spain, was established with the intention of hiring and employing crew for the airline activities in the group.

Norwegian Resources Denmark Aps

On 5 September 2013, Norwegian Resources Denmark Aps, which is incorporated in Denmark, was established. The company has had no activity in 2014.

Cabin Services Norge AS

On 27 January 2014, Cabin Services Norge AS, incorporated in Norway, was established, and in March 2014, crew based in Norway and employed in Norwegian Air Shuttle ASA was transferred to the company.

Cabin Services Denmark Aps

On 20 February 2014, Cabin Services Denmark Aps, incorporated in Denmark, was established, and in March 2014, crew based in Denmark and employed in Norwegian Air Shuttle ASA was transferred to the company.

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Shuttle Sweden AB	07/31/2007	Stockholm, Sweden	20 000	100%
Call Norwegian AS	01/14/2008	Fornebu, Norway	1 000 000	100%
Norwegian Holiday AS	08/04/2008	Fornebu, Norway	100	100%
Norwegian Long Haul AS	01/01/2012	Fornebu, Norway	20 000	100%
Norwegian Long Haul Singapore Ltd	11/29/2012	Singapore	10 000	100%
Norwegian Air Norway AS	05/28/2013	Fornebu, Norway	155	100%
Norwegian Cargo AS	04/16/2013	Fornebu, Norway	100 000	100%
Norwegian Brand Limited	12/09/2013	Dublin, Ireland	151 711 820	100%
Arctic Aviation Assets Limited	08/09/2013	Dublin, Ireland	479 603 659	100%
Oslofjorden Limited	08/22/2013	Dublin, Ireland	1	100%
Drammensfjorden Leasing Limited	09/24/2013	Dublin, Ireland	1	100%
Geirangerfjorden Limited	11/26/2013	Dublin, Ireland	1	100%
Boknafjorden Limited	03/14/2014	Dublin, Ireland	1	100%
DY1 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY2 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY3 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY4 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY5 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY6 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY7 Aviation Ireland Limited	08/02/2013	Dublin, Ireland	1	100%
DY9 Aviation Ireland Limited	11/27/2014	Dublin, Ireland	1	100%
Norwegian Air International Limited	04/03/2013	Dublin, Ireland	131 449 937	100%
Norwegian Assets Limited	12/16/2013	Dublin, Ireland	88 979 177	100%
Norwegian Air Resources Holding Limited	09/20/2013	Dublin, Ireland	1	100%
Norwegian Air Resources Sweden AB	08/28/2013	Stockholm, Arlanda	50 000	100%
Norwegian Resources Denmark Aps	09/05/2013	Hellerup, Denmark	80 000	100%
Norwegian Air Resources Technical AB	02/07/2014	Stockholm, Arlanda	50 000	100%
Norwegian Air Resources Spain S.L	10/06/2014	Madrid, Spain	1	100%
AB Norwegian Air Resources Finland Ltd	06/14/2011	Helsinki, Finland	200	100%
Cabin Services Norge AS	01/27/2014	Fornebu, Norway	30	100%
Cabin Services Denmark Aps	02/20/2014	Hellerup, Denmark	50	100%

NOTE 26: INVESTMENTS IN ASSOCIATED COMPANIES

Norwegian Air Shuttle ASA has the following investments in associates *NOK 1 000;*

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2013	Net profit/(loss) 2014	Share issue 2014	Carrying amount 31.12.2014
Norwegian Finans Holding ASA	Norway	Financial institution	20%	164 575	57 631	1 389	223 594

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2012	Net profit/(loss) 2013	Share issue 2013	Carrying amount 31.12.2013
Norwegian Finans Holding ASA	Norway	Financial institution	20%	116 050	46 597	1 926	164 575

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

2014 NOK 1 000

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%

2013 NOK 1 000

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held
Norwegian Finans Holding ASA	Norway	1 667 696	1 511 345	139 748	46 597	20%

NOTE 27: RELATED PARTY TRANSACTIONS

The chief executive officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 25.02 percent through the controlling ownership of HBK Invest AS. 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 2014 or 2013, except for indirect transactions through Fornebu Næringseiendom.

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 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 Ok-senøyveien 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 2014 and 2013. 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 licence fees from Norwegian Finans Holding ASA for the use of the Norwegian Brand. The total commission and licence 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 2014 or 2013.

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	2014	2013
Sales (-) and purchases (+) of goods and services (excl VAT)		
- Simonsen Vogt Wiig (legal services)	**11 920**	8436
- Associate (commission and licence fee)	**(101 720)**	(67 202)
- Associate (interests on subordinated loan)	**(4 137)**	(3 491)
- Fornebu Næringseiendom (property rent)	**13 454**	13 319
Year-end balances arising from sales/purchases of goods/services (incl VAT)		
Receivables from related parties (note 13)		
- Associate (commission)	**10 000**	10 000
Payables from related parties (note 21)		
- Simonsen Vogt Wiig (legal services)	**74**	1 436
- Fornebu Næringseiendom (property rent)	**4 184**	4 082
Investment in related parties		
- Associate (subordinated loan)	**80 000**	80 000

NOTE 28: CONTINGENCIES AND LEGAL CLAIMS

As described in note 28 in the annual report for 2012, Norwegian was in a legal dispute with the Norwegian Pilot Union at 31 December 2012. This dispute was settled during the fourth quarter 2013, resulting in a liability for the company to issue a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 18 for details on pensions.

NOTE 29: 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 the remaining aircraft will be delivered in 2015. The aircraft have a (total) list price of USD 580 million. The three aircraft will complement the 787-8 Dreamliner leases (note 12). At 31 December 2014, the group has 6 Boeing 787-8 Dreamliner lease orders with expected delivery from 2015 to 2016.

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.

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

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 maintenances, 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.

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

NOTE 30: EVENTS AFTER THE REPORTING DATE

On 28 February 2015, several pilots employed in the subsidiary Norwegian Air Norway AS, commenced a strike, organised by Norwegian Pilot Union (NPU). The strike was escalated and seriously affected the airline Norwegian Air Shuttle ASA's production for the 11 days until it was solved. During the strike, most of the Scandinavian production was stopped and approximately 1000 employees were temporarily laid off. On reaching agreement with NPU, the Scandinavian pilots have received a guarantee of employment for three years and a master seniority list for pilots based in Europe. The agreement additionally specifies cost reductions for the group in the form of reduced pension liabilities and insurance schemes.

In addition to the direct impact of the strike including startup costs, Norwegian lost future bookings which will affect future revenues. Sales picked up again immediately after the strike was ended, but the load factor on domestic routes will be lower than normal for a period of time. The company has not quantified the full impact of the strike.

On 5 March 2015, Norwegian Air Norway AS established three new subsidiaries for its pilots in Norway, Sweden and Denmark respectively, and all employees were transferred to the companies in his/her respective country with the existing tariff agreements, working conditions and benefits.

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 31 December 2014, and the income statement 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 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Chief Executive Officer's Responsibility for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway 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 Chief Executive Officer 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 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

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 31 December 2014, 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 coverage 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, 25 March 2015
Deloitte AS

Jørn Borchgrevink
State Authorised Public Accountant (Norway)

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

NORWEGIAN AIR SHUTTLE ASA—GROUP

Consolidated Financial Statements 2013

CONSOLIDATED INCOME STATEMENT

NOTE	(NOK 1,000)	2013	2012
4	Revenues	15,511,218	12,841,191
4	Other income	68,326	17,851
	Total operating revenues and income	**15,579,544**	**12,859,042**
5	Operational expenses	11,370,597	9,131,424
6,7,17,18	Payroll	2,478,294	2,068,202
10,11	Depreciation, amortization and impairment	529,825	385,244
5a	Other operating expenses	733,319	534,335
20	Other losses/(gains)—net	-502,148	336,385
	Total operating expenses	**14,609,886**	**12,455,590**
	Operating profit	**969,658**	**403,452**
8	**Net financial items**	**-578,874**	**186,888**
26	Share of profit (loss) from associated company	46,597	32,840
	Profit (loss) before tax	**437,381**	**623,181**
9	Income tax expense (income)	115,817	166,535
	PROFIT (LOSS) FOR THE YEAR	**321,564**	**456,646**
16	Basic earnings per share	9.15	13.08
16	Diluted earnings per share	9.02	12.99
	Profit attributable to;		
	Owners of the company	321,564	456,646

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOTE	(NOK 1,000)	2013	2012
	Profit for the year	**321,564**	**456,646**
20	Available-for-sale financial assets	1,158	0
	Exchange rate differences Group	-2,925	303
	Total comprehensive income for the period	**319,797**	**456,949**
	Total comprehensive income attributable to;		
	Owners of the company	319,797	456,949

The notes on pages F-128 to F-178 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOTE	(NOK 1,000)	2013	2012
	ASSETS		
	Non-current assets		
10	Intangible assets	225,270	237,774
9	Deferred tax asset	28,517	4,293
11	Aircraft, parts and installations on leased aircraft	7,526,707	5,579,757
11	Equipment and fixtures	72,972	58,476
11	Buildings	14,966	9,525
11	Financial lease asset	21,242	24,562
3,20	Financial assets available for sale	82,689	2,689
26	Investment in associate	164,575	116,050
11	Prepayment to aircraft manufacturers	2,514,882	2,844,359
13	Other receivables	199,036	135,562
	Total non-current assets	**10,850,858**	**9,013,047**
	Current assets		
14	Inventory	74,135	68,385
13	Trade and other receivables	1,623,079	1,096,558
3,20	Derivative financial instruments	37,389	0
3,20	Financial assets available for sale	11,158	10,172
24	Cash and cash equivalents	2,166,126	1,730,895
	Total current assets	**3,911,887**	**2,906,011**
	TOTAL ASSETS	**14,762,744**	**11,919,058**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOTE	(NOK 1,000)	2013	2012
	EQUITY AND LIABILITIES		
15	**Equity**		
	Share capital	3,516	3,516
	Share premium	1,093,549	1,093,549
	Other paid-in equity	72,744	63,365
	Other reserves	-11,102	-9,335
	Retained earnings	1,591,119	1,269,556
	Total equity	**2,749,827**	**2,420,652**
	Non-current liabilities		
18	Pension obligation	127,821	0
19	Provision for periodic maintenance	412,737	175,306
9	Deferred tax	443,991	301,042
22	Borrowings	5,736,896	4,166,854
22	Financial lease liability	6,860	10,853
	Total non-current liabilities	**6,728,304**	**4,654,055**
	Short term liabilities		
22	Short term part of borrowings	768,401	1,349,359
21	Trade and other payables	1,949,693	1,564,955
	Air traffic settlement liabilities	2,566,519	1,739,681
3,20	Derivative financial instruments	0	190,356
9	Tax payable	2	—
	Total short term liabilities	**5,284,614**	**4,844,352**
	Total liabilities	**12,012,918**	**9,498,407**
	TOTAL EQUITY AND LIABILITIES	**14,762,744**	**11,919,058**

The notes on pages F-128 to F-178 are an integral part of these consolidated financial statements.

Fornebu, 26 March 2014

Bjørn H. Kise (Chairman of the Board)	Ola Krohn-Fagervoll (Deputy Chairman)
Liv Berstad (Board member)	Marianne Wergeland Jenssen (Board member)
Thor Espen Bråten (Employee Representative)	Kenneth Utsikt (Employee Representative)
Linda Olsen (Employee Representative)	Bjørn Kjos (Chief Executive Officer)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK 1,000)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	Total equity
Equity at 01 January 2012	**3,488**	**1,075,463**	**63,365**	**1,142,317**	**-9,638**	**812,910**	**1,945,588**
Net profit for the year						456,646	456,646
Exchange rats differences Group					303		303
Comprehensive income 2012		0		0	303	456,646	456,949
Stock options—share issue	28	18,085	0	18,114	303	456,646	18,114
Transactions with owners	28	18,085		18,114			18,114
Equity 31 December 2012	**3,516**	**1,093,549**	**63,365**	**1,160,431**	**-9,335**	**1,269,556**	**2,420,652**
Equity at 01 January 2013	**3,516**	**1,093,549**	**63,365**	**1,160,431**	**-9,335**	**1,269,556**	**2,420,652**
Net profit for the year						321,564	321,564
Available for sale financial assets					1,158		1,158
Exchange rats differences Group					-2,925		-2,925
Comprehensive income 2013		0	0	0	-1,767	321,564	319,797
Equity change on employee options			9,379	9,379			9,379
Transactions with owners			9,379	9,379			9,379
Equity 31 December 2013	**3,516**	**1,093,550**	**72,744**	**1,169,810**	**-11,102**	**1,591,120**	**2,749,827**

CONSOLIDATED CASH FLOW STATEMENT

NOTE	(NOK 1,000)	2013	2012
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit (loss) before tax	437,381	623,181
9	Taxes paid	0	-2,545
10,11	Depreciation, amortisation and write-down	529,825	385,244
	Pension expense without cash effect		81,186
26	Profit from associated company	-46,597	-32,840
17	Compensation expense for employee options	9,379	0
10	Losses/(gains) on disposal of tangible assets	-35,359	-16,401
20	Fair value (gains)/losses on financial assets	-226,587	324,137
8	Financial items	578,874	-186,888
8	Interest received	90,884	51,340
	Change in inventories, accounts receivable and accounts payable	107,483	-128,561
	Change in air traffic settlement liabilities	826,754	531,439
	Change in other current assets and current liabilities	106,818	392,392
	Net cash flow from operating activities	**2,378,855**	**2,021,682**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
11	Prepayments aircraft purchase	-1,460,328	-2,134,161
11	Purchase of tangible assets	-543,159	-574,287
10	Purchase of intangible assets	-42,418	-55,901
20	Proceeds from sales of investment bonds	-81,928	0
26	Payment to associated company	0	-1,119
	Net cash flow from investing activities	**-2,127,833**	**-2,765,468**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
22	Proceeds from long term debt	2,309,721	1,991,173
22	Payment of long term debt	-1,829,731	-460,692
15	Proceeds from issuing new shares	0	18,114
	Interest on borrowings	-295,816	-179,161
	Net cash flow from financial activities	**184,174**	**1,369,433**
	Foreign exchange effect on cash	35	302
	Net change in cash and cash equivalents	435,231	625,949
	Cash and cash equivalents at 1 January	1,730,895	1,104,946
24	**Cash and cash equivalents at 31 December**	**2,166,126**	**1,730,895**

Note 1—Summary of Significant Accounting Policies

1.1 General information

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

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2013 were authorized for issue by the Board of Directors on 26 March 2014.

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 which involve 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

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 1 January 2013, have been implemented, but have not had any material impact on the Group other than minor disclosure changes related to some of the standards.

- IFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- IAS 19, 'Employee Benefits', was amended in June 2011.
- Amendment to IAS 1—'Financial statement presentation' regarding other comprehensive incomes.
- IFRS 7, 'Financial Instruments: Disclosures'. Implementation did not have any material impact on the financial statements.
- Annual Improvements to IFRSs 2009-2011 Cycle.

A number of new standards and amendments to standards and interpretations approved by the EU are effective for annual periods beginning after 1 January 2013, 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, except the following set out below:

	Effective for periods beginning on or after
• IFRS 10 'Consolidated Financial Statements';	1 January 2014

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

• IFRS 11 'Joint Arrangements';	1 January 2014

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13, and removes the option to account for jointly controlled entities using proportionate consolidation, thus all such entities must be accounted for using the equity method. The group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014.

• IFRS 12, 'Disclosures of interests in Other Entities'	1 January 2014

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

• IAS 27 'Separate Financial Statement' (revised as a consequence of the issuance of IFRS 10,11 and 12)	1 January 2014
• IAS 28 'Investments in Associates and Joint Ventures' (Revised as a consequence of the issuance of IFRS 11 and 12)	1 January 2014
• Amendments to IFRS 10,11 and IFRS 12—Transition guidance	1 January 2014
• IAS 32 'Financial Instruments: Presentation'	1 January 2014
• IAS 36 'Impairment of Assets' (Amendment)	1 January 2014
• IAS 39 'Financial Instruments: Recognition and Measurement (Amendment)	1 January 2014

These standards, amendments and interpretations are not expected to have material impact on the financial statements.

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 Purpose Vehicles (SPVs) according to SIC 12. 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. typically 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.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

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 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 components. The first aircraft component is defined as maintenance components. In accordance with official requirements, the aircraft must be maintained which means significant components must be changed after a specific number of take-offs or airborne hours. These components are identified as two heavy maintenance checks of the aircraft body, power restoration and life limited parts for the two engines on each plane, as well as maintenance on landing gears and APU. The maintenances 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 maintenances 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.

Buildings are carried at acquisition costs, less accumulated depreciation.

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 annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the 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 reallocated 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 1.12 and 1.13 respectively).

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

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other losses/ (gains)—net' of the period in which they occur. Gains or losses that occur from changes in the fair value of the 'available-for-sale' category are presented in equity within other comprehensive income in the period in which they occur. 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.

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 which 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 evidence exists of a prolonged or significant decline in the fair value of the security below its initial cost. If any such evidence exists, the cumulative loss (measured as the difference between the initial 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 comprehensive income and recognized in the income statement. If an increase in the fair value of available-for-sale financial assets occur in a subsequent period 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 statement of comprehensive income.

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 2013 or 2012.

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.

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

1.14 Liabilities

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

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

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

1.15 Provisions

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

1.16 Employee benefits

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

1.16.1 Defined benefit plans

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

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

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

In addition, the Group participates in an early retirement plan (AFP) for all employees in Norway. The AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognized in the income statement as a defined contribution plan as the plans administrator has not allocated actuarial gains/losses to the members of the AFP pension plan as of 31 December 2013.

Provisions for pension costs are detailed in note 18 and note 1.5.

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

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

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

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

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

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

1.18 Contingent assets and liabilities

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

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

Contingent liabilities are not recognized in the annual financial statements, but significant contingent liabilities are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

1.19 Revenue recognition

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

1.19.1 Passenger revenue

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

1.19.2 Ancillary revenue

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

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

1.19.3 Other revenue

Other revenue comprises third party revenue, such as 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 customer loyalty program. Customers earn 'Cashpoints' in the following circumstances;

- Bank Norwegian Customer; 1% of the payment is earned on all purchases. Cashpoints are also earned on all 'low fare' and 'full 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 low fare tickets and 10% on full flex tickets.

- Norwegian Air Shuttle ASA; My Reward Customer; 2% on all low fare tickets and 10% on all full flex tickets.
- Corporate Reward Customer; 3% on all low fare tickets and 7% on all full flex tickets.
- Talkmore; 5% on all mobile usage.
- World Medical Card; 20% on the membership fee.
- Helly Hansen; 10% on Helly Hansen Brands Stores in Oslo.
- Opplysningen 1881; 2% on calls and SMS to 1881.
- NorgesEnergi; 500 cash points for signing up or 100 cash points if already a member in addition to 200 cash points yearly.
- Euroflorist Europe B.V.; 10% on all purchases.
- Revy & Teaterservice; up to 10 % on selected shows/concerts.
- Flygbusserna Airport Coaches AB; 8% on tickets purchased online.
- Affinion; Cash points, different percentages, on all purchases from the Reward eShop.

Customer Cashpoints gained from purchased airline tickets are recognized as a liability in the statement of financial position and deducted from the value of the purchase at the date of purchase. The customer Cashpoints liability is derecognized from the statement of financial position and recognized as income when customers utilize their Cashpoints.

All other earned customer Cashpoints are recognized as a liability in the statement of financial position and immediately expensed. 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, in which they were earned, plus two years. Unused Cashpoints after this period are derecognized from the statement of financial position. The liability is measured at fair value and classified as short term, as available statistics as of 31 December 2013 indicate that customer 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 has entered into sales and lease back transactions with regards to selling 3 aircraft and leasing back the same assets in 2013 (two in 2012). 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.

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 occuring 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 are 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 maintenances. In order to estimate these conditions, the management must make assumptions regarding expected future maintenances. 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.

The Group has closed its defined benefit plan, see note 1.16.1. Provisions for pension cost and conversion cost were recognized at 31 December 2012. In November 2013, the Group issued a new defined benefit plan. Significant management judgment was required to determine the estimates for such provisions (see note 19).

Note 2—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. 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% of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards. In 2013, the Group transferred several aircraft from parent company Norwegian Air Shuttle ASA to newly established asset company in Ireland with USD functional currency. Hence, the Groups total USD exposure has been reduced.

If NOK had weakened/strengthened by 1% against USD in 2013, with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 3.1 million (2012: NOK 1.7 million) lower/higher, 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 at 31 December.

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 3.8 million (2012: NOK 1.7 million) higher/lower, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and cash and cash equivalents.

The Group has investments in operations in Sweden and Ireland, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is regarded as immaterial for the Group, and currency variances are not hedged.

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 financing from TD Bank, revolving credit facility, 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 from PEFCO, guaranteed by the Ex-Im Bank of the United States. Borrowings are denominated in USD and NOK.

If the floating interest rate in 2013 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 9.6 million (2012: NOK 2.9 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 12 months with forward commodity contracts.

The Group holds forward commodity contracts to hedge jet-fuel price risk. Such derivative contracts affect the financial statements through unrealized gains/losses from jet-fuel prices. At 31 December 2013, the Group holds no such derivative contracts.

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.

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 259 owned aircraft on firm order with future delivery. The table below shows the expected timeline of future deliveries of aircraft at 31 December 2013. Prepayments to aircraft manufacturers on future aircraft deliveries are largely financed by internal funds. The Group has ensured export credit support on all aircraft on order. 55 % of deliveries in 2014 have been financed through the private EETC marked in the US and long term financing guaranteed by export credit agencies. The remaining 2014 deliveries will be financed through commercial financing or export guaranteed financing. The Group is currently in the process of securing predelivery payment financing and term financing according to the Group's financing policy for deliveries in the finance planning for 2014-2015.

Aircraft delivery	2014	2015-2016	2017-	Total
737-800	11	27	19	57
737 Max 8	0	0	100	100
Airbus 320 neo	0	4	96	100
787-8 Dreamliner	1	1	0	2
Total	**12**	**32**	**215**	**259**

The Group's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2013, three aircraft were delivered and financed as sales and lease backs transactions (two in 2012).

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;

At 31 December 2012 (NOK 1,000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,359,672	457,543	1,759,652	2,185,347
Financial lease liability	4,396	4,396	6,457	0
Derivative contracts—payments	190,356	0	0	0
Trade and other payables	1,564,955	0	0	0
Interest on borrowings *)	157,642	132,129	246,445	150,760
Total financial liabilities	**3,277,021**	**594,068**	**2,012,554**	**2,336,108**

*) Calculated interests on borrowings

At 31 December 2013 (NOK 1,000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	764,772	1,222,261	1,753,446	3,090,608
Financial lease liability	3,629	2,756	5,053	
Derivative contracts—payments	0	0	0	0
Trade and other payables	1,949,693	0	0	0
Interest on borrowings *)	194,347	176,391	308,727	228,113
Total financial liabilities	**2,912,441**	**1,401,408**	**2,067,226**	**3,318,721**

*) 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 equity ratio of the Group. This ratio is calculated as equity divided by total assets as presented in the consolidated statement of financial position and consolidated statement of changes in equity. Equity ratio 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 31 December were as follows;

(NOK 1,000)	2013	2012
Equity	2,749,827	2,420,652
Total assets	14,762,744	11,919,058
Equity ratio	**18.6%**	**20.3%**

Note 3—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. Financial instruments included in level 1 are investment in Bank Norwegian AS' listed bond.

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 forward prices and rates at the reporting date, with the resulting value discounted back to present value.

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 an equity investment in Forth Moment fund of which Warren Capital AS is the investment manager. Investment in Forth Moment Fund is classified as available-for-sale financial assets. See note 20 for additional details on available-for-sale financial assets.

The following table presents financial assets and liabilities measured at fair value at 31 December 2013;

(NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivative financial instruments	0	37,389	0	37,389
Available-for-sale financial assets	80,000	0	13,847	93,847
Total assets	**80,000**	**37,389**	**13,847**	**131,236**
Liabilities				
- Derivative financial liabilities	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**

The following table presents financial assets and liabilities measured at fair value at 31 December 2012;

(NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss	0	0	0	0
Available-for-sale financial assets	0	0	12,862	12,862
Total assets	**0**	**0**	**12,862**	**12,862**
Liabilities				
- Derivative financial liabilities	0	190,356	0	190,356
Total liabilities	**0**	**190,356**	**0**	**190,356**

Note 4—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 assets 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 travels 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)	2013	2012
By activity:		
Passenger transport	13,381,460	11,201,072
Ancillary revenue	1,757,887	1,405,495
Other revenues	371,871	234,624
Total revenues	15,511,218	12,841,191
By geographic market:		
Domestic	4,354,734	4,039,488
International	11,156,484	8,801,703
Total revenues	15,511,218	12,841,191

Other income amounts to NOK 68.3 million (2012: NOK 17.9 million) and include gains from sales of tangible assets (note 11).

Note 5—Operating Expenses

(NOK 1,000)	2013	2012
Sales and distribution expenses	339,376	274,954
Aviation fuel	4,707,203	3,740,508
Aircraft leases	1,284,395	1,032,915
Airport charges	2,182,645	1,730,217
Handling charges	1,339,417	1,077,334
Technical maintenance expenses	927,820	792,565
Other aircraft expenses	589,742	482,932
Total operational expenses	11,370,596	9,131,424

Note 5a—Other Operating Expenses

Other operating expenses amount to NOK 733.3 million (2012: NOK 534.3 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.

Note 6—Payroll Expenses and Number of Employees

Payroll expenses

(NOK 1,000)	2013	2012
Wages and salaries	1,404,665	1,125,536
Social security tax	256,165	226,133
Pension expenses	128,612	253,871
Employee stock options	9,379	0
Other benefits	103,784	74,591
Hired crew personnel	575,690	388,071
Total	2,478,295	2,068,202

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

Number of man-labour years *)

	2013	2012
Norway	1,857	1,734
Sweden	504	421
Denmark	347	252
Finland	188	128
Spain	294	167
United Kingdom	121	4
Thailand	141	0
Singapore/Bangkok	45	0
USA	9	0
Total	3,507	2,705

*) including man-labour years related to hired crew personnel

Note 7—Remuneration of the Board of Directors and Executive Management

Remuneration of the Board of Directors

Total remuneration paid to the Board in 2013 was NOK 1.5 million (2012: NOK 1 million). The Chairman of the Board, Bjørn Kise, received NOK 0.5 million. (2012: NOK 0.36 million) There were no bonuses or other forms of compensation paid to the Board members in 2013.

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 2013 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.

Total compensation year 2013

(NOK 1,000)	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The Board of Directors						
Bjørn Kise (chairman)	500				500	
Ola Krohn-Fagervoll (deputy chairman)	300				300	
Liv Berstad	275				275	
Marianne Wergeland Jenssen	275				275	
Thor Espen Bråthen*)	50				50	
Jeanette Vannebo*)	50				50	
Linda Olsen*)	50				50	
Total board of directors	**1 500**	**0**	**0**	**0**	**1 500**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 448		170	1 618	67
Frode Foss (Chief Financial Officer)		1 848		159	2 007	84
Geir Steiro (Chief Operating Officer, started on 1 November 2013)		226		26	252	0
Asgeir Nyseth (Chief Operating Officer)		1 751		154	1 905	91
Gunnar Martinsen (Senior Vice President HR and Organisation)		1 268		164	1 432	77
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1 270		154	1 424	103
Per-Ivar Gjørvad (Chief IT Officer)		1 065		161	1 226	84
Frode Berg (Chief Legal Officer, started on 11 February)		1 067		139	1 206	67
Total executive management		**9 943**	**0**	**1 127**	**11 070**	**573**

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

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

***) Pension expense reflects paid pension premium less employee contribution

No share options were exercised by the management in 2013.

Total compensation year 2012

(NOK 1,000)	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension Expense ***)
The Board of Directors						
Bjørn Kise (chairman)	360				360	
Ola Krohn-Fagervoll (deputy chairman)	225				225	
Liv Berstad	175				175	
Marianne Wergeland Jenssen	175				175	
Thor Espen Bråthen*)	35				35	
Kenneth Utsikt*)	35				35	
Linda Olsen*)	35				35	
Total board of directors	**1 040**	**0**	**0**	**0**	**1 040**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 328		169	1 497 a)	134
Frode Foss (Chief Financial Officer)		1 762		158	1 920 b)	102
Asgeir Nyseth (Chief Operating Officer)		1 734		155	1 889 c)	140
Hans-Petter Aanby (Chief IT Officer, Quit 31 May 2012)		969		45	1 014 d)	73
Per Ivar Gjørvad (Chief IT Officer, Started on 1 June 2012)		961		89	1 050 e)	75
Daniel Skjeldam (Chief Commercial Officer, Quit 31 August 2012)		1 200		106	1 306 f)	36
Gunnar Martinsen (Senior Vice President HR and Organisation)		1 249		164	1 413 g)	153
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1 255		139	1 394	136
Total executive management		**10 458**	**0**	**1 025**	**11 483**	**848**

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

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

***) Pension expense reflects paid pension premium less employee contribution

a) Bjørn Kjos exercised share options in 2012 that has been reported as additional taxable income with NOK 256,397

b) Frode Foss exercised share options in 2012 that has been reported as additional taxable income with NOK 280,627

c) Asgeir Nyseth exercised share options in 2012 that has been reported as additional taxable income with NOK 295,741

d) Hans-Petter Aanby exercised share options in 2012 that has been reported as additional taxable income with NOK 346,669

e) Per Ivar Gjørvad exercised share options in 2012 that has been reported as additional taxable income with NOK 39,224

f) Daniel Skjeldam exercised share options in 2012 that has been reported as additional taxable income with NOK 138,664

g) Gunnar Martinsen exercised share options in 2012 that has been reported as additional taxable income with NOK 104,118

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.

Audit remuneration (excl VAT)

(NOK 1,000)	2013 Deloitte	2013 PwC	2012 PwC
Audit fee	400	840	1,016
Other audit related services		110	264
Tax advisory		34	5
Other services	640	85	21
Total	**1,040**	**1,069**	**1,307**

All amounts stated exclude VAT. The General Assembly elected Deloitte as new auditor at the General Assembly meeting in 2013, effective June 21 2013.

Note 8—Net Financial Items

(NOK 1,000)	2013	2012
Interest income	149,658	47,543
Interest expense	-256,702	-118,845
Net foreign exchange (loss) or gain	-472,938	273,353
Appreciation cash equivalents	24,593	21,024
Fair value adjustment long term deposits	2,669	2,900
Other financial items	-26,154	-39,087
Net financial items	**-578,874**	**186,888**

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

Net foreign exchange loss of NOK 472.9 million is recognized in 2013 (2012: NOK 273.4 million as gain). Forward foreign currency contracts are entered to reduce foreign currency risk from USD denominated borrowings (note 2 and 20).

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 9—Tax

This year's tax expense consists of (NOK 1,000):	2013	2012
Tax payable	2	2,545
Adjustments from previous year	-500	-181
Change in deferred tax	116,316	164,171
Income tax expense	**115,817**	**166,535**

Reconciliation from nominal to effective tax rate:

(NOK 1,000)	2013	2012
Profit before tax	437,381	623,181
Expected tax expense using nominal tax rate (28%)	122,467	174,491
Tax effect of the following items:		
Non deductible expenses/income	-12,227	-7,875
Adjustments from previous year	-500	-181
Tax rate outside Norway other than 28%	-584	0
Change in tax rate in Norway to 27%	6,662	0
Tax expense	**115,817**	**166,434**
Effective tax rate	26.48%	26.71%

The following table details deferred tax assets and liabilities;

Deferred tax	Assets 2013	Liabilities 2013	Assets 2012	Liabilities 2012
Intangible assets	0	-6,050	0	-6,274
Tangible assets	0	-447,790	0	-324,108
Long term receivables and borrowings in foreign currency	0	0	0	-43,418
Inventories	0	6,075	0	4,681
Receivables	0	2,612	0	8,859
Financial instruments	0	-10,095	0	53,300
Deferred gains/losses	0	-16,264	0	-7,403
Other accruals	0	42,626	0	61,292
Pensions	0	34,512	0	0
Other temporary differences	0	-84,097	0	-66,734
Loss carried forward	28,517	34,480	4,293	18,764
Gross deferred tax assets and liabilities	**28,517**	**-443,991**	**4,293**	**-301,042**

Reconciliation of deferred tax assets and liabilities	Assets 2013	Liabilities 2013	Assets 2012	Liabilities 2012
Recognized at 1 January	4,293	-301,042	2,069	-134,646
Charged/credited to the income statement	27,064	-142,879	2,224	-166,395
Charged directly to equity	-2,839	-70	0	0
Recognized at 31 December	**28,517**	**-443,991**	**4,293**	**-301,042**

The Group has recognized NOK 28.5 million as a deferred tax asset in 2013 (2012: NOK 4.3 million) 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. The deferred tax liability is based on temporary differences in assets and liabilities, as well as the allocation of the purchase price of Norwegian Air Shuttle Sweden AB to fair values.

Note 10—Intangible Assets

(NOK 1,000)	Software	Goodwill	Other intangible assets: Indefinite life	Other intangible assets: Definite life	Total
Acquisition costs 1 January 2012	264,318	94,157	26,036	69,574	454,085
Additions	55,901	0	0	0	55,901
Disposals	-3,867	0	0	0	-3,867
Acquisition costs 31 December 2012	**316,351**	**94,157**	**26,036**	**69,574**	**506,118**
Acquisition costs 1 January 2013	316,351	94,157	26,036	69,574	506,118
Additions	39,219	0	3,199	0	42,418
Disposals	0	0	0	0	0
Acquisition costs 31 December 2013	**355,570**	**94,157**	**29,235**	**69,574**	**548,536**
Accumulated amortization 1 January 2012	148,294	0	0	69,574	217,868
Amortization	53,062	0	0	0	53,062
Impairment	0	0	0	0	0
Amortization disposals	-2,585	0	0	0	-2,585
Accumulated amortization 31 December 2012	**198,771**	**0**	**0**	**69,574**	**268,345**
Accumulated amortization 1 January 2013	198,771	0	0	69,574	268,345
Amortization	54,921	0	0	0	54,921
Impairment	0	0	0	0	0
Amortization disposals	0	0	0	0	0
Accumulated amortization 31 December 2013	**253,692**	**0**	**0**	**69,574**	**323,266**
Book value at 31 December 2012	**117,581**	**94,157**	**26,036**	**0**	**237,773**
Book value at 31 December 2013	**101,878**	**94,157**	**29,235**	**0**	**225,270**
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 31 July 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 2013, or in 2012.

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 8.7% (2012: 7.9%) 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 growth assumptions from budgeted production increase, no growth is incorporated in the impairment test for 2013.

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 31 December 2013, 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 1 January 2012	9 525	4 424 627	2 126 954	114 303	34 607	6 710 016
Additions	0	607 445	2 134 161	46 416	0	2 788 023
Transfers	0	1 416 756	-1 416 756	0	0	0
Disposals	0	-125 559	0	0	0	-125 559
Acquisition cost at 31 December 2012	**9 525**	**6 323 271**	**2 844 359**	**160 719**	**34 607**	**9 372 481**
Acquisition cost at 1 January 2013	9 525	6 323 271	2 844 359	160 719	34 607	9 372 481
Additions	5 441	519 444	1 546 334	39 297	0	2 110 516
Transfers	0	1 875 810	-1 875 810	0	0	0
Disposals	0	-15 757	0	-19 009	0	-34 766
Acquisition cost at 31 December 2013	**14 966**	**8 702 767**	**2 514 883**	**181 007**	**34 607**	**11 448 230**
Accumulated depreciation at 1 January 2012	0	555 468	0	82 313	6 724	644 505
Depreciation	0	308 931	0	19 930	3 321	332 183
Depreciation disposals	0	-120 886	0	0	0	-120 886
Accumulated depreciation at 31 December 2012	**0**	**743 513**	**0**	**102 243**	**10 045**	**855 801**
Accumulated depreciation at 1 January 2013	0	743 513	0	102 243	10 045	855 801
Depreciation	0	447 012	0	24 571	3 321	474 904
Depreciation disposals	0	-14 465	0	-18 779	0	-33 244
Accumulated depreciation at 31 December 2013	**0**	**1 176 059**	**0**	**108 035**	**13 367**	**1 297 461**
Book value at 31 December 2012	**9 525**	**5 579 757**	**2 844 359**	**58 477**	**24 561**	**8 516 680**
Book value at 31 December 2013	**14 966**	**7 526 708**	**2 514 883**	**72 972**	**21 240**	**10 150 769**

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	100%	See below	See below	0%	0%

As at 31 December 2013, the Group operated a total of 85 aircraft, whereas 36 were owned and 49 were leased under operational leases. See note 12 for details about operational leases.

Aircraft

The Group acquired 7 Boeing 737-800 and 1 Boeing 787-8 aircraft during 2013 and 8 Boeing 737-800 aircraft during 2012.

The residual value is NOK 2,227.7 million (2012: NOK 1,614.4 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.

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 2013 and 2012 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 rotable 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 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the Group purchased an apartment in Seattle, and in 2013 purchased and 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. Buildings are carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

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. Note 2.6 include a table showing the timeline of future deliveries.

At 31 December 2013, 31 owned and 13 sale and lease backs were delivered (2012: 23 and 10). 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 86.0 million (2012: NOK 73.5 million) have been capitalized during the year. An average capitalization rate of 4.8% (2012:4.7%) was used.

Financial lease assets

In 2009, the Group entered into lease agreements concerning 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 Group after the end of the lease agreement. The financial lease assets are depreciated over their 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.

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 2013 or 2012.

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 3 and 10 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 2011, 54 aircraft were delivered. In 2012 and 2013, 5 and 9 aircraft were delivered respectively, including sale leaseback. Renegotiations have resulted in the extension of some of the shorter leases. In 2013, 0 (2012: 7) aircraft were redelivered to the lessor. Contracts for 3 of the aircraft will expire in 2014, and contracts for 6 of the aircraft will expire in 2015. The remaining contracts expire in 2016 or later.

Leasing costs expensed on aircraft lease within operational expenses was NOK 1,155.7 million in 2013 (2012: NOK 929.9 million). Included in leasing costs are operating lease costs on aircraft from sale-and-leaseback transactions.

In addition, the Group leases 12 (2012: 16) cars and 11 (2012: 10) properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in other operating expenses in 2013 was NOK 47.7 million. (2012: NOK 46.0 million).

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

	Nominal value 2013				Nominal value 2012			
(NOK 1,000)	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	1,973,589	3,943	56,594	2,034,125	1,526,147	4,339	45,367	1,575,852
Between 1 and 5 years	6,627,441	7,476	89,323	6,724,240	6,577,357	11,419	63,572	6,652,348
After 5 years	6,150,864	0	16,308	6,167,172	7,017,603	0	29,355	7,046,957

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

Specification of receivables

(NOK 1,000)	2013	2012
Trade receivables	347,343	217,381
Credit card receivables	727,854	665,284
Deposits	183,755	127,388
Deferred leasing costs	29,989	20,387
Reimbursements claims maintenance costs	272,908	99,157
Other claims	23,900	20,410
Trade and other receivables	**1,585,748**	**1,150,008**
Prepaid costs	103,823	24,060
Public duty debt	84,325	35,784
Prepayments to employees	1,148	945
Prepaid rent	47,071	21,323
Prepayments	**236,367**	**82,112**
Total	**1,822,116**	**1,232,120**
Maximum credit risk	1,348,105	981,823

Due dates

(NOK 1,000)	2013	2012
Within one year	1,623,079	1,096,558
After 1 year	199,036	135,562
Total	**1,822,116**	**1,232,120**

Currency (NOK 1,000)	2013	2012
DKK	87,029	97,083
EUR	22,181	16,940
GBP	4,688	3,207
NOK	641,616	494,558
USD	97,679	51,683
SEK	272,672	231,376
PLN	2,041	1,851
THB	6,346	0
CAD	210	0

Fair value of trade and other receivables

(NOK 1,000)	2013	2012
Due within one year	1,623,079	1,096,558
After one year *)	169,016	115,117
Total	**1,792,095**	**1,211,674**

*) Discount rate 2.8% (2012: 2.5%). For receivables due within one year, fair value is equal to nominal value.

Provision for bad debt

(NOK 1,000)	2013	2012
Balance 1 January	34,981	13,795
Charged to the income statement	12,655	12,555
Accruals	10,777	34,981
Reversals	-45,534	-26,350
Balance 31 December	**12,879**	**34,981**

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

Overdue accounts receivables

(NOK 1,000)	2013	2012
Overdue less than 1 month	41,844	21,288
Overdue 1-2 months	4,657	1,938
Overdue 2-3 months	687	1,047
Overdue over 3 months	8,204	8,468
Total	**55,391**	**32,740**

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 31 December. Overdue accounts receivables include trade receivables and credit card receivables.

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

Note 14—Inventories

(NOK 1,000)	2013	2012
Consumables	60,937	61,068
Parts for heavy maintenance	13,198	7,317
Total	**74,135**	**68,385**

In 2013 and 2012 the Group removed stock 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 2013 were NOK 27.6 million (2012: NOK 16.5 million).

Note 15—Equity and Shareholder Information

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

(NOK 1,000)	Number of shares	Ordinary shares	Share premium	Total
01 January 2012	34,878,226	3,488	1,075,463	1,078,951
Share issue 1 November 2012	283,913	28	18,085	18,114
31 December 2012	**35,162,139**	**3,516**	**1,093,548**	**1,097,065**
31 December 2013	**35,162,139**	**3,516**	**1,093,549**	**1,097,065**

All issued shares are fully paid with a par value of 0.1 NOK per share (2012: 0.1 NOK per share). There is only one category of shares, and all shares have equal rights. The share issue at 1 November 2012 was related to exercise of employee share options with an exercise price of NOK 124.40. For additional information about employee share options, see note 17.

Description of items booked directly on shareholder's equity:

Translation differences

NOK 2.9 million has been booked as comprehensive income at 31 December 2013 (2012: NOK 0.3 million). The translation differences arise from translating the non-Norwegian subsidiaries from functional currency to presentation currency.

Stock option plan

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

See note 17 for further details. Total share option expense in 2013 was NOK 9.4 million (2012: NOK 0).

Shareholder structure

The largest shareholders at 31 December 2013 were;

	A-shares	Ownership	Voting-rights
HBK INVEST AS	9,499,116	27.02%	27.02%
FOLKETRYGDFONDET	2,441,393	6.94%	6.94%
SKAGEN VEKST	1,448,775	4.12%	4.12%
SKAGEN KON-TIKI	997,061	2.84%	2.84%
CLEARSTREAM BANKING	810,516	2.31%	2.31%
J.P. MORGAN CHASE BA	779,012	2.22%	2.22%
DANSKE INVEST NORSKE	705,289	2.01%	2.01%
VERDIPAPIRFONDET DNB	692,874	1.97%	1.97%
DANSKE INVEST NORSKE	491,789	1.40%	1.40%
KLP AKSJE NORGE VPF	476,818	1.36%	1.36%
VARMA MUTUAL PENSION	448,567	1.28%	1.28%
DNB NOR BANK ASA EGE	391,598	1.11%	1.11%
STENSHAGEN INVEST AS	341,693	0.97%	0.97%
JP MORGAN CHASE BANK	339,396	0.97%	0.97%
STATE STREET BANK AN	329,835	0.94%	0.94%
DNB LIVSFORSIKRING A	289,487	0.82%	0.82%
SKANDINAVISKA ENSKIL	250,768	0.71%	0.71%
KOMMUNAL LANDSPENSJO	250,000	0.71%	0.71%
STATOIL PENSJON	248,732	0.71%	0.71%
KLP AKSJE NORGE INDE	245,676	0.70%	0.70%
Other	13,683,744	38.92%	38.92%
Total number of shares	**35,162,139**	**100%**	**100%**

The shareholding of HBK Invest at 31 December 2013 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.

The largest shareholders at 31 December 2012 were;

	A-shares	Ownership	Voting-rights
HBK INVEST AS	9,489,116	26.99%	26.99%
FINNAIR PLC	1,649,862	4.69%	4.69%
SKAGEN KON-TIKI	1,628,768	4.63%	4.63%
SKAGEN VEKST	1,504,738	4.28%	4.28%
JPMORGAN CHASE BANK	823,567	2.34%	2.34%
DANSKE INVEST NORSKE	732,876	2.08%	2.08%
STATOIL PENSJON	676,060	1.92%	1.92%
DANSKE INVEST NORSKE	617,942	1.76%	1.76%
VERDIPAPIRFONDET DNB	572,443	1.63%	1.63%
KLP AKSJE NORGE VPF	534,416	1.52%	1.52%
DNB LIVSFORSIKRING A	437,293	1.24%	1.24%
KOMMUNAL LANDSPENSJO	334,415	0.95%	0.95%
JPMCB RE SHB SWEDISH	302,931	0.86%	0.86%
BNYBE - TT MID-CAP E	301,310	0.86%	0.86%
STATE STREET BANK &	285,280	0.81%	0.81%
GOLDMAN SACHS INT. -	280,397	0.80%	0.80%
STATE STREET BANK AN	278,877	0.79%	0.79%
VERDIPAPIRFONDET DNB	270,000	0.77%	0.77%
VERDIPAPIRFONDET DNB	258,906	0.74%	0.74%
FOLKETRYGDFONDET	252,700	0.72%	0.72%
Other	13,930,242	39.62%	39.62%
Total number of shares	**35,162,139**	**100%**	**100%**

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

Name	Title	Shares 1)
Bjørn Kise 2)	Chairman	781,537
Ola Krohn-Fagervoll	Deputy chairman	3,462
Liv Berstad	Board Member	0
Marianne Wergeland Jenssen	Board Member	800
Linda Olsen	Board Member - Employee repr	0
Thor Espen Bråten	Board Member - Employee repr	497
Kenneth Utsikt	Board Member - Employee repr	260
Bjørn Kjos 3)	Chief Executive Officer	8,035,231
Frode E Foss	Chief Financial Officer	35,000
Per-Ivar Gjørvad	Chief IT Officer	300
Asgeir Nyseth	Chief Operating Officer	12,342
Geir Steiro (from November 1 2013)	Chief Operating Officer	0
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0
Gunnar Martinsen	Senior Vice President HR and Organisation	9,234
Frode Berg (from February 11 2013)	Chief Legal Officer	0

1) Including shares held by related parties
2) Bjørn Kise holds 8.2% of HBK invest AS
3) Bjørn Kjos holds 84.1% of HBK Invest AS

Options directly held by the Chief Executive Officer and members of Executive Management;

Name	Title	Outstanding 2012	Issued 2013	Outstanding 2013
Bjørn Kjos	Chief Executive Officer	0	100,000	100,000
Frode E Foss	Chief Financial Officer	0	100,000	100,000
Per-Ivar Gjørvad	Chief IT Officer	0	20,000	20,000
Geir Steiro (from November 1 2013)	Chief Operating Officer	0	5,000	5,000
Asgeir Nyseth	Chief Operating Officer	0	100,000	100,000
Frode Berg (from February 11 2013)	Chief Legal Officer	0	20,000	20,000
Anne-Sissel Skånvik	Senior Vice President Corporate	0	50,000	50,000
Gunnar Martinsen	Senior Vice President HR and	0	50,000	50,000

Specification of other reserves

	Available-for-sale financial assets	Translation differences	Total
1 January 2012	0	-9,638	-9,638
Translation differences	0	303	303
31 December 2012	0	**-9,335**	**-9,335**
Available for sale financial assets	0	-2,925	-2,925
Translation differences	1,158	0	1,158
31 December 2013	**1,158**	**-12,260**	**-11,102**

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

Note 16—Earning 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)	2013	2012
Profit	321,564	456,646
Average number of shares outstanding	35,162,139	34,924,769
Average number of shares and options outstanding	35,651,865	35,162,139
Basic earnings per share	9.15	13.08
Diluted earnings per share	9.02	12.99

	2013	2012
Average number of shares outstanding	35,162,139	34,924,769
Dilutional effects		
Stock options	489,726	237,370
Average number of shares outstanding adjusted for dilutional effects	35,651,865	35,162,139

Note 17—Options

In 2013, the Board has issued 625,000 share options to employees. The share options have an exercise price of NOK 231.2, equal to 10% above the weighted average share price on 20 March 2013. The share options may be exercised two years after the grant, with an exercise window of six months.

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;

	2013
Dividend (%)	0%
Expected volatility (%)	45.00%
Risk free interest (%)	1.33%
Expected lifetime (year)	2.50
Share price at grant date	216.40

There were no option grants in 2012.

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 9.4 million in 2013 (NOK 0 in 2012).

	2013 Shares	Weighted avg. exerc. Price	2012 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	0	0.0	283,913	63.8
Allocated	625,000	231.2	0	0.0
Exercised	0	0.0	283,913	67.0
Outstanding at the end of the period	625,000	231.2	0	0.0
Vested options	0	0.0	0	0.0
Weighted average fair value of options allocated in the period	0		0	0.0

2013	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (yrs)	Weighted average exercise price	Vested options	Weighted average exercise price
231.2	625,000	1.5	231.2	—	—

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 31 December 2013, NOK 2.2 million (2012: NOK 1.5 million) was expensed.

Note 18—Pensions

The Group operated defined benefit plans and defined contribution plans in Norway and Sweden. The majority of employees participated in a defined benefit plan in Norway. Norwegian Air Shuttle ASA closed its defined benefit plan on 1 December 2012 and all employees were transferred to the defined contribution plan. In fourth quarter 2013, the Group issued a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 28 for further details regarding settlement with the Norwegian Pilot Union. 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 and Swedish Pension legislation.

Pension expenses on defined contribution plans are NOK 36.7 million in 2013 (2012: NOK 72.9 million). The decrease in expenses relates to a reversal of estimates for provisions related to the pension liability, in addition to transfer of pilot employee contracts to Norwegian Air Norway AS

Defined benefit plan

As per December 31, 2013, 395 employees were active members (2012: 0) and 0 (2012: 0) were on pension retirement. The related pension liability is recognized at NOK 127.8 million (2012:0).

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 and IR 02. This has had no material effect on the consolidated financial statements in 2013.

Pension expense (NOK 1,000)	Funded	2013	Total 2012
Net present value of benefits earned	80,089	80,089	173,104
Interest cost on pension liability	474	474	23,017
Return on plan assets	0	0	-13,931
Administrative expenses	0	0	2,888
Recognized actuarial gains/losses	0	0	
Recognized net liability—settlement	0	0	-30,040
Social security tax	11,365	11,365	25,946
Net pension expense defined benefit plans	91,928	91,928	180,984
Pension expense on defined contribution plans		32,273	63,880
Social security tax		4,411	9,007
Total pension expense		**128,612**	**253,871**

Defined benefit liability and fund (NOK 1,000)

	2013		2012	
	Funded	**Total**	**Funded**	**Total**
Change in present value of defined benefit liability:				
Gross pension liability 01.01	0	0	955,334	955,334
Current service costs	11,559	11,559	172,733	172,733
Interest cost	474	474	22,706	22,706
Actuarial gains/losses	1,639	1,639	-241,712	-241,712
Settlement	0	0	-902,492	-902,492
Accruals forcompensation liability	111,000	111,000		
Benefits paid	0	0	-6,569	-6,569
Gross pension liability 31.12	**124,671**	**124,671**	**0**	**0**
Change in fair value of plan assets:				
Fair value of pension assets 01.01	0	0	515,629	515,629
Expected return	-36	-36	15,247	15,247
Actuarial gains/losses	2,106	2,106	-1,510	-1,510
Administrative expenses	0	0	-3,184	-3,184
Settlement	0	0	-670,958	-670,958
Contributions paid	12,134	12,134	151,345	151,345
Benefits paid	0	0	-6,569	-6,569
Fair value of plan assets 31.12	**14,204**	**14,204**	**0**	**0**
Net pension liability	**110,468**	**110,468**		**0**
Unrecognized actuarial gains/losses		0		0
Social security tax	17,353	17,353		0
Net recognised pension liability 31.12	**127,821**	**127,821**		**0**

	2013	2012
Actual return on pension funds *)	5.70%	5.70%
Expected contribution to be paid next year	85,938	0

*) 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%.

	2013
Discount rate	4.10%
Expected return on pension funds	4.10%
Wage adjustments	3.50%
Increase of social security base amount (G)	3.50%
Future pension increase	0.60%
Average turnover	2-10%

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

	2013
Equity	6.8%
Alternative investments	3.5%
Bonds	17.0%
Money market funds	22.0%
Hold-to maturity bonds	35.2%
Real estate	14.3%
Various	1.1%

The table shows actual distribution of plan assets at 31 December 2013.

Historical information

(NOK 1,000)	2013	2012	2011	2010	2009
Present value of defined benefit obligation	124,671	0	955,334	686,588	483,721
Fair value of plan assets	14,204	0	515,629	401,877	301,612
Deficit/ (surplus) in the plan	**110,468**	**0**	**439,705**	**284,711**	**182,109**
Experience adjustments on plan liabilities	0	0	108,905	81,092	-25,272
Experience adjustments on plan assets	0	0	28,702	2,130	-28,148

Note 19—Provisions

Periodic maintenance on leased Boeing 737 aircraft

(NOK 1,000)	2013	2012
Opening balance	198,749	91,831
Charges to the income statement	-528,498	-477,782
Accruals	797,355	584,700
Closing balance	467,607	198,749
Classified as short term liabilities	54,869	23,443
Classified as long term provision	412,737	175,306

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 maintenances of aircraft, both regularly as well as at the expiration of the leasing period. The overhauls and maintenances 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 maintenances 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 maintenances and mandatory maintenances. The estimated costs of overhauls and maintenances 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 3,8 million (2012: NOK 2.1 million)

Parts of the periodic maintenances will be conducted in 2014, and NOK 54.9 million is classified as a short term liability for periodic maintenances (2012: NOK 23.0 million). The short term part of periodic maintenance is estimated based on the planned maintenances in 2014.

Pension cost

(NOK 1,000)	2013	2012
Opening balance	187,394	0
Reversals	-187,394	0
Accruals		187,394
Closing balance	0	187,394
Classified as short term liabilities	0	187,394
Classified as long term provision	0	0

The Group's defined benefit plan was closed 1 December 2012 and a new defined contribution plan was issued to all employees, in 2013, according to agreement with labour unions, a new defined benefit plan was issued to certain employees (see note 18). Provisions for pension cost at 31 December 2012 consisted of estimated conversion costs, non-forfeiture value to employees and potential legal claims (see note 28). The provision was reversed in 2013.

Note 20—Financial Instruments

Financial instruments by category

	31 December 2013			
Assets as per balance sheet	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets	0	0	93,847	93,847
Derivative financial instruments	0	37,389	0	37,389
Trade and other receivables *)	1,585,748	0	0	1,585,748
Cash and cash equivalents	2,166,126	0	0	2,166,126
Total	**3,751,874**	**37,389**	**93,847**	**3,883,110**
*) Prepayments not included in trade and other receivables	236,367			

	31 December 2012			
Assets as per balance sheet	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets	0	0	12,862	12,862
Derivative financial instruments	0	0	0	0
Trade and other receivables *)	1,150,008	0	0	1,150,008
Cash and cash equivalents	1,730,895	0	0	1,730,895
Total	**2,880,903**	**0**	**12,862**	**2,893,765**
*) Prepayments not included in trade and other receivables	82,112			

Liabilities per balance sheet	31 December 2013 Fair value through profit or loss	Other financial liabilities	Total
Borrowings	0	6,512,156	6,512,156
Derivative financial instruments	0	0	0
Trade and other payables *)	0	1,816,371	1,816,371
Total		**8,328,527**	**8,328,527**
*) Public duties not included in trade and other payables		133,323	

Liabilities per balance sheet	31 December 2012 Fair value through profit or loss	Other financial liabilities	Total
Borrowings	0	5,527,065	5,527,065
Derivative financial instruments	190,356	0	190,356
Trade and other payables *)	0	1,427,476	1,427,476
Total	**190,356**	**6,954,541**	**7,144,898**
*) Public duties not included in trade and other payables		137,480	

See note 22 for details related to borrowings.

Credit quality of financial assets

(NOK 1,000)

Trade receivables	2013	2012
Counterparties with external credit rating A or better	727,854	665,284
Counterparties without external credit rating	857,894	484,723
Total trade receivables	**1,585,748**	**1,150,008**

Cash and cash equivalents	2013	2012
A+ or better	1,330,950	880,312
BBB +	835,176	850,583
Total cash and cash equivalents	**2,166,126**	**1,730,895**

Derivative financial assets	2013	2012
A+ or better	37,389	0
Total derivative and financial assets	**37,389**	**0**

Available-for sale financial assets

(NOK 1,000)	2013	2012
January 1st	12,861	2,689
Additions	80,985	10,172
31 December	**93,846**	**12,861**
Non-current portion	82,689	2,689
Current portion	11,158	10,172

Available-for-sale financial assets at 31 December 2013 consist of an investment in an unlisted equity instrument in Silver Pensjonsforsikring an investment in Forth Moment Fund managed by Warren Capital AS, and an investment in a listed bond issue in Bank Norwegian. The fair value of available for sale financial assets is NOK 93.8 million (2012: NOK 12.9 million).

The fair value of the equity investment in Silver Pensjonsforsikring is estimated by calculating fair value per share from Holberg Fondsforvaltning AS multiplied by the number of shares held in the investment. Holberg Fondsforvaltning AS is a professional investment manager situated in Norway. The fair value of the shares is considered to be the best estimate of the market value of the investment. The investment is denominated in NOK.

The fair value of the investment in Forth Moment Fund is estimated based on Net Asset Valuation reports from the investment manager. The investment is denominated in EUR and is exposed to a wide range of currency risks as the assets of the Fund may be invested in securities denominated in a wide range of currencies.

See note 3 for fair value calculations.

Derivative financial instruments

(NOK 1,000)	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	37,389	0	0	190,164
Forward commodities contracts		0	0	192
Total	37,389	0	0	**190,356**
Current portion	37,389	0	0	190,356

Trading derivatives are classified as current assets or liabilities.

The total amount from derivatives amounts to a gain of NOK 525.1 million (2012: loss of NOK 336.4 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 31 December 2013 were NOK 37.9 million (2012: NOK - 190.2 million). At 31 December 2013, the Group had forward foreign currency contracts to secure MUSD 830(2012: MUSD 761).

Forward commodities contracts

Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at 31 December 2013 were NOK 0 (2012: NOK -0.2 million). The Group had secured 8,090 tons of jet-fuel through derivatives at 31 December 2012, all of which were realized during 2013.

Fair value is calculated using mark to market values from financial institutions. Spot price in the mark to market calculations are based on mid-prices as set by the financial institutions (Nordea, DNB and Handelsbanken) at the reporting date, see note 3 for fair value calculations.

Other losses/gains—net

(NOK 1,000)	2013	2012
Financial assets at fair value through profit or loss		
- Fair value losses	2,127,819	1,927,902
- Fair value gains	-2,355,564	-1,603,765
Net losses/(gains)	-227,745	324,137
- Foreign exchange (gains)/losses on operating acitivities	-274,403	12,247
Total	**-502,148**	**336,385**

Losses and gains on financial assets and financial liabilities at fair value through profit or loss are classified as ‘other losses/(gains)—net’. Foreign exchange losses and gains on operating activities are classified as other losses/(gains)—net.

Note 21—Trade and Other Payables

(NOK 1,000)	2013	2012
Accrued vacation pay	158,874	142,487
Accrued airport and transportation taxes	168,845	120,481
Accrued expenses	708,643	476,110
Trade payables	632,921	406,134
Payables to related party (note 27)	1,436	132
Public duties	133,323	137,480
Short term provisions for MRC (note 19)	54,869	23,443
Provisions for pension costs (note 19)	0	187,394
Other short term provisions	90,783	71,295
Total	**1,949,693**	**1,564,955**

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

Note 22—Borrowings

Nominal value at 31 December 2013

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000	-6,129	593,871	6.9%
Facility agreement	148,673	-1,587	147,086	8.6%
Aircraft financing	6,012,987	-323,240	5,689,747	3.3%
Loan facility	70,978		70,978	3.5%
Financial lease liability	10,475		10,475	4.9%
Total	**6,843,113**	**-330,956**	**6,512,156**	

Nominal value at 31 December 2012

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000	-11,052	588,948	7.5%
Facility agreement	941,008	-10,313	930,695	6.8%
Aircraft financing	4,118,189	-224,517	3,893,672	3.1%
Loan facility	98,135	-203	97,932	3.8%
Financial lease liability	15,819		15,819	5.9%
Total	**5,773,150**	**-246,085**	**5,527,065**	

Effective interest rate during 2013, recognized as financial items (note 8) and capitalized borrowing costs (note 11), is 4.8% (2012: 4.2%)

Classification of borrowings

(NOK 1,000)	2013	2012
Non-current		
Bond issue	593,871	588,948
Aircraft financing	5,143,039	3,507,117
Loan facility		70,789
Financial lease liability	6,845	10,853
Total	**5,743,755**	**4,177,707**
Current		
Bond issue	0	0
Facility agreement	147,086	930,695
Aircraft financing	546,708	386,555
Loan facility	70,978	27,143
Financial lease liability	3,629	4,966
Total	**768,401**	**1,349,359**
Total borrowings	**6,512,156**	**5,527,065**

The carrying amounts of the group's borrowings are denominated in the following currencies;

(NOK 1,000)	2013	2012
USD	5,836,832	4,824,366
NOK	675,324	702,699
Total	**6,512,156**	**5,527,065**

Collateralized borrowings are detailed in note 23.

Covenants

Bond issue

(Capital Employed = equity + borrowings - cash)
Equity/Capital Employed higher than 30%
Dividend payments less than 35% of net profit
Minimum liquidity of NOK 100 million

Revolving credit facilities

There are no financial covenants on revolving credit facilities, except for the facility with DNB outlined below.

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.

Loan facility and revolving credit facility with DNB

Adjusted market value; market value higher than 70% of the loan
Equity/Capital Employed higher than 30%
(Capital Employed = equity + interest bearing debt - cash)
The minimum unrestricted cash credited to the Borrower's accounts with the Bank shall at no time be less than NOK 800 million.

The Cash Flow Cover shall be no less than 1, measured quarterly and where: Cash Flow Cover = (EBITDA - d NWC - taxes paid) / (interest + amortization), d NWC = Change in net working capital

The Gearing Ratio shall be no higher than 6.75 measured quarterly and where Gearing Ratio shall mean (total funded debts + (leasing charges x 7) - Cash) / EBITDAR).

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

The Group has not been in breach of any covenants during 2013.

Fair value calculations

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

	Carrying amount		Fair Value	
(NOK 1,000)	**2013**	**2012**	**2013**	**2012**
Bond issue	593,871	588,948	600,760	601,226
Aircraft financing	5,143,039	3,507,117	4,871,329	3,975,958
Loan Facility	0	70,789	0	70,992
Financial lease liability	6,845	10,853	9,060	12,506
Total fair value	**5,743,755**	**4,177,707**	**5,481,150**	**4,660,682**

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:

Bond Issue

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 13 April 2015. The coupon is NIBOR + 5.5%.

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Facility agreement

Interest rate of LIBOR 3M and a risk premium equal to the spread at the reporting date. The Group has entered facility agreements with ING Bank N.V, DVB Bank SE and DNB ASA in 2011 and 2012 to cover pre-delivery financing for aircraft with delivery between 2013 and 2014.

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

Aircraft financing

Fixed and floating interest rate based on LIBOR 7Y 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. 18% of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 82% 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.

Loan facility

The floating interest rate is based on NIBOR 3M and a risk premium of 2.25%. The loan facility is denominated in NOK and matures quarterly, with the final commitment to pay on 30 June 2014. See note 2 for further maturity analysis of borrowings.

Financial lease liability

The liability is de facto secured in the financial lease asset, as the rights and obligations of the leased asset is returned to the lessor if the lease agreement is not fulfilled.

The discount rates used to calculate the fair value of the financial lease liability equals the risk free interest rate and spread related to the loan facility in 2013 and 2012 as this loan facility regarded the best estimate for credit spread on financial lease liability. The financial lease liability is denominated in NOK.

Future minimum lease payments under financial lease liability

(NOK 1,000)	2013	2012
Future minimum lease payments		
-No later than 1 year	3,406	5,325
-Between 1 and 5 years	8,389	12,654
-Later than 5 years		0
Total	**11,794**	**17,979**
Future finance charges on financial lease liability	1,320	2,160
Present value of financial lease liability	**10,475**	**15,819**

Note 23—Assets Pledged as Collaterals and Guarantees

Liabilities secured by pledge (NOK 1,000):	2013	2012
Aircraft financing	5,689,747	3,893,672
Loan Facility	70,978	97,932
Facility agreement	147,086	930,695
Financial lease liability	10,475	15,819
Total	**5,918,285**	**4,938,117**

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 ING Bank N.V and DVB Bank SE to secure the pre-delivery payments.

Five 737-300 fully owned aircraft are pledged as collateral for the loan facility and the pledged collateral is cross default with the revolving credit facility with DNB ASA. 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 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):	2013	2012
Cash depot	0	247,097
Prepayment and aircraft	9,915,393	8,277,654
Financial lease asset	21,242	24,562
Total	**9,936,635**	**8,549,313**

Note 24—Bank Deposits

Cash and Cash Equivalents

(NOK 1,000)	2013	2012
Cash in bank	1,330,950	880,312
Cash equivalents	835,176	850,583
Total	**2,166,126**	**1,730,895**

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are 3 months or less. At 31 December 2013, the interest terms of the cash deposits in folio accounts are 1 month NIBOR −0.25% p.a. The interest terms on restricted cash deposits in folio accounts are 1 month NIBOR +0.85% p.a.

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

Restricted Cash

(NOK 1,000)	2013	2012
Guarantees for leases and credits from suppliers	219,391	183,095
Taxes withheld	60,107	69,845
Total	**279,498**	**252,940**

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.

Note 25—Investments in Subsidiaries

Norwegian Air Shuttle Polska SP.zo.o

The subsidiary was established in 2006 and has been based in Warsaw, Poland. The Group controlled 100% of the shares. The company was liquidated in 2013.

Norwegian Air Shuttle Sweden AB

The subsidiary was purchased on 31 July 2007 and the Group controls 100% of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was NOK 199.8 million. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary supplies the crew and provides technical services. Transactions between the parent company and the Swedish subsidiary during 2013 consisted of the supply of personnel. On 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian Air Shuttle ASA through the purchase of assets.

Call Norwegian AS

On 14 January 2008 the Group established Call Norwegian AS, and the Group controls 100% of the shares. The Company had no activity in 2013.

Norwegian Holiday AS

On 15 July 2008 the Group established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and in 2013 the company changed name to Norwegian Holidays AS. The Group controls 100% of the shares.

Norwegian Long Haul AS

On 1 January 2012, the Group established Norwegian Long Haul AS, and controls 100% of the shares. The company is incorporated in Norway and is established for the purpose of operating the Group's long haul destinations with Boeing 787-8 Dreamliner aircraft.

September Aviation Assets Ltd

September Aviation Assets Ltd, incorporated in Ireland, was established on 9 August 2013, with the purpose of administering the Groups aircraft assets. The Group controls 100% of the shares.

Norwegian Air International Ltd

On 3 April 2013 Norwegian Air International Ltd, which is incorporated in Ireland, was established with the purpose of operating the Groups long haul activities. The Group controls 100% of the shares.

Norwegian Assets Ltd

On 16 Decemberl 2013 Norwegian Asset Ltd, which is incorporated in Ireland, was established with the purpose of operating the Groups long haul activities. The Group controls 100% of the shares.

Norwegian Air Norway AS

On 28 May 2013 Norwegian Air Norway AS, which is incorporated in Norway, was established. The company's purpose is to operate parts of the Groups flight operations.

Norwegian Cargo AS

On 16 April 2013 Norwegian Cargo AS, which is incorporated in Norway, was established. The Group controls 65% of the shares. The company is established with the purpose of commercially administer the Groups Cargo activities.

Norwegian Air Resources Holding Ltd

On 20 September 2013 Norwegian Air Resources Holding Ltd, which is incorporated in Ireland, was established. The company has had no activity in 2013.

Norwegian Brand Ltd

On 9 December 2013 Norwegian Brand Ltd, which is incorporated in Ireland, was established. The company will maintain the Groups overall brand and marketing activities.

AB Norwegian Air Resources Finland Ltd

On 14 June 2011, Ab Norwegian Air Shuttle Finland Ltd, which is incorporated in Finland, was established. In 2013 the company changed name to Norwegian Air Resources Finland AB and had no activity in 2013.

Norwegian Air Resources International AB

On 7 February 2013, Norwegian Air Resources International AB which is incorporated in Sweden was established. The company has had no activity in 2013.

Norwegian Air Resources Sweden AB

On 28 August 2013, Norwegian Air Resources Sweden AB which is incorporated in Sweden, was established. The company has had no activity in 2013.

Norwegian Resources Denmark ApS

On 5 September 2013, Norwegian Resources Denmark ApS, which is incorporated in Denmark, was established. The company has had no activity in 2013.

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Shuttle Sweden AB	7/31/2007	Stockholm, Sweden	20,000	100%
Call Norwegian AS	1/14/2008	Fornebu, Norway	1,000,000	100%
Norwegian Holiday AS	08/04/2008	Fornebu, Norway	100	100%
AB Norwegian Air Resources Finland Ltd	06/14/2011	Helsinki, Finland	200	100%
Norwegian Long Haul AS	01/01/2012	Fornebu, Norway	20,000	100%
Norwegian Long Haul Singapore Ltd	11/29/2012	Singapore	10,000	100%
Norwegian Air Norway AS	05/28/2013	Fornebu, Norway	30	100%
Norwegian Cargo AS	04/16/2013	Fornebu, Norway	100,000	65%
Norwegian Brand Limited	12/09/2013	Dublin, Ireland	151,711,820	100%
September Aviation Assets Limited	08/09/2013	Dublin, Ireland	349,103,667	100%
Oslofjorden Limited	08/22/2013	Dublin, Ireland	1	100%
Drammensfjorden Leasing Limited	09/24/2013	Dublin, Ireland	1	100%
Geirangerfjorden Limited	11/26/2013	Dublin, Ireland	1	100%
DY1 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY2 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY3 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY4 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY5 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY6 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY7 Aviation Ireland Limited	08/02/2013	Dublin, Ireland	1	100%
Norwegian Air International Limited	04/03/2013	Dublin, Ireland	116,449,937	100%
Norwegian Assets Limited	12/16/2013	Dublin, Ireland	53,361,269	100%
Norwegian Air Resources Holding Limited	09/20/2013	Dublin, Ireland	1	100%
Norwegian Air Resources International AB	02/07/2014	Stockholm, Arlanda	50,000	100%
Norwegian Air Resources Sweden AB	08/28/2013	Stockholm, Arlanda	50,000	100%
Norwegian Resources Denmark ApS	09/05/2013	Hellerup, Danmark	80,000	100%

Note 26—Investments in Associated Companies

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

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2012	Net profit/(loss) 2013	Share issue 2013	Carrying amount 31.12.2013
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	116,050	46,597	1,926	164,575

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2011	Net profit/(loss) 2012	Share issue 2012	Carrying amount 31.12.2012
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	82,091	32,840	1,119	116,050

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;

2013 (NOK 1,000)

Entity	Country	Assets	Liabilities	Revenues	Profit/ (Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	1,667,696	1,511,345	139,748	46,597	20%

2012 (NOK 1,000)

Entity	Country	Assets	Liabilities	Revenues	Profit/ (Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	1,313,956	1,205,390	99,553	32,840	20%

Note 27—Related Party Transactions

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.2% through the controlling ownership of HBK Invest AS. The Chairman 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 2013 or 2012, except for indirect transactions through Fornebu Næringseiendom.

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

The Group leases its property at Fornebu from Fornebu Næringseiendom AS, which is a wholly owned subsidiary of HBK Invest AS. The leasing agreement entitles the Group to lease Oksenøyveien 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 2013 and 2012. 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 2013 or 2012.

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):

Sales (-) and purchases (+) of goods and services (excl VAT)	**2013**	**2012**
- Simonsen Vogt Wiig (legal services)	8,436	6,175
- Associate (commission)	-67,202	-40,049
- Associate (interests on subordinated loan)	-3,491	-2,541
- Fornebu Næringseiendom (property rent)	13,319	13,168

Year-end balances arising from sales/purchases of goods/services (incl VAT)	**2013**	**2012**
Receivables from related parties (note 13)		
- Simonsen Vogt Wiig (legal services)	0	0
- Associate (commission)	10,000	4,000
- Fornebu Næringseiendom (property rent)	0	0
- Ola Krohn-Fagervoll (services as Board Member - note 7)	0	0
Payables from related parties (note 21)		
- Simonsen Vogt Wiig (legal services)	1,436	132
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	-4,082	0

Investment in related parties	**2013**	**2012**
- Associate (subordinated loan)	80,000	30,000

Note 28—Contingencies and Legal Claims

As described in note 28 in the Annual Report for 2012, Norwegian was in a legal dispute with the Norwegian Pilot Union at 31 December 2012. This dispute was settled during the fourth quarter 2013, resulting in a liability for the Company to issue a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 18 for details on pensions.

Note 29—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, and the remaining two aircraft will be delivered in 2014 and 2015. The aircraft have a (total) list price of USD 580 million. The three aircraft will complement the 787-8 Dreamliner leases (note 12). At 31 December 2013, the Group has 7 Boeing 787-8 Dreamliner lease orders with expected delivery from 2014 to 2016.

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.

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

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 maintenances, 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.

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

Note 30—Events after the Reporting Period

On 12 February, Irish authorities issued an air operator's certificate (AOC) and operating license to Norwegian Air International Ltd.

On 12 February, the Group signed a letter of intent for four additional leased Boeing 787-9 aircraft.

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Translation from the original Norwegian version

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 31 December 2013, and the income statement 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 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Chief Executive Officer's Responsibility for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway 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 Chief Executive Officer 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

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Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

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 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

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 31 December 2013, 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 profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 26 March 2014
Deloitte AS

Jørn Borchgrevink (signed)
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

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NORWEGIAN AIR SHUTTLE ASA

2016-1 Pass Through Trusts
NAS Enhanced Pass Through Certificates, Series 2016-1

OFFERING MEMORANDUM

Sole Structuring Agent, Global Coordinator and Bookrunner

MORGAN STANLEY

May 6, 2016